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**Strategic Trade Management Office
Annual Report**

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MESSAGE FROM THE DTI SECRETARY

(excerpt from Secretary Ramon M. Lopez' message during MOA signing on Trade Facilitation)

Noong 2015 nang unang isabatas ang STMA, kampante po kami na ang mabisang strategic trade law ay magbibigay ng oportunidad sa ating bansa na madagdagan ang investments sa manufacturing, assembly, at export of strategic goods and services. Simula noon, nagkaroon na po tayo ng expanding interest mula sa investors na nakikinabang sa pribilehiyo na mag-invest at mag-export ng strategic goods mula sa ating bansa.

The STMA is vital now as we work towards overcoming the economic crisis caused by the COVID-19 pandemic. Every dollar of export we generate and every job created will help in our country's post-pandemic economic recovery.

Our experience in the past years implementing the STMA demonstrates that the Philippines has the potential to broaden the array of products and services we export. Thanks to the STMA, we can now include strategic goods like software, technology, and services.

For example, in 2018, the DTI Strategic Trade Management Office (STMO) issued an authorization for services related to the transfer of nuclear technology from a Philippine-based company to a client located abroad. After two years, the same company reported that they have been able to attract three additional clients, thereby increasing its revenue to US\$250M and hiring more than 300 personnel to work for the project.

As we move forward, DTI-STMO is committed to adopting international best practices, strengthening partnerships with industries, and embracing a whole-of-government approach for a robust and effective strategic trade management regime in the country.

What's more, the Philippines seeks to leverage this regime as a tool to attract investments in strategic goods technology. This, in turn, will generate jobs for highly skilled workers and send a message to investors all over the globe that our country is an ideal manufacturing hub for strategic goods and related services.

As we deal with the economic effects of COVID-19, let us work together in ensuring a secure environment in the manufacture and trade of strategic goods. By doing so, we can attract more investments that would create more jobs and employment for our countrymen. This, in turn, will realize the directive of our President Rodrigo Roa Duterte to give our people a better and more comfortable quality of life in the post-pandemic future.

Maraming salamat po at mabuhay po tayong lahat!

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EXECUTIVE SUMMARY

It has been over five years since the promulgation of Republic Act No. 10697 or the Strategic Trade Management Act (STMA) last 13 November 2015. Since then, the Philippines has taken significant steps in establishing a strategic trade management (STM) regime in the country. The Philippines takes pride in being one of the leading countries in the ASEAN region that implemented legislation that complies with international non-proliferation obligations, including the UN Security Council Resolution (UNSCR) 1540.

The first achievements of the Philippines in establishing an STM regime were made possible by employing a whole-of-government approach in implementing the STMA. Around forty (40) national government agencies worked together to draft the STMA Implementing Rules and Regulations and the subsequent inter-agency cooperation guidelines to support the Strategic Trade Management Office (STMO) as the executive and technical agency of the national government for the establishment of the management systems for the trade in strategic goods.

The STMO's three divisions mirror the three pillars of effective strategic trade management: licensing, industry outreach, and enforcement. As of 2020, the STMO has reached out to 500 companies, registered 25 companies engaged in strategic trade, issued five (5) governmental end-use assurances, and two (2) export authorizations. One of the goals of the STMO is to create an effective regulatory environment where the Philippines can promote investment in strategic goods which are of high value, thus generating higher revenues for Philippine-based businesses and high-skilled jobs for Filipinos.

Moreover, the STMO continues to empower Philippine-based industries as the first line of defense against the proliferation of weapons of mass destruction by providing them guidelines on how to comply with the STMA, and engage them in dialogues and consultations to receive feedback on the effectiveness of the country's STM policies.

Finally, the STMO thanks all its international partners who helped establish the STM regime in the Philippines. The STMO continuously strives to harmonize its policies and guidelines with international export control regulations, sanctions and entity lists, and compliance best practices. To address the challenges of the future, the STMO reaffirms its commitment to adopt global best practices, strengthen partnerships with industry and implement the whole-of-nation approach.

DTI-STMO STRATEGY MAP

The Strategic Trade Management Office (STMO), a new bureau under the Department of Trade and Industry (DTI), went through several planning sessions with the *Institute for Solidarity in Asia* to formally onboard to the **Performance Governance System (PGS)**. The result is a comprehensive strategy map that articulates DTI-STMO's: (a) **strategic objectives** that are categorized into core and support processes; (b) **strategic position** that provides a clear direction for the organization; (c) **organizational impact** to its stakeholders through the realization of its strategy; and, (d) **charter statement** (vision, mission, values) consistent with the agency's mandate.

Table 1. DTI-STMO Strategy Map 2020-2028



STRATEGIC POSITION

To realize its vision of becoming a “fully-functional office compliant with international commitments and obligations in regulating strategic trade by 2028,” the STMO has identified basecamps to be reached by 2028. Each of the basecamps reflects the progress and additional regulations that the STMO will implement.

By the end of 2022, the STMO targets to regulate all items covered under Annex 2 of the National Strategic Goods List (NSGL) and those covered by the catch-all provisions under Section 11 of the STMA. By 2025, the STMO will expand its regulation to include financing, transit, transshipment, re-export, and reassignment. Finally, by 2028, it will cover imports of strategic goods and the provision of related services.

Table 2. Strategic Position and Basecamps of the STMO from 2020 - 2028

STRATEGIC POSITION		
Position DTI-STMO as a fully functional office compliant with international commitments and obligations in regulating strategic trade by 2028.		
2022 Basecamp	2025 Basecamp	2028 Basecamp
Focus on regulating all entities covering dual-use (Annex 2) goods with the addition of catch-all control activities	Expand regulation to all entities to include all strategic goods and with the addition of new activities: <ul style="list-style-type: none"> • Export • Financing • Transit • Transshipment • Re-Export • Re-assignment 	Expand regulation to include all activities with the addition of new activities: <ul style="list-style-type: none"> • Brokering • Related Services • Technical Assistance • Imports

CORE PROCESSES AND MAJOR DELIVERABLES

Policy and Enterprise Relations Roadmap

The first core process roadmap is the **Policy and Enterprise Relations Division (PERD) Roadmap**. PERD's objective is to capacitate targeted stakeholders engaged in strategic trade within the country. It identified the following key results areas (KRAs) concerning the performance of its functions:

1. Capacity building of targeted stakeholders to raise awareness and promote compliance to STMO stakeholders as the STMO regulations expand year by year.
2. Identify and map out relevant stakeholders engaged in strategic goods trade.
3. Establish linkages with industry and government stakeholders for outreach, mapping, and trade facilitation functions. In five years, PERD targets establishing a good working relationship with trade facilitation agencies, universities, military goods exporters, and various industry associations.

Table 3. Policy and Enterprise Relations Roadmap						
Capacitate targeted stakeholders engaged in strategic trade			% of targeted stakeholders mapped out and capacitated			
KEY RESULTS AREA	DELIVERABLES					
	2020	2021	2022	2023	2024	2025
Capacity Building of Targeted Stakeholders	Commodity Identification Training for Trainers Compliance to STMA Export Regulations	Commodity Identification Training for TF Agencies Training Program for Catch-all Controls Training Program for ITT	Best Practices Sharing Among Industry Stakeholders (Training Program)	Training Program for CPF Program for Promoting Philippines' Robust STM	Training Programs for Transit and Transshipment Controls	CIT Applied to Transit, Transshipment, Re-export and Re-assignment Training Programs for Re-export and Re-assignment Controls
Identifying relevant stakeholders engaged in all Strategic Goods	Industry Map using Power BI Analytics (% Exporters of Dual-Use Goods mapped out)	Map of Intangible Transfers of Technology for Exports Map SME Stakeholders on Exports Map exporters on Annexes 1 and 3 goods	Comprehensive Industry Map of Dual-Use and Military Trade in the Philippines Strategic Trade Risk Model for Exports Financial Sector Map for CPF	Map Transit and Transshipment Flows	Map of Re-export, Re-assignment Flows	Strategic Trade Risk Model for Exports, Transit, Transshipment, Re-export and Re-assignment
Linkages	MOA on Trade Facilitation BOC, PEZA, and IPAs Technical Advisory Committee Charter	Establish Linkages with Universities and Technology Owners Technical Advisory Committee Recommendations 1	Establish Linkages with Military Goods Exporters	Linkages with Logistics Industry Association Linkages with Trade Posts	Linkages with Banking Association	Expanded TAC for New Stakeholders

Registration and Authorization Roadmap

The second core process roadmap is the **Registration and Authorization Division (RAD) Roadmap**. RAD's main function is to register and authorize targeted individuals and companies engaged in strategic trade. RAD identified the following KRAs:

1. Registration of person engaged in export, import, re-export, and providers of related services. This multi-year deliverable focuses on expanding the STMO's reach in the types of stakeholders that can be registered.
2. Authorization of all stakeholders engaged in strategic trade activities.
3. Provide technical advice to registered and authorized stakeholders.
4. Issuance of guidelines to assist stakeholders in complying with the different activities covered by the phased implementation of the STMA.
5. Assist internal and external stakeholders in updating their system through protocols, reviewing evaluation or feedback, and developing training modules.

