EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES

FOOD AND BEVERAGE ADVOCACY PAPER 2021

ABOUT ECCP

The **European Chamber of Commerce of the Philippines** (ECCP) is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this by providing a wide range of consultancy services and by creating linkages between companies, organizations, and individuals with existing or potential business interests in Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP sees itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.

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Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.

EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES

FOOD AND BEVERAGE
ADVOCACY PAPER
2021

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We would also like to acknowledge the support of our committee members.

METHODOLOGY

The 2021 edition of the ECCP Advocacy Papers features issues and recommendations formed after extensive discussions between members of the ECCP sector committees, dialogues and meetings with representatives from the Philippine Government, and other stakeholders. The ECCP has also taken into consideration the information gathered from organizing different events, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. In close cooperation with the sector committee leaders and members, the ECCP Advocacy Team thoroughly analyzed every issue and advocacy recommendation to ensure that they are in line with European business interests and priorities. Once the Advocacy Team has finalized the first draft of each sector paper, it was then circulated to the Committee members and other stakeholders for consultation and subsequently, gathered inputs to be included in the final draft of the papers.

The assessment of the status of each recommendation included in *2019* Advocacy Papers were examined under the following criteria:

Completed/Substantial Progress: Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

Some Progress: Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

No Progress/Retrogression: Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

MESSAGE FROM THE ECCP PRESIDENT

On behalf of the European Chamber of Commerce of the Philippines (ECCP), I am pleased to present the 2021 ECCP Advocacy Papers. This year's edition features an overview of the current business regulatory landscape in the Philippines as well as industry-specific challenges of the 22 sector committees of the Chamber. More importantly, the paper puts forward constructive policy recommendations for strengthening European-Philippine economic relations and opening up a new decade of growth opportunities as the theme of this year's Summit suggests.

Indeed, the past year has been a period unlike any other with the ongoing health crisis testing the resilience of most organizations and redefining the way we do business. Our advocacy work has also stepped up in organizing virtual discussions and actively engaging key stakeholders including policymakers to raise awareness on issues that matter the most to our members as well as push for reforms that will support our community during this period of uncertainty.

Understandably, the past 20 months have seen a shift of policy priorities from the Philippine government by focusing more on pandemic response and providing social safety nets to the affected and vulnerable. Nevertheless, we have witnessed promising developments on the economic front that will help restore business confidence and boost the country's position as a competitive destination for trade and investments including those from Europe. Among these include the signing of the landmark Corporate Recovery and Tax Incentives for Enterprises Act, the Financial Institutions Strategic Transfer Act, and the inking of the world's largest trade bloc known as the Regional Comprehensive Economic Partnership, of which the Philippines is a party. In addition, the Philippines' improved ranking of 90th in 2020 from 124th in 2019 of the World Bank's Doing Business report demonstrates the global community's relative trust in the country's business environment.

We at the Chamber strive to make the most of these exciting developments in the years to come. The 2021 ECCP Advocacy Papers is our contribution to addressing some of the remaining challenges to helpfully realize the potential of our bilateral ties and economic prospects. I would like to thank our Committee leaders, member companies, and the team behind our flagship publication. Moreover, the European business community continues to stand at the forefront of these crucial issues, which when addressed, will further support our shared goals towards inclusive and sustainable recovery. As such, we remain committed to working with the Philippines in navigating this new decade of growth opportunities.

Mr. Lars Wittig
ECCP President

MESSAGE FROM THE EU AMBASSADOR

I congratulate the European Chamber of Commerce of the Philippines (ECCP) for the 2021 edition of their Advocacy Papers.

These papers offer useful food for thought and action at a crucial time.

At present, the global economy is poised to show its most robust post-recession recovery. In the EU, recovery is underway following a massive vaccination campaign and an ambitious recovery plan decided collectively by EU leaders in 2020. In the EU, today, more than 70% of adults are vaccinated, resulting in improved business and consumer confidence.

Vaccination is the way to pull through collectively from a health crisis of this proportion. It should not stop there. At present, the EU is first and most urgent priority is to speed up global vaccination to ensure that access to vaccines becomes equitable worldwide.

While the European Union has focused on tempering the spread of the virus and its impact on lives and the economy, the EU has remained crucial in the global effort to strengthen the multilateral trading system, fight protectionism and ensure that global trade remains unhampered.

This strategy has reaped fruits. It is anticipated that 19 EU Member States will revert to pre-pandemic growth levels in 2021 and the remainder will follow in 2022. In the last quarter, growth in the Euro area outpaced both the US and China.

Next Generation EU and the seven years multi-annual budget will invest in both short-term recovery and long-term prosperity. It will support innovative policies and will set Europe on a path to a sustainable resilient recovery. One-third of this €1800 billion budget will finance the European Green Deal, which will be the EU's lifeline out of the COVID 19 crisis. This Green Deal will transform the EU into a modern, resource-efficient competitive economy.

The EU and the Philippines have established a relationship characterized by a shared goal of peace and prosperity for our peoples. In terms of commercial relations, we have seen steady growth in the bilateral trade in goods between the EU and the Philippines over the last years. However, EU-PH trade today is far from its full potential. Likewise, the Philippines needs to attract a greater portion of EU investments in ASEAN.

Let us continue to work together to achieve a sustainable and resilient recovery for our economies. I welcome these advocacy papers as a useful contribution in our pursuit of creating a level playing field and opportunities for industries and sectors to be able to participate; provide more choices to our consumers, and promote a sustainable approach to trade.

H.E. Luc Véron
Ambassador
Delegation of the European Union to the Philippines

MESSAGE FROM THE PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES

My warmest greetings to the **European Chamber of Commerce of the Philippines (ECCP)** as it organizes the **2021 European-Philippine Business Summit**.

This event is an opportune time to explore and pursue various programs and strategies that will enable the business community to overcome the adverse effects of the COVID-19 pandemic on our economy.

The government is one with you in this goal as it has shown in its commitment to advance free trade and to restore confidence in the Philippine economy through our landmark Tax Reform Law and the ratification of the Regional Comprehensive Economic Partnership, of which the Philippines is a party.

I hope that you will remain steadfast in promoting and attracting trade and investments to the country, especially from Europe. Together, let us revitalize our industries and boost our productivity under the new normal.

May you have a successful summit.

Rodrigo Roa Duterte
President of The Republic of the Philippines

MESSAGE FROM THE DEPARTMENT OF TRADE AND INDUSTRY

The presence of the European Chamber of Commerce in the Philippines (ECCP) in the country is a testament to the relationship between our economies evident in the current levels of trade and investments. In 2020, Europe ranked as the Philippines' 5th trading partner, with total bilateral trade amounting to US$13.06 billion. And as we secure the collective development of both our nations, the Department of Trade and Industry (DTI) continues to rely on the steadfast efforts of ECCP in facilitating market access and in creating a level playing field for both European and Filipino companies

Together with the holding of the **2021 European-Philippine Business Summit (EPBS),** the launch of the **2021 ECCP Advocacy Papers** not only reflects the continued partnership of both nations that has flourished and strengthened throughout the years, but is also the fruit of the hard work and commitment of the men and women behind the successes of your organization.

Despite the challenges of the pandemic, the Philippines remains a conducive place to do business and is still considered an emerging economy for investment. This can be attributed to our strong economic fundamentals and is a result of landmark policies and programs of the Duterte administration to create an enabling business environment in the country.

Among these initiatives is the consistent pursuit of game-changing reforms such as the **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act** and the **Financial Institutions Strategic Transfer (FIST) Act,** which are expected to bring in more investments and ensure the stability of our financial system to accelerate the country's quick and sustainable economic recovery. The Philippines is also part of the **Regional Comprehensive Economic Partnership (RCEP) Agreement,** which is intended to strengthen regional economic integration and increase economic resiliency through enhancing market access for goods, services, and investment. All of these, together with the review of other economic restrictions, have the common goal of attracting more investments that will create more jobs in the country.

As the Philippine economic situation continues to improve, this year's theme, **Amidst theCrisis: A New Decade of Growth Opportunities,** sets the tone for our continued partnership. We are counting on the private sector to harness the potential of our revitalization as we embark on pursuits that will ensure the inclusive and sustainable development of our nations. Ultimately, our goal is to make your investments in the country as profitable as possible, which will secure the development of our economies, provide better opportunities for employment, and empower our citizens to become productive members of society as we take on the greater effort of nation-building to create a better quality of life for all Filipinos.

Congratulations and *mabuhay po kayo!*

Hon. Ramon Lopez
Secretary
Department of Trade And Industry

MESSAGE FROM THE HOUSE OF REPRESENTATIVES

Our warmest felicitations to the European Chamber of Commerce of the Philippines, ECCP President Lars Wittig, ECCP Vice Presidents Amal Makhloufi and Kavita Hans, distinguished officers and members, on the launching of the 2021 edition of ECCP Advocacy Papers.

