International Trade Centre

PHILIPPINES

Funded by the European Union

POLICY STUDY:
TRENDS IN THE PHILIPPINES' UTILIZATION OF THE EU GSP+ SCHEME

ARISE+ Philippines

Funded by the European Union

ASEAN Regional Integration Support -
The Philippines (ARISE Plus Philippines)

About the study

This policy study on 'Strengthening the Philippines' Utilization of the EU Generalized Scheme of Preferences Plus (GSP+) scheme' seeks to understand key trends in the Philippines' utilization of the preferential access granted under the EU GSP+, analyses sectors which have benefitted and sectors which have not utilised, and discuss policy reforms to support Philippines' businesses to effectively leverage opportunities in the EU market.

This study was undertaken with the Department of Trade and Industry (DTI) under the ARISE Plus Philippines, a 4-year EU-funded project aimed at strengthening inclusive economic growth in the Philippines, through improved international trade performance and competitiveness as well as economic integration, with the International Trade Centre (ITC) as the technical agency for the project.

Under the scope of ARISE Plus Philippines, support is provided to strengthen the Philippines' access to the EU market, including by strengthening utilisation of the EU's unilateral trade preferences under the EU's GSP+ scheme.

Alongside this study, ITC and DTI are also implementing activities to build awareness on and capacity to access the EU market and benefit from the opportunities delivered by the EU's unilateral trade preferences, including through the development of this series of Business Guides on exporting to the EU market, and making use of the GSP scheme, where relevant.

Information collection and consultations for this policy study were undertaken over the period from March 2022 to September 2022. The draft policy study was then circulated to key stakeholders and virtual consultations were held in January – February 2023 to present the findings and discuss policy recommendations. Consultations were held with BOC, BOI, DTI - BITR, EMB, PTIC posts in EU, as well as the private sector. Based on the feedback received at these consultations, revisions were undertaken to the policy study and shared with DTI for final approval. The finalized policy study was subsequently presented for validation at a public – private dialogue organized in Manila in July 2023.

Acknowledgements

The International Trade Centre (ITC) would like to thank all parties involved in the development of the policy study on the Philippines' utilization of the EU GSP+ scheme.

Annette Pelkmans-Balaoing undertook the research and developed this policy study. Jasminda Magsino provided extensive research support – including to collect information, analyse existing literature, facilitate consultations with stakeholders, and feed the qualitative analysis. Vidya Nathaniel and Angela Louise Velasquez (from ITC) facilitated the development and finalization of the policy study. Rajesh Aggarwal (Director, Division for Market Development), Jean-Sebastien Roure (Senior Business Officer, Business and Trade Policy, ITC) and Giles Chappell (Programme Officer, Trade Facilitation and Policy for Business) provided overall guidance.

ITC wishes to express its gratitude to the Bureau of International Trade Relations (BITR) and the Export Marketing Bureau (EMB) of the DTI Philippines for the detailed reviews and technical inputs, and continuous guidance and advice in the development and refinement of the study. This includes Atty. Allan B. Gepty, Undersecretary for International Trade, for providing overall guidance on the project; from BITR: Marie Sherylyn D. Aquia, Director (OiC), and Angelo Salvador M. Benedictos (Former Director), Ma. Regina C. Serafico, Irish Tongohan, and Lattice A Andriano; and from EMB; Director Bianca Sykimte, Asnia R. Bayabao, and Rudolph Jay Velasco.

ITC also wishes to thank the inputs received from stakeholders in the conceptualization of the policy study and the continuous support received from stakeholders to respond to queries, access information and relevant material, and advise on procedures/mechanisms to feed into the study. This includes representatives from BITR and EMB as noted above, and from the Board of Investments (BOI), the Bureau of Customs (BOC), the Department of Agriculture (DA), and the Philippine Trade and Investment Centres (PTIC) in Berlin, Brussels, Paris, and Geneva from the government agencies; and the Confederation of Wearable Exporters of the Philippines (CONWEP), European Chamber of Commerce of the Philippines (ECCP), the Philippine Chamber of Commerce and Industry (PCCI), the Philippine Exporters Confederation (PHILEXPORT), and the Women's Business Council Philippines (WomenBizPH).

