DEPARTMENT OF TRADE AND INDUSTRY

SAFEGUARD MEASURES CASE NAME:

APPLICATION OF PHILIPPINE METALWORKERS' ALLIANCE (PMA) ON THE IMPORTATION OF M0TOR VEHICLE FROM VARIOUS COUNTRIES

PUBLIC VERSION

SGM CASE NO. : SG01-2020

DATE : 29 December 2020

REPORT ON THE AFFIRMATIVE PRELIMINARY DETERMINATION

REPORT ON THE AFFIRMATIVE PRELIMINARY DETERMINATION OF SAFEGUARD MEASURES ON THE IMPORTATION OF MOTOR VEHICLES FROM VARIOUS COUNTRIES

I. INTRODUCTION

This is a report on the preliminary determination conducted by the Department of Trade and Industry (DTI) under Section 7 of Republic Act (RA) 8800, The Safeguard Measures Act, on the petition filed by the Philippine Metalworkers' Alliance (PMA). The subject products are classified under ASEAN Harmonized Tariff Nomenclature (AHTN) Codes 8703 – Passenger cars of any four-wheeled motor vehicle that are designed to transport persons (less than 10 persons) and not primarily to transport goods. Also, included in the investigation are light commercial vehicles specifically pick-ups whether four-wheeled drive or not which are designed to carry both passenger and goods/cargoes classified under AHTN Codes 8704.21.19 and 8704.21.29.

This report addresses the issue of whether the evidence submitted by the domestic manufacturers, the importers, exporters, and other interested parties show that increased imports are the substantial cause or threaten to substantially cause serious injury to the local industry.

A. The Philippine Industry's Petition

A.1 Parties to the Petition - Domestic Industry/Petitioner

Section 6 of RA 8800 (Safeguard Measures Act) provides that "*Any person, whether natural or juridical, belonging to or representing a domestic industry may file with the Secretary a verified petition requesting that action be taken to remedy the serious injury or prevent the threat thereof to the domestic industry caused by increased imports of the product under consideration*".

Rule 6.4.d of the Implementing Rules and Regulations (IRRs) of RA 8800 further provides that: "*All persons who have a right to relief or who will be adversely affected by such relief with respect to the alleged import surges claimed to exist may, upon the discretion of the Secretary or the Commission, join as petitioners or be joined as respondents in one (1) petition, where any question of law or fact common to all such respondents may arise in such action"*.

PMA is a juridical person belonging to the motor vehicle industry. It is registered with the Department of Labor and Employment (DOLE), as a national union of automotive, iron and steel, electronics, and electrical sectors, including affiliates in key automotive industry players.

A.2. Philippine Metalworkers Alliance - PMA

The table below shows the members of PMA

Mitsubishi Motor Workers Union-Philippines (MMWU-P)
Mitsubishi Motor Supervisory Union - (MMPSU)
Isuzu Philippines Corporation Workers Union (IPCWU)
Isuzu Philippines Corporation Supervisory Union (IPCAU)
Isuzu Autoparts Supervisory Employees Union (IASEU)
Toyota Motor Philippines Corporation Labor Organization (TMPCLO)
Toyota Motor Philippines Corporation Supervisory Union (TMPCLO)
Toyota Aisin Philippines Labor Union (TAPLU)
Toyota Aisin Philippines Supervisory Union (TAPSU)
Toyota Boshoku Philippines Corporation Supervisory Union (TBPCSU)
Toyota Quezon Avenue Employees Union (TQAEU)
*Others (26 non-automotive labor union members of PMA)

Source: Philippine Metalworkers Alliance

A.3. Industry Overview

The motor vehicle industry represents a significant portion of the global economic activity with extensive upstream and downstream linkages to many diverse industries and sectors. In the past decade, the motor vehicle industry's contributions in output, employment, investments, and exports have been increasing. Moreover, the synergy within the industry has strengthened the linkages between the motor vehicle assemblers and the motor vehicle parts and components manufacturers[1].

The Philippine motor vehicle industry is comprised of two sectors: the motor vehicle assembly and the motor vehicle parts and components manufacturing. The motor vehicle assembly sector is grouped based on the type of motor vehicles, such as passenger cars, commercial vehicles (utility vehicles, pick-ups, vans, trucks, buses, special purpose vehicles), and motorcycles.

There are 272 parts and components manufacturers in the country. The industry has an annual capacity of 250,000 units of parts and components, all vehicle types included, produced by plants rated as compliant with global standards and certified by the International Standards Organization (ISO)[2].

[1] http://boi.gov.ph/wp-content/uploads/2018/02/Automotive-July-3-2017.pdf
[2] http://boi.gov.ph/ufaqs/automotive/

A.4. Philippine Motor Vehicle Assembly Sector

The Philippine motor vehicle industry is principally dominated by Japanese automobile manufacturers such as Toyota Motor Phils. Corp. (TMPC), Mitsubishi Motor Phils. Corp. (MMPC), Honda Cars Phils., Inc. (HCPI), and Nissan Motor Phils. Inc. (NMPI). While Pilipinas Hino, Inc. (Hino) and Columbian Motors Corp. (Nissan Diesel) dominate the trucks and buses category. Other vehicle assemblers carry German and Chinese brands[3].

DTI obtained data relevant to the Philippine manufacturers of passenger and commercial vehicles. The following are the companies with complete data gathered by DTI and used as the basis in the investigation to evaluate the effect of increased imports of motor vehicles in the domestic market as alleged by PMA.

- **Toyota Motor Philippines Corporation**

Toyota Motor Philippines Corporation was established in August 1988. They started manufacturing Innova in 2016 and Vios in 2018. Toyota is importing 39 models of CBUs from Japan, Thailand, and Indonesia.

- **Honda Cars Philippines, Inc.**

Honda Cars Philippines, Inc. was established in October 1990. They are manufacturing two (2) models of passenger cars, i.e., City and BR-V. Honda is importing eleven (11) models of CBUs from Thailand, Japan, and the UK. Honda Motor closed its Philippine assembly plant in the first quarter of 2020[4].

- **Isuzu Philippines Corporation.**

Isuzu Philippines Corporation was established in August 1995. They started their production with two (2) models in 1996 (N-Series and F-Series). In 2003 and 2017, another two (2) models were added to their production line, i.e., D-Max and QKR. Isuzu is importing three (3) models of CBUs from Japan and Thailand.

- **Nissan Philippines, Inc.**

Nissan Philippines Inc. was established in September 2013. They started production in 2014 for the five (5) models of passenger and commercial vehicles. As of 2019, Almera N17 is the only model being manufactured by Nissan and its production will end by 2020. Nissan is importing nine (9) models of CBUs from the USA, Japan, and Thailand.

[3] http://boi.gov.ph/wp-content/uploads/2018/02/Automotive-July-3-2017.pdf
[4] https://business.inquirer.net/291216/honda-ph-assembly-plant-closure-too-few-cars#ixzz6gB14PhXK

A.5. Importers and Exporters of Motor Vehicles

The list of importers and exporters of motor vehicles were identified from the data of the Bureau of Customs Single Administrative Document – Import Entry and Internal Revenue Document (SAD-IEIRD). (Attached as Annexes A and B)

A.6. Others

DTI notified other interested parties such as consumer groups and industry associations of the petition for safeguard measures and requested them to submit their positions thereof. The list of associations and consumer groups is attached as Annex C.

B. Role of the DTI under RA 8800 (The Safeguard Measures Act)

B.1 Examination of Evidence to Justify Initiation of Investigation

In establishing whether there is sufficient evidence to justify the initiation of the investigation, the Secretary relied on Section 6 paragraph 3 of RA 8800 and its IRRs. It provides, *"the Secretary shall review the accuracy and adequacy of the evidence adduced in the petition to determine the existence of a prima facie case that will justify the initiation of a preliminary investigation within five (5) days from receipt of the petition."*

B.2 The Meaning of Preliminary Investigation in the Context of the Safeguard Measures Law

In making a preliminary determination, Section 7 of RA 8800 states that:

"Not later than thirty (30) days from receipt of the petition…the Secretary, shall on the basis of the evidence and submission of the interested parties, make a preliminary determination that increased imports of the product under consideration are a substantial cause of or threaten to substantially cause, serious injury to the domestic industry. In the process of conducting a preliminary determination, the Secretary shall notify the interested parties and shall require them to submit their answers within five (5) working days from the date of transmittal to the respondent or appropriate diplomatic representative of the country of exportation or origin of the imported product under consideration."

Further, the law also provides:

"Upon a positive preliminary determination that increased importation of the product under consideration is a substantial cause of, or threatens to substantially cause, serious injury to the domestic industry, the Secretary shall, without delay, transmit its records to the Commission for immediate formal investigation."

Rule 7.1 of the IRR essentially restates the law to wit:

"Not later than thirty (30) calendar days from receipt of the properly documented application xxx, the Secretary shall, on the basis of the petition, the answers of the respondents, and the respective supporting documents or information, make a preliminary determination that increased imports of the product under consideration are a substantial cause of, or threaten to substantially cause, serious injury to the domestic industry."

II. THE EVIDENCE PRESENTED

A. The Product Subject to the Petition

Section 4 (h) of RA 8800 defines the like product as *"a domestic product which is identical, i.e., alike in all respects to the imported product under consideration, or in the absence of such a product, another domestic product which, although not alike in all respects, has characteristics closely resembling those of the imported product under consideration".*
Section 4 (e) of RA 8800 further provides, *"directly competitive product shall mean domestically produced substitutable products".*

A comparison of the imported motor vehicles with the locally produced vehicles is required to determine if these are like or directly competitive products.

A.1 Domestic Product

Passenger cars or Completely Built-Up units (CBUs) refer to any four-wheeled motor vehicle, which is propelled by gasoline, diesel, electricity, or any other motive power such as hatchbacks, sedans, CUV and SUV, which are designed to transport persons and not primarily to transport goods.

Light commercial vehicles refer to vehicles whether four-wheeled drive or not, which may be classified under but not limited to the following: utility vehicles, sports utility vehicles, Asian utility vehicles, commuter vans, pick-ups, which are designed to carry both passenger and goods/cargoes[5].

A.2. Product Exclusions:

Excluded from the investigation are passenger cars described as completely knocked down (CKD), semi knocked-down (SKD), and used vehicles. CKD refers to imported parts such as engines or transmission, which are combined with locally-produced parts to be assembled in the economy by different automotive firms. SKD are semi-assembled vehicles without tires or batteries. Also excluded are special purpose vehicles such as ambulance, hearse, electric motor vehicles, and luxury cars that have high-end features that go above and beyond the average necessities amounting to US$25,000 or more based on FOB price. The term luxury is used to categorize vehicles that are equipped with better performance capabilities, lavish interiors, and all the latest safety and technology features[6].

For light commercial vehicles, those that are described as completely knocked down (CKD), semi-knocked down (SKD), and used vehicles were also excluded from the investigation. CKD refers to imported parts such as engines or transmission, which are combined with locally-produced parts to be assembled in the economy by different automotive firms. SKD are semi-assembled vehicles without tires or batteries. Also excluded are special purpose vehicles such as ambulance, hearse, e-motor vehicles, and luxury vehicles that have high-end features that go above and beyond the average necessities amounting to US$28,000 or more based on FOB price.

[5] https://boi.gov.ph/wp-content/uploads/2018/02/Automotive-July-3-2017.pdf
[6] https://www.certifiedautoplex.com/

A.3. Uses and Applications

Passenger cars are vehicles principally designed to transport persons (less than 10 persons) and not primarily to transport goods.

Light commercial vehicles are those principally designed to carry both passengers and goods/cargoes.

B. Imported Product

1. Product Description under the Tariff and Customs Code 8703 (Passenger Cars/Vehicles)

AHTN	Description
87.03	**Motor cars and other motor vehicles principally designed for the transport of persons including (other than those of heading 87.02), station wagons and racing cars**

Source: Classification based on The Philippine Tariff Finder (PTF) of the Tariff Commission. Retrieved from http://tariffcommission.gov.ph/finder

Tariff Lines with FTAs under 8703

AHTN	*Description*	*MFN*		*AKFTA*		*AJCEP*	*AIFTA*						*AANZFTA*	*ACFTA*		*PJEPA*	*ATIGA*
		2017-2019		*2015*	*2016*	*2014-2018*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*	*2004-2020*	*2017*	*2018*	*2011-2018*	
8703	*Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars.*	*30*															
87032110				*-*	*-*	*-*	*18*	*15*	*12*	*9*	*0*	*0*	*-*	*-*	*-*	*-*	*0*
87032129	*- - - - Other*			*20*	*5*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*20*	*5*	*-*	*0*
87032129B	*- - - - - New*			*20*	*5*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*20*	*5*	*-*	*0*
87032190C	*- - - - Other, New*			*20*	*5*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*20*	*5*	*-*	*0*
87032219B	*- - - - - New*			*20*	*5*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*20*	*5*	*-*	*0*
87032345						*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*0*
87032351B	*- - - - - New*			*20*	*5*	*20*	*-*	*-*	*-*	*-*	*-*	*-*	*0*	*-*	*-*	*-*	*0*
87032352B	*- - - - - New*			*20*	*5*	*20*	*-*	*-*	*-*	*-*	*-*	*-*	*0*	*-*	*-*	*-*	*0*
87032353B	*- - - - - New*			*20*	*5*	*20*	*-*	*-*	*-*	*-*	*-*	*-*	*0*	*-*	*-*	*-*	*0*
87032354B	*- - - - - New*			*20*	*5*	*20*	*-*	*-*	*-*	*-*	*-*	*-*		*-*	*-*	*-*	*0*
87032450B	*- - - - New*			*20*	*5*	*30*	*-*	*-*	*-*	*-*	*-*	*-*	*0*	*-*	*-*	*0*	*0*

AHTN	Description	MFN	AKFTA		AJCEP	AIFTA						AANZ FTA	ACFTA		PJEPA	ATIGA
		2017-2019	2015	2016	2014-2018	2015	2016	2017	2018	2019	2020	2004-2020	2017	2018	2011-2018	
87033120	*- - - Motor cars (including station wagons, SUVs and sports cars, but not including vans), other:*	-	-	-	-	-	-	-	-	-	-	20	5	-	-	0
87033120B	*- - - - New*	20	5	-	-	-	-	-	-	-	0	20	5	20	-	0
87033241		-	-	-	-	-	-	-	-	-		20	5	-	-	0
87033249		-	-	-	-	-	-	-	-	-		20	5	-	-	0
87033251B		-	-	-	-	-	-	-	-	-	0	20	5	-	-	0
87033259B		-	-	-	-	-	-	-	-	-	0	20	5	-	-	0
87033291B		-	-	-	-	-	-	-	-	-		20	5	-	-	0
87033291D		-	-	-	-	-	-	-	-	-	0	20	5	-	-	0
87033291E		-	-	-	-	-	-	-	-	-	-	20	5	-	-	0
87033299C		-	-	-	-	-	-	-	-	-	-	20	5	-	-	0
87033341		-	-	-	-	-	-	-	-	-	-	20	5	-	-	0
87033342		-	-	-	-	-	-	-	-	-	-	20	5	-	-	0
87033351A		-	-	-	-	-	-	-	-	-	-	20	5	-	-	0
87033351B		-	-	30	-	-	-	-	-	-	0	20	5	-	-	0
87033352B		-	-	30	-	-	-	-	-	-	-	-	-	-	0	0
87033390C		-	-	-	-	-	-	-	-	-	-	-	-	-	0	0
87039051		-	-	-	-	-	-	-	-	-	-	-	-	-	0	0

Source: Classification based on The Philippine Tariff Finder (PTF) of the Tariff Commission. Retrieved from http://tariffcommission.gov.ph/finder

AHTN ASEAN Harmonized Tariff Nomenclature
MFN Most Favored Nation
AANZFTA ASEAN-Australia/New Zealand Free Trade Agreement
ACFTA ASEAN-China Free Trade Agreement
AJCEPA ASEAN-Japan Comprehensive Economic Partnership Agreement
AKFTA ASEAN-Korea Free Trade Agreement
PJEPA Philippines-Japan Economic Partnership Agreement

2. Product Description under the Tariff and Customs Code 8704 (Light Commercial Vehicles)

II. AHTN	*Description*	*MFN*	*AANZFTA*	*ACFTA*		*AJCEPA*	*AKFTA*		*PJEPA*	*ATIGA*
		2017-2020	*2012-2020*	*2012-2017*	*2018*	*2015-2018*	*2012-2015*	*2016*	*2011-2018*	
8704	*Motor vehicles for the transport of goods*									
8704.21.29	*----Other.*	*30*	*0*	*20*	*5*	*30*	*20*	*5*	*0*	*0*
8704.21.19	*----Other.*	*30*								

Source: Classification based on The Philippine Tariff Finder (PTF) of the Tariff Commission. Retrieved from http://tariffcommission.gov.ph/finder

AHTN ASEAN Harmonized Tariff Nomenclature
MFN Most Favored Nation
AANZFTA ASEAN-Australia/New Zealand Free Trade Agreement
ACFTA ASEAN-China Free Trade Agreement
AJCEPA ASEAN-Japan Comprehensive Economic Partnership Agreement
AKFTA ASEAN-Korea Free Trade Agreement
PJEPA Philippines-Japan Economic Partnership Agreement

C. Comparison between Imported and Domestic Product

Locally produced motor vehicles and imported motor vehicles are like products as follows:

1. classified under same tariff codes
2. same uses and application

III. THE PROCESS OF PRELIMINARY INVESTIGATION

A. Acceptance of the Petition and Decision for Preliminary Investigation

In accepting the petition of the Philippine Metalworkers Alliance, the Secretary was guided by Rule 6.4a of the IRRs of RA 8800 which provides that:

"The Secretary shall, within five (5) calendar days from the date of his letter of acceptance of the properly documented application referred to in Rule 6.3.d, examine the accuracy and adequacy of the evidence submitted to determine the existence of a prima facie case that will justify the initiation of a preliminary investigation. In assessing the sufficiency of evidence provided in the application, the Secretary shall satisfy himself that based on the documents available to him, he can determine that the increased imports of the product under consideration are the substantial cause of the serious injury or threat thereof to the domestic producers of the product under consideration."

On 15 January 2020, the Secretary officially informed the PMA that their application has been accepted as properly documented. On 17 January 2020, the Secretary issued a report on the initiation of the safeguard investigation.

A.2 Preliminary Investigation Proper

A.2.a Notice to Parties and Due Process

On 06 February 2020, the Notice of Initiation was published at the Business Mirror and Manila Standard Today as provided under Rule 6.5a of the IRR which states that:

"Within two (2) calendar days after the Secretary makes the decision to initiate a preliminary investigation, the Secretary shall cause the publication of the notice of initiation of preliminary investigation in two (2) newspapers of general circulation. The date of publication shall be considered as day one (1) of the initiation of investigation."

On 06, 07, 11 February 2020, individual notices were sent to the domestic industry, the diplomatic or official representatives of the concerned governments of the identified exporting countries, importers, exporters and associations. The importers and exporters were requested to submit their responses to the questionnaires as well as evidence and information relevant to the said investigation within five (5) working days from receipt of notice as provided under Section 7 of RA 8800 and its IRR.

A.2.b Submission of Evidence and Position Papers

As provided under Rule 6.5b of the IRR:

"The respondents are required to submit within five (5) working days from the receipt of such notice their responses or comment and other evidence and information to dispute all allegations contained in the petition. The notice shall be deemed to have been received five (5) working days from the date on which it was transmitted to the respondent or the appropriate diplomatic or official representative of the country of export or origin of the product under consideration. In cases where the number of known interested parties is so large that it is impractical to provide a non-confidential copy of the documents to each of them, a copy will be given to the government of the country of export or origin and/or to the representative organizations. These documents shall also be made available to other interested parties upon request."

A.2.c Importers Responses to the Questionnaire

Out of one hundred thirteen (113) identified importers, only nine (9) submitted responses to the DTI Questionnaire, as follows:

1. Toyota Motor Philippines Corporation (TMP)

On 20 February 2020, TMP submitted its accomplished questionnaire with the following comments:

Product	• TMP's CKD models are high-volume models supported by the local parts supplier base. CKD modes have a wide grade line-up compared to CBU models. This enables TMP to cater to a broad customer base with different needs/usage requirements and income levels.
Distribution Channel	• TMP's products are distributed for retail sale nationwide through a network of Toyota dealerships. As of December 2019, TMP has a network of 71 dealerships (including Lexus) nationwide.
Market Segmentation	• TMP's market segmentation is based on demographics and key expectations/requirements.
Distribution	• The National Capital Region accounts for majority of the TMP sales. Other regional growth areas include Regions III, IV and VII. This regionals sales distribution pattern is expected to continue in the medium term.
Category	• Passenger cars account for the majority of vehicle sales. However, its share to total vehicle sales is gradually decreasing due to the emerging popularity of SUVs and Pick-up
Demand Pattern	• Expected demand pattern is that commercial vehicles (SUVs and pick-up) will continue to increase its market share in the medium-term.

Serious injury	There is no current serious injury to the domestic industry brought about by the motor vehicle imports in terms of the following:
Market share	• TMP's CKD sales has been increasing in absolute terms from 2014 to 2017, while the slowdown in 2018 was attributed mainly to the impact of the Tax Reform for Acceleration and Inclusion (TRAIN). • While TMP's CBU sales increased both in absolute and relative terms from 2014-2018. It should be emphasized that TMP's CKD sales increased significantly by approximately 50% in 2017 compared to 2014. TMP believed that CKD sales would have continued its overall grown trajectory if not for the impact of TRAIN implementation in January 2018.
Production Volume and Capacity Utilization	• There was no decline in TMP's production capacity and capacity utilization. TMP's production volume gradually increased from 2014-2017, and the temporary slowdown in 2018 is attributed to the general slowdown in industry sales during the same period. • TMP's production capacity increased significantly by 53% in 2018 compared to 2014. TMP also adjusted takt-time from 6.4 minutes in 2014 to 4.0 minutes in 2018, which means TMP's production line runs faster as a result of line efficiency improvement. • The decline in 2018 production volume is related to the overall slowdown in sales during the same period. • TMP was in full capacity utilization from 2014-2017. Lower capacity utilization in 2018 is related to the decline in 2018 production volume.
Financial Performance	• TMP maintained a positive profit for manufacturing operations from 2014 to 2018. • The average gross profit margin for the period 2014-2017 is 13%. In 2018, a lower but still positive margin of 6% was registered, due to production and sales performance in the same period.
Employment:	• There was no decline in TMP employment. On the contrary, employment increased by 32% or from x x x in 2014 to x x x in 2018.
Profitability	• TMP maintained a positive profit position for its overall operations for the period 2014-2018
Other Factors:	• Two (2) carmakers terminated the production of three (3) Euro 2 CKD models in 2017 due to the mandatory implementation of Euro 4 emission regulations in January 2018.
General:	• TMP maintains a balance between its manufacturing and trading operations. TMP strengthens manufacturing operations, and at the same time, optimize CBU product offering as a matter of market strategy. CBU operations significantly contribute to TMP's success, which in turn allows further investments in manufacturing operations, supplier development, human resource development and employee welfare and technical school for after-sales. • The imposition of safeguard measures will not necessarily lead to

	increased CKD production or localization of CBU models. Manufacturing investment decisions are influenced mainly by transparent, consistent and stable government policies, and then by market growth opportunities. Rather than adopt restrictive trade measures, a progressive approach to improve competitiveness is recommended to support long-term, sustainable manufacturing operations. • Impact on dealership expansion – Growth in overall sales, including CBU, has driven the expansion of the Toyota Dealer Network. For the period 2014-2018, additional twenty-four (24) dealerships were opened; and employment increased by 79% in 2018 compared to 2014. The potential slowdown in sales may affect not only future dealer expansion but pose challenges on labor productivity as well. • Correspondingly, there is a negative impact on economic activity and employment for the front-end of the value chain in finance, insurance, technicians, etc. • Reduced export revenues – For the period 2014-2018, Toyota Group Export Suppliers generated export revenues of x x x, mainly from the supply of production parts and components to Japan, Thailand and Indonesia. Production slowdown in CBU source countries will have a cascading impact on export suppliers. • Regional production and supply disruption – Automotive is a highly-regionalized sector, has benefited from the early integration initiatives in considering the specialization and efficiencies of each production base. • Safeguard measures can cause real damage to the automotive manufacturing landscape in the region considering the highly-integrated nature of the supply chain. The Philippines, being a part of this supply chain, is also exposed to the risk of regional disruption. The impact does not stop at the automotive industry, there may be a domino effect on the overall economy. The impact also extends into harming future investors' confidence in the Philippines. • Impact on consumers – Safeguard measure will increase the cost of vehicles and potentially limit the choices of customers in relation to their purchasing power. There is also no guarantee that customers will shift to CKD as a result of the increase in CBU cost. Reduced consumer choice will only depress the demand for new vehicles. • Possible market growth deceleration – the slowdown in sales affected the full automotive market recovery from the huge volume decline in 2018 as a result of TRAIN implementation and general economic slowdown. It should be noted that the automotive market started to recover in 2019. It is extremely important to sustain this recovery trend.

	• The automotive sector should be considered holistically, i.e. across the whole value chain from the upstream network that includes parts suppliers and auto-supporting industries to vehicle manufacturers to the downstream network that includes auto dealerships and service centers, insurance and financing companies. The potential impact on the downstream network, which accounts for the majority of total industry employment should not be underestimated.

