

# EU-PHILIPPINES

trade and investment  
factfile 2012



## The Delegation of European Union to the Philippines

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## Message from the EU Trade Commissioner



*I hope this short publication will provide you with some useful facts and information about bilateral trade and investment between the Philippines and the EU.*

*The EU is the biggest economy and the largest trader in the world, and is also one of the most open economies. The average applied tariff for goods imported to our markets is very low, particularly so when taking into account the preferential market access most countries enjoy. More than 70% of goods imports are entering the EU market at zero or reduced tariffs; and nearly 90% of imports from the Philippines enjoy such zero or reduced tariffs.*

*The EU is deeply committed to trade liberalization and market opening in ways that are conducive to growth and investment at times of economic change. Trade is indeed an effective engine of growth in today's world. More and better, trade has lifted millions out of poverty and helped create sustained growth in many regions of the world, and I am a strong believer in open markets backed up by clear and enforceable rules. We would be delighted to foster our trade partnership, a partnership between equals, with the Philippines on this basis.*

*This agenda encompasses a range of issues including the liberalisation of investment opportunities and services sectors, as well as access to tendering markets. In this sense, the experience with agreements with other countries in the world, such as Chile, indicate that comprehensive liberalisation allows to reap the full benefits of a far-reaching deal early on.*

*The ASEAN region remains a key trading partner of the EU. In this context I am pleased to note the growing dynamism of the Philippine economy, which I hope can be sustained through further reforms in the Philippines' trade and investment regime.*

*For the Philippines, the EU remains its 5<sup>th</sup> largest trading partner, accounting for 9% of its total trade in goods, even though the true importance of the EU as trade partner of the Philippines is likely to be understated due to the rise of regional and even global production networks*

*The EU is the world's largest exporter and actively advances its bilateral trade agenda. Nevertheless, the multilateral agenda, the cornerstone of all rules-based trade, remains a crucial point of our trade policy agenda.*

*Within the framework of the new Lisbon Treaty, the EU has also gained new competencies on investment, including the protection of European investments abroad. In turn, the EU is working to convert Europe into an even more attractive destination for foreign investors.*

A handwritten signature in black ink, appearing to read 'K. De Gucht', written in a cursive style.

**Karel De Gucht**  
EU Trade Commissioner





# Overview

EU – Philippines trade [excluding the volatile gold trade] modestly declined in 2011 and remained stable in 2012. EU-Philippines trade remained affected notably by the worldwide slowdown in parts of the electronics sector, as while the Philippine Government is seeking to diversify its export-base, some 60% of the Philippines' global exports are still coming from the IT sector, which suffered a 5% decline in 2012. As diversification takes time, this concentration of Philippines exports on products in one sector makes its export performance highly vulnerable to external demand fluctuations.

However, while Philippine exports of IT products to the EU declined by 7%, other manufactures performed better: overall manufacturing exports increased by 2% to €4.2 billion in 2012 and exports of fish products equally improved, albeit a decline in total agricultural exports by 14%, mainly due to a drop in exports of coconut oil and fruits. In 2012, EU exports to the Philippines increased by 20%.

EU-Philippines trade in services declined by 2% to €2.1 billion in 2011, as Philippine services exports to the EU increased by 3% to €1.2 billion while services imports from the EU declined by 7% to €1 billion. This raised the services trade surplus of the Philippines to €224 million.

In terms of foreign direct investments, the EU remains the largest investment partner of the Philippines with its total stock of investments rising further to €7.6 billion (latest figures of 2011) - or about 28% of total FDI stock in the Philippines, although EU FDI flows into the Philippines fell by 29% to some €0.5 billion in 2011.

The European Union is the fifth largest host of land-based migrant Filipinos and remains the largest employer of Filipino seafarers. Filipino migrants living and working in the EU as well as Filipino seafarers manning European ships, together sent \$2.8 billion (€2 billion) to the Philippines in 2012, making the EU the second largest source of remittances to the Philippines.

Also, the EU remained the 5<sup>th</sup> largest source of tourists to the Philippines in 2012, with the number of EU tourists reaching a record 349,000 and an increase of 10% in 2012.

# 1

## Trade Relations

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### 1.1. Trade in goods: main trends 2012

*There are discrepancies between Eurostat's trade statistics and the Philippines' National Statistics Office trade statistics, due, among other things, to variations in exchange rates.*

EU-Philippines trade declined by 4% to € 9.9 billion in 2012. However, if volatile gold trade is excluded, Philippine trade with the EU appears to have been stable in 2011 and rose by 8% in 2012. EU-Philippines trade remains affected in 2012 by the worldwide slowdown in some parts of the electronics sector. Philippine global exports of electronic products declined by 5% in 2012.

*EU exports to the Philippines increased by 20%.*

At € 9.9 billion, EU-Philippines trade is nearly back to its pre-crisis level of 2007. The general slow decline registered in the last decade seems to have been halted but so far no upward trend similar to other ASEAN partners can be detected. As the Philippine economy registered strong growth (+6.6% GDP growth) in 2012 while the EU economy entered into a mild recession (-0.3% GDP growth), EU exports to the Philippines grew by 20% while its imports declined by 20%, bringing two-way trade nearly in balance for the first time in many years. If volatile gold trade is excluded, Philippine exports to the EU appear to have modestly declined by 4% in 2011 and remained broadly stable in 2012.

*Philippine trade with the EU was below the average of ASEAN trade with the EU.*

EU-ASEAN trade grew by 10% to €181 billion in 2012. ASEAN exports to the EU continued to expand, growing by 5% to a total of €100 billion, while EU exports to ASEAN increased by 18% to €81 billion.

In terms of bilateral trade in 2012 between the 27 EU Member States with the Philippines, 3 out of the Philippines' 6 main EU trade partners (Germany, Netherlands, France, UK, Italy, Belgium) registered trade surpluses, while 17 registered trade deficits.

**Table 1: Trade in goods between the EU and the Philippines (PHL)**

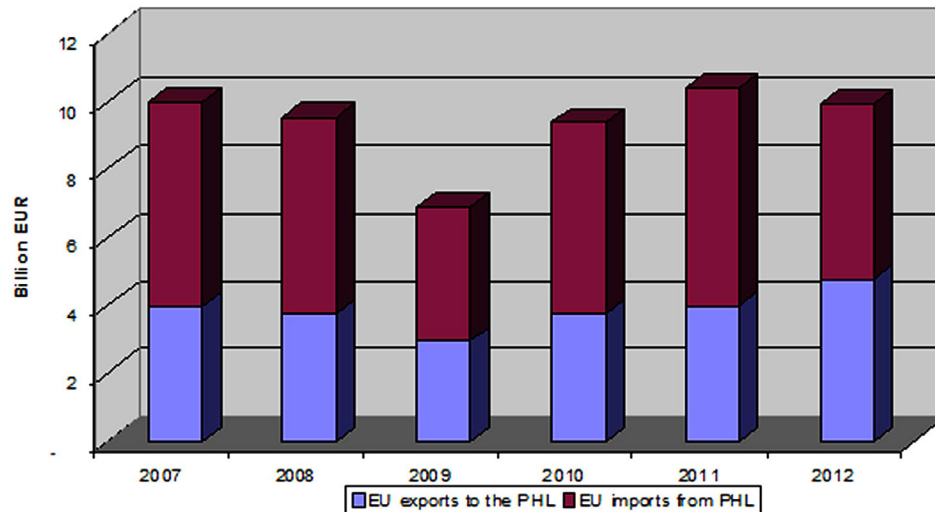
Source: Eurostat

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>EU exports to PHL (€ bn)</b>	3.4	3.4	3.6	3.6	3.7	4.0	3.7	2.9	3.7	4.0	4.8
Annual growth rate (%)	-28.1	0.5	6.6	0.7	3.2	6.1	-5.5	-21.7	27.6	6.4	20.4
<b>EU imports from PHL (€ bn)</b>	8.5	7.1	6.9	6.5	6.5	6.0	5.8	4.0	5.6	6.4	5.1
Annual growth rate (%)	6.2	-16.1	-3.1	-5.5	-1.3	-6.4	-3.8	-31.2	40.8	13.9	-19.9
<b>Total Trade (€ bn)</b>	11.9	10.5	10.5	10.2	10.2	10.0	9.6	6.9	9.4	10.4	9.9
Annual growth rate (%)	-6.4	-11.4	0.0	-3.4	0.3	-1.9	-4.5	-27.5	35.2	10.9	-4.5
<b>EU Trade Balance (€ bn)</b>	-5.2	-3.8	-3.3	-2.9	-2.7	-2.1	-2.1	-1.1	-1.9	-2.4	-0.3

*EU export to the Philippines: the largest in a decade*

**Figure 1: Trade in goods between the EU and The Philippines (PHL)**

Source: Eurostat



## 1.2. Trade in services

*Philippines services exports to the EU expanded by 3% in 2011.*

Whereas EU-Philippines two-way trade in services declined by 2% to a total value of € 2.1 billion in 2011 (latest year for which data is available), Philippine services exports to the EU increased by 3% to € 1.2 billion while services imports from the EU declined by 7% to € 1 billion. This is raising the services trade surplus of the Philippines to € 224 million.