Table 4. Registration and Authorization Roadmap						
Register and authorize targeted individuals and companies engaged in strategic trade			% of targeted applications acted upon and/or provided with technical advice within the prescribed time			
KEY RESULTS AREA	DELIVERABLES					
	2020	2021	2022	2023	2024	2025
Registration of Entities/Persons (exporters, importers, re-exporter, and providers of related services (i.e. brokers))	Exporters of dual-use goods previously outreached by the STMO	Multinational companies exporting dual-use goods (including ITT) targeted by the PERD (<500 exporters)	All exporters of dual-use goods including MSMEs	All exporters of goods under NSGL Annexes 1, 2, and 3		All entities involved in the re-export and reassignment of strategic goods, and provision of related services
Authorizations for Strategic Trade Activities	Export of dual-use goods by registered companies	Export of dual-use goods including ITT and catch-all controls	Export of dual-use goods and catch-all controls including goods from MSMEs	Export of all strategic goods (Annexes 1, 2, 3)	Transit and Transshipment of strategic goods, Financing	Re-export and re-assignment of strategic goods
Technical Advice to Stakeholders	Registration, Export of dual-use goods by registered companies, commodity classification, pre-authorization audit, sanctions implementation and NSGC	ITT, catch-all controls, and general authorization	Commodity Classification Annexes 1 and 3	Export of all strategic goods (Annexes 1, 2, 3)	Transit and Transshipment of strategic goods, Financing, and Re-export and re-assignment of strategic goods	Brokering, transportation, technical assistance and import

Table 5. Continuation of Registration and Authorization Roadmap

Register and authorize targeted individuals and companies engaged in strategic trade		% of targeted applications acted upon and/or provided with technical advice within the prescribed time				
KEY RESULTS AREA	DELIVERABLES					
	2020	2021	2022	2023	2024	2025
Technical Implementation Guidelines to Stakeholders	Guidelines on Export Authorization	Guidelines on End-User/ Catch-all Controls, including request for Business Advice	Guidelines on the Export of Military Goods	Guidelines on the Transit and Transshipment of Strategic Goods	Guidelines on the re-export and re-assignment of strategic goods	Guidelines on the import of strategic goods
	Guidelines on Commodity Classification, including Non-Strategic Goods Certificate	Guidelines in Obtaining Governmental End-Use Assurance	Guidelines on the Export of Nationally-Controlled Goods Items (e.g. coal, luxury goods, etc.)			Guidelines on the Provisions of Related Services
	Pre-Authorization Checks for Global Authorization	General Authorizations for Replacement, Return, and Repairs of Strategic Goods	General Authorizations for Top-Traded Strategic Goods		Updates on General Authorizations	
	Guidelines on Restricted and Prohibited End-users	Guidelines on Intangible Transfers of Technology				
	Guidelines on the Prohibitions of Proliferation Financing	Guidelines on Authorization Exemptions				
Linkages	Subcommittee on Technical Reachback Inter-agency Protocols	Update SCTR and SCRA protocols to include catch-all controls	Comprehensive Review of SCTR and SCRA Inter-agency Protocols, including Financing, Gap analysis and TTX	Update SCTR and SCRA protocols to include Transit and Transshipment Controls	Update SCTR and SCRA protocols on re-export and re-assignment	Update SCTR and SCRA protocols on Import and Provision of Related Services (Brokering, Transporting, etc.)
	Subcommittee on Risk Assessment Inter-agency Protocols	Training Modules for SCTR and SCRA on Licensing Evaluation (Technical Review and Risk-Assessment)	Nationally Controlled Goods List	Modules in Understanding Multilateral Export Control Regimes		
		Ease of Doing Business Act Compliance, including Regulatory Impact Assessment (RIA) Technical Review of the NSGL Annexes 1 and 2 STMO-DICT Agreement on Evaluating ITT Agreement among STMO, DND and PNP on the International Transfers of Military Goods	Inter-agency Review of Tiering of Countries and Goods, to support issuance of Gen. Authorizations			

Investigation and Compliance Roadmap

The third core process roadmap is the **Investigation and Compliance Division (ICD) Roadmap**. The main function of ICD is to ensure authorized persons' compliance with the STMA. It has three KRAs:

1. Pre and post-authorization audit of registered and authorized entities. The focus of this multi-year deliverable is to widen the type of entities that the division will investigate in their pre and post-audit of persons engaged in strategic trade.
2. Submit intelligence reports on registered and authorized entities, potential exporters of dual-use items, and those engaged in transit, transshipment, re-export, and reassignment of strategic goods.
3. Establish linkages with internal and external stakeholders through joint training sessions, drafting protocols and procedural guidelines for investigation, SOPs for administrative and criminal investigations, intelligence training with local and foreign counterparts, among others.

Table 6. Investigation and Compliance Roadmap						
Ensure compliance of authorized entities to the Strategic Trade Management Act (STMA)			% of covered persons audited within prescribed time % of cases under investigations acted upon (recommendation for filing, termination, or suspension) # of intelligence report on targeted goods, services, and activities			
KEY RESULTS AREA	DELIVERABLES					
	2020	2021	2022	2023	2024	2025
Entities Undergoing Compliance Audit	ICP Pre and Post Authorization Audit for Registered and Licensed Entities Engaged in the Export of Dual-use Goods	ICP Pre and Post Authorization Audit for Registered and Licensed Entities Engaged in the Export of Catch-all Controls	ICP Pre and Post Authorization Audit for Registered and Licensed MSMEs Engaged in the Export of Dual-use and Catch-all Controls	ICP Pre and Post Authorization Audit for Registered and Licensed Entities Engaged in the Export of All Strategic Goods	ICP Pre and Post Authorization Audit for Registered and Licensed Entities Engaged in the Transit and Transshipment of Strategic Goods	ICP Pre and Post Authorization Audit for Registered and Licensed Entities Engaged in the Re-export and Re-assignment of Strategic Goods
Submission of Intelligence Reports	Exporters of Dual-use Goods Outreached and/or Registered and/or Authorized by STMO and/or Gathered from other OGAs	Multi-national Companies (MNCs) Exporting Dual-use Goods covered by STMO	All Exporters of dual-use goods including MSMEs Export of Dual-use goods including ITT and Catch-all Controls as well as Goods from MSMEs	All Exporters of Goods under NSGL Annexes 1, 2, and 3	Transit and Transshipment of Strategic Goods	All Entities Engaged in the Re-export and Re-assignment of Strategic Goods
Linkages for Enforcement	Interim Memorandum of Agreement Between STMO and BOC	Update SCE Protocols to Include Catch-all Controls	Comprehensive Review of SCE Protocols, Including Gap Analysis and TTX	Update SCE Protocols to Include Export of All Strategic Goods and Catch-all Controls	Update SCE Protocols on Transit and Transshipment of Strategic Goods	Update SCE Protocols on Re-export and Re-assignment of Strategic Goods
	Procedural Guidelines for Investigation	Memorandum of Agreement on Information Sharing among Local Counterparts	Simplified and Uniform Rules of Procedure for Administrative Violations of the STMA	Simplified and Uniform Rules of Procedure for Criminal Violations of the STMA		
	Subcommittee on Enforcement (SCE) Inter-agency Protocols on Dual-Use Exports			Basic Joint-Intelligence Training with SCE and OGAs	Advanced Joint-intelligence Training with SCE and OGAs	Advanced Intelligence Training with Foreign Counterparts

STMO SERVICES

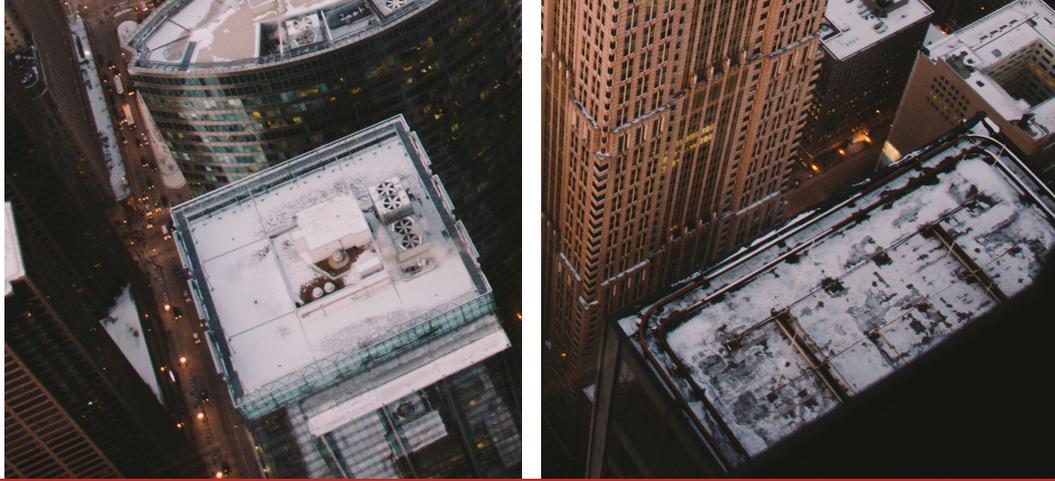
The STMO offers the following services to industry and government stakeholders to ensure that the Philippines is a safe and well-regulated place for the production and trade of strategic goods. The STMO will expand its service to the public as it continues to gradually implement the activities under the STMA.

STMO Division	Services	Processing Time
Registration and Authorization	Registration	30 calendar days*
	Individual Export Authorization ¹	30 calendar days*
	Global Export Authorization	90 calendar days*
	Governmental End-Use Assurance	30 calendar days*
	End-User or Catch-all Controls Authorization	30 calendar days*
	General Export Authorization	2-3 working days
	Non-Strategic Goods Certification	30 calendar days*
	Commodity Classification Assistance	7-20 working days
	Technical Advice Assistance ² or End-User Business Advice	7-20 working days
Investigation and Compliance	Internal Compliance Program (ICP) Pre-Audit and Audit	90 working days**
	Information/Intelligence Sharing ²	5-15 working days
Policy and Enterprise Relations	Internal Compliance Program (ICP) Set-Up	1 working day
	Industry and Government Outreach	1 working day
	Consultation Session	1 working day

*Prescribed by the STMA Implementing Rules and Regulations

** 1st notification letter- 30 working days; 2nd notification letter - 30 working days; and Release of audit result - 30 working days

¹As of 01 February 2021, STMO also accepts individual authorization application for brokering and financing of goods under Annex 3 of the National Strategic Goods List
² Offered to partner government agencies



COMPLIANCE WITH EASE OF DOING BUSINESS ACT

The STMO collaborates with the Anti-Red Tape Authority to ensure compliance with the provisions of Republic Act No. 11032, otherwise known as the "Ease of Doing Business and Efficient Government Service Delivery Act of 2018" (EODBA). In 2019 and 2020, STMO Director Luis M. Catibayan, Assistant Director Janice S. Dimayacyac, and ARTA Director-General Jeremiah Belgica met to discuss the harmonization of STMA processes to comply with the EODBA. Since then, the STMO has harmonized all implementing guidelines with the new law resulting in fewer requirements and shorter processing time of applications to provide convenience to the applicants and avoid shipment delay.