2. Autohub Group of Companies, Inc. (AGCI)

On 1 February 2020, AGCI submitted its position on motor vehicles safeguards investigation stating the following comments:

Serious Injury/ Threat Thereof	Based on the available document, it cannot be positively determined with sufficient certainty that the increased imports of motor vehicles is the substantial cause of the alleged serious injury or threat thereof to the domestic producers of motor vehicles.
Sales Volume/Value	Sales of the Domestic Industry in the passenger cars/vehicles between 2014 to 2017 increased correlatively with the increase of the imported units because both fairly addressed the increasing demand of the Philippine market. • The domestic sales volume steadily increased in 2015 by 16% and in 2016 and 2017 by 13%. • Sales value increased from 2014 to 2017 at 15%, 17% and 18% respectively.
Causation	The claimed sharply declining share of domestically assembled passenger vehicle sales volume to the total sales by the domestic industry, is not solely caused by the steady and incremental increasing share of sales of imported vehicles or CBUs, to the total sale of the motor vehicle industry. • The domestic sales volume of passenger cars/vehicles steadily increased in 2015 by 16% and in 2016 and 3017 by 13%. • In the same way, sales value increased from 2014 to 2017 at 15%, 17%, and 18%, respectively. • Production volume also increased from 2014 to 2017 at 14%, 15%, and 13%, respectively. • Capacity utilization for passenger cars/vehicles exhibited a fluctuating trend from 2014 to 2017, while the capacity utilization for light commercial vehicles was increasing from 2015 to 2017 by 39%, 3%, and 60% respectively. The industry has increased its capacity in 2017. • There can be no serious injury/impairment or a threat thereof to the domestic industry where both the sales volume and value increased, respectively, and on the mere expedient that the domestic assembly sector “could have” sold more if not for the increase in importation volume of the subject product. Such a conclusion is highly speculative and would be prejudicial to other stakeholders.

Employment	• Decline in employment between 2018 to 2019 has no direct correlation to the increase in the importation of vehicles and is too short of a period to be used as a basis for the Petition and/or safeguard measure. • On the matter of employment of major domestic manufacturers of motor vehicles, data on employment indicated an increasing trend from 2013 to 2017 but started to decline from 2018 to 2019. The rate of decline from 2018 to 2019 however, is again, neither proportionate nor exclusively attributable to the increase in share of sales of imported vehicles or CBUs to the total sales of the motor vehicle industry.
Price Suppression	DTI concluded that there was no indication of price suppression during the POI. • The fact that the weighted average landed cost of imports from all sources is lower by 21.75% than the domestic selling price of the domestic passenger vehicle appears to be of little relevance since the production increased from 2014 to 2017 at 15% to 13, respectively; productivity, capacity utilization exhibited a fluctuating trend from 2014 to 2017. • In 2015, capacity utilization increased by 11%, in 2017 it increased by 10%, and the domestic sales volume and correlatively the profit, steadily increased in 2015 by 16% and in 2016 and 2017 by 13%. In the same way, sales value increased from 2014 to 2017 at 15%, 17% and 18%, respectively.
Others/General Comments	• Importation is not the substantial cause. There is no sufficient basis to grant the petition requesting for the imposition of safeguard measures on the importation of motor vehicles from various countries, which are classified under ASEAN Harmonized Tariff Nomenclature (AHTN) Code 87.03, as the increased import volume is not the substantial cause of the domestic assembly's decreased share

3. Honda Cars Philippines, Inc. (Honda Cars)

On 21 February 2020, Honda Cars submitted its comments on the investigation as follows:

- Honda Cars believed that the business challenges it experienced, particularly in 2018, are related mainly to the market adjustment to the new automobile excise taxes, aggravated by low parts localization, and unfavorable forex. It is confronted with an arduous competitive situation for the Honda BR-V which was manufactured locally starting in 2018.

- In 2019, the market seems to have started to recover from TRAIN, and with due respect to DTI, the application of an SG measure risks another major contraction in view of the market price sensitivity. Moreover, the auto industry is experiencing disruption through the value chain. Changes in market requirements compel Honda Cars to provide different models, options and new technologies that all the more necessitate a regional structure for car manufacturing operations. As a global player in the auto industry and to realize cost-effectiveness, Honda Cars also deeply consider the free trade commitments of the countries where we operate. To a large extent, local car manufacturing is indeed influenced by the availability of local parts supply, which in turn is anchored on volume.

4. Philcox (Phils) Inc.

On 24 February 2020, (Philcox Phils.) Inc. returned the importer's questionnaire but did not make any comment on the matter.

5. Nissan Philippines, Inc.

On 04 March 2020, Nissan Philippines submitted its comments on the matter.

Serious Injury	There is no current serious injury to the domestic industry brought about by the motor vehicle imports in terms of the following: • As identified in the automotive industry roadmap study, there is a huge cost gap between locally manufactured vehicles vs. imported CBUs. Hence, the CARS program. local producers like NPI, to achieve operational efficiency, must balance its stakes in both operations. • Serious injury could be well-illustrated in aggregate terms. Allegations of serious injury using cumulative terms could be best elucidated and particularized in the industry data. Thus, NPI defers/concurs to CAMPI position on Safeguard measure.
Others/General	NPI adopts the CAMPI position and responses on the implementation of safeguard measures as regards the point-by-point allegation of serious injury. • Local manufacturing hurdles a host of factors and challenges involving its operations, profitability and sustainability. The PH automotive industry has and continues to undergo several challenges and setbacks during the POI, which contributed to its current state. • Early and rapid trade liberalization certainly did not help entice investors to produce locally, since it is much cheaper to import from neighboring countries at 0% duty. • Plate and registration issues, the shift to Euro 4 emission regulations and TRAIN Law are some of the regulatory setbacks that the industry faced. • NPI respectfully submits that the historical automotive policy experience should be taken into consideration in assessing the state of local vehicle manufacturing and in coming up with a comprehensive motor vehicle development program.

6. Ford Group Philippines, Inc. (FGP)

On 09 March 2020, Ford Group Philippines, Inc. (FGP) submitted its comments on the matter.

Products Imported/ Source Countries/ Tariff Classification/ Applicable Duty	Mustang (USA) – 30% - Mustang 5.0L GT Premium Convertible AT – AHTN 8703.24.51 - Mustang 5.0L GT Premium Convertible MT – AHTN 8703.24.51 - Mustang 5.0L GT Coupe 5.0L – AHTN 8703.24.51 - Mustang Coupe 2.3L Ecoboost – AHTN 8703.23.63 Expedition (USA) – 30% - Expedition 3.5L Limited MAX 4x4 AT – AHTN 8703.24.51 - Expedition 3.5L Limited SL 4x4 AT – AHTN 8703.24.51 Explorer (USA) – 30% - Explorer 2.3L Limited MAX 4x2 AT- AHTN 9703.23.63 - Explorer 3.5L Sport 4x4 AT – AHTN 8703.24.51 Escape (USA) – 30% - Escape SE FWD 1.6L AT – AHTN 8703.23.35 - Escape Titanium 4WD 2.0L AT – AHTN 8703.23.32 Ranger (Thailand) AHTN 8704.29 – 0% Everest (Thailand) AHTN 8703.33.72, AHTN 8703.32.76, AHTN 8703.32.72, AHTN 8703.32.75 – 0% Ecosport (Thailand and China) AHTN 8703.22.90 (0%), AHTN 8703.21.90 (5%), AHTN 8703.22.59 (5%) Focus & Fiesta (Thailand) AHTN 8703.22.59 – 0%
Total Importation Volume	• 2014– x x x; 2015 – x x x; 2016 – x x x; 2017 – x x x; 2018 – x x x
Profitability	• Net Income (Php '000s) - 2014 (x x x); 2015 (x x x); 2016 (x x x); 2017 (x x x); 2018 (x x x) • Landed Cost of Importations - 2014 (x x x); 2015 (x x x); 2016 (x x x); 2017 (x x x); 2018 (x x x)
Financial Performance	• The imposition of additional tariffs on imports will further aggravate Ford Philippines' financial position, where net income has significantly declined over a five-year period. During this time, the average cost of each imported vehicle has increased due to the weakening of the Philippine Peso and has been further compounded by the sales decline resulting from the TRAIN law. This would put FGP under increased scrutiny by its parent company in terms of business viability during a period of global volatility.
Employment	• FGP wants to reference the auto industry association's assessment that the employment decline in 2018-2019 was attributed to an industry slowdown brought by two factors 1) the imposition of the TRAIN Law (higher automobile taxes) and 2) the government's implementation of EURO 4 emission standards in 2017 and phase-out of EURO 2 models, which recorded 2017 sales of 35,000 units. • The development of the Philippine automotive industry has also

	seen the parallel growth of the upstream value chain that includes retail distribution, logistics, insurance, and financing sectors. Imports vehicles are believed to have contributed substantially to this growth, and a positive multiplier effect on the economy was witnessed with the higher domestic spending on vehicles, irrespective of their source country. • Employment in the auto retail and distribution services sector has increased three-fold in the last six years with the nationwide expansion of various dealership that carry both locally-produced and imported vehicles. • Unlike the manufacturing labor sector, the retail and distribution services sector have no organized voice to officially express their concerns/grievances. Thus, the government is urged to consider the serious and immediate impact this policy would have on employment in the auto industry's retail sector.
General Comments	• The Philippine government is encouraged to implement policies that help drive the expansion of the domestic auto industry, rather than introduce measures that could dampen consumer demand and have the unintended consequence of disrupting its growth. Such measures will drive away current and potential investment and create a vicious cycle of seeking the next panacea. • This risk was evident when TRAIN Law was implemented in 2017. The new excise taxes increased vehicle pricing in several segments, driving an overall domestic market decline of 15% in 2018. • Implementing a safeguard duty in 2020 and with little or no advance notice, could lead to an increase in vehicle pricing and a domestic market contraction at a time when the industry is just returning to its pre-TRAIN volume. • Additionally, imposing such a duty would add further pressure to a domestic market that is already facing the threat of a global economic slowdown brought about by ongoing trade disputes, geopolitical conflicts, and the still evolving effects from COVID-19. • Both the short run and long run impact of this policy would be highly unfavorable to all stakeholders- consumers, workers and businesses – especially if it is implemented during a period of high global volatility. • Imposing a safeguard duty on imports could deprive local consumers a wider range of auto brands and models that meet their specific preferences and needs. • US-sourced vehicles are currently disadvantaged by a higher MFN duty rate of 30% (which impacts pricing) versus imports of competitor models from Japan (0% duty) and Korea (55 duty). A safeguard duty on US -sourced vehicles will further increase the duty burden and decrease their competitiveness. • An internal Ford study showed the following negative impact to the industry and economy: - 2020 – 2022 industry sales would decline between 8.3% - 11.6% depending on the amount of duty imposed on imports, due to an increase in retail pricing for vehicles. - If a 5% safeguard duty were imposed, the auto industry's contribution to GDP would decline to 3.7% (from 4%). If a 7% duty were imposed, the contribution would fall further to 3.5%,

	or a potential estimated loss of Php 30-42 billion to the Philippines' GDP. • It is important to note that protectionist measures, even with the best of intentions, can and oftentimes do, hamper a sector's competitiveness by restricting and/or discouraging innovation, R&D activities and other related benefits that an open economy offers. • Based on this assessment, FGP believes that the imposition of a safeguard duty to protect local manufacturing will create far more harm to a domestic industry that is just returning to pre-TRAIN Law volumes, and more recently saw January 2020 sales to decline 12% due to the disruption caused by the Taal volcanic eruption.

7. Mitsubishi Motors Philippines Corporation (MMPC)

On 13 March 2020, MMPC submitted comments to the importer's questionnaire and discussed the following:

Serious Injury	• Contrary to the prima facie findings of the DTI, there is no damage to the domestic manufacturing industry on account of increased CBU imports.
Market Share	• As to market share of CKD sales versus CBU sales, MMPC data show a steady increase in its CKD sales from 2014 up to 2017. A drop in CKD sales was due to the phase-out of the L-300 Euro 2 and Adventure, and slowing down of sales of the Mirage as initially forecasted due to the passage of the tax reform law in 2018. • It will be observed that for the years 2017 and 2018, the gap between the CBU sales and CKD sales sharply narrowed compared to 2014-2016 retail sales.
Production Volume	• MMPC's CKD production had been increasing from 2015-2017, within the POI. • A drop in 2018 to 2019 production volume is attributable to government regulation on emission and a shift in tax policies. In 2018, the government adopted and began the enforcement of the Euro 4 emission standards for motor vehicles. The adoption of the Euro 4 emission standards forced two of MMPC's most saleable models (Adventure and L-300 Euro 2) to be phased out to comply with the new government policy. • Production volume is expected to recover following the introduction of the Euro 4 version of the L-300 in the last quarter of 2019. • The passage of the Tax Reform for Acceleration and Inclusion (TRAIN) Law in 2018, effectively increased the excise tax for the Mirage. This affected the market for the said segment. Initial projections on volume sales failed to materialize in view of the change in tax policy and business environment. • The government also placed a cap on Transport Network Vehicle

	Service, which limited the growth potential of the locally manufactured Mirage. • The slight drop in the 2015 production compared to 2014 was the effect of MMPC's transfer of its plant operations from Cainta, Rizal to Santa Rosa, Laguna, wherein MMPC had to make some adjustments in its operations during the transition.
Employment	• There has been a steady and significant increase from 2014 to 2017. Employment in 2017 rose to 1,500 employees following MMPC's participation under the government's Comprehensive Automotive Resurgence Strategy (CARS) program. • A decline in employment in 2018 was a necessary consequence of the phase out of the Adventure and L-300 models, wherein MMPC has to implement a redundancy program affecting around 400 employees. The decline is not due to CBU importations.
Capacity Utilization	• MMPC has always been striving to increase its local production. Efforts are now underway to fully utilize and increase its current capacity beyond 50,000 units per year as MMPC is looking to export its products. • In 2017 before the implementation of government policy on emission and change in the tax regime, actual utilization of plant capacity had reached 78%. MMPC went on two-shift operations with a total manpower of more than x x x employees. • The decline in 2017 and 2018 capacity utilization is still higher compared to that of 2014-2016.
Other/General Comments	• MMPC hopes the government will recognize the immediate negative impact of safeguard measures on the automotive industry as a whole. • Imported vehicle sales contribute significantly to the generation of employment and business opportunities for the industries within the value chain. • Presently (as of February 2020), MMPC has 55 dealers and/or service centers which accounts for more or less x x x employees in vehicle sales and services. Upstream linkages such as after-market parts and accessories manufacturers and distributors, as well as the allied industries on logistics, warehousing, financing, and insurance, are likewise benefited with increasing business opportunities and employment generation. • Local manufacturing and production alone, particularly with regard to employment related concerns, should not be taken in isolation from the entire automotive value chain. All facets of the automotive industry, which cover production, importation and distribution, should be considered prior to any changes in government policies, especially those which would affect market prices and, ultimately vehicle sales. • The Philippines' automotive industry is a market-driven. It is dependent on consumer preference and capacity. Importations allow a wide variety of product offerings to the consuming public which could not be served by domestic products. CKD production is

	dependent on the domestic market demand. • The local manufacturing industry in the Philippines has a limited capacity to produce certain types of vehicles to serve customer preference and market demand. This is due to a number of manufacturing constraints, such as low volume, increasing cost of production, high cost of raw materials that are not available locally, the incapacity of local parts makers, high logistics cost, among other constraints. • MMPC respectfully believes that safeguard measure is not the appropriate tool to address the challenges of the local manufacturing industry. Unless these constraints are first addressed, the intended objective of the Safeguard Measure to increase CKD activities will not come to fruition. In the meantime, safeguard will have an immediate negative impact on total industry sales which will badly affect the entire automotive chain. The safeguard measure will cause a double whammy to the industry to the prejudice of the consuming public who will ultimately bear the brunt of the safeguard measure, such as the increase in prices. • MMPC is planning to start exporting vehicles locally produced in the Philippines to other countries. This will help correct the lopsided bilateral trade balance of the Philippines and will lead to the Philippines' industrial development of the automotive sector. In order for the Philippines' automotive industrial sector to survive and compete globally, increased total demand (for both CBU and CKD) is a must. Export activities to expand CKD operations need to be complemented with CBU importations to sustain the competitiveness of the price (cost) and quality of the products. Therefore, MMPC strongly believes that the safeguard measure is not applicable. • Government should reconsider its position and focus its efforts and resources in addressing the gaps in the automotive value chain, such as formulation of government programs geared towards developing and supporting parts making capabilities, address constraints on local sourcing of raw materials, logistics requirements, and needed infrastructure, to achieve cost efficiency that will entice more investors to build more local facilities for manufacturing in the country.

8. Sojitz G Auto Philippines Corporation (SGAP)

On 11 March 2020, SGAP submitted its accomplished importer's questionnaire on the matter.

Product	• Brand new units of motor vehicles with HS Code 87032247000 and duty rate at 5% under Form E.
Inventory	• Inventory as of 26 December 2019 = x x x units
Serious Injury	• SGAP shall adopt the position of the Association of Vehicle Importers and Distributors (AVID) to which it is a member.
Profitability	• The Financial Statement covers only the operations for less than a year.
General Comments	• SGAP shall adopt the position of AVID

9. The Covenant Car Company, Inc. (TCCCI)

On 11 June 2020, TCCI submitted its accomplished importer's questionnaire on the matter.

Products Imported During the POI	• Passenger Vehicles such as Chevrolet and MG brands for domestic sales. • AHTN 87.03
Serious Injury	• While there is a significant increase in the volume of the imported passenger vehicles from 2014 to 2018, there is no causal link between the increased imports of the product under consideration and the serious injury or threat thereof to the domestic industry. • In fact car production in the Philippines dramatically improved by 19.2 percent in 2019 making it the most improved among the big ASEAN car manufacturing countries. • Among the big ASEAN car production hubs, the Philippines posted the biggest jump of 19.2 percent as local production went up to 95.094 units from 79.763 units in 2018. • It must be noted that there are only seven (7) local manufacturers with limited line-up models in the Philippines. The rest of their line-up models are being imported from various countries. The domestic industry is unable to meet the rapidly growing market demand.
General Comments	• The rise in the number of car importation is due to the increase of car ownership in the country. • The data on automotive sales speaks for itself. Both passenger cars and commercial vehicles have seen significant growth in recent years. More importantly, however, passenger car sales have grown faster than commercial vehicles sales have. • Another factor is the large share of the middle class in the total population, which commands almost a third of total incomes according to some accounts. This, together with the multitude of auto loans with their easier payment terms and low-interest rates, makes buying cars more affordable today than ever before. • The proposal for imposing safeguard measure on vehicle imports would be against free trade and would lead to lower sales as the tariff would make automobiles expensive. • If such will be approved and imposed, not only will the importers be affected but also the buying powers of the general public will be affected. The burden of the additional safeguard measures will be born generally by the buying public. • If the objective of the safeguard measure is to get more investments in local manufacturing, increase in tariff or quantitative restriction on imports may be counterproductive as it would not necessarily lead to more investment in in-country production for domestic and export markets since several companies in automobile industry like TCCCI, are only distributors or importers and not a subsidiary company of the car brand manufacturers. • Additionally, the cost to produce per unit in the Philippines is

	higher than other Southeast Asian countries. Every vehicle built in the Philippines is uncompetitive with regard to the cost handicap that exists with vehicles that roll-out of domestic assembly lines. • Clearly, the CARS Program is not attractive enough to convince the car manufacturing companies to establish a manufacturing facility in the country because of higher operations and set up costs as compared to other Southeast Asian Countries. • The business environment for automobile manufacturing has to be significantly improved in terms of infrastructure, government policy, reduced overhead costs, and easier access for exports. For the Philippines to hold on or even expand vehicle manufacturing and the parts industries that come along with it, the carmakers have to get offers that they honestly can't refuse. • TCCCI most respectfully opposes to the imposition of safeguard measures on the importation of motor vehicles from various countries.

A.2.d Exporters responses to the questionnaire

Thirteen (13) identified exporters submitted their replies to the DTI Questionnaire as follows:

1. Toyota Motor Corporation (TMC) Japan

On 04 March 2020, Toyota Motor Corporation (TMC) Japan submitted its accomplished exporter's questionnaire with the following comments:

- Impact on consumers – Safeguard measures will increase the cost of vehicles and potentially limit the choices of customers in relation to their purchasing power. There is also no guarantee that customers will shift to CKD as a result of the increase in CBU cost. Reduced consumer choice will only depress the demand for new vehicles.

- Other Comments
  - The imposition of safeguard measures will not lead to increased CKD production or localization of CBU models. Rather than adopt restrictive trade measures, a progressive approach to improve competitiveness is recommended to support long-term, sustainable manufacturing operations.
  - Impact on dealership expansion – Growth in overall sales, including CBU, has driven the expansion of the Toyota Dealer Network. The potential slowdown in sales may affect not only future dealer expansion but pose challenges on labor productivity as well.
  - Reduced export revenue – Production slowdown in CBU source countries will have a cascading impact on export suppliers.
  - Regional production and supply disruption – Automotive is a highly-regionalized sector, having benefited from the early integration initiatives in ASEAN. Carmakers such as Toyota developed their respective supply chains considering the specialization and efficiencies of each production base.
  - Safeguard measure can cause real damage to the automotive manufacturing landscape in the region considering the highly-integrated nature of the supply

chain. The Philippines, being a part of this supply chain, is also exposed to the risk of regional disruption.
- Possible market growth deceleration – In relation to the slowdown in sales will affect full automotive market recovery from the huge volume decline in 2018 as a result of TRAIN implementation and general economic slowdown. It should be noted that the automotive market started to recover in 2019. It is extremely important to sustain this recovery trend.
- Finally, the automotive sector should be considered holistically i.e across the whole value chain – from the upstream network that includes parts suppliers and auto-supporting industries to vehicle manufacturers to the downstream network that includes auto dealerships and service centers, insurance and financing companies. The potential impact to the downstream network, which accounts for the majority of total industry employment should not be underestimated.

2. Suzuki Motor Corporation Japan

On 09 March 2020, Suzuki Motor Corporation Japan submitted its accomplished exporter's questionnaire with the following comments:

- Real cause of the import surge of automobiles is the shortage of supply in the Philippine Market and the following factors:
    1. Government rules and regulation: (i.e TRAIN LAW & CITIRA LAW)
    2. The purchasing power of individuals (i.e. low economic growth)
    3. Price of gasoline
    4. Calamities
    5. Traffic situation
    6. Global economic condition (i.e. effect of COVID19 all over the world)
    7. Exchange rate (i.e. less OFW remittance in the Philippines due to low exchange rate)
    8. Negative insights on the economic and political landscape

- Other Comments
    - From their perspective, the domestic automotive market has diversified through the years with the trend in market share from SUV, MPV, B segment cars, pick-up trucks, small cars and hybrids.
    - For the Philippine automotive community, contribution on B segment and small cars category represent a notable portion in the industry having a significant contribution to the total domestic market growth.
    - It is common knowledge that SUZUKI sources out all its automobile product from abroad through direct importation on CBU units, but the numbers they import are very minimal which to their understanding would not damage or threaten the local production volume of the industry.
    - On the local production volume per market segment, 57% of the number of units are composed of the B segment market. In the B segment market, locally produced passenger car models dominate as much as 70%. Thus, it is a fact that locally produced vehicle models could maintain their production volume against the imported vehicles of the same kind. SUZUKI's market share in the entire market segment is up to 5.2% only.

- SUZUKI is very much concerned about the situation if the government will decide to implement safeguard measures because it will negatively affect the market, as well as the employment of their direct employees, and the employees of their local dealerships and vendors. SUZUKI noted that the Government's interest in implementing the safeguard measures is to protect the local manufacturing industry, unfortunately, they find the same very impractical considering the present situation of the world economy, including unforeseen events in the field of medicine and the pandemic condition due to COVID19 all over the world.
- The present circumstances will show that the safeguard measures will increase the prices of automobiles, restrict the demand for automobiles, and potentially result in dealers' terminating employees as a chain reaction or after effect condition to all stakeholders in the industry. Such adverse effects will be counterproductive to the Philippine economy.
- Whether the vehicle is imported or locally produced, the automobile industry contributes indirectly to the economy of other markets/industries, such as banks, transportation, construction and other industrial manufacturing companies.

3. Toyota Motor Thailand Co., Ltd. (TMT)

On 09 March 2020, Toyota Motor Thailand Co., Ltd. (TMT) submitted its accomplished exporter's questionnaire with the following comments:

- In the absence of local pickup production, the DTI report did not prove that imported pickup of TMT is competitive or substitutable to passenger vehicles. They are different in usage, tariff classification, consumer preference, etc. The initiation against 8704 (Toyota Hilux) breaks the fundamentals of the WTO Agreement that allow using safeguards only in limited circumstances.
- The report on the initiation of preliminary investigation in 2.b.3 is invalid in saying that Thailand dominated and supplied 100% of the Philippine market for 8704.
- For 8703, there are a number of factors that caused injury rather than increasing imports i.e. production allocation by HQ, consumer preference etc.
- The safeguard measure will harm the regional supply chain as well as the Philippine auto industry as Toyota Motor Thailand and Toyota Motor Philippines produce certain models in accordance with HQ allocation.

4. Mitsubishi Motor Krama Yudha Indonesia

On 14 March 2020, Mitsubishi Motor Krama Yudha Indonesia submitted its list of Exports, Sales Volume and Actual production.

5. Mitsubishi Motors (Thailand) Co., LTD.

On 14 March 2020, Mitsubishi Motors (Thailand) Co., LTD**.** submitted its accomplished exporter's questionnaire with the following comments:

- Their exported products do not compete with like products by their counterpart in the Philippines, Mitsubishi Motors Philippines Corporation (MMPC). Local production is dictated by volume requirement to be cost-efficient and competitive.

