EU-PHILIPPINES

trade and investment
factfile 2013

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Message from the EU Trade Commissioner

The EU is now not only the world's biggest economy, but also its biggest importer and exporter, and largest investor and recipient of foreign direct investments. Our commercial and political ties with the Philippines have existed for centuries and have grown into the EU being the country's 4th largest trading partner, accounting for 11% of its total trade in goods. The EU also remains the Philippines' largest investment partner, accounting for about 30% of total FDI stock. These figures, impressive though they are, probably understate the EU's true importance as a trading partner of the Philippines because on top of this there is the rise of regional and global production networks and supply chains.

Opening new markets is good for growth, helping both exporters and importers. This is why the EU promotes open trade at home and abroad. Even in times of economic turmoil we have not resorted to protectionist measures. The EU has risen to the challenge with a very ambitious trade agenda, engaging key partners in trade negotiations, pushing for progress at the multilateral level and vigorously enforcing existing trade rules. Only by creating a level and fair playing field can we ensure that everyone benefits from trade and the jobs and growth it can bring.

This is particularly valuable at a time when global value chains are making borders disappear and helping create jobs, with input added at various stages and in different countries. We need to rise to these new global challenges. Our ambitious negotiation agenda includes agreements now being discussed with major players such as the United States and Japan, but also with emerging economies across Asia, Latin America and Africa.

In particular, the EU is looking to strengthen the already strong relationship between the EU and ASEAN countries. That is why I am pleased to see how dynamic the Philippine economy is, with growth in 2013 reaching 7.2%. I hope this can be sustained by the Philippines swiftly implementing its ambitious agenda of trade and investment reforms. Adoption of a competition law and opening up more for foreign investments, procurement and services will be key to increasing competitiveness so that the Philippines can continue to grow and create jobs.

2013 saw the Philippines rising in importance from being our 49th to our 46th trading partner. 2014 will be an equally important year for our economies. Under the new GSP regulation, the Philippines is eligible for GSP+, an instrument that would provide additional tariff cuts in key sectors such as processed food and textiles. At the same time, let us continue to work together to further strengthen and expand our trade and investment relationship.

Karel De Gucht
EU Trade Commissioner

Overview

EU – Philippines trade in goods increased by 9% to €10.8 billion in 2013. This is partly thanks to the Philippine economy continuing to register strong growth (+7.2% in 2013), as thanks to the EU economy's recovery – where growth is picking up again. EU exports to the Philippines surged by 19% to €5.7 billion while imports were broadly stable at €5.1 billion, producing a surplus in favour of the EU for the first time in many years.

Some of the highlights in 2013 worth mentioning are that trade recorded was the largest in a decade and that the Philippines became EU's 46th trading partner – three levels up compared to the year before. Meanwhile, the EU became the third largest supplier of goods to the Philippines. These rankings are an expression of the growing importance of our relationship as trade with the Philippines by far outperformed that with ASEAN overall.

Looking at specific sectors: Philippines exports of services to the EU expanded by 24% (2012 data), bringing overall trade in services to a record high of €2.6 billion, with a surplus to the Philippines of €178 million.

Trade in agricultural products increased as well, with notably Philippines exports of fishery products showing a substantial increase of 32%. In terms of manufactures, exports in footwear almost doubled whereas electronics and industrial equipment continued to increase as well. With the start of the new GSP-regime in 2014, reducing the number of beneficiary countries and expanding the products covered, it is likely that Philippines exports will grow further as the Philippines are also making more use of the current system (utilisation rate of 67% - €1.1 billion of exports), even before the outcome of its GSP+ application has been decided.

In terms of foreign direct investments, the EU remains the largest investment partner of the Philippines with total stock of investments rising further to €7.6 billion (latest figure for 2012) - or about 30% of total FDI stock in the Philippines. EU FDI flows into the Philippines recovered strongly by 65% to some €0.4 billion in 2012 and overall, European companies are estimated to employ around 400,000 Filipinos, a great contribution to the economy. Noteworthy however, is that the Philippines is also finding the EU more attractive as an investment destination, with FDI to the EU growing by 14% in 2012.

In the meantime, Filipino migrants living and working in the EU as well as Filipino seafarers manning European ships sent $3.1 billion (€2.3 billion) back to the Philippines in 2013, making the EU the second largest source of remittances to the Philippines and the largest employer of Filipino seafarers.

Lastly, Europeans do believe it is more fun in the Philippines with a historic record of 376,000 visitors in 2013, an increase of 8%. With the European recovery and the lifting of the air ban for Philippines Airlines and Cebu Pacific, this growth is expected to strengthen in the coming years.

1 Trade Relations

1.1. Trade in goods: main trends 2013

In 2013, EU trade with the Philippines was the largest in a decade.

In 2013, EU-Philippines trade increased by 9% to €10.8 billion, making its value the highest in a decade. The Philippine economy continued to register strong growth (+7.2% GDP growth) and the EU economy posted recovery, leading to EU exports to the Philippines surging by 19% to €5.7 billion. Meanwhile EU imports were stable at €5.1 billion, producing a surplus in favour of the EU for the first time in many years.

Philippine trade with the EU in 2013 performed better than overall ASEAN trade with the EU.

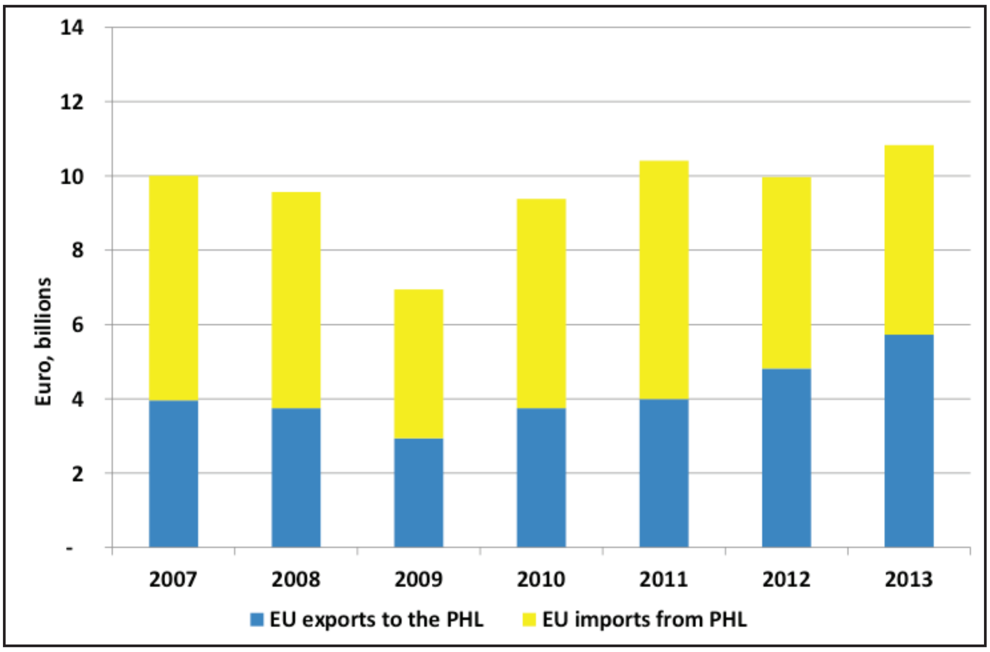
In contrast, EU-ASEAN trade declined by 2% to €179 billion in 2013. ASEAN exports to the EU suffered a reversal, falling by 3% to €98 billion, while EU exports to ASEAN was broadly stable at €81 billion.

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU exports to PHL (€ bn)	**3.4**	**3.6**	**3.6**	**3.7**	**4.0**	**3.7**	**2.9**	**3.7**	**4.0**	**4.8**	**5.7**
Annual growth rate (%)	0.5	6.6	0.6	3.2	6.2	-5.4	-21.6	27.5	6.6	20.6	18.9
EU imports from PHL (€ bn)	**7.1**	**6.9**	**6.5**	**6.8**	**6.0**	**5.8**	**4.0**	**5.6**	**6.4**	**5.1**	**5.1**
Annual growth rate (%)	-16.1	-3.1	-5.5	4.1	-11.3	-3.8	-31.1	40.7	13.9	-19.7	-0.9
Total Trade (€ bn)	**10.5**	**10.5**	**10.2**	**10.5**	**10.0**	**9.6**	**6.9**	**9.4**	**10.4**	**10.0**	**10.8**
Annual growth rate (%)	-11.4	0.0	-3.4	3.8	-5.1	-4.4	-27.4	35.1	11.0	-4.3	8.7
EU Trade Balance (€ bn)	**-3.8**	**-3.3**	**-2.9**	**-3.1**	**-2.1**	**-2.1**	**-1.1**	**-1.9**	**-2.4**	**0.33**	**0.6**

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 24%, while imports improved by 5% in 2012.