The STMA IRR provides the maximum processing time for the assessment of strategic trade registration and authorization applications. Aligning the application processing timelines of the STMA IRR with the EODBA, all STMA applications, except for global authorization, could be classified as highly technical involving a multi-stage system wherein processing time shall not exceed forty (40) working days.

The goal of the STMO is to create an environment where the Philippines can promote investment in high-value goods and technologies. This increase in investment could be made possible through the efficient implementation of the STMA in conjunction with other industry-friendly regulatory reforms, such as the EODBA.

Registration and Authorization Statistics



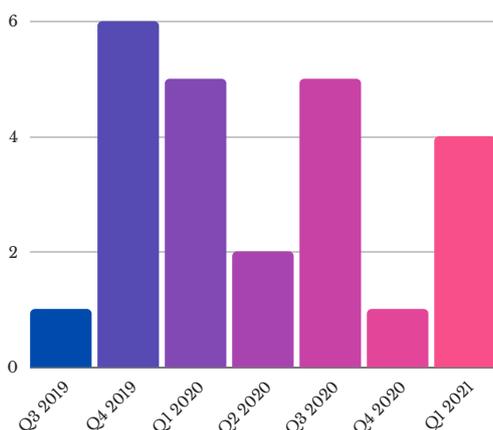
Registration refers to the act of entering the exporters, importers, and brokers of strategic goods and providers of services into the STMO registry.

Pre-Authorization occurs after issuing the Certificate of Registration wherein the STMO provides advice to the registered person on the next steps before applying for authorization.

Authorization refers to an Individual, Global, or General license issued by the STMO for the export, import, transit, transshipment, re-export, reassignment of strategic goods, and the provision of related services.

500

Companies Outreached



Registered Companies

Promoting Investments on High-Value Technology

\$300M

Investments

400+

Highly Technical Jobs Generated

25

Registered Entities

5

Governmental End-Use Assurances Issued

2

Export Authorizations Issued

Table 7. Highly technical with multi-stage system regulatory processes of the STMO.

Type of Application	Processing Time <small>(based on the STMA IRR)</small>	Assessment
Registration	30 calendar days	<ul style="list-style-type: none"> • Involves inter-agency vetting on national security-related concerns • One-time registration
Individual Authorization	30 calendar days	<ul style="list-style-type: none"> • Covers one or more strategic goods • One end-user/ consignee • May request information from other government agencies (OGAs) • Clock stops from the time the request was forwarded to OGAs until the time OGAs recommendations are received • Valid for two (2) years
Global Authorization	90 calendar days	<ul style="list-style-type: none"> • Covers one or more strategic goods • Two (2) or more end-users/ consignees • Equivalent to multiple individual licenses • May request information from other government agencies (OGAs) • Clock stops from the time the request was forwarded to OGAs recommendations are received. • Valid for five (5) years
Governmental End-Use Assurance	30 calendar days	<p>PH government formal security guarantee, issued upon request of another country</p> <ul style="list-style-type: none"> • Done in consultation with the NSC-STMCom. • Valid for the duration of the contract.

The STMO has taken the following measures to lessen the evaluation time for the registration and authorization applications:

1. The inter-agency vetting of registration applicants is done outside the 30 calendar days.
2. A pre-authorization assessment is conducted before a registered entity applies for Global Authorization. This process includes Internal Compliance Program (ICP) pre-audit, commodity classification verification, end-use/end-user risk assessment, etc.

Company and country profiles, and denials list databases are utilized as references by licensing officers in application assessment.



Strategic Trade Risk-Assessment Tools

In evaluating applications for registration and authorization, the STMO has developed the following risk-assessment tools to help registration and licensing officers identify risks related to strategic trade transactions.

Risk Assessment Databases

The use of security databases can increase the effectiveness and efficiency of STMO's strategic trade monitoring efforts.

Company Profile

Company Profile includes general information on the registered company, strategic trade activities, including a list of exported strategic goods to specific countries of destination, a list of previously issued authorizations, and all other relevant information.

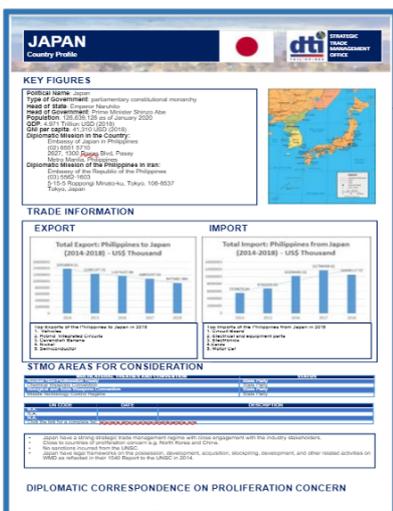
The company profile is a tool to understand the nature of the business, identify possible risks involved, select companies for audit and outreach, target transactions for analysis, verification, and inspection, and assess strategic trade control policies' potential economic impacts.



COUNTRY PROFILE

Country Profile includes general information on a country's geography, economic activities, and commitments to nonproliferation treaties and obligations. It also contains official communications from the Department of Foreign Affairs relevant to the specific country, such as UN Security Council Sanctions, and other

open-source information on its chemical, biological, nuclear, and military programs.



STRATEGIC GOODS PROFILE

Strategic Goods Profile contains general and technical information about a strategic good. It includes strategic goods' basic description (other names, codes, specifications, product regime, and category), notable features, packaging, typical applications applications (industrial and WMD use), and other information such as countries, companies in the Philippines exporting specific strategic goods, and other technical government agencies engaged in the trade and regulation of the strategic good.

GOODS PROFILE			
Basic Description			
NSQL General Name:	Transducer (Heat Exchanger)	NSQL Code:	2b230
NSQL Specific Name:	Heat Exchanger	Other codes:	
Similar/Commodity/Trade Name:	Transducer / Heat Exchanger	HS:	9022
		AMTN:	N/A
		CAS:	N/A
		Region:	Number System Group (NSG)
Specifications:	Accuracy: 0.2% F.S. @ 40 and ambient Operating Temperature: 15 to 50 degrees Celsius Range: 311 and above (includes) Full scale Range: 0.2, 1, 10, 100, 1000 counting Material: Hastelloy, Titanium, Inconel, SS, girth Max Line Pressure: 40 barg (734.76 psi) Maximum One Pressure: 1200 PSI @ 0.500 (48.26 bar)	Product Category:	Material Processing
		Year:	2
		Notable Features:	Appearance may vary based on the types of usage or application, see Chemical Data or Export Data
		Packaging:	Transducer are package with bubblewrap and box
Typical Application			
Industry:		WMD:	
Used to transfer/flow heat between two or more fluids in preheating, cooling, generation, chemical processing, powerplants etc. in manufacturing		component for nuclear flow system	
Other Information			
Global Production:	Trading companies in the Philippines:	OCA:	
TBD	CFZ	"TBD" based on SCTR Protocol	

STANDARD OPERATING PROCEDURES

A standard operating procedure (SOP) is a set of written instructions to be followed by STMO licensing officers in assessment applications. The development and use of SOPs are integral parts of a successful quality system.

For 2020, the STMO has developed the following SOPs:

- a. SOP on Registration Evaluation
- b. Soon Pre-Authorization Assessment
- c. SOP on Authorization Evaluation

dti		SOP #		2020-01	
Department of Trade and Industry - Strategic Trade Management Office		Revision Number		01	
Title		Standard Operating Procedure: Regulatory Evaluation		Revised by	
Approved by		[Signature]		[Signature]	
Date		[Date]		[Date]	
Reviewed by		[Signature]		[Signature]	
Approved by		[Signature]		[Signature]	
INITIAL CHECKS					
Reviewed Personnel:		[Signature]			
Formal Document number:		1. TRSNG 701			
Tasks/Procedures:					
1. Check the completeness of the requirements. Refer to the coding list.					
2. Review submitted requirements if not properly labeled and include number coding before the name of the document (e.g., "02-Registration Application Form").					
3. Check if the application form is correctly filed out. Check if the entries in the form are complete and correct as expected.					
4. Ensure that all information in the application form and other documentary requirements are complete and correct.					
5. Check the address using Google Maps and note if the address is a building, if it's located in an economic zone, etc. Include the information in the summary of the materials.					
6. Call the contact numbers to verify the existence of the company.					
7. Check the supporting document of the applicant: compliance for OTRM compliance. Minimum criteria of accreditation document:					
a. The document must conform to the approved template.					
b. The document must be signed by the company representative.					
c. The document must be signed by the company representative who is located in the Philippines or has a working permit if a foreign entity. If it is not applicable, the signatory officer of the company based in the Philippines and has the authority to sign a document is acceptable.					
8. Check the Internal Organizational Chart to support the verification of the person responsible. The organizational chart should include the names of responsible senior and middle managers involved in the trade of strategic goods. The chart should also be available in the form.					
9. Check the Organizational Chart to support the verification of the company's officers relationship and check if it is supported into the OTRM.					
10. Check the website. Take note if it is an independent site of the company or if the company claims that it is an independent site of the company. Include this information in the summary of the evaluation. Record a description of website main message, address and the reason for registration if the document is not available.					
11. Check if the completion in the form are signed and returned to the company.					