- Their exports respond to the growing market demand in the Philippines for models and brands that domestic producers are not capable of serving. CBU imports allow Filipino customers access to models and brands not capable of being served by local brands.
- They believe that importations contribute to the generation of increased sales and business opportunities for the Philippine market. This leads to increased revenues for the Philippine government, as well as increased employment for distributors and retailers, service centers and after-market parts and accessories suppliers, and other allied industries such as finance, insurance, and logistics industry.
- Safeguard measures would possibly cause a decline in sales in view of increased prices, which would lead to a decline in government revenues. With higher prices, parallel importation may arise over authorized channels. Customers may also defer their purchases and the market would proliferate with aging cars that are less efficient than the brand new ones in terms of emission and performance.

6. Dr. Ing. h.c. F. Porsche Aktiengesellschaft (Porsche AG), Germany

On 18 March 2020, Porsche AG through Quisumbing Torres Law Office submitted its accomplished exporter's questionnaire with the following comments:

- Registration statistics have shown a declining passenger vehicle market in the Philippines from 2017 to 2018. According to Segment Y, a data provider specialized in automotive intelligence, the market slowed down by 21%.
- Based on their business setup they do not believe that Porsche operations are causing injury to the Philippine industry. As this issue requires analysis of many factors, they are not in a position to identify the potential cause of the injury.
- The ASEAN region is a strategically very important market cluster with significant growth potentials for the automotive industry. It represents the third biggest region worldwide and it is expected to become one of the largest economies.
- Porsche AG is convinced that within ASEAN, the Philippines will play an increasingly important role and in collaboration with their importer, they would like to expand their local activities including the dealer network, and contribute to a positive development of the Philippine market.
- The majority of the registered import vehicles originated from Thailand, followed by Indonesia and Korea. Vehicles from Germany accounted for less than 1% of the total passenger vehicle market in the Philippines.
- Porsche sales volumes in the Philippines increased from 2014 to 2018 mainly due to the launch of an additional model line, the Porsche Macan. The model is manufactured in Germany and it is targeting the premium B-SUV segment.
- In 2018, the Philippines Porsche volume accounted for less than 0.1% of the total passenger vehicle market. All cars are being imported as CBU-vehicles from the European Union and in terms of product substance and price positioning, the vehicles are not comparable to locally produced cars of the A0-Sedan and A-Sedan segments.
- Porsche AG understands the challenging situation of the domestic passenger vehicle market in the Philippines: however, they would like to point out that their operations including the activities of the appointed importer do not cause serious injury to the Philippines industry.

7. Honda Motor Co., Ltd. Japan

On 18 March 2020, Honda Motor Co., Ltd. Japan submitted its accomplished exporter's questionnaire with the following comments:

- If safeguard measures will be implemented, many and extensive changes caused by SG will limit their ability to serve the Philippine customers with different models and new technologies provided by their Asian regional operations.

- Other Comments
  - They believe that the imposition of SG will be injurious to the auto industry in general, in view of its effect on demand and on the availability of vehicles that suit the variety of customers' needs. SG will lead to an increase in the prices of imported vehicles as well as domestically produced vehicles, which will decrease market demand. This will negatively affect automobile employment in the Philippines.
  - Global players in the auto industry, like Honda, consider and respect the Economic Partnership Agreement or Free Trade commitments of the countries where they operate. Such arrangement provides consumer benefits including accessibility for more variety of vehicles with affordable price. The same holds for vehicle manufacturing and production of parts and components for their vehicles.
  - Thus, to realize effective resource allocation amidst unprecedented changes in the auto industry, Honda adopted a regional approach in their manufacturing operation for them to provide their customers with reasonably priced vehicles. This very nature of the way their industry operates is largely supported by the local parts suppliers.
  - Honda appeals to their request for the Philippine government to respect the spirit of free trade it committed under the Economic Partnership Agreement with Japan.
    At the same time, they would like to remind the Philippine Government that Export units from following Honda companies are very limited and not competing against domestic vehicles, hence not causing injury to the Philippines auto industry.
  - Lastly, they would like to remind the DTI that the Philippine auto industry may face an extensive downturn of the market if SG is implemented. Many and extensive changes caused by SG will limit their ability to serve the Philippine customers with different models and new technologies by the Asian regional operations.

8. Nissan Motor (Thailand) Co., LTD

On 20 March 2020 Nissan Motor (Thailand) Co., LTD submitted their list of exports:

Passenger Cars

a. Nissan March – Hatchback
b. Nissan Sylphy – Sedan
c. Nissan Teana -Sedan
d. Nissan X-trail – Sports Utility Vehicle (SUV)
e. Nissan Note – Hatchback
f. Nissan Almera – Sedan

g. Nissan Terra – Pick-up Passenger Vehicle (PPV)

Commercial Vehicle
Nissan Navara

9. FCA US LLC exports through its subsidiary, FCA International Operations LLC (collectively referred to as "FCA US" hereafter).

On 24 March 2020, FCA US through Quisumbing Torres Law Office submitted its accomplished exporter's questionnaire with the following comments:

- FCA International Operations sells vehicles in the Philippines to Auto Nation Group Inc., a Philippines corporation. Auto Nation Group Inc. is the only authorized distributor of FCA Vehicles in the Philippines.

- All FCA US exports to the Philippines are sold to a third-party distributor (a Philippines corporation) named Auto Nation Group Inc. Thus, FCA US lacks the requisite knowledge to answer questions specific to the Philippine domestic auto market.

10. Toyota Motor Manufacturing Indonesia (TMMIN)

On 26 March 2020, Toyota Motor Manufacturing Indonesia (TMMIN) submitted its accomplished exporter's questionnaire with the following comments:

- TMP's CKD sales increased during the period 2014-2017. The slowdown in 2018 is attributed mainly to the impact of the Tax Reform for Acceleration and Inclusion (TRAIN). TMP believes that CKD sales would have continued its overall growth trajectory if not for the impact of TRAIN implementation in January 2018.
- Other Comments
  - TMMIN exports to the Philippines only one model Toyota Fortuner which is not produced in the local company, therefore, they are not directly competing with the local product.
  - TMMN exports to the Philippines in 2014 and 2018 are not significant. The fluctuation of volume in between is caused mostly due to the economic condition.
  - TMP's production volume and capacity increased during the period 2014-2017, with full capacity and operation by two (2) shifts.

11. Isuzu Motors Co., (Thailand) Ltd.

On 30 March 2020, Isuzu Motors Co., (Thailand) Ltd. submitted its accomplished exporter's questionnaire with the following comments:

- Vehicles exported from Thailand do not compete with the Philippine domestic industry but serve its needs as each automaker in both countries is affiliated and produces certain car models in accordance with their headquarters' supply chain management, as well as comparative advantage in producing specific products in the ASEAN region.

- Philippines could foresee that there may be increased trade flows from exporting countries with the reduced tariff from trade agreements.
- DTI fails to satisfy causation linkage especially for pick-up trucks in absence of Philippines local production. For 8703, there are numbers of factors that could cause impact rather than increasing import, i.e consumer preference
- The imposition of the safeguard measure against the import of vehicles would diminish the regional supply chain and would directly create an adverse effect upon other industries, especially automotive parts Thai producers particularly import transmissions manufacturers in the Philippines.
- As for Isuzu, the Philippines' Isuzu Auto Parts Manufacturing Corporation-IAMC is their supply chain that produces transmission and exports to Thailand as the main component for assembly for the light commercial vehicle (PPV). These are the main production for the Thai domestic market and international markets.
- For 8703 and 8704, there is a lack of essential data such as inventory, employment, profit/retained earnings. Thus, the conclusion of serious injury cannot be made according to the WTO Appellate Body decision in several cases.
- Philippines employment increase by 1,123 employees from 2014-2017 and declined by 408 employees in 2018. During the period of investigation (2014-2018), employment has actually increased to 715 employees. Therefore, Isuzu Thailand cannot see serious injury in this area.

12. BMW Group, Germany

On 02 April 2020, BMW Group submitted its accomplished exporter's questionnaire with the following comments:

- Total BMW volume (of passenger cars falling under 8703) in the Philippines from 2014 to 2019 is merely 0.60% of the total imported car volume in the Philippines.
- Units originated from Indonesia and South Korea: Based on their records, there have been no BMW cars sent to the Philippines from 2014 to 2019.
- Units originating from Thailand: Based on their records, only 47 units have been sent to the Philippines from 2014 to 2019.
- Separately, it may be noted that the German origin car does not fall in the top 3 markets stated in the application. Nevertheless, BMW AG, being their headquarters in Germany, the German origin BMW cars (including MINI brand) constitutes only 0.43% of the total import volume in the Philippines from 2014 to 2019.
- Though the luxury segment in the Philippines has evolved over the years, however, the share of the luxury cars market in the Philippines constitutes even less than 1% of the total market volume in 2019.

13. Xiamen King Long United Automotive Industry Co., Ltd.

On 20 April 2020, Xiamen King Long United Automotive Industry Co., Ltd. submitted its accomplished exporter's questionnaire with the following comments:

- In 2018, King Long had no recorded sales in the Philippines. In March 2019, King Long sold x x units to the QSJ company and the payment term is telegraphic transfer (T/T). In April 2019, King Long sold x x units to Power Trac company.

- Chinese Automotive manufacturers export to the Philippines takes a very small market share, while the exports from Thailand, Indonesia, Japan, Korea take the majority of market share. Therefore, Chinese manufacturers do not affect the interests of Metal Workers.
- King Long only exported 85 units in the past five years. The data reflects that their products are not the main cause of the injury.

A.2.e Foreign Embassies

The following foreign embassies submitted their comments relevant to the investigation:

1. Taipei Economic and Cultural Office in the Philippines (TECO)

On 12 February 2020, TECO submitted its position requesting for exclusion pursuant to Article 9 of the WTO Agreement on Safeguards which states that safeguard measures shall not be applied against products from developing countries which imports do not exceed 3%. Imports from Taiwan were less than 0.1% which represents de minimis.

2. European Union Delegation to the Philippines (EU)

On 14 February and 9 March 2020, an email and a letter were received by the Department, requesting for the European Commission (EC) to be registered as an interested party in the investigation. They noted that the DTI has been recently quite active on the safeguard (SG) front.

EC concluded that the conditions for the imposition of SG measures are not met and therefore calls on the Philippines to terminate this investigation in full respect to its WTO obligations:

- Imports originate mainly in one country and the WTO SG is not the appropriate instrument to deal with a bilateral situation;
- Injury indicators do not demonstrate the existence of an overall impairment of the domestic industry;
- Injury, if any, is caused by other factors and not by imports;
- The application fails to demonstrate the existence of unforeseen development;
- SG measures are not warranted and would cause collateral damage to imports from sources that do not cause any injury to the domestic industry.

Specifically, these are their comments:

1. Imports	• While imports have increased during the POI for passenger cars, the main increase in imports took place between 2015 to 2016. Imports stabilized in 2017 and decreased in 2018. Therefore, it appears that the increase in imports was not recent enough in terms of WTO requirements. Thailand dominated light commercial vehicles (LCVs) imports which means no diversification of sources of imports of LCVs to the Philippines. • By virtue of FTAs, imports from Thailand and Indonesia benefit from 0% duty, imports from South Korea from 5% duty while the 30% MFN rate is imposed with imports from the EU. • The increase in imports also has to be seen against a background of the overall increase of consumption and the total size of the Philippine market.

b) Injury Determination	The indicators do not demonstrate the existence of an overall impairment in the position of domestic industry and any difficulties the industry may be experiencing is clearly due to other factors. Also, the corresponding data in the application needs updating to cover the end of the POI (2018). • The production volume of passenger cars decreased marginally over the POI (7%), whereas the production volume of LCVs increased significantly (59%). • Production capacity of passenger cars increased substantially (52%) whereas LCVs increased by 15%. • Capacity utilization rate of passenger cars decreased by around 20% due to the increase in installed capacity whereas LCVs increase by 15%. • The market shares of passenger cars and LCVs decreased over the POI but this has to be seen in the light of a significant increase in consumption. • Cost of production for passenger cars increased from 2016 while LCVs increase from 2017.
c) Selling, General & Administrative (SGA) Expenses	• SGA increased significantly for LCVs but decreased for passenger cars over the POI. The application does not provide any explanation for this apparent incoherence.
d) Profitability of LCVs	• The profitability of LCVs was negative over the POI which was certainly a consequence of the surge in SGA whereas the profitability of passenger cars remained positive demonstrating that the passenger cars domestic industry remained profitable during the POI.
e) Employment	• Employment increased over the POI
f) Price suppression and price depression	• There was no indication of price suppression, and price depression was recorded only in 2015 for passenger cars and in 2017 for LCVs.
g) Causality	• It can be seen that whenever the Philippine market for passenger cars experience a year-to-year increase in imports, domestic sales also grow. This factor clearly demonstrates that there is no correlation between injury, if any, and imports. Analysis of the enormous increase in the cost of goods sold which tripled over the period which had an impact on profitability must be taken into account. Furthermore, the impact of investments necessary to increase capacity also need to be analyzed
h) Unforeseen development	• The application fails to demonstrate the existence of an unforeseen development. It is however difficult to argue that an increase in imports is the result of unforeseen development as ATIGA entered into force in 2010.
i) Appropriateness of the WTO erga omnes SG Instrument	• SG measures should be used in truly exceptional circumstances only and the strict criteria must be adhered to. Otherwise, it may cause collateral damage to other partners, like the EU, who may not have caused any injury to the domestic industry. The EU exported only limited quantities of the product concerned while 85% of 2018 imports come from three countries (Thailand, Indonesia, and South Korea). • The Philippines has a declining percentage of locally assembled vehicles sold in the market. Clearly, a case where the ASEAN integration has not worked in favor of the Philippines. • A potential solution could have been invoking Article 23 of the ATIGA which provides temporary modification or suspension of

	concessions consisting de facto in a safeguard mechanism within ASEAN.

3. Embajada de Mexico

On 14 February 2020, the International Commercial Practices Unit of the Mexican Ministry of Economy submitted a request to consider exclusion of the imports of the product originating from Mexico pursuant to Article 9.1 which excludes developing countries whose imports do not exceed 3%.

4. Embassy of Japan

On 14 February 2020, the Embassy of Japan signified to seek support in finding a mutually-agreeable solution, requested not to impose any safeguard (SG) measure on the importation of motor vehicles and provided the following position on the matter:

- The potential introduction of SG measures may slow down the development of the local automotive industry and pose risks to other related sectors such as logistics, auto finance and insurance, and car dealerships. With the automotive market covering a wide range of industries, local employment and tax revenues may also be affected.
- Possibility of diminished car supply which will induce an increase in car retail prices, thereby, creating barriers to purchase
- Recommends to DTI to look into the possibility of granting incentives to local car manufacturers than introducing trade barriers.

5. Royal Thai Embassy

On 17 February 2020, the Department of Foreign Trade (DFT), Ministry of Commerce in Thailand thru the Royal Thai Embassy submitted that was no evidence that can constitute a prima facie case for the initiation, therefore, DFT recommends termination of the investigation.

The following are their comments:

- The safeguard measure should only be applied to the extent necessary to prevent or remedy serious injury and to facilitate adjustment of the domestic industry. It should only be applied in exceptional circumstances and shall be based on mandatory parameters.

- Specifically, provided their views on the following:

a) Product	• On products under investigation, the scope is overboard and unduly includes products that should not be grouped.
b) Imports	• The Report does not demonstrate the increase in motor vehicle imports as recent enough, sharp enough, and significant enough, both quantitatively and qualitatively. • In relative terms, objective assessment of import trends is impaired by the absence of data on consumption and the absence of data on production for the full year 2018

c)	Serious Injury	• Absence of essential data in the Report necessary to assess the state of the domestic industry. Without this essential information, no conclusion on the presence of serious injury can be made. • Data related to light commercial vehicle is either totally absent or is presented only for Jan to Oct 2018.
d)	Causation	• It is not sufficient to state that there is a causal link between the increase in imports of motor vehicles and serious injury to the domestic industry. • Full analysis of the causal link and the non-attribution requirement ought to be provided.
e)	Unforeseen Development	• It is not clear how the Philippines' membership in ASEAN, which abolished customs duties and taxes on goods, can be considered as unforeseen development. There is no logical connection between this alleged unforeseen development and the alleged increased imports of motor vehicles.
f)	Public interest	• Vehicles imported from Thailand do not compete with the Philippines domestic industry but serve its needs as each Automaker in both countries is affiliated and produces certain car models in accordance with their headquarters' supply chain management. • Imposition of SG measures will adversely affect other industries especially automotive parts where Thai producers import transmissions manufactured by the Philippines • Imposition is more harmful than beneficial to the PH economy as well as economic integration within ASEAN.
g)	Others	• Noted that the national investigating authority has full discretion to determine the entity which is entitled to file the petition. It is doubtful whether Philippine Metalworkers' Alliance is capable of providing all mandatory information, quantifiable in nature, to reflect serious injury.

6. Government of the Republic of Korea

On 17 February 2020, the Korean Government submitted its comments that any increased imports of the subject merchandise have not caused or threatened to cause serious injury to the domestic producers, thus, requested to terminate the preliminary investigation without any provisional measures imposed:

a) Imports	No Increase in Imports, both in Absolute and Relative Terms i. Absolute • The facts of the case do not point in the direction of a conclusion that imports increased in such a sudden, recent, sharp, and significant manner. To be specific, the rate of change for passenger vehicles shows a decreasing trend. In addition, the rate of change for light commercial vehicles shows fluctuations. ii. Relative • Imports relative to production is also not sudden, recent, sharp and significant enough for both passenger and commercial vehicles since annual growth rate during POI is only 10% for passenger vehicle and 23% for the light commercial vehicle.

b) No evidence of Serious Injury	• Relevant injury factors do not support a prima facie determination of the existence of a serious injury. • Clear upward trend of domestic sales for both passenger and light commercial vehicles during 2014 to 2017 and the downward trend in 2018 for domestic sales, production and capacity utilization corresponds to levying of additional excise tax. • Employment increased over the POI • Deterioration in financial performance since 2018 is when the new tax policy was implemented and that cost of production steadily increased during the POI. • Increasing number of employees
c) No Causal Link	• Since there exist neither increased imports which were sudden, sharp and significant nor the required serious injury during the POI, DTI failed to establish the relationship of cause and effect. • Urge DTI to fully investigate the injurious effects of factors other than increased imports pursuant to the non-attribution rule stated in article 4.2 (b).
d) Lack of Unforeseen Development	• The Report does not meaningfully deal with the unforeseen development requirements and completely silent on the effect of the obligations incurred by the Philippines under GATT 1994 warranting a global safeguard measure. • Philippines did not place any binding WTO tariff concession on motor vehicles and the report only mentions the situation it faces after becoming part of the ASEAN Free Trade Area, a case where the ASEAN integration has not worked in favor of the Philippines
e) Public Interest	• Domestic market is currently experiencing an expansion in size and the imposition of SG will certainly cause a shortage in the market and eventually drive up the price.

7. Embassy of the Republic of Turkey

On 25 February 2020, the Directorate General of Exports of the Ministry of Trade of the Republic of Turkey submitted its requests to exclude Turkey from the application of any possible safeguard pursuant to Article 9.1 which excludes developing countries whose imports do not exceed 3%. Turkey's share of imports is negligible and corresponds to less than 0.001% between the years 2016 to 2018.

8. Ministry of Economic Development of the Russian Federation

On 28 February 2020, an email letter was received with a request to exclude the Russian Federation from the scope of the safeguard measure since imports from the country were negligible and were about 0.01% in 2017, 0.003% in 2018 and 0.01% from January to September 2019.

9. Government of Indonesia (GOI)

On 2 March 2020, the Government of Indonesia (GOI)- Directorate General of Foreign Trade submitted its position which strongly requests the immediate termination of the current investigation. The following are their position and comments:

a) Definition of domestic industry in the petition is incorrect.	• Doubts if the PMA as a petitioner consisting of alliance of workers can meet the requirement as a domestic industry as stipulated in Section 6 of RA8800 and Article 4.1(c) Agreement on Safeguard. The domestic industry must be interpreted as a stand-alone producer or a combination of other producers of like or directly competitive product being investigated, thus, it is very clear that PMA does not qualify as the domestic industry as it is not the producer of the product investigated. • Noted from the non-confidential submission made by Toyota Motors Philippines (TMP) which clearly states its objection to the application of SG measures in the Philippines due to adverse impact to them among others on reduced export revenue, production slowdown and real damage to the automotive landscape in the region considering the highly-integrated nature of the supply chain.
b) Product definition is too broad and unclear which prevent correct and objective examination in the investigation	• The report defining the product under investigation based on tariff heading of 4 digits and usage is too broad and creates complication as there are specific types of cars within the two headings which cannot be regarded as the like product or product in direct competition. This includes the fact that it is used and new cars, manual and automatic cars and different seats or size of cars. Even the description in Executive Order 156 shows that light commercial cars include passenger cars.
c) No increase in imports	• As a corollary incorrect product definition or the product grouping, the increased import analysis is completely not valid. • Even if DTI were to insist on accepting the data, no such increase of import would possibly be found as defined within Article 2.1 of the SG Agreement that increased import shall be recent, sudden, sharp and significant. • The increase in imports of passenger cars only took effect between 2014 to 2016 which was not recent enough. The recent period from 2016 to 2017 shows import increased but not significant, sharp and sudden within the meaning of Article 2.1 in the recent period from 2017 to the third semester 2019, import significantly dropped. • The increase in imports for light commercial cars as light commercial cars can overlap with passenger cars as per definition of the Executive Order 156 and that there is a strong possibility that the types of cars are not produced in the Philippines so that imports were inevitable.

d) No evidence of serious injury or threats of injury	• There is inconsistency in the injury examination and import analysis since the report provides more classification in its injury examination while import analysis only focuses on passenger cars and light commercial cars. i. Passenger Cars - Production significantly increased. Although sales dropped in 2018, imports of passenger cars also dropped in 2018. - Total production of two individual industries for which analysis is confusing as it uses different sets of time period especially for Company B, shows a positive trend. - Installed capacity consistently increased at significant level which proves that the Philippines' passenger car industry was healthy. Capacity utilization was stable. The decrease was clearly due to expansion in capacity. - In respect of inventory of finished goods, request for DTI to check the accuracy of this data as it is possible that such finished products were already sold but waiting for delivery. - EBIT and Return on Sales increased consistently until 2017. Although it dropped in 2018, it had nothing to do with imports of passenger cars during that year. ii. Light Commercial Vehicles - Domestic sales clearly demonstrate that no serious injury could be found since domestic sales increased significantly. - Production increased over the period of injury. While production declined in January to October 2018 as compared to the full year 2017, data proves that the production was much higher than that in 2014 to 2017. - Maximum capacity increased by 17 indices as compared to 2014 to 2016. Actual production significantly increased from 2015 to 2017 as compared to 2014. A similar trend is applied to capacity utilization. - Financial performance and Return on Sales were perfectly healthy since EBIT increased consistently at a significant rate. - Return on sales increased from 2014 to 2017 and the decline in 2018 is not attributable to imports as imports dropped significantly that year. - In price effects, GOI strongly questions the methodology used which they believe does not compare based on the like types or directly competitive types.
e) No causality between any claim of serious injury or threat thereof and import of the product under investigation	• When imports increased, the performance of the Philippine passenger car industry went well and that in 2018, when import dropped significantly then some industry indicators experienced some decline. This shows that there was no parallel movement between import and the performance of the passenger car industry. The same situation applies to the light commercial car industry.

f) No attribution factor analysis	• The Petitioner failed to present the non-attribution analysis which is to be separated from causality examination.
g) Unforeseen Development and the Nature of Safeguard (SG) measure under the WTO	• Based on the data presented, the investigation failed to comply with the high standard requirements under the SG Agreement, for which reason, DTI should have rejected the complaint in the first place or terminate the investigation. • The Report tried to link the increase of import and unforeseen development by referring to zero tariffs in the ASEAN free trade agreement which is completely incorrect. It is clear that regional free trade is justified within the provision of the WTO Agreement and in fact, the elimination of tariff is something clearly foreseen from 1995.

10. Embassy of India

On 3 March 2020, the Embassy of India submitted its request to remove exporters from India since as of to date, the two main exporters, Tata Motors and Mahindra Motors, have ceased to sell passenger vehicles/cars (under AHTN 87.03) in the Philippines due to a confluence of market and non-market factors, and the level of import share from India neither caused nor threatened to cause serious injury to the local automotive sector.

11. Embajada de España (ES)

On 9 March 2020, the Embajada de España submitted its position to terminate the safeguard (SG) investigation pointing out that safeguard measures are exceptional measures that affect all sources of fair imports and concluded that:

- Imports are concentrated in three origins so that the recourse to other bilateral measures or more specific anti-dumping measures is more advisable;
- The requirement of serious injury by the SG agreement is not met;
- There is no causal relationship between imports and an alleged injury, and no factors other than imports have been analyzed; and
- The development of unforeseen circumstances has not been justified.

