



SEA Customs and Trade Alert

Stay informed of changes

Greetings from your SEA Customs and Global Trade Services group. This newsletter is your reference for practical information on relevant customs issues. We are pleased to enclose for your information the latest Customs and Trade Alert on:

[Philippines' Progress towards Establishment of Strategic Goods Management Act](#)

Philippines is progressing towards establishment of the Strategic Goods Management Act ("STMA") following the approval of the Senate Bill No. 2762 on the 17 August 2015. The approval by the Senate of the 16th Congress of the Philippines was a rapid development following the approval of the House Bill No. 5822 on 9 June 2015.

With increased concerns about global safety and security across governments worldwide, Philippines is the second Southeast Asia country this year, to announce its intention to develop

a comprehensive system to regulate the transfers of strategic goods and their related technologies.

The STMA enhances existing domestic legislation to regulate certain categories of strategic items which falls under the purview of various government agencies such as the Firearms and Explosives Office (Firearms and Explosives), Philippine Nuclear Research Institute (Atomic Energy Facilities and Materials), and the Department of Environment and Natural Resources (Chemicals).

What this means for you

Scope of Control

Singapore and Malaysia (including Thailand upon implementation) have developed their export control regime principally based upon the **EU Control List (2012)**. Our assessment at this time is that the Philippines' National Strategic Goods List ("NSGL") will likely follow suit.

However, the Bills have outlined that the NSGL will consist of the following:

- **Military Goods** – Items, software, and technology that are specifically designed, developed, configured, adapted, or modified for a military end-use;
- **Dual-Use Goods** – Items, software, and technology which can be used for both civil and military end-use or in connection with the development, production, handling, operation, maintenance, storage, detection, or dissemination of WMD or their means of delivery which are considered strategic goods; **and**
- **National Controlled Goods**

Similar to the existing scope of control in Malaysia and Singapore, (and those envisaged for Thailand) the activities that will be subjected to controls are export, import, transit, transshipment of strategic goods, or the provision of services relating to the movement of strategic goods between two foreign countries (e.g. brokering, technical assistance).

With the introduction of export control on strategic goods and technologies, typically the following sectors will be principally affected:

- Aerospace, Marine and Defence;

- Special Materials and related Equipment;
- Materials Processing;
- Biotechnology and Specialty Chemicals;
- Telecommunications, Information Security and Encryption;
- Sensors and Lasers;
- Semiconductor / Electronics,
- Super-computers and Engineering sectors.

Responsibility

Upon establishment and enforcement of the STMA, companies performing the controlled activities will potentially need to obtain authorisation from the Strategic Trade Management Office (to be established).

Enforcement of Penalties

Based upon the bills approved, the STMA may expose companies involved in the controlled activities to risks of fines of up to PHP 5,000,000.000 and imprisonment of up to 12 years.

What to do

Companies in the Philippines conducting the controlled activities relating to goods that will be listed under the NSGL will need to:

- Raise their awareness on the progress of export control regime establishment and how it impacts the company's business;
- Review current processes to ensure that the appropriate processes and procedures are in place to monitor outward movement of goods and its related technologies from the Philippines;
- Assess whether systems' enhancements need to be introduced to ensure that goods that potentially are subjected to export control would be flagged.

How can we support

Deloitte can support your company in the following areas:

- Provide bespoke training on export control on strategic goods and its impact on your business processes and procedures;
- Assess the impact of the establishment of export control on strategic goods and to your company's existing procedures and processes;
- Advise on the necessary measures to be taken to maintain a secure supply chain;
- Assess if your company's product may likely be subjected to the Philippines' export control regime.

Contacts

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