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Committee on Safeguards

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**NOTIFICATION UNDER ARTICLE 12.4 OF THE AGREEMENT
ON SAFEGUARDS BEFORE TAKING A PROVISIONAL
SAFEGUARD MEASURE REFERRED TO IN ARTICLE 6****NOTIFICATION UNDER ARTICLE 12.1(B) OF THE AGREEMENT ON
SAFEGUARDS ON FINDING A SERIOUS INJURY OR THREAT
THEREOF CAUSED BY INCREASED IMPORTS****NOTIFICATION PURSUANT TO ARTICLE 9, FOOTNOTE 2
OF THE AGREEMENT ON SAFEGUARDS**

PHILIPPINES

Motor vehicles

The following communication, dated 7 January 2021, is being circulated at the request of the delegation of the Philippines.¹

Further to G/SG/N/6/PHL/15 dated 18 February 2020 and pursuant to Article 12 and Article 9 of the WTO Agreement on Safeguards, the Permanent Mission of the Philippines to the WTO hereby notifies the Committee on Safeguards of its preliminary determination findings on the investigation on the importation of motor vehicles from various countries, and before taking a provisional safeguard measure under Article 6 of the Safeguards Agreement.

1 PROVIDE THE PRECISE DESCRIPTION OF THE PRODUCTS INVOLVED

Motor vehicles classified under AHTN Codes 8703 (passenger cars/vehicles), 8704.21.19 and 8704.21.29 (light commercial vehicles).

2 SPECIFY THE PROPOSED PROVISIONAL SAFEGUARD MEASURE

The provisional safeguard measure will take the form of a cash bond amounting to PhP 70,000/unit for passenger cars/vehicles under AHTN Code 8703 and PhP 110,000/unit for light commercial vehicles under AHTN Code 8704.21.19 and 8704.21.29, for a period of 200 days from the date of issuance by the Bureau of Customs (BOC) of the relevant Customs Memorandum Order (CMO) or fifteen (15) days after the publication of the DTI Order in two (2) newspapers of general circulation, whichever comes earlier. The Order was signed by the Secretary of the DTI on 29 December 2020.

Imported passenger cars/vehicles that are described as completely knocked-down (CKD), semi knocked-down (SKD), and used vehicles are excluded from the coverage of the provisional duty. Also excluded are special purpose vehicles such as ambulance, hearse, electric motor vehicles, and

¹ A copy of the DTI Administrative Order has been submitted electronically. To consult this document please contact Ms Richards (anne.richards@wto.org) or Ms Naville (delphine.naville@wto.org) of the Rules Division.

luxury cars that have high-end features that go above and beyond the average necessities amounting to more than US\$25,000 based on FOB price.

Likewise, imported light commercial vehicles that are described as completely knocked-down (CKD), semi knocked-down (SKD), and used vehicles are excluded from the coverage of the provisional duty. Also excluded are special purpose vehicles such as ambulance, hearse, e-motor vehicles, and luxury cars that have high-end features that go above and beyond the average necessities amounting to more than US\$28,000 based on FOB price.

Imports originating from developing countries listed in Annexes A and B shall not be subject to the provisional safeguard measure.

3 SPECIFY THE PROPOSED DATE OF INTRODUCTION OF THE PROVISIONAL SAFEGUARD MEASURE

The provisional safeguard measure is scheduled to enter into force upon issuance by the Bureau of Customs (BOC) of the relevant Customs Memorandum Order (CMO) or fifteen (15) days after the publication of the DTI Order in two (2) newspapers of general circulation, whichever comes earlier. The Order signed by the Secretary of the DTI was published in two newspapers of general circulation on 5 January 2021.

4 EXPECTED DURATION OF THE PROVISIONAL SAFEGUARD MEASURE, IF ANY DECISION ON THE DURATION OF THE SAFEGUARD MEASURE HAS BEEN MADE

The provisional safeguard measure will be in force for two hundred (200) days.