Specifically, the following are their comments:

a) Injury Indicators	• The report shows that the local industry during most of the POI (from 2014 to 2017) exhibited a number of injury factors with the positive performance that seems incompatible with the injury aspect such as domestic sales, production, capacity utilization, EBIT, employment and price effects for passenger cars, and domestic sales, production and price effects for light commercial vehicles (LCV). However, it should be noted that in 2018, some of the injury factors performed poorly which has been disastrous for local production and in this year, imports also suffered by falling by almost 15%. • Also, the DTI report's statement such as "the motor vehicle industry could have earned more profit…" does not demonstrate the existence of overall impairment. • According to CAMPI's announcement that the industry

	achieved record breaking feats month after month, the industry opened with 19.3% growth in 2015, was another grand year with 24.6% growth in 2016, and highest record ever of 27.8% in 2017, show that the serious injury requirement was far from being met in that period. Even post-POI, CAMPI's announcements show that the situation is being overcome by the industry in 2019.
b) Causality and other factors	• It is impossible to establish a cause and effect relationship between increased imports and an alleged poor performance when there is not even a temporal correlation between them. The lack of correlation clearly shows that the performance was not due to the increase in imports, but to other factors not explained in the report. • Some domestic policy factors could have been analyzed: i. Entry into force of tax increase on the purchase of vehicles, soaring oil prices and inflation discourage demand in 2018. The tax increase is also pointed out as one of the reasons for Honda to cease manufacturing in the Philippines. (https://asia.nikkei.com/Business/Automobiles/Honda-to-halt-car-production-in-the-Philippines) ii. More stringent labor laws such as a ceiling on the number of contractual labor or stronger labor unions translating into higher cost. iii. High corporate tax rate (30%) that the CARS program does not seem to ease iv. Deficient port and road infrastructure. Port congestion, deteriorated infrastructure, slow processing time or lack of competition among cargo handling operations are reasons widely mentioned. v. The smaller domestic market in the Philippines than its ASEAN partners. Domestic market matters in achieving economies of scale at the initial stage of operation. For example, some car assemblers like Ford has moved to Thailand, attracted by a large domestic market and agglomeration economies in that country.
c) Unforeseen Circumstances	• The report identifies that the tariff liberalization resulting from the ASEAN agreement and its unfavorable import trend as the unforeseen development, clearly, a case where the ASEAN integration has not worked in favor of the Philippines. If the entry into force of the ASEAN agreement is expected, it does not matter whether the unfavorable importing trend is unexpected or not, as the increased imports should not be equated with the unforeseen development requirement.

A.2.f Association

1. Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI)

On 29 January and 26 February 2020, CAMPI submitted their position and concludes the following:

- CAMPI finds the broad-based comparison of like or directly competing products as arbitrary and believes that the preliminary findings are not determinative of serious injury or overall impairment;
- CAMPI fully supports the manufacturing thrust of the Government, however, CAMPI does not believe that safeguard (SG) measure is the best possible tool to promote manufacturing. Any SG measure on imported motor vehicles will have an immediate, significant, negative impact on the industry. Market relapse will affect the long term viability of the industry as a whole. The social and economic interests of the industry as a whole can very much outweigh the intended benefits of safeguard measure; and
- CAMPI reiterates its position that a progressive manufacturing policy is a more suitable tool to promote sustainable manufacturing in the Philippines.

Specifically, these are comments from their submissions:

<table>
<tr><td>a. Product</td><td>• As a basis of safeguard investigation, the assessment should also consider that the entire product coverage of HS 87.03 is not necessarily directly competing with CKD. An objective assessment should be made at comparable levels, considering specific product details within the same nomenclature, such as fuel type and engine displacement. Also, there is a limited number of CKD models catering to specific market segments. Automotive companies will logically respond to market demand by importing certain vehicle types that cannot be supplied by the domestic industry in terms of design, utility and cost. It is in the interest of the automotive industry to sustain demand since CKD production is entirely dependent on the domestic market.</td></tr>
<tr><td>b. Import Volume</td><td>• The absolute volume of CBU imports increased during POI. However, a close examination of the growth rate of CBU imports only shows that the behavior of imports generally corresponded to market growth.
<table><tr><th></th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th></tr><tr><td>Total Market Growth Rate</td><td>-</td><td>23%</td><td>23%</td><td>20%</td><td>(20%)</td></tr><tr><td>CBU Growth rate</td><td>-</td><td>25%</td><td>21%</td><td>15%</td><td>(18%)</td></tr></table>Source: CAMPI submission</td></tr>
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Indicative data on CBU imports do not demonstrate a significant increase relative to production. Rather, CBU imports remained stable.

<table>
<tr><th></th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th></tr>
<tr><td>Import* (‘000)</td><td>212</td><td>260</td><td>322</td><td>304</td><td>309</td></tr>
<tr><td>Production (‘000)</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td></tr>
<tr><td>Total Apparent Market</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td></tr>
<tr><td>% Share of Import</td><td>73%</td><td>76%</td><td>76%</td><td>71%</td><td>78%</td></tr>
</table>
Source: CAMPI submission *CBU Sales data used as indicative import data

Based on the foregoing, there is no indication of sudden, sharp and significant increase.

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<td>c. Serious Injury</td>
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Employment situation should be examined as a whole. It has been increasing especially in vehicle sales and aftersales operations. In 2019, CAMPI reports 46,737 total employments, 55% of which is accounted for by dealership employment. CAMPI members report an increase in employment from 4,045 (2014) to 4,585 (2018). As of December 2018, there are 16,842 and 25,555 employed individuals in suppliers and dealerships, respectively.
Parts localization challenge is a combination of Quality Cost and Delivery (QCD) requirements and cost competitiveness. CAMPI recognized the efforts of the government in addressing structural constraints. The Government may also study the implementation of capability improvement/technology upgrading programs to match the supplier development programs of carmakers.
CAMPI data below shows stable CKD market share during the POI. While CBU sales continue to account for the majority of total sales, the absolute volume of CKD sales has been increasing in 2014. In 2017, CKD sales increased by 100% and achieved a higher market share at 27% compared to 2014. The decline in 2018 is consistent with the overall market performance which is attributed to the combined effects of TRAIN law and general market condition. In 2019, CKD sales is recovering.
CKD production has been increasing since 2000. The temporary slowdown in 2018 was due to the combined effects of the TRAIN Law, general market condition and mandatory implementation of Euro 4 emission standards. The industry is expecting gradual production recovery beginning 2019 with the continuing CARS program and PUV Modernization Program
CAMPI data below shows the pattern of increasing production volume, capacity and utilization from 2014 to 2017. Production volume increased from x x x units (2014) to as high as x x x units (2017) before dropping to x x x units (2018). Production capacity increased from x x x (2014) to x x x units (2018) or an increase of 20%. Capacity utilization increased from 63% in 2014 to as high as 88% in 2017 before dropping to 60% in 2018.

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<table>
<tr><th></th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th></tr>
<tr><td>Production Volume (‘000)</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td></tr>
<tr><td>Production Capacity (‘000)</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td><td>x x</td></tr>
<tr><td>Capacity Utilization (%)</td><td>63</td><td>65</td><td>71</td><td>88</td><td>60</td><td>62</td></tr>
<tr><td>% Share (CKD)</td><td>21</td><td>20</td><td>21</td><td>27</td><td>21</td><td>20</td></tr>
<tr><td>% Share (CBU)</td><td>79</td><td>80</td><td>79</td><td>73</td><td>79</td><td>80</td></tr>
</table>
Source: CAMPI Production Volume, Capacity and Utilization (based on Figure presented)

The Philippine Auto Manufacturing Industry is domestic oriented, hence, the production follows domestic performance. Existing Euro 2 models, whether CBU or CKD, were phased out in compliance with Euro 4 emission regulation.
CAMPI members report a positive gross profit margin on manufacturing operations during the POI.
Findings on price depression and undercutting based on a general comparison of CBU and CKD are inconclusive. Pricing strategy is distinctive among industry players. Aside from product cost, pricing strategy considers other factors such as differences in product design, specifications and features, market positioning and brand equity.

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<td>d. Causal Link</td>
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Data CAMPI presented do not indicate significant overall impairment in the automotive manufacturing industry. The decline in 2018 production data should not be examined independent of market contraction and solely attributed to motor vehicle imports. Additionally, CAMPI expects gradual production recovery beginning 2019 with the continuing implementation of the CARS Program, PUV Modernization Program, and other production opportunities as yet to be determined from Government manufacturing policies that are currently under development.

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<td>e. Public Interest</td>
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CAMPI is deeply concerned that the SG duty will result in to increase in prices and market contraction as there is pressure to sustain automotive market growth from a slump in 2018 (-15%) and very modest growth in 2019 (+2%). CAMPI estimated a 3%-5% annual market growth to achieve full recovery by 2025. This will also affect the socio-economic contributions of the auto industry: 46,737 total employments, accumulated investments of Php x x x, and revenue contribution (x x x in 2018).
Risk of regional production and supply disruption and risk of retaliation by major export destinations for the PH auto parts which are also the major sources of CBU imports.
CAMPI respectfully requests the Government to consider a progressive approach to increase CKD production by maximizing manufacturing policy. They look forward to actively working with the DTI/BOI on auto development policies/programs such as the new Motor Vehicle Development Program (MVDP 2.0), the successor program of the Comprehensive Automotive Resurgence

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	Strategy (CARS) program, Eco-PUV Manufacturing Program, Electrified Vehicle Roadmap, and incentive program to attract global parts supplier. • CAMPI believes that the application of SG measures would prejudice a larger public interest and do more harm than good by either artificial increase of prices of vehicles limiting consumer purchasing power or distortion of supply. • The Government should give great consideration to the social and economic interests of the entire automotive chain. Market contraction puts the unnecessary risk on employment and output across the entire automotive chain- both upstream and downstream, as well as allied services such as logistics, warehousing, finance and insurance. • SG measure will negatively affect investor confidence due to its perceived distortionary effects and jeopardize potential investments in the Philippine automotive manufacturing industry.

2. China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME)

On 12 February and 6 March 2020, the China Chamber of Commerce (nearly 10,000 members all over China including both leading enterprises and small and medium-sized manufacturers and foreign trade companies) submitted its positions and comments, advocating that the DTI should terminate the investigation and determine that the conditions for taking safeguard (SG) measures are not established and no temporary measures will be taken. It concluded that

- Although there were increases in certain motor vehicle imports during the investigation period, it is not an "unforeseeable development", the trend of import growth in the recent period has already stopped and turned down. It fails to satisfy the criteria that the import growth should be “recent enough” for purpose of establishing a rapid growth of the imports of the product concerned.
- No evidence of serious injury to the domestic industry.
- Even if there is a decline in some domestic industry’s operating indicators, it is not caused by the imports of the products concerned. Thus, there is no causal link.
- Investigating authorities should fully protect the procedural rights of all interested parties.

Specifically, the following are their comments:

a) Imports	• The increase in imports is a normal growth driven by demand, with the effect of meeting the market needs rather than taking over the market shares occupied by the product produced by the domestic industry. As shown in the report, the total demand for passenger cars increased by 20% overall from 2014 to 2018; if compared the total apparent market needs of 2017 with 2014, the increase is as high as 56%. Meanwhile, the total demand for passenger cars rose nearly 100% from 2014 to 2018.

	• Furthermore, a member company of the Chamber of Commerce proves information that the Philippine motor vehicle market is expected to continuously grow based on the forecast in the Global Insight's report published in February. • As shown in the report, the total importation of passenger cars dropped by nearly 20% from 2016 to 2018; meanwhile, the growth rate of total imports of light commercial vehicles (LCV) in the Philippines has remained stable in the past three years from 2016 to 2018. • It should be well noted that since the SG law requires that SG measures should be aimed at "a product", thus passenger cars and LCVs shall be regarded as different subcategories of one product subject to this investigation. The total import volume of passenger cars and LCVs should be treated as a whole, thus, when summarized from the data of the Public Version of Initiation Report, it shows no recent increase. • Although there was an absolute increase in motor vehicle imports during the POI, the relative growth of motor vehicles was not significant relative to the increase in total apparent consumption.
b) China's Export of Motor Vehicles to the Philippines	• The available data to the Chamber of Commerce show that during the POI, China's export of motor vehicles to the Philippines accounted for less than 3% of the total import of motor vehicles on average, however from January to September 2019, China's export volume of motor vehicles accounts for more than 3% of the total imports. • Since the analysis of serious damage can only be made based on the data during the investigation period, and cannot refer to the relevant data during the non-investigation period, the data of January to September 2019, which is after the investigation period, should not be used as the basis, otherwise, it is unfair. • The import products among ASEAN countries are free from import tariffs, motor vehicles imported from China have already borne more import tariff compared with motor vehicles imported from ASEAN countries. If the Philippines adopts the same safeguard measures for motor vehicles imported from China as for motor vehicles imported from other ASEAN countries, it may negatively affect the interest of the Chinese motor vehicles industry.
c) Serious Injury	• Based on the definition of serious injury and the method of determination, the indicators of the Philippine domestic industry show that it has not suffered any injury, let alone serious injury.

d) Capacity Utilization Rate	• Rapid and substantial decline in the capacity utilization rate in 2018 is largely due to the sharp expansion of the domestic industry's capacity. • As indicated by a member company of this Chamber of Commerce, the decrease of capacity utilization rate may also be affected by many other factors, including 1) the Philippines' parts and components industry is not strong enough in supporting the full capacity of the assembling companies, as a lot of parts and components needs to be imported; 2) the market needs for certain types/categories of motor vehicles is relatively small and cannot meet the economies of scale to begin the actual production.
e) Decline of Net Profit	• While the domestic industry shows that the net profit decline is evidence of injury, it cannot be attributed to the impact of import products. On the contrary, it should be attributed to other reasons which may include the increased costs due to the domestic industry's investments to enlarge the production capacity. • The investment of the Philippine domestic industry is not a sign of injury, but proof of the domestic industry's confidence in the positive development and the enhancing competitiveness performance of the Philippines domestic industry.
f) Decline of the Employment Rate	• According to information from the Philippine industry association, the decline in employment in 2018-2019 is attributed to a market slowdown brought about by the imposition of TRAIN Law and the phase-out of Euro 2 models following the government's implementation of EURO 4 emission standards in 2017, and the market slowdown resulted in a decrease in the employment rate.
g) Causal Link and Other Factors	• Most of the operating indicators, such as the quantity produced and sold, sales revenue, the expansion of production capacity as well as the earnings before interest and tax are in good condition and increased/progressed during most of the POI, except for the downward movement for some operating indicators in 2018 which is not caused by the import products under investigation but for other reasons. • Decrease of sales in 2018 was mainly due to the implementation of the TRAIN Law and the implementation of Euro 4 emission standards in 2018, which increased the cost of car buyers, resulting in a sharp increase in motor vehicle sales in 2017 and a decline of 15% in motor vehicle sales in 2018. According to the information we learned from our member companies, the total sales volume in 2019 of Philippine motor vehicles has resumed a slow growth of 3%. • When the number of imported motor vehicles and domestic manufactured motor vehicles both increased, there is no

	logical linkage of trends to support any conclusion that imported goods damaged the domestic goods by quantity. In 2018, both imports and domestic sales headed down dramatically, which proves that the downtrend of domestic sales was not caused by imported goods but by other reasons as previously mentioned. • Other factors could include but are not limited to 1) Philippines domestic capacity increased rapidly in a short period of time, especially in 2018, which raised nearly 19% from 2017. 2) Implementation of TRAIN Law that made major changes to the automobile consumption tax, which led to a serious decline in automobile consumption. It is conceivable that a series of factors such as the expansion of investment, the increase in capital and operating costs, and the decrease in the utilization rate of production capacity will all bring adverse effects to the related automobile industry of the Philippines.
h) Unforeseen Development	• Since any growth of importation of Philippines, including the importation of motor vehicles is the result of the Philippines' promotion of trade liberalization and tariff concessions to fulfill its WTO member obligations, and thus entirely predictable, such a growth of importation does not constitute "unforeseen developments". Thus, as per the WTO DSB reports, the precondition for the initiation of this investigation and the possible adoption of general safeguard is missing.
i) Public Interest	• The importation of motor vehicles is an important supplement to Philippine market needs. The domestic industry cannot meet the market demand, and 75-84% of the Philippines motor vehicle market relies on imports. • Restricting imports is not conducive to the long-term development of the Philippine car industry. Motor vehicle companies in the Philippines are mainly of foreign brands, which supports the fact that motor vehicles themselves are a highly globalized commodity. • Restrictions on imports have a negative impact on the interests of importers, distributors and end users, and the negative impact is greater than the possible benefits of protecting its domestic industry. • Even for the motor vehicle industry itself in the Philippines, excessive protection may bring adverse effects to the development of the industry in a long run. Subject to the government tariffs or quantitative restrictions to protect the domestic industry, the production and business activities of the domestic industry do not reflect the supply and demand, which is the core of healthy development of the market economy environment, which in turn, will harm the competitiveness of the domestic industry.

j) Procedure Concern	• The investigation authority is obliged to fully protect the procedural rights of the interested parties, including the right to defense. • Methods and content of the investigation. The investigating authority shall evaluate all relevant factors having a bearing on the situation of the industry in an objective and quantifiable manner, in particular, considerations shall be given to the rate and amount of the increase in imports of the product in absolute and relative terms, the share of the domestic market taken by increased imports, changes in the level of sales, production, productivity, capacity utilization, profits and losses, and employment, and determine the existence of the causal link between the increased import of the products concerned and serious injury or threat thereof. • Disclosure Obligation - Unreasonable Indexed Disclosure. The provision of indexed data is unjustifiable in the present case because it failed to provide a reasonable, understandable summary of the producers‟ sales and production information. The failure precludes interested parties from comparing the production of like products in the Philippines with imports from China and assessing whether in fact there were any “absolute or relative increased quantities”. In addition, some data analysis in the initiation report is only based on partial data related to 2018.

3. Gabungan Industri Kendaraan Bermotor Indonesia (GAIKINDO) or The Association of Indonesia Automotive Industries

On 26 February 2020, GAIKINDO, a non-profit organization with 47 member companies that are brand holder agents that comprise producers, distributors, and manufacturers, submitted its position and respectfully requests the Government of the Philippines to consider the implementation of safeguard (SG) measures of imported Motor Vehicle. The following are their comments:

- Exported CBU does not compete directly with local product.
- ASEAN Trade in Goods Agreement aims to achieve a free flow of goods in the region resulting in less trade barriers and deeper economic linkages among member states, lower business costs, increases trade, and a larger market and economics of scale for business. Based on the data of road motor vehicles per 1,000 inhabitants, the Philippines is ranked 6th among ASEAN. Exported CBU could increase the vehicle density in the Philippines and do not compete directly with local product.

a) Serious Injury
   - Decrease in sales from 2017, 2018 and 2019 is not only happening to the Philippines but most of the countries around the world including Indonesia.
   - Production capacity shows no injury

b) Public interest
   - Growth in the number of motorized vehicles as a mode of transportation will be the driver of the economy that has a wide impact on the number of jobs which can ultimately increase government revenue.
   - Indonesia has imported various components such as transmission, part of the instrument cluster, etc. to be assembled as a vehicle which later is exported to the Philippines.

4. Truck Manufacturers Association, Inc. (TMA)

On 28 February 2020, TMA submitted their position and concluded that:
- the allegations of serious injury to the local automotive industry was caused by the increase of CBU imports is not conclusive based on the data provided;
- the imposition of Safeguard (SG) Measures will have a negative impact on the industry and related sectors rather than protect the domestic auto industry;
- DTI pushes for the approval of the eco-PUV Program and other programs to incentivize local manufacturing.

Specifically, the following are their comments:

a) Product	• TMA sees no basis on the inclusion of 8704.21.19 and 8704.21.29 on the investigation since these tariff lines cover motor vehicles for the transport of goods. Putting additional safeguard duty to these lines will affect DOTR's plan to hasten the nationwide implementation of the PUV Modernization Program as this would mean higher unit cost for Transport Groups.
b) Allegations of Serious Injury to Local Industry	• Based on the ASEAN Automotive Federation (AAF) Annual Statistics report, the industry saw a decline in 2018 wherein CKD production fell to 22% of total sales. This significant decrease can be mainly attributed to the shift from Euro 2 to Euro 4 which affected major models that were locally assembled. These models were unable to immediately adapt to technology change due to manufacturing concerns. • Based on the TMAs association record, their dealer's network has an average increase of 40% on manpower from 2014 to 2019. As reported by the Automotive Body Manufacturers Association of the Philippines (ABMAP), the employment of vehicle body-builders grew at an average of 7% from 2014 to 2019.
c) Causal link	• There is no causal link between the increase in CBU imports and the decrease in CKD production because the setback in 2018 was brought about by the transition from EURO 2 to EURO 4 which affected major models that were locally assembled. These models were unable to immediately adapt to technology change due to manufacturing concerns. Also, by the end of 2019, the industry was able to recover 4% on its CKD production due to the strong performance of passenger cars, especially those participating in the CARS

	Program. • For the commercial vehicles segment, the association sees that this will be supplemented by the increase in PUV production in support of DOTR's PUV Modernization Program which aims to replace around 200,000 jeepneys and the return of full production of L300 this year could bring around 14,000 production units.
d) Public Interest	• Similar to the impact of the implementation of TRAIN in 2018, assuming the price elasticity for a vehicle is around 1.2% (based on DOF TRAIN study) depending on the vehicle segment, TMA foresees that the imposition of SG measures will result in a price increase in motor vehicles that would slow down total industry sales. • With the expected decline in sales due to increase in prices, a negative impact is expected not only to the manufacturer/importer side but also to related industries like the Dealer Network and Automotive Body Builders including 9,662 employees.

5. Association of Vehicle Importers and Distributors (AVID)

On 6 March 2020, AVID submitted its position disputing the existence of a causal link because other factors besides increased imports are causing the injury. The following are their analysis/submission to these assessments:

a) The scale of the domestic automobile market does not attract significant interest from auto manufacturers to invest in the country. This is a factor attributable to its own domestic industrial policy.
b) The lack of investment in research and development (R&D) and manufacturing efficiency impedes the ability to compete or to move up the automobile manufacturing value chain. PH position in the global automotive value chain is not playing a significant role in areas where high value-added activities occur. This is an issue driven by a lack of investment will and foresight.
c) The automobile industry investment incentives must undergo reform to realize greater efficiency and cost performance in domestic manufacturing and assembly. The Philippines is at a stage where the level of incentives neither encourages wider participation in auto assembly and manufacturing nor foster behavior to grow the market beyond the Philippines.
    - The Philippine auto manufacturing incentives still implicitly reward efforts to substitute imports. The auto industry targets effectively a much smaller Philippine domestic market.
    - The Philippines must offer manufacturing incentives that reward players that target global markets and not just the local market.
    - The industrial policy, incentives, and other rules effectively stunt the ability to manufacture cars on scale because they only reward companies that meet domestic demand.
d) The impact of the additional excise tax due to TRAIN Law suppressed the demand for imported and domestically produced passenger cars and light commercial vehicles (LCV). This is a situation where the domestic tax policy stifled demand and therefore hurt the domestic auto industry.

e) The DENR's passage of measures mandating the switch to EURO 4 emission standards also played a role in advancing vehicle sales as local distributors aggressively unloaded their EURO 2 inventory before the policy implementation. The data shows a decline in production, specifically of commercial vehicles, as local automotive companies discontinued the distribution of models that did not comply with the new emission standards. This means that the switch to the EURO 4 standard, and not just imports, negatively affected the volumes produced and sold in the automotive industry.

f) A slowdown in the global automotive market during the relevant period also affected Philippine automotive component exports. Car manufacturers shut down their plants in the Philippines because it is costlier to engage in automotive production in the country.

g) The increased imports are the consequence of an inherent weakness in the Philippines' manufacturing sector. Car production is not growing as fast as industry demand.

h) Employment rises with an increase in imports.
   - The alleged negative impact of imports on jobs remains inconclusive. They found that as imports rose, employment also rose. In 2018, when imports started to fall due to the excise tax, employment also fell, thus, this is counterintuitive because the assertion is that the rise in imports hurts employment in the domestic automobile market.

i) Price
   - Price depression, where the price of domestic vehicles made by local producers drop to compete with imports, this phenomenon only occurred in 2015 in the passenger car segment (-1.99%), and in 2017 in the light commercial vehicles segment (- 4.75%).
   - Domestic producers did not suffer from the adverse effects of consistent and persistent price suppression.

6. European Chamber of Commerce in the Philippines (ECCP)

On 6 March 2020, ECCP submitted its position believing that the Philippine automotive industry has considerable potential to become a driver of economic growth and development, especially where industry players have demonstrated vigorous attention and interests towards Southeast Asia as a global automotive powerhouse in recent years. However, ECCP believes that safeguard (SG) measures will adversely affect the local automotive sector which will result in a price increase of motor vehicles, reduce employment, and dent investor confidence.

In addition, ECCP pointed out that the allegation of serious injury to the domestic motor vehicles industry is inconsistent with existing industry data, particularly:

a. Serious Injury	• The allegation of serious injury to the domestic motor vehicles industry is inconsistent with existing industry data.
b. Sales and Production of Locally Built Vehicles	• While imported or completely built-up (CBU) vehicles still account for a majority of both vehicle sales and production in the Philippines, historical industry data also shows an increase in sales and production of domestically-assembled or completely knocked-down (CKD) units since 2014 (start period of investigation) based from the data of Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and the Truck Manufacturers Association, Inc. (TMA).