They say that the darkest nights produce the brightest stars. We convene today at a time of great uncertainty brought about by a global pandemic. As Speaker of the House of Representatives of the Philippines, I would like to express my deep appreciation to the European Chamber of Commerce in the Philippines and the ECCP Advocacy Committees in producing the 2021 ECCP Advocacy Papers, covering the most significant areas in development policy, from agriculture, the environment and water, to education, health care, and human capital, and of recent import, defense and disaster response, and renewable and energy efficiency. These papers are vital inputs to policy formulation, can serve to enhance Philippine development road maps, and be our springboard for continued discussion and engagement between the ECCP and our government in forging sustainable means of collaboration.

On the part of the House of Representatives, we intend to move towards a more resilient, more inclusive, and more sustainable post-pandemic economy with reforms which seek the following: one, to liberalize foreign investments into the country; two, to promote greater competition in key industries; three, to enhance governance in key infrastructure agencies; and four, to remove restrictions on foreign equity, thereby making economic policies more attuned to the realities in both local and international landscapes.

The opportunity to build a better economy is before us and should indeed, be seized. Through cooperation and collaboration, let us together bring into fulfillment a decade of renewal and growth.

Thank you.

Lord Allan Jay Q. Velasco
House Speaker District Representative Marinduque

WHERE ARE WE NOW?

THE PHILIPPINES

The Philippines prides itself in its dynamic and robust economy, transforming into one of the region's top economic performers and attracting companies to invest and expand their operations. In the last decade, the country was able to sustain an average annual growth of 6.4% between 2010-2019 from an average of 4.5% between 2000-2009.[1] Among its neighboring countries in the Association of Southeast Asian Nations (ASEAN), the Philippines was ranked 4th in terms of Gross Domestic Product (GDP) growth rate with 6.1% in 2019 (Table 1).

Table 1. ASEAN GDP Year-on-Year Growth Rates, 2019 and 2020 (% per year)

Country	2019	2019 ranking	2020	2020 ranking
Brunei Darussalam	3.9	8th	1.2	3rd
Cambodia	7.1	1st	-3.1	6th
Indonesia	5.0	5th	-2.1	5th
Lao People's Dem. Rep.	4.7	6th	-0.5	4th
Malaysia	4.3	7th	-5.6	8th
Myanmar	6.8	3rd	3.3	1st
Philippines	**6.1**	**4th**	**-9.6**	**10th**
Singapore	1.3	10th	-5.4	7th
Thailand	2.3	9th	-6.1	9th
Vietnam	7.0	2nd	2.9	2nd

Asian Development Bank. *Asian Development Outlook 2021*[2]

However, the onset of the unprecedented COVID-19 pandemic has resulted in a drastic decline of economic activity around the world. In the Philippines, like in many other countries, the government had to implement huge fiscal support programs and impose strict quarantine measures to mitigate the spread of the virus, which in return restricted economic activity. Specifically in the Philippines, the recessionary impacts of the pandemic contracted the GDP growth rate by 9.6% for the year 2020 (Table 1). The Philippine Statistics Authority (PSA), which has been collecting annual data since 1947, records this decline as the first annual contraction since the Asian Financial Crisis seen in 1998. It also surpassed the prior record of 7.0% contraction in 1984.[3]

The annual preliminary figures from the PSA show that the unemployment rate rose to 10.3% in 2020, accounting for 4.5 million unemployed Filipinos in the labor force, which is significantly higher compared to the previous year's 5.1% rate. Likewise, the country's employment rate dropped from 94.9% in 2019 to 89.7% in 2020, with the Services sector accounting for 56.9% share, followed by the Agriculture sector with 24.8%, and the Industry sector with 18.3%.[4]

1 World Bank. (07 April 2021). Philippines: Overview. Retrieved from https://www.worldbank.org/en/country/philippines/overview
2 Asian Development Bank. (April 2021). Asian Development Outlook 2021. Retrieved from https://data.adb.org/dataset/gdp-growth-asia-and-pacific-asian-development-outlook
3 Nikkei Asia. (28 January 2021). Philippines GDP shrinks 9.5% in 2020, worst since 1947. Retrieved from https://asia.nikkei.com/Economy/Philippines-GDP-shrinks-9.5-in-2020-worst-since-1947
4 Philippine Statistics Authority. (08 March 2021). 2020 Annual Preliminary Estimates of Labor Force Survey. Retrieved from https://psa.gov.ph/content/2020-annual-preliminary-estimates-labor-force-survey-lfs

Currently, unemployment rate for July 2021 is estimated at 6.9%, the lowest recorded rate since in April 2020. The country also recorded a significant increase in terms of employment rate at 93.1% for the same month.[5]

On the other hand, headline inflation rose further to 3.5% in December 2020, from 3.3% in November 2020, primarily due to the increase in the inflation of heavily-weighted food and non-alcoholic beverages at 4.8% during the month. Additionally, annual increments were higher in terms of health (2.6%); transport (8.3%); and restaurant and miscellaneous goods and services (2.5%).[6] The Bangko Sentral ng Pilipinas (BSP) posted a slight increase in the average headline inflation for 2020 at 2.6%, but remained well within the government's target range of 2-4% for the year.[7] Subsequently, the PSA recorded a 4.9% headline inflation rate for August 2021, from 4.0% of the previous month, which is the highest inflation recorded since January 2019. The uptrend was mainly brought about by the higher annual increment in the index of the heavily-weighted food and non-alcoholic beverages at 6.5% during the month, from 4.9% in July 2021.[8]

In the 2021 World Competitiveness Ranking compiled by the Institute for Management Development (IMD), the Philippines ranked 52nd out of 64 countries, slipping down seven spots from the previous ranking. Specifically, the report noted the country's rankings dropping in three of the factors with Economic Performance falling 13 places to 57th; Government Efficiency slipping three spots to 45th; and Business Efficiency dropping from 33rd to 37th. Meanwhile, the Infrastructure category retained its ranking at 59th.[9]

In terms of the country's Foreign Direct Investments (FDI), the BSP officially recorded USD 6.5 billion net inflows for 2020, which is a 24.6% contraction from the USD 8.7 billion net inflows in 2019. The contraction was primarily driven by the fluctuation of supply chains and business outlooks that had affected investor decisions. Majority of the equity capital placement came from Japan, the Netherlands, United States of America (USA) and Singapore wherein these capital were channeled to manufacturing, real estate and the financial and insurance industries.[10]

On the other hand, total FDI net inflows from January to June 2021 registered at USD 4.3 billion. Specifically, the top source country is Singapore with USD 519.88 million, followed by Japan with USD 259.85 million and USA with USD 69.87 million. Investments were channeled mainly to manufacturing,

5 Philippine Statistics Authority. (07 September 2021). Unemployment Rate in July 2021 is Estimated at 6.9 percent. Retrieved from https://psa.gov.ph/content/unemployment-rate-july-2021-estimated-69-percent
6 Philippine Statistics Authority. (05 January 2021). Summary Inflation Report Consumer Price Index (2012=100): December 2020. Retrieved from https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-december-2020
7 Bangko Sentral ng Pilipinas. (2020). BSP Inflation Rate Report. Retrieved from https://www.bsp.gov.ph/SitePages/MediaAndResearch/Inflation%20Report.aspx
8 Philippine Statistics Authority. (07 September 2021). Summary Inflation Report Consumer Price Index (2012=100): August 2021. Retrieved from https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-august-2021
9 IMD World Competitiveness Center. (2021). World Competitiveness Ranking. Retrieved from https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness/
10 Bangko Sentral ng Pilipinas. (10 March 2021). FDI Registers US$509 Million Net Inflows in December 2020; Full-Year Level Reaches US$6.5 Billion. Retrieved from https://iro.ph/articledetails.php?articleid=3547&catid=4

financial and insurance, and electricity, gas, steam, and air-conditioning industries.[11]
At the European level, FDI net inflows registered at USD 38.42 million with Germany accounting for USD 29.02 million, followed by the United Kingdom (USD 4.52 million), Sweden (USD 3.88 million), France (USD 1.99 million), and Luxembourg (USD 1.66 million).[12]

The total external trade of the country in terms of goods was recorded at USD 155.03 billion in the year 2020, which is lower by 15.1% compared to the USD 182.52 billion recorded during 2019. Among the major trading partners are the People's Republic of China, Japan, and the USA.[13] The European Union (EU) followed as the fourth largest trading partner, accounting for 8.4% of the country's total trade in 2020. Meanwhile, as for the Philippines' bilateral trade with the EU member countries, Germany ranked as the top trading partner.[14] Likewise, in 2019, Germany ranked as the highest trading partner with a total trade of USD 5.55 billion or 31.5 percent of EU's total trade, followed by the Netherlands, France, the United Kingdom, and Italy.[15]

