EU-Philippine Trade Arrangements

AHK GPCCI

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Generalized Scheme of Preferences

GSP	GSP +	EBA
↓	↓	↓
Duty Reductions	Zero Duties	Full Duty Free, Quota Free

Mechanism to assist developing countries to export goods to the European Union at a lower cost

Current Status of the Philippines: GSP+

- The Philippines was granted GSP+ beneficiary status on Dec 2014
- The Philippines is the 2nd largest beneficiary of the EU GSP+ arrangement

- **Conditions:**
  - income level below "upper middle income" (World Bank)
  - not benefitting from another arrangement (e.g. FTA)
  - ratified 27 international conventions related to human rights, labour rights, protection of the environment and good governance
  - cooperating with Commission to monitor implementation of conventions

- **Benefit:**
  - complete duty suspension for about 66 % of all product tariff lines coming from the Philippines
  - free entry for 6274 Philippine products into Europe

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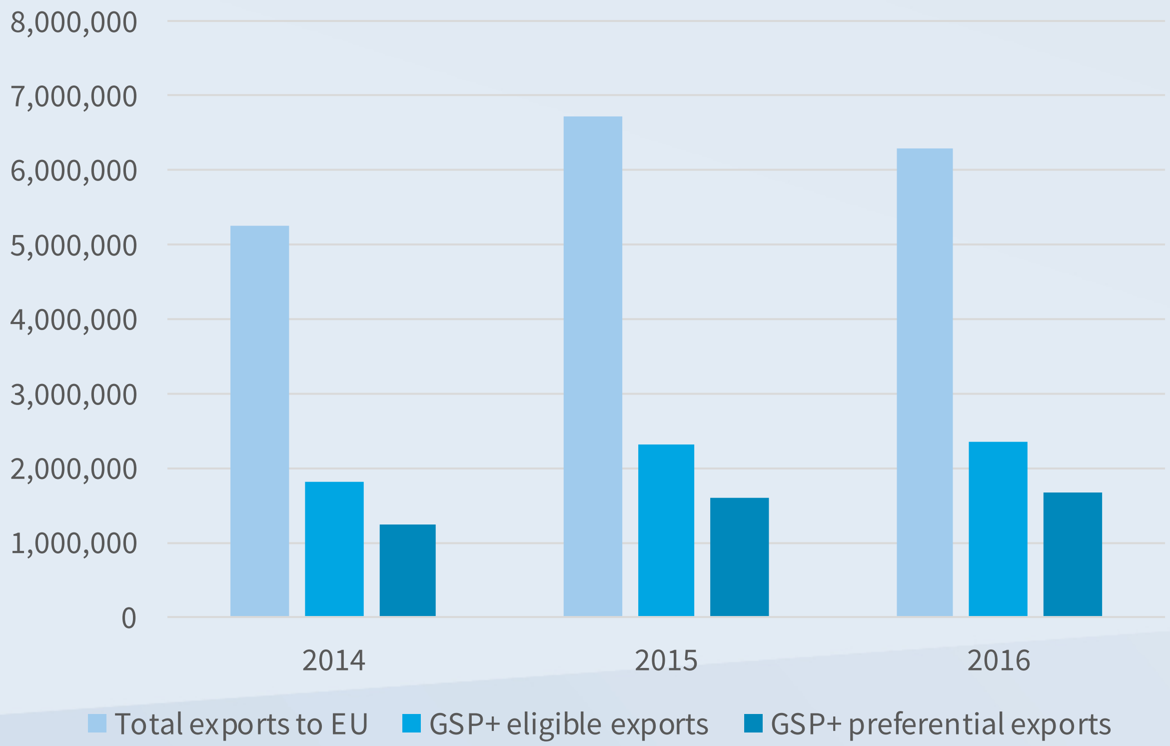
The Philippines: Export to the EU



Trend
2014 - 2016

+ 19,6 %

+ 29,1 %

+ 36,4 %

Reasons for the utilisation rate: - Many products are anyhow duty free
- Products do not qualify as PH products due non-compliance with the rules of origin