Philippine services exports to the EU remain dominated by transportation (38% share or € 449 million; mostly sea transport), the category 'other business services' (31% or € 367 million) – which includes BPOs – and travel services (15% or € 255 million). Exports of information technology (IT) services have also been growing in importance, accounting for some 5% or € 55 million in 2011. It should be noted that the Philippines is ranked 2nd only to India as a business process off shoring destination, aggressively taking advantage of the outsourcing trends over the past decade. Europe (the largest off shoring market of the world) still accounts for less than a tenth of BPO services exports of the Philippines (US and Japan account for 73% and 14% respectively).

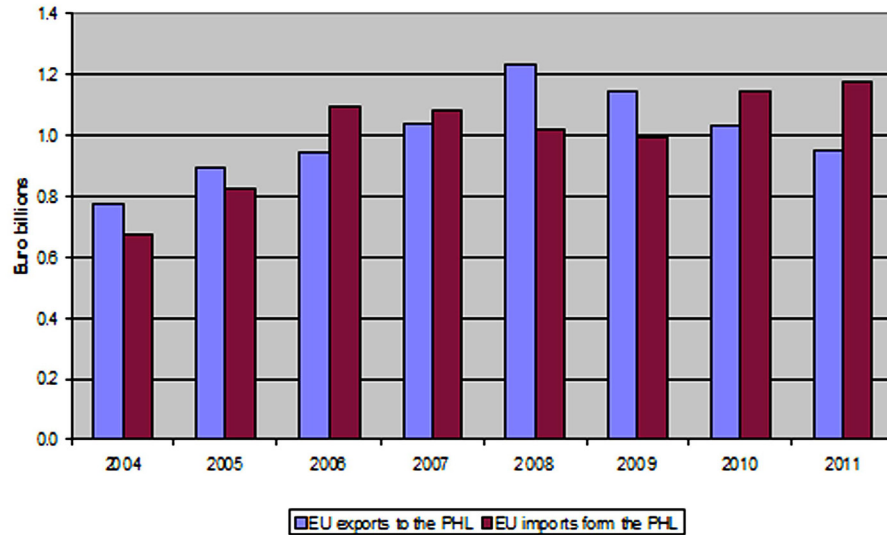
The expansion in Philippine services exports to the EU in 2011 was supported mainly by the recovery in travel (+7% growth) as well as IT services (+36%), and the sustained growth in 'other business services'/BPOs (+3%), which offset the decline in transport services (-3%).

On the other hand, Philippine services imports from the EU are more diverse. While the category 'other business services' (32% share or € 303 million), transportation (22% or € 206 million) and travel (15% or € 144 million) account for over two-thirds of imports, IT services (10% or € 94 million), royalties/licensing (8% or € 80 million), financial (6% or € 56 million) and insurance services (5% or € 50 million) are also important.

The decline in Philippine services imports from the EU in 2011 was largely driven by the continued weakness in 'other services' (-22%), insurance (-14%), and IT services (-6%), as well as the reversal suffered by transport services (-15%). These more than offset the strong recovery in travel services (+70%).

**Figure 2: Trade in services between the EU and the Philippines**

Source: Eurostat

**Table 2: Trade in services between the EU and the Philippines (PHL)**

Source: Eurostat

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>EU exports to PHL (€ bn)</b>	0.5	0.9	0.8	0.9	0.9	1.0	1.2	1.1	1.0	1.0
Annual growth rate (%)	-24.0	76.4	-14.7	15.9	5.1	10.6	18.6	-7.3	-10.1	-7.2
<b>EU imports from PHL (€ bn)</b>	0.7	0.7	0.7	0.8	1.1	1.1	1.0	1.0	1.1	1.2
Annual growth rate (%)	-12.3	-0.6	0.7	22.5	33.4	-1.3	-6.3	-1.6	15.1	2.9
<b>Total Trade (€ bn)</b>	1.2	1.6	1.4	1.7	2.0	2.1	2.2	2.1	2.2	2.1
Annual growth rate (%)	-17.8	32.8	-8.2	18.9	18.6	4.2	5.9	-4.7	1.6	-1.9
<b>EU Trade Balance (€ bn)</b>	-0.2	0.2	0.1	0.1	-0.2	0.0	0.2	0.1	-0.1	-0.2

### 1.3. Rankings: imports, exports and overall trade volume

*The Philippines is still among the EU's top 50 trading partners.*

In 2012 the Philippines ranked as the 49th EU trading partner (down three places from 2011), but also continued to lag behind other ASEAN middle-income countries.

The details show that the Philippines' performance as supplier to the EU declined from rank 45 in 2011 to 48 with a share at 0.3% in the total of EU imports in 2012.

Philippines' exports performance to the EU as compared to that of other ASEAN countries, shows that it continued to fall behind most of its ASEAN neighbours, with notably Vietnam managing to export to the EU more than thrice as much as the Philippines. Concerning EU exports to the Philippines, the ranking slipped one place to rank 47, but its share remained at 0.3% of total EU exports, behind most of its ASEAN neighbours.

**Table 3: The EU's leading trade partners in 2012**

Source: Eurostat

Rk	EU Imports from...	million euro	share (%)	Rk	EU Exports to...	million euro	share (%)	Rk	EU Trade with...	million euro	share (%)
	<b>EXTRA EUROPEAN UNION (27)</b>	<b>1,792,055</b>	<b>100.0</b>		<b>EXTRA EUROPEAN UNION (27)</b>	<b>1,686,510</b>	<b>100.0</b>		<b>EXTRA EUROPEAN UNION (27)</b>	<b>3,478,565</b>	<b>100.0</b>
1	China	289,927	16.2	1	USA	291,901	17.3	1	USA	497,694	14.3
2	Russia	213,257	11.9	2	China	143,876	8.5	2	China	433,803	12.5
3	USA	205,794	11.5	3	Switzerland	133,342	7.9	3	Russia	336,522	9.7
4	Switzerland	104,544	5.8	4	Russia	123,266	7.3	4	Switzerland	237,886	6.8
5	Norway	100,437	5.6	5	Turkey	75,200	4.5	5	Norway	150,260	4.3
6	Japan	63,813	3.6	6	Japan	55,490	3.3	6	Turkey	123,011	3.5
7	Turkey	47,812	2.7	7	Norway	49,822	3.0	7	Japan	119,303	3.4
8	South Korea	37,861	2.1	8	Brazil	39,595	2.3	8	Brazil	76,685	2.2
9	India	37,295	2.1	9	India	38,469	2.3	9	India	75,765	2.2
10	Brazil	37,090	2.1	10	South Korea	37,763	2.2	10	South Korea	75,624	2.2
11	Saudi Arabia	34,594	1.9	11	U.A.Emirates	37,123	2.2	11	Saudi Arabia	64,625	1.9
12	Nigeria	32,937	1.8	12	Australia	33,845	2.0	12	Canada	61,806	1.8
13	Libyan Arab Jamahiriya	32,771	1.8	13	Hong Kong	33,655	2.0	13	Algeria	53,629	1.5
14	Algeria	32,597	1.8	14	Canada	31,291	1.9	14	Singapore	51,859	1.5
15	Canada	30,514	1.7	15	Singapore	30,343	1.8	15	Australia	48,324	1.4
16	Kazakhstan	24,413	1.4	16	Saudi Arabia	30,031	1.8	16	Mexico	47,286	1.4
17	Taiwan	22,524	1.3	17	Mexico	27,921	1.7	17	South Africa	47,168	1.4
18	Singapore	21,517	1.2	18	South Africa	26,622	1.6	18	U.A.Emirates	45,417	1.3
19	South Africa	20,545	1.1	19	Ukraine	23,800	1.4	19	Nigeria	44,383	1.3
20	Malaysia	20,342	1.1	20	Algeria	21,033	1.2	20	Hong Kong	44,202	1.3
21	Mexico	19,364	1.1	21	N.det.Extra	18,576	1.1	21	Libyan Arab Jamahiriya	39,148	1.1
22	Vietnam	18,514	1.0	22	Israel	17,027	1.0	22	Ukraine	38,387	1.1
23	Thailand	16,924	0.9	23	Morocco	16,939	1.0	23	Taiwan	38,321	1.1
24	Indonesia	15,396	0.9	24	St,P.Extra	16,287	1.0	24	Malaysia	34,872	1.0
25	N.det.Extra	15,000	0.8	25	Taiwan	15,797	0.9	25	N.det.Extra	33,575	1.0
26	Ukraine	14,588	0.8	26	Egypt	15,416	0.9	26	Thailand	31,724	0.9
27	Australia	14,479	0.8	27	Thailand	14,800	0.9	27	Kazakhstan	31,325	0.9
28	Azerbaijan	13,852	0.8	28	Malaysia	14,530	0.9	28	Israel	29,662	0.9
29	Iraq	12,758	0.7	29	Nigeria	11,446	0.7	29	Morocco	26,073	0.7
30	Israel	12,634	0.7	30	Croatia	11,194	0.7	30	Indonesia	25,046	0.7
31	Hong Kong	10,546	0.6	31	Tunisia	11,108	0.7	31	Egypt	23,877	0.7
32	Qatar	10,151	0.6	32	Indonesia	9,650	0.6	32	Vietnam	23,865	0.7
33	Argentina	9,926	0.6	33	Gibraltar	9,284	0.6	33	Tunisia	20,624	0.6
34	Chile	9,634	0.5	34	Serbia	9,120	0.5	34	Argentina	18,484	0.5
35	Tunisia	9,515	0.5	35	Argentina	8,558	0.5	35	Chile	18,123	0.5
36	Bangladesh	9,212	0.5	36	Chile	8,489	0.5	36	Iraq	17,412	0.5
37	Morocco	9,134	0.5	37	Belarus	7,840	0.5	37	Azerbaijan	16,797	0.5
38	Colombia	8,591	0.5	38	Iran	7,356	0.4	38	Croatia	16,665	0.5
39	Egypt	8,461	0.5	39	Kazakhstan	6,912	0.4	39	St,P.Extra	16,323	0.5
40	U.A.Emirates	8,294	0.5	40	Lebanon	6,668	0.4	40	Qatar	16,116	0.5
41	Angola	7,095	0.4	41	Venezuela	6,533	0.4	41	Colombia	14,133	0.4
42	Costa Rica	7,064	0.4	42	Libyan Arab Jamahiriya	6,377	0.4	42	Serbia	13,832	0.4
43	Peru	6,294	0.4	43	Angola	6,200	0.4	43	Angola	13,295	0.4
44	Kuwait	5,864	0.3	44	Qatar	5,965	0.4	44	Iran	13,006	0.4
45	Iran	5,649	0.3	45	Colombia	5,542	0.3	45	Belarus	12,382	0.4
46	Croatia	5,471	0.3	46	Vietnam	5,351	0.3	46	Venezuela	11,045	0.3
47	Equat. Guinea	5,268	0.3	47	Philippines	4,791	0.3	47	Bangladesh	10,745	0.3
48	Philippines	5,128	0.3	48	Iraq	4,654	0.3	48	Kuwait	10,396	0.3
49	Serbia	4,712	0.3	49	Kuwait	4,532	0.3	49	Philippines	9,919	0.3
50	Belarus	4,542	0.3	50	Pakistan	4,101	0.2	50	Gibraltar	9,862	0.3