RISK ASSESSMENT MATRIX

The matrix will aid licensing officers in providing **uniform and objective assessments of applications**. The summarized criteria include commodity assessment, end-use sensitivity, proliferation concerns, diversion to unauthorized end-users, risk of illegal end-use by end-users and affiliates, and country risk-based tiering. To facilitate assessment, tiering of goods and countries were established.

1. The tiering of goods is based on the risk associated with the commodity, regime origin, and the product category of the goods with considerations on the difficulty of control. For goods under the Chemical Weapons Convention (CWC), the membership of the destination country is taken into account.
2. Country risk-based tiering is based on strategic trade elements and geographic considerations, such as membership to treaties, conventions and multilateral control regimes, laws governing export control, legitimate CBRN programs, and known internal conflict, human rights violations, and sanctions.

STMO Implementing Guidelines and Issuances

The STMO is responsible for the implementation of policies concerning the cross-border trade of strategic items. To assist industry stakeholders in complying with the provisions of the STMA, the STMO issued the following guidelines:

Memorandum Circular No. 20-03:
Guidelines in Obtaining Non-Strategic
Good Certificate



Companies that engage or intend to engage in the export of goods listed in the NSGL shall apply for registration and authorization with the STMO. However, there are goods intended for export that are unlisted or with specifications that are not within the parameters set in the NSGL. These goods may be subjected to additional scrutiny if they are visually or physically similar to strategic goods. In such cases, the STMO has published Guidelines in Obtaining Non-Strategic Good Certificate to facilitate trade in goods and eliminate impediments to the trade of non-strategic goods.

Memorandum Circular No. 20-26:
Guidelines on Export Authorization

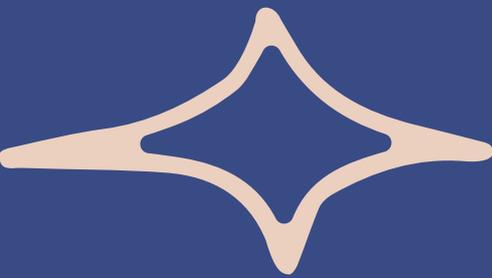


The STMO began accepting applications for export authorization last 01 July 2020. The STMO issued this guideline to inform the exporters about the application process, including the documentary requirements, processing time, different types of authorization and its validity, the authorization holders' responsibility, and the grounds for suspension/ annulment/ revocation/ limitation/ modification of an authorization. The guidelines also include information on what transactions are exempted from the export authorization requirement.

Memorandum Circular No. 20-27:
Suspension of Penalties



In light of the COVID-19 pandemic, the STMO temporarily suspended administrative penalties to give the industry ample time to recover from the effects of the pandemic on their business while at the same time comply with the STMA and ensure that trade will not be hampered. The STMO temporarily suspended the following administrative penalties: (a) limitation/ revocation/ annulment of authorization and registration, (b) imposition of fines, and (c) cancellation/ suspension of authority to operate with SEC/ DTI. This is without prejudice to the filing of appropriate criminal charges as provided under the STMA.



**Memorandum Circular No. 20-45:
Guidelines on ICP Pre-authorization Audit**

The Internal Compliance Program (ICP) Pre-authorization Audit is part of the assessment for registered exporters wishing to apply for Global Authorization. The Pre-authorization Audit is conducted to determine if the company's ICP or Technology Control Plan (TCP) has all the required standard elements and to ensure that the company has a mechanism in place to comply with the provisions and with the terms and conditions of authorizations set out in the STMA. This guideline outlines the ICP pre-authorization audit process, necessary documents for pre-authorization audit, audit particulars, and the audit's possible results after the assessment. It also provides details on how companies can request assistance from the STMO in setting-up their ICP/ TCP.

**Memorandum Circular No. 20-47:
Guidelines for Export Clearance**

All exporters are required to declare their exported goods using the Export Declaration (ED) form through the Electronic-to-Mobile (E2M) System, the Automated Export Documentation System (AEDS), and any other electronic or manual means. Exporters covered in the STMA with authorization to export strategic goods shall indicate in the ED form the authorization number, parties involved in the shipment, and other pertinent information. Authorization holders shall also indicate in the Export Packing List and Commercial Invoice the same information and details of the authorized goods (NSGL code and HS code). The exporter is also responsible for keeping these commercial documents for ten years.

**Memorandum Circular No. 20-60: Guidelines on
Warning Letters and Orders for Corrective Action**

Despite the suspension of administrative penalties, the STMO can still issue Warning Letters and Orders for Corrective Action when an apparent violation has been committed, including the attempt to export strategic goods without registration and authorization and other analogous circumstance. The warning letter will contain the facts of the specific violation with attached copy/ies of piece/s of evidence. The warning letter recipient shall file their comment, which includes defenses/ undertaking and supporting documents, for STMO's consideration. Failure to submit a comment will result in an issuance of an Order for Corrective Action.

Implementing the UN Sanctions

The STMO supports the Department of Foreign Affairs' (DFA) in complying with the country's international obligations under various treaties, conventions, United Nations Security Council Resolutions (UNSCRs), and other international declarations through submission of relevant reports, issuance of reinforcing regulations, and coordination with other States and international bodies. Given the role of STMO in promulgating measures on nonproliferation of weapons of mass destruction (WMD), STMO has completed activities and operationalized several issuances to fulfill nonproliferation obligations: media report that is meaningful for all stakeholders involved.

UN Security Council Sanctions List as the STMO's List of Prohibited End-users

The STMO issued Memorandum Circular 20-13 on 15 May 2020, which automatically adopts the UN Security Council Consolidated List of Individuals and Entities as STMO's List of Prohibited End-Users. In the same year, a total of six (6) communications from DFA - Office of the United Nations and International Organization (DFA-UNIO) on UNSCRs have been received and incorporated in the STMO's internal database of prohibited and restricted end-users.

DTI Advisory to Businesses Transacting with Sanctioned Entities

The DTI, represented by STMO Director Atty. Luis M. Catibayan, provided a presentation to the Security, Justice and Peace Cabinet Cluster on the implications of the United States Bureau of Industry and Security's (US BIS) list of blacklisted/ sanctioned entities to the Philippines. As a result of the meeting, DTI Secretary Ramon M. Lopez issued an advisory to all persons who might be transacting business with sanctioned individuals and entities. The issuance encourages businesses operating in the Philippines to update themselves on the current multilateral and unilateral lists of sanctioned individuals and entities and exercise enhanced due diligence to avoid sanctionable activities. The STMO has also been referred to for end-user business advice.



Regulating Cross-Border Transfers of Sanctioned Goods to and from North Korean and Iran

Starting 01 February 2021, the STMO has started to regulate the export, transit, and transshipment of sanctioned goods to and from North Korea and Iran. The list of sanctioned goods is listed in Annex 3 of the National Strategic Goods List. The STMO also regulates the brokering and financing of sanctioned goods pursuant to Memorandum Circular 21-06 issued on 28 January 2021.

STMO's participation in UN Sanctions Training and Dialogues

To further strengthen knowledge and be informed of the current situation involving sanctioned States and entities, STMO personnel participated in various webinars and fora on UNSCR sanctions implementation organized by UN Office for Disarmament Affairs, Kharon, and CRDF Global. These provided STMO personnel a global perspective and best practices on sanctions implementation and opportunities to identify gaps and recommend improvements on end-user checks during licensing procedures.



IMPLEMENTING NON-PROLIFERATION TREATIES - COORDINATION WITH THE DEPARTMENT OF FOREIGN AFFAIRS

Considering STMO's knowledge on Chemical, Biological, Radiological, Nuclear, Explosives and military-related issues and in conjunction with the whole of government approach in international negotiations, the STMO shares its expertise with other government agencies.

As the primary agency on the nonproliferation of Weapons of Mass Destruction (WMD), the STMO gives inputs on disarmament and nonproliferation related topics, inter alia:



UN Security Council
Resolution 1540



Arms Trade Treaty



UN Security Council
Targeted Sanctions



UN Firearms Protocol



Chemical Weapons
Convention



Hague Code of Conduct
against Ballistic Missile
Proliferation



Biological and Toxin
Weapons Convention



Lethal Autonomous
Weapons System
Negotiations



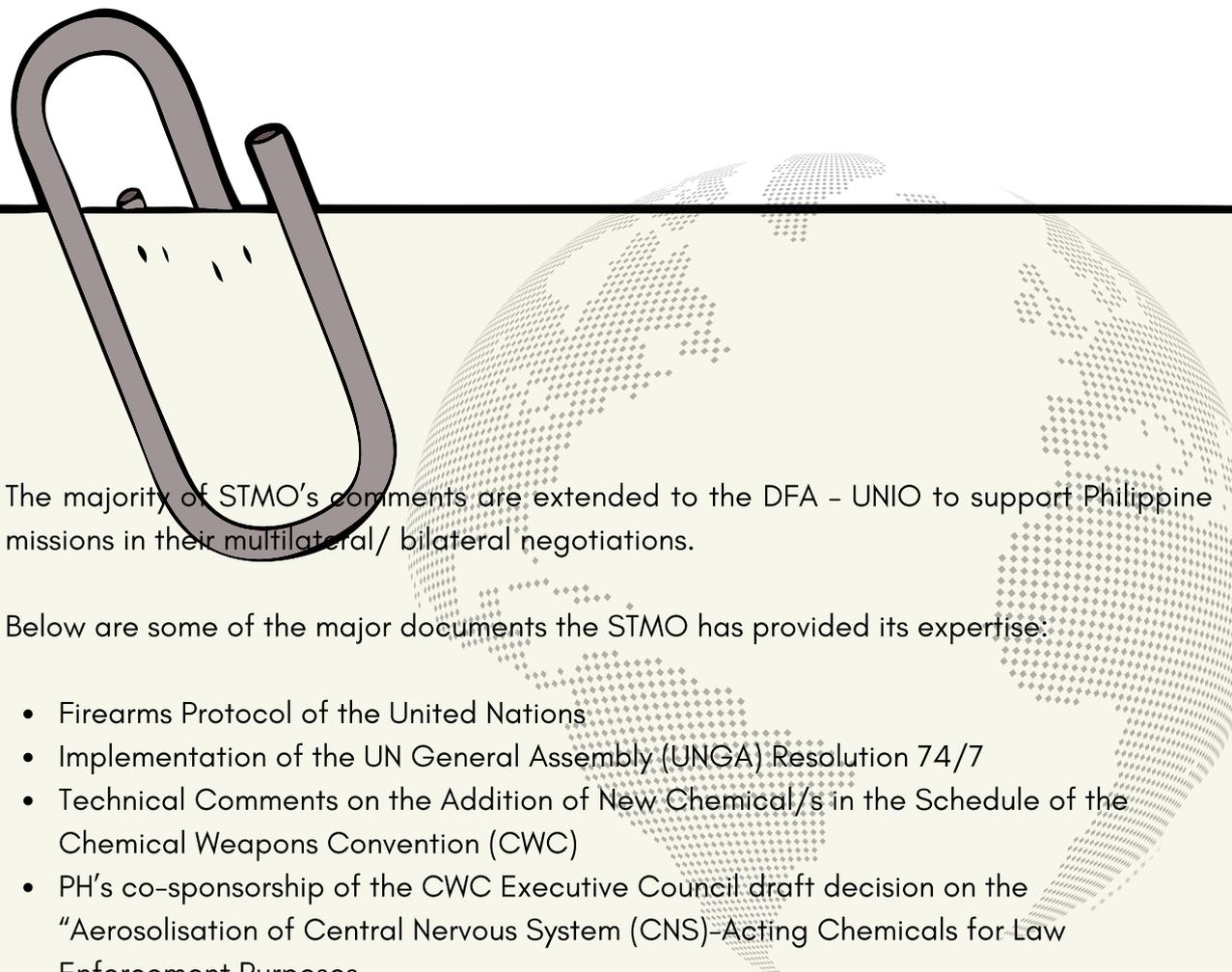
Nuclear Nonproliferation Treaty



Financial Action
Task Force -
Recommendation No. 7



Treaty on the Prohibition of Nuclear
Weapons

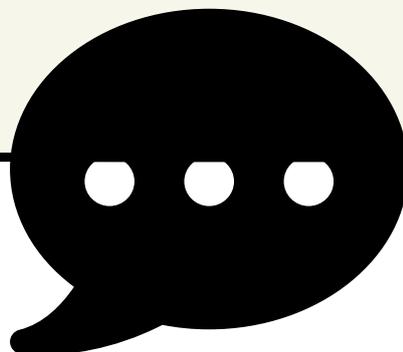


The majority of STMO's comments are extended to the DFA - UNIO to support Philippine missions in their multilateral/ bilateral negotiations.

Below are some of the major documents the STMO has provided its expertise:

- Firearms Protocol of the United Nations
- Implementation of the UN General Assembly (UNGA) Resolution 74/7
- Technical Comments on the Addition of New Chemical/s in the Schedule of the Chemical Weapons Convention (CWC)
- PH's co-sponsorship of the CWC Executive Council draft decision on the "Aerosolisation of Central Nervous System (CNS)-Acting Chemicals for Law Enforcement Purposes
- Information on Certain Individuals and Entities Under Investigation for Possible UN Sanctions
- Proposed Draft Memorandum of Understanding (MOU) between the Philippines and Syria to Combat Transnational Organized Crime
- ASEAN Regional Forum Ha Noi Plan of Action II
- 6th Conference of State Parties to the Arms Trade Treaty draft decisions
- Philippine ratification of the Arms Trade Treaty
- Lethal Autonomous Weapons System
- Annual submission of the Philippines' Confidence Building Measures (CBM) to the Biological and Toxin Weapons Convention (BTWC)
- UN Small Arms and Light Weapons (SALW) Programme of Action
- National Anti-Money Laundering - Combating of Financing of Terrorism (AML/CFT) Strategy Action Plans per Executive Order no. 68. series of 2018

Lastly, the STMO also provides technical comments on proposed national legislations and other matters related to CBRNE national implementation.



STATEMENT OF STMO DIRECTOR LUIS M. CATIBAYAN SUPPORTING THE SENATE'S CONCURRENCE TO THE RATIFICATION OF THE TREATY ON THE PROHIBITION OF NUCLEAR WEAPONS

Delivered during the Senate Committee on Foreign Relations Hearing last 14 January 2021



The TPNW recognizes that the existence of nuclear weapons has catastrophic consequences for humanity. In conjunction with the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and already existing multilateral agreements, the TPNW seeks to prohibit, among others, the use, development, testing, production, manufacturing, acquisition, possession, or stockpiling of nuclear weapons. The TPNW also establishes comprehensive measures for the elimination of such weapons. Further, the TPNW requires State Parties to adopt domestic legislation that will implement the Treaty's provisions.

Section 2 of Republic Act No. 10697 or the Strategic Trade Management Act declares that it is "a policy of the State to be free from Weapons of Mass Destruction (WMD) in its territory, which is consistent with the Constitutional provision that adopts and pursues a policy of freedom from nuclear weapons in our territory. Section 2 of the said law further provides that the enactment of the STMA is consistent with the national interest and in fulfillment of our international commitments and obligations. These obligations include those provided under United Nations Security Council Resolution (UNSCR) 1540, which require the UN Member States to take and enforce effective measures to establish domestic controls to prevent the proliferation of WMDs and their means of delivery; maintain international peace and security, promote economic growth by facilitating trade and investment through the responsible management of strategic goods and the provision of related services.

The STMA provides the framework for the management of strategic goods and the provision of related services in accordance with international standards. The STMA defines strategic goods as "products that, for security reasons or due to international agreements, are considered to be of such military importance that their export is either prohibited altogether or subject to specific conditions. Such goods are generally suitable for military purposes or WMD production, including nuclear and radiological explosive devices and their major sub-systems.

The enactment of the STMA is aligned with Article 5 of the TPNW, which requires State Parties to adopt necessary measures to implement obligations and take appropriate legal, administrative, and other measures to prevent and suppress any prohibited activity undertaken by persons within their territory. The establishment of management systems for the cross-border trade of strategic goods, including nuclear-related items and technologies, supports the main objective of the Treaty to prohibit the use, development, testing, production, manufacturing, acquisition, possession, or stockpiling of nuclear weapons.

ENSURING INDUSTRY COMPLIANCE

The STMO requires, among other things, the establishment of an Internal Compliance Program (ICP) as a precondition for the issuance of an authorization or governmental end-use assurance.

Under Section 4(m) of the STMA Implementing Rules and Regulations (IRR), ICP refers to an effective, appropriate, and proportionate means and procedures, including the development, implementation, and adherence to standardized operational compliance policies, procedures, standards or conduct, and safeguards, developed by exporters to ensure compliance with the provisions and with the terms and conditions of authorizations set out in the STMA.

Accordingly, the ICD conducts ICP Pre-Authorization Audits to verify the adherence of companies' ICP to STMO's standards, and to check whether it is properly and effectively implemented within the company.

ICP ELEMENTS



MANAGEMENT COMMITMENT

The commitment and support given by the company's management to comply with the STMA and its IRR.



TECHNOLOGY CONTROL PLAN, IF APPLICABLE

A system designed to prevent unauthorized access, transmission, transfer or sharing of sensitive and controlled items, software, and technology.



ICP STRUCTURE AND RESPONSIBILITY

The composition and arrangement of different personnel tasked in implementing the ICP.



ICP TRAINING

Skill and/or knowledge development in preparation for tasks concerning strategic trade management or ICP.



REPORTING AND CORRECTIVE ACTION

A system for reporting incidents or acts that violate the STMA, its IRR or terms and conditions of the authorization, including remedial and preventive measures intended to avoid violations.



INTERNAL AUDIT

The process whereby a company assesses its ICP.



SHIPMENT CONTROL

A system that prevents diversion of strategic goods as they are transferred from one country to another.



ICP STANDARD OPERATING PROCEDURE

Contains the detailed procedure that must be followed to ensure compliance with the ICP's rules and policies.



SCREENING PROCEDURES

Include company's procedures for product classification, end-user screening, end-use screening and risk assessment.



RECORDKEEPING

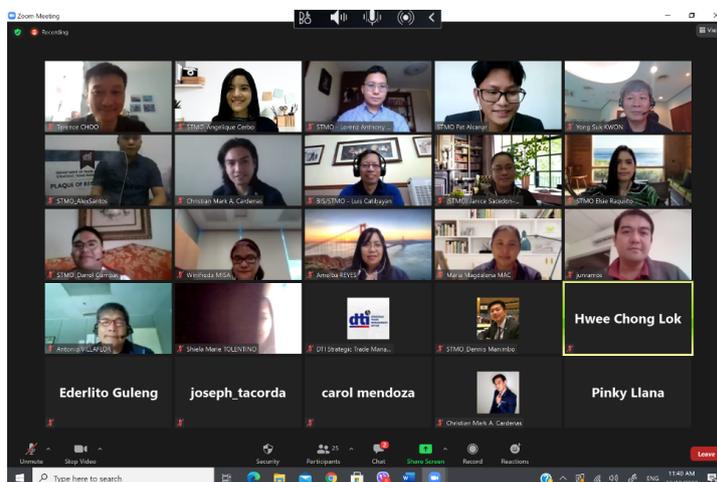
A system by which a company maintains records of its transactions.