ITC would also like to thank Rami Hourani, Gabrielle D. Sajo, and Camille Roy (of ITC) for the coordination and related support under this project.

Contents

List of Figures

List of Tables

Abbreviations

Abbreviation	Meaning
AGOA	African Growth and Opportunity Act
AMAS	Agribusiness and Marketing Assistance Service
ASEAN	Association of Southeast Asian Nations
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BITR	Bureau of International Trade Relations
BOC	Bureau of Customs
BRC	British Retail Consortium
CBI	Center for the Promotion of Imports
CITEM	Center for International Trade Expositions and Missions
CN	Combined Nomenclature
CO	Certificate of Origin
CONWEP	Confederation of Wearable Exporters of the Philippines
CPR	Certificate of Product Registration
CREATE	Corporate Recovery and Tax Incentives for Enterprises Act
EBA	Everything But Arms
ECCP	European Chamber of Commerce of the Philippines
EEC	European Economic Community
EU	European Union
DA	Department of Agriculture
DFA	Department of Foreign Affairs
DOLE	Department of Labor and Employment
DIT	Department for International Trade
DTI	Department of Trade and Industry
DOST	Department of Science and Technology
EMB	Export Marketing Bureau
EBA	Everything But Arms
ECCP	European Chamber of Commerce of the Philippines
EU	European Union
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FTA	Free Trade Agreements
FGD	Focus Group Discussion
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
GSP+	Generalized System of Preferences Plus

Abbreviation	Meaning
HACCP	Hazard Analysis Critical Control Point
HS	Harmonized System
ICTSI	International Container Terminal Services, Inc
ITC	International Trade Centre
IDTPG	Industry Development and Trade Policy Group
LTO	License to Operate
LDC	Least Developed Countries
LGU	Local Government Unit
MOAH	Mineral Oil Aromatic Hydrocarbon
MOSH	Mineral Oil Saturated Hydrocarbons
MFN	Most Favoured Nation
MSMEs	Micro, Small and Medium Enterprises
RoO	Rules of Origin
PAH	Polycyclic aromatic hydrocarbons
PCCI	Philippine Chamber of Commerce and Industry
PH	Philippines
PHILEXPORT	Philippine Exporters Confederation, Inc.
PDP	Philippines Development Plan
PEDP	Philippine Export Development Plan
PNG	Papua New Guinea
PPA	Philippine Ports Authority
PTIC	Philippine Trade and Investment Center
PWD	Persons with disabilities
REX	Registered Exporter System
SDG	Sustainable Development Goals
SDT	Special and Differential Treatment
SIPP	Strategic Investment Priority Plan
SPS	Sanitary and Phytosanitary
SSF	Shared Services Facilities
TARIC	Tarif Intégré Communautaire; Integrated Tariff of the European Communities
TBT	Technical Barriers to Trade
TRQs	Tariff Rate Quotas
UK	United Kingdom
UN	United Nations
UNCTAD	The United Nations Conference on Trade and Development
VAT	Value Added Tax
VN	Viet Nam
WITS	World Integrated Trade Solutions
WomenBizPH	Women's Business Council Philippines
WTO	World Trade Organization

Executive Summary

Around 13 billion euros worth of Philippine exports enjoyed preferential access to the European Union (EU) market since the *General System of Preferences Plus (GSP+)* regime took full effect in 2015. This is around a quarter of the 49 billion euros cumulatively imported by the EU from the Philippines in the period of 2015 to 2021. The (weighted) utilization rate of GSP+ tariffs by the Philippines correspondingly increased from 69% to 76% during the same period. However, in 2021, this was lower than the 90% and 82% benchmark for the least developed and GSP+ countries under the EU preferential schemes, respectively.