When considering trade in services, the surplus is to the advantage of the Philippines, totalling €178 million. EU-Philippines two-way trade in services grew by 14% to a total value of €2.6 billion in 2012 (latest year for which data is available). Philippine services exports to the EU expanded by 24% to reach a record high of €1.4 billion while services imports from the EU improved by 5% to €1.2 billion.

Philippine services exports to the EU remain dominated by transportation (31% share or €437 million; mostly sea transport), travel services (28% or €394 million), and 'other business services' (26% or €367 million) – which includes BPOs. Exports of communications services (5% or €76 million) and information technology (IT) services (5% or €64 million) are also growing in importance. Philippines is ranked 2nd only to India as a business process offshoring destination, taking advantage of the outsourcing trends over the past decade. Europe (the largest offshoring market of the world) is the second largest BPO export market of the Philippines (accounting for around a tenth) next to the US (with 76% share).

The expansion in Philippine services exports to the EU in 2012 was supported by the strong recovery in travel (+53% growth) as well as 'other business services'/BPOs (+43%), and the sustained growth in communications (+16%) and IT services (+11%), which offset the decline in transport services (-3%).

Philippine services imports from the EU are more diverse. While the category 'other business services' (30% share or €369 million), transportation (18% or €215 million) and travel (13% or €161 million) account for nearly two-thirds of imports, IT services (9% or €108 million), royalties/licensing (9% or €107 million), communications (7% or €81 million), insurance (7% or €80 million), construction (4% €49 million) and financial services (4% or €45 million) are important as well.

The increase in Philippine services imports from the EU in 2012 was largely driven by the recovery in royalties/licensing (+36%), construction (+150%), transport services (+7%) & IT services (+15%) and sustained expansion in communications (+44%), travel (+12%), and insurance (+8%). These more than offset the declines in 'other services' (-16%) and finance (-5%).

Figure 2: Trade in services between the EU and the Philippines
Source: Eurostat

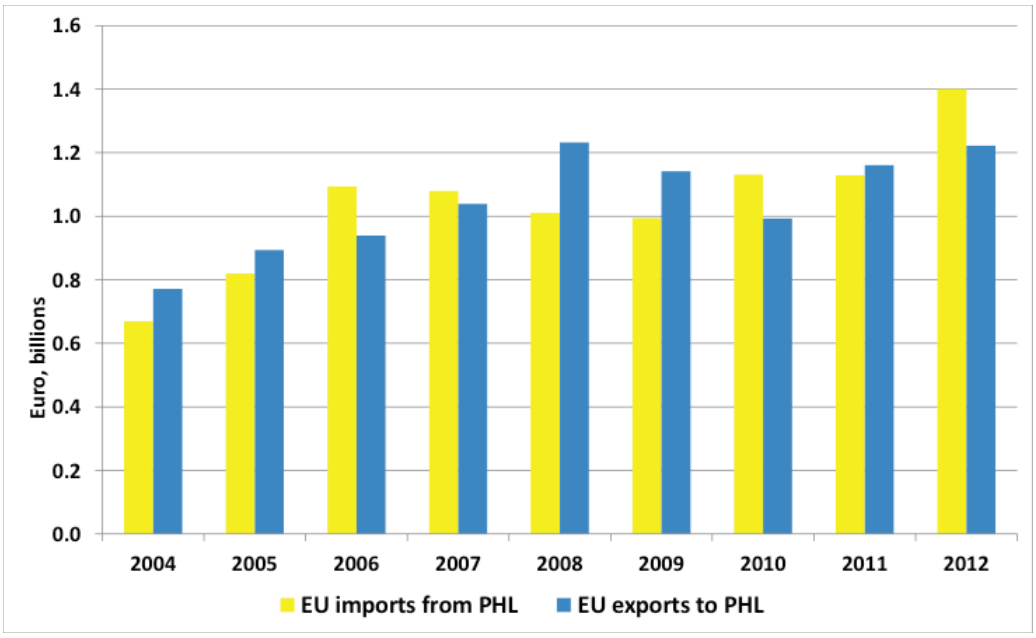


Table 2: Trade in services between the EU and the Philippines (PHL)
Source: Eurostat

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU exports to PHL (€ bn)	**0.9**	**0.8**	**0.9**	**0.9**	**1.0**	**1.2**	**1.1**	**1.0**	**1.2**	**1.2**
Annual growth rate (%)	76.4	-14.7	15.9	5.1	10.6	18.6	-7.3	-13.1	16.9	5.3
EU imports from PHL (€ bn)	**0.7**	**0.7**	**0.8**	**1.1**	**1.1**	**1.0**	**1.0**	**1.1**	**1.1**	**1.4**
Annual growth rate (%)	-0.6	0.7	22.5	33.4	-1.3	-6.3	-1.6	13.7	-0.1	23.9
Total Trade (€ bn)	**1.6**	**1.4**	**1.7**	**2.0**	**2.1**	**2.2**	**2.1**	**2.1**	**2.3**	**2.6**
Annual growth rate (%)	32.8	-8.2	18.9	18.6	4.2	5.9	-4.7	-0.6	7.8	14.5
EU Trade Balance (€ bn)	**0.2**	**0.1**	**0.1**	**-0.2**	**0.0**	**0.2**	**0.1**	**-0.1**	**0.0**	**-0.2**

1.3. Rankings: imports, exports and overall trade volume

The Philippines is moving up in terms of the EU's top 50 trading partners.

In 2013 the Philippines ranked as the 46th EU trading partner (up three places from 2012), but continued to lag behind other ASEAN middle-income countries.

The details show that the Philippines' performance as supplier to the EU improved from rank 47 in 2012 to 45 with a share of 0.3% in total EU imports in 2013. 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 four times as much as the Philippines.

Concerning EU exports to the Philippines, the ranking improved three places to rank 44 (with a share at 0.3% of total EU exports), and is now almost at par with exports to Vietnam.

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

N°	Total EU Trade with...	million euro	share (%)	EU Imports from...	million euro	share (%)	EU Exports to...	million euro	share (%)
	EXTRA EU28	**3,416,371**	**100.0**	**EXTRA EU28**	**1,683,443**	**100.0**	**EXTRA EU28**	**1,732,928**	**100.0**
1	USA	483,926	14.2	China	279,931	16.6	USA	287,962	16.6
2	China	428,062	12.5	Russia	206,581	12.3	Switzerland	169,549	9.8
3	Russia	326,344	9.6	USA	195,964	11.6	China	148,131	8.5
4	Switzerland	263,810	7.7	Switzerland	94,261	5.6	Russia	119,763	6.9
5	Norway	140,184	4.1	Norway	90,008	5.3	Turkey	77,733	4.5
6	Turkey	127,969	3.7	Japan	56,437	3.4	Japan	54,015	3.1
7	Japan	110,452	3.2	Turkey	50,236	3.0	Norway	50,176	2.9
8	South Korea	75,807	2.2	India	36,822	2.2	U.A.Emirates	44,649	2.6
9	Brazil	73,112	2.1	South Korea	35,848	2.1	Brazil	40,097	2.3
10	India	72,697	2.1	Brazil	33,015	2.0	South Korea	39,959	2.3
11	Saudi Arabia	63,749	1.9	Algeria	31,832	1.9	India	35,874	2.1
12	Canada	58,881	1.7	Saudi Arabia	30,079	1.8	Hong Kong	35,736	2.1
13	Algeria	54,219	1.6	Nigeria	28,650	1.7	Saudi Arabia	33,670	1.9
14	U.A.Emirates	53,870	1.6	Canada	27,262	1.6	Australia	32,082	1.9
15	Singapore	46,254	1.4	Kazakhstan	23,467	1.4	Canada	31,619	1.8
16	Hong Kong	45,979	1.3	Libyan Arab Jamahiriya	23,173	1.4	Singapore	28,661	1.7
17	Mexico	44,949	1.3	Taiwan	22,116	1.3	Mexico	27,420	1.6
18	Australia	42,251	1.2	Vietnam	21,266	1.3	South Africa	24,486	1.4
19	Nigeria	40,393	1.2	Malaysia	19,348	1.1	Ukraine	23,939	1.4
20	South Africa	40,023	1.2	Singapore	17,594	1.0	Algeria	22,387	1.3
21	Taiwan	38,625	1.1	Mexico	17,528	1.0	Stores and provisions e:	18,772	1.1
22	Ukraine	37,726	1.1	N.det.Extra	17,400	1.0	N.det.Extra	17,345	1.0
23	N.det.Extra	34,745	1.0	Thailand	17,091	1.0	Morocco	17,306	1.0
24	Malaysia	33,657	1.0	South Africa	15,537	0.9	Israel	16,981	1.0
25	Thailand	32,124	0.9	Indonesia	14,336	0.9	Taiwan	16,509	1.0
26	Libyan Arab Jamahiriya	31,076	0.9	Azerbaijan	14,195	0.8	Thailand	15,033	0.9
27	Kazakhstan	30,959	0.9	Ukraine	13,787	0.8	Egypt	14,919	0.9
28	Israel	29,461	0.9	Israel	12,480	0.7	Malaysia	14,309	0.8
29	Morocco	27,316	0.8	Iraq	10,636	0.6	Nigeria	11,743	0.7
30	Vietnam	27,049	0.8	Bangladesh	10,432	0.6	Tunisia	11,169	0.6
31	Indonesia	24,044	0.7	Hong Kong	10,243	0.6	Argentina	10,013	0.6
32	Egypt	22,855	0.7	Australia	10,169	0.6	Serbia	9,941	0.6
33	Tunisia	20,519	0.6	Morocco	10,010	0.6	Indonesia	9,708	0.6
34	Stores and provisions e)	18,772	0.5	Tunisia	9,350	0.6	Gibraltar	9,512	0.5
35	Chile	18,247	0.5	Angola	9,311	0.6	Chile	9,252	0.5
36	Argentina	18,151	0.5	U.A.Emirates	9,221	0.5	Belarus	8,619	0.5
37	Azerbaijan	17,934	0.5	Chile	8,995	0.5	Libyan Arab Jamahiriya	7,903	0.5
38	Serbia	16,502	0.5	Qatar	8,971	0.5	Kazakhstan	7,492	0.4
39	Iraq	16,052	0.5	Argentina	8,139	0.5	Lebanon	6,697	0.4
40	Angola	15,518	0.5	Egypt	7,936	0.5	Angola	6,207	0.4
41	Qatar	15,128	0.4	Colombia	7,722	0.5	Qatar	6,157	0.4
42	Colombia	13,588	0.4	Serbia	6,561	0.4	Colombia	5,866	0.3
43	Bangladesh	12,088	0.4	Kuwait	6,259	0.4	Vietnam	5,783	0.3
44	Belarus	12,017	0.4	Peru	5,322	0.3	Philippines	5,728	0.3
45	Kuwait	11,564	0.3	Philippines	5,101	0.3	Iran	5,448	0.3
46	Philippines	10,829	0.3	Costa Rica	5,004	0.3	Iraq	5,416	0.3
47	Gibraltar	10,063	0.3	Pakistan	4,512	0.3	Kuwait	5,305	0.3
48	Peru	8,807	0.3	Equat.Guinea	4,035	0.2	Bosnia-Herz.	4,786	0.3
49	Pakistan	8,348	0.2	Botswana	3,442	0.2	Venezuela	4,536	0.3
50	Bosnia-Herz.	8,027	0.2	Belarus	3,399	0.2	New Zealand	4,099	0.2

