To set up an exporting business, one has to register with the Department of Trade and Industry (DTI) if it is a sole proprietorship. Partnership and Corporations have to be registered with the Securities and Exchange Commission (SEC). You also need to register with the city or the municipality where you intend to operate the business as well as with the Bureau of Internal Revenue.

However, even before operating the business, make sure first that the basic elements of a viable export enterprise are present. These are:

- **Organization Readiness** - Management is willing to commit resources of the enterprise.
- **Product Readiness** - Product meets foreign buyers' requirements in both quality and price.

### General Export Procedures

1. Upon receipt of a purchase order from a foreign buyer, immediately send him a proforma invoice for confirmation. An order is confirmed when the proforma invoice is signed and returned to you by the buyer.

2. Payment for exports is normally made through the banks. The foreign buyer's interest in the Philippines is represented by a local authorized agent bank, which is designated by the foreign buyer's bank. The local Authorized Agent Bank (AAB) will assist you in negotiating the collection of the payment for your exports.

3. The AAB will explain to you all the instructions concerning your shipment to ensure its acceptability for payment. Make sure that you understand all the instructions provided by the bank. If the instructions are written in a foreign language, ask the bank to give you an official translation in English or ask the bank to officially recognize a translation of the instructions, if the translation was made by someone other than the bank.

4. Exporters may be paid through banks by means of letters of credit (L/C), documents against payment (D/P), documents against acceptance (D/A), open account (O/A), cash against documents (CAD), prepayment/export advance, inter-company open account, offset arrangement, consignment, or telegraphic transfer.

5. You may or may not need outside financing to produce export products ordered by the buyer. Should you, however, find the need for outside financing, you can either tap the assistance of government or non-government financial institutions.

### Export Documentation

1. When you are ready to ship, fill up an ExportDeclaration (ED) form. Sample ED forms are available at BETP, DTI Provincial offices, Bureau of Customs (BOC) Processing Units, OSEDCs and PHILEXPORT offices.
2. Secure an export commodity clearance/export permit from the proper government commodity office, if your product is included in the list of regulated products for exportation or if the buyer requires.

3. With the required supporting documents, submit the accomplished ED form to the BOC Processing Unit for the approval of the Authority to Load (AL).

Sending Sample Shipments

*Follow steps 1, 2, and 3 of Export Documentation.*

Loading In Manila

Cargoes to be transported by air are inspected by the BOC at the NAIA. Conventional cargoes, whether containerized or non-containerized, to be transported by ship are inspected by the Customs Container Control Division and the Piers and Inspection division, respectively, after payment of the wharfage fee and arrastre charges. Wharfage fee and arrastre services may be paid at South Harbor or MICP.

However, for BOI and PEZA registered companies, stamping or exemption from payment of wharfage fee may be done at the PPA Unit of OSEDC-Manila at Roxas Boulevard. Loading can either be at the North or South Harbor.

Loading At Provincial Ports

Documentation (steps 1-3) may be done in Manila. After approval of the Authority to Load, BOC sends message to BOC at the Port of Loading.

You can also process documents and secure Authority to Load from the local OSEDC (now in Clark, Davao, Baguio, General Santos, Iloilo, Cebu, Cagayan de Oro, and Subic Bay Special Economic Freeport Zone).

After loading, the BOC issues the following documents upon request:

1. Certificate of Origin, Form A (for export products covered by the Generalized System of Preferences (GSP). You can inquire about the GSP from DTI Bureau of International Trade Relations or Bureau of Customs.

2. General Certificate of Origin (for export products not availing of preferences under GSP).

3. Certificate of Origin, Form D (for export products covered by the ASEAN Common Effective Preferential Tariff Scheme).


Furnish the AAB, for record purposes, a copy of the duly accomplished ED form together with other shipping documents, if export negotiation or payment is cours ed through them.

For shipments that are prepaid, send the original commercial and shipping documents to the buyer.
One Stop Export Documentation Center of Philippine Exporters Confederation, Inc.

The One-Stop Export Documentation Center (OSEDC) houses under one roof the following government agencies engaged in the processing of export documents:

- Bureau of Animal Industry
- Bureau of Customs
- Bureau of Fisheries and Aquatic Resources
- Bureau of Plant Industry
- National Statistics Office

OSEDC clients are encouraged to attend the seminar on OSEDC to know the procedures and documentation required for exportation.