Note: This list includes both sovereign states and non-state entities which are outside the statistical territory of the EU, as defined in Regulation 471/2009 of the European Parliament and Council.

#### 1.4. Comparison of EU-Philippines trade with other main trading partners

Statistics on Philippine trade with the ASEAN may be overstated in so far as Singapore, due to its location and developed deep-sea port facilities, also serves as a re-export hub for trade with other trading partners of the Philippines.

According to Eurostat figures, the Philippines had recovered over the previous two years like other ASEAN middle-income countries, but was the only one that suffered a decline (-4%) in trade with the EU in 2012. With respect to exports, all ASEAN MICs suffered from declines, except Vietnam (+43%). However, the Philippines suffered the largest drop in exports (-20%) among ASEAN MICs. On the other hand, EU exports to ASEAN countries expanded by double-digits, except those to Vietnam (+3%). Consequently, EU exports to the Philippines (now at €4.8 billion) have nearly caught up with those to Vietnam (€5.3 billion).

EU-Philippines trade is less than one-half of EU-Indonesia and EU-Vietnam trade, and a third of EU-Thailand and EU-Malaysia trade.

**Table 4: EU's trade with selected ASEAN Member States in 2012**

Source: Eurostat

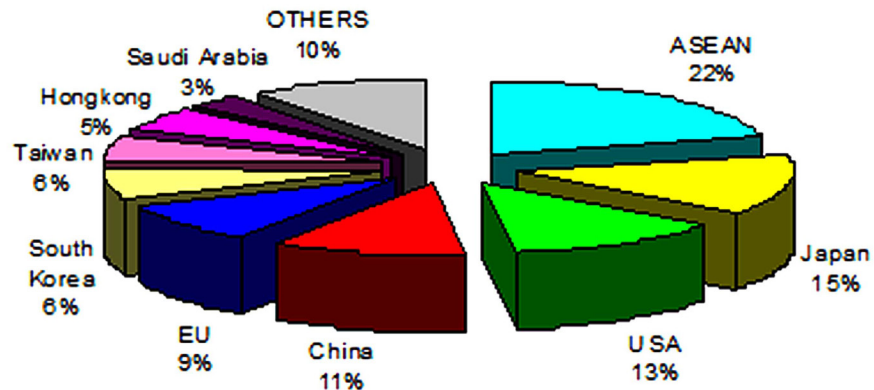
	Malaysia	Thailand	Indonesia	Vietnam	Philippines
EU exports (€ bn)	14.5	14.8	9.6	5.3	4.8
EU imports (€ bn)	20.3	16.9	15.4	18.5	5.1
Total Trade (€ bn)	34.9	31.7	25.0	23.9	9.9
EU Trade Balance (€ bn)	-5.8	-2.1	-5.7	-13.2	-0.3
Cover rate (exports/imports)	71%	88%	63%	29%	93%

*The EU is the 5<sup>th</sup> largest trading partner of the Philippines.*

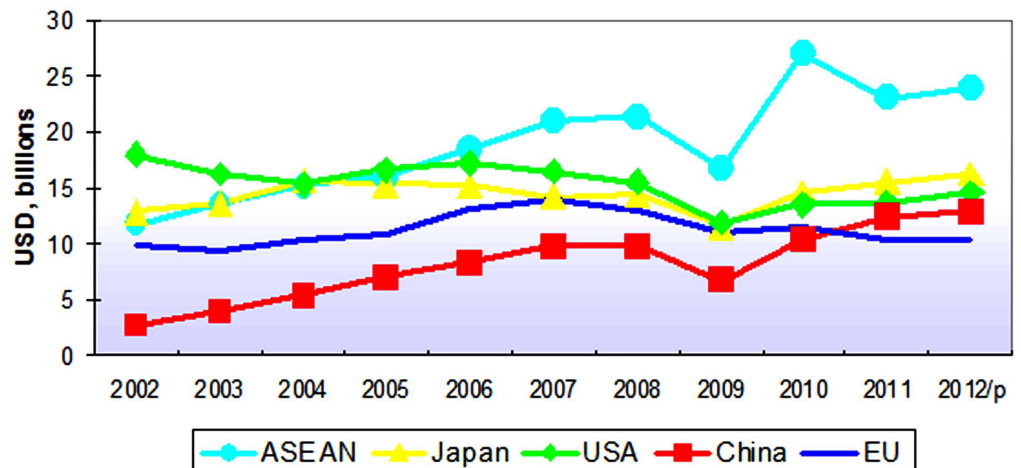
According to data from Philippine authorities, the EU remains the Philippines' 5th largest trading partner and accounted for 9% of total trade in goods in 2012. ASEAN (22%), Japan (15%), the US (13%), and China (11%) remain in the lead.

**Figure 3: Share of Philippines' external two-way trade in 2012**

Source: Philippines' National Statistics Office

**Figure 4: Philippines' trade with its main partners**

Source: Philippines' National Statistics Office



**Table 5: Philippines' (PHL) trade with its main partners in 2012**

Source: Philippines' National Statistics Office

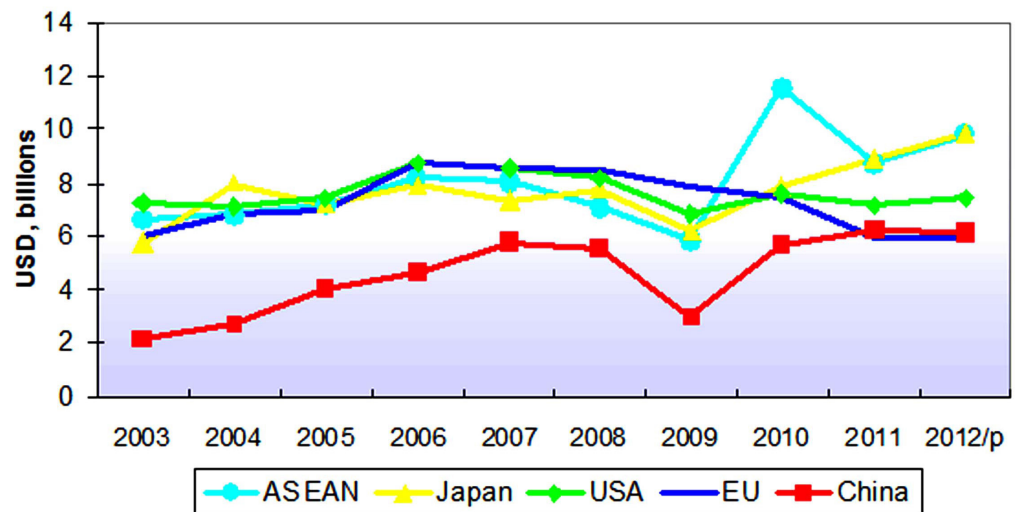
	ASEAN	Japan	USA	China	EU
<b>PHL exports (\$ bn)</b>	<b>9.8</b>	<b>9.9</b>	<b>7.4</b>	<b>6.2</b>	<b>5.9</b>
Annual growth rate (%)	12.7	11.2	4.1	-1.2	-0.4
<b>PHL imports (\$ bn)</b>	<b>14.1</b>	<b>6.4</b>	<b>7.1</b>	<b>6.7</b>	<b>4.6</b>
Annual growth rate (%)	-1.6	-1.1	8.9	9.5	3.1
<b>Total Trade (\$ bn)</b>	<b>23.9</b>	<b>16.3</b>	<b>14.5</b>	<b>12.8</b>	<b>10.5</b>
Annual growth rate (%)	3.8	6.0	6.4	4.1	1.1
<b>PHL Trade Balance (\$ bn)</b>	<b>-4.3</b>	<b>3.4</b>	<b>0.3</b>	<b>-0.5</b>	<b>1.3</b>