INTERNAL COMPLIANCE PROGRAM AUDIT

With respect to the current state of public health emergency, wherein, all occupational safety and health protocols must be strictly and properly observed, the STMO employs a **Remote Audit Approach**, which involves the use of information and communication technology to conduct the audit, gather information, interview, and inspect when "face-to-face" methods are not possible.

Accordingly, the STMO conducts ICP Pre-Authorization Audits to verify companies' adherence and effective implementation of the ICP elements established by the STMO.

COMPANIES WITH PRE-AUDITED ICP



STMO conducted a remote ICP pre-audit with STMicroelectronics. All company officers, including top management officials, involved in strategic trade decisions were present to answer STMO's questions.

PROMOTING STMA AWARENESS: INDUSTRY AND GOVERNMENT OUTREACH

STMA AWARENESS

One of the key responsibilities of the **STMO** is to raise awareness among industry and government stakeholders. This role helps achieve our obligations to maintain international peace and security and promote economic growth by facilitating trade and investment through the responsible management of strategic goods and the provision of related services.

The STMO's awareness-raising activities with industries aim to increase awareness and compliance with their obligations under the STMA. The STMO underscores the crucial role of the industry stakeholders and partners with them in combating the proliferation of WMDs as they produce, manufacture, and export strategic goods that proliferators could exploit.

With the thrust to uphold national security while promoting economic growth, it is equally important to secure the support of government partners through outreach. Through communication with relevant government agencies, cooperation and coordination are well established, and the facilitation of exchanges and the flow of information are not hindered. Furthermore, the STMO believes that a **whole-of-nation approach** is a good perspective that will allow for effective implementation of the STMA.

INDUSTRY OUTREACH

As early as 2019, the STMO has reached out to various industries by organizing **Strategic Trade Management Awareness Forums**, consultation sessions, industry visits, and trade conventions. While the pandemic has limited its ability to conduct industry visits and physical consultations, STMO has shifted to an online platform to reach more industry stakeholders. The online consultation efforts have led to 500 industries being reached and informed about the law.

The STMO also uses data analytics to connect with manufacturers. This is done through a process called **targeted outreach**, which utilizes trade data from the Bureau of Customs (BOC) to identify the exporters of potentially controlled items. The STMO sends out letters to identified companies, informing them that their exported items are potentially controlled under the STMA, and to conduct a commodity classification to determine if they need to register and apply for authorization.

GOVERNMENT OUTREACH

TECHNICAL WORKING GROUP ON STRATEGIC TRADE FACILITATION

Through the **Technical Working Group on Strategic Trade Facilitation (TWG on STF)**, the STMO was able to enlist government agencies' assistance and support to maintain coordination, cooperation, assistance, and information sharing to implement the STMA.

In December 2020, members of the TWG on STF, particularly the STMO, BOC, and special investment promotion agencies (IPAs) such as the Philippine Economic Zone Authority (PEZA), Clark Development Corporation (CDC), Authority of Freeport Area of Bataan (AFAB), and Subic Bay Metropolitan Authority (SBMA), entered into a Memorandum of Agreement (MOA). The MOA aims to establish communication mechanisms and procedures, conduct capability buildings for frontline officers and enforcement, and streamline documentary requirements such as data-sharing and license verification. These functions are aligned with the main goal of ensuring the security of the supply chain from WMD proliferation and diversion attempts by safeguarding the trade of strategic goods while maintaining the ease of doing business, especially for legitimate and compliant exporters.

Since 2019, STMO has simultaneously conducted outreach to various units and bureaus of the DTI (Region 4, Central Office, and BOI), BOC (Port of Manila, Manila International Container Port, NAIA, Batangas, SBMA, Clark, Cebu, and Central Office) and special IPAs (AFAB, CDC, PEZA, and SBMA), which enabled the STMO in identifying relevant government offices on matters of strategic trade.

Industry awareness will promote compliance with the STMA, and government awareness will strengthen its implementation. Outreach programs have contributed to the establishment of inter-agency mechanisms that will make a significant contribution to the establishment of a robust strategic trade management regime in the Philippines.

PHILIPPINE STRATEGIC TRADE ANALYSIS

In 2020, the STMO started its efforts to incorporate data analytics to support its operations and ensure that actual trade data support the rationale for policies and guidelines released to the industry.

The use of industry mapping, particularly on dual-use export controls, is a relatively new concept but is based on the idea that effective implementation of strategic trade control relies on the understating of the industry, mainly, who the **manufacturers** and **exporters** of the strategic goods are.

DATA ANALYTICS CAPABILITY-BUILDING

STMO continuously participates in relevant trainings to develop its capability in data analytics. This includes the **Dual-Use Industry Mapping Seminar** hosted by EU P2P in November 2019, as well as the **Business Intelligence and Data Analytics** short course, a scholarship provided by Australia Awards in 2020.

STRATEGIC TRADE INDUSTRY ANALYTICS SYSTEM (STIAS)

The STIAS, developed and maintained by the STMO, is a tool used for internal data analysis to support policymaking, risk management, outreach, and enforcement efforts. The tool brings together data from various sources to create a clear picture of the Philippine strategic trade landscape. This includes Export Declaration forms from the BOC received on a monthly basis, list of registered enterprises in economic zones, list of sanctioned entities and individuals from the United Nations Security Council (UNSC), and internal STMO data such as registered and authorized persons, master list of events and attendees, master list of contacts, master list of stakeholders, and industry communication logs.

STIAS METHODOLOGY

The raw data are all received in Microsoft Excel format. Due to the large volume of data received from the BOC, columns relevant to STMO's analysis are selected and consolidated through Python. This allows automation in the appending of monthly files from the BOC and faster processing of data. Additionally, since Microsoft Excel has a row limit of roughly one million rows, the data appended by Python are loaded in an SQL database, which is then loaded and visualized in Microsoft Power BI.

UTILIZATION OF THE STIAS

The STIAS currently contains the Philippines' export data from 2018 to 2020. STMO primarily uses the data for its targeted outreach and risk management efforts. The Stimson Center, a US-based think-tank, has recognized the targeted outreach initiative of the STMO as a best practice during the Security and Strategic Trade Management Academy (SSTMA).

Targeted Outreach. In 2020, STMO sent out approximately 400 targeted outreach letters to exporters. The letters, however, were sent out at the time that the government announced a lockdown, thus, resulting in a low response rate. STMO sends two types of targeted outreach letters: (1) for businesses that have already attended previous strategic trade management awareness events and/or in-house consultation sessions; and, (2) for businesses that have not yet attended or communicated with STMO. A response slip is provided to allow the company to note whether they are exporting strategic goods or require further assistance from STMO.

Risk Management. Through the TWG on STF, STMO is also closely coordinating with the BOC's Risk Management Office (RMO) for the regular assessment and updating of the HS codes that will be tagged in their Selectivity System. The STIAS is also able to provide the list of consignees, which is then matched to the UNSC sanctions list.

Enforcement. The STIAS allows for the easy identification of the top exporters, trading partners (countries), ports of entry, vessels, consignees, and exported HS codes. These are monitored by the STMO in case there are unusual activities.

In the future, the STIAS will be updated with new data every month, and will also be eventually used to monitor other activities, including import, transit, and transshipment. This tool could also potentially provide insights on the drafting of the guideline for general authorization and in-country profiling as it shows the historical relationship of the Philippines with its trading partners.

WHOLE-OF-GOVERNMENT APPROACH IN IMPLEMENTING THE STMA

NSC-STMCom Resolution No. 1 (2018), which created subcommittees composed of various government agencies, enabled collaborative efforts to assist the STMO in implementing the STMA. The STMO has worked together with member agencies to establish effective coordination and cooperation mechanisms and ensure harmonization of different internal procedures in implementing the law.

01. Subcommittee on Technical Reachback

The SCTR is composed of the following government agencies:

1. Department of Science and Technology (DOST), Office of the Undersecretary on Research and Development;
2. DOST - Philippine Nuclear Research Institute (PNRI);
3. DOST - Industrial Technology Development Institute (ITDI);
4. DOST - Advanced Science and Technology Institute (ASTI);
5. DOST - Metals Industry Research and Development Center (MIRDC);
6. Department of Environment and Natural Resources (DENR) - Environmental Management Bureau (EMB);
7. Department of Information and Communications
8. Technology (DICT); Department of Health (DOH);
9. Department of National Defense (DND); and
10. Philippine National Police - Firearms and Explosives Office (PNP-FEO)

SCTR members shall assist STMO in classifying strategic commodities and assisting law enforcement agencies in identifying strategic goods in the performance of enforcement functions.

Major Accomplishments:

1. Subcommittee on Technical Reachback Inter-Agency Protocol
2. 2020 Revision/Updates of the NSGL Annex 2

02. Subcommittee on Risk Assessment

The SCRA is composed of the following government agencies:

1. Department of Foreign Affairs (DFA);
2. Department of National Defense (DND);
3. National Security Council - Secretariat (NSC-S);
4. National Intelligence Coordinating Agency (NICA);
5. National Bureau of Investigation (NBI);
6. Anti-Terrorism Council - Program Management Center (ATC-PMC);
7. Philippine Center on Transnational Crime (PCTC);
8. Office of the Special Envoy on Transnational Crime (OSETC);
9. Philippine National Police - Directorate on Intelligence (PNP-DI); and
10. Philippine National Police - Firearms and Explosives Office (PNP-FEO).