	• CKD sales and production decreased in 2018 should not be solely attributed to motor vehicle imports but rather on the general market conditions and regulatory environments such as the first-year implementation of TRAIN Law which increased automobile excise tax and the shift from Euro 2 to Euro 4-compliant engines. Nonetheless, sales and production for CKD vehicles recovered in 2019, albeit moderately.
c. Employment in the Sector	• From 2014 to 2018 CAMPI members report an increase of its members' employment from 4,045 to 4,585. On the other hand, TMA's dealer network grew from 1,678 to 5,981 while its body builders, citing the Automotive Body Manufacturers Association of the Philippines, increased from 1,496 to 2,126 during the same period. This only shows relatively stable job growth in the sector contrary to claims that the increase in CBU vehicles resulted in a decrease in jobs in the industry.
Public Interest:	• European car manufacturers and their domestic distributors are already present in the Philippine market and are actively courting the expanding middle class with more disposable income. Nevertheless, European automotive companies tend to lose out, especially in terms of price competitiveness given that their products mostly fall under the high price tiered sector. • In addition, tariff and non-tariff barriers to trade remain in place which makes it difficult for these brands to benefit from economies of scale and compete with their more household Asian and American counterparts. As such, slapping SG measures will further dampen market access and limit consumer choice. • The ECCP supports the government's thrust to stimulate the domestic automotive manufacturing industry and make the Philippines a more competitive destination for automotive investments. However, they believe that resorting to SG measures will prevent the government from achieving that objective especially at a time where intense regional competition to attract foreign investments and prevailing business environment (e.g. COVID-19 global economic slowdown, CITIRA uncertainties) further stifle the market. • ECCP finds it important that the government should instead pursue a more proactive approach by strengthening its manufacturing policies through rolling out its revised motor vehicle development program and incentivize automotive investments by including the sector in the proposed Strategic Investments Priorities Plan. This will help facilitate technology and knowledge transfer, spur infrastructure demand, generate domestic employment, and create other spillover benefits across the entire chain

A.3.a. Additional Documents Submitted by the Petitioner

On 14 February 2020, PMA submitted its comments relevant to critical circumstances. DTI gathered updated information on motor vehicles on 29 April 2020.

IV. APPRECIATION OF AVAILABLE EVIDENCE

Rule 6.5.c of the IRR states:

"Whenever any interested party fails to respond adequately or is unable to produce information requested, refuses access to, or otherwise does not provide any other information within the period allowed for the investigation, or otherwise significantly impedes the investigation, the preliminary determination of the conditions required in a safeguard investigation shall proceed on the basis of facts derived from the evidence at hand. Even though the information provided by an interested party may not be complete in all respects, this shall not be disregarded provided the interested party is deemed to have acted to the best of his ability."

The DTI evaluated and considered all the information provided by the interested parties.

V. SAFEGUARD MEASURES: PARAMETERS FOR EVALUATION

A. The Concept and Purpose of Safeguards

Section 2 of RA 8800 provides that *"the state shall promote the competitiveness of domestic industries and producers based on sound industrial and agricultural development policies, and the efficient use of human, natural and technical resources. In pursuit of this goal and in the public interest, the state shall provide safeguard measures to protect domestic industries and producers from increased imports which cause or threaten to cause serious injury to those domestic industries and producers."*

B. The Elements Required by Law

As stated under Section 5 of RA 8800 *"the Secretary shall apply a general safeguard measure upon a positive final determination of the Commission that a product is being imported into the country in increased quantities, whether absolute or relative to the domestic production, as to be a substantial cause of serious injury or threat thereof to the domestic industry; however, in the case of non-agricultural products, the Secretary shall first establish that the application of such safeguard measures will be in the public interest".*

C. Relevant Provisions on Initiation of Investigation

Section 6 paragraphs 1 and 2 of RA 8800 states that *"any person, whether natural or juridical, belonging to or representing a domestic industry may file with the Secretary a verified petition requesting that action be taken to remedy the serious injury or prevent the threat thereof to the domestic industry caused by increased imports of the product under consideration.*

The petition shall include documentary evidence supporting the facts that are essential to establish:

(1) an increase in imports of like or directly competitive products;
(2) the existence of serious injury or threat thereof to the domestic industry; and
(3) the causal link between the increased imports of the product under consideration and the serious injury or threat thereof".

Rule 6.2 a of the IRRs of RA 8800 further provides that *"any person whether natural or juridical, belonging to or representing a domestic industry, may file a written application using a proforma protestant's questionnaire which shall include evidence of (i) an increase in the volume of imports of the like or directly competitive products, (ii) the existence of serious injury or threat thereof to the domestic industry; and (iii) causal link between the increased imports of the product under consideration and the serious injury or threat thereof. The applicant shall submit four (4) copies of the application, including annexes, two (2) copies of which shall contain the non-confidential summaries of the information submitted".*

D. Period of Investigation

The period of investigation (POI) was established during the initiation of the investigation to cover imports that entered the Philippine market from 2014 to 2018. The domestic industry's performance for the same period was also assessed to determine whether the increased imports are the substantial cause of serious injury to the domestic industry. The PMA alleged that imports began causing injury from 2014 to 2018. During the preliminary determination, DTI updated the POI from 2014 to 2019.

The DTI's approach has been consistent with respect to the establishment of the POI from the initiation stage to the preliminary determination stage. The POI considered in the initiation stage was also taken into account in the preliminary determination.

E. Determination of Increased Volume of Imports

Rule 7.2 (a) of the IRRs of RA 8800 provides that *"the Secretary shall essentially determine whether there has been an increase in the volume of imports, in particular, either in absolute terms or relative to production in the Philippines, The Secretary shall evaluate import data for the last five (5) years preceding the application to substantiate claims of significant increase in import volume. Provided, however, that in some cases, the period may be adjusted to cover a shorter period, if necessary, in order to take into account other considerations that will ensure the appropriateness of the chosen period, e.g. seasonality of product, availability of data or facility in the verification of data."*

E.1. Absolute Terms

1.a. Import Volume

The POI includes imported motor vehicles[7] that entered the Philippines from 2014 to 2018. DTI updated the import data to 2020 October.

Import data specifically covered completely built-up vehicles (CBU), which are completely assembled cars. Exclusions were made on imported vehicles classified as: completely knocked down (CKD), semi knocked-down (SKD) and used vehicles

All data were sourced from the Bureau of Customs (BOC), Single Administrative Document-Import Entry and Internal Revenue Document (SAD-IEIRD). In determining the increase in imports, DTI considered the rate and amount of the increase in imports, in absolute terms and as a percentage of domestic production. Then linkages on the overall performance of the industry were also established on whether the increased imports are the substantial cause of the serious injury to the domestic industry.

1.a.1 AHTN 87.03 (Passenger Cars/Vehicles) in unit

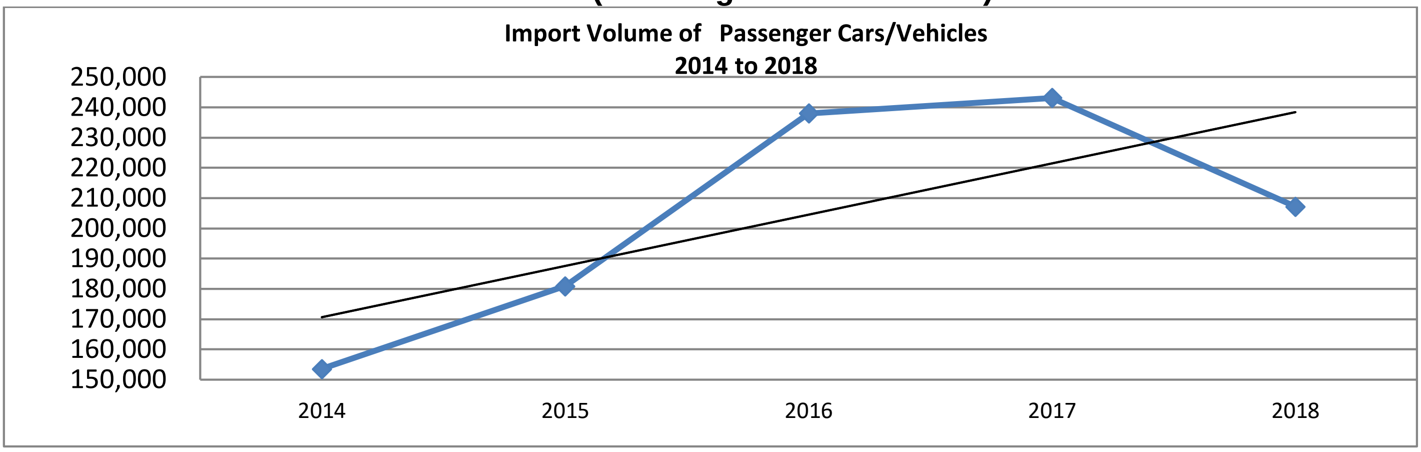


Table 1: Import Volume of Passenger cars/vehicles - AHTN Code 87.03 (2014 – Oct 2020)

Year	2014	2015	2016	2017	2018	2019
Volume	153,531	180,939	237,995	243,129	207,248	173,262
Absolute (Increase/ (Decrease)	-	27,408	57,056	5,134	(35,881)	(33,986)
Growth	-	18%	32%	2%	(15%)	(16%)

Source: Bureau of Customs (SAD-IEIRD)

Imports of passenger cars/vehicles from various countries grew from about 154,000 units in 2014 to 207,000 units in 2018 or equivalent to 35% growth rate. In 2019, imports declined by 16% but 13% higher than the pre-surge level. In 2020 (Jan to Oct) imports recorded at 88,959 units which is 51% of the 2019 level.

[7] passenger cars refer to any four-wheeled motor vehicle, which is propelled by gasoline, diesel, electricity or any other motive power such as hatchbacks, sedans, CUV and SUV, which are designed to transport persons and not primarily to transport goods. Light Commercial Vehicles refer to vehicles whether four-wheeled drive or not, which may be classified under but not limited to the following: utility vehicles, sports utility vehicles, Asian utility vehicles, commuter vans, pick-ups, which are designed to carry both passenger and goods/cargoes.

1.a.2. AHTN Code 87.04 - Light Commercial Vehicles (LCV)

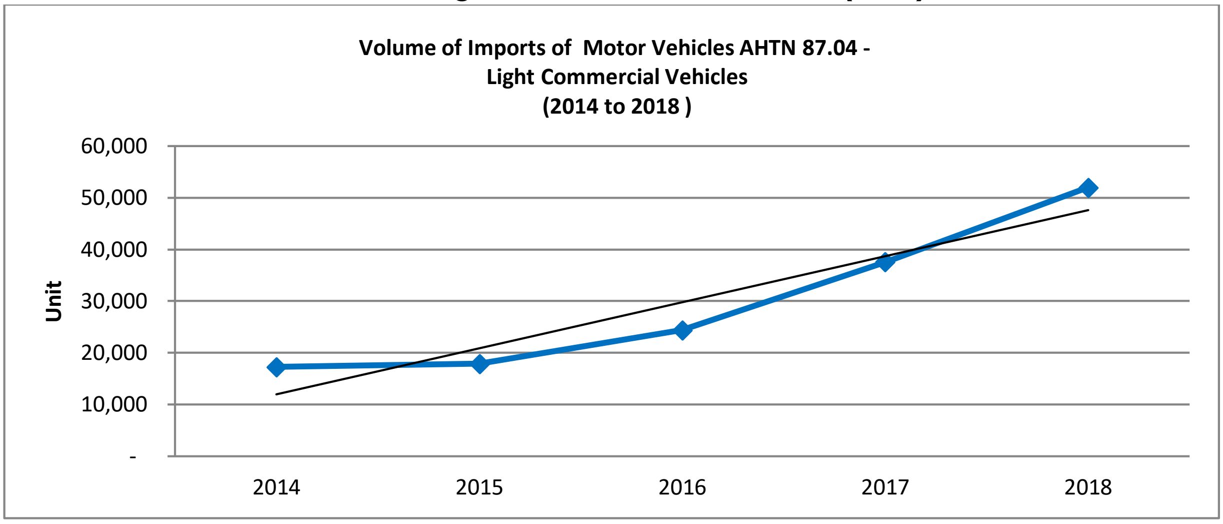


Table 2: Import Volume of Light Commercial Vehicles - (2014 – October 2020)

YEAR	2014	2015	2016	2017	2018	2019
Volume of Imports	17,273	17,898	24,413	37,571	51,969	66,483
Absolute Increase (Decrease)	-	625	6,515	13,158	14,398	14,514
Growth Rate	-	4%	36%	54%	38%	28%

Source: Bureau of Customs (SAD-IEIRD)

The Philippine imports of light commercial vehicles (for the transport of goods) showed an increasing trend during the POI.

In 2014, imports registered at 17,273 units. In 2015, imports recorded a 4% increase over the previous year. Imports continued to rise in 2016 and 2017 by 36% and 54%, respectively. Imported LCV climbed further by 38% in 2018 to 51,969 units, compared to 37,571 units in 2017.

In 2019, imports grew by another 28% from a year ago. From January to October 2020, imports accounted for 27,596 units which is 42% of the 2019 level. During the POI, imports of LCVs showed an increasing trend.

E.2. Relative Terms

Table 3: Comparison of Volume of Imports to Domestic Production of AHTN 87.03 – Passenger Cars/Vehicles (2014 to 2019) in units

Year	Imports (in units)	Domestic Production (in units)*	Share of Imports to Domestic Production (%)
2014	153,531	100	*xxx*
2015	180,939	113	*xxx*
2016	237,995	131	*xxx*
2017	243,129	148	*xxx*
2018	207,248	114	*xxx*
2019	173,262	128	*xxx*

Sources: Bureau of Customs (BOC-SAD-IERD) – Import Volume
DTI Research – Domestic Production
*Figures indexed due to confidentiality

The share of imported passenger cars/vehicles to domestic production continuously increase from 2014 to 2016. However, it declined in 2017.

In 2018, the share of imports vis-à-vis domestic production increased but dropped to in 2019. The ratio of imports to domestic production exceeded domestic production during the POI.

Table 4: Comparison of Volume of Imports to Domestic Production of AHTN 87.04 - Light Commercial Vehicles (2014 to 2019) in units

Year	Imports (in units)	Domestic Production (in units)**	Share of Imports to Domestic Production (%)
2014	17,273	100	*xxx*
2015	17,898	139	*xxx*
2016	24,413	143	*xxx*
2017	37,571	266	*xxx*
2018	51,969	191	*xxx*
2019	66,483	191	*xxx*

Sources: Bureau of Customs (BOC-SAD-IERD) – Import Volume
DTI Research – 2014 to Oct 2018 Domestic Production
Note: *2018-Annualized
**Figures indexed due to confidentiality

The share of imports of light commercial vehicles exceeded domestic production during the POI.

For the period 2014 to 2017 LCV imports showed a fluctuating trend compared to domestic production. In 2018, the share of imports of LCV exceeded domestic production. In 2019, imports recorded its highest share to domestic production.

Interested parties (i.e. The Government of the Republic of Korea, CAMPI and CCCME) commented that imports relative to production is not sudden, recent, sharp and significant enough for both passenger and commercial vehicles. They claimed that the annual growth rate during POI is only 10% for passenger vehicles and 23% for the light commercial vehicles. Indicative data on CBU imports do not demonstrate a significant increase relative to production as shown in the table below.

Particulars	2014	2015	2016	2017	2018
Import* (‘000)	212	260	322	304	309
Production (‘000)	x x	x x	x x	x x	x x
Total Apparent Market	x x	x x	x x	x x	x x
% Share of Import	73%	76%	76%	71%	78%

Source: CAMPI submission
*CBU Sales data used as indicative import data

Further, the Royal Thai Embassy, Government of the Republic of Korea, Government of Indonesia and the CCCME shared the common view that the increase in imports of the motor vehicle is not recent enough, sudden enough, sharp enough and significant enough, both quantitatively and qualitatively as the criteria elaborated by the Appellate Body in the case of Argentina-Footwear (EC). To be specific, the rate of change for passenger vehicles showed a decreasing trend while the rate of change for light commercial vehicles showed fluctuations.

However, based on Table 6 and 7 data, the share of imports relative to domestic production for both passenger cars/vehicles and light commercial vehicles increased substantially during the POI i.e. Passenger cars/vehicles from 295% to 349% and LCV - from 866% to 1,364%.

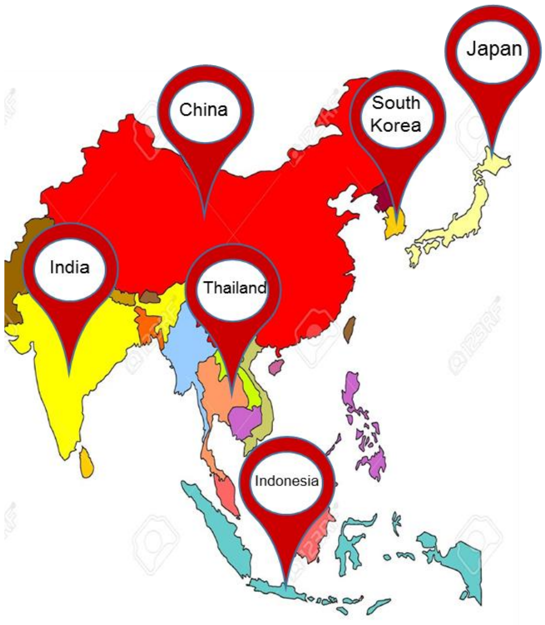
E.3 Share of Imports (by Country)

1. Share of Imports (by Country) – AHTN 87.03 (Passenger Cars/Vehicles)

Table 5: Share of Imports By Country (2014 – 2019) in unit

Country	2014		2015		2016		2017		2018		2019	
	Volume	% Share	Volume	% Share	Volume	% Share	Volume	% Share	Volume	% Share	Volume	% Share
Thailand	65,598	43	84,227	47	101,844	43	102,533	42	74,489	36	33,855	20
Indonesia	38,029	25	38,579	21	69,215	29	81,939	34	84,990	41	94,921	55
South Korea	17,396	11	17,867	10	26,500	11	22,704	9	16,607	8	5,938	3.43
Japan	12,654	8	14,812	8	16,269	7	19,506	8	11,405	6	10,916	6
India	12,300	8	16,295	9	12,020	5	4,213	2	2,888	1	2,821	2
China	915	1	805	0	2,248	1	1,843	1	6,278	3.03	19,434	11
Major Suppliers	***146,892***	***96***	***172,585***	***95***	***228,096***	***96***	***232,738***	***96***	***196,657***	***95***	33,855	**97**
Other Sources	***6,639***	***4***	***8,354***	***5***	***9,899***	***4***	***10,391***	***4***	***10,591***	***5***	***5,377***	***3***
Total:	**153,351**	**100**	**180,939**	**100**	**237,995**	**100**	**243,129**	**100**	**207,248**	**100**	**173,262**	**100**

Source: BOC-IEIRD



2014 to 2018 (POI)

The top three (3) source countries for Philippine motor vehicle (AHTN 87.03) imports are Thailand, Indonesia, and South Korea during the POI.

Thailand accounted for the largest share of imported motor vehicles to the total Philippine imports during the POI. Indonesia ranked second and South Korea remained in the top three (3), followed by Japan (fourth) and India (fifth).

China's notable volume was observed during the period. Chinese exports to the Philippines considerably increased, ranging from approximately 900 units to 6,000 units during the POI.

2019

In 2019, Indonesia climbed up to the first, followed by Thailand (2^{nd}). People's Republic of China's share escalated to 11% (19,434 units) in 2019 from 3% (6,278 units) in 2018.

3. Share of Imports (by Country) – AHTN Code 87.04 (Light Commercial Vehicles)

Table 7: Share of Imports By Country of AHTN Code 87.04- Light Commercial Vehicles 2014 –2019) in units

COUNTRY	2014	% Share	2015	% Share	2016	% Share	2017	% Share	2018	% Share	2019	% Share
Thailand	17,269	99.98	17,898	100	24,413	100	37,571	100	51,969	100	66,040	99
Japan	-	-	-	-	-	-	-	-	-	-	443	0.67
Indonesia	4	0.02	-	-	-	-	-	-	-	-	-	-
Total Imports	**17,273**	**100**	**17,898**	**100**	**24,413**	**100**	**37,571**	**100**	**51,969**	**100**	**66,483**	**100**

Source: BOC-IEIRD

Thailand is the major source of imported LCV (for the transport of goods), classified under AHTN Code 87.04 during the POI. Thailand dominated and supplied 100% of the Philippine market, with approximately 17,000 units in 2014 to 52,000 units in 2018. In 2019, Thailand exported about 66,000 units of LCV.

Other sources of imported LCV came from Indonesia and Japan with less than 1% share in 2014 and 2019, respectively.

On the issue concerning the exclusion of countries from the imposition of safeguard measures, TECO, Embajada de Mexico, Embassy of the Republic of Turkey, Ministry of Economic Development of the Russian Federation, and Embassy of India requested for the exclusion of their represented countries pursuant to Article 9.1 of the WTO

Agreement on Safeguards which states that safeguard measures shall not be applied against products from developing countries which imports do not exceed 3%. In addition, the CCCME pointed that China's export of motor vehicles to the Philippines accounted for less than 3% of the total import of motor vehicles on average during the POI notwithstanding imports from January to September 2019 which accounts for more than 3%. Since the analysis of serious injury can only be made based on the data during the POI and cannot refer to the relevant data during the non-investigation period, the data from January to September 2019, should not be used as the basis, otherwise, it is unfair.

Section 8, Rule 8.8, IRR of RA 8800 (Imposition of provisional safeguard measures) provides that: "*the provisional safeguard measure shall not be applied to a product originating from a developing country if its share to total Philippine imports of the said product is less than three percent (3%). Provided: however, that developing countries with less than three percent (3% share) collectively account for not more than nine percent (9%) of the total Philippine imports of the product concerned.*"

V. EVIDENCE OF SERIOUS INJURY

Rule 3.1 of the IRRs of RA 8800 provides that "*a general safeguard measure under Chapter II of these IRRs shall apply where there is an increase in the quantity of a product being imported, whether absolute or relative to the domestic production, which is determined to be a substantial cause of serious injury or threat thereof to the domestic industry*".

Section 4 (o) of RA 8800 also provides that *"a serious injury shall mean a significant impairment in the position of the domestic industry after evaluation by competent authorities of all relevant factors of an objective and quantifiable nature having a bearing on the situation of the industry concerned. In particular, the rate and amount of the increase in imports of the product concerned in absolute and relative terms, the share of the domestic market taken by increased imports, changes in levels of sales, production, productivity, capacity utilization, profit and losses, and employment".*

Section 12 of RA 8800 further provides that *"in reaching a positive determination that the increase in the importation of the product under consideration is causing serious injury or threat thereof to a domestic industry producing like products or directly competitive products, all relevant factors having a bearing on the situation of the domestic industry shall be evaluated. These shall include, in particular, the rate and amount of the increase in imports of the products concerned in absolute and relative terms, the share of the domestic market taken by the increased imports, and changes in the level of sales, production, productivity, capacity utilization, profits and losses, and employment.*

Such positive determination shall not be made unless the investigation demonstrates on the basis of objective evidence, the existence of the causal link between the increased imports of the product under consideration and serious injury or threat thereof to the domestic industry. When factors other than increased imports are causing injury, such injury shall not be attributed to increased imports."

A. Share of the Domestic Industry

1) Market Size and Share

Parties opposing the imposition of the safeguard measures (i.e. EU Delegation to the Philippines, CCME, AVID and CAMPI) reasoned that the increase of imports has to be seen against a background of the overall increase of consumption and the total size of the Philippine market. They submitted that the market share of passenger cars and LCVs decreased over the POI, but this must be seen in light of a significant increase in consumption. They claimed that the increase in imports is a normal growth driven by demand, with the effect of meeting the market needs rather than taking over the market shares by the product produced by the domestic industry. Also, as the demand for cars rose, the demand for locally produced vehicles consequently grew. The growth in the CKD sector was more linear, given the capacity constraints in the manufacturing sector. According to the Global Insight's report published in February, the Philippine motor vehicle market is expected to continuously grow, for the next few years.

Tables 8 and 9 show the apparent market of passenger cars/vehicles and light commercial vehicles during the POI

1.a Passenger Cars/Vehicles (PC)

Table 8: Total Apparent Philippine Market (in units) - 2014 to 2019

Year	Market Size				Market Share (%)	
	Imports (in units)	Domestic Industry Sales Volume (in units)*	Total Apparent Philippine Market (in units)*	% Increase/ (Decrease)	Imports	Domestic Industry Sales
2014	153,531	100	100	-	*xxx*	*xxx*
2015	180,939	116	117	17%	*xxx*	*xxx*
2016	237,995	130	149	27%	*xxx*	*xxx*
2017	243,129	148	156	5%	*xxx*	*xxx*
2018	207,248	113	129	(17%)	*xxx*	*xxx*
2019	173,262	125	116	(10%)	*xxx*	*xxx*

Source: Volume - Bureau of Customs, (SAD-IEIRD)
Domestic Sales – DTI Research
*Figures indexed due to confidentiality

The apparent Philippine market increased by 17% in 2015 over the 2014 level. In 2016, apparent Philippine market continued to increase by 27% and further by 5% in 2017. In 2018, the total apparent consumption dropped by 17%, as imports and domestic sales went down by 15% and 23%, respectively, and total apparent Philippine market further declined by 10% in 2019.

The domestic sales relative to the Philippine market ranged from 22% to 25% share during the POI, as imports ate up more than 70% of the market.

On the other hand, the share of imports to the total Philippine market captured 75% to 78% of the market during the POI.