*The EU is the Philippines' 5th largest export market.*

In terms of Philippines exports, the EU remains the Philippines' fifth largest export market accounting for 11% of total Philippine exports. As an export destination, Japan (19%), ASEAN (19%), the US (14%) and China (12%) remain in the lead.

**Figure 5: Philippines' exports to its main partners**

Source: Philippines' National Statistics Office



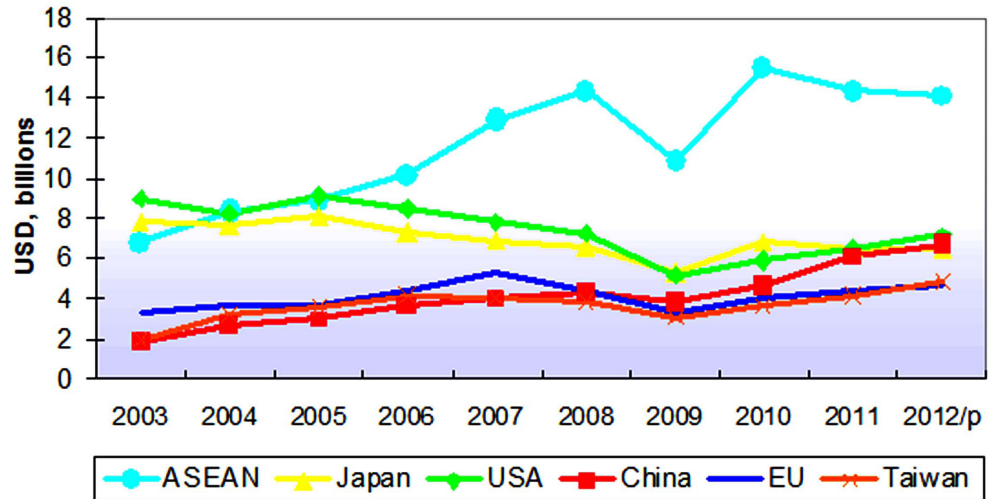
*The EU is the 6th largest supplier of the Philippines.*

On the PH import side, the EU accounted for 7.4% of total Philippine merchandise imports, holding the 6th place as supplier in 2012, as it was slightly overtaken by Taiwan (7.8% share). Remaining in the lead is ASEAN (23%), while Japan (10%) has also fallen slightly behind the US (12%) and China (10%), and the EU was closely followed by South Korea (7.3%).



**Figure 6: Philippines' imports from its main partners**

Source: Philippines' National Statistics Office



**1.5. Philippines' trade with EU Member States**

The EU's single market and the free movement of goods on that market make it difficult to make specific trade flows between the EU and non-EU economies attributable to any particular EU Member State.

Nonetheless, Germany appears to be the Philippines' largest trading partner within the EU. Germany is followed by the Netherlands, France, the UK, Italy and Belgium. Together these six countries account for more than 80% of EU-Philippines trade.

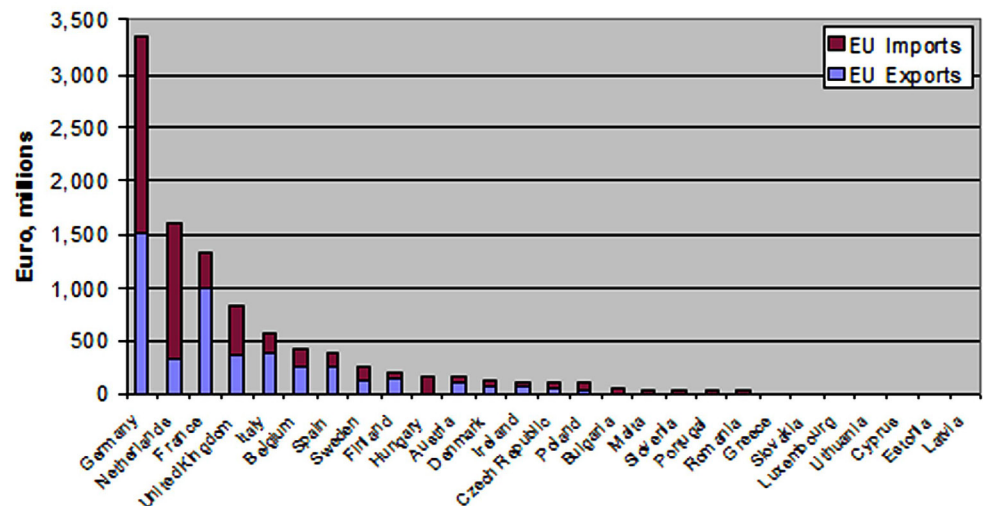
Trade of most of the 27 EU Member States with the Philippines either continued to grow or returned to positive growth in 2012. However 11 Member States saw their trade decline, with 14 Member States recording lower imports from the Philippines and 7 registering reductions in exports to the Philippines in 2012.

*Germany, Netherlands, France, UK, Italy and Belgium account for more than four-fifths of EU-Philippines trade.*

*Most EU Member States' trade with the Philippines recorded positive growth in 2012*

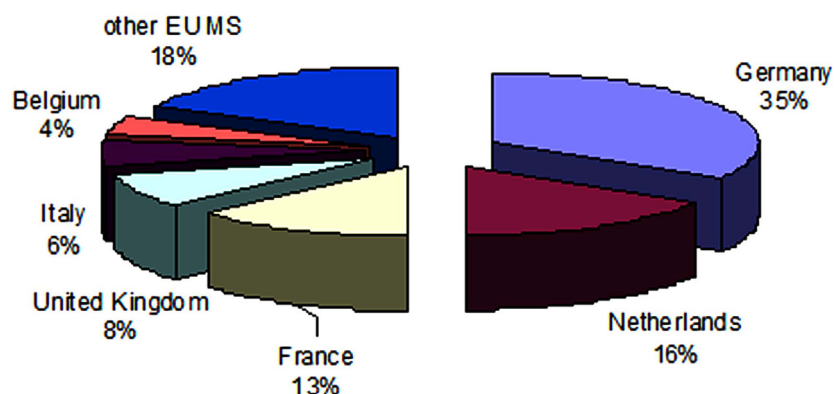
**Figure 7: Trade volume between the EU-27 and the Philippines in 2012**

Source: Eurostat



**Figure 8: Share of EU trade volume with the Philippines in 2012**

Source: Eurostat

**Table 6: EU Member States' trade with the Philippines**

Source: Eurostat

	EU Exports (EUR Mn)		EU Imports (EUR Mn)		Total Trade (EUR Mn)	
	2011	2012	2011	2012	2011	2012
<b>Germany</b>	1,240	1,515	1,620	1,832	2,859	3,347
<b>Netherlands</b>	306	335	1,283	1,275	1,589	1,610
<b>France</b>	687	985	377	328	1,064	1,313
<b>United Kingdom</b>	312	370	1,716	466	2,028	836
<b>Italy</b>	342	373	265	207	606	580
<b>Belgium</b>	269	268	239	163	508	431
<b>Spain</b>	194	273	126	112	319	385
<b>Sweden</b>	128	117	146	148	275	266
<b>Finland</b>	112	142	36	45	149	186
<b>Hungary</b>	5	11	204	161	209	172
<b>Austria</b>	90	96	109	74	198	170
<b>Denmark</b>	74	76	43	49	117	124
<b>Ireland</b>	81	82	25	25	106	107
<b>Czech Republic</b>	64	58	43	47	107	105
<b>Poland</b>	29	40	56	61	85	101
<b>Bulgaria</b>	11	13	17	36	28	50
<b>Malta</b>	5	5	8	24	14	29
<b>Slovenia</b>	6	4	8	19	14	24
<b>Portugal</b>	6	7	18	14	23	21
<b>Romania</b>	2	6	16	13	18	19
<b>Greece</b>	3	5	33	7	36	12
<b>Slovakia</b>	5	2	9	9	14	11
<b>Luxembourg</b>	3	3	4	4	6	7
<b>Lithuania</b>	2	4	3	1	4	6
<b>Cyprus</b>	1	1	3	2	4	3
<b>Estonia</b>	0	0	2	3	3	3
<b>Latvia</b>	0	0	1	1	1	1
<b>EU27</b>	<b>3,978</b>	<b>4,791</b>	<b>6,409</b>	<b>5,128</b>	<b>10,387</b>	<b>9,919</b>

## 1.6. Structure and trends by product

The Philippines seeks to diversify their exports base; while succeeding in reducing the share of its (dominant) IT sector, its exports are still highly concentrated in that sector: The export sector is dominated by electronics (48% of total exports), where it is largely engaged in assembly and testing operations linked to regional and global production networks.