SCRA members shall assist the STMO in evaluating applications for registration and authorizations, as well as issue recommendations based on risk assessment criteria provided in the STMA IRR.

Major Accomplishments:

1. Subcommittee on Risk Assessment Inter-Agency Protocol
2. Discussion on the Tiering of Countries and Goods
3. Discussion on Sanctions Implementation

03. Subcommittee on Enforcement

Subcommittee on Enforcement (SCE)

The SCE is composed of the following government agencies:

1. Bureau of Customs (BOC);
2. Philippine Coast Guard (PCG);
3. National Bureau of Investigation (NBI);
4. PNP Criminal Investigation and Detection Group (PNP-CIDG);
5. PNP Maritime Group (PNP-MG);
6. PNP Aviation and Security Group (PNP-AVSEGROUP);
7. PNP Firearms and Explosives Office (PNP-FEO);
8. Department of Foreign Affairs (DFA);
9. National Security Council - Secretariat (NSC-S);
10. National Intelligence Coordinating Agency (NICA);
11. Armed Forces of the Philippines (AFP);
12. National Coast Watch Center (NCWC);
13. Anti-Money Laundering Council - Secretariat (AMLCS);
14. Department of Justice (DOJ); and
15. Philippine Center on Transnational Crime (PCTC)

04. Technical Working Group-Strategic Trade Facilitation

Technical Working Group-Strategic Trade Facilitation (TWG-STF)

The TWG-STF is composed of the following government agencies:

1. Bureau of Customs (BOC);
2. Authority of the Freeport Area of Bataan (AFAB);
3. Clark Development Corporation (CDC);
4. Philippine Economic Zone Authority (PEZA); and
5. Subic Bay Metropolitan Authority (SBMA).

Member agencies of the TWG-STF gathered together last 15 December 2020 to sign the MOA on Trade Facilitation of the Exports of Strategic Goods. The signing ceremony marks a breakthrough in integrating trade systems, as the members have formalized their commitment and support to facilitate effective and efficient trade of strategic goods.



Signatories and to the MOA on TF (from L to R): Administrator Emmanuel D. Pineda (AFAB), OIC and Senior Deputy Administrator Ramon O. Agregado, Usec. Ceferino S. Rodolfo (DTI), Commissioner Rey Leonardo B. Guerrero (BOC), Director General Charito B. Plaza (PEZA), OIC President Mariza O. Mandocdoc

STMO COLLABORATION WITH OTHER GOVERNMENT AGENCIES



Chemical Security Framework

The STMO participates and has provided substantial inputs and comments to establish the Philippine Chemical Security Framework (CSF). The CSF aims to provide a framework of securing chemicals of security concern, associated facilities, and associated activities for the prevention of malicious acts intended or with the potential to cause serious harm to individuals, society, or the environment, such as mass casualties, mass physical destruction, and mass socio-economic disruption.



National Action Plan on Preventing and Countering Violent Extremism (NAP P/CVE)

Since 2019, STMO represents the DTI on various engagements related to the National Action Plan on Preventing and Countering Violent Extremism (NAP P/CVE). STMO provided substantial inputs on the Security, Justice, and Peace (SJP) Cluster, includes registration and authorization services and coordination with established subcommittees and technical working groups. These initiatives ensure the non-proliferation of WMDs as security measures while facilitating trade activities.



National Anti-Money Laundering/ Countering the Financing of Terrorism Strategy (NACS)

STMO has worked with the Anti-Money Laundering Council (AMLC) and the National Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Committee (NACC) to implement the National AML/CFT Strategy (NACS), which laid down measures to comply with Financial Action Task Force (FATF) recommendation. FATF is an intergovernmental organization that sets international standards and assesses compliance to combat money laundering and terrorist financing. The STMO is currently a member of the NACC Terrorism Financing and Proliferation Financing Sub-Committee (TFPFSC), which ensures initiatives under NACS Objectives 1, 5, and 6 are complied with.

Regarding targeted financial sanctions related to proliferation financing, STMO initiated two issuances to comply with FATF Recommendations to help AMLC implement targeted financial sanctions related to proliferation financing. These measures as follows:

- (1) NSC-STMCom Resolution on adopting prohibited goods under UNSCR 1718 (DPRK) and 2231 (Iran) as Annex III (nationally controlled goods) of the National Strategic Goods List (NSGL); and
- (2) Memorandum Circular No. 21-06 on the Implementation of Financing and Brokering under STMA.

NSGL Annex III and Memorandum Circular No. 21-06 will act as stop-gap measures to address the gaps in regulatory and operational mechanisms related to PF and avoid being added to FATF's greylist. Beyond the FATF recommendations, the STMO has collaborated with AMLC and the Department of Justice (DOJ) to develop a robust countering proliferation finance law to lay down PF countermeasures.



Interpol National Central Bureau Manila (NCB-INTERPOL Manila)

As a member of the INTERPOL National Central Bureau (NCB) Manila's Coordinating Committee, STMO actively participates and receives relevant information from the largest international police organization to combat transnational crimes, including WMD proliferation. In 2020, STMO was granted a direct access to the INTERPOL Information System (i-24/7 connection) through a Memorandum of Agreement with NCB Manila. This further supports STMO's evaluation and assessment of registration and authorization applications.



L-R: PMaj Edwin E. Cura, STMO Dir. Luis M. Catibayan, PCTC Asec. Pelagio U. Samson Jr., and Engr. Lorenz T. Fernando during the signing of STMO - PCTC Interpol Memorandum of Understanding

International Cooperation

The STMO ensures that its policies and guidelines are consistent with international regulations for strategic trade control. The STMO has collaborated closely with partner states and organizations, learned from global experts, and adopted international best practices.



Australia

Australian Border Force



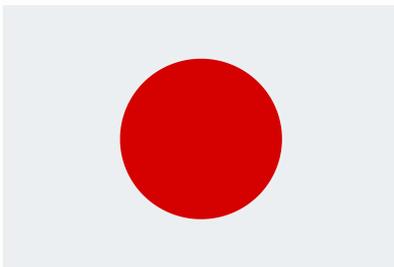
European Union

Partner-to-Partner on Dual-Use Goods
Partner-to-Partner Program on ATT



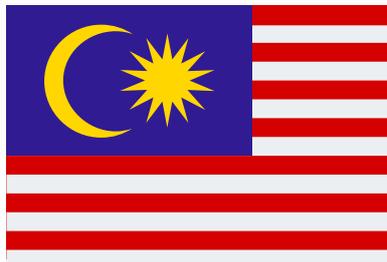
Germany

German Federal Office for Economic Affairs and
Export Control (BAFA)



Japan

Ministry of Economy Trade and Industry
Center for Information on Security Trade Control
(CISTEC)



Malaysia

Ministry of International
Trade and Industry



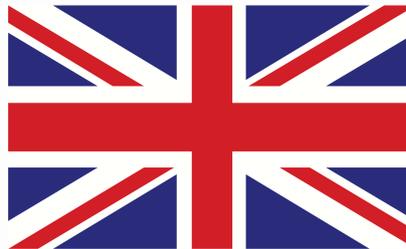
Republic of Korea

Korean Security Agency of
Trade and Industry (KOSTI)



Singapore

Singapore Customs



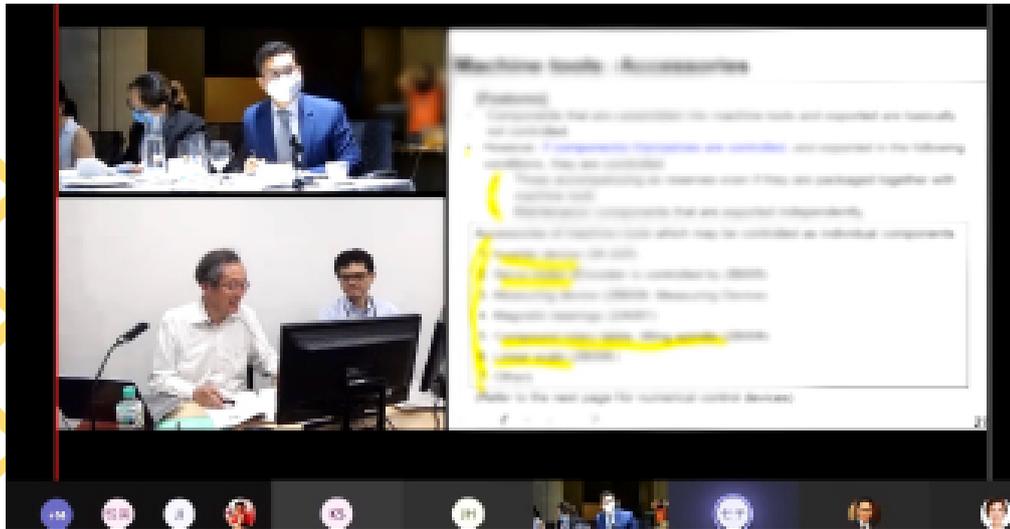
United Kingdom

Royal United Service Institute for Defense and Security
Studies (RUSI)
King's College London



United States

- Department of Energy
- Export Control and Border Security Program
- Defense Threat Reduction Agency
- Department of Homeland Security
- Pacific Northwest National Laboratory
- Stimson Center
- Pacific Forum



JAPAN METI's hybrid online workshop for STMO officers last 01-07 September 2020. Both countries utilized an online-based conference platform to conduct the said workshop.

The STMO has also actively participated in multilateral meetings and dialogues to relay its insights on current issues, provide updates on STC implementation, and be updated on emerging threats. Several officials have also served as members of the Philippine Official Delegation to the 6th Conference of State Parties to the Arms Trade Treaty.