1.b Light Commercial Vehicles (LCV)

Table 9: Total Apparent Philippine Market (in units) - 2014 to 2019

Year	Market Size				Market Share (%)	
	Imports (in units)	**Domestic Industry Sales Volume (in units)***	**Total Apparent Philippine Market (in units)***	**% Increase/ (Decrease)**	**Imports**	**Domestic Industry Sales**
2014	17,273	100	100	-	*xxx*	*xxx*
2015	17,898	82	100	(0.29)	*xxx*	*xxx*
2016	24,413	104	135	35	*xxx*	*xxx*
2017	37,571	123	200	49	*xxx*	*xxx*
2018	51,969	97	264	32	*xxx*	*xxx*
2019	66,483	97	333	26	*xxx*	*xxx*

Sources: Volume - Bureau of Customs, (SAD-IEIRD)
Domestic Sales 2014 to 2019 – DTI Research
Note: *2018-Annualized
**Figures indexed due to confidentiality

The total Philippine apparent market for LCV showed an increasing trend from 2014 to 2018. In 2019, the Philippine market recorded the highest. Thus, the increased in the Philippine market consumption of the said product was mainly captured by imports.

Share of total imports of LCV to the total Philippine market showed a steady increase during the POI. It increased to 85% in 2015, 86% in 2016, 89% in 2017, 93% in 2018 and 95% in 2019.

On the other hand, the share of domestic sales to the Philippine market contracted from 18% in 2014 to 11% in 2017. In 2018, share of domestic industry declined to 7% and 5% in 2019. Thus, despite the growth in the Philippine market, domestic industry lost market share over LCV imports.

Although the domestic market grew, the domestic industry did not benefit from the growth, the share of imports for passenger cars/vehicles and light commercial vehicles dominated the Philippine market during the POI.

B. Domestic Sales

B.1. Passenger Cars/Vehicles

Table 10: Domestic Sales Volume and Value of Passenger Cars/Vehicles

Year	Sales Volume (in units)*	% Increase (Decrease)	Sales Value (in Million Php)*	% Increase (Decrease)
2014	100	-	100	-
2015	116	15.51	115	14.51
2016	130	12.71	134	16.76
2017	148	13.47	158	18.36
2018	113	(23.36)	125	(21.14)
2019	125	10.58	137	9.40

Source: DTI Research
*Figures indexed due to confidentiality

From 2014 to 2017, domestic sales volume steadily increased by 16% and 13%, respectively. In the same way, sales value increased from 2014 to 2017 at 15%, 17%, and 18%, respectively. In 2018, both sales volume and value declined by 23% and 21%, but recovered in 2019 by 11% and 9%, respectively.

B.2. Light Commercial Vehicles

Table 11: Domestic Sales Volume and Value of Light Commercial Vehicles

Year	Sales Volume (in units)*	% Increase (Decrease)	Sales Value (in Million Php)*	% Increase (Decrease)
2014	100	-	100	-
2015	82	(18.06)	83	(17.38)
2016	104	27.28	105	27.28
2017	123	17.88	133	26.09
2018	97	(20.97)	110	(16.68)
2019	97	-	110	-

Source: DTI Research
*Figures indexed due to confidentiality

Domestic sales volume and value declined in 2015 by 18% and 17%, respectively. From 2016 to 2017, sales volume steadily increased by 27% and 18% with an increase in sales value at 27% in 2016 and 26% in 2017. However, in 2018, sales volume and value declined by 21% and 17%, respectively. In 2019, sales volume and value remained the same as the level in 2018. The highest sales were recorded in 2017.

Table 12: Share of CKD vs. Share of CBUs by the Domestic Industry

Particulars	2014	2015	2016	2017	2018	2019
CKD (‘000)	x x	x x	x x	x x	x x	x x
CBU (‘000)	x x	x x	x x	x x	x x	x x
Total (‘000)	x x	x x	x x	x x	x x	x x
% Share (CKD)	*21*	*20*	*21*	*27*	*21*	*20*
% Share (CBU)	*79*	*80*	*79*	*73*	*79*	*80*

Source: CAMPI CBU-CKD Sales

C. Production

C.1 Passenger Cars/Vehicles

Table 13: Total Production of Passenger Cars/Vehicles

Particulars	2014	2015	2016	2017	2018	2019
Production (units)*	100	113	131	148	114	128
% Increase (Decrease)	-	13.37	15.36	13.04	(22.97)	12.13

Source: DTI Research
*Figures indexed due to confidentiality

Production volume increased from 2014 to 2017 at 14%, 15%, and 13%, respectively. In 2018, it declined by 23%. Despite the increase in production by 12% in 2019, the highest production was still recorded in 2017.

The increase in production may be attributed to industry's efforts to defend its market share and compete with the imported product despite increasing losses and sharp declines in financial performance from domestic operations.

C.2 Light Commercial Vehicles

Table 14: Total Production of Light Commercial Vehicles

Particulars	2014	2015	2016	2017	2018*	2019
Production (in units)*	100	139	143	266	191	191
% Increase (Decrease)	-	39.15	2.67	86.25	(28.22)	-

Source: DTI Research
*Figures indexed due to confidentiality

Production volume showed an increasing trend from 2014 to 2017 by 39%, 3%, and 86%, respectively. This, however, declined by 28% in 2018 and remained the same in 2019. The highest production was recorded in 2017.

It should be noted that while production increased, which can be attributed to the efforts of industry to defend its market and compete with imported LCVs, the domestic industry recorded losses from domestic operations during the POI.

D. Capacity Utilization

D.1 Passenger Cars/Vehicles

Table 15: Capacity Utilization of Passenger Cars/Vehicles

Year	Installed/Rated Capacity (in units)*	Actual Production (in units)*	Capacity Utilization Rate (%)	% Increase (Decrease)
2014	100	100	40.24	
2015	101	113	45.00	11.82
2016	120	131	44.04	(2.12)
2017	122	148	48.66	10.48
2018	129	114	35.63	(26.79)
2019	129	128	39.89	11.98

Source: DTI Research
*Figures indexed due to confidentiality

Capacity utilization exhibited a fluctuating trend from 2014 to 2018. In 2015, capacity utilization increased by 12% but declined by 2% in 2016. In 2017, capacity utilization increased by 10% and declined by 27% in 2018. In 2019, it increased by 12% but still lower than 2017 level when the highest utilization was recorded at 49%. The domestic industry recorded a low capacity utilization rate at less than 50% during the POI.

Based on data gathered, the installed capacity may process production in two (2) batches, depending on the number of requirements/ assembled cars to be produced in a day.

D.2 Light Commercial Vehicles

Table 16: Capacity Utilization of Light Commercial Vehicles

Year	Maximum Line Capacity*	Actual Production (in units)*	Capacity Utilization Rate (%)	% Increase (Decrease)
2014	100	100	23.09	-
2015	100	139	32.13	39.15
2016	100	143	32.99	2.67
2017	117	266	52.66	59.64
2018	117	191	37.80	(28.22)
2019	117	191	37.80	-

Source: DTI Research
*Figures indexed due to confidentiality

Table 16 exhibited an increasing capacity utilization from 2015 to 2017 by 39%, 3%, and 60%, respectively. It can be noted that the industry has increased its capacity in 2017. However, capacity utilization declined by 28% in 2018 and 2019. The highest capacity utilization was recorded in 2017 at 53%, still half from its full capacity utilization.

The domestic industry recorded a capacity utilization rate roughly at 23% to 53% during the POI.

Table 17: Total Production Volume and Capacity Utilization

Particulars	2014	2015	2016	2017	2018	2019
Production Volume ('000)	x x	x x	x x	x x	x x	x x
Production Capacity ('000)	x x	x x	x x	x x	x x	x x
Capacity Utilization (%)	63	65	71	88	60	62
% Increase/ (Decrease)	-	3.17	9.23	23.94	(31.82)	3.33

Source: CAMPI Production Volume, Capacity and Utilization

E. Finished Goods Inventory

E.1 Passenger Cars/Vehicles

Table 18: Finished Goods Inventory

Year	Volume (in units)*	% Increase (Decrease)	Value (in Million Php)*	% Increase (Decrease)
2014	100	-	100	-
2015	91	(8.91)	79	(20.52)
2016	241	164.25	228	187.90
2017	332	37.95	291	27.35
2018	471	41.84	466	60.21
2019	640	35.87	627	34.52

Source: DTI Research
*Figures indexed due to confidentiality

Finished goods inventory volume declined by 9% in 2015 but soared to 164% in 2016. It further increased by 38% in 2017 and additional increase of 42% in 2018. In 2019, the highest inventory was recorded, an increase of 36% compared to 2018 level.

Finished goods inventory value also declined by 21% in 2015 and increased by 188%, 27% and 60% in 2016, 2017 and 2018, respectively. Since CBUs are a high-value item, the value of finished goods inventory increased from 2014 to 2018. The highest finished goods inventory value was recorded in 2019.

E.2 Light Commercial Vehicles

Based on data gathered, the accumulated inventory from 2013 to 2018 is *xxx* at *xxx* on average price.

F. Cost to Produce

F.1 Passenger Cars/Vehicles

Table 19: Cost to Produce

Particulars	2014	2015	2016	2017	2018	2019
Raw Materials*	88	88	87	89	87	88
Direct Labor*	2	2	2	2	2	2
Manufacturing Overhead*	10	10	11	9	10	10
Variable*	7	7	7	7	6	6
Fixed*	3	3	3	2	4	4
Cost to produce per unit (Php/unit)*	**100**	**100**	**100**	**100**	**100**	**100**
% Increase (Decrease)	**-**	**(2.87)**	**5.49**	**4.85**	**10.72**	**(2.46)**

Source: DTI Research
*Figures in percentage of the cost to produce per MT
**Computed based on the absolute figures of cost to produce per MT

The cost to produce per unit declined by 3% in 2015 while it steadily increased from 2016 to 2018 by 6%, 5%, and 11%, respectively. In 2019, it slightly declined by 2%.

F.2 Light Commercial Vehicles

Table 20: Cost to Produce

Particulars	2014	2015	2016	2017	2018	2019
Raw Materials	92	92	93	94	94	94
Direct Labor	2	2	2	2	2	2
Manufacturing Overhead	6	6	5	4	4	4
Variable	4	4	4	3	3	3
Fixed	2	2	1	1	1	1
Cost to produce per unit (Php/unit)	**100**	**100**	**100**	**100**	**100**	**100**
% Increase (Decrease)	**-**	**(2.33)**	**(1.97)**	**11.89**	**13.36**	**-**

Source: DTI Research
*Figures in percentage of the cost to produce per MT
**Computed based on the absolute figures of cost to produce per MT

The cost to produce per unit declined from 2014 to 2016 by 2% each year. However, it increased in 2017 by 12% and further increased by 13% in 2018. In 2019, cost to produce per unit remained the same as 2018 level.

G. Earnings Before Interest and Taxes

Opposing Parties[8] to the petition argued that the domestic industry has reported positive gross profit on their manufacturing operation during the POI. The industry's EBIT was healthy as it increased consistently until 2017. Although it dropped in 2018, the said decline is not caused by imports since imports also dropped during that year. The deterioration in the financial performance since 2018 is when the new tax policy was implemented and that cost of production steadily increased during the POI. In addition, the negative profitability of light commercial vehicles over the POI was certainly a consequence of the surge in SGAE whereas profitability of passenger cars remained positive demonstrating that the passenger cars domestic industry remained profitable during the POI.

G.1 Passenger Cars/Vehicles

Table 21: Earnings Before Interest and Taxes (in PhP Million)

Particulars	2014	2015	2016	2017	2018	2019	% Increase (Decrease) (2014 vs.2015)	% Increase (Decrease) (2015 vs.2016)	% Increase (Decrease) (2016 vs.2017)	% Increase (Decrease) (2017 vs.2018)	% Increase (Decrease) (2018 vs.2019)
Sales*	100	115	134	158	124	136	14.51	17.41	17.35	(21.31)	9.36
Cost of Goods Sold*	100	113	134	160	136	147	12.96	18.68	19.52	(15.39)	8.46
Gross Profit*	100	125	137	141	45	58	25.23	9.46	2.66	(67.86)	27.86
Selling, General and Administrative Expenses*	100	93	91	94	87	144	(7.03)	(2.26)	3.88	(8.26)	66.02
Earnings Before Interest and Taxes*	100	148	170	173	16	(3)	47.94	**14.64**	**2.19**	**(90.71)**	**(116.67)**

Source: DTI Research
*Figures indexed due to confidentiality

The aggregate earnings before interest and taxes (EBIT) increased from 2014 to 2017 by 48%, 15% and 2%, respectively. EBIT declined by 91% in 2018 and further by 117% in 2019, recording an aggregate loss before interest and taxes during that period. Also, individual EBIT showed that one company already exhibited losses from 2017 to 2019 while another company recorded losses in 2018 and 2019. The other company recorded sharp decline of EBIT in 2018 by 79% and further declined by 38% in 2019.

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[8] CAMPI members, Government of Indonesia, Embajada de España, Government of the Republic of Korea and EU Delegation to the Philippines

G.2 Light Commercial Vehicles

Table 22: Earnings Before Interest and Taxes (in PhP Million)

Particulars	2014	2015	2016	2017	2018	% Increase (Decrease) (2014 vs.2015)	% Increase (Decrease) (2015 vs.2016)	% Increase (Decrease) (2016 vs.2017)	% Increase (Decrease) (2017 vs.2018)
Sales*	100	151	157	307	256	51.12	3.62	96.17	(16.68)
Cost of Goods Sold*	100	150	158	300	250	49.71	5.24	90.61	(16.68)
Gross Profit	100	202	121	557	464	102.42	(40.15)	359.66	(16.68)
Selling, General & Administrative Expenses (SGAE)*	100	168	241	388	392	68.48	43.32	60.73	1.00
Earnings Before Interest and Tax*	(100)	(152)	(298)	(308)	(358)	**(52.44)**	**(95.67)**	**(3.39)**	**(16.08)**

Source: DTI Research
*Figures indexed due to confidentiality

Despite the increasing sales from 2014 to 2017, the industry sustained increasing losses during the period by 52%, 96%, and 4%, respectively. In 2018, sales declined which resulted to a 16% further loss.

H. Return on Sales

H.1 Passenger Cars/Vehicles

Table 23: Return on Sales

Particulars (in Million Php)	2014	2015	2016	2017	2018	2019
Sales*	100	115	134	158	124	136
EBIT*	100	148	170	173	16	(3)
Return on Sales	*Xxx*	*xxx*	*Xxx*	*xxx*	*xxx*	*xxx*
% Increase (Decrease)		29.19	(2.36)	(12.92)	(88.20)	(115.24)

Source: DTI Research
*Figures indexed due to confidentiality

Return on sales (ROS) increased in 2015 by 29% but exhibited a declining trend from 2016 to 2019 by 2%, 13%, 88% and 115%, respectively.

H.2 Light Commercial Vehicles

Table 24: Return on Sales

Particulars	2014	2015	2016	2017	2018
Sales*	100	151	157	307	256
EBIT*	(100)	(152)	(298)	(308)	(358)
Return on Sales	*xxx*	*xxx*	*xxx*	*xxx*	*xxx*
% Increase (Decrease)	-	(0.88)	(88.84)	47.30	(39.32)

Source: DTI Research
*Figures indexed due to confidentiality

Loss on sales was recorded from 2014 to 2018.

I. Employment

Table 25: Employment data provided by three (3) companies

Year	Employees for Production*	% Increase (Decrease)	Salaries and Wages (in Million Php)*	% Increase (Decrease)
2014	100	-	100	-
2015	107	6.96	112	11.76
2016	116	8.29	114	1.76
2017	119	2.93	129	13.68
2018	121	1.32	139	7.13
2019	122	0.89	137	(1.01)

Source: DTI Research
*Figures indexed due to confidentiality

The table above showed the employment submitted by the three companies which exhibited an increasing trend from 2014 to 2019 by 7%, 8%, 3%, 1% and 1%, respectively.

PMA provided data relevant to employment of major manufacturers of motor vehicles. Based on PMA submitted data, employment indicated an increasing trend from 2013 to 2017 but started to decline from 2018 to 2019, from 1,901 workers to 1,112 workers, respectively.

K. Price Undercutting

Price undercutting reflects the extent to which the imported product is consistently sold at a price below the domestic selling price of the like product.

K.1 Passenger Cars/Vehicles

Table 26: Average Selling Price of Domestic Product vs. Landed Cost of Imports for 2018 and 2019 (₱ in unit)

Year	Country	Wtd. Ave. Landed Cost (₱ in unit) (a)	% Share to Total Imports	Ave. Domestic Selling Price (₱ in unit) (b)	% Undercutting (b-a)/b*100
2018	**Major Sources:**				
	Thailand	*Xxx*	36	*xxx*	18.09
	Indonesia	*Xxx*	41		23.85
	South Korea	*Xxx*	8		24.12
	Other Sources	*Xxx*	**15**		**18.80**
	Wtd. Average	*Xxx*	**100**		**21.75**
2019	**Major Sources:**				
	Thailand	*Xxx*	14	*xxx*	(4.72)
	Indonesia	*Xxx*	63		15.61
	South Korea	*Xxx*	3		11.81
	Other Sources	*Xxx*	20		29.88
	Wtd. Average	*Xxx*	**100**		**15.51**

Sources: Wtd. Ave. Landed Cost- BOC-SAD-IERD
Domestic Selling Price - DTI Research

Based on BOC-IEDs in 2018, the top three (3) major source countries of motor vehicles to the Philippines are Thailand, Indonesia, and South Korea.

Weighted average landed cost of imports from all sources is lower by 22% than the domestic selling price of the domestic product, thus, imported motor vehicles undercut the domestic passenger vehicle.

For 2019, weighted average landed cost of imports from all sources is lower by 16% than the domestic selling price of the domestic product.

K.2 Light Commercial Vehicles

Table 27: Average Selling Price of Domestic Product vs. Landed Cost of Imports for 2018 and 2019 (₱ in unit)

Year	Country	Wtd. Ave. Landed Cost (₱ in unit) (a)	% Share to Total Imports	Ave. Domestic Selling Price (₱ in unit) (b)	% Undercutting (b-a)/b*100
2018	Thailand	*Xxx*	100	*xxx*	30.19
2019	Japan	*Xxx*	0.66	*xxx*	37.69
	Thailand	*Xxx*	99.34		27.11
	Wtd. Ave.	*Xxx*	100		27.18

Sources: Wtd. Ave. Landed Cost- BOC-SAD-IERD
Domestic Selling Price - DTI Research

Based on the BOC-IEDs for 2018, the only source country of pick-up trucks to the Philippines is from Thailand.

Weighted average landed cost of imports from Thailand is lower by 30% than the domestic selling price of the domestic product, imported commercial vehicles undercut the domestic product.

For 2019, weighted average landed cost of imports from all sources is lower by 27% than the domestic selling price of the domestic product.

L. Price Suppression

Price suppression refers to the extent by which the imported product prevents the domestic producer from increasing its selling price to a level that will allow full recovery of its cost of production.

L.1 Passenger Cars/Vehicles

Table 28: Average Selling Price of Domestic Product vs. Cost of Production (₱ in unit)

Year	Ave. Selling Price of Domestic Product (Php in unit) (A)*	Cost of Production (Php in unit) (B)*	Difference (Php in unit) (A-B)*	% Price Suppression (A-B)/B*100
2014	100	100	100	*xxx*
2015	98	95	110	*Xxx*
2016	98	103	77	*Xxx*
2017	101	108	69	*Xxx*
2018	108	118	66	*Xxx*
2019	111	115	89	*Xxx*

Source: DTI Research
*Figures indexed due to confidentiality

There was no indication of price suppression during the POI.

L.2 Light Commercial Vehicles

Table 29: Average Selling Price of Domestic Product vs. Cost of Production (₱ in unit)

Year	Ave. Selling Price of Domestic Product (Php in unit) (A)	Cost of Production (Php in unit) (B)	Difference (Php in unit) (A-B)	% Price Suppression (A-B)/B*100
2014	100	100	100	*xxx*
2015	107	98	133	*Xxx*
2016	116	96	172	*Xxx*
2017	110	107	119	*Xxx*
2018	121	121	122	*Xxx*
2019	121	121	122	*Xxx*

Source: DTI Research
*Figures indexed due to confidentiality

There was no indication of price suppression during the POI.

M. Price Depression

Price depression reflects the extent at which the domestic producer decreases its selling price in order to compete with the imported product.

M.1 Passenger Cars/Vehicles

Table 30: Domestic Selling Price of Locally Manufactured Cars (₱ in unit)

Year	Average Selling Price per unit*	% Increase (Decrease)
2014	100	58.29
2015	98	(1.99)
2016	98	0.44
2017	101	2.56
2018	108	6.97
2019	111	2.54

Source: DTI Research
*Figures indexed due to confidentiality

Price depression was recorded in 2015 at (1.99%).

M.2 Light Commercial Vehicles

Table 31: Average Domestic Selling Price

Year	Average Selling Price per unit*	% Increase (Decrease)
2014	100	-
2015	107	6.94
2016	116	8.25
2017	110	(4.75)
2018	121	10.16
2019	121	-

Source: DTI Research
*Figures indexed due to confidentiality

Price depression was recorded in 2017at 4.75%.

N. Other Issues

- **The Philippines automotive industry lags behind the rest of the ASEAN which can be attributed to the delay in reaching the motorization phase.**

  - AVID stated that motorization occurs when a country's per capita GDP exceeds US$2,500 per year. However, the Philippines only crossed the motorization threshold in 2012. After motorization occurred in 2012, demand for automobiles accelerated.
  - Based on the ASEAN Automotive Federation, isolating 2018, AVID see accelerated growth in production along with growth in demand. As the demand for cars rose, the demand for locally produced vehicles consequently grew. The growth in the CKD sector was more linear, given the capacity constraints in the manufacturing sector.

The automotive manufacturing industry has long been supported by the government. With programs such as the Motor Vehicle Development Program and the CARS Program, the government has been actively promoting the local production of motor vehicles in the country as local demand increase. In addition, there are proposed programs and legislations, i.e. the eco-PUV Program and the draft Electric Vehicle Bill, that will provide further support for local manufacturing of new vehicle types in the country.

- **Increased imports are the consequence of an inherent weakness in the Philippines' manufacturing sector.**

  - Car production is not growing as fast as industry demand. This weakness is evident due to the lack of scale vis-a-vis other ASEAN manufacturing countries. The leading automotive producing countries in ASEAN (Thailand and Indonesia) have carved out exporting platforms while satisfying local demand for automobiles.
  - On top of the delay in motorization, there is disparity in manufacturing incentives, compared to other ASEAN countries, which cost the country's ability to develop a domestic auto manufacturing base. The types of incentives that Thailand granted ensured that their automotive manufacturing and assembly industry would have the basis to boost their competitiveness. In contrast, the Philippines automotive incentives have concentrated simply on meeting local market demand, and not positioning the country as an export base.
  - The experience curve effects of Thailand's advantage result in significantly more advantageous manufacturing costs. In wiring harnesses, which is the leading

automotive component manufactured for export from the Philippines, Thailand has an advantage in gross margins and operating margins due to its cost advantage.

- The Philippines' lack of competitiveness is also seen in terms of its position in the global automotive component value chain. Most of the export presence and volume occur in wiring and chassis systems, which are on the lower value-added spectrum. The Philippines does not spend enough on R&D, resulting in missed opportunities to move up the automotive value chain.
- Compared to other ASEAN countries, the Philippines is among the least attractive in terms of automotive production. The attractiveness of the country is affected as a result of high operating costs and low production volume. Even if SG measures are imposed on imported vehicles, they do not see any growth in investments in domestic automotive manufacturing.
- The country's lack of scale, investments, and competitiveness are sufficient proof that few global automotive companies are willing to invest in said industry.
- The imposition of safeguard measures will not necessarily lead to increased CKD production or localization of CBU models. Manufacturing investment decisions are influenced mainly by transparent, consistent and stable government policies, and then by market growth opportunities. Rather than adopt restrictive trade measures, a progressive approach to improve competitiveness is recommended to support long-term, sustainable manufacturing operations.

Availability of cheap imported vehicles has significantly affected the growth of the local auto manufacturing industry. It is evident that contribution of the local auto manufacturing industry, despite the increasing domestic sales, has decreased. Meanwhile, parts manufacturing companies continue to perform as exporters of parts and components across the Asian region and even to EU and US. However, this is mainly concentrated to big companies such as Yazaki-Torres Manufacturing Inc., Roberts Automotive and Industrial Manufacturing Corp. and Valerie Products Manufacturing, Inc.

- **Import Increased but not Significant**

  - The increase in imports of passenger cars only took effect between 2014 to 2016 which was not recent enough. The recent period from 2016 to 2017 shows import increased but not significant, sharp and sudden within the meaning of Article 2.1 in further recent period from 2017 to the third semester 2019, import significantly dropped.
  - The increase on import for light commercial cars as light commercial cars can overlap with passenger cars as per definition of the Executive Order 156 and that there is strong possibility that the types of cars are not produced in the Philippines so that imports were inevitable.

Pursuant to US – Line Pipe (Panel report), Under Article 2.1 of the SA, absolute imports and relative imports are alternative conditions. Accordingly, in order to meet the "increased imports" requirement it is sufficient that one form of increase has occurred. The panel considered that even if it had found that imports of line pipe into the United States had not increased in absolute terms, its conclusion that there had been "increased imports" consistent with the SA would have been supported by the fact that imports had increased relative to domestic production.

One of the elements of safeguard measures is increase in the volume of imports, in particular, either in absolute terms or relative to production. Increase in imports must recent, sudden, sharp and significant. In absolute terms, while imports have increased during the POI for passenger cars, the main increase of imports took place between 2015 to 2016. Imports stabilized in 2017 and decreased in 2018 and 2019. The share of imported motor vehicles to domestic production continuously increase from 295% (2014) to 349% (2016) but declined by 316% in 2017. In 2018, the share of imports vis-à-vis domestic production increased to 349% during the POI.