*Electronics account for 37% of Philippine trade with the EU, but agricultural trade has been growing in importance.*

Electronics products also account for a large (37%), albeit declining, share of Philippine trade with the EU. But it is noteworthy that trade in other manufactured products (47% share) as well as agricultural products (14% share) have been growing in importance. In fact, agricultural trade rose by 1% in 2012, while trade in manufactures expanded by 10%.

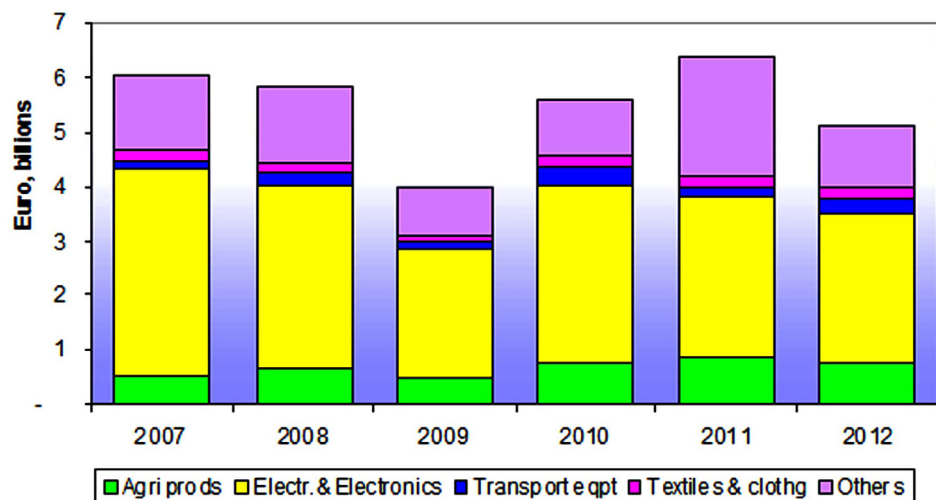
Manufactured products accounted for 83% or €4.2 billion of Philippine exports to the EU in 2012, with electrical and electronic products (including semiconductors) accounting for 54% or €2.8 billion. In fact, the Philippines remains the 8<sup>th</sup> largest supplier of integrated circuits and electronic components to the EU. Other important manufactured exports include transport equipment (5% or €272 million), garments and textiles (4% or €232 million), industrial equipment (3% or €169 million) and metal products (1% or €57 million). Agricultural exports have been growing in importance, accounting for 14% or €740 million in 2012. This is largely due to rising exports of coconut oil (which now account for about 7% or €354 million), fishery products (3% or €135 million) and fruit products (2% or €125 million). The Philippines is in fact the single largest source of coconut oil imports by the EU, accounting for nearly 60%.

*Philippines' manufactured exports to the EU was up 2% but agricultural exports declined by 14% in 2012.*

While several major Philippine exports to the EU suffered setbacks in 2012, a number managed to improve: Manufactured exports grew by 2%, largely due to a rebound in exports of transport equipment (+67%), industrial equipment (+62%), chemical products (+81%), garments (+7%), furniture (+23%), and jewellery (+2%), while electronics (-7%), and footwear (-39%) remained so far weak. Exports of fish products (+7%) improved during the year, whereas its overall agricultural exports declined by 14%, due mainly to a drop in exports of coconut oil (-23%) and fruits (-9%).

**Figure 9: Major EU imports from the Philippines**

Source: Eurostat



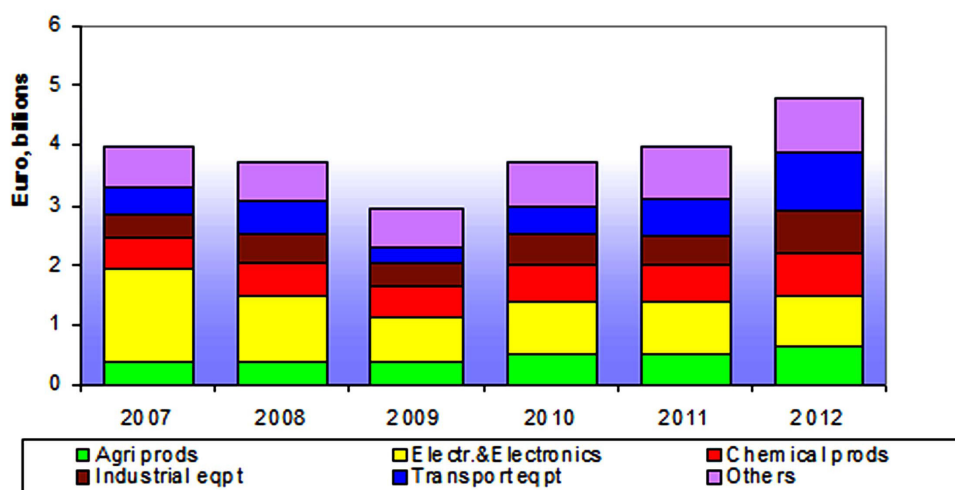
Although manufactured products also accounted for 84% or €4 billion of Philippine imports from the EU in 2012, the structure is more diverse compared to manufactured exports. The share of electrical and electronic products (including semiconductors) has fallen to around 18% or €868 million, although the Philippines remains as the EU's 8<sup>th</sup> largest export market for integrated circuits and electronic components. Imports of transport equipment (20% or €975 million), industrial equipment (15% or €736 million) and chemical products (14% or €677 million), have been growing in importance. Other important manufactured imports from the EU are metal products (4% or €177 million) and paper products (3% or €127 million). Imports of agricultural products have also improved and now account for over €616 million or 13% of Philippine imports from the EU. These are largely accounted for by imports of alcoholic beverages (2% or €105 million), meat (2% or €100 million), animal feeds (2% or €86 million) dairy products (2% or €77 million), and cereals (1% or €28 million).

*Philippines' manufactured imports from the EU were up 21% in 2012 while agricultural imports were up 25%.*

Most major EU exports to the Philippines performed well in 2012. Manufactured exports in general expanded by 21%, exceeding pre-crisis levels. Exports of automotive products (+14%) and industrial equipment (+37%) continued to rise above pre-crisis levels, while exports of electronics (+1%), chemical products (+12%) and garments & textiles (+14%) were picking up, but exports of metal products (-7%) declined. EU agricultural exports continued to expand (+25%). Exports of alcoholic beverages (+168%), and animal feeds (+25%) are well above pre-crisis levels while cereal exports (+1%) was stable. Exports of meat (-6%) and dairy (-4%) fell however.