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, among ASEAN middle-income countries, the Philippines (+9%) was second only to Vietnam (+13%) in expanding trade with the EU in 2013. With respect to exports, all ASEAN MICs suffered declines or stagnation, except Vietnam (+14%). On the other hand, EU exports to the Philippines did relatively well; growing fastest compared to neighbouring ASEAN middle income countries.

The EU is the 4th largest trading partner of the Philippines

According to data from Philippine authorities, the EU remains the Philippines' 4th largest trading partner and accounted for 11% of total trade in goods in 2013. While Japan (with a share of 14%) remained Philippines' largest trading partner, China (13%) is now slightly ahead of the US (12%).

Figure 3: Share of Philippines' external two-way trade in 2013
Source: Philippine Statistics Authority

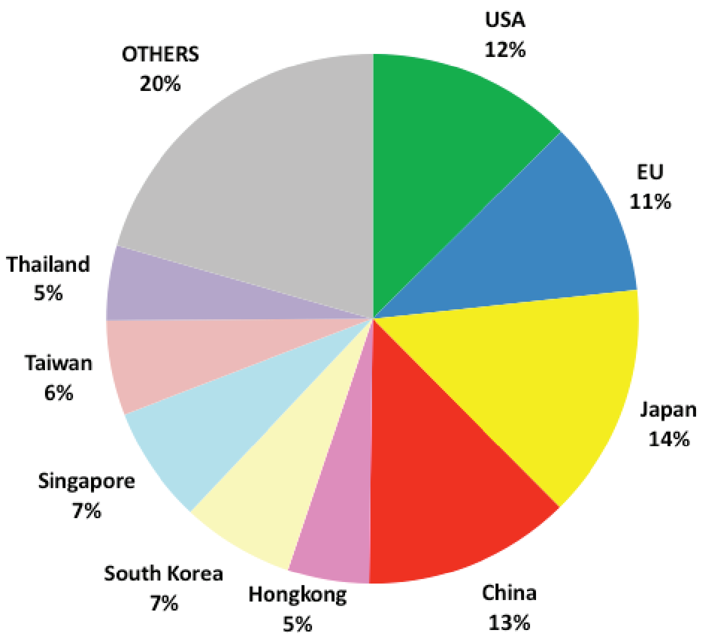


Figure 4: Philippines' trade with its main partners
Source: Philippine Statistics Authority

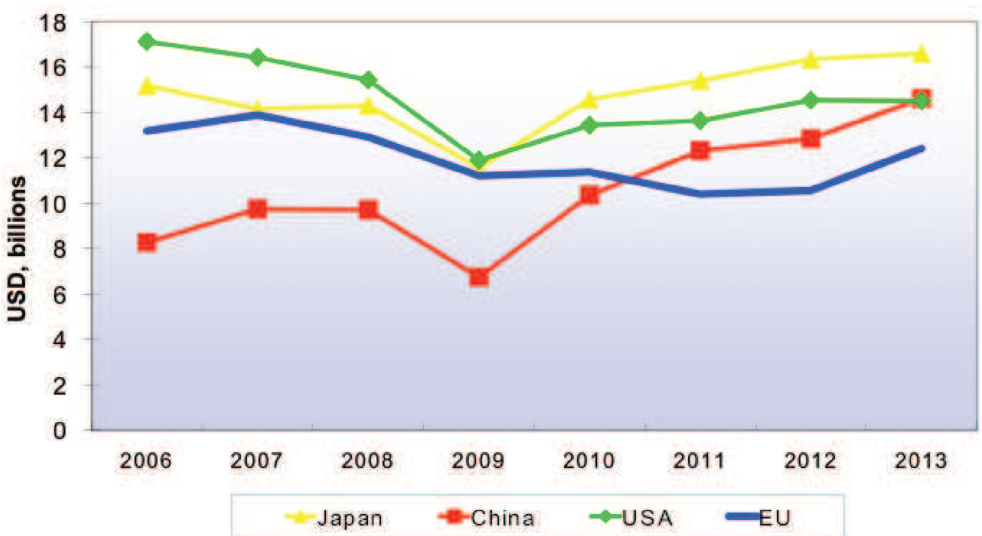


Table 5: Philippines' (PHL) trade with its main partners in 2013
Source: Philippine Statistics Authority

	Japan	USA	China	EU
PHL exports ($ bn)	**11.4**	**7.8**	**6.6**	**6.2**
Annual growth rate (%)	15.6	5.4	6.7	4.1
PHL imports ($ bn)	**5.2**	**6.7**	**8.0**	**6.3**
Annual growth rate (%)	-19.9	-6.1	20.3	34.7
Total Trade ($ bn)	**16.6**	**14.5**	**14.6**	**12.4**
Annual growth rate (%)	1.6	-0.2	13.8	17.5
PHL Trade Balance ($ bn)	**6.2**	**1.1**	**-1.5**	**-0.1**

The EU is the Philippines' 4th largest export market.

In terms of Philippines exports, the EU remains the Philippines' fourth largest export market accounting for 11% of total Philippine exports. As an export destination, Japan (21%), the US (14%) and China (12%) remain in the lead.

