The EU: Largest Export Market for the Philippines

Delegation of
the European Union
to the Philippines

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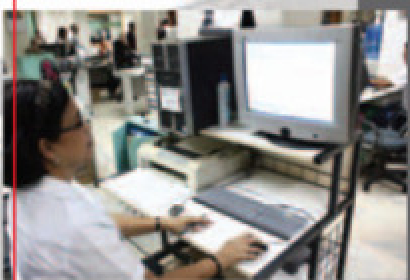
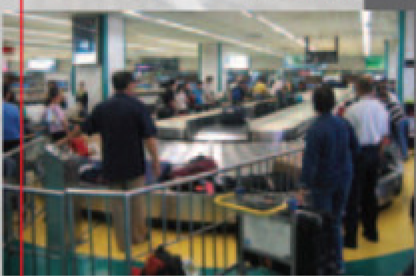
EU Supports the Philippines' Bureau of Customs' Reform Agenda

The Philippines' Bureau of Customs' reform agenda and how the EU-Philippines Trade Related Technical Assistance Programme 2 (TRTA) supports it





E2m (electronic to mobile) and Risk Management System

"Electronic to mobile (e2m)" is an electronic (internet and wireless) platform to streamline import and export processing. It includes an enhanced risk management system (Asycuda 1.18d) with a potentially strong corruption-reducing effect, because it reduces significantly person-to-person contacts, the most common occasion for rent seeking opportunities.

TRTA financed the introduction of an enhanced Risk Management System (ASYCUDA) and supported the BoC in its implementation.

Success so far:

Due to electronic payments and online submission of customs declarations the Philippines improved its rank of the "trading across border" index, in the World Bank "Doing Business Report", from place 68 in 2010 to rank 61 in 2011, which is a top- ten improvement within a year. The "trading- across- border" index is the best of all indexes for the measurement of doing business for the Philippines.

National Single Window (NSW)

The future Philippines National Single Window (NSW) will facilitate trade through further efficiencies in the Customs and authorization processes. The NSW will allow a single entry point for the submission and accelerated processing of applications for licenses, permits and other authorizations, which are required ahead of a trade transaction.

A TRTA financed feasibility study looked at the over 40 agencies and their capacities to get inter-connected, which was the basis for the first phase of rolling out the single window.

Success so far:

The National Single Window has been established in 2010, so far 37 out of 40 agencies are connected. Eight agencies already reached their target of ½ -2 days to issue import licences (form previously 3-5 days) and another nine have improved by cutting the time by more than half on average (from previously 2-7 days).

Authorised Economic Operator (AEO)

The AEO is a scheme, through which a customs authority recognises companies that fulfil a strict set of security standards in the supply chain. Through mutual recognition, AEO-complying companies enjoy preferential (= green lane) - that is shorter - customs treatment, which considerably facilitates trade and reduces costs. The system is part of the WCO (World Customs Organisation) standards to secure and facilitate global trade.

TRTA has provided expert support for the Bureau of Customs for drafting the legal issuances and the training of potential future staff to be involved in AEO audits.

Success so far:

The regulatory framework was drafted and approved by the BoC and is at current under review by the Department of Finance.

Acknowledgement : Photos c/o Bureau of Customs and Trade Related Technical Assistance

Trading with the World's Largest

1. EU trade relations with ASEAN

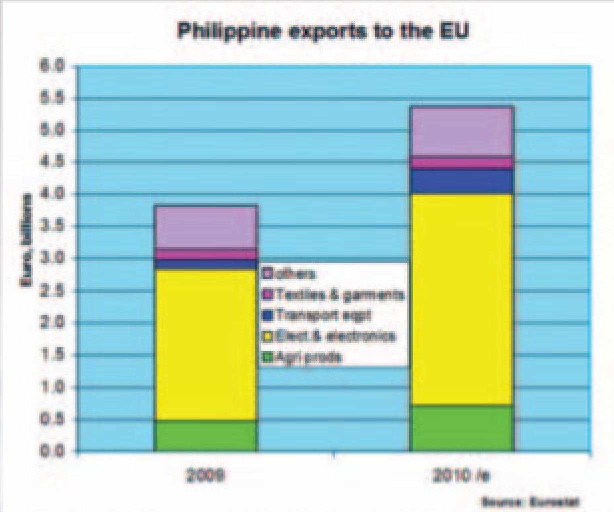
The **EU is ASEAN's largest export market**: 15% of total ASEAN exports go to the EU. It is ahead of the US (14%), China (13%), and Japan (13%). In 2010, ASEAN exports to the EU reached more than €86 billion, composed mainly of machinery and transport equipment (44%), agricultural products (14%), chemicals (7%), textiles and clothing (6%).

In 2010 ASEAN's imports from the EU amounted to €60 billion or 14% of total ASEAN imports, making the **EU third largest supplier** behind China (18%) and Japan (15%), but ahead of the US (12%). Main ASEAN imports from the EU are machinery and transport equipment (53%), chemical products (10%), and agricultural products (7%).

Overall, the **EU is ASEAN's 2nd largest trading partner** (accounting for 15% of ASEAN trade in 2009), next to China (15.4%) and followed closely by Japan (14%) and the US (13%). In return, ASEAN as an economic entity represents the EU's 5th largest trading partner, accounting for € 147 billion or 5% of EU trade in 2010, following the US (15%), China (14%), Russia (8%) and Switzerland (7%), but ahead of Japan (4%). ASEAN's trade with the EU has been growing steadily in the years prior to the global economic crisis, with an average annual growth rate of 5% and are expected to do so in the future.