**Figure 10: Major EU exports to the Philippines**

Source: Eurostat



**Table 7: Ranking of the Philippines in EU's trade in 2012**

Source: Eurostat

SITC Rev.3 (UN, WTO/ITS) & AMA/NAMA** (WTO) Product Groups	EU Imports				EU Exports				EU Balance
	Rank	Value (in millions of euro)	Share of Product in Total (%)	Share of Partner in EU Imports (%)	Rank	Value (in millions of euro)	Share of Product in Total (%)	Share of Partner in EU Exports (%)	Value (in millions of euro)
<b>TOTAL</b>	<b>47</b>	<b>5,128</b>	<b>100.0%</b>	<b>0.3%</b>	<b>45</b>	<b>4,791</b>	<b>100.0%</b>	<b>0.3%</b>	<b>-336</b>
<b>1000 - Primary products</b>	<b>63</b>	<b>860</b>	<b>16.8%</b>	<b>0.1%</b>	<b>54</b>	<b>668</b>	<b>13.9%</b>	<b>0.2%</b>	<b>-192</b>
1100 - Agricultural products (Food (incl. Fish) & Raw Materials)	36	791	15.4%	0.6%	38	628	13.1%	0.5%	-163
1110 - Food	34	662	12.9%	0.6%	34	591	12.3%	0.6%	-72
1111 - Fish	27	135	2.6%	0.7%	86	2	0.0%	0.0%	-134
1112 - Other food products and live animals	35	527	10.3%	0.6%	33	589	12.3%	0.6%	62
1120 - Raw materials	38	128	2.5%	0.5%	52	37	0.8%	0.2%	-91
1200 - Fuels and mining products	88	69	1.4%	0.0%	93	40	0.8%	0.0%	-29
1210 - Ores and other minerals	50	65	1.3%	0.2%	41	22	0.5%	0.1%	-43
1220 - Fuels	111	0	0.0%	0.0%	117	7	0.2%	0.0%	7
1221 - Petroleum and petroleum products	106	0	0.0%	0.0%	116	7	0.1%	0.0%	7
1222 - Other fuels	73	0	0.0%	0.0%	102	0	0.0%	0.0%	0
1230 - Non ferrous metals	67	5	0.1%	0.0%	63	11	0.2%	0.0%	7
<b>2000 - Manufactures</b>	<b>29</b>	<b>4,249</b>	<b>82.9%</b>	<b>0.4%</b>	<b>42</b>	<b>4,014</b>	<b>83.8%</b>	<b>0.3%</b>	<b>-234</b>
2100 - Iron and steel	75	0	0.0%	0.0%	65	41	0.9%	0.1%	40
2200 - Chemicals	45	130	2.5%	0.1%	42	677	14.1%	0.2%	547
2210 - Pharmaceuticals	64	0	0.0%	0.0%	36	333	6.9%	0.3%	332
2220 - Plastics	44	7	0.1%	0.0%	45	80	1.7%	0.2%	72
2230 - Other chemicals	42	122	2.4%	0.1%	47	265	5.5%	0.2%	143
2300 - Other semi-manufactures	40	159	3.1%	0.2%	44	335	7.0%	0.3%	176
2400 - Machinery and transport equipment	18	3,194	62.3%	0.7%	41	2,565	53.5%	0.4%	-629
2410 - Office and telecommunication equipment	13	2,216	43.2%	1.2%	23	700	14.6%	0.9%	-1,516
2411 - Electronic data processing and office equipment	13	650	12.7%	0.9%	48	46	1.0%	0.2%	-604
2412 - Telecommunications equipment	21	250	4.9%	0.3%	65	43	0.9%	0.1%	-208
2413 - Integrated circuits and electronic components	8	1,316	25.7%	4.9%	8	612	12.8%	3.9%	-704
2420 - Transport equipment	26	272	5.3%	0.3%	35	975	20.3%	0.4%	703
2421 - Automotive products	27	54	1.0%	0.1%	61	141	2.9%	0.1%	87
2422 - Other transport equipment	22	218	4.3%	0.4%	21	834	17.4%	0.9%	616
2430 - Other machinery	26	706	13.8%	0.4%	49	888	18.5%	0.3%	182
2431 - Power generating machinery	29	53	1.0%	0.2%	40	155	3.2%	0.3%	102
2432 - Non electrical machinery	30	115	2.2%	0.2%	47	566	11.8%	0.3%	451
2433 - Electrical machinery	19	538	10.5%	0.8%	49	166	3.5%	0.2%	-372
2500 - Textiles	39	22	0.4%	0.1%	53	35	0.7%	0.2%	13
2600 - Clothing	25	210	4.1%	0.3%	57	23	0.5%	0.1%	-187
2700 - Other manufactures	24	533	10.4%	0.4%	45	339	7.1%	0.2%	-194
2710 - Personal and household goods	31	52	1.0%	0.1%	54	34	0.7%	0.1%	-18
2720 - Scientific and controlling instruments	15	240	4.7%	0.7%	35	166	3.5%	0.3%	-75
2730 - Miscellaneous manufactures	22	241	4.7%	0.3%	47	139	2.9%	0.2%	-102
<b>3000 - Other products</b>	<b>44</b>	<b>18</b>	<b>0.4%</b>	<b>0.0%</b>	<b>35</b>	<b>68</b>	<b>1.4%</b>	<b>0.1%</b>	<b>50</b>
Agricultural Products (AMA)	34	647	12.6%	0.6%	35	629	13.1%	0.6%	-18
Non-Agricultural Products (NAMA)	46	4,467	87.1%	0.3%	45	4,077	85.1%	0.3%	-391
Other Products	-	13	0.3%	0.1%	-	85	1.8%	0.5%	72

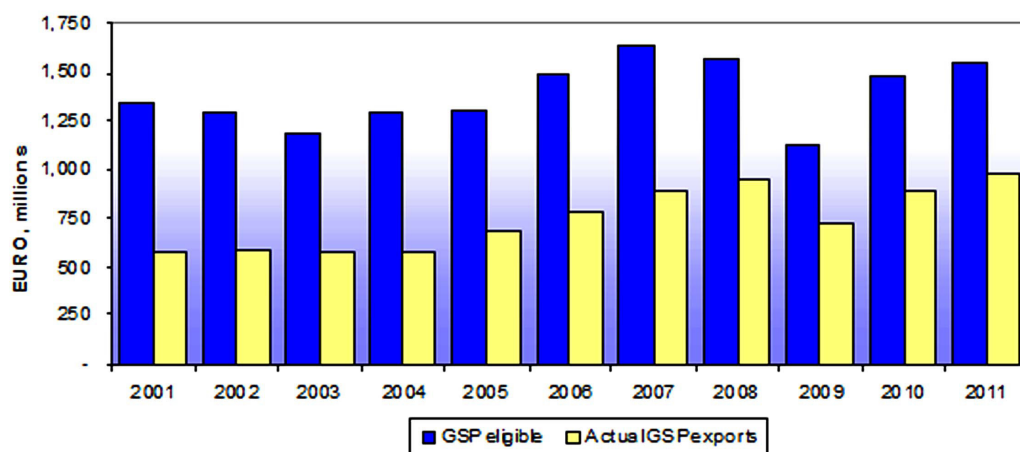
## 1.7. EU preferential trade with the Philippines

*The Philippines is the 20<sup>th</sup> largest user of the EU GSP scheme.*

About 72% of Philippine exports to the EU already benefit from duty-free treatment on an MFN basis. The rest are eligible in principle to benefit from the EU Generalised System of Preferences, with some 16% of Philippine exports actually being able to take advantage. Among the Philippines' GSP exports to the EU, more than half were granted duty-free treatment, while the rest entered the EU under reduced duties. In fact, the Philippines remained the 20<sup>th</sup> largest user of the EU GSP scheme in 2011 (latest year for which data is available). Philippine GSP exports account for just over 1% of the EU's total GSP imports –less than those from other ASEAN middle-income economies. In fact Philippines' GSP exports to the EU are around a third of those of Vietnam and Malaysia fifth of Indonesia and a sixth of Thailand.

**Figure 11: Philippines' exports under the EU GSP scheme**

Source: Eurostat



*Philippine GSP exports to the EU recovered to pre-crisis levels in 2011.*

The detailed picture shows that Philippines GSP utilisation is already improving: After suffering a 24% decline in 2009, Philippine GSP exports grew by 11% to €979 million in 2011, above pre-crisis levels. Nearly 40% of these were agricultural exports. In particular, the Philippines' main GSP exports to the EU in 2011 were: coconut oil (25%), food products (13%), electrical & electronic products (12%), steel products (8%), rubber products (8%), textiles (7%) and optical products (6%).

The average utilisation rate equally improved to 63% in 2011 (from 60% in 2010). The Philippines' utilisation rate is currently ahead of Vietnam (55%) but still behind Malaysia (67%), Thailand (69%), and Indonesia (74%).

In 2012, the EU adopted a new GSP scheme, which will be implemented starting in 2014 to allow sufficient time for economic operators to adapt to the new scheme. The new scheme will remain in effect for 10 years to increase predictability, transparency and stability. Under the new EU GSP scheme, the Philippines will remain a GSP beneficiary. Since many of its competitors will exit from GSP, this will provide additional export opportunities for the Philippines. The Philippines is also eligible to apply for the GSP-Plus scheme, which provides additional preferences but requires implementation of 27 core international conventions on human rights, labour rights, the environment and good governance.



# 2

## Investment flows and stocks

16

Foreign direct investment statistics are very difficult to compile in a globalised world, where businesses do not necessarily have clear-cut geographical roots. For this reason, investment statistics must be treated with caution.

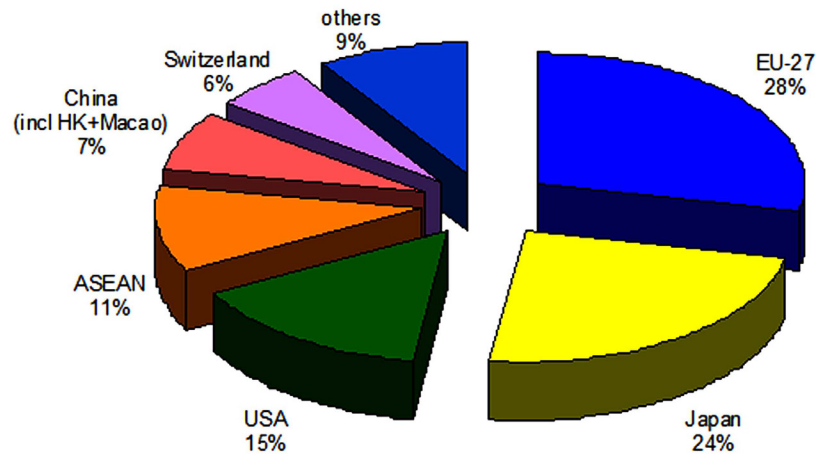
### 2.1. The EU's FDI in the Philippines

*The EU is the top investor in the Philippines.*

The EU's total stock of investments rose further by 1% to some €7.6 billion as of 2011 (the latest full year for which Eurostat data are available). Comparative data (from the IMF) indicate that the EU remains the largest investment partner of the Philippines (accounting for about 28% of total FDI stock), followed by Japan (24%), USA (15%), ASEAN (11%), China (7%), and Switzerland (6%).