Over the past years, the Philippines was able to maintain its credit ranking at 'BBB' with a stable outlook from various agencies. However, the recent negative outlook from Fitch reflects the increasing risks to the credit profile from the impact of the pandemic and its aftermath.[16] The table below shows the latest ratings from various agencies:

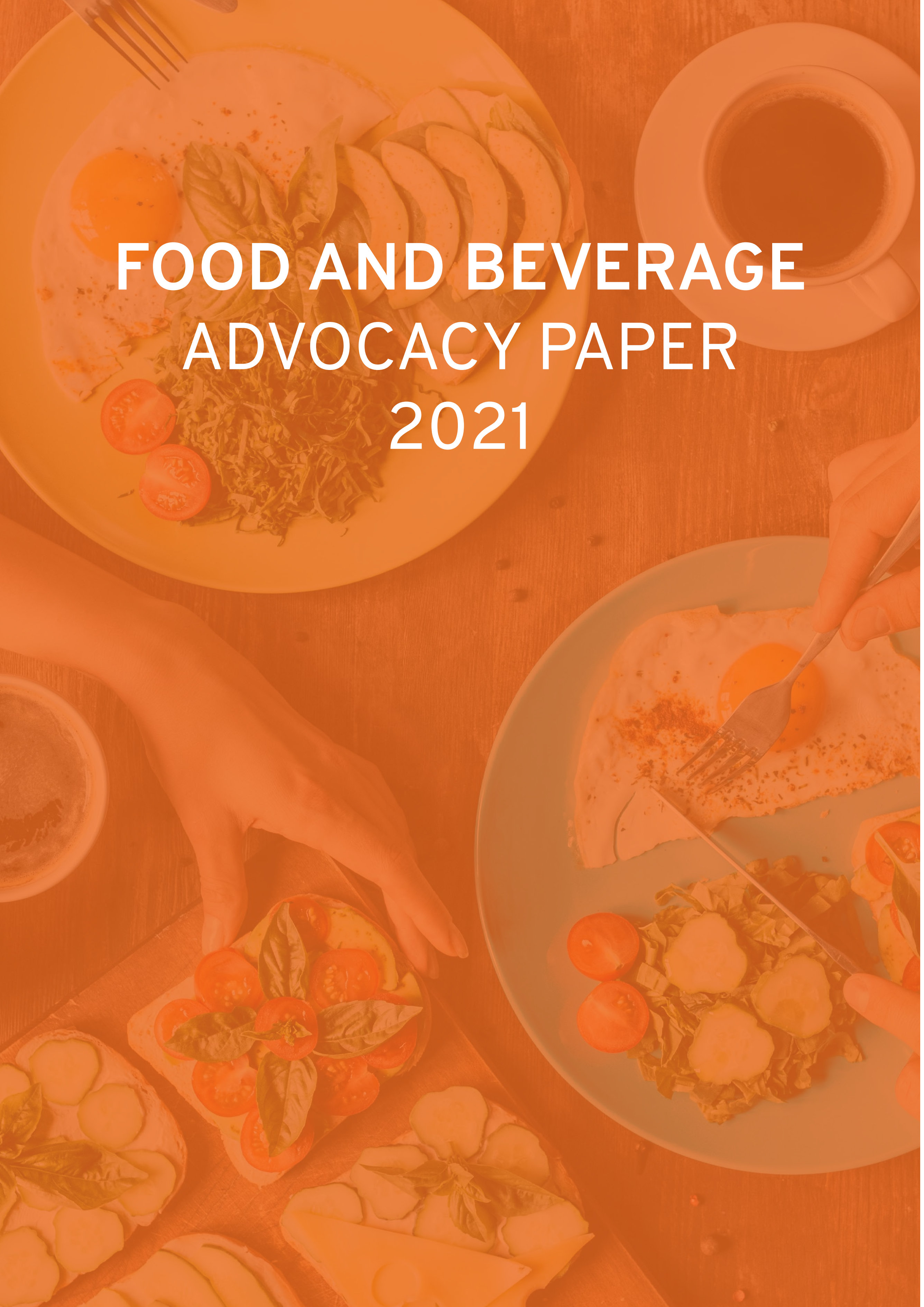
Table 2. Philippine Credit Ratings

Date	Agency	Rating
July 2020	Moody's	Baa2 Stable
May 2021	Standard & Poor	BBB Positive
July 2021	Fitch	BBB Negative

Source: Moody's, Standard and Poor, Fitch

Without a doubt, the adverse impacts of the global crisis hampered the country's long-term notable gains. However, recent reports also show a promising growth forecast for the country as global recovery sustains its momentum. Particularly, the country posted a strong rebound in the second quarter of 2021 with a GDP growth of 11.8% compared to the -16.9% rate of the same period last year. Categorically, the main contributors are manufacturing (22.3%); construction (25.7%); and wholesale and retail trade; repair of motor vehicles and motorcycles (5.4%). Among the major economic sectors, Industry and Services posted positive growths of 20.8% and 9.6%, respectively.[17]GDP growth is also expected to increase at 4.5% in 2021 and 5.5% in 2022; while inflation rates are forecasted at 4.1% in 2021 and 3.5% in 2022.[18] However, the country continues to be vulnerable given the emergence of new variants of the virus and hiccups on the vaccine rollout. With this, substantial reforms on key economic policies, ease of doing business, investment on digital infrastructure, and strengthening the public health system have a pivotal role for the country to address the adverse impacts caused by the pandemic as well as boost economic recovery and competitiveness.

11 Bangko Sentral ng Pilipinas. (10 September 2021). FDI Net Inflows Up by 60.4 Percent YoY in June 2021; H1 2021 Level Reaches US$4.3 Billion. Retrieved from https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=5926
12 Bangko Sentral ng Pilipinas. (n.d.) Net Foreign Investment Flows. Retrieved from https://www.bsp.gov.ph/statistics/external/Table%20 10.pdf
13 Philippine Statistics Authority. (August 2021). 2020 Foreign Trade Statistics of the Philippines. Retrieved from https://psa.gov.ph/sites/default/files/2020%20FTS%20Publication_signed-compressed.pdf
14 European Commission. (2021). Countries and Regions: The Philippines. Retrieved from https://ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/
15 Philippine Statistics Authority. (28 April 2020). Highlights of the 2019 Annual Report on International Merchandise Trade Statistics of the Philippines. Retrieved from https://psa.gov.ph/content/highlights-2019-annual-report-international-merchandise-trade-statistics-philippines
16 FitchRatings. (12 July 2021). Fitch Revises Philippines' Outlook to Negative; Affirms at 'BBB'. Retrieved from https://www.fitchratings.com/research/sovereigns/fitch-revises-philippines-outlook-to-negative-affirms-at-bbb-12-07-2021
17 Philippine Statistics Authority. (10 August 2021). GDP posted double digit growth of 11.8 percent in the second quarter of 2021, the highest since fourth quarter of 1988. Retrieved from https://psa.gov.ph/national-accounts
18 Asian Development Bank. (n.d.). Economic indicators for the Philippines. Retrieved from https://www.adb.org/countries/philippines/economy

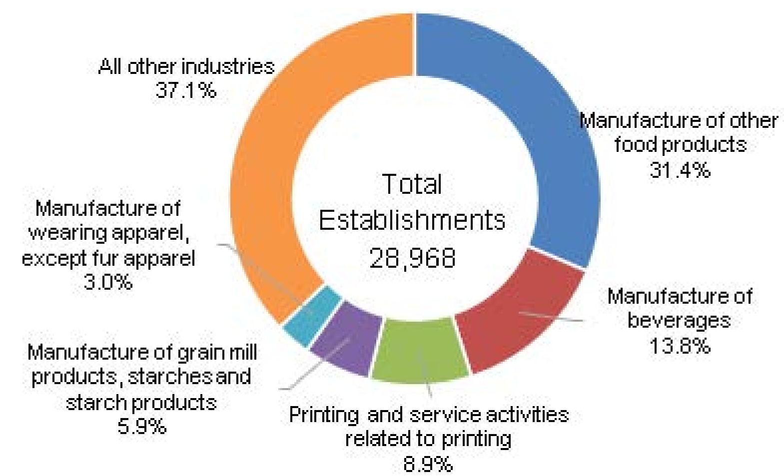


INTRODUCTION

The Food and Beverage sector is the biggest sub-sector of the country's manufacturing industry accounting for 51.2% of its nominal gross value added (GVA) and 10% of the Philippines' GDP as reported by the PSA in 2017[1], and is one of the biggest food producers in Asia with its food processing sector valuing at over EUR 24 billion.