For more information on requirements and procedures for export activities and marketing, please contact the nearest One-Stop Export Documentation Center, DTI regional and provincial offices, or contact them at the following:

### METRO MANILA

<table>
<thead>
<tr>
<th>Contact Person</th>
<th>Address</th>
<th>Phone No:</th>
<th>Fax No.:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Dianne D.V. Masalunga Manager</td>
<td>Hall 2, CITEM, International Trade Center Roxas Blvd., Pasay City</td>
<td>(632) 834-2353/831-1812</td>
<td>834-2353</td>
</tr>
<tr>
<td>E-mail: <a href="mailto:osedc@philexport.net.ph">osedc@philexport.net.ph</a></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### LUZON

#### CAR

<table>
<thead>
<tr>
<th>Contact Person</th>
<th>Address</th>
<th>Phone No:</th>
<th>Fax No.:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Sansaluna A. Pinagayao Administrator</td>
<td>Baguio City Economic Zone Loakan Road, Baguio City</td>
<td>(074) 447-4154</td>
<td></td>
</tr>
<tr>
<td>E-mail: <a href="mailto:ead_bcez@nitro.com.ph">ead_bcez@nitro.com.ph</a></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Subic Bay Freeport Zone

<table>
<thead>
<tr>
<th>Contact Person</th>
<th>Address</th>
<th>Phone No:</th>
<th>Fax No.:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Noel O. Tuliao Manager</td>
<td>Bldg. 228 Waterfront Rd Subic Bay Freeport Zone Olongapo City</td>
<td>(047) 252-2673</td>
<td>(047) 252-2670</td>
</tr>
<tr>
<td>E-mail: <a href="mailto:notuliao@lycos.com">notuliao@lycos.com</a></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Clark

<table>
<thead>
<tr>
<th>Contact Person</th>
<th>Address</th>
<th>Phone No:</th>
<th>Fax No.:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ms. Malou V. Balano Manager</td>
<td>2nd Floor, CBC Bldg. 2127 C.P. Garcia St.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Region</td>
<td>City</td>
<td>Contact Person</td>
<td>Address</td>
</tr>
<tr>
<td>--------</td>
<td>------</td>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td>PAMPANGA</td>
<td>Clark Special Economic Zone</td>
<td>Mr. Luis A. Tiongson</td>
<td>Bataan Economic Zone, Mariveles, Bataan</td>
</tr>
<tr>
<td>BATAAN</td>
<td>Bataan Economic Zone</td>
<td>Ms. Maritess Desuyo</td>
<td>Bataan Economic Zone, Mariveles, Bataan</td>
</tr>
<tr>
<td>VISAYAS</td>
<td>Cebu City</td>
<td>Mr. Apolinar G. Suarez, Jr.</td>
<td>3rd Floor LDM Bldg. MJ Cuenco Ave. corner Legaspi St. Cebu City</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ms. Ma. Dinda R. Tamayo</td>
<td>DTI Bldg. J.M. Basa St. Cor. Macario Peralta Avenue Iloilo City</td>
</tr>
<tr>
<td>ILOILO CITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MINDANAO</td>
<td>Davao City</td>
<td>Ms. Emmylou D. Yee</td>
<td>4th Floor, DTI Monteverde Ave., Davao City</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mr. Rosemarie P. Masicampo</td>
<td>2nd Floor, Veres Bldg. Makar, Labangal</td>
</tr>
</tbody>
</table>
About Exporting: Questions and Answers

1. How will the firm know if it is export-ready?

Exporting offers numerous advantages for the company. However, many firms do not take advantage of the incredible opportunities that exist in the worldwide marketplace. The massive restructuring of political boundaries, the opening of new consumer markets, the signing of new trade agreements resulting in the emergence of trade blocs, and the new World Trade Organization (WTO) have created unprecedented opportunities for business to export. Ours is a global economy, influenced by the worldwide access to manufacturing technology, which has led competitive manufacturers to produce cheaper, faster, and better. Many developing countries have become serious rivals to established economies because of their links to global communication systems and the development of television, print, and electronic access to information. There has never been a more opportune time for the Philippines to capitalize on these market shifts and to export for the following reasons:

- Increase in sales and profits. If the firm is performing well locally, expansion into foreign markets is likely to improve profitability.
- Gain global market share. By exporting, the firm will learn from its competitors, their strategies and what they have done to gain a share in foreign markets.
- Reduce dependence on existing domestic markets. By expanding into foreign markets, the firm will increase its marketing base and reduce dependence on local customers.
- Stabilize market fluctuations. By tapping global markets, firms are no longer held captive to economic changes, varying consumer demand and seasonal fluctuations in the domestic economy.
- Make use of excess production capacity. Exporting could increase the utilization of production capacity and length of production runs, thereby reducing average unit costs and raising economies of scale.
- Enhance competitiveness. Exporting enhances the firm's and a country's competitive advantage. While the firm will benefit from exposure to new technologies, methods and processes, the country will benefit from improved balance of trade.
- Create domestic jobs. Investing for exports create new jobs for many people.
- Help to reduce the trade deficit. What the Philippines earn from exports reduces the trade gap arising from import payments.