This study presents an analysis of the trends of the Philippines' utilization of the EU GSP+ scheme until 2021, with the objective of identifying priority areas for intervention to better leverage opportunities for Philippines' products under the scheme and strengthen the policy environment to enable Philippines' exporters to effectively compete in the EU market. The methodology for the study comprises of an in-depth empirical analysis based on a combined EUROSTAT-TARIC-WITS database specifically assembled for this study and complemented with a qualitative analysis based on inputs derived from a survey, and a series of focus group discussions with public and private sector stakeholders.

Key Findings

Overall, the introduction of the EU GSP+ scheme was found to have a positive stimulus to trade.

Over 2,000 export products (HS-6) from the Philippines were able to benefit from duty-free access under the EU GSP+ scheme. Financial gains due to the tariff discounts accorded by the scheme amounted to total of 950 million euros in savings that directly benefitted EU importers. The impact of the GSP+ scheme relative to the standard GSP can be seen by the sharp increase in the growth of savings from 7% from 2013-2014 to 140% the year after the GSP+ scheme was introduced.

The indirect gains enjoyed by Philippine exporters came in the form of greater demand due to the more competitive prices of their products relative to those of their competitors. EU imports under the product categories benefitting from duty-free access because of the GSP+ scheme saw a sharp rise of 140% from 2014 to 2015, pulling up the average growth of duty-free GSP exports to 23% (2013-2021), compared to the average of 8% for overall Philippine exports to the EU in the same period. An increase in product diversification is also observed, especially for sectors with high tariff preferences and GSP utilization, namely - HS15 and HS6 – in which the number of sub-sectors exported to the EU doubled from 17 and 16 sub-sectors in 2014, to 33 and 29 sub-sectors in 2021, respectively.

Specific sectors were able to record significant gains because of the GSP+ scheme. For instance, the EU market now accounts for almost 85% of exports from the Philippines' tuna sector, due to the 24% tariff margin accorded to their exports. The increased demand from the EU, in turn, reportedly resulted in increased economic opportunities for Philippines' tuna industry. Stakeholders from the tuna sector noted that the increase in demand from Europe allowed tuna exporters to expand their production (e.g., around 30% of tuna canners surveyed have expanded their plants), hire more people, invest in more machines, and diversify their products (*e.g.*, adding pouch line for tuna). It was also noted that the job generating impact of the GSP+ was not only confined to the tuna canneries, but also to the fish ports and fish and can suppliers where tuna companies source their inputs. Another exporter from Cebu also noted that increased demand from Europe for home décor from 2018 to 2021 had led to an increased in hired workers and weavers from Europe from marginalized communications in the region.[i]

However, despite the initial spurt of growth that corresponded with the implementation of the GSP+ scheme in 2015, the share of EU overall imports from the Philippines with eligible and utilized preferential tariffs in the total value of imports has remained constant. This raises the question of whether there are sectors which may not have effectively capitalized on the opportunities in the GSP+ scheme, as was done by the tuna industry.

i Refer Annex B2 for more information.

Export growth is highest in sectors with the largest preferential margins which indicates that traders are rational in their GSP utilization.

Majority of the product groups that are eligible for GSP+ benefits and at the same time are principal contributors to total Philippine exports to the EU, register very high utilization rates (an average of 99%). Examples are tuna and certain coconut oil products.

However, the overall impact of the EU GSP+ scheme has been diminished due to the increasing share of duty-free imports under MFN.

In 2021, around 1,200 (40%) products exported by the Philippines enjoyed duty free access to the EU market under the MFN regime, translating into more than 5 billion euros worth of export revenues, which is 65% of the value of all exports. The trend is towards an increasing use of MFN tariffs – increasing from 61% to 69% of product lines, in 2013 and 2021, respectively – which may be attributed to the gradual reduction in MFN tariffs. Only an average of 7% of all products lines were exported with full GSP utilization; the trend is likewise declining, from 8% in 2014 to 3% in 2021.