In the latest edition of the Annual Survey of the Philippine Business and Industry - Manufacturing Sector in the same year, food manufacturing accounted for 32.6% (7,880 establishments) of the total number of manufacturing establishments in the country[2]. In 2018, food manufacturing remained to have the largest number of establishments in the manufacturing industry with an increased number of 9,084 establishments or 31.4% of the total 28,968 establishments engaged in the industry from the previous year[3]. Similarly, establishments engaged in beverage manufacturing also saw an increase at 3,986 establishments or 13.8% of the total establishments engaged in the manufacturing industry.[4]

FIGURE 2 Percent Distribution of Manufacturing Establishments: Philippines, 2018 CPBI

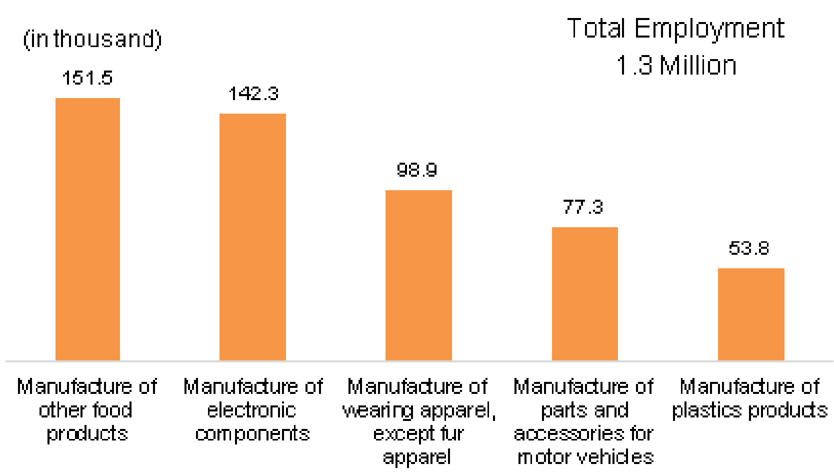


Note: Percent share may not add up to 100% due to rounding.

Food manufacturing also had the highest number of workers employed in 2018 with 151,514 or 12% of the 1,260,512 employees in the manufacturing industry as indicated in the same report. This is higher than the recorded number of over 146,000 employees accounting for 11.5% of the total workforce in the manufacturing sector of 1.3 million workers in the previous year. In terms of volume production, the food industry had a yearly increase of 5.38% and from the period of 2012-2017.

1 Businesswire (2018). Philippines Food and Beverage Market Analysis & Forecast 2018-2019. Retrieved from https://www.businesswire.com/news/home/20180412005810/en/Philippines-Food-and-Beverage-Market-Analysis-Forecast-2018-2019—-ResearchAndMarkets.com
2 Philippine Statistics Authority (March 2020). 2017 Annual Survey of Philippine Business and Industry (ASPBI) - Manufacturing Sector: Final Results. Retrieved from https://psa.gov.ph/manufacturing/aspbi-id/160272.
3 Philippine Statistics Authority (December 2020). 2018 Census of Philippine Business and Industry: Manufacturing. Retrieved from https://psa.gov.ph/manufacturing/cpbi-id/163605.
4 Ibid.

FIGURE 3 Total Employment of the Top Five Industry Groups for Manufacturing Establishments: Philippines, 2018 CPBI



The country's food retail sector has also grown throughout the years. In 2019, sales from the said sector amounted to USD 50 billion. Food retail in the country has also expanded with the increase of different modern retail formats such as supermarkets, hypermarkets, mini marts, and convenience stores not only in the urban areas but also increasingly in rural areas.[5] The pandemic has also helped the other modern formats of retailing such as online grocery retailing to flourish as more and more grocery retailers launch their own platforms for sales. For the year 2021, the food and beverage retail sales are projected to grow by 10% as more consumers shift to purchasing food products due to the ongoing pandemic.[6]

While the pandemic has indeed affected the overall growth and disrupted day-to-day operations of the companies in the sector, the Philippine food and beverage sector remains competitive and brimming with market opportunities for foreign investors. As such, in order to further facilitate the growth of the food and beverage industry against the backdrop of a pandemic, we remain committed to working closely with stakeholders to jointly address concerns on ease of doing business; use of trans-fatty acids; amendments to the Price Act; effective management of plastic waste; and protection of geographical indications.

- The Food and Drug Administration (FDA) released its Circular 2020-033 to further improve government service delivery in the food sector. The said issuance is also known as the "Procedure for the Use of the Modified Electronic Registration System for Raw Materials and Pre-packaged Processed Food Products Repealing FDA Circular No. 2016-014 "Procedure for the Use of Electronic Registration System for Prepackaged Processed Food Products". Additionally, in late 2020, the FDA conducted a pilot implementation of the Food and Drug Administration (FDA) food product registration portal V.2 for Certificate of Product Registration (CPR) Application of Food Products.[7] Taking into consideration industry's comments on the pilot run, several changes and improvements were made on the said portal.
- FDA Circular 2019-0319 provides for the adoption of Food Category System and Descriptor of the General Standard for Food Additives (Codex Stan 192-1995, Rev 2018 or Latest). This shall serve as basis for the identification and classification of food products in its processing of applications for authorization. Manufacturers, distributors, and traders of raw materials, ingredients and/or finished food products have been enjoined to conform to these standards.
- Senators Nancy Binay and Francis Pangilinan have filed bills proposing to ban the importation, distribution and sale of processed and pre-packaged food products that contain Partially Hydrogenated Oil (PHO) and have a high content of trans-fatty acids (higher than 2g per 100g of total fat).[8] Senate Bills No. 1954[9] and 1916[10], otherwise known as the "Trans Fat Free Philippines Act", aims to introduce a healthier lifestyle for Filipinos by minimizing the presence of food that is high in trans-fatty acid. As of writing, both bills are still pending at the committee level. On the executive level, last June 2021, the Department of Health (DOH) issued an Administrative Order on the National Policy on the Elimination of Industrially Produced Trans-Fatty Acids for the Prevention and Control of Non-Communicable Diseases.
- Several bills on the amendment of Republic Act 7581 otherwise known as the Price Act are pending in congress. On 30 June 2021, a House technical working group meeting was called to harmonize the provisions of the 7 bills (House Bills No. 1278, 2662, 5176, 6658, 8450, 8885, and 9287) filed on Price Act amendments as well as discuss proposals from the government, specifically from the Department of Trade and Investment, and the private sector. Furthermore, last 29 August 2021, DTI released the updated suggested retail prices (SRPs) for basic necessities and prime commodities such as, but not limited to, canned and other food products, bottled water, dairy, and common household or kitchen supplies.[11]
- The House of Representatives approved last 28 July 2021 the House Bill No. 9147 or the "Single-Use Plastic Products Regulation" Bill, which seeks to regulate and phase-out single-use plastics. In the Senate, three bills have been filed: SBN 2262 or An Act Regulating the Production, Importation, Sale, Distribution, Provision, Use, Recovery, Collection, Recycling, and Disposal of Single-Use Plastic and Single Use; Styrofoam Products (Filed by Sen. Manny Pacquiao); SBN 1331 "Extended Producers Responsibility Act of 2020" (filed by Sen Cynthia Villar); SBN 2285 "Extended Producers Responsibility Act of 2020" (filed by Sen Bong Revilla).
- On taxation, the Bureau of Internal Revenue recently issued Revenue Regulations (RR) No. 9-2021 followed by RR No. 10-2021 on 09 June 2021 and 17 June 2021 respectively. RR No. 9-2021 mandates the imposition of 12% VAT on transactions that used to be zero-rated which includes transactions categorized as export sales such as sale of raw materials and packaging materials by local manufacturers to export-oriented enterprises.[12] Meanwhile, RR No. 10-2021 imposed the payment of excise tax on sweetened beverages for export upon removal from the place of production. As such, companies are now required to submit proof of exportation within 30 days from the date of exportation in order to avail of the excise tax credit/refund. Otherwise, manufacturers also have an option to avail of the product replenishment scheme.[13] However, this was deferred in consideration of the ongoing pandemic.
- On 07 January 2021, Senator Ramon Bong Revilla Jr. filed Senate Bill No. 1974 which seeks for the institutionalization of the Food and Drug Administration as an independent agency from the Department of Health and intends to strengthen the capability of the agency and ensure swift actions in times of emergencies through the removal of bureaucratic processes. As of writing, the bill is still pending in the Senate Committee on Health and Demography.[14]

5 US Department of Agriculture (2020). Philippine Retail Food Report. Retrieved https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Retail%20Foods_Manila_Philippines_06-30-2020.
6 US Department of Agriculture (2021). Philippine Retail Food Report. Retrieved https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Retail%20Foods_Manila_Philippines_06-30-2021.pdf.
7 Food and Drugs Administration Advisory 2020-1655.