For LCVs there was a significant increase in imports during the POI. In 2015, imports increased by 4% over the 2014 level. Imports continued to rise in 2016 and 2017 by 36% and 54%, respectively. Imported LCV climbed further by 38% in 2018. Relative to domestic production, the share of imported motor vehicles to domestic production continuously increase from 866% (2014) to 1,364% (2018).

- **The implementation of government policies that did not favor the automotive industry.**

  - The TRAIN law and the EURO 4 standards have had a disproportionate impact on domestically produced cars. After the implementation of the excise tax, sales volume suddenly dropped. The drop in sales means that Congress passed laws that effectively hurt the local auto industry. They failed to take into consideration the secondary and tertiary effects of the TRAIN law.
  - Euro 4 compliance hit unit volumes as certain types of vehicles were phased out. This is attributed to the phase out of three models (Mitsubishi Adventure and L300, and Isuzu Crosswind) that made up at least 20% of the country's production output. The decision to phase out these models was mainly due to their non-compliance to the new emission standards.
  - Two (2) carmakers terminated the production of three (3) Euro 2 CKD models in 2017 due to the mandatory implementation of Euro 4 emission regulations in January 2018.
  - Decline in employment between 2018 to 2019 has no direct correlation to the increase in importation of vehicles and is too short of a period to be used as a basis for the Petition and/or safeguard measure.

The Implementation of Vehicle Emission Limits for Euro 4/IV and In-use Vehicle Emission Standards was effective July 1, 2015.

While there was resistance for the newest global standard on fuels, the Philippines is second to Thailand in the entire ASEAN region in terms of compliance to the Euro 4 emission standards paved by the readiness of the local oil companies to produce the fuel products required for Euro 4 standards.

Such implementation supports the clean air act and potential impacts of climate change. Thus, this early readiness of the government will have its impact on the harmonization and standards and regulation of the automotive sector in the region specifically in the emission and safety standards.

Under the train law, purely electric vehicles and pick-ups are exempt from excise tax on automobiles.

Further, in the Appellate Body Report, US - Line Pipe, a situation where several factors are causing injury "at the same time", a final determination about the injurious effects caused by increased imports can only be made if the injurious effects caused by all the different causal factors are distinguished and separated. Otherwise, any conclusion based exclusively on an assessment of only one of the causal factors - increased imports - rests on an uncertain foundation, because it assumes that the other causal factors are not causing the injury which has been ascribed to increased imports. The non-attribution language in Article 4.2(b) precludes such an assumption and, instead, requires that the competent authorities assess appropriately the injurious effects of the other factors, so that those effects may be disentangled from the injurious effects of the increased imports. In this way, the final determination rests, properly, on the genuine and substantial relationship of cause and effect between increased imports and serious injury. Thus, DTI included in the evaluation, not only the employment data provided by PMA but other factors that affected the sales, production and profitability of the industry.

- **Definition of domestic industry in the petition is incorrect.**
  - Doubts if the PMA as a petitioner consisting of alliance of workers can meet requirement as a domestic industry as stipulated in Section 6 of RA8800 and Article 4.1(c) Agreement on Safeguard.
  - Domestic industry must be interpreted as a stand-alone producer or a combination of other producers of like or directly competitive product being investigated, thus, it is very clear that PMA does not qualify as the domestic industry as it is not the producer of the product investigated

Section 6 of RA 8800 (Safeguard Measures Act) provides that "*Any person, whether natural or juridical, belonging to or representing a domestic industry may file with the Secretary a verified petition requesting that action be taken to remedy the serious injury or prevent the threat thereof to the domestic industry caused by increased imports of the product under consideration*".

Rule 6.4.d of the Implementing Rules and Regulations (IRRs) of RA 8800 further provides that: "*All persons who have a right to relief or who will be adversely affected by such relief with respect to the alleged import surges claimed to exist may, upon the discretion of the Secretary or the Commission, join as petitioners or be joined as respondents in one (1) petition, where any question of law or fact common to all such respondents may arise in such action*".

PMA is a juridical person belonging to the motor vehicle industry. It is registered with the Department of Labor and Employment (DOLE), as a national union of automotive, iron and steel, electronics, and electrical sectors, including affiliates in key automotive industry players.

- **The local industry mimics the global slowdown.**
  - The global automotive industry is contracting until it stabilizes in 2020 (Fitch Solutions, 2019). At this point, there are no evident signs that global automotive sales and production will peak as they did in 2017.
  - In addition, original equipment manufacturers (OEMs) are adopting a cost cutting strategy. The latest development, Honda's pullout of its manufacturing plant in the Philippines, is a natural consequence of such cost cutting strategies: the market is too small and uncompetitive. It makes more sense to move the volume elsewhere.

The automotive manufacturing industry has long been supported by the government. With programs such as the Motor Vehicle Development Program and the CARS Program, the government has been actively promoting the local production of motor vehicles in the country as local demand increase. In addition, there are proposed programs and legislations, i.e. the eco-PUV Program and the draft Electric Vehicle Bill, that will provide further support for local manufacturing of new vehicle types in the country.

- **Automotive component exports declined due to a drop in global auto unit sales**.

  - The alleged negative impact of imports on jobs remains inconclusive. AVID found that as imports rose, employment also rose. When imports started to fall due to the excise tax, employment also fell. AVID find this development counterintuitive because the assertion is that the rise in imports hurts employment in the domestic automobile market.
  - The automotive sector should be considered holistically, i.e. across the whole value chain from the upstream network that includes parts suppliers and auto-supporting industries to vehicle manufacturers to the downstream network that includes auto dealerships and service centers, insurance and financing companies. The potential impact to the downstream network, which accounts for majority of total industry employment should not be underestimated.

Availability of cheap imported vehicles has significantly affected the growth of the local auto manufacturing industry. It is evident that contribution of the local auto manufacturing industry, despite the increasing domestic sales, has decreased. Further, Isuzu Philippines Corporation decided to discontinue the local production of the D-Max model in July 2019. Also, during the first quarter of 2020, one of the major manufacturers, Honda Motors Philippines which employs over 380 workers, decided to closed its assembly plant because of its low production volume.

- **Safeguard measure can cause real damage to the automotive manufacturing landscape in the regional considering the highly-integrated nature of the supply chain**

  - The Philippines, being a part of this supply chain, is also exposed to the risk of regional disruption. The impact does not stop at the automotive industry, there may be domino effect on the overall economy. The impact also extends into harming future investors' confidence in the Philippines.

Safeguard measures is an emergency *relief provided to a domestic industry, producing like or directly competitive product, which was seriously injured due to sudden and sharp increase in volume of imports.* Thus, the safeguard measures will level the playing field for local assembly and the automotive industry.

- **Product definition is too broad and unclear which prevent correct and objective examination in the investigation**

  - On products under investigation, the scope is overboard and unduly includes products that should not be grouped.
  - The report defining the product under investigation based on tariff heading of 4 digits and usage is too broad and creates complication as there are specific types of cars within the two headings which cannot be regarded as the like product or product in a direct competition. This includes the fact that there is used and new cars, manual and automatic cars and different seats or size of cars. Even the description in the Executive Order 156 shows that light commercial cars include passenger cars.

The report separated the analysis of passenger cars and light commercial vehicles. In addition, products that are excluded in the investigation are imported vehicles that are described as completely knocked down (CKD), semi knocked-down (SKD), and used vehicles. CKD refers to imported parts such as engines or transmission, which are combined with locally-produced parts to be assembled in the economy by different automotive firms. SKD are semi-assembled vehicles without tires or batteries. Also excluded are special purpose vehicles such as ambulance, hearse, e-motor vehicles and luxury cars that have high-end features that go above and beyond the average necessities. The term luxury is used to categorize vehicles that are equipped with better performance capabilities, lavish interiors and all the latest safety and technology features

- **Lack of Unforeseen Development**

  - The Report does not meaningfully deal with the unforeseen development requirements and completely silent on the effect of the obligations incurred by the Philippines under GATT 1994 warranting a global safeguard measure.
  - Philippines did not place any binding WTO tariff concession on motor vehicles and the report only mentions the situation it faces after becoming part of the ASEAN Free Trade Area, a case where the ASEAN integration has not worked in favor of the Philippines.
  - It is not clear how Philippines' membership in ASEAN, that abolished customs duties and taxes on goods, can be considered as unforeseen development. There is no logical connection between this alleged unforeseen development and the alleged increased imports of motor vehicles

The first clause of Article XIX has a natural interpretation in the context of a trade agreement that was expected to be short-lived. The negotiators had made a number of trade concessions to each other in 1947, and Article XIX provided for their suspension in the event that those concessions had an unforeseen, adverse impact on import competing industries due to a surge in import competition. To the questions posed above, therefore, one might answer that an "unforeseen development" was some development that caused the increase in imports following a trade concession under the original GATT to be greater than reasonably expected. It had to be unforeseen by the GATT negotiators, at the time of the 1947 negotiations. And the import surge had to result from one of the original GATT trade concessions, in the sense that it would not have happened but for some such concession. [9]

Under RA 8800, there is no requirement for the developments to be "unforeseen" or that they result from earlier trade concessions. Nonetheless, the report included an evaluation of unforeseen development.

VI. PUBLIC INTEREST

Rule 8.2 of the IRR of RA 8800 states, *"in the case of non-agricultural products, the Secretary shall first establish that the imposition of the provisional safeguard measure would be in the public interest."*

Rule 5.2 of the IRR of RA 8800 provides, *"The Secretary when establishing that the application of a safeguard measure will be in the public interest, shall take into consideration the following factors, among others: i) whether the imposition of the provisional measure will result in a political or economic crisis; and ii) the extent to*

[9] https://chicagounbound.uchicago.edu/cg

which such imposition will cause a shortage of the product under consideration in the domestic market.”

DTI informed the identified importers, foreign embassies of concerned countries, consumer groups, and associations relevant to the public interest clause.

The Embassy of Japan, CAMPI, CCCME, TMA, and the ECCP believed that the potential introduction of a safeguard measure may slow down the development of the local automotive industry and puts unnecessary risk or negative impact on employment and output across the entire automotive chain- dealer network, automotive bodybuilders, as well as allied services such as logistics, warehousing, finance, and insurance.

In addition, the Government of Indonesia and CAMPI noted the adverse impact and real damage to the automotive landscape in the region considering the highly-integrated nature of the supply chain. Imposing SG measures will put risk on regional production and supply disruption and risk of retaliation by major export destinations for Philippine auto parts which are also the major sources of CBU imports. As cited by the Royal Thai Embassy, the imposition of SG measures will adversely affect other industries especially automotive parts by the Philippines where Thai producers import manufactured transmissions. Similarly, GAIKINDO pointed out that Indonesia has imported various components such as transmission, part of the instrument cluster, etc. to be assembled as a vehicle which later is exported to the Philippines.

The Embassy of Japan, Government of the Republic of Korea, TMA and ECCP shared the view that the domestic market is currently experiencing expansion and if the SG measures will be imposed, there is the possibility of diminished car supply which will induce an increase in car retail prices, thereby, creating barriers to purchase. Similar to the impact of the implementation of TRAIN law in 2018, assuming the price elasticity for a vehicle is around 1.2% (based on DOF TRAIN study) depending on the vehicle segment, TMA foresees that the imposition of SG measures will result in a price increase in motor vehicles that would slow down total industry sales. CAMPI has a similar view with TMA that the SG duty will result to increase in prices and is concerned with market contraction as there is a pressure to sustain automotive market growth from a slump in 2018 (-15%) and very modest growth in 2019 (+2%). CAMPI estimated a 3%-5% annual market growth to achieve full recovery by 2025. This will also affect the socio-economic contributions of the auto industry: 46,737 total employments, accumulated investments of Php 149 Billion, and revenue contribution (Php 63.71 Billion in 2018).

As to investments, CAMPI and ECCP believed that the SG measure will negatively affect investor confidence due to its perceived distortionary effects, and jeopardize potential investments in the Philippine automotive manufacturing industry.

As to employment, AVID and ECCP believed that such imposition will result in a decrease in employment.

Meanwhile, TMA sees no basis on the inclusion of 8704.21.19 and 8704.21.29 on the investigation since these tariff lines cover motor vehicles for the transport of goods. Putting additional safeguard duty to these lines will affect DOTR’s plan to hasten the nationwide implementation of the PUV Modernization Program as this would mean higher unit cost for transport groups.

The Royal Thai Embassy asserted that Thailand does not compete with the Philippine domestic industry but serves its needs as each Automaker in both countries is affiliated and produces certain car models in accordance with their headquarters' supply chain management.

It must be noted that users of motor vehicles retain their option to choose between the local and imported motor vehicles since imports will still be allowed. The imposition of a safeguard measure is not expected to cause a shortage of motor vehicles in the domestic market. It will provide a level playing field to enable the domestic industry to compete with imports. This will allow expansion of the country's manufacturing base and generate more jobs for Filipinos. For these reasons, the Department has determined that it is in the public interest to impose the provisional safeguard measure.

VII.1 FINDINGS

A. Passenger Cars/Vehicles

1. Volume of Imports

1.a. In Absolute Terms

- Imports of passenger cars/vehicles from various countries grew from about 154,000 units in 2014 to 207,000 units in 2018 or equivalent to a 35% growth rate.
- In 2019, imports declined by 16%. In 2020 (Jan to Oct) imports declined by 51% from 2019 (Jan to Oct) level.
- Top three (3) source countries for Philippine motor vehicle imports are Thailand, Indonesia, and South Korea during the POI.

1.b. In Relative Terms

- The share of imported motor vehicles to domestic production continuously increase from 295% (2014) to 349% (2016) but declined by 316% in 2017.
- In 2018, the share of imports vis-à-vis domestic production increased to 349% but dropped to 260% in 2019. The ratio of imports to domestic production exceeded domestic production during the POI.

2. Serious Injury

2.a. Market Size

- In 2015, the apparent Philippine market increased by 17% over the 2014 level. It continued to increase by 27% in 2016 and further by 5% in 2017.
- In 2018, the total apparent consumption fell by 17% and further declined by 10% in 2019.

2.b. Market Share

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

- Share of imports to total Philippine market captured 75% to 78% of the market during the POI

3. Domestic Sales

- Domestic sales volume steadily increased by 16% in 2015 and by 13% in 2016 and 2017.
- Sales value increased from 2014 to 2017 at 15%, 17%, and 18%, respectively.
- In 2018, both sales volume and value declined by 23% and 21%, but recovered in 2019 by 11% and 9%, respectively.
- Despite the increasing volume of sales volume, the domestic industry incurred losses during the POI

4. Production

4.a. Total Production

- Increased from 2014 to 2017 at 14% to 13%, respectively. Dropped by 23% in 2018 and recovered by 12% in 2019.
- The increase in the production may be attributed to the industry's effort to defend its market share and compete with the imported product despite increasing losses/sharp decline of financial performance from domestic operations.

4.b. Capacity Utilization

- Exhibited a fluctuating trend from 2014 to 2019. In 2015, capacity utilization increased by 12% but declined in 2016 by 2%. In 2017, it increased by 10% but dropped by 27% in 2018 and recovered by 12% in 2019, but still lower than 2017 level.
- Recorded a low capacity utilization rate of less than 50% during the POI.

4.c. Inventories

- Inventories exhibited an increasing trend during the POI.
- The highest level of inventory was recorded in 2019.

4.d Cost of Production

- The cost to produce per unit declined by 3% in 2015 while it steadily increased from 2016 to 2018 by 6%, 5%, and 11%, respectively.
- In 2019, it slightly declined by 2%.

5. Profitability

5.a. Profits and Losses

- EBIT showed an increasing trend from 2014 to 2017 at 48%, 15%, and 2%, respectively. Declined by 91% in 2018 and further by 117% in 2019.
- EBIT of individual firms (domestic industry) recorded losses and a sharp decline of EBIT during the POI

5.b. Return on Sales

- Return on sales (ROS) increased in 2015 by 29% but exhibited a declining trend from 2016 to 2019 by 2%, 13%, 88%, and 115%, respectively.

6. Employment

- Employment exhibited an increasing trend from 2013 to 2017 but started to decline from 2018 to 2019, from 1,901 workers to 1,112 workers, respectively.

7. Prices

7.a. Price Undercutting

- In 2018, the weighted average landed cost of imports from all sources is lower by 21.75% than the domestic selling price of the domestic product.
- In 2019, weighted average landed cost of imports from all sources is lower by 27% than the domestic selling price of the domestic product.

7.b. Price Suppression

- The domestic industry average domestic selling price managed to cover its costs of production during the POI.

7.c. Price Depression

- Price depression was recorded at 1.99% in 2015.

VII.2 FINDINGS

B. Light Commercial Vehicles

1. Volume of Imports

1.a. In Absolute Terms

- In 2015, imports increased by 4% over the 2014 level. Imports continued to rise in 2016 and 2017 by 36% and 54%, respectively. Imported LCV climbed further by 38% in 2018.
- In 2019, imports grew by another 28% from a year ago. In 2020 (Jan to Oct), imports was 42% of 2019 level.
- Thailand is the major source of imported light commercial vehicles during the POI.

1.b. In Relative Terms

- The share of imported motor vehicles to domestic production continuously increase from 866% (2014) to 1,745% (2019).

2. Serious Injury

2.a. Market Size

- Total Philippine apparent market for LCV showed an increasing trend from 2014 to 2019.

2.b. Market Share

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

3. Domestic Sales Volume and Value

- Domestic sales volume and value declined in 2015 by 18% and 17%, respectively. From 2016 to 2017, sales volume steadily increased by 27% and 18% with an increase in sales value at 27% in 2016 and 26% in 2017.
- in 2018, sales volume and value declined by 21% and 17%, respectively. In 2019, sales volume and value remained the same as the 2018 level.

4. Production

4.a. Total Production

- Production volume increased from 2014 to 2017, i.e. 39% (2015), 3% (2016) and 86% (2017), it declined by 28% in 2018. No increase in production volume in 2019.

4.b. Capacity Utilization

- Exhibited increasing trend from 2014 to 2017, i.e. 39% (2015), 3% (2016) and 60% (2017).
- Capacity utilization declined by 28% in 2018.
- Capacity utilization rate roughly 23% to 53% during the POI.

4.c. Inventories

- Accumulated inventory from 2013 to 2018 is *xxx*.

4.d. Cost of Production

- Cost to produce (COP) per unit decline from 2014 to 2016 by 2% each year. it increased in 2017 by 12% and further increased by 13% in 2018. In 2019, COP remained the same as compared to the 2018 level.

5. Profitability

5.a. Profits and Losses

- Industry sustained increasing losses during the POI by 52% in 2015, 96% in 2016, 4% in 2017, and 16% in 2018.

5.b. Return on Sales

- Loss on sales was recorded from 2014 to 2018.

6. Employment

- Employment exhibited an increasing trend from 2013 to 2017 but started to decline from 2018 to 2019, from 1,901 workers to 1,112 workers, respectively.

7. Prices

7.a. Price Undercutting

- The weighted average landed cost of imports from Thailand is lower by 30% than the domestic selling price of the domestic product in 2018.
- For 2019, the weighted average landed cost of imports from all sources is lower by 27% than the domestic selling price of the domestic product.

7.b. Price Suppression

- There was no price suppression during the POI.

7.c. Price Depression

Price depression was recorded at 4.75% in 2017.

VIII. CAUSATION

A. PRODUCTS COVERED

A.1. Passenger cars/Vehicles

The above evidence show that serious injury was caused by increased imports based on the following:

- The passenger cars/vehicles are being imported in increased quantities from various countries (i.e. 35% growth rate) during the POI (2014 to 2018). The share of imports relative to production showed that imports exceeded domestic production from 295% (2014) to 349% (2018).

- Despite the expansion of the apparent market from 2014 to 2017, the domestic industry was not able to take advantage of the growth that occurred during the period. The market share of domestic sales contracted from a range of 22% to 25% share, while the share of imports captured more than 70% of the market.

- It was also observed that the Philippines has a declining share of locally assembled vehicles sold in the domestic market, compared to imports of the subject product.

- Despite the efforts of the domestic industry to defend its market share and compete with their foreign counterparts by increasing its domestic production and sales, the domestic industry was seriously injured during the POI which was indicated by declining market share, utilization rate at less than 50%, (lowest recorded at 36% in 2018), increasing finished goods inventories, declining returns on sales (ROS), and poor financial performance. Individual companies incurred (EBIT) losses which had a negative impact on their cash flow and ability to raise capital or investment.

- In terms of prices, the weighted average landed cost of imports from all sources is lower by 21.75% than the domestic selling price of the domestic product. Thus, prices of imported passenger cars/vehicles undercut domestic prices. Further, price depression was recorded in 2015 at (1.99%).

- The Philippine domestic motor vehicle industry is also faced with excess and increasing production capacity from nearby countries (i.e. Thailand, Indonesia, China, etc.). The rising competition for market share (between imported and domestic) and increasing global trade contributed to the difficulty for the domestic industry to be competitive with their foreign counterparts.

A.2. Light Commercial Vehicles

The above evidence shows that serious injury to the domestic industry was caused by increased imports based on the following:

- The Philippine imports of light commercial vehicles (LCV) significantly increased during the POI from 17,273 units in 2014 to 51,969 units in 2018 largely supplied by Thailand. Likewise, the share of imports relative to domestic production significantly increased from 645% in 2015 to 1,364% in 2018.

- Despite the increasing total apparent consumption for the said product during the POI (i.e. 21,014 units in 2015 to 55,664 units in 2018, the share of the domestic industry shrank from 18% in 2014 to 7% in 2018 while imports accounted for an increasing proportion at about 82% (2014) to 93% (2018) of the Philippine market. The domestic industry lost sales while the market is growing.

- Further, the domestic industry suffered declining market share, sales, accumulated inventory, and sustained increasing losses over the period which affects their cash flows and ability to invest.

- In terms of price effects, the weighted average landed cost of imports from Thailand is lower by 30% than the domestic selling price of the domestic product. For 2019, the weighted average landed cost of imports from all sources is lower by 27% than the domestic selling price of the domestic product. Thus, imports of LCV from Thailand and all sources have a cost advantage over the domestic selling price which allowed imports to substantially undercut domestic prices. Further, price depression was also recorded at 4.75% in 2017.

B. IMPOSITION OF PROVISIONAL SAFEGUARD MEASURES

Section 8 of RA 8800 states that:

"in critical circumstances where a delay would cause damage which would be difficult to repair, and pursuant to a preliminary determination that increased imports are the substantial cause of, threaten to substantially cause, serious injury to the domestic industry, the Secretary shall immediately issue, through the Secretary of finance, a written instruction to the Commissioner of Customs authorizing the imposition of provisional general safeguard measures.

Such measure shall take the form of a tariff increase, either ad valorem or specific or both, to be paid out through a cash bond set at a level sufficient to redress or to prevent serious injury to the domestic industry x x x The cash bond shall be deposited with a government depository bank and shall be held trust for the importer who posted the bond. The duration of the provisional measure shall not exceed two hundred (200) days from the date of imposition xxx".

The automotive manufacturing industry has long been supported by the government. With programs such as the Motor Vehicle Development Program and the CARS Program, the government has been actively promoting the local production of motor vehicles in the country as local demand increase. However, despite this support, the decline in the number of manufacturers/assemblers in the country, with over 40 registered participants in MVDP since the early 90s to only 22 in 2019 has been experienced. To date, there are 22 4-wheeled vehicle manufacturers, 26 2-wheeled vehicle manufacturers in the country, while the parts and components industry boasts of around 300 players. The industry employs over 60,000 workers.

The Philippines used to manufacture vehicle brands such as Ford, BMW, Mercedes Benz, and Mazda as well as export through the Automotive Export Program. Also, the Philippines used to manufacture a wider range of vehicle types, e.g. pick up (Isuzu D-Max and Ford Ranger, hatchbacks (Daewoo Matiz), and more passenger cars

(Mercedes Benz E220 CDI, Honda Civic, Toyota Camry, etc.). Currently, the Philippines is now down to four (4) models of passenger cars – Toyota Vios, Nissan Almera, Hyundai Accent, and Mitsubishi Mirage.

While industry performance in the past decade showed an upward trend, except in 2018, the share of CKDs in total sales remains small. Even in 2018, when overall performance declined, imported CBU share continued to increase. Further, Isuzu Philippines Corporation decided to discontinue the local production of the D-Max model in July 2019. Also, during the first quarter of 2020, one of the major manufacturers, Honda Motors Philippines which employs over 380 workers, decided to closed its assembly plant because of its low production volume[10].

C. CONCLUSION

The existence of a causal link between the increased imports of the products under consideration and serious injury to the domestic industry has been established during the preliminary investigation. Although, there are other factors which contributed to the serious injury suffered by the domestic industry, the increased volume of imports, both in absolute terms and relative to domestic production, was found to be the substantial cause of the over-all impairment in the local industry's operation.

Further, the existence of critical circumstances was established which would warrant the imposition of a provisional safeguard measure on the products under consideration while the petition is under formal investigation by the Tariff Commission.

Considering the above premises and taking into account public interest, the Department decides to impose provisional safeguard measures in the form of a cash bond while the case is undergoing formal investigation.

The case records will be transmitted to the Tariff Commission for the conduct of a formal investigation. It must be emphasized that a formal investigation is wider in scope as it includes marathon public hearings to give all parties directly affected and other interested parties the opportunity to submit their views, present evidence including the opportunity to respond to the presentations of other parties.