<table>
<tr>
<td>First Category:
Products of high value and/or have high margins, but record low utilization rates</td>
<td>These products are further structured into quartiles based on the combination of utilization rates, trade value, and preferential margins. Around 70% of the products in this first category fall in the low-tariff margins, low-GSP utilization set. While most of these products are already benefitting from duty free access to the EU, there are high-value products with low utilization rates that could be of policy interest. For instance, the GSP+ preferential tariffs for Crude coconut oil (15131110) were only applied to 15 million out of 100 million euros worth of imports in 2021. There has been a continuous drop in utilization of the GSP+ scheme for this product – which can potentially be explained by the relatively small tariff margin of just 3%.

The opportunity cost of non-utilization is the highest in the product group with a combination of high tariff margins (10% on average) and low utilization rates (3% average). This includes products with the highest MFN tariff rates, such as Cigars (CN 24031990), and Apparel and Clothing (Chapters 61 and 62).

In the case of Cigars, in 2019, this sub-sector still enjoyed a high utilization rate of 94% and recorded a revenue of 4 million euros; but by 2013, utilization rate had declined to 0%, and trade just amounted to 2 thousand euros.

The other sector referenced, namely, Apparel and Clothing, comprises a third of the 943 products in this category and recorded 65 million euros of imports in 2021. Low utilization in this sector – was attributed by exporters to the difficulties in complying with the strict Rules of Origin (RoO) requirements under the GSP+ scheme. This is particularly true for garment exporters who cannot comply with the double transformation rule where fibers must be spun/woven into textile in the Philippines before being made into garments for the finished product to be considered as originating in the Philippines. Given that the Philippines' is reliant on imports of raw materials for garments – this prevents the exporters from being able to demonstrate compliance with the RoO requirements of the GSP+ scheme. The application of the single transformation rule could potentially generate an average of 24% additional growth for the garments sector annually, or an average additional export revenue of Euros 40 million for the Philippines.

The GSP+ scheme does provide for exceptions to the stringent RoO requirements through cumulation. Among exporters to the EU, however, there is insufficient information about the bilateral and regional cumulation rules under the GSP+ scheme, resulting in a limited number of exporters making use of bilateral and regional cumulation rules when exporting under the EU GSP+ scheme. This is not only due to a lack of awareness, but also because of the inability to employ the use of inputs from the EU or ASEAN. Exporters who are part of a global value chain, for instance, often do not have the discretion to choose where to source their inputs from.</td>
</tr>
</table>

Second Category: Pockets of low-utilization in sectors with high utilization rates	In product groups recording high utilization and significant tariff margins in 2021, there are 67 sub-sectors with relatively low utilization rates (i.e., 48 to 75%), which can be targeted for some policy assistance. Examples are articles of plastic (CN8 39269097), bicycles parts (CN8 87149630; 87149690), and apparel products such as T-shirts, trousers, and blouses.
Third Category: Products exported to the EU under MFN, despite being eligible for GSP+ access	This category bundles the 909 CN8 products that have zero rates of GSP utilization – i.e., these products are all fully eligible for GSP+ tariffs but nevertheless all entered the EU with positive MFN tariffs. There is nothing surprising with limited GSP utilization when preferential margins are low due to correspondingly low MFN tariffs. However, in the case of these sectors, tariff margins are significant (average of 7%) and yet imports all entered the EU market with positive MFN tariffs in 2021. Sectors with sizeable foregone tariff savings, such as leather trunks & suitcases (CN8 42021219), could be targeted for policy assistance. In general, products with high preferential margins also have high utilization rates. However, unutilized preferences in this category account for 20% of the total foregone financial benefits, precisely because of their high tariff margins. This indicates that there is still RoO to expand on benefits from the EU GSP+ scheme through more targeted policy support and sustained information engagements for relevant stakeholders.
Fourth Category: Product sectors with less than full GSP eligibility (i.e. not all product lines in the sector are eligible for GSP preferences)	Although the GSP+ scheme applies to all products, the EUROSTAT data reports a gap between total imports and the value of total GSP eligible trade for 172 CN8 products in 2021. This may be due to the presence of specific tariffs, conditionalities, or even product classification errors applied in any of the 27 national custom authorities in the EU. The difference between total imports and GSP eligible trade in this category is only around 1% of total EU imports from the Philippines, but in value terms this amount to 90 million euros in 2021, which could merit a policy review and monitoring of implementation.