**Figure 12: Major sources of FDI stock in the Philippines 2011**

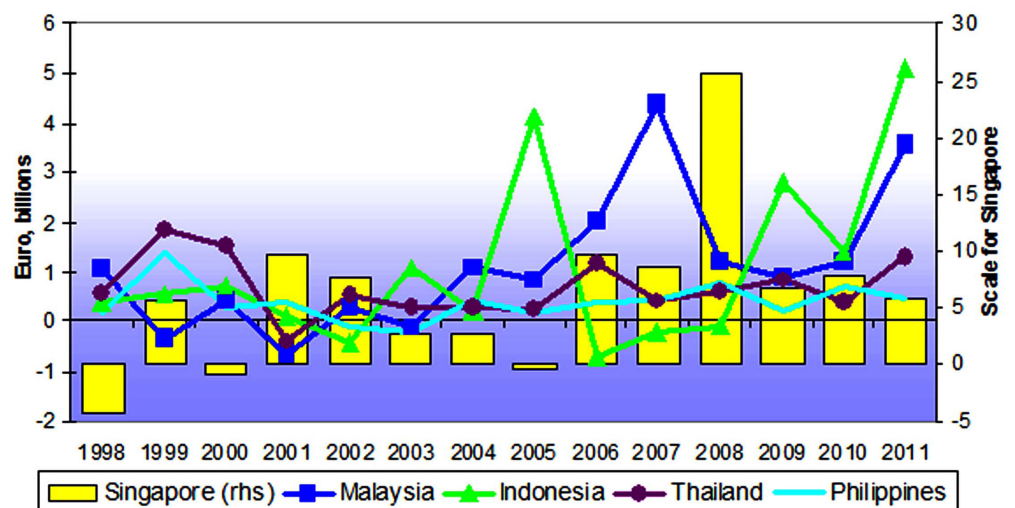
Source: International Monetary Fund



However while EU direct investment flows into the ASEAN region further increased, those into the Philippines fell by 29% to some €0.5 billion in 2011.

**Figure 13: Inflows of EU FDI into selected ASEAN Member States**

Source: Eurostat



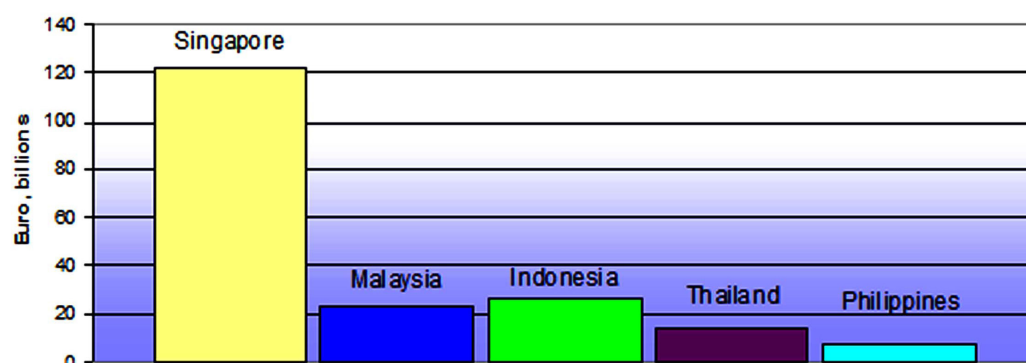


*EU FDI in the Philippines account for only 4% of the total in ASEAN.*

Overall, there remains therefore substantial scope for boosting EU-PH investment relations as the Philippines had received only 4% of the €195 billion stock of EU direct investments in the ASEAN region as of 2011.

**Figure 14: Stock of EU FDI in selected ASEAN Member States 2011**

Source: Eurostat



## 2.2. Philippines' FDI in the EU

*The Philippines has invested some €1.3 billion in the EU as of 2011.*

Eurostat figures show that the Philippines' has found investment opportunities in the EU as the world's largest economy and biggest market, having cumulatively invested some €1.3 billion in the Union as of 2011.

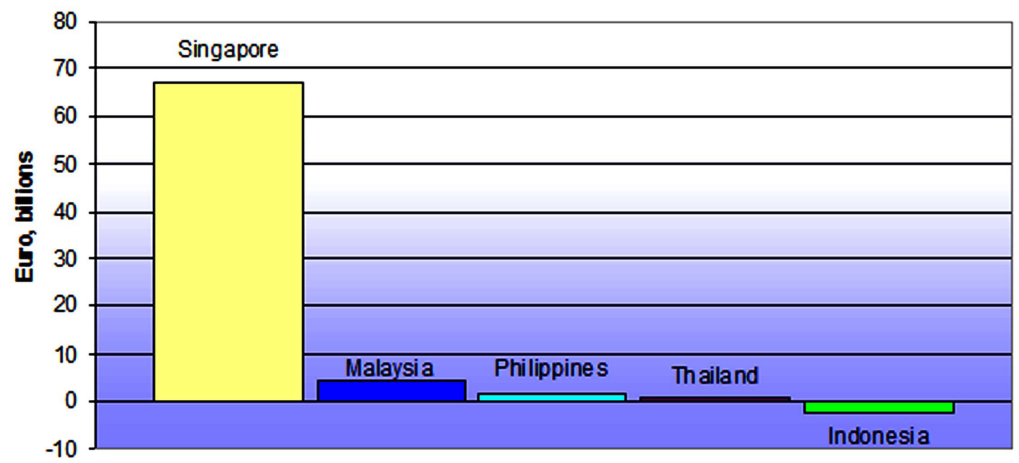
*The Philippines' FDI in the EU decreased by 22% in 2011.*

While Philippines FDI in the EU decreased by 22% from the previous year, it nevertheless is the equivalent of a quarter of the €5.5 billion (\$7.1 billion) in total Philippines' stock of overseas direct investments as of 2011 (as estimated by Philippine authorities). Moreover, the Philippines' investments in the EU remain ahead of Thailand and Indonesia, but understandably much less than Singapore's.

**Table 8: EU FDI stock with the Philippines (PHL)**

Source: Eurostat

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>EU FDI stock in PHL (€ bn)</b>	3.7	3.5	3.9	4.7	5.9	6.0	7.3	6.4	7.5	7.6
Annual growth rate (%)	-21.3	-5.6	13.8	19.0	25.0	2.6	22.1	-12.9	17.2	1.3
<b>EU FDI stock from PHL (€ bn)</b>	0.2	0.9	1.0	1.1	1.0	1.1	1.2	1.5	1.7	1.3
Annual growth rate (%)	65.6	483.0	10.7	10.7	-12.1	10.3	7.9	23.5	14.2	-22.5

**Figure 15: Stock of ASEAN Member States' FDI in the EU, 2011***Source: Eurostat*

# 3

## People-to-people exchanges

### 3.1. Migrant Filipinos in the EU and their remittances

Note that data on remittances from the USA may have an upward bias due to the common practice of remittance centers in various cities abroad to course remittances through correspondent banks mostly located in the United States.

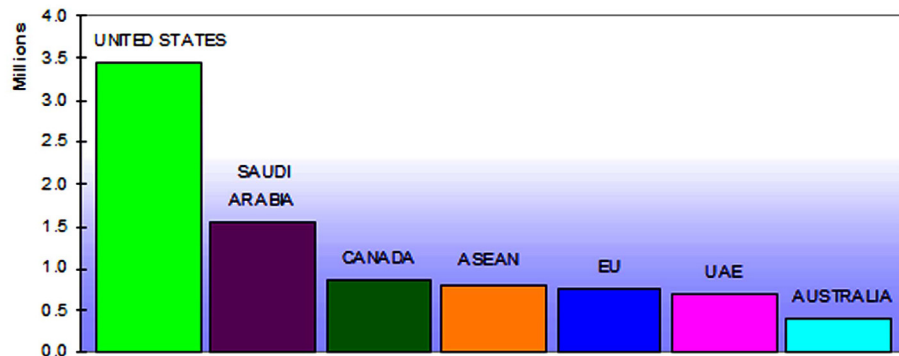
The Philippine government estimates the Filipino diaspora at some 10.5 million as of 2011. These are composed of over 10 million land-based migrant Filipinos and nearly 370 thousand Filipino seafarers. Nearly half of land-based migrant Filipinos are permanent residents of their host countries, while about 41% are temporary/contract workers.