5 PROVIDE THE BASIS FOR:

(a) Making a preliminary determination, as provided for in Article 6, that increased imports have caused or are threatening to cause serious injury

A review of the evidence made available to DTI shows:

1) That the volume of imports of:

Passenger cars/vehicles

- In absolute terms, increased from about 154,000 units in 2014 to 207,000 units in 2018 or equivalent to 35% growth rate. In 2019, imports declined by 16% but 13% higher than the pre-surge level. In 2020, (Jan. to Oct.) imports recorded at 88,959 units which is 51% of the 2019 level.
- In relative terms, the share of imported motor vehicles to domestic production continuously increase from 295% (2014) to 349% (2016) but declined by 316% in 2017. In 2018, the share of imports vis-à-vis domestic production increased to 349% but dropped to 260% in 2019. The ratio of imports to domestic production exceeded domestic production during the POI.

Light commercial vehicles

- In absolute terms, showed an increasing trend during the period of investigation. From 17,273 units in 2014, imports recorded a 4% increase in 2015, 36% in 2016, 54% in 2017 and 38% in 2018. In 2019, imports grew by another 28% from a year ago. In 2020 (Jan. to Oct.), imports accounted for 27,596 units which is 42% of 2019 level.
- In relative terms, the share of imported motor vehicles to domestic production continuously increase from 866% (2014) to 1,745% (2019).

2) That the increased imports caused serious injury to the domestic industry as follows:

Passenger cars/vehicles

- Domestic sales relative to the Philippine market ranges from 22% to 25% share during the POI, as imports ate up more than 70% of the market. Share of imports to total Philippine market captured 75% to 78% of the market during the POI.

Light commercial vehicles

- Domestic sales to the Philippine market contracted from 18% in 2014 to 11% in 2017. In 2018, the share of the domestic industry declined to 7% and 5% in 2019. On the other hand, the share of imports to the total Philippine market showed a steady increase during the POI, i.e. 85% in 2015, 86% in 2016, 89% in 2017, 93% in 2018, and 95% in 2019.

3) That increased imports were the substantial cause of serious injury to the domestic industry which was caused by increased imports based on the following:

Passenger cars/vehicles

- The passenger cars/vehicles are being imported in increased quantities from various countries (i.e. 35% growth rate) during the POI (2014 to 2018). The share of imports relative to production showed that imports exceeded domestic production from 295% (2014) to 349% (2018).
- Despite the expansion of the apparent market from 2014 to 2017, the domestic industry was not able to take advantage of the growth that occurred during the period. The market share of domestic sales contracted from a range of 22% to 25% share, while the share of imports captured more than 70% of the market.

Light commercial vehicles

- The Philippine imports of light commercial vehicles (LCV) significantly increased during the POI from 17,273 units in 2014 to 51,969 units in 2018. Likewise, the share of imports relative to domestic production significantly increased from 645% in 2015 to 1,364% in 2018.
- Despite the increasing total apparent consumption for the said product during the POI (i.e. 21,014 units in 2015 to 55,664 units in 2018), the share of the domestic industry shrank from 18% in 2014 to 7% in 2018 while imports accounted for an increasing proportion at about 82% (2014) to 93% (2018) of the Philippine market. The domestic industry lost sales while the market is growing.

(b) Determining that there are critical circumstances where delay would cause damage which it would be difficult to repair

There are factors that contributed to the existence of critical circumstances, such as the decline in the number of manufacturers/assemblers in the country.

The government has been actively promoting the local production of motor vehicles in the country as local demand increases. However, despite government support, the decline in the number of manufacturers/assemblers in the country has been experienced.

6 OFFER OF CONSULTATIONS

The Government of the Philippines offers consultations on the provisional safeguard measures.