The increasing share of duty-free imports via MFN and GSP means that taxable imports have fallen from 21% to just 9% of all imports in 2013 and 2021, respectively.

The analysis identified four product categories where policy attention could be focused in order to further enhance the use and benefits of the GSP+ scheme for the Philippines: (1) products that are of high value and/or have high margins, but record low utilization rates; (2) sub-sector products with low utilization rates in sectors with high value, high margins and high utilization rates; (3) products that are fully imported under the MFN scheme despite being eligible for GSP+ preferences (i.e., with positive MFN tariffs); and (4) product sectors in which not all the product lines under this sector were reported as being eligible for GSP+ access.

Unutilized preferences translate into foregone financial benefits. From 2015 to 2021, a total of 4.6 billion euros worth of imports that would have been eligible for GSP were imposed MFN duties instead. Since the largest value of imports with unutilized GSP preferences were in products with the lowest range of tariff margins, the total amount of foregone benefits amounted to just 178 million euros during the same period. Products with high preferential margins also registered the lowest total sum of imports to the EU with unutilized GSP. These products, however, resulted in significant foregone benefits amounting to 53 million euros, precisely due to the high tariff margins.

Apart from the rules associated with the GSP+ scheme – other challenges identified by Philippines' exporters included the following:

- Difficulties in complying with EU's strict SPS standards as well as private standards/requirements related to consumer preferences for healthier ingredients and socially responsible productions. This was particularly challenging for MSMEs – which could not bear the costs associated with annual certifications, quality checks, etc.
- Infrastructural challenges – Issues raised included insufficient laboratory testing facilities resulting in the need to send products abroad for testing; as well as challenges due to a decline in shipping lines (particularly in the pandemic era) and port facilities to attract shipping lines to the country- thus resulting in increased costs and delays and thereby making Philippines' products less attractive.
- Procedural Challenges – Exporters referred to procedural and documentary requirements to be submitted to the Bureau of Customs (BoC) in the Philippines and REX registration – which was not always uniform across exporters and lacked clarity.
- Targeted and sustained information campaigns – Information sharing had to be pursued in a sustained manner for both Philippines' exporters as well as EU importers. EU importers, in particularly, may not be aware of the opportunities available by sourcing from the Philippines' market under the GSP+ scheme and the rules to be complied with – and this has to be effectively conveyed.

This study sets out recommendations based on the quantitative analysis and insights that could gathered from the surveys and focus group discussions – including to identify potential sectors which would warrant further investigation and targeted policy support.

1. Introduction

In an effort to boost the Philippine exports into the EU, the EU GSP+ scheme was granted in December 2014, providing local firms preferential access in the form of duty-free access for 66% of tariff lines.[1] The EU's GSP+ scheme provides deeper preferences in comparison to the standard GSP, which provides partial removal of tariffs for products classified as 'sensitive' and complete removal for 'non-sensitive' products from the 66% of tariff lines covered.[2] The GSP+ scheme is aimed at providing developing countries incentives to fulfill certain criteria for sustainable development and good governance. To qualify, the Philippines was required to ratify 27 international conventions, and facilitate the EU's monitoring of the implementation of the said conventions. Since these cover areas such as environmental and climate protection, human rights, and labor rights; the collaboration of various branches of government is required successful compliance. At present, the Philippines is the only ASEAN country enjoying GSP+ privileges after Malaysia and Thailand attained upper middle-income status and thus graduated from the EU's GSP scheme.[3]

As the agreement is set to expire by the end of 2023, it is opportune to make a thorough assessment of its impact, particularly the utilization of the preferential tariffs accorded to imports from the Philippines.