Figure 5: Philippines' exports to its main partners
Source: Philippine Statistics Authority

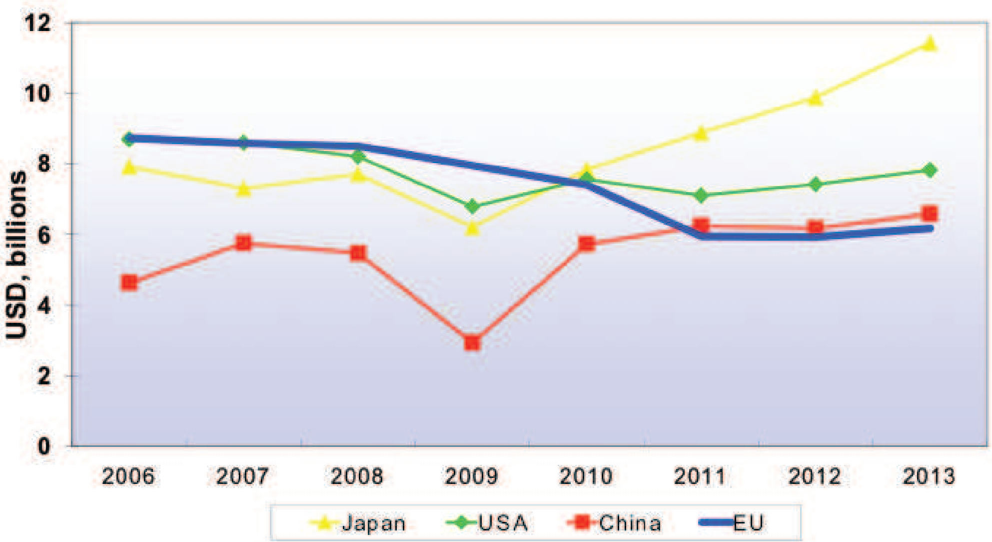
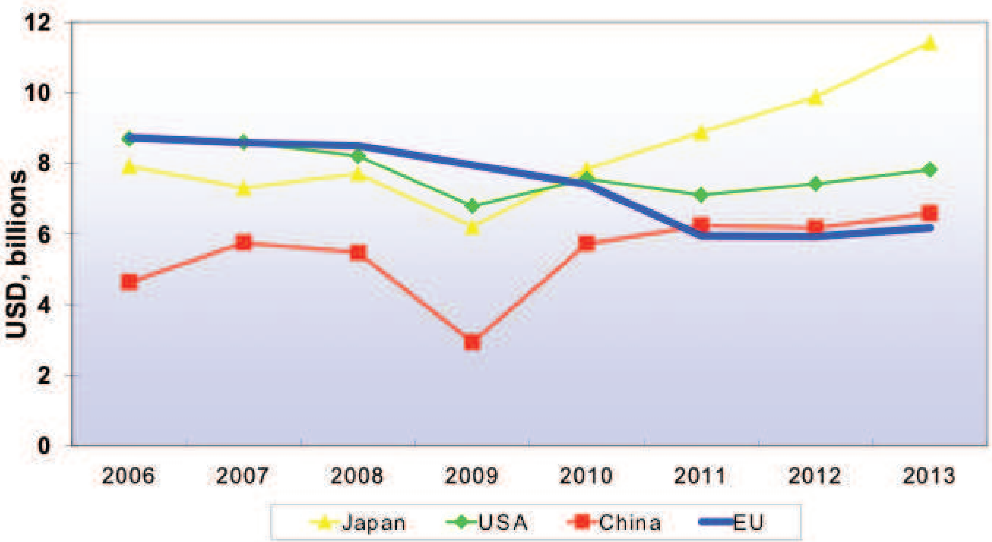


Figure 5: Philippines' exports to its main partners

Source: Philippine Statistics Authority

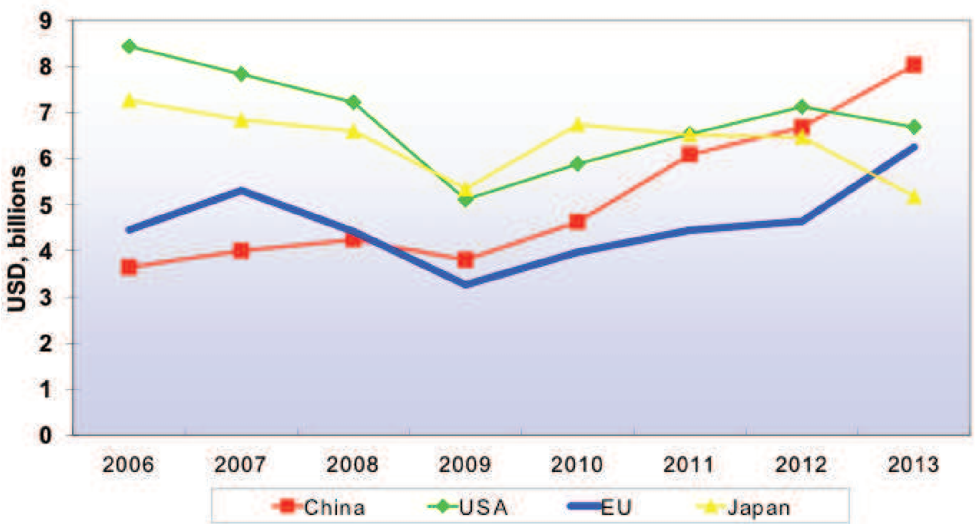


The EU is now the 3rd largest supplier of the Philippines.

On the Philippine import side, China (13% share of imports) overtook the US (11%) to become the largest supplier of imports, while the EU (10%) took over the 3rd place from Japan (8%).

Figure 6: Philippines' imports from its main partners

Source: Philippine Statistics Authority



1.5. Philippines' trade with EU Member States

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

Germany, France, Netherlands, UK, Italy, Spain and Belgium account for almost 90% of EU-Philippines trade.

Germany is the Philippines largest trading partner within the EU. Germany is followed by France, the Netherlands, the UK, Italy, Spain and Belgium. Together these seven countries account for almost 90% of EU-Philippines trade. Meanwhile, most, if not all, of the other EU member states are investing in expanding trade with the Philippines.

Most EU Member States' trade with the Philippines recorded positive growth in 2013

Trade of most of the 28 EU Member States with the Philippines either continued to grow or returned to positive growth in 2013. However 12 Member States saw their trade decline, with 15 Member States recording lower imports from the Philippines and 9 registering reductions in exports to the Philippines in 2013.

Figure 7: Trade volume between the EU-28 and the Philippines in 2013
Source: Eurostat