Amidst the COVID-19 pandemic where restrictions on face-to-face interactions are imposed, the STMO has utilized online platforms to enhance the knowledge and capabilities of its personnel and SCTR and SCRA members in STC implementation. In collaboration with international partners, the office has conducted and partaken in the following activities for 2020:

1. European Union Outreach Programme on Dual-use Trade Controls (P2P), U.S. Export Control and Border Security (EXBS) Legal Consultation on STMA Implementation, U.S. Department of State's Programmes on Cooperative Threat Reduction (CTR) and EXBS Consortium Webinar on Proliferation Finance (PF) Legislation in the Philippines (27-29 May, 01-02, 08 June 2020)
2. Ministry of Economy, Trade and Industry Japan's Philippine Workshop for Licensing Officers and Inspectors of Internal Compliance Program (1-7 September 2020)
3. US Export Control and Border Security (EXBS), Bureau of Industry and Security (BIS) and International Nonproliferation Export Control Program (INECP), Japan Ministry of Economy, Trade and Industry (METI), and Singapore Customs Joint Industry Outreach Seminar on Strategic Trade Management 2020 (29 September-01 October 2020)
4. German Federal Office for Economic Affairs and Export Control (BAFA)'s Bilateral Online Workshop for the Philippines (20-22 October, 15-16 December 2020)
5. EUP2P Export Control of Dual-Use Goods - Virtual Capacity Building for the STMO (5-6 November 2020)
6. Strategic Trade Control Enforcement (STCE): Capacity Building and Strategic Planning Online Workshop (January-February 2021)

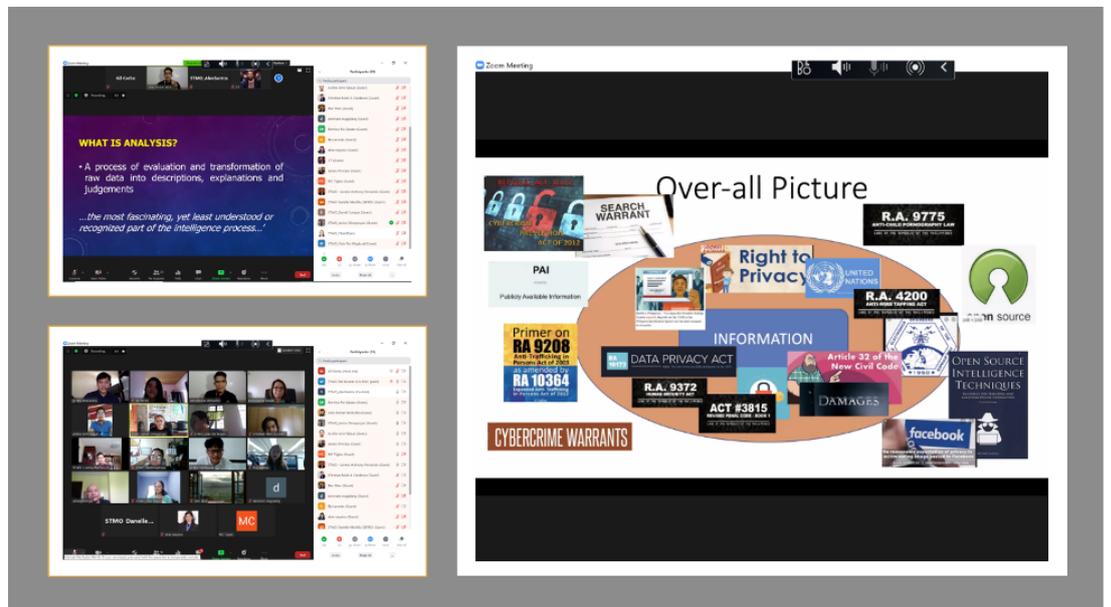
The STMO will continue to work with its counterparts as it seeks to establish one of the world's most robust STC systems and contribute to the maintenance of global peace and security.



In 2020, STMO personnel participated in various internal capacity-building activities that will enhance their abilities and skills to perform their functions.

BASIC INTELLIGENCE ANALYSIS AND INTELLIGENCE REPORT WRITING COURSE (TRAINING)

The ICD arranged the training on Basic Intelligence Analysis and Intelligence Report Writing for the STMO personnel with guest lecturers from the National Bureau of Investigation (NBI). NBI experts SI III Rome A. Tejuco and SI III John Romer L. Venturillo imparted their expertise and knowledge on Intelligence Analysis during the five-day training held on 03-07 August 2020 via Zoom.



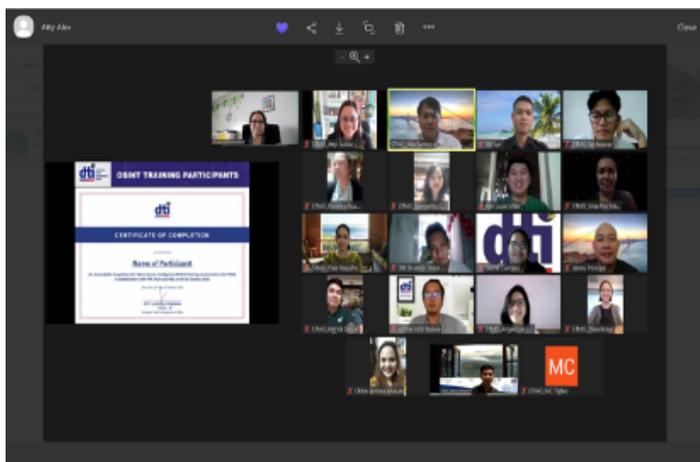
Participants interacted via Zoom platform during the online training.



OPEN-SOURCE INTELLIGENCE TRAINING (OSINT)

The ICD hosted a two-week Open-Source Intelligence Training (OSINT) from 05-09 and 12-16 October 2020 via Zoom. The said training was made possible through the assistance of the NBI, National Intelligence Coordinating Agency (NICA), and Philippine National Police (PNP). Relative to the aforementioned, Major June Abrazado of the Anti Cyber Crime Group (PNP) was invited as a guest lecturer for the said training and imparted his expertise on OSINT.

INTERNAL CAPACITY BUILDING



Presenting the Certificate of Completion to STMO personnel who completed the sessions.



A Virtual Plaque of Appreciation was given to PMaj June Paolo Abrazado for conducting the OSINT Training.

STMO S&T TEAM FOR THE REPURPOSING OF MANUFACTURING SECTOR TO ENSURE SUPPLY OF MEDICAL GOODS

At the onset of the COVID-19 pandemic, the DTI initiated the repurposing of manufacturing companies to increase the supply of medical goods for domestic consumption.

Considering STMO personnel's technical expertise, the office provided technical assistance in Science and Technology, provided technical assistance to the repurposing manufacturing program. The STMO prepared research outputs on the production of personal protective equipment (PPE), medicines, medical equipment, and disinfectants. The research includes the following:

1. active pharmaceutical ingredients (APIs) for COVID-19 treatment;
2. critical raw material for medical grade PPEs such as face masks, hazmat coverall, and face shields and technology to manufacture raw materials;
3. alcohol and other home and medical-grade disinfectants;
4. sanitation chamber designs for mass disinfection; and
5. medical devices such as ventilators and respirators.

PERSONAL PROTECTIVE EQUIPMENT



VENTILATORS



The research output includes items' specifications and the corresponding manufacturing processes. It also includes lists of possible suppliers (existing importers, exporters, and manufacturers of the identified raw materials and finished goods) and manufacturing companies with critical technologies or manufacturing facilities.



STMO SUPPORTS PROCESSING OF TRAVEL BAN EXEMPTION APPLICATIONS

The Philippine government has issued various travel ban advisories, tightening in-bound travels of foreign nationals. Such regulations affected foreign nationals working for multinational and local-based companies. The DTI, together with the Department of Foreign Affairs (DFA), assisted industries in facilitating the issuance of travel ban exemptions for foreign national who satisfies any of the following conditions:

1. Employed in a critical or essential operation such as manufacturing, export activities;
2. Reason for such travel has a significant impact on the company operations; or
3. Holding a critical position/role in a company (e.g., High-level executives, scientists, engineers, etc.).

As a response to DTI Usec. Ceferino Rodolfo's request to assist the national government in processing such applications, the **STMO has endorsed 200 Travel Ban Exemptions applications** to the DFA for their consideration since October 2020.



Aside from fulfilling its mandate, the STMO is firmly committed to supporting national government initiatives that assist industries and promote the welfare of consumers and the general public.

Future Plans

The STMO gears itself as a fully functional office compliant with international commitments and obligations to manage and facilitate strategic trade by 2028. A robust strategic trade management system builds investor confidence and security, which will encourage additional foreign investments, generate jobs and revenues, and increase industries' competitiveness in advanced technologies while ensuring international peace and security

For the STMO to attain its vision, the following initiatives are planned for 2021:

- The issuance of Guidelines on General License which simplifies procedures in obtaining export authorizations for certain items going to low-risk destinations.
- The issuance of other technical guidelines, such as the End-User/Catch-all Controls, Governmental End-use Assurance, Intangible Transfer of Technology, etc. to expand the regulated strategic trade activities being.
- The operationalization of the recently issued Memorandum Circular No. 21-06 that implements Financing and Brokering under the STMA to support the implementation of UNSC Targeted Financial Sanctions.
- Together with AMLC, the drafting of a comprehensive bill to counter Proliferation Financing. The proposed legislation is a big step to uphold our commitment to integrate international export control regulations with Financial Action Task Force standards and UN Security Council obligations.
- Ongoing coordination with the partner agency to build a centralized IT infrastructure to meet our technical requirements. The IT infrastructure will offer convenience and global accessibility to the STMO personnel, relevant government agencies, and industry applicants. It also gives an exact status of all applications; hence the application can be acted promptly, and STMO could improve its service quality.

The STMO is committed to fulfilling its deliverables to establish a strong and effective strategic trade management regime in the country.



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