While there are numerous studies on the nature and overall impact of GSP schemes, there is a paucity of in-depth research on specific beneficiary country experiences using disaggregated data to explore the reasons behind sectoral differences in GSP utilization rates. Even scarcer are studies that incorporate firm-level data in their analysis that is complemented by qualitative methods (*e.g.,* focus group discussions, key informant interviews, survey questionnaires).

This study seeks to address this gap in the literature by undertaking an in-depth look at the Philippines' experience with respect to the EU's GSP+ scheme. This study presents an analysis of the trends of the Philippines' utilization of the EU GSP+ scheme until 2021, with the objective of identifying priority areas for intervention to better leverage opportunities for Philippines' products under the scheme in the available time-period and strengthen the policy environment to enable Philippines' exporters to effectively compete in the EU market.

Methodology

This study is based on an in-depth empirical analysis using a combined EUROSTAT-TARIC-WITS database, specially assembled for this study; and complemented with information gathered from a survey and series of focus group discussions among Philippine exporters and relevant policy makers. The database assembled for this study sought to address the challenges of undertaking a comprehensive analysis of GSP utilization in the absence of a database that consolidates the information on GSP utilization with the data on the preferential and non-preferential tariffs applicable on EU imports.

The analysis is carried out at the most disaggregated level of commodity classification, namely the 8th-digit classification under the EU's Combined Nomenclature (CN). Various classifications of products can therefore be made based on the multiple dimensions of GSP utilization, tariff margins and export values. This, in turn, resulted to product typologies with different policy requisites.

An online survey was disseminated to Philippine exporters over the period from June to August 2022. Dissemination was facilitated through direct emails to exporters based on databases of the Department of Trade and Industry's Export Marketing Bureau (DTI-EMB) and its Regional Offices and partner private sector organizations.[4] Further, the online survey link was also disseminated through DTI's social media pages for wider reach. However, survey fatigue was clearly observed among the target respondents. Despite the widespread dissemination of the survey, the study garnered responses only from 63 companies, most of whom are direct exporters. The data should therefore be seen as supplementing the qualitative results of the focus group discussions rather than additional empirical data.

Participants in the focus group discussions conducted from March to August 2022 included Philippines and EU trade attachés, logistics and customs brokerage firms, cooperatives, industry associations, and exporters.

Participating exporters were from the following sectors: (a) processed food; (b) canned tuna; (c) garments; (d) handicrafts and home decors; (e) lighting fixtures and furniture; (e) footwear; and (h) bicycles. Participants included those already exporting to the EU and those that are not yet exporting to the EU.

Structure

The rest of the study is ordered as follows:

- Section 2 surveys the literature on GSP schemes,
- Section 3 provides an overview of key trends in Philippines' exports to the EU,
- Section 4 presents the in-depth empirical study of Philippine utilization of the EU GSP+ scheme,
- Section 5 sets out the main themes drawn from the survey and focus group discussions, and
- Section 6 brings together the analysis and sets out key policy recommendations.

2. The Philippines' access to the EU-GSP+ scheme

2.1. Non-Reciprocal Trade Preference Schemes and the EU GSP Scheme

Legal Framework for Non-Reciprocal Trade Preference Schemes: The GSP, instituted under the United Nations Conference on Trade and Development (UNCTAD), is a unilateral, non-reciprocal system that provides market access at more preferential tariff rates for exports from developing countries. It deviates from the 'MFN principle, which is one of the cornerstones of the multilateral trading system enshrined in the General Agreement on Tariffs and Trade (GATT) and other World Trade Organization (WTO) Agreements. The MFN principle essentially requires that all WTO Members must be treated equally without discrimination. At the same time, the WTO recognizes the special economic needs of developing countries. Hence, WTO Agreements contain special provisions granting special rights for developing countries special rights and allowing other Members to treat them more favorably. These are called 'special and differential treatment' or SDT provisions.