[10] https://business.inquirer.net/291216/honda-ph-assembly-plant-closure-too-few-cars

IX. THE WORLD TRADE ORGANIZATION AGREEMENT ON SAFEGUARDS

Article XIX (Emergency Action on Imports of Particular Products) of the General Agreement on Tariffs and Trade (GATT) 1994 provides that: *"If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession."*

The WTO Appellate Body in **Argentina – Footwear and Korea – Certain Dairy Products** established that safeguard measures may be applied only when the prerequisites of Article XIX of GATT 1994 and the conditions of the Agreement on Safeguards (both Multilateral Trade Agreements and as such are integral parts of the WTO Agreement) are demonstrated.

IX.a. Unforeseen Development

The investigation is governed by RA 8800, the Safeguard Measures Act, and the terms and conditions of the Agreement on Safeguards.

Southeast Asia is a powerhouse for the motor vehicle industry in Asia and beyond with a very attractive perspective for the coming years. The region presents the double interest of having large markets with important sales growth potential and important automotive manufacturing hubs to produce for Asia and the world.[11]

- There are opportunities in the industry for investors in assembly operation. On the export market, though not yet quantified, there is a huge demand in the export market especially ASEAN. The current ASEAN AFTA provides for a zero-tariff regime which started in 2007, provided the 40% ASEAN content requirement is met. The Philippines can be one of the centers for motor vehicle assembly for export to ASEAN being ideally situated geographically. The country likewise provides some incentives and policies which could give a competitive advantage to would-be assemblers, not to mention the inherent strength of the industry as mentioned earlier.

  On a regional level, Thailand is the largest car manufacturer in Southeast Asia, with 23 car assembly plants, eight motorcycle plants, 386 tier-one auto parts makers, and 1,700 tier-two and tier-three auto parts makers. The Federation of Thai Industries (FTI) estimates exports of automotive products at 950 billion baht in 2018, up from 941 billion the year before.[12]

  Since with ASEAN integration, there are no more customs duties and taxes moving goods within the ASEAN. These manufacturing facilities in Thailand would rather focus on economies of scale and just export to their free-trade markets. This is

[11] https://aseanup.com/southeast-asia-automotive-industry-overview/
[12] https://www.bangkokpost.com/auto/1606570/automotive-industry-at-a-turning-point

exactly what has happened in the case of Thailand. In spite of the recent political unrest and natural calamities in Thailand, these companies stayed put and plan to increase their production capacity to 3 million vehicles in 2015. The Philippines, on the other hand, has a declining percentage of locally assembled vehicles sold in the domestic market. Clearly, a case where the ASEAN integration has not worked in favor of the Philippines. https://businessmirror.com.ph/2015/04/14/is-there-hope-for-the-philippine-auto-industry/

- Indonesia is the second-largest car manufacturing nation in Southeast Asia and the ASEAN region (trailing rather far behind Thailand that controls about half of total car production in the ASEAN region). However, due to robust growth in recent years, Indonesia is expected to somewhat limit the gap with Thailand's dominant position over the next decade. To overtake Thailand as the biggest car manufacturer in the ASEAN region will, however, require major efforts and breakthroughs. Currently, Indonesia is primarily dependent on foreign direct investment, particularly from Japan, for the establishment of onshore car manufacturing facilities. The country also needs to develop car component industries that support the car manufacturing industry. https://www.indonesia-investments.com/business/industries-sectors/automotive-industry/item6047

- Indonesia benefits from a huge domestic automobile market driven by an emerging middle-class. The automobile consumer base is expected to grow rapidly, with most purchases occurring in Indonesia's cities, mainly in Jakarta. Car sales grew by six percent by the end of 2018 – at just over 1.3 million units, with 346,000 exported to markets such as the Philippines, Saudi Arabia, and Vietnam. Indonesia has an ambitious target to export 400,000 units in 2019. And with zero tariff rates for imported motor vehicles, exporters can easily penetrate the ASEAN market including the Philippines. https://www.aseanbriefing.com/news/aseans-automobile-industry/

- Tesla Inc (TSLA.O) plans to increase its production capacity for certain car parts at its $2 billion factory in China, as it pushes to localize its supply chain in the world's biggest auto market.

  The company is also building an additional stamping line to speed up car production in Shanghai. The Shanghai factory is key to Tesla's growth strategy. There it aims to produce 150,000 Model 3 sedans and later hike output to 250,000 a year, including the Model Y, according to a Shanghai government filing in 2018. The company aims to deliver more than 500,000 vehicles globally by end-2020. https://www.reuters.com/article/us-tesla-china-idUSKBN20X0HN

- Thailand also sought to protect its domestic auto industry by imposing taxes on cars not made by Thais, and the government gave locally-made vehicles an advantage with tax incentives, particularly the single cab pick-up trucks. https://www.autoindustriya.com/editors-note/auto-manufacturing-in-the-philippines-is-an-endangered-species.html

IX.b. Notification Requirement

Article 12.1 of the WTO Agreement on safeguards provides that a Member shall immediately notify the Committee on Safeguards upon:

(a) Initiating an investigatory process relating to serious injury or threat thereof and the reasons for it;
(b) making a finding of serious injury or threat thereof caused by increased imports; and
(c) taking a decision to apply or extend a safeguard measure.

On 17 January 2020, the Philippine Permanent Mission in Geneva was officially notified of the application for safeguard measures investigation on imported motor vehicles from various countries.

IX.c. Articles 11 of the ASEAN Trade in Goods Agreement (ATIGA)

Articles 11 of the ATIGA provide provisions on the Notification as follows:

"Article 11 - Notification Procedures

1. Unless otherwise provided in this Agreement, Member States shall notify any action or measure that they intend to take:

(a) which may nullify or impair any benefit to the other Member States, directly or indirectly under this Agreement; or
(b) when the action or measure may impede the attainment of any objective of this Agreement.

2. x x x

3. A Member State shall make a notification to Senior Economic Officials Meeting (SEOM) and the ASEAN Secretariat before effecting such action or measure referred to in paragraph 1 of this Article. Unless otherwise provided in this Agreement, notification shall be made at least sixty (60) days before such an action or measure is to take effect. A Member State proposing to apply an action or measure shall provide adequate opportunity for prior discussion with those Member States having an interest in the action or measure concerned."

The Philippines is required to notify any safeguard action to the Senior Economic Officials Meeting (SEOM) and the ASEAN Secretariat before effecting such action or measure and adequate opportunity for consultation for the affected ASEAN Member States.

On 17 January 2020, the ASEAN Secretariat was notified of the application for safeguard measures investigation on imported motor vehicles from various countries.

X. DECISION

The Department of Trade and Industry, acting under Sections 7 and 8 of RA 8800, (Safeguard Measures Act) and on the basis of the submissions of interested parties and pieces of evidence made available to the Department, has established the existence of a causal link between increased imports of the products under consideration and serious injury to the domestic industry. The evidence justifies the imposition of provisional safeguard measures to prevent further injury to the local industry which, if not addressed, would be difficult to repair.

The Department orders the imposition of provisional safeguard measures in the form of a cash bond amounting to ₱70,000/unit for passenger cars/vehicles under AHTN Code 8703 and ₱110,000/unit for LCVs under AHTN Codes 8704.21.19 and 8704.21.29, except those products cited under II.A.2 of this report, while the case is under formal investigation by the Tariff Commission. The provisional safeguard duties shall be in effect for a period of 200 days from the date of issuance of an order by the Commissioner of Customs.

However, imports originating from developing countries covered by Rule 8.8 of the IRR of RA 8800 shall not be subject to the provisional safeguard measure. Attached as Annexes D and E are the lists of said developing countries.

Importers of passenger cars and light commercial vehicles from a country that is exempt from the safeguard duty shall submit a Certificate of Origin (CO) issued by the authorized agency/office in the source country of manufacture subject to affixation of "Apostille" to the document or authentication by the Philippine Embassy/Consulate General, as applicable.

The notification and consultation requirements of Article 12 of the WTO Safeguards Agreement and Section 17 of RA 8800 and its IRR shall be complied with.

The case records will be transmitted to the Tariff Commission for a formal investigation to determine whether or not there is a need to impose a definitive safeguard measure.

SO ORDERED.

29 December 2020

RAMON M. LOPEZ
Secretary

Annex A

LIST OF IMPORTERS OF 87.03 (Passenger Cars/Vehicles)

I. Sourced from the Bureau of Customs (BOC-SAD-IEIRD)

NO.	COMPANY NAME	NO.	COMPANY NAME
1	A.M. Leyco Auto Trading	43	Suzuki Philippines Incorporated
2	AB Wee Enterprise	44	Terrys Autoworld
3	Adventure Cycle Philippines Inc.	45	The Covenant Car Company Inc.
4	AFP Finance Center	46	Tomraven Trading
5	Alltop Trading Corp.	47	Toyota Autoparts Phils. Inc.
6	Amest Trading	48	Toyota Motor Philippines Corp.
7	Angel &Luis Star Trade Inc.	49	TPN Trading
8	Anonuevo Auto Trading	50	Traders Autocenter Inc.
9	ARDN Auto Center	51	Transport Automotive Sales Corp.
10	Asian Carmakers Corporation	52	Triesenburg Auto Corporation
11	Auto Nation Group Inc.	53	Universal Motors Corporation
12	Autochina Inc	54	VFN Enterprises
13	Autoextreme Performance Inc.	55	VIPR Automobile Trading
14	Automobile Central Enterprise Inc.	56	Jabman Enterprises
15	Autostrada Motore Inc.	57	Jaguar Philippines Incorporated
16	Ayumi Rose Marketing	58	Joaquin Car Check Center
17	Bermaz Auto Philippines Inc.	59	Jorom Trading
18	Bono De Luxe Philippines Inc.	60	Jo-Wer International Trading
19	Borla Enterprises	61	Kenkev Trading
20	British United Automobiles Inc.	62	Kilton Motor Corporation
21	Camama Auto Hub	63	Legado Motors Inc.
22	Cape Of Hope Enterprises	64	Llorin Trading
23	Cavite Nagano Seiko Inc.	65	Maldepena Auto Trading
24	Chery Motors Philippines Inc.	66	Masv Trading
25	Columbian Autocar Corporation	67	Mitsubishi Motors Philippines Corp.
26	Coventry Motors Corporation	68	Mopen Trading Corporation
27	Cross Ocean Enterprise	69	Motor Image Pilipinas Inc.
28	Dbphils Motorsports Incorporated	70	Neuteq Trucks And Trailers Co Inc.
29	Eurobrands Distributor Inc.	71	Nissan Philippines Inc.
30	Ezwed Trading	72	Pad Auto Matrix Center
31	Focus Ventures Inc.	73	Pamalican Resort Inc.
32	Ford Group Philippines Inc.	74	PGA Automobile Inc.
33	Formula Sports Inc.	75	PGA Cars Inc.
34	Foton Motor Philippines Inc.	76	Philcox (Philippines) Inc.
35	Frebel Enterprises	77	Pilipinas Taj Autogroup Inc.
36	Gamma Gray Marketing	78	Polaristar Trading
37	Goldteb Trading	79	Poro Exim Corp
38	Handyware Philippines Incorporated	80	Purefeeds Corporation
39	Honda Cars Philippines Inc.	81	PVN Motors & Auto Parts
40	Hyundai Asia Resources Inc.	82	QSJ Motors Phils. Inc.
41	Ifund Credit And Trading Inc.	83	Rich Cars Trading
42	Isidore Fertiagro Corporation	84	Rising Cars Corporation

85	Scandinavian Motors Corporation		93	Sphiro Auto Trading
86	Scuderia Enterprises		94	Ssangyong Berjaya Motor Philippines
87	Seven Shores Imports		95	Streamseven Marketing
88	Shogun International Corp		96	Summit Pacific Philippines Inc.
89	Sky Green Imports		97	White Knight Automobiles Inc.
90	SMC Asia Car Distributors Corp.		98	Yuresha Trading
91	Sojitz G Auto Philippines Corp.		99	Isuzu Philippines Corporation
92	Solar Transport And Automotive			

LIST OF IMPORTERS OF 87.04 (Lit Commercial Vehicles

II. Sourced From The Bureau Of Customs (BOC-SAD-IEIRD)

No.	Company Name		No.	Company Name
1	Ford Group Philippines Inc.		4	The Covenant Car Company Inc.
2	Mitsubishi Motors Philippines Corp		5	Toyota Motor Philippines Corp.
3	Nissan Philippines Inc.			

Annex B

LIST OF EXPORTERS OF 87.03 (Passenger Cars/Vehicles)

I. Sourced from the Bureau of Customs (BOC-SAD-IERD)

NO.	COMPANY NAME	COUNTRY
1	2000007 Ontario Inc.	Cameroon
2	2000007 Ontario Inc.	USA
3	2000007 Ontario Inc.	UAE
4	2000007 Ontario Inc.	Canada
5	2016 Toyota Alphard Wagon 3.5	Japan
6	2016 Toyota Land Cruiser Suv A)	Japan
7	2422315 Ontario Inc.	Canada
8	Ace International FZE	UAE
9	AG Auto Trading LLC	UAE
10	Al Boraq Auomobiles Co.	Qatar
11	AM Zehnhoff-Soens GMBH	Germany
12	American Export Lines	USA
13	American Honda Motor Co., Inc.	USA
14	Ami Middle East LLC	UAE
15	Anhui Jianghuai Automobile Grp. Co	PROC
16	Asian Autosport Auction (AAA)	Malaysia
17	Asian Honda Motor Co., Ltd.	Thailand
18	Aston Martin Lagonda Ltd.	UK
19	ATITI Consulting And Trade Oy	Russia
20	Audi AG	Mexico
21	Audi AG	Germany
22	Audi Volkswagen Taiwan Co Ltd.	Poland
23	Auto Alliance (Thailand)Co. Ltd.	Thailand
24	Auto Vision General Trading LLC	UAE
25	Boram Co., Ltd	South Korea
26	Britpart UK	UK
27	Britpart Uk	UAE
28	BYD Auto Co Ltd.	PROC
29	BYD Auto Industry Co. Ltd	PROC
30	Cam Auto Trading LLC	UAE
31	Canadian Red Cross Society	Canada
32	Carotrans International Inc.	USA
33	Changan International	PROC
34	Changsha Byd Auto Co Ltd.	PROC
35	Chery Automobile Hongkong	PROC

NO.	COMPANY NAME	COUNTRY
36	China Motor Corporation	Taiwan
37	Chongqing Sokon Motors (Grp.) Imp.	PROC
38	Chrysler Group LLC	South Korea
39	Chrysler Group LLC	USA
40	Daewoo International Corp.	South Korea
41	Daimler AG	Germany
42	Danimex	Germany
43	Desert Motors	USA
44	Desert Motors	United States Virgin Islands
45	Dr Ing HCF Porsche AG	Germany
46	East West Alliance Inc.	USA
47	East West Alliance Inc.	UAE
48	Emarat Shipping Inc.	USA
49	Emirates National General	UAE
50	Eternal Grace (Hongkong) Ltd.	Hong Kong
51	Eternal Grace (Hongkong) Ltd.	UAE
52	Haima Automobile Int'l Corp	PROC
53	Haima Cars Co., Ltd	PROC
54	Haima Commercial Vehicle Co. Ltd	PROC
55	Harfords 4x4 Ltd.	UK
56	Heritage Equipment Services	USA
57	Honda Automobile (Thailand) Co Ltd	Thailand
58	Honda Autoparts Manufacturing	Malaysia
59	Honda Motor Co., Ltd Tokyo Japan	Japan
60	Honda Motor Europe	UK
61	Hyundai Corporation	South Korea
62	Hyundai Corporation	PROC
63	Hyundai Glovis Co., Ltd.	South Korea
64	Hyundai Motor Company	PROC
65	Hyundai Motor Company	South Korea
66	Hyundai Motor India Limited	India
67	International Humanitarian	UAE
68	Isuzu Motors Thailand Co Ltd	Thailand
69	Jaguar Land Rover Limited	United Kingdom
70	Jaguar Land Rover Limited	Italy

NO.	COMPANY NAME	COUNTRY
71	Jetthol Vision Trading Pte Ltd	Taiwan
72	Jingdezhen Baic Changhe Imp & Exp Co.	PROC
73	Kia Motors Corporation	PROC
74	Kia Motors Corporation	South Korea
75	Klaus Ackermann Automobile	Germany
76	Klaus Ackermann Automobile	United Kingdom
77	KRF Co., Ltd.	Japan
78	Nissan North America	USA
79	Nissan North America	Japan
80	Nissan Shanghai Co., Ltd.	PROC
81	P.T. Toyota Motor Manufacturing	Indonesia
82	Pacasiatic International	USA
83	Perfect Express Corp.	USA
84	Pistop Korea Co., Ltd.	South Korea
85	Posco Daewoo Corporation	South Korea
86	PT Astra Daihatsu Motor	Indonesia
87	PT Honda Precision Parts Mfg.,	Indonesia
88	PT Honda Prospect Motor	Indonesia
89	PT Toyota Astra Daihatsu Motor	Indonesia
90	PT Toyota Astra Motor Mfg.	Indonesia
91	PT. General Motor Indonesia	Indonesia
92	PT Honda Precision Parts Mfg.	Indonesia
93	PT. Mitsubishi Motors Krama Yudha	Indonesia
94	PT. Suzuki Indomobil Motor	Thailand
95	Renault Tan/Yeung Kong Ming	USA
96	Sahara Motors	UAE
97	Saic Gm Dong Yue Motors Co., Ltd	PROC
98	Saic Motor International Co., Ltd.	PROC
99	Saic GM Wuling Automobile	PROC
100	SDDC	USA
101	Sekyung Auto Trading Co Ltd	South Korea
102	Shenzhen Lequeue Import And Ex	PROC
103	Sime Darby Auto Bavaria Sdn Bhd	Malaysia
104	Volkswagen AG	Germany
105	Volkswagen AG	Slovakia
106	Volkswagen Group Import Company	PROC
107	Volkswagen India Pvt Ltd	India
108	Volkswagen Konzernlogistik GMB	Germany
109	Volkswagen Mexico	Mexico
110	Volvo Car Corp.	Sweden
111	Volvo Car Corp.	Belgium
112	Volvo Car Manufacturing Malaysia Sdn	Malaysia
113	Webtrans Logistics Inc	USA
114	Western Auto LLC	UAE
115	Autoliv (Thailand) Ltd.	Thailand
116	Automobiles Peugeot	France
117	Automobili Lamborghini Spa	Italy
118	Automobili Lamborghini Spa	Singapore
119	Autrans (Thailand) Co Ltd	Thailand
120	Baic International Dev't Co.	PROC
121	Bayerische Motoren Werke AG	UK
122	Bayerische Motoren Werke AG	Belgium
123	Bayerische Motoren Werke AG	Germany
124	Bayerische Motoren Werke AG	USA
125	Bayerische Motoren Werke AG	Netherlands
126	Bayerische Motoren Werke AG	Malaysia
127	Bentley Motors Ltd	UK
128	Bentley Motors Ltd	Germany
129	BMW (UK) Mfg.Ltd.	Germany
130	BMW (UK) Mfg.Ltd.	UK
131	BMW AG	USA
132	BMW AG	Germany
133	BMW Asia PTE Ltd.	Singapore
134	BMW Manufacturing Co.Ltd.	Thailand
135	BMW Manufacturing Corp.	Germany
136	BMW Manufacturing Corp.	USA
137	BMW Manufacturing Corp.	Belgium
138	BMW Mfg. Ltd.	UK
139	Faw Haima Automobile Co., Ltd	PROC
140	FCA International Operations LLC	USA
141	FCA International Operations LLC	Canada
142	FCA International Operations LLC	Japan
143	FCA International Operations LLC	Italy
144	FCA International Operations LLC	South Korea
145	FCA Italy S.P.A.	Italy
146	Ferrari S.P.A.	Italy

NO.	COMPANY NAME	COUNTRY	NO.	COMPANY NAME	COUNTRY
147	Firstlink Freight International	USA	187	Nissan Motor (Thailand) Co., Ltd	Thailand
148	Firstlink Freight International	Canada	188	Nissan Motor Asia Pacific Co	Thailand
149	Flo Logistics LLC	USA	189	Nissan Motor Co., Ltd.	Japan
150	Ford Motor Company	Thailand	190	Nissan Motor India Pvt Ltd.	India
151	Ford Trading Company	USA	191	Nissan Motor India Pvt Ltd.	Japan
152	Foton International Trade Co., Ltd.	PROC	192	Sojitz Corporation	Japan
153	Fuji Heavy Ind. Ltd.	Japan	193	Southpoint Alliance	Hong Kong
154	Fujian New Longma Motor Co., Ltd.	PROC	194	Speed Logistics Limited	Japan
155	Geely Automobile International Corp.	PROC	195	Ssangyong Motor Company	South Korea
156	General Motors (Thailand) Limited	Thailand	196	Subaru Corporation	Japan
157	General Motors Overseas Distribution	USA	197	Suzuki Motor (Thailand) Co., Ltd.	Thailand
158	GM Korea Company	South Korea	198	Suzuki Motor Corporation	Japan
159	GM Korea Company	PROC	199	Suzuki Motor Corporation	Indonesia
160	Greatwall Motor Company Limited	PROC	200	Tai Hing Motors (Int’l) Ltd.	Oman
161	Green Valley Auto Mobiles LLC	UAE	201	Tai Hing Motors International	UAE
162	Guangzhou Automobile Group	PROC	202	Taihing Motors (Int'l) Ltd.	Hong Kong
163	Guangzhou Fu De Lu Trading	PROC	203	Taiwan Honda Trading Co., Ltd.	PROC
164	Gulf Auto Trading FZE	UAE	204	Tata Motors Limited	India
165	Haesung International Co., Ltd	South Korea	205	Techlantic Ltd.	Canada
166	Lotus Cars Ltd.	United Kingdom	206	The London Taxi Company	PROC
167	M/S Mahindra And Mahindra Ltd.	India	207	Toyota Motor Asia Pacific Engineering	Thailand
168	Magyar Suzuki Corporation Ltd	Belgium	208	Toyota Motor Asia Pacific PTE.	Japan
169	Marubeni Corporation	South Korea	208	Toyota Motor Corporation	Japan
170	Maruti Suzuki India Limited	India	210	Toyota Motor Europe Vehicle	Belgium
171	Maserati Spa	Italy	211	Toyota Motor Mfg. Indonesia	Indonesia
172	Mazda Motor Corp.	Japan	212	Toyota Motor Thailand Co. Ltd.	Thailand
173	Mercedes Benz (Pty) Ltd.	South Africa	213	Toyota Tsusho Corporation	Japan
174	Mercedes Benz (Pty) Ltd.	Germany	214	Transworld General Trading FZC	Turkey
175	Mercedes Benz Espana S.A	Spain	215	Transworld General Trading FZC	UAE
176	Mercedes Benz Espana S.A	Germany	215	Tripp HD Equipment	USA
177	Mercedes Benz S.A Limited	South Africa	217	Vargas Thomas Abas	Hungary
178	Mercedes Benz Us International	USA	218	Western Auto LLC	South Korea
179	Mercedes Benz Us International	Germany	219	Western Auto LLC	PROC
180	Mercedes Benz Us International	Malaysia	220	Western Auto LLC	Germany
181	Mercury Global FZE	UAE	221	Western Auto LLC	Qatar
182	Mitsubishi Motors (Thailand) Co. Ltd	Thailand	222	Western Auto LLC	US
183	Mitsubishi Motors Corporation	Indonesia	223	Xiamen Dalle New Energy Automobile	PROC
184	Nanjing Automobile (Group) Corp.	PROC	224	Xiamen King Long United Automotive	PROC
185	Naza Automotive Manufacturing	Malaysia	225	Ye Chui Metal Recycling (China)	PROC
186	Nissan Motor (Thailand) Co., Ltd	Thailand	226	Yellowmont Ventures Limited	Canada
227	ZF Steering (Malaysia) Sdn Bhd	Malaysia	228	Zhejiang Renli Vehicle Co. Ltd.	PROC

LIST OF EXPORTERS OF 87.04 (Light Commercial Vehicles)
II. Sourced from the Bureau of Customs (BOC-SAD-IEIRD)

NO.	COMPANY NAME	COUNTRY
1	Auto Alliance (Thailand) Co. Ltd	Thailand
2	Ford Motor Company (Thailand) Ltd	Thailand
3	General Motors (Thailand) Limited	Thailand
4	Mitsubishi Motors (Thailand) Co.	Thailand
5	Nissan Motor (Thailand) Co., Ltd	Thailand

NO.	COMPANY NAME	COUNTRY
6	T.R.K. Bangkok Industry & Exporter	Thailand
7	Toyota Motor Asia Pacific PTE., Ltd	Thailand
8	Toyota Motor Thailand Co., Ltd.	Thailand
9	Toyota Motor Thailand Co., Ltd.	Indonesia

ANNEX C

LIST OF ASSOCIATIONS

NO.	COMPANY NAME
1	Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI)
2	China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME)
3	Gabungan Industri Kendaraan Bermotor Indonesia (GAIKINDO) or The Association of Indonesia Automotive Industries,
4	Truck Manufacturers Association, Inc. (TMA),
5	Association of Vehicle Importers and Distributors (AVID)
6	European Chamber of Commerce in the Philippines (ECCP)

ANNEX D

List of Developing Countries and Separate Customs Territories Excluded from the Imposition of Provisional Safeguard Measure on Passenger Cars/Vehicles

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

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

ANNEX E

List of Developing Countries and Separate Customs Territories Excluded from the Imposition of Provisional Safeguard Measure on Light Commercial Vehicle

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

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