

**[ EXECUTIVE ORDER NO. 397, January 31, 1997 ]**

**MODIFYING THE RATES OF DUTY ON CERTAIN IMPORTED ARTICLES AS PROVIDED UNDER THE TARIFF AND CUSTOMS CODE OF 1978, AS AMENDED, IN ORDER TO IMPLEMENT THE MINIMUM 50% MARGIN OF PREFERENCE ON CERTAIN PRODUCTS INCLUDED IN THE BRAND-TO-BRAND COMPLEMENTATION SCHEME IN THE AUTOMOTIVE INDUSTRY UNDER THE BASIC AGREEMENT ON ASEAN INDUSTRIAL COMPLEMENTATION**

**WHEREAS**, the Philippines is a Contracting Party to the Basic Agreement on ASEAN Industrial Complementation (BAAIC) signed in Manila on 16 June 1981;

**WHEREAS**, the Philippines is a signatory to the Memorandum of Understanding (MOU) on the Brand-to-Brand Complementation (BBC) Scheme for the Automotive Industry under the BAAIC signed by the ASEAN Economic Ministers in Pattaya, Thailand on 18 October 1988;

**WHEREAS**, the Philippines is a participating country in the approved BBC Schemes of Honda Motor Co., Ltd. and Toyota Motor Corporation along with Indonesia, Malaysia and Thailand;

**WHEREAS**, at the ASEAN Senior Economic Officials Meeting held on 7-8 November 1995, it was agreed that under the Honda BBC Scheme, the Philippines will import from Indonesia, Malaysia and Thailand certain completely-knocked-down (CKD) component parts for the original equipment manufacture (OEM) of passenger cars of the Accord 4 Door SV8, Civic 4 Door SY6 and EK 4 Door Sedan SX8 Models, in exchange for Philippine exports of complementary component parts to the three participating countries;

**WHEREAS**, under the Toyota BBC Scheme approved on an ad referendum basis by Indonesia on 12 December 1995, by Malaysia on 28 November 1995 and by the Philippines on 12 January 1996, the Philippines will import engine assembly from Indonesia for the original equipment manufacture of TUV commercial vehicles for the transport of passengers and goods in exchange for Philippine exports of transmission components to Indonesia;

**WHEREAS**, at the Meeting of the ASEAN Senior Economic Officials (SEOM) held in Jakarta, Indonesia on 3-5 June 1996, it was agreed that under the Toyota Motor Corporation BBC Scheme, the Philippines will import inlet air cleaner from Thailand for the original equipment manufacture of Corolla passenger cars in exchange for Philippine exports of transmission assembly to Thailand;

**WHEREAS**, under the MOU on the BBC Scheme in the Automotive Industry, the Philippines shall grant a minimum 50% Margin of Preference (MOP) to BBC products

approved by the SEOM subject to the terms and conditions set out in Section 9(b) of said MOU;

**WHEREAS**, under Section 9(b)(i) of the said MOU, the 50% MOP for existing BBC products shall be granted within 90 days of approval of the BBC products by the SEOM, and for new BBC products, the grant shall be extended from the actual date of commercial production of the products, or upon expiry of 30 months from the date of approval of the products whichever comes earlier;

**WHEREAS**, the various component parts specified in Certificates of Eligibility (COEs) Nos. HM/2/B/96, HM/5/B/96, HM/8/B/96, HM/11/B/96, HM/17/B/96 and HM/24/B/96, re-issued on 1 September 1996 in favor of Honda Motor Co., Ltd., are existing products, i.e., already being manufactured at the time of original approval by the SEOM held on 7-8 November 1995;

**WHEREAS**, the engine assembly, specified in Certificate of Eligibility (COE) No. TMC/6/A/95 issued on 23 January 1996 in favor of Toyota Motor Corporation, is a new BBC product whose commercial production started in February 1996;

**WHEREAS**, inlet air cleaner, specified in Certificate of Eligibility (COE) No. 014-1 issued on 24 June 1996 in favor of Toyota Motor Corporation, is a new BBC product whose commercial production started in July 1996;

**WHEREAS**, under paragraph b(ii) of Section 9 of the MOU, non-participating countries shall initially waive their rights under Chapter II, Article 8, paragraph 2, of the ASEAN Preferential Trading Arrangements (PTA) for the first four years from date of granting of MOP and shall thereafter enjoy the MOP granted by participating countries as soon as they extend the same MOP;

**WHEREAS**, under paragraphs b(ii) and b(iv) of Section 9 of the MOU, the waiver period shall be extended beyond the first four years for as long as the non-participating countries do not wish to grant the MOP up to a maximum waiver period of eight years. After the maximum eight-year waiver period, any entity in any member country, whether the member country is participating in the specific BBC Scheme or not, which produces the BBC product shall enjoy the same MOP in the participating countries for the BBC product.

**NOW, THEREFORE, I, FIDEL V. RAMOS**, President of the Philippines, pursuant to the powers vested in me under Section 402 of the Tariff and Customs Code of 1978, as amended, do hereby order:

**SECTION 1.** The articles specifically listed in Annex "A" hereof, as classified under Section 104 of the Tariff and Customs Code of 1978, as amended, shall be accorded a minimum 50% MOP as specified in Column 11 thereof. In effect, said articles shall be subject to the BBC Preferential Tariff in accordance with the schedule indicated opposite each article as specified in Columns 12, 13, 14, 15 and 16 of Annex "A".

**SEC. 2.** The articles specifically listed in Annex "B" hereof, as classified under Section 104 of the Tariff and Customs Code of 1978, as amended, shall be accorded a minimum 50% MOP as specified in Column 12 thereof. In effect, said articles shall be subject to the BBC Preferential Tariff in accordance with the schedule indicated opposite each article as specified in Columns 13, 14, 15, 16, 17 and 18 of Annex "B".