In 1979, the WTO adopted the "Decision on Differential and More Favorable Treatment, Reciprocity and Fuller Participation of Developing Countries", also known as the Enabling Clause. This Enabling Clause allows Members to derogate from the MFN principle and is the main legal basis for the GSP schemes. Other non-reciprocal preference schemes (e.g., Cotonou Agreement, African Growth Opportunities Act or AGOA) that fall outside the scope of the Enabling Clause can also be implemented through waivers from specific GATT obligations, which is permitted under GATT, Article IX:3 (van der Ven, 2015).

The continued importance of these preferences and their utilization through simplified rules, especially for LDC countries, have been reaffirmed in other subsequent WTO Ministerial Decisions and the Istanbul Program of Actions adopted at the UN LDC IV and reaffirmed in SDG Goal 17.

Scope of GSP Schemes: Several countries maintain non-reciprocal trade preference schemes - benefitting over 200 developing and least developed countries (LDCs).

Table 1: List of non-reciprocal trade preference schemes notified to the WTO (as of 2021)

Preference granting country	Title	Application	
Generalized Scheme of Preferences		LDCs	Developing Countries
Armenia	Generalized System of Preferences - Armenia	x	x
Australia	Generalized System of Preferences - Australia	x	x
Canada	Generalized System of Preferences - Canada	x	x
Chile	Duty-free treatment for LDCs – Chile	x	
China	Duty-free treatment for LDCs – China	x	
European Union	Generalized System of Preferences – EU.	x	x
Iceland	Generalized System of Preferences - Iceland	x	
India	Duty-Free Tariff Preference Scheme for LDCs	x	
Japan	Generalized System of Preferences - Japan	x	x
Kazakhstan	Generalized System of Preferences - Kazakhstan	x	x
Korea	Preferential Tariff for LDCs - Republic of Korea	x	
Kyrgyz Republic	Generalized System of Preferences - Kyrgyz Republic	x	x
Montenegro	Duty-free treatment for LDCs – Montenegro	x	
Morocco	Duty-free treatment for African LDCs - Morocco	x	
New Zealand	Generalized System of Preferences - New Zealand	x	x
Norway	Generalized System of Preferences - Norway	x	x
Russian Federation	Generalized System of Preferences - Russian Federation (As of 10.10.2016)	x	x
Switzerland	Generalized System of Preferences - Switzerland	x	x
Chinese Taipei	Duty-free treatment for LDCs - Chinese Taipei	x	
Tajikistan	Duty-free treatment for LDCs – Tajikistan	x	
Turkey	Generalized System of Preferences - Turkey	x	x
United Kingdom	Generalized System of Preferences – UK	x	x
USA	Generalized System of Preferences – USA – (a) Standard GSP for developing countries;	x	x

These schemes vary in terms of beneficiaries, eligibility criteria, product coverage, depth of preferences, rules of origin (RoO), review periods, product, or country graduation rules, and withdrawal rules.

This study deals with utilization of the EU preferences for the Philippines, and accordingly focuses on the EU GSP scheme and its structure. The EU GSP scheme (as it currently applies) is organized into three categories, as detailed in Table 2.

The EU GSP scheme in its current formulation was set to expire on 31 December 2023, with the new scheme set to come into place from 01 January 2024. The European Commission published its proposal for the new scheme in September 2021 – which introduced several amendments/ revisions to the scheme. Under this proposal, the overall structure – in terms of the three categories – was not expected to change, but rather revisions were proposed to the eligibility criteria, withdrawal rules, and reviewing requirements. The report was adopted by the European Parliament. However, as negotiations were still ongoing, the European Commission proposed to extend the current scheme for an additional four years, or until 31 December 2027. Accordingly, the Philippines may be able to continue benefitting from GSP+ access for atleast another four years, subject to the other criteria/conditions being met.

2.2. Insights on the Scope and Potential of GSP Schemes – Literature Review

Linkages between GSP schemes and facilitating trade and development: The GSP schemes were introduced with the objective of facilitating trade and improving market access for developing country exporters. Certain schemes, such as the EU GSP scheme, have also sought to enhance the linkages between trade and sustainable development such as by including compliance with conventions relating to sustainability as a requirement for deeper preferences. The new GSP proposal seeks to further advance these linkages.