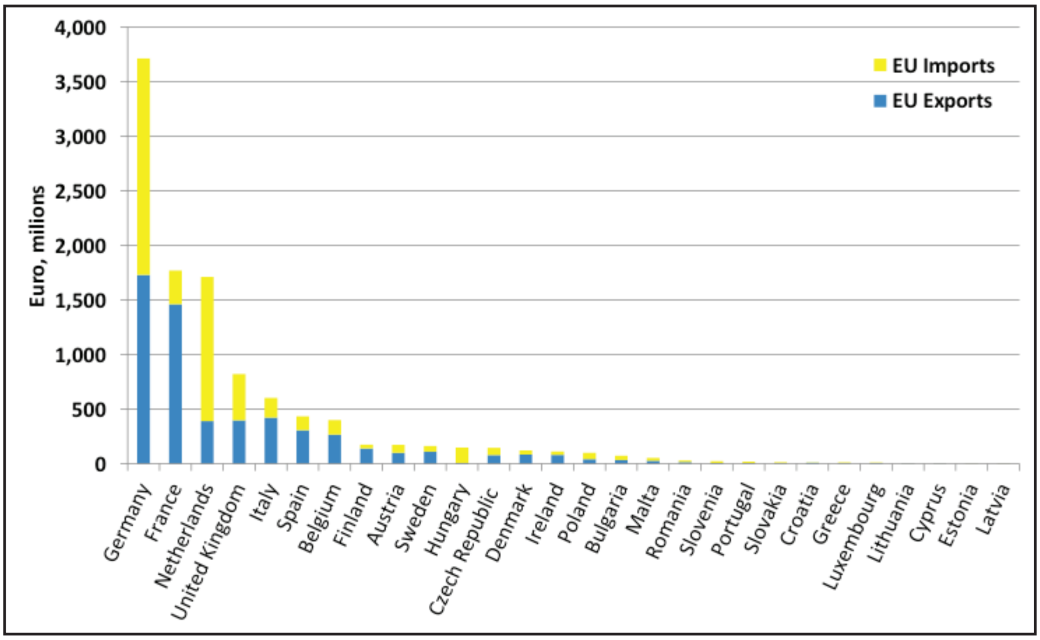


Figure 8: Share of EU trade volume with the Philippines in 2013
Source: Eurostat

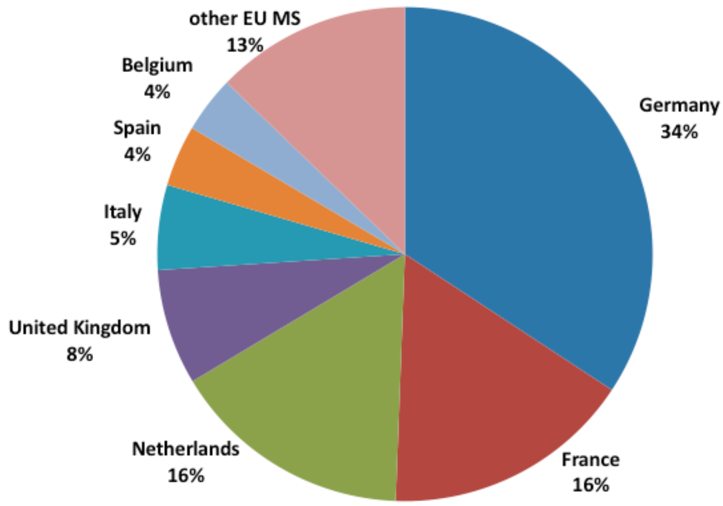


Table 6: EU Member States' trade with the Philippines
Source: Eurostat

	EU Exports (EUR Mn)		EU Imports (EUR Mn)		Total Trade (EUR Mn)	
	2012	2013	2012	2013	2012	2013
Germany	1,532	1,729	1,829	1,982	3,360	3,710
France	985	1,460	328	308	1,313	1,768
Netherlands	335	389	1,289	1,322	1,623	1,711
United Kingdom	370	398	466	422	836	820
Italy	374	423	207	179	581	602
Spain	274	307	113	127	387	434
Belgium	268	267	164	133	432	399
Finland	142	139	45	34	187	174
Austria	96	100	74	72	170	172
Sweden	117	110	151	52	268	162
Hungary	11	7	161	140	172	147
Czech Republic	58	79	47	65	105	144
Denmark	75	83	49	38	124	122
Ireland	82	80	26	32	108	111
Poland	40	41	61	59	101	100
Bulgaria	13	34	36	38	50	72
Malta	5	27	24	26	29	52
Romania	6	15	13	14	19	29
Slovenia	4	8	19	15	24	23
Portugal	7	6	14	13	21	19
Slovakia	2	4	9	9	11	13
Croatia	8	8	6	3	15	11
Greece	5	5	7	7	12	11
Luxembourg	3	5	4	4	7	9
Lithuania	4	3	1	2	6	4
Cyprus	1	2	2	1	3	3
Estonia	0	0	3	3	3	3
Latvia	0	0	1	1	1	2
EU28	**4,818**	**5,728**	**5,148**	**5,101**	**9,967**	**10,829**

1.6. Structure and trends by product

The Philippines seeks to diversify its exports base; while succeeding in reducing the share of its (dominant) IT sector, exports are still highly concentrated in that sector, which is dominated by electronics (45% of total exports), largely engaging in assembly and testing operations linked to regional and global production networks.

Electronics account for 36% of Philippine trade with the EU, but agricultural trade has been growing in importance.

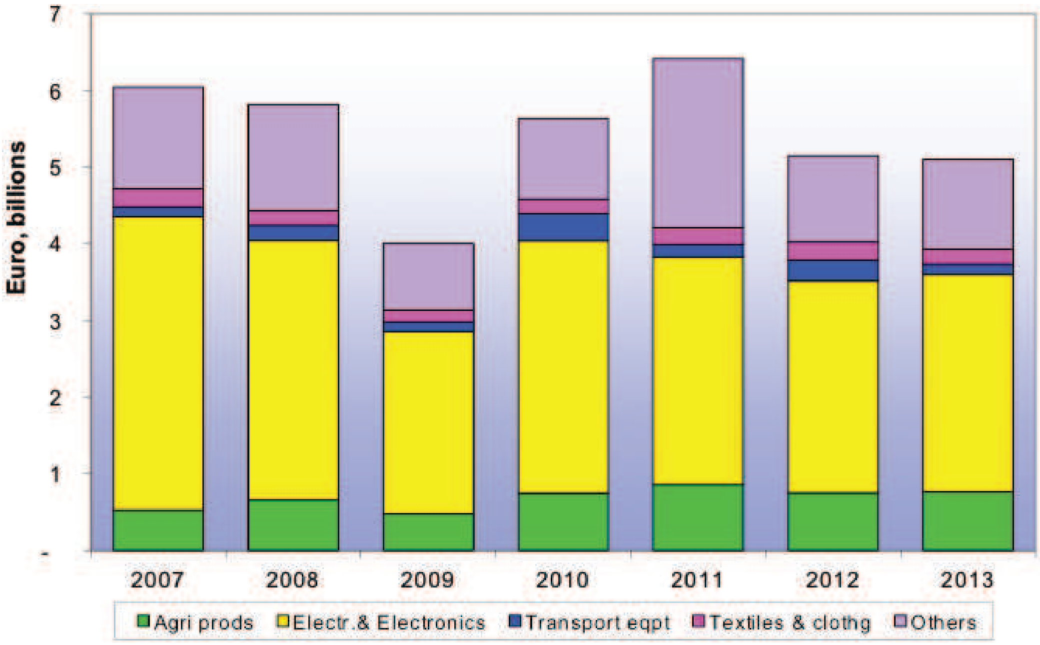
Electronics products also account for a large (36%), albeit declining, share of Philippine trade with the EU. It is noteworthy that trade in other manufactured products (48% share) as well as agricultural products (14% share) have been growing in importance. In fact, agricultural trade rose by 9% in 2013, while trade in manufactures expanded by 8%.

Manufactured products accounted for 82% or €4.2 billion of Philippine exports to the EU in 2013, with electrical and electronic products (including semiconductors) accounting for 56% or €2.8 billion. In fact, the Philippines remains one of the largest supplier of integrated circuits and electronic components to the EU. Other important manufactured exports include transport equipment (3% or €135 million), garments and textiles (4% or €192 million), industrial equipment (3% or €174 million) and metal products (1% or €33 million). Agricultural exports have improved significantly, accounting for 15% or €763 million in 2013. This is largely thanks to exports of coconut oil (which, despite a small decline, account for about 7% or €343 million), fishery products (3% or €171 million) and fruit products (2% or €126 million). The Philippines is in fact the single largest source of coconut oil imports by the EU, accounting for nearly 60%.

Philippines' agricultural exports increased by 1% in 2013.

While overall Philippine exports to the EU remained stable in 2013, details show a mixed picture. Agricultural exports increased by 1%, as exports of fish products (+32%) reached a record high while fruit exports were stable (+1%). However, exports of coconut oil dropped (-6%). On the other hand, manufactured exports declined by 2%. Some improvements were noticeable in exports of electronics (+2%), industrial equipment (+3%), jewellery (+1%), and footwear (+97%), but these were offset by declines in transport equipment (-50%), garments (-18%), metal manufactures (-41%), chemical products (-46%) and furniture (-2%).

Figure 9: Major EU imports from the Philippines
Source: Eurostat

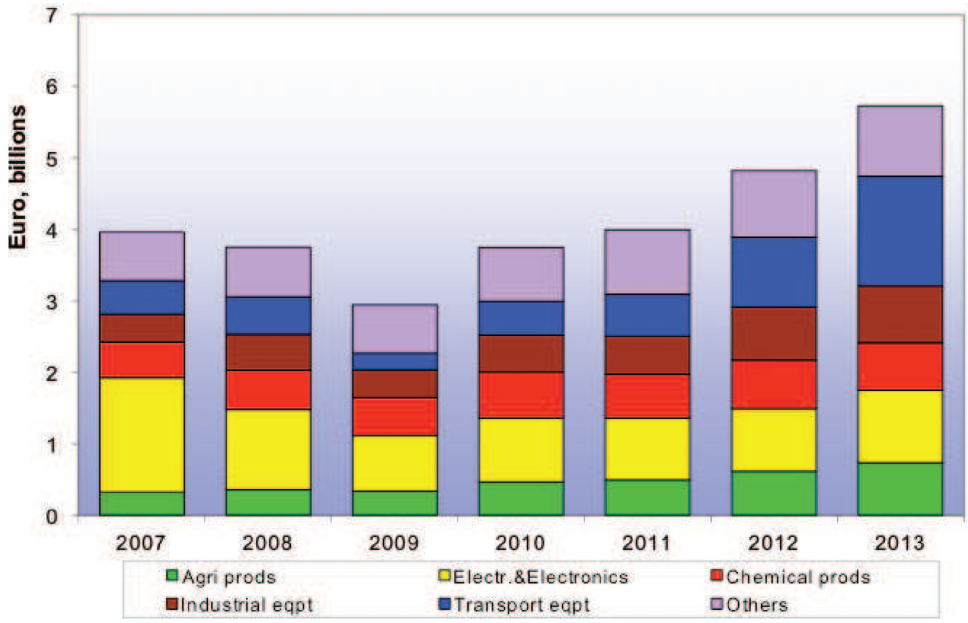


Although manufactured products accounted for 84% or €4.8 billion of Philippine imports from the EU in 2013, the structure is more diverse compared to manufactured exports to the EU. Imports of transport equipment (27% or €1.5 billion), industrial equipment (14% or €795 million) and chemical products (12% or €664 million), have been growing in importance. The Philippines remains one of the EU's largest export markets for integrated circuits and electronic components, but – despite still growing strong in absolute terms to over €1 billion – the relative share of these products (including semiconductors) has fallen a bit, to less than 18% (was 21% in 2011). Other important manufactured imports from the EU are metal products (2% or €114 million) and paper products (2% or €136 million). Imports of agricultural products have improved substantially and now account for over €734 million or 13% of Philippine imports from the EU. These are largely accounted for by imports of meat (2% or €131 million), alcoholic beverages (2% or €123 million), animal feeds (2% or €100 million), dairy products (2% or €88 million), and cereals (1% or €51 million).