ANNEX A

**LIST OF DEVELOPING COUNTRIES AND SEPARATE CUSTOMS TERRITORIES EXCLUDED
FROM THE IMPOSITION OF THE PROVISIONAL SAFEGUARD MEASURE
ON THE IMPORTATION OF PASSENGER CARS/VEHICLES**

East & Southern Africa	West Africa	North Africa	South Asia
Angola	Benin	Algeria	Afghanistan
Botswana	Burkina Faso	Egypt, Arab Rep.	Bangladesh
Burundi	Cameroon	Libya	Bhutan
Comoros	Cape Verde	Morocco	British Indian Ocean
Congo Dem. Rep.	Central African Rep.	Tunisia	Territory
Djibouti	Chad		East Timor
Eritrea	Congo, Rep.		India
Eswatini	Cote d'Ivoire		Maldives
Ethiopia	Equatorial Guinea		Nepal
Kenya	Gabon		Pakistan
Lesotho	Gambia, The		Sri Lanka
Madagascar	Ghana		
Malawi	Guinea		
Mauritius	Guinea, Bissau		
Mozambique	Liberia		
Namibia	Mali		
Reunion	Mauritania		
Rwanda	Niger		
Seychelles	Nigeria		
Somalia	Sao Tome & Principe		
South Africa	Senegal		
Sudan	Sierra Leone		
Tanzania	Togo		
Uganda			
Zambia			
Zimbabwe			

Europe & Central Asia	Middle East	Americas	East Asia & Pacific
Albania	Bahrain	Anguilla	American Samoa
Armenia	Iran, Islamic Rep.	Antigua and Barbuda	Brunei Darussalam
Azerbaijan	Iraq	Argentina	Cambodia
Belarus	Israel	Aruba	Christmas Is.
Bosnia & Herzegovina	Jordan	Bahamas	Chinese Taipei
Bulgaria	Kuwait	Barbados	Cocos (Keeling) Is.
Croatia	Lebanon	Belize	Cook Is.
Cyprus	Oman	Bermuda	Fiji
Czech Republic	Qatar	Bolivia	French Polynesia
Estonia	Saudi Arabia	Brazil	Guam
Georgia	Syrian Arab Rep.	British Virgin Islands	Hong Kong, China
Greenland	United Arab Emirates	Cayman Islands	Johnston Is.
Hungary	West Bank & Gaza	Chile	Kiribati
Kazakhstan	Yemen, Rep.	Colombia	Korea, Dem. Rep.
Kyrgyz Republic		Costa Rica	Lao, PDR
Latvia		Cuba	Macau, China
Lithuania		Dominica	Malaysia
Macedonia, FYR		Dominican Rep.	Marshall Islands
Malta		Ecuador	Micronesia, Fed. Sts.
Moldova		El Salvador	Midway Is.
Poland		Falkland Is. (Malvinas)	Mongolia
Romania		French Guiana	Myanmar
Russian Federation		Grenada	Nauru
Slovakia		Guadeloupe	New Caledonia
Slovenia		Guatemala	Niue
Tajikistan		Guyana	Northern Marianas Is.
Turkey		Haiti	Palau
Turkmenistan		Honduras	Papua New Guinea
Ukraine		Jamaica	Pitcairn Is.
Uzbekistan		Martinique	Samoa
Yugoslavia, Fed. Rep.		Mexico	Singapore
		Montserrat	Solomon Islands
		Netherland Antilles	Tokelau
		Nicaragua	Tonga
		Norfolk Islands	Tuvalu
		Panama	Vanuatu
		Paraguay	Viet Nam
		Peru	Wake Is.
		Puerto Rico	Wallis & Futuna Is.
		St. Helena	
		St. Kitts & Nevis	
		St. Lucia	
		St. Pierre & Miquelon	
		St. Vincent & the Grenadines	
		Suriname	
		Trinidad & Tobago	
		Turks & Caicos Is.	
		Uruguay	
		US Virgin Islands	
		Venezuela	