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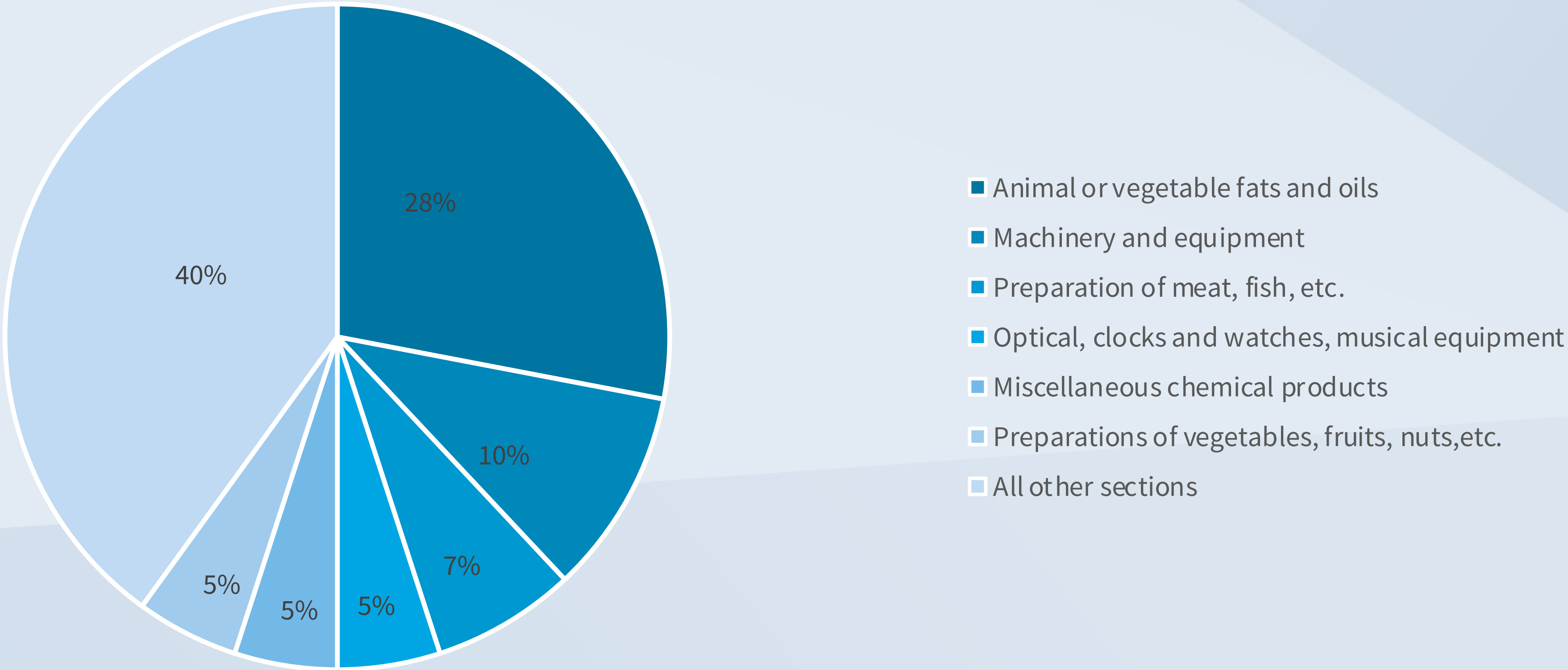
Product Diversification of GSP+ Exports*



*as of 2016

Deutsch-Philippinische Industrie- und Handelskammer
German-Philippine Chamber of Commerce and Industry

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GSP +: Some Products included

Nuts

Coconut

Flour

Wood

Pineapple

Motorcycle

Tuna

Textiles

Coffee

Ceramics

Banana

Rubber

From GSP+ to a Free Trade Agreement (FTA)?

➡ A FTA would give the Philippines permanent duty-free access to EU’s market, also after GSP+ ends, and vice versa

➡ A FTA would create opportunities to attract bigger EU investments in the Philippines as it is more comprehensive and long-term

➡ A FTA with the EU would honor the great economic development of the Philippines as the Philippines would negotiate an agreement with mutual obligations and not depend anymore on a unilateral granted status like GSP+

Free Trade Agreement: EU - Philippines

Potential:

- Only 7 % of EU exports to ASEAN-countries go to the Philippines

- The Philippines is home to less than 4 % of the total EU foreign direct investment in the ASEAN-region

- The EU is the Philippines' 4th largest trading partner, accounting for almost 10% of the country's total trade.

- The Philippines is the EU's 41st largest trading partner globally, accounting for 0.4% of the EU's total trade.

- According to the European Commission the EU foreign direct investment stock in the Philippines reached €13.7 billion in the same year, making the EU the largest foreign investor in the Philippines.

Free Trade Agreement: EU - Philippines

History:

- 12/15: EU officially launched negotiations with the Philippines
- 05/16: 1st round of talks in Brussels
- 02/17: 2nd round of talks in Cebu City

Aim:

- To conclude an FTA that covers relevant trade and investment issues
- To conclude an FTA similar to the EU-Singapore and EU-Vietnam FTA’s

Free Trade Agreement: Relevant Trade Issues

- Elimination of custom duties and other barriers to trade
- Strengthening the exchange of services
- Facilitating investment
- Access to public procurement markets
- Environmental protection issues
- Social development topics
- Protection of intellectual property rights

Free Trade Agreement: State of Play

- No date has been set yet for the third FTA negotiation round - **the negotiations are de facto on hold**

- EU Commission presented a report on the Generalized Scheme of Preferences (period: 2016-2017) accompanied by an assessment of the Philippines' progress towards the implementation of the 27 international conventions:

Positive developments	**Serious concerns**
- Gender equality	- Extrajudicial killings and related impunity
- Labour rights	- Possible reintroduction of the death penalty
- Environmental protection	- Lowering the age of criminal responsibility