Philippines' manufactured and agricultural imports from the EU were up 19% in 2013

Most major EU exports to the Philippines continued to perform well in 2013. Manufactured exports in general expanded by 19%, exceeding pre-crisis levels. This is thanks to record levels of exports of aircraft (+69%); industrial equipment (+7%), garments & textiles (+10%), as well as a continued growth in electronics (+16%). However, exports of chemical products (-2%), automotive products (-3%) and metal products (-40%) declined. EU agricultural exports continued to post strong growth (+19%). Exports of meat (+31%), alcoholic beverages (+17%), and animal feeds (+16%) are at record levels, while exports of dairy (+15%) and cereals (+86%) recovered strongly.

Figure 10: Major EU exports to the Philippines
Source: Eurostat

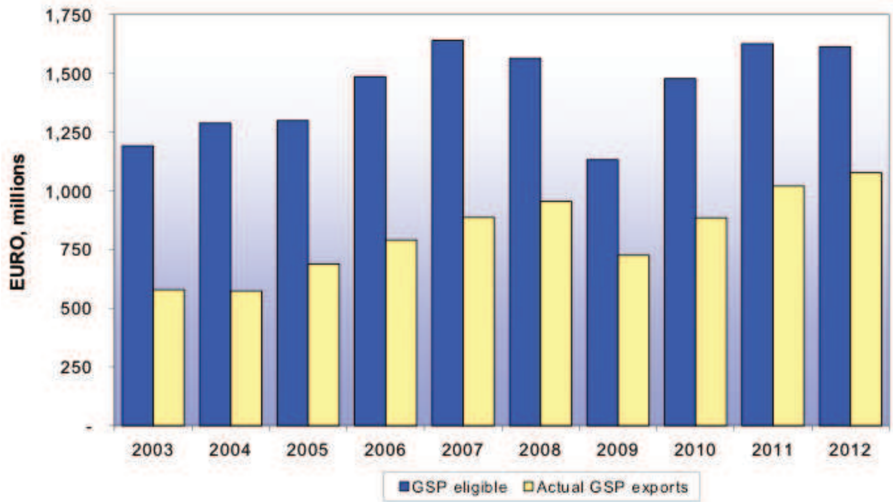


1.7. EU preferential trade with the Philippines

The Philippines is taking more advantage of the EU GSP scheme

About 65% of Philippine exports to the EU already benefit from duty-free treatment on an MFN basis. The rest is largely eligible in principle to benefit from the EU Generalised System of Preferences, with some 23% of Philippine exports actually being able to take advantage. Among the Philippines' GSP exports to the EU, about half were granted duty-free treatment, while the rest entered the EU under reduced duties. In fact, the Philippines remained the 20th largest user of the EU GSP scheme in 2012 (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. However, under the new GSP regulation, that took effect January 2014 and has reduced the overall number of beneficiaries substantially, the Philippines should be able to take more advantage of tariff preferences.

Figure 11: Philippines' exports under the EU GSP scheme
Source: Eurostat



Philippine GSP exports to the EU recovered to pre-crisis levels in 2012.

The detailed picture shows that Philippines' GSP utilisation is already improving: After posting a 24% decline in 2009, Philippine GSP exports have rebounded strongly, growing by 6% to around €1.1 billion in 2012, above pre-crisis levels. Over 40% of these were agricultural exports. In particular, the Philippines' main GSP exports to the EU in 2012 were: coconut oil (25%), food products (14%), electrical & electronic products (11%), steel products (4%), and transport equipment (4%).

The average utilisation rate equally improved to 67% in 2012 (from 60% in 2010). The Philippines utilisation rate is currently ahead of Vietnam (55%) but still behind Malaysia (72%), Thailand (72%), and Indonesia (75%).

EU's new GSP scheme, effective from 2014, 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 has also applied for the GSP+ scheme, which provides additional preferences but requires implementation of 27 core international conventions on human rights, labour rights, the environment and good governance. The Philippine government estimates that GSP-Plus could expand exports to the EU by some 12% and generate hundreds of thousands of jobs.

2 Investment flows and stocks

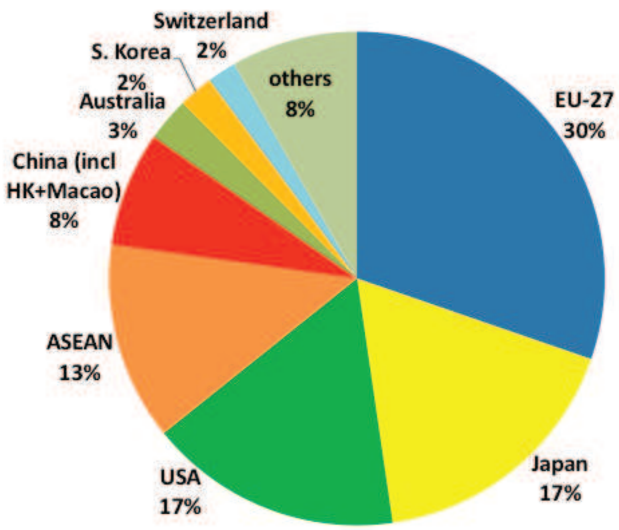
Foreign direct investment statistics are very difficult to compile in a globalised world, where businesses do not necessarily have clear-cut geographical roots. For this reason, investment statistics must be treated with caution.

2.1. The EU's FDI in the Philippines

The EU is the top investor in the Philippines.

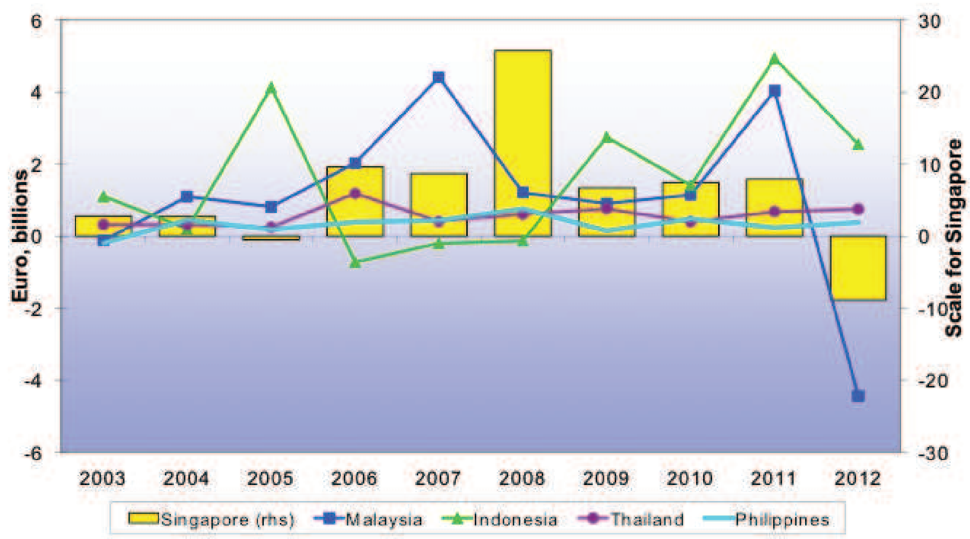
The EU's total stock of investments rose further by 2% to some €7.6 billion as of 2012 (the latest year for which Eurostat data are available). Comparative data (from the IMF) indicate that the EU remains the largest investment partner of the Philippines (accounting for about 30% of total FDI stock), followed by Japan (17%), USA (17%), ASEAN (13%), China (7%), and Australia (3%).

Figure 12: Major sources of FDI stock in the Philippines 2013
Source: International Monetary Fund



Moreover, while EU direct investment flows into the ASEAN region fell by 68%, those into the Philippines recovered strongly by 65% to some €0.4 billion in 2012.