ANNEX B

**LIST OF DEVELOPING COUNTRIES AND SEPARATE CUSTOMS TERRITORIES
EXCLUDED FROM THE IMPOSITION OF THE PROVISIONAL SAFEGUARD MEASURE
ON THE IMPORTATION OF LIGHT COMMERCIAL VEHICLES**

East & Southern Africa	West Africa	North Africa	South Asia
Angola	Benin	Algeria	Afghanistan
Botswana	Burkina Faso	Egypt, Arab Rep.	Bangladesh
Burundi	Cameroon	Libya	Bhutan
Comoros	Cape Verde	Morocco	British Indian Ocean
Congo Dem. Rep.	Central African Rep.	Tunisia	Territory
Djibouti	Chad		East Timor
Eritrea	Congo, Rep.		India
Eswatini	Cote d'Ivoire		Maldives
Ethiopia	Equatorial Guinea		Nepal
Kenya	Gabon		Pakistan
Lesotho	Gambia, The		Sri Lanka
Madagascar	Ghana		
Malawi	Guinea		
Mauritius	Guinea, Bissau		
Mozambique	Liberia		
Namibia	Mali		
Reunion	Mauritania		
Rwanda	Niger		
Seychelles	Nigeria		
Somalia	Sao Tome & Principe		
South Africa	Senegal		
Sudan	Sierra Leone		
Tanzania	Togo		
Uganda			
Zambia			
Zimbabwe			

Europe & Central Asia	Middle East	Americas	East Asia & Pacific
Albania	Bahrain	Anguilla	American Samoa
Armenia	Iran, Islamic Rep.	Antigua and Barbuda	Brunei Darussalam
Azerbaijan	Iraq	Argentina	Cambodia
Belarus	Israel	Aruba	Christmas Is.
Bosnia & Herzegovina	Jordan	Bahamas	Chinese Taipei
Bulgaria	Kuwait	Barbados	Cocos (Keeling) Is.
Croatia	Lebanon	Belize	Cook Is.
Cyprus	Oman	Bermuda	Fiji
Czech Republic	Qatar	Bolivia	French Polynesia
Estonia	Saudi Arabia	Brazil	Guam
Georgia	Syrian Arab Rep.	British Virgin Islands	Hong Kong, China
Greenland	United Arab Emirates	Cayman Islands	Indonesia
Hungary	West Bank & Gaza	Chile	Johnston Is.
Kazakhstan	Yemen, Rep.	Colombia	Kiribati
Kyrgyz Republic		Costa Rica	Korea, Dem. Rep.
Latvia		Cuba	Korea, Rep.
Lithuania		Dominica	Lao, PDR
Macedonia, FYR		Dominican Rep.	Macau, China
Malta		Ecuador	Malaysia
Moldova		El Salvador	Marshall Islands
Poland		Falkland Is. (Malvinas)	Micronesia, Fed. Sts.
Romania		French Guiana	Midway Is.
Russian Federation		Grenada	Mongolia
Slovakia		Guadaloupe	Myanmar
Slovenia		Guatemala	Nauru
Tajikistan		Guyana	New Caledonia
Turkey		Haiti	Niue
Turkmenistan		Honduras	Northern Marianas Is.
Ukraine		Jamaica	Palau
Uzbekistan		Martinique	Papua New Guinea
Yugoslavia, Fed. Rep.		Mexico	People's Republic of China
		Montserrat	Pitcairn Is.
		Netherland Antilles	Samoa
		Nicaragua	Singapore
		Norfolk Islands	Solomon Islands
		Panama	Tokelau
		Paraguay	Tonga
		Peru	Tuvalu
		Puerto Rico	Vanuatu
		St. Helena	Viet Nam
		St. Kitts & Nevis	Wake Is.
		St. Lucia	Wallis & Futuna Is.
		St. Pierre & Miquelon	
		St. Vincent & the Grenadines	
		Suriname	
		Trinidad & Tobago	
		Turks & Caicos Is.	
		Uruguay	
		US Virgin Islands	
		Venezuela	