Non-Tariff Barriers Affecting SME’s Philippine Case

Jay Chavez
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Ionics EMS, Inc

- A stable electronics company with a 41-year track record
- Publicly listed
- Oldest and most experienced electronics manufacturing company in the Philippines
- Turnkey or consignment mode of business
- Pioneer in the assembly of flip chip technology
- ISO9001, ISO14000, ISO / TS16949 and ISO13485 certified
- Partner of technology companies
- Respect for Intellectual Property
Telecommunication Products

WiMAX Solutions
Tracking Device
Wireless Backhaul
Two-way Radios
Power Over LAN
Satellite Receiver
Transceiver
Terminal Central Unit Card
MSAN
Consumer and Module Products

- Tags
- USB Flash Drives
- Electronic Dispensers
- High Definition Tele-conferencing System
- Optical Drives
- WiFi Modules
- Electronic Sign Pads
- Electronic Locks
Automotive Products

Vehicle Security System

GPS Navigation System

Engine Sensor

Engine Starter

RF Tuners

GPS Tracking System

Electronic Car Dash Board
PC Peripheral & Medical Products

- Flip Chip on Flex and Rigid Boards
- HDD Controller Boards
- Stem Cell Lab Equipment
- Remote Proctor
- Digital Thermometer
- Solid State Drive
- RFI Tags
The industry is top exporter of the Philippines, accounting for about half (up to 49.5%) of the total Philippine export revenue.

Semiconductor and electronics industry is comprised of 70% semiconductor and 30% electronics manufacturing.

The electronics industry contribute 28% of GDP.

More than 2M direct employment, 14M indirect employment.

Industry is growing at a good rate (8.13% in 2014).
Cumulative exports for electronic products was US$25.88 billion in 2014. (8.13% higher from US$23.93 billion in 2013)

Top 3 contributors are:
Components/Device (Semiconductors) – $17.8B
Electronic Data Processing - $5.68B
Control and Instrumentation - $591M
Top 10 Countries of Export Destination

- Hong Kong: 18%
- Japan: 16%
- China, People's Republic of: 13%
- Singapore: 11%
- United States of America: 11%
- Germany: 7%
- Taiwan: 6%
- Korea, Republic of: 3%
- Netherlands: 3%
- Thailand: 2%
- Rest of the world: 10%
- Other: 18%
Moving up the value stream

- Traditionally focused on labor subcontracting
- Addition of value-added services
- Increasing number of start ups and design houses
- Focus on IoT, Smart X and newer technologies
- Difficulties faced include product certification lead-times and costs
Common NTBs encountered by Philippine companies fall under the following categories:

- Technical barriers to trade (TBT)
- Rules of origin, preferential and non-preferential
- Pre-shipment inspection and other formalities
- Government procurement restrictions
- Sanitary and phytosanitary measures (SPS)
- Contingent trade protective measures
Technical Barriers to Trade

- Common examples of TBTs affecting Philippine companies include:
  - Product certification
  - Product labeling

- Main challenges include:
  - Cost for certification
  - Lead time
  - No local certification laboratories
Rules of Origin

- Rules of origin, preferential
  - Requires rigid process
  - Long lead time to acquire at the start
  - Issued only by Bureau of Customs (BOC)
- Rules of origin, non-preferential
  - Issued by chamber of commerce or BOC
  - Straight forward
  - Lead time in hours
Pre-shipment inspection

• Inspection conducted by third party inspection companies
• Requires scheduling of inspection date and sometimes affects lead time to ship
Gov’t Procurement Restrictions

• Lack of bi-lateral trade agreements prevent sale of information technology equipment to gov’t agencies of other countries
Sanitary and Phytosanitary

- Fumigation of wood pallets
- Alternative plastic or paper pallets more expensive
- Straight forward requirement
Contingent Trade Protective Measures

- Mainly requires filling up of forms (ex. anti-dumping)
- Internal paperwork only and does not require external bodies
- Straight forward, low difficulty
- Lead-time in minutes
Common NTBs were rated according to:

- **C** - Cost to implement
- **D** - Difficulty to comply
- **L** - Lead time to comply
- **O** - Occurrence (how often encountered)

Rating per category was 1-10

Total NTB rating = C x D x L x O

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<th>Measure</th>
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<th>LT to comply</th>
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Main NTB affecting Philippine companies fall under TBTs - specifically, product certification requirements. The differing standards among countries and the lack of local certification laboratories tremendously impact both lead-time and cost to comply.
Summary

• Philippine semiconductor and electronics industry is the country’s top exporter and is growing at a steady rate.
• Increase in number of start ups and small companies involved in product design and development involving IoT, Smart X and newer technologies.
• Main NTB affecting existing and new companies is TBTs specifically product certification.
• Other NTB factors are also encountered such as Certificate of Origin, Pre-shipment inspection, Government procurement rules and others.