8 Baclig, C. (2020). Senate Bill filed to remove trans-fat in imports, manufacture, and sale of food products. Retrieved from https://newsinfo.inquirer.net/1374311/senate-bill-filed-to-remove-trans-fat-in-imports-manufacture-and-sale-of-food-products#:~:text=Nation-,Senate%20bill%20filed%20to%20remove%20trans%2Dfat%20in%20imports%2C%20manufacture,and%20sale%20of%20food%20products&text=MANILA%2C%20Philippines%20%E2%80%94%20A%20bill%20was,high%20in%20trans%2Dfatty%20acids.
9 Senate Bill No. 1954. Retrieved from https://legacy.senate.gov.ph/lisdata/3417430974!.pdf
10 Senate Bill No. 1916. Retrieved from http://legacy.senate.gov.ph/lisdata/3391130707!.pdf
11 DTI (August 2021). Latest Suggested Retail Prices for Basic Necessities and Prime Commodities. Retrieved from https://www.dti.gov.ph/konsyumer/latest-srps-basic-necessities-prime-commodities/.
12 Bureau of Internal Revenue. (2021). Revenue Regulations No. 9-2021. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202021/RR%20No.%209-2021.pdf
13 Bureau of Internal Revenue. (2021). Revenue Regulations No. 10-2021. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202021/RR%20No.%2010-2021.pdf
14 Senate Bill No. 1974. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=18&q=SBN-1974

- Following the completion of the TradeNet's connection to the ASEAN Single Window (ASW) in 2018 as well as the 2nd round of end-to-end test with Myanmar and other ASEAN Member States in 2019, the government has now mandated all trade regulatory government agencies to utilize the system.[15] On 5 March 2021, the Anti-Red Tape Authority issued Memorandum Circular No. 2021-01 and Ease of Doing Business and Anti-Red Tape Advisory (EODB-ARTA) containing the guidelines and timelines for the onboarding of all 73 concerned agencies.
- Among the top priority clusters for onboarding is the agriculture and food cluster.[16] TradeNet is the country's online platform established as the operating system for all issuances of trade permits and other required documents related to trade facilitation and is used to connect to the ASW.[17]
- President Duterte signed Republic Act No. 11467 last 23 January 2020 which effectively increased the excise taxes on alcoholic beverages and e-cigarettes. A 22% ad valorem tax is thereby imposed on distilled spirits starting January 2020 and every year thereafter and a specific tax rate as follows: (i) PhP42.00 per proof liter in 2020; (ii) PhP47.00 in 2021; (iii) PhP52.00 in 2022; (iv) PhP59.00 for 2023; and (v) PhP66.00 in 2025. A 6% indexation on the specific tax shall be implemented starting 1 January 2026 and every year thereafter.[18]
- In terms of general effluent stands and water quality guidelines, the DENR released the Department Administrative Order 2016-08, otherwise known as the Water Quality Guidelines (WQG) and General Effluent Standards (GES) of 2016, which establishes a set of guidelines for water quality and effluent standards in line with the Philippine Clean Water Act of 2004 or Republic Act No. 9275. The 2016 DAO, in comparison to the superseded DAO 34 and 35 Series of 1990, has been observed to have stricter provisions on water quality and effluent standards in the country. More recently, in June 2021, the DENR issued the Department Administrative Order No. 2021-19 on "Updated Water Quality Guidelines and General Effluent Standards for Selected Parameters". This partially amends DENR Administrative Order No. 2016-08, updating water quality guidelines and/or general effluent standards for the following parameters: ammonia, boron, copper as dissolved copper, fecal coliform, phosphate as phosphorus, and sulfate. The new DAO also stipulates the obligation to submit data on influent values of biological oxygen demand (BOD) for establishments with influent BOD equal to or greater than 3000 mg/L. All other parameters not mentioned in DAO 2021-19 will be covered by the requirements of DAO 2016-08. Although there was a win on the relaxation of standards for certain parameters, other companies in the food and beverage sector are still struggling to comply with the passage of the revised deadline for implementation (i.e., June 2021).

15 Philippine News Agency.(2021). Trade Regulatory Offices told to get onboard with TradeNet. Retrieved from https://www.pna.gov.ph/articles/1133222

16 PortCalls.(2021). Priority Agencies for TradeNet Onboarding Identified. Retrieved from https://www.portcalls.com/priority-agencies-for-tradenet-onboarding-identified/

17 Ibid.

18 Republic Act No.11467. Retrieved from https://www.officialgazette.gov.ph/downloads/2020/01jan/20200122-RA-11467-RRD.pdf

ADVOCACY RECOMMENDATIONS

Continued stakeholder dialogues and industry capacity building for sustained and enhanced regulatory compliance

The ECCP welcomes the issuance of the FDA Circular 2020-033 on "Procedure for the Use of the Modified Electronic Registration System for Raw Materials and Pre-packaged Processed Food Products which supersedes FDA Circular No. 2016-014, and further streamlines the application and evaluation process. This development is also aligned with the objectives of Republic Act No. 11032, otherwise known as the Ease of Doing Business and Efficient Government Service Delivery Act (EODB-EGSD) of 2018 which has led to further review of registration requirements and process evaluation. FDA 2020-033 has provided for a more user-friendly e-registration system attuned with the requirements of the EODB-EGSD Act.

The ECCP also appreciates the pilot implementation and the establishment of the 2nd version of the FDA Food Product Registration portal. The implementation of this new portal resulted in a significant improvement in the timelines of the application process as well as the issuance of Certificate of Product Registration (CPR). To further build on these gains, the ECCP Food and Beverage Committee commits to strengthen its capacity building initiatives for its members and industry partners. In view of recent developments and the Committee's thrust on intensified capacity building, the ECCP is committed to continue providing platforms for the sharing of best practices and industry updates through workshops, learning sessions, among others. The ECCP also welcomes its inclusion in the FDA's **Center for Food Regulation Research**'s (CFRR) regular *Kapihan* sessions as a platform for transparency and exchange of information and best practices in pursuit of enhancing the efficiency of policies and regulations set for the industry.

Further improvements on the ease of doing business in the food and beverage industry

Extend validity of BOC import permits and consider granting automatic renewal of the same under certain conditions.

While the Philippine government has made great strides in improving the ease of doing business in various FDA processes, bottlenecks in terms of business facilitation remain. Another improvement opportunity would be on the Bureau of Customs' issuance of import permits. The ECCP Food and Beverage Committee calls for a longer validity of BOC import permits which are currently valid for one (1) year. In the absence of negative records and changes in the reported company information, we urge the BOC to further simplify the requirements, and consider granting automatic renewal of said permits.

Fully operationalize the National Single Window (NSW) and integrate it with the ASEAN Single Window (ASW).

On a similar note, the ECCP lauds the recent developments on TradeNet which seeks to streamline trade procedures in the country and promote a more competitive business environment in the Philippines. The operationalization of the NSW will address the lack of coordination between government agencies, combat smuggling and corruption, and facilitate smoother flow of domestic and international trade in the country.

Moreover, the establishment of the NSW will also allow the country to maximize the benefits of being a member of the Association of Southeast Asian Nations (ASEAN) by utilizing the ASW. Given all these benefits, the ECCP urgently calls for the integration with the ASW, and the full and expedited operationalization of the NSW in all government agencies.

Promotion of Trans-Fat Free Philippines

There is a growing and strong evidence that trans-fats are harmful to one's health. Trans-fatty acids (TFA) are responsible for over half a million fatalities worldwide each year. High TFA consumption raises the risk of mortality from any cause by 34%, the risk of coronary heart disease (CHD) death by 28%, and the risk of CHD incidence by 21%.[19]

This has propelled the World Health Organization (WHO) to accelerate efforts and launch its REPLACE Technical Action Package as a roadmap to a world devoid of trans fats by 2023. The said program seeks to provide support to governments in eliminating industrially-produced trans-fat from their respective country's food supply, and replace these harmful compounds with healthier fats and oils.[20] This, along with increasing public awareness, has then prompted food producers and manufacturers across the globe to reduce their trans-fat usage in goods. In the European context, the European Commission has decided to limit the amount of industrial trans fatty acids in food products to 2 grams per 100 grams of fat in 2019. The new regulation introduces this legal limit across the European Union.[21]

Zooming in on the local context, non-communicable diseases (NCDs) account for 68% of deaths. One in every three Filipinos is likely to die before the age of 70 from one of the four major NCDs —- cardiovascular disease (CVDs) cancer, diabetes, or chronic respiratory diseases. Coronary heart disease (CHD), in particular, claims around 700,000 lives in the Philippines annually. Hence, the push for a trans-fat free Philippines is a welcome development.

In light of the foregoing, the ECCP welcomes the move in Congress to limit the amount of trans-fats of industrial origin in food and beverages as well as accelerate the elimination of partially hydrogenated oils (PHO) across the food industry. While the Chamber supports, in principle, the provisions in the proposed Senate Bills on removing industrially-produced trans-fats in food and beverages, we respectfully request the proponents to consider our comments and recommendations below to further align the Philippine requirements to WHO's program and legislations by other health authorities that are found effective in reducing health-related concerns from industrial trans-fats.