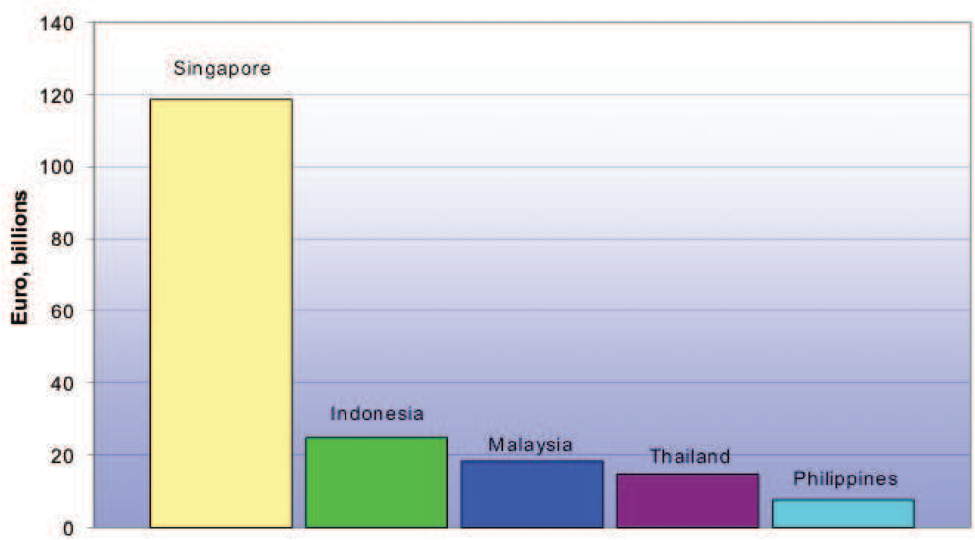
Figure 13: Inflows of EU FDI into selected ASEAN Member States
Source: Eurostat



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

However, there remains substantial scope for boosting EU-Philippines investment relations as the Philippines had received only 4% of the €208 billion stock of EU direct investments in the ASEAN region as of 2012.

Figure 14: Stock of EU FDI in selected ASEAN Member States 2012
Source: Eurostat



2.2. Philippines' FDI in the EU

The Philippines has invested some €1.4 billion in the EU as of 2012.

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 €1.4 billion in the Union as of 2012.

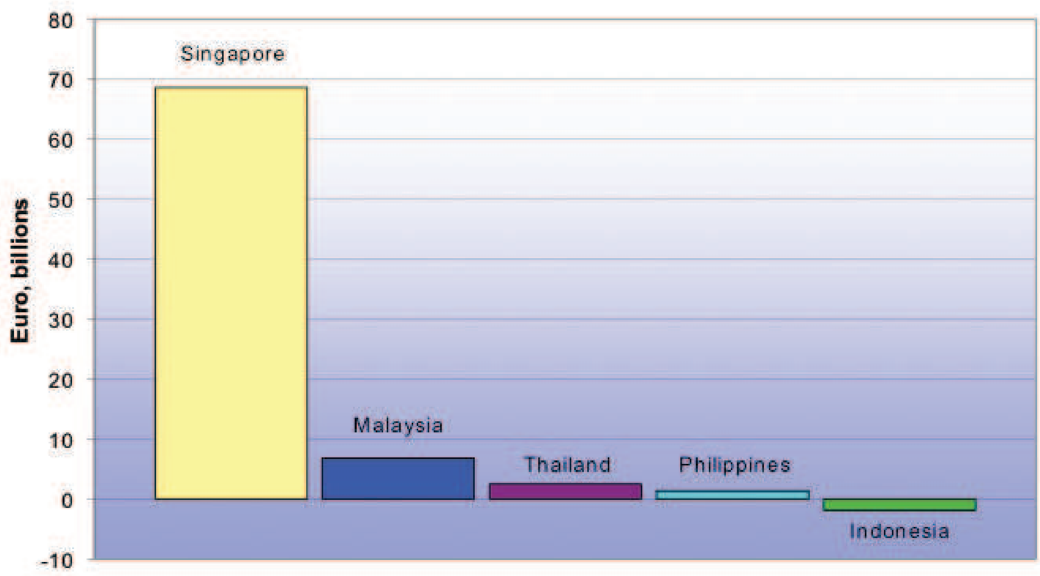
The Philippines' FDI in the EU increased by 14% in 2012.

The Philippines' FDI in the EU increased by 14% in 2012. It is now the equivalent of nearly a fifth of the €7.4 billion ($9.5 billion) in total Philippine stock of overseas direct investments as of 2012 (as estimated by Philippine authorities). Moreover, investment from the Philippines to the EU is relatively strong compared to for instance Indonesia.

Table 7: EU FDI stock with the Philippines (PHL)
Source: Eurostat

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU FDI stock in PHL (€ bn)	**3.5**	**3.9**	**4.7**	**5.9**	**6.0**	**7.3**	**6.4**	**7.4**	**7.4**	**7.6**
Annual growth rate (%)	-5.6	13.8	19.0	25.0	2.6	22.1	-12.9	15.5	0.6	1.6
EU FDI stock from PHL (€ bn)	**0.9**	**1.0**	**1.1**	**1.0**	**1.1**	**1.2**	**1.5**	**1.6**	**1.2**	**1.4**
Annual growth rate (%)	483.0	10.7	10.7	-12.1	10.3	7.9	24.8	10.2	-26.6	14.5

Figure 15: Stock of ASEAN Member States' FDI in the EU, 2012
Source: Eurostat



3 People-to-people exchanges

3.1. Migrant Filipinos in the EU and their remittances

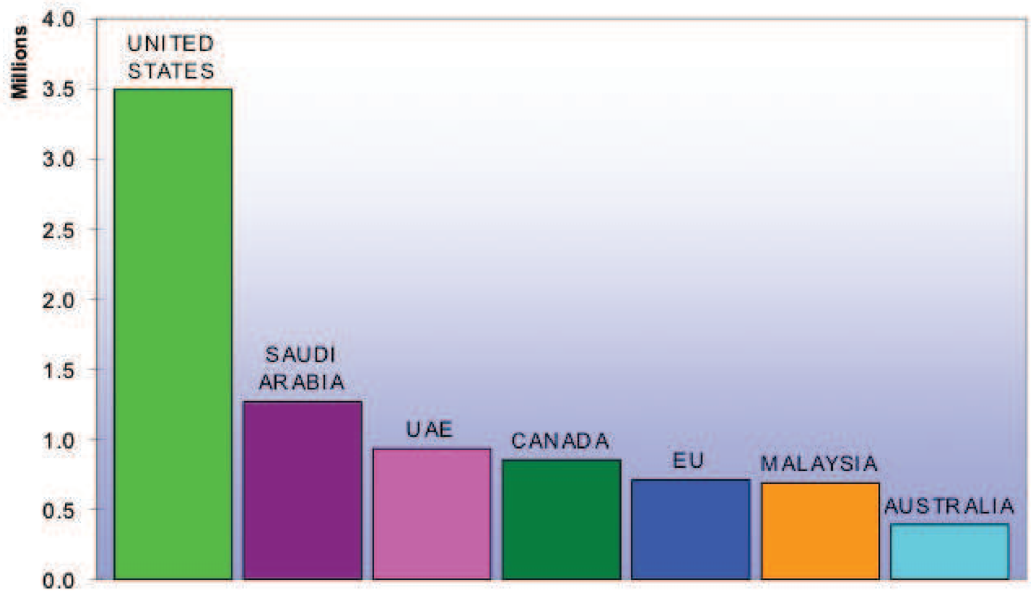
Note that data on remittances from the USA may have an upward bias due to the common practice of remittance centres in various cities abroad to course remittances through correspondent banks mostly located in the United States.

The Philippine government estimates the Filipino diaspora at some 10.5 million as of 2012. 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 38% are temporary/contract workers.

The EU is the 5th largest host of (land-based) migrant Filipinos.