*The EU is the 5<sup>th</sup> largest host of (land-based) migrant Filipinos.*

The number of Filipinos working or living in the EU has been rising by 23% to some 747,000 and the Union remained the 5<sup>th</sup> among the largest hosts of (land-based) migrant Filipinos (accounting for 7.4%) in 2011. The US (34%), Saudi Arabia (15%) and Canada (8.4%) remain in the lead. On the other hand, while ASEAN (8%) overtook the EU, the UAE (6.7%) has fallen behind. About half of these (land-based) Filipinos in the EU are permanent residents, and about a third are temporary workers. Migrant Filipinos have a presence in all EU Member States, but are most numerous in the UK (29% of the EU total), Italy (25%), Germany (8%), Greece (7%), Spain (7%), and France (7%).

**Figure 16: Major hosts of land-based overseas Filipinos, 2011**

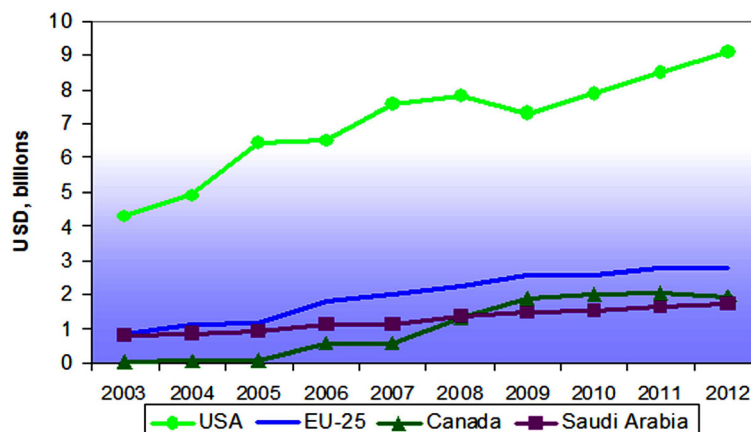
Source: Eurostat



With the EU having the world's largest merchant fleet, accounting for 35% of the world total, the EU is also probably the largest employer of Filipino seafarers. Thus, some 130,000 or more than a third of Filipino seafarers probably work on EU ships.

**Figure 17: Major sources of remittances from overseas Filipinos**

Source: Bangko Sentral ng Pilipinas



*The EU remains the 2<sup>nd</sup> largest source of remittances into the Philippines.*

The EU maintained its position as the second largest source of foreign exchange remittances into the Philippines (accounting for 14% in 2012), next only to the US (43% share). In 2012, remittances from the EU declined by 1% to \$2.8 billion (€ 2 billion). Two thirds of remittances from the EU were sent by land-based workers while the rest came from sea-based workers. Remittances from land-based workers dropped by 7%, while seafarer’s remittances accelerated to a nearly 13% growth.

### 3.2. EU tourists to the Philippines

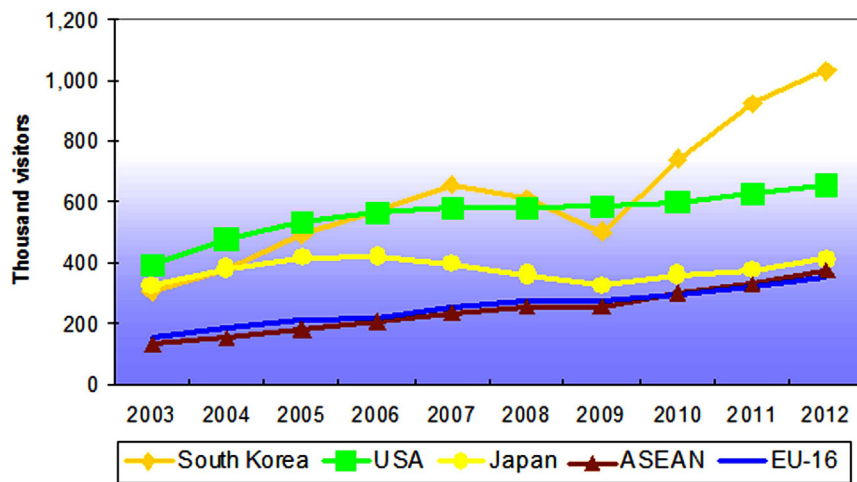
*The EU is the 5th largest source of tourists to the Philippines.*

Tourism is a sector of growing economic importance for the Philippines and in 2012, despite the global economic crisis, the Philippines managed to attract more tourists, which reached a record 4 million, up 9% from the previous year. Moreover, despite the termination of the last direct flights from Europe (by AirFrance-KLM), the number of EU tourists visiting the Philippines increased faster at 10%, reaching over 349,000.

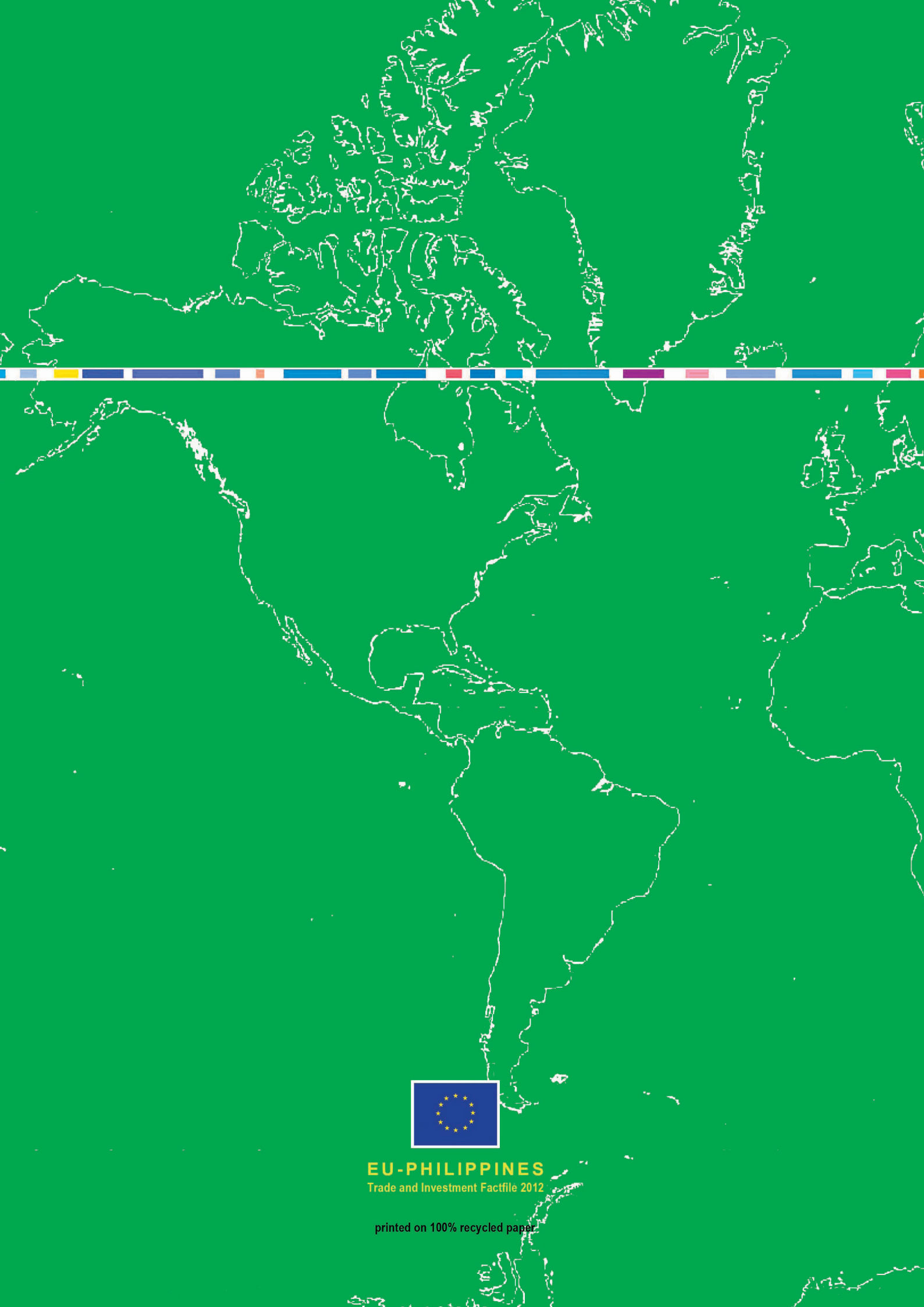
As a source of tourists the EU remains on the 5<sup>th</sup> place, accounting for 8.6% of the total number of visitors, just behind the ASEAN (9.2% share), but still ahead of China (6% or rank 6). South Korea has the highest share in tourists (25%), followed by the US (16%) and Japan (10% or rank 3).

**Figure 18: Major sources of tourists to the Philippines**

Source: Philippine Department of Tourism







**EU-PHILIPPINES**  
Trade and Investment Factfile 2012

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