Limit the levels of industrial trans-fats to a maximum of 2% industrial trans-fats per total fat.

The ECCP supports the proposed limits of a maximum 2 grams ***industrial*** trans-fats per 100 grams of total fat (2% industrial trans-fats per total fat) as stipulated in Senate Bill No. 1954. **This is consistent with scientific data on health impact of industrial trans fats, on exclusion of trans fats from ruminant sources** and with WHO's strategic program on industrial trans-fats. We propose to revise the proposed maximum limit for '2g TFA content' in House Bill No. 7202 and Senate Bill No. 1916 according to the provisions in Senate Bill No.1954 which is specific to limit the levels of ***industrial*** trans-fats.

Consider the deletion of prohibition for trans-fat free claims.

CODEX guidelines and standards (i.e., CAC/GL 2-1985 and CAC/GL 23-1997) provides certain criteria for nutrition and health claims which include references and definition for 'trans-fats'. The Philippine FDA fully adopts these CODEX guidelines and recognizes established guidance documents and clear criteria from other health authorities such as the US FDA, thereby allowing the use of trans-fat free or 'zero' trans-fat claims. As such, we propose the deletion of the prohibitions for trans-fat free claims as stated as being inconsistent to existing regulations and consequently, as a possible barrier to trade.

We respectfully submit the bases of our proposal which are accepted and implemented by other health authorities and legislative agencies:

19 Pan American Health Organization (2018). Trans-fatty acids. Retrieved from https://www.paho.org/en/topics/trans-fatty-acids.
20 World Health Organization (2019). Fats, oils, food and food service industries should join global effort to eliminate industrial trans fat from processed food by 2023. Retrieved from https://www.who.int/news/item/23-04-2019-fats-oils-food-and-food-service-industries-should-join-global-effort-to-eliminate-industrial-trans-fat-from-processed-food-by-2023.
21 European Commission (2019). Limiting industrial trans fatty acids in food to protect consumers in the EU. Retrieved from https://ec.europa.eu/jrc/en/news/limiting-industrial-trans-fatty-acids-food-protect-consumers-eu

AUTHORITIES AND AGENCIES	KEY POSITION
EU	Maximum 2% trans-fat per 100 grams total fat in food for consumption and for supply to retail, excludes naturally occurring in fat of animal origin by April 2021 (EC 1925/2006, Part B of Annex III)
Codex	Provides a definition for trans fatty acids which excludes 'natural' trans-fats mainly present in dairy products and beef, Includes format for nutrition labelling (CAC/GL 2- 1985). Criteria are not defined for trans-fat free claims, mentioned in conditions for saturated fat and cholesterol claims (CAC/GL 23-1997)
WHO	Legal limits or prohibition to eliminate industrial trans-fatty acids (TFA) from food supply chain by 2023 (R.E.P.L.A.C.E. Trans-Fat, 2019; WHO Strategy on Health, GPW 13, 2019-2023) Maximum 2g industrial TFA per 100g of total fat in all foods Ban PHO; classified as unsafe.

We also respectfully propose to revise the title to **"The Philippine Trans-Fat Act",** instead of **'Trans-Fat Free' Philippines Act.**

Recognize the validity of analytical results that comply with existing accreditation requirements for testing laboratories.

The Chamber believes that the food industry is already equipped with adequate testing facilities for trans-fats. As such, we propose to revise the wording that will recognize the validity of analytical results that comply with existing accreditation requirements for testing laboratories such as ISO/IEC 17025 that demonstrates the competency of the testing facility to conduct trans-fats analysis according to its scope of accreditation.

Consider the MSMEs' capability to comply within the proposed two-year effectivity date and provide for a longer transitory period.

While the Chamber recognizes the urgency of the matter, we encourage the concerned government agencies to **review and reconsider the effectivity date of 'within two (2) years' and to take into account the capability of micro-, small-, and medium-sized food business operators prior to the enforcement of such strict prohibitions.** Product reformulation, consumer and market studies, shelf-life validation and depletion of inventories take time and additional investments. The overall impact of the proposed bills, in particular the implementation and enforcement plan for micro-, small- and medium-enterprises should be thoroughly assessed to ensure that the proposed legislative measures would be effective in addressing public health issues. We respectfully recommend to the proponents to further review the local realities versus the strategic program of WHO. That is, to implement firstly, the review and promote implementation in gradual stages to establish feasible options, prior to enforcement of legislative measures in the country.

Amendments to the Price Act

In 2017, through various public pronouncements, the Department of Trade and Industry (DTI) announced its intention to deregulate the process of obtaining approvals for adjustments of suggested retail price (SRP) for basic necessities and prime commodities (BNPC) in line with the administration's campaign to facilitate ease of doing business and streamline the bureaucracy. At that time, the SRPs of BNPC were set by manufacturers but subject to evaluation and approval as to their reasonableness by the DTI. Any intent to adjust SRPs required approval from the agency which took two to three months to hurdle. The industry was encouraged by statements made that DTI was fully supportive of letting market forces decide and that setting of the SRP should be a company decision – subject to monitoring by the DTI. The agency even came up with a draft Department Administrative Order (DAO) to capture its proposed revisions.

Since then, however, the previous cumbersome process of providing notification of SRPs on BNPC and requesting price adjustments remains in place. Even more concerning – the process now takes longer than two to three months and in some instances, manufacturers are asked to delay their price adjustments (despite submitting substantiation documents) for six months to a year. Given the current procedures in the DTI, any bill that will continue to authorize the need to get express approval from government to implement price adjustments will curtail business prerogative to make decisions according to the exigencies of business and goes against allowing market forces to dictate price movements.

We submit that the bills amending the Price Act should support **instead a "notification" of price adjustments, instead of "approval",** which is what is currently being practiced. Because of fierce and cutthroat competition, pricing actions of companies in the fast-moving consumer goods industry fully take into account consumer response to any adjustment. Most of the products are highly price elastic; hence, these companies carefully weigh the consequences of price adjustments as these affect sales. The prerogative of manufacturers to determine pricing should be maintained as long as it is not grossly unreasonable. External factors such as inflation and foreign exchange play an inherent role in price adjustments and the extremely stiff competition in consumer goods comprising BNPC will serve as a check on untrammeled and unjustified pricing actions.

As we transition to the next normal of "business unusual", our consumer protection laws should effectively balance the well-being and interests of both consumers and businesses alike—the former from unfair trade practices and the latter to ensure continued commercial activities and provide essential goods and services especially during emergency situations.

Create a national body to oversee the implementation of the Price Act's mandate.

In this context, the ECCP, together with its industry partners, support the government's thrust to safeguard consumer welfare while at the same time encourage business activities during times of emergencies. As such, we support the **creation of a national body to oversee the implementation** of the Price Act's mandate and recommend an avenue for the President to cast its decision in case of a deadlock of the **National Price Coordinating Council (NPCC).** The rationale behind the former is to allow the chief executive to focus on disaster preparedness and/or relief efforts during crisis and delegate the specific function of price control setting to the NPCC, while the latter being the President's inherent right to exercise power of control over the executive branch.

Limit the definition of the Basic Necessities and Prime Commodities (BNPC) only to goods vital to the needs of consumers for daily existence and sustenance, or those which are deemed essential.

We also find it important to **limit the definition of BNPC only to goods vital to the needs of consumers for daily existence and sustenance**, or those which are deemed essential. While we generally support the inclusion of personal protective equipment, medical devices, and select healthcare products in light of the ongoing health crisis, we deem it unnecessary to further expand the list of items classified as prime commodities to discretionary goods as there are variants, even within product categories, that cater not to the general public but a targeted high-tier segment such as luxury items.

It is thus our position that the law should focus only on the "base" products within the category in order to limit the imposition of artificial price caps on a market that should be open and free. Manufacturers should be given the freedom to introduce different brands, variants, sizes and formats, and even new technology or innovations within the category, that cater to the wide range of consumers belonging to different socio-economic classes with varying preferences and needs. Without good faith consultation with private sector, there could arise a situation where all the different variants, formats and sizes (SKUs) within a category, even if deemed non-essential or luxury, will be included in BNPC which would be an excessive exercise of authority going beyond the objective of the Price Act.

While there is a mechanism to influence the inclusion or exclusion of types and brands of goods in the BNPC list, the process outlined may be very bureaucratic and does not set forth clear criteria on what should be included or excluded from the list. The proposed bill provides an exclusion recourse of types and brands of goods, but only upon petition and public hearing, and with the approval of the President.

The ECCP, along with its partners from the Joint Foreign Chambers, hopes for a more streamlined, practical and simpler process to do this wherein private sector will be consulted proactively and, at the onset, be allowed to offer a list of its "base" products that should be included in the BNPC list, taking into account the objective of the Price Act which, as mentioned, is to make available to the consumers goods that are essential to their daily needs at reasonable prices.