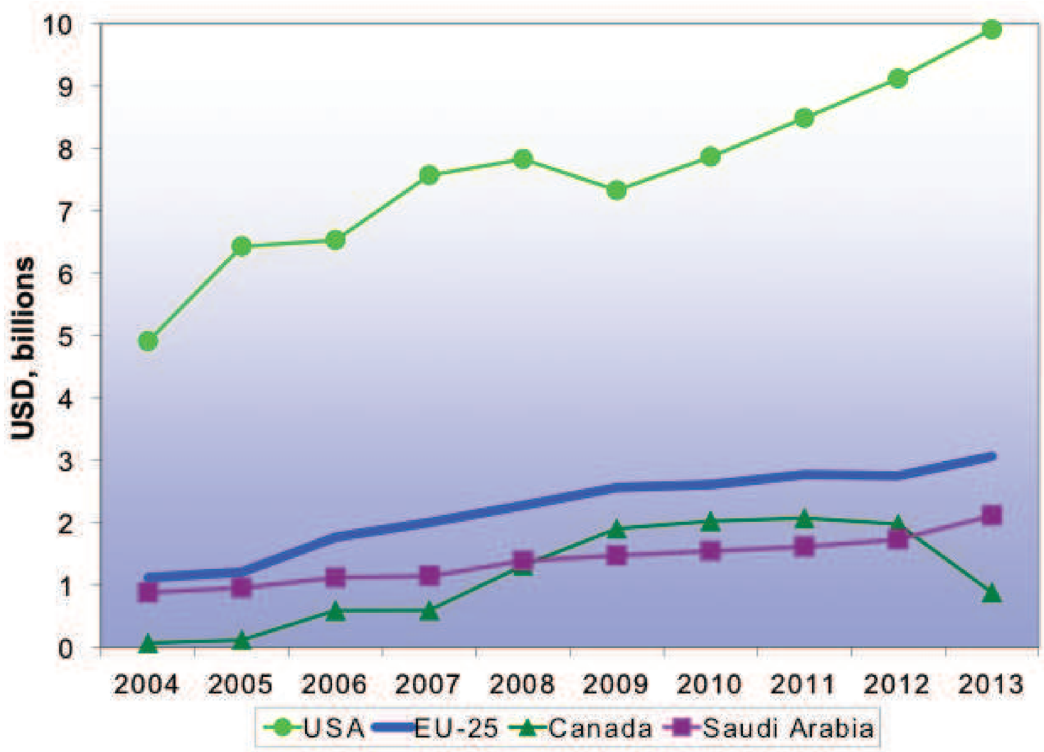
The number of Filipinos working or living in the EU declined by 6% to some 706,000 but the Union remained the 5th among the largest hosts of (land-based) migrant Filipinos (accounting for 7%) in 2012. The US (34%) and Saudi Arabia (12%) remain in the lead. On the other hand, while the UAE (9%) overtook Canada (8%) the EU is now followed closely by Malaysia (6.8%). About half of these (land-based) Filipinos in the EU are permanent residents, and about a quarter are temporary workers. Migrant Filipinos have a presence in all EU Member States, but are most numerous in the UK (31% of the EU total), Italy (24%), Germany (8%), Greece (7%), France (7%) and Spain (5%).

Figure 16: Major hosts of land-based overseas Filipinos, 2012
Source: Commission on Filipinos Overseas



With the EU having the world's largest merchant fleet, accounting for 34% of the world total, the EU is also probably the largest employer of Filipino seafarers. Thus, some 125,000 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 2nd 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 2013), next only to the US (44% share). In 2013, remittances from the EU increased by 11% to $3.1 billion (€2.3 billion). Remittances from land-based workers increased by 2%, while seafarer's remittances accelerated further with a 28% expansion. Thus, while most (57%) of remittances from the EU are still coming from land-based workers, an increasing share (43% in 2013) is coming from sea-based workers.

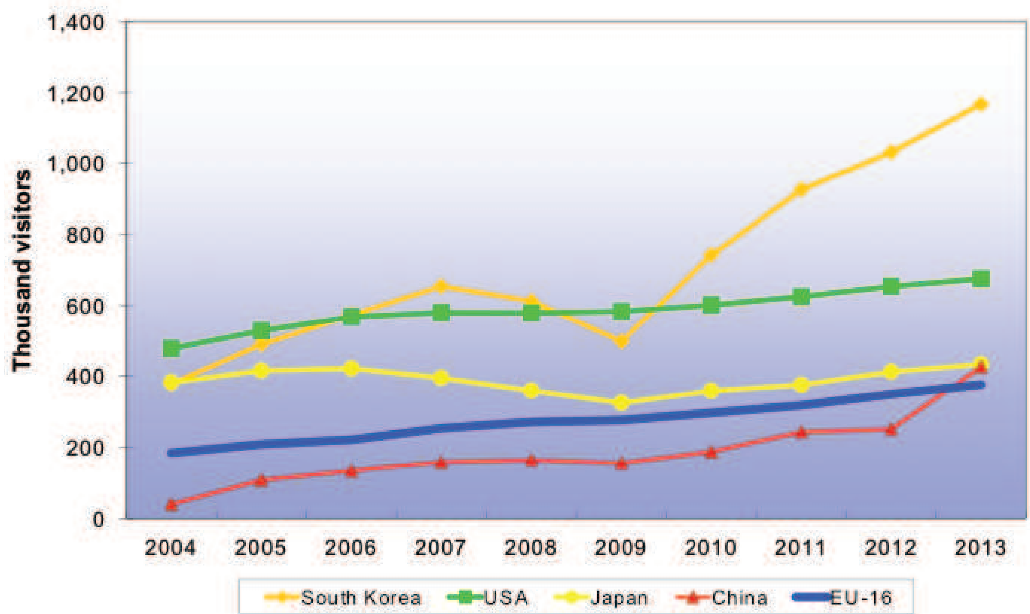
3.2. EU tourists to the Philippines

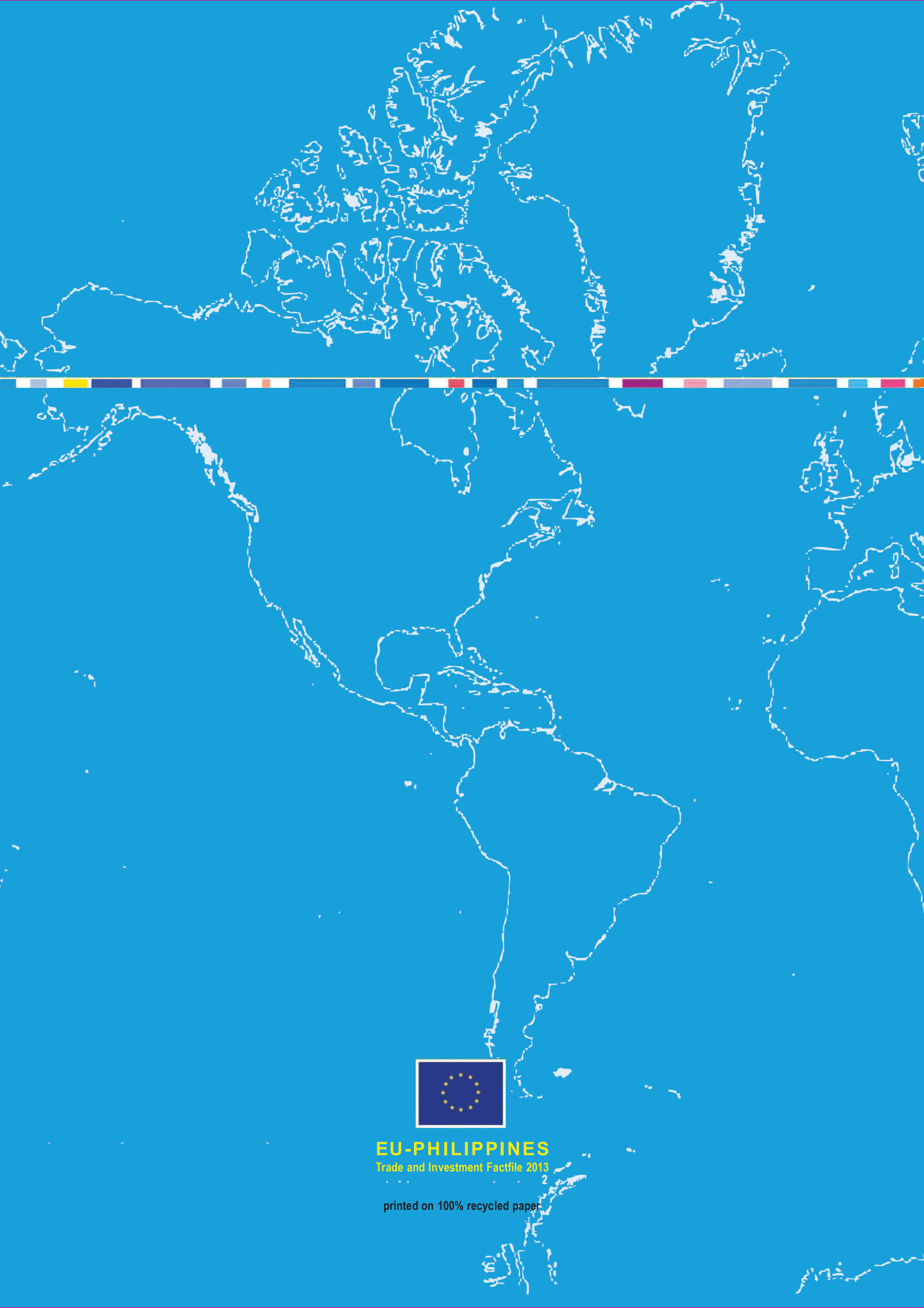
The EU is the 5th largest source of tourists to the Philippines.

Tourism is a sector of growing economic importance for the Philippines and in 2013, the Philippines managed to attract more tourists, which reached a record 4.5 million, up 10% 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 by 8%, reaching over 376,000.

However, as a source of tourists the EU is now at the 5th place, accounting for 8% of the total number of visitors, as it was overtaken by China (10% share; now rank 4). South Korea has the highest share in tourists (26%), followed by the US (15%) and Japan (10%).

Figure 18: Major sources of tourists to the Philippines
Source: Philippines' Department of Tourism





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