For many firms, the decision not to export is based on the fear of the unknown. Trade promotion organizations throughout the Philippines have been established to assist companies that are strong locally but have not contemplated venturing into export markets. These organizations can help potential exporters in the export business.

2. What are the advantages and risks in exporting?

Direct Advantages to the exporting firm

- Increase opportunity to expand market share
- Increases production if underutilized in the domestic market
- Decreases dependence on domestic sales or compensate for stagnating domestic market
- Diffuses domestic competition by expanding into less competitive foreign markets
- Stimulates exporters to adopt their products to the needs of the market vis-a-vis competition, leading to an improvement in their level of technological know-how

It is important to note that many of the risks of exporting are similar to those faced in the domestic market.

Risks of expanding into domestic or foreign markets

- Sales may not meet projections
- Competition may be greater than anticipated
- Customers may be slow to pay, or not pay at all

Risks unique to exporting

- Repatriation of profits from the target country may be constrained or forbidden
- Fluctuations in exchange rates may decrease or eliminate profits, or may even result in losses
- In case of non-payment or other contractual problems, there may be a question of jurisdiction (i.e., Philippine courts may not be able to enforce contracts between parties in different countries)
- Political instability in the target country like war or civil strife, or nationalization by the foreign government can lead to losses
- The product may not be accepted in foreign markets.

3. What are the steps and documents required in exporting?

Venturing into export is both challenging and rewarding. The exporter should be acquainted with the procedures to go through and the documentation requirements in exporting. These are:

Identifying/Reaching foreign buyers. The exporter is advised to submit complete product and company information to the Bureau of Export trade Promotion (BETP) which maintains listings of foreign buyers and products they wish to import. Firms in the provinces may visit the Department of Trade and Industry (DTI) Regional or Provincial Offices. Other relevant sources
of information about prospective buyers are trade magazines and similar publications, foreign embassies, banks, commercial trade offices abroad, friends' abroad, Internet, and other trade promotion organizations.

**Negotiating for an export contract.** Once the buyer has been identified and contracted and has shown initial interest, the wheels of negotiation are set in motion. Negotiation may take different forms and cover various points but the exporter must be conversant in the key details (product, price, quantity, packing, shipment, availability, terms of payment) some of which are discussed in the latter section of This publication. Negotiation and contracting with foreign buyers often starts with the business offer, after which samples are shipped. If found acceptable, the exporter will receive the purchase order.

**Following are the succeeding procedures and documentation required in exporting.**

1. Upon receipt of a purchase order, the exporter sends a pro-forma invoice to the foreign buyer for confirmation. An order is confirmed when the pro-form invoice is signed and returned by the buyer.

2. When goods are ready for shipment, the exporter completes the Export Declaration (ED) Form.

3. The exporter then secures export commodity clearance or export permit from the government commodity office if the product is included in the list of regulated products for export, or if the buyer requires it.

4. The ED form together with supporting documents is submitted to the Bureau of Customs (BOC) Processing Unit for approval of the Authority to Load (AL).

5. Wharfage fee and arrastre charges are paid for cargoes transported by ship.

6. Upon loading, the customs inspector signs the Report of Loading (for sea freight)/Report of Lading (for airfreight). The exporter also secures the Bill of Lading (B/L) from the shipping line or the Air Waybill (AWB) from the airlines.

7. After loading, the BOC issues the following documents upon request:
   - General Certificate of Origin - for export products not availing of preferences under GSP.
   - Certificates of Origin, from D - for export products covered by the ASEAN Common Effective Preferential Tariff Scheme (ASEAN - CEPT).
   - Certificate of Shipment.

8. The exporter furnishes the Authorized Agent Banks (AAB) for record purposes a copy of the approved ED form together with other shipping documents, if export negotiation or payment is coursed through them.

For shipments that are prepaid, the original commercial and shipping documents are sent to the buyer.