2. EU trade relations with the Philippines

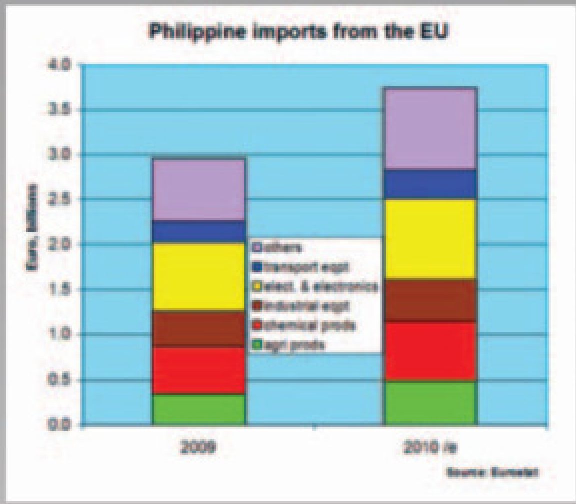
Over the past 5 years, the **EU has become the Philippines' largest single export market**, accounting for about 17% of total exports. The EU is closely followed by other Philippine export destinations such as the ASEAN, US, and Japan.



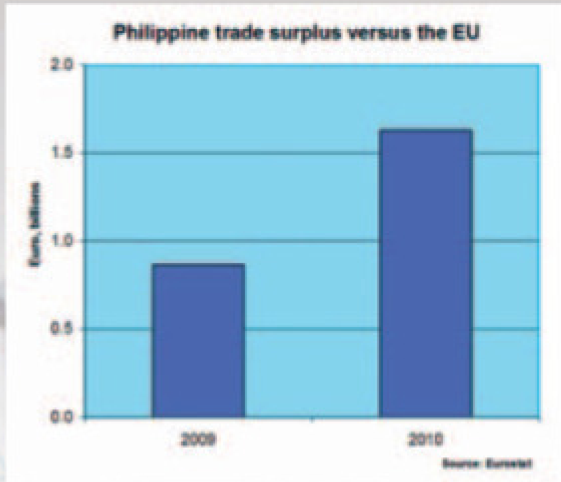
In 2010 Philippine exports to the EU expanded by over 40% to € 5.4 billion. Manufactured products account for the bulk of Philippine exports to the EU, with electrical and electronic products (including semiconductors) accounting for over 60% or € 3.3 billion. Other important manufactured exports include transport equipment (7%), garments and textiles (3%), metal products (2%) and industrial equipment (2%). Agricultural exports have been growing in importance, accounting for 14% or over €720 million in 2010. This is largely due to rising exports of coconut oil (which now account for about 7%), fishery products (3%) and fruit products (2%).

The EU has also been the **4th largest source of Philippine imports**, accounting for 8% of total imports. The ASEAN, US, and Japan are leading, but the EU is still ahead of China.

Economy



In 2010 Philippine imports from the EU grew by more than 26% to over € 3.7 billion. Manufactured products account for the bulk of Philippine imports from the EU, with electrical and electronic products (including semiconductors) accounting for around 24% or € 905 million. Other important manufactured imports are chemical products (18%), industrial equipment (12%), transport equipment (8%), metal products (4%) and paper products (3%). Agricultural products now account for over €490 million or 13% of Philippine imports from the EU. These are largely accounted for by imports of cereals (3%), meat (2%), dairy products (2%) and animal feeds (2%).



With two-way merchandise trade totalling over €9.1 billion in 2010, the EU is the Philippines **4th largest trading partner**, accounting for about 13% of total trade. It however lies behind the ASEAN, US, and Japan, while being still ahead of China. Traditionally the **Philippines has a trade surplus with the EU**, which in 2010 increased to over €1.6 billion.

EU Paves the Way for Trade Facilitation

Trade facilitation – what is it?

Trade facilitation (TF) improves procedures that govern the movement of goods across national borders; it reduces associated costs while safeguarding legitimate regulatory objectives.

Trade facilitation - good for business

TF promotes transparency and cuts red tape. It saves time and money for exporters and importers alike.

Trade facilitation – good for government

TF strengthens security through more effective controls, improves the investment climate and promotes higher customs revenues. Revenue loss from inefficient border procedures in some developing countries do amount up to 5% of GDP.

Trade facilitation and fight against corruption – are they linked?

Trade facilitation strongly supports government efforts to fight corruption. One case in point is automation of clearance processes, which reduces considerably face-to-face contacts that usually provide opportunities for rent seeking. Transparency, simplification and harmonization of practices and procedures in line with international best practice are key elements both in TF and the fight against corruption.

International success stories

- During the first two years of a customs reform programme in Mozambique, customs revenues increased by over 50% despite of significant tariff cuts.
- In Morocco through TF the time needed for customs clearance of containers in the main port of Casablanca could be reduced from an average of 18- 20 days to 1- 2 hours. This constitutes the equivalent of a massive expansion of port facilities at a fraction of costs.
- In Costa Rica, following an overhaul of procedures, TF succeeded in bringing down customs clearance from 6 days to 12 minutes.

Did you know... internationally?

Trade related transaction costs are estimated to lie between 2% and 15% of the value of imported goods (Source: OECD 2001, 2003).

A 1% reduction in transaction cost at borders is worth an economic prize of 43 USD billion worldwide (Source: OECD 2003).

The reduction of border delays by 1 day could increase exports by 1% (Source: Martinez-Zarzosa and Marquez - Ramos 2008, calculated for APEC region).

Did you know...for the Philippines?

In 2009 90% of Philippines Small and Medium Enterprises (SMEs) who had lodged their import entries web-based, reported that this automated process had made their transactions with customs convenient and efficient, lowered their processing time and resource expenditures and ensured reliable information (Source: Loreli de Dios, 2009).

Lodgement time in the Philippines dropped from 1 or ½ day to 1 hour or less as result of the introduction of IT-based trade facilitation measures (e2m). (Source: Loreli de Dios, 2009).

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