Given current protocols for seeking approvals to make price adjustment on all products in the BNPC list, further expanding the list to include non-essential goods will unintendedly impose artificial price caps on a host of other categories of products in case the request for price adjustment is delayed or not approved. While consumers may benefit from this lower cost of goods, this is temporary at best, as this may discourage businesses from further investing and innovating due to low returns on investment to cover increasing production costs, ultimately resulting in the detriment of both consumers and businesses alike in the long-term.

Limit imposition of price control to basic necessities.

We are of the opinion that the imposition of **price control should only apply to basic necessities and not extend to prime commodities** as the latter are deemed not vital for the daily sustenance or existence of consumers during a crisis. While we understand that prime commodities are necessary to many large consumer segments, this class of items should not be automatically included in the prize freeze. Moreover, it can be safely assumed that there is little to no risk of fraudulent business activities such as monopolization or profiteering considering that consumers will always have a choice as to which products to buy and which price points are reasonable to them given that there are many players in the fast-moving consumer goods industry producing prime commodities.

Should the proposed measures be enacted in toto, more manufacturers would be required to submit SRPs for even more categories of products to the DTI. In turn, the agency will be deluged with an extremely long list of products that require monitoring by its field officers. This is very problematic and difficult to enforce and has consequences in an emergency or disaster scenario. When price freezes are ordered, ceilings are imposed based on prevailing prices three months prior to the declaration. There have been situations where prevailing prices were pegged at prices lower than the product development cost of manufacturers. If more products are put on the BNPC list, this could cause more confusion in the marketplace, and (potentially) more instances of imposition of unreasonable price ceilings which do not afford business any kind of return on their investment.

Differentiate the manufacturer's suggested retail price from the implementing agency's SRP.

We wish to emphasize the need to differentiate a manufacturer's SRP from the implementing agency's SRP where the former is the price that a product's manufacturer recommends it be sold for at point sale, while the latter is provided for in Section 10 (5) of the Price Act. Furthermore, we note a 2015 study by the Department of Justice-Office for Competition which concluded that there are no adequate rules or guidelines defining reasonable price increase or decrease acceptable to the implementing agency and that the same agencies have gone beyond the scope of the law by impliedly prescribing SRPs as a de facto price ceiling with corresponding penalties. As such, we recommend amending the definition of SRP as the recommended price issued by the producers and manufacturers as reference in price monitoring.

This will ensure that the rights of manufacturers to adjust prices based on market forces will be upheld.

Reconsider the proposal of implementing a special suggested retail price during special occasions.

We are of the opinion that imposing a special SRP during special occasions such as Christmas, New Year, Valentine's Day, and back-to-school season may lead to suppliers resorting to fraudulent trade practices such as artificial scarcity, black market transactions, and hoarding to create an artificial surge in the demand of particular goods over time which will adversely affect the consuming public. While we support the intention of controlling prices for a certain period during a crisis, there may be unintended consequences when the same is done for certain occasions that are not described as emergencies, disasters, or calamities. Additionally, manufacturers should be given the liberty to earn, especially on premium items which are more innovative and necessitate higher investment, during peak seasons as long as they are not selling their products at excessive and unreasonable prices which should be clearly defined in the proposed amendments.

In conclusion, the ECCP concurs with state policy to ensure the availability of basic necessities and prime commodities at reasonable prices at all times without denying legitimate businesses a fair return on investment. Hence, this requires our consumer protection laws to effectively balance the well-being and interests of both consumers and businesses alike.

Effective Plastic Waste Management through the implementation of an Extended Producers' Responsibility (EPR)

Over recent years, plastic pollution has been a global concern and has therefore received increased attention. In 2019, the European Parliament voted to reduce marine litter through the ban of specific single-use plastics. It is important to note that the current said regulation, Directive (EU), 2019/904 on the reduction of the impact of certain plastic products on the environment, only prohibits specific types of single-use plastics (i.e., cutlery, plates, stirrers, straws, and cotton bud sticks) which already have existing affordable alternatives; recycled materials such as wooden stirrers and straws are not banned. Otherwise, several approaches as defined by the European Parliament were mandated to member states such as product redesign, extended producer responsibility (EPR), awareness raising, among others.

Banning necessitates affordable and appropriate alternatives.

Banning single-use plastics necessitates the existence of affordable, viable alternatives. Otherwise, this can put consumers at a disadvantage and worsen the problem at hand. We believe that the plastic waste issue goes beyond an outright ban of plastics, and a tax will ultimately burden the consumers who will have to bear the costs of price increases. We should not ban products without clear alternatives that are proven to have better environmental, economic and social impact, especially if research has shown that replacing plastics with available alternatives would have significant negative environmental impact. In partnership with the DOST, industry can help develop sound, data-based or researched-based programs, solutions, regulations and legislation. This will create better environmental and economic outcomes instead of unintended consequences that will promote the use of less recoverable/recyclable/reusable, unstudied alternatives.

The alternatives must meet (1) the desired quality, (2) minimum specifications; and (3) circumstances for the use; (4) supply of materials; (5) policy side; and (6) competitive cost. Plastics are widely used given their versatile properties including the following: (1) moisture-resistant, providing a barrier against moisture and oxygen, preventing immediate the contamination of a product; (2) widely available and inexpensive; (3) malleable, easily be shaped in different forms (4) lightweight but highly durable, making it an excellent packaging material; (5) protection of product when transported, and transferred from one transport mode to another; and (6) resistant to corrosion and chemicals; and (7) should support product shelf-life/stability and storage requirements.

Any alternative material that fails to meet the aforementioned criteria could do more harm than good. It is feared that hastily banning plastics without an appropriate alternative will lead to proliferation of untested substitutes. This could ultimately compromise consumers' health and safety as products could potentially get contaminated or spoiled. Also, currently, apart from the health safety reason mentioned earlier, there are no commercially viable large-scale alternatives to sachets and multi-layer packaging.

For plastics which do not have affordable and viable alternatives for now, we are in support of the establishment of producers' responsibility scheme to manage and prevent plastic wastes ending up in the environment. There are also other measures which could be undertaken such as packaging and product redesign; converting wastes into materials of value; waste-to-energy; waste-to-fuel (e.g., cement kiln co processing); waste diversion; waste/recycling credit schemes; and other disposal methods allowed under existing laws, rules and regulations.

Implement a mandatory Extended Producers Responsibility (EPR) scheme that is realistic, inclusive, phased and target-based.

The ECCP supports the implementation of a mandatory Extended Producers Responsibility (EPR) scheme in the country. An EPR scheme requires significant public and private sector investment towards the establishment of a sustainable waste management infrastructure involving many players that will divert, reuse, reduce, and recycle waste. We also wish to note that the viability of an EPR system will depend on the availability of feedstock for diversion, reuse and recycling. If sachets, multi-layer packaging, and other SUP are banned, a significant portion of the feedstock for an EPR system will be lost which affects the viability of said scheme.

On EPR scope
The ECCP proposes that the coverage of the Extended Producers Responsibility shall be **limited to plastic packaging waste of finished goods**. Furthermore, for the first five (5) years, we recommend that the EPR scheme shall be imposed on the producers and importers with an annual turnover of more than PHP 100,000,000. Thereafter, all producers and importers shall be covered by the scheme.

On EPR structure
The ECCP appreciates the **flexibility** given in terms of EPR structure as it aims to give the companies the freedom to determine and strategize their own EPR programs suitable for their business operations. The ECCP also sees some merits in the **establishment of a single Producer Responsibility Organization** (PRO) to coordinate and manage the collection and disposal of the plastic packaging waste. We understand the establishment of a PRO may take some time.

Should the direction be towards the establishment of a single PRO, we propose that the first year of implementation, obliged companies may comply with the EPR on its own and afterwards, the implementation will be done through a single PRO for ease of monitoring and compliance.

On diversion rate targets
The ECCP suggests that each obliged party shall recover or off-set and divert into value chains and value-adding useful products, whenever possible**, at least twenty percent (20%) of their plastic packaging product footprint, two (2) years after the effectivity of the Act. Alternatively, on a voluntary basis, obliged parties may opt to recover at least 10% after one year from the effectivity date** provided that the Department of Environment and Natural Resources, upon review and recommendation of the National Solid Waste Management Commission (NSWMC), shall gradually increase the percentage until it reaches one hundred percent (100%) recovery or offsetting of their plastic packaging product footprint by 2030.

On the submission of the EPR plan
The members of the ECCP wish to echo their concern on the additional requirement of the submission of an EPR plan as this will create another layer of administrative work on top of the other reportorial requirements. If such a plan will be required, we would like to request that the period submission **be**

extended to at least one (1) year to provide for sufficient lead time to create a comprehensive EPR plan which adequately considers all types of plastic packaging.