**4. What are the in-country incentives for exporters?**

Incentives available for exporters depend on where the firm is registered or located.
For exporters registered with and located at the Philippine Economic Zone Authority (PEZA)

- Corporate income tax exemption for 4 years to a minimum of 8 years
- Exemption from duties and taxes on imported capital equipment, spare parts, materials, and supplies
- After the lapse of income tax holiday (ITH), exemption from national and local taxes and in lieu thereof, a special 5% tax rate
- Tax credit for import substitution, domestic capital equipment, and breeding stocks and genetic materials
- Exemption from wharfage dues, export tax impost fees
- Tax and duty-free importation of breeding stocks and genetic materials
- Additional deduction for incremental labor expenses and training expenses
- Permanent resident status for foreign investors and immediate family
- Employment of foreign nationals
- Simplified import-export procedures.

For exporters registered with and located at the Subic Bay Metropolitan Authority (SBMA) and Clark Development Corporation (CDC)

- Tax and duty free importation of machineries, equipment, raw materials, supplies, and all other articles including finished goods
- No local and national taxes. In lieu of taxes, firms pay a fee of 5% of Gross Income Earned, which refers to gross revenues derived from any business activity, less cost of production or -direct cost of services

5. In what foreign markets can the product be sold?

Market research allows the firms to determine which foreign markets have the best potential for a particular product. New-to-export firms should seek a few target markets based on the demographic and physical environment, the political environment, economic factors, social and cultural environment, market accessibility, and product potential. Conducting a thorough market factor assessment will help the firms to predict the demands for its products or services and how well it will perform in the target market. In order to identify two or three foreign markets, it is important to conduct the following market factor assessment based on up to ten countries that appear to offer export opportunities for the product.

The exporter should answer the following questions:

- What is the overall population of each country, considering growth and density trends?
- Is the population of targeted age groups adequate? (e.g., 1-10, 11-24, 25-40, 41-60, etc.)
- To what degree is the population located in urban, suburban, and rural areas?
- Are there climatic and weather variations that may affect the product or service offered?
- What are the shipping distances from the point of export to the various target countries?
- What is the average age and quality of transportation and telecommunications infrastructure?
- Are there adequate shipping, packaging, unloading, and other local distribution networks?
- Is the system of government conducive for conducting business?
- To what degree is the government involved in private business transactions?
- What is the governments’ attitude towards the importation of foreign products?
- Is the political system stable or do governing conditions often change radically?
- Does the government seek to dismantle quotas, tariffs, and other trade barriers?
- What is the country’s commitment to fostering a higher level of imports and exports?
- What is the GNP of each target market and the balance of payments for each country?
• What is the percent of import to export ratio of the target country?
• How does the rate of inflation vary for each country and what are the currency or exchange rate regulations?
• What is the per capita income of the target country? Are income levels increasing?
• What is the percent of discretionary income that can be spent on consumer goods?
• What percentage of the population is identified as middle class?
• To what degree is the target market similar to the home market?
• Will the product or service need to be transformed and/or adopted to suit market requirements?
• What are the legal aspects of distributor agreements for each country?
• What are the documentary requirements and other technical or environmental import regulations?
• Is the market closed to foreigners, despite a free and open appearance?
• What are the intellectual property protection laws which would affect the product or service?
• Are tax laws fair to foreign investors? What is the rate of tax on repatriated profits?
• Is there an identified need for the product in the target market?
• What is the general level of acceptance toward imported products?
• How many foreign competitors are there in the market now? From what countries?

6. How can exporters check the background of the buyers, agents and distributors?

It would often be advantageous if the exporter would have the chance to get key information a prospective buyer. This information may include the present and previous supplier (who are the exporter's competitors), bank references, membership in associations and chambers, and other linkages where relevant background checking information can be gathered. That is why, during trade fairs as one of the means to establish business contacts, it is strongly suggested that the exporter use an inquiry sheet or similar tool where this information can be obtained.

Competitors. If the competitors can be checked using buyers, agents or distributors, the exporter can also make use of the competitors, at least to some extent, to assess the credibility and capability of the prospective buyers, agents and distributors.

Banks. Banks can be a good source of information about a buyer's financial capability. It is a fact that in exports, the seller and the buyer deal mainly on documents such as letter of credit, thus it is necessary for the exporter to have an idea of the buyer's credibility with the bank he or she transacts with.

Buyers' Associations or Chambers. Members of such organizations can provide a deep description of the buyer's business behavior.

Credit Investigation Agencies. There are many agencies that provide services to do a background or credit check on companies and other enterprises. Getting their services may be expensive but the results are often accurate and objective.

Where information can be obtained about packaging and labeling requirements of a particular market?