On incentives, fines and penalties

The ECCP proposes that the **expenses incurred in complying with the EPR can be considered a taxable deduction from income tax**. On the other hand, we are of the opinion that the proposed penalties —- two (2%) of the annual gross turnover for non-submission of the Plan and 3% for misdeclaration are too steep. We urge the authorities to impose **penalties and fines that are fair and commensurate with the rate of failure to meet the targets**, as specified in the Act. In this context, we suggest that the responsible party, unable to meet its target, shall **pay the fine equivalent to twice the average cost of recovering the target or the remainder of the target, as may be determined by the PRO and verified by the DENR through NSWMC.**

In sum, we propose that an EPR scheme be implemented instead and in substitution of an outright ban of sachets and multi-layered packaging. We advocate for the establishment of an **EPR system that is inclusive, target-based, phased, achievable and implementable.** When done right, this will help increase collection and recycling rates as well as enable obliged companies to share in the financial responsibility for waste management. Furthermore, it sets more realistic milestones and targets for collection of plastic waste without losing sight of the ultimate goal of achieving "plastic neutrality," or when all plastic manufactured and sold is collected and does not end up in the landfills or in the bodies of water.

Protection of Geographical Indications

The strengthening of Intellectual Property Rights (IPR) protection and enforcement framework is becoming increasingly important as the ASEAN market of 600 million people increases pressure on their member states to safeguard IPR in their respective jurisdictions and avoid intra-ASEAN movement of counterfeit goods. Geographical Indication (GI) is a widely recognized form of IPR. It refers to products that have a strong identification with their place of origin due to a given quality, reputation or other characteristics that are essentially attributed to the goods' geographical origin.[22] Aside from combating counterfeiting, the benefits of GI registration are multifaceted. Not only does it help spur economic growth through job generation and increase the products' competitiveness, it also enriches the cultural heritage and reasserts the sense of unity in a community. Further, consumers can be assured that all GI goods are of high quality and safe for their health. Unsurprisingly, more and more countries have acknowledged the benefits of having a GI protection framework. In fact, most ASEAN member countries namely Singapore, Thailand, Vietnam, Cambodia, Lao PDR, Malaysia, Indonesia, and Myanmar have already enacted GI legislation or are in the process of adopting one. While the ECCP recognizes the initiative of the government to institutionalize a GI framework in the country through the inclusion of GIs as one of the recognized forms of IPR in Section 4 of the Intellectual Property Code of the Philippines (IP Code), a specific legal framework containing action points for their protection along with a concrete definition of GIs should be further established in the country to fully maximize the benefits of having a GI registration. To this end, we support and look forward to the release of the Rules and Regulation on GIs being drafted by the Bureau of Trademarks of the Intellectual Property Office.

A whole-of-society and inclusive approach on alcohol harm reduction

The ECCP acknowledges and appreciates the initiative of the World Health Organization (WHO) to hold an online consultation on the first draft of the Global Alcohol Action Plan (GAAP) 2030. The Chamber, together with its members, strongly supports the overall objective of reducing alcohol harm, and continuously advocates for a whole-of-society approach on this important matter. It is in this light that the ECCP proposes the following on the GAAP 2030:

22 WIPO. (n.d.). Geographical Indications. Retrieved 6 September 2018 from http://www.wipo.int/sme/en/ip_business/ collective_marks/geographical_indications.htm

The business sector has a crucial role in addressing alcohol harm, and a whole-of-society approach is needed.

The ECCP wishes to highlight the importance of **a whole-of-society approach in addressing multi-faceted challenges such as the harmful use of alcohol**. In particular, we believe that firms and economic operators have an important and positive role to play in the healthy and sustainable development of any country and society. We also wish to underscore that the **upstream and downstream alcohol industry plays an integral role in the economy** as a key driver in providing employment and livelihood opportunities to farmers, distillers, and manufacturing workers, extending support to the food and beverages as well as the hospitality sector especially during this global crisis.

Jointly addressing the harmful use of alcohol with this approach will **significantly contribute to achieving multiple Sustainable Developments Goals and their corresponding targets including goals on ending poverty (SDG #1), ensuring well-being for all (SDG #3), promoting sustainable economic growth (SDG #8), and strengthening global partnership (SDG #17).** Highlighting stakeholder collaboration and partnerships, the SDGs have presented a plethora of opportunities for the private sector to contribute to sustainable growth.

Furthermore, we wish to **make reference to the Global Strategy adopted in 2010** which seeks to reduce the harmful use of alcohol. The said strategy placed great emphasis on the need for active collaboration with Member States and highly encouraged the engagement of stakeholders, including the private sector, in reducing harmful use of alcohol. Similarly, the ECCP likewise encourages the WHO to remain aligned with the aforementioned Global Strategy, to actively involve private sector stakeholders, and to **consider the industry as an ally in the implementation of a whole-of-society approach in mitigating alcohol-related harms**. We encourage WHO to maximize its partnership with the industry considering the latter's **capacity and commitment to address harmful consumption, uphold the responsible commerce of alcoholic beverages through effective communication, cooperation, and collaboration.**

Focus on reducing "harmful use" of alcohol, not alcohol consumption.

The draft of GAAP states a goal of *"at least a 20% relative reduction (in comparison with 2010) in alcohol per capita (among those aged 15 years and older) consumption by 2030."* However, we recommend that WHO considers the deletion of the aforesaid proposal, and instead **retain the 10% relative reduction in the consumption of alcohol per capita for the GAAP in line with the Global Strategy.** To emphasize, the focus of the action plan is in addressing the harmful consumption instead of the total consumption of alcohol. Subsequently, we suggest replacing the use of "reduced APC", "alcohol consumption", and the like, with "harmful use of alcohol" or "harmful consumption of alcohol."

The ECCP is advocating for responsible consumption of alcohol and sees immense potential for private-public partnership to scale down harmful consumption of alcohol. This can be achieved through increased public awareness and education campaigns, among others.

Consider the broad package of policy options.

The ECCP recognizes that each country requires a degree of flexibility in implementing policies in order to **take into consideration the local realities and sensitivities**. However, we note that the SAFER package presented through the GAAP as the key indicator of progress, limits the policy options available for Member States and fails to consider the current developments and progress of each State in terms of the implementation of alcohol-related policies.
In this context, the ECCP encourages the WHO to consider the wide range of policy options and measures that differ per Member State. Additionally, the implementation of the SAFER package will impede the "full menu of policy options" initially agreed upon by Member States through the Global Strategy.

In light of the foregoing, the ECCP urges WHO to revise the proposed GAAP. The Chamber remains committed to working with stakeholders in addressing harmful alcohol consumption.

ASSESSMENT OF 2019 RECOMMENDATIONS

ADVOCACY	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS/ RETROGRESSION
Improvements on the ease of doing business in the food and beverage industry	Significant improvement has been seen since the implementation the new e-portal of the Food and Drugs Administration.		
Further enhancing food safety measures	Clarifications have already been provided on the use of lake colors. FDA Circular 2019-0319 provides for the adoption of Food Category System and Descriptor of the General Standard for Food Additives (Codex Stan 192-1995, Rev 2018 or Latest). This shall serve as basis for the identification and classification of food products in its processing of applications for authorization. Manufacturers, distributors, and traders of raw materials, ingredients and/or finished food products have been enjoined to conform to these standards		
Improvements to the fiscal environment for alcoholic beverages	President Duterte signed Republic Act No. 11467 last 23 January 2020 which effectively increased the excise taxes on alcoholic beverages and e-cigarettes. A 22% ad valorem tax is thereby imposed on distilled spirits starting January 2020 and every year thereafter and a specific tax rate as follows: (i) PhP42.00 per proof liter in 2020; (ii) PhP47.00 in 2021; (iii) PhP52.00 in 2022; (iv) PhP59.00 for 2023; and (v) PhP66.00 in 2025. A 6% indexation on the specific tax shall be implemented starting 1 January 2026 and every year thereafter.		
Enforcement of anti-smuggling measures and improvement of the National Single Window (NSW)		Following the completion of the TradeNet's connection to the ASEAN Single Window (ASW) in 2018 as well as the 2nd round of end-to-end test with Myanmar and other ASEAN Member States in 2019, the government has now mandated all trade regulatory government agencies to utilize the system. On 5 March 2021, the Anti-Red Tape Authority issued Memorandum Circular No. 2021-01 and Ease of Doing Business and Anti-Red Tape Advisory (EODB-ARTA) containing the guidelines and timelines for the onboarding of all 73 concerned agencies.	
Protection of Geographical Indications (GIs)			**X**
Revival of a regular dialogue between the FDA and the private sector	The ECCP welcomes the opportunity of being part in the regular *Kapihan* sessions of the FDA-CFRR.		

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