Normally, freight forwarders, importers, product development and design institutes, and customers are the best source from which to obtain information on labeling regulations for a particular country in the Philippines, some of these sources are:
• Air Cargo Forwarders Association of the Philippines
• Intellectual Property Rights Office
• Packaging Center of the Philippines
• Philippine International Sea Freight Forwarders' Association of the Philippines
7. How can an exporter determine whether the price quoted is competitive?

An exporter can determine if the price is competitive by simply looking at the prices quoted by other exporters and foreign producers of the same or similar product in a particular market. Good sources of information are trade associations, embassies and government trade promotion organizations like the Foreign Trade Services Corps (FTSC) and trade associations (e.g. PHILEXPORT). Understanding the competition in the global market will establish some guidelines for an effective pricing policy.

It is important to complete a survey of the competitors’ prices. How does the price compare with the exporter’s price. Is it higher or lower? What is the image of the exporter’s product in the marketplace? Are the products considered “top of the line” or “deep discount”?

A high-pricing strategy should be utilized if the company is selling a unique or new product or if the company wishes to establish a high-quality image for the product. This approach has the advantage of high profit margins. Conversely, selecting a high-price strategy can also limit the product’s marketability and will probably attract competition to that market.

A low-price strategy is ideal for disposing-off excess or obsolete inventory; however, it should be used as a short-term strategy. Although it tends to discourage new competition and may reduce the competition’s market share, the result would be low-profit margins. In some cases, low prices can attract “anti-dumping” charges by foreign competitors.

A moderate-price strategy is a safe alternative to the above mentioned strategies. It enables a company to meet the competition and at the same time retain an adequate margin and develop market share. Moderate pricing can lead to a long-term position in the market. The disadvantage is that it may encourage existing suppliers to present tough price competition. For this reason, prior knowledge of the competitor’s market entry prices is necessary.

8. What is the best way to ship products?

All transportation methods have some disadvantages and disadvantages. The decision depends on the product, the exporter’s needs and preferences of the importer. Price, delivery deadlines and special needs of the product are factors to bear in mind. The main transportation methods are:

**Maritime transportation.** The main inconvenience of maritime transportation is that it is slow, and therefore, may not be the most convenient method when transporting perishable products that have a high value relative to weight and / or volume of goods, or if it is an urgent delivery.

**Air transportation.** A secure and very fast method which usually needs little packaging, and has a low cost of capital locked with the goods, yet is usually the most expensive method. This method, often dismissed by SMEs in developing countries as being too expensive can be highly cost effective for transporting high value/low volume goods.
Road Transportation. Allows direct transportation from the supplier's to the buyer's warehouses, heightens security and assures the greatest degree of flexibility. Normally fast and safe, the prices do differ greatly.

Inland water transportation. Safe yet slow and flexible but can be inexpensive if a minimum quantity of cargo is carried.

Rail transportation. Slow and flexible and requires a certain number of containers before shipping, but this method is also safe and secure, allowing an exporter to ship large quantities at relatively inexpensive rates.

Multi modal transportation. A combination of two or more of the methods described above. The use of containers is the preferred method of transportation.

9. What agencies are extending financial assistance focused only on established exporters?

The financial assistance available for exporters come as support to the entire export operation or to other specific needs such as fixed asset acquisition, production equipment/machinery acquisition, working capital, expansion or modernization. In the Philippines, there is quite a number of government and private financial institutions, development banks and finance institutions, export credit guarantee and insurance agencies that offer various financing facilities in the form of either short- or long-term loans. Below are some of the government organizations, which can be tapped for financial assistance:

Bureau of Small and Medium Business Development
3rd Floor, Open Bldg., 349 Sen. Gil J. Puyat Ave., Makati City
Tel: (632) 890-5487; Fax (632) 890-5433
www.dti.gov.ph

Development Bank of the Philippines
Sen. Gil J. Puyat cor. Makati Ave., Makati City
Tel: (632) 893-4444 or 818-9511
www.devbankphil.com.ph

Guarantee Fund for Small and Medium Enterprise
7th Floor, One Corporate Plaza, 845 Amaiz Ave., Makati City
Tel: (632) 816-00210 to 30

Social Security System
SSS loans and Investment Office, East Ave., Diliman, Quezon City,
Tel: (632) 920-610
www.sss.gov.ph

Technology Resource Center of the Philippines
103 J. Abad Santos St., Little Baguio, San Juan City 1500
Tel: (632) 727-6205
www.trc.dost.gov.ph

The Livelihood Corporation
7th Floor, Hanston Bldg., Emerald Avenue, Ortigas Center, Mandaluyong City
Tel: (632) 6311621 to 28; Fax: (632) 631-2543

Trade and Investment Development Corporation