There are varying views on the impact of GSP preferences on facilitating trade and achieving larger societal and developmental outcomes. This section presents an overview of literature discussing the impact/mandate of the GSP scheme.

Utilization of trade preferences is an important indicator of how effective these schemes are and to what extent the beneficiaries can make use of them. There are different methods of calculating utilization rates.

The first and most used method, including by the WTO, is based on customs data. Under this, the utilization rate is computed by dividing the value of imports receiving preferential treatment by the value of imports that are eligible for tariff preferences and multiplying it by 100. While the method is straightforward, detailed data required for the method may not be readily available (Hayakawa, Kimura & Laksanapanyakul, 2018; Wijayasiri, 2007).

$$Utilization\ (\%) = \frac{Imports\ receiving\ preferences}{Imports\ eligible\ for\ preferences}\ X\ 100$$

Table 2: Structure of the EU GSP Scheme

	Standard GSP	GSP Plus (+)	Everything But Arms (EBA)
Eligibility	Developing countries: • Classified as low or lower middle income • Not already benefitting from preferential market access	Developing countries as eligible for Standard GSP + Ratified and effectively implementing 27 international conventions	All Least Developed Countries (LDC)
Level of Market Access	Reduced duties for sensitive goods or duty-free access for non-sensitive goods	Duty-free access	Duty free, quota free
Coverage	**66% of tariff lines**		**All tariff lines (except arms and ammunition)**

The WTO also computes the underutilization rate by getting the value of imports eligible for preference but paying MFN rates and dividing it by value of imports eligible for preferences and multiplying it by 100.

$$Underutilization\ (\%) = \frac{Imports\ receiving\ preferences\ but\ paying\ MFN}{Imports\ eligible\ for\ preferences} X\ 100$$

Wijayasiri (2007) describes another method of computing the utilization rate that is based on total customs revenue collected. Under this, utilization rate is computed by dividing the total customs revenue collected from a beneficiary country by total imports from the country. This is an estimate on the average ad valorem duty paid on imports that can be compared with the average MFN tariff and average preferential tariff to determine the utilization rate.

Given data limitations under the first method, Hayakawa et al. (2018) proposed an alternative measure called the "tariff exemption ratio". This ratio is computed as follows:

$$E \equiv 1 - \frac{\sum_i t_i^M I_i^M + \sum_i t_i^P I_i^P}{\sum_i t_i^M (I_i^M + I_i^P)}$$

Where IiM and IiP are imports of product I from the world under MFN schemes and those under preference schemes, respectively. Meanwhile, tiM and tiP are MFN tariff rates and preferential rates, respectively. E is the "tariff exemption ratio". The numerator is the total government revenues from import duties and the denominator indicates MFN rates multiplied by total imports.

Applying this method, the authors conclude that tariff exemption ratios differ widely across countries. However, this approach is limited by the following: (1) it cannot be calculated on a bilateral basis or at the product level since government revenue data is aggregated; (2) it cannot measure preference schemes separately – FTA, GSP, other special arrangements – and measures only the utilization of entire preference schemes; and (3) MFN rates may not be necessarily be the appropriate reference rates (Hayakawa et al., 2018).

GSP schemes benefit different sectors at varying levels: Wijayasiri (2007) pointed out that GSP schemes are consistently underutilized (i.e., utilization rates below 100%). This observation remains to be true. In 2020, the UNCTAD estimates the utilization rate of the GSP schemes of all preference giving countries at 90.11%. In particular, the EU and US' GSP schemes have 93.06% and 69.88% utilization rates, respectively.

Utilization rates also vary across sectors or products under any given scheme (Wijayasiri, 2007). This is accurate based on UNCTAD 2020 data where some products have utilization rates below 20% while others register utilization rates above 90% when looking at both the aggregate data for all preference giving countries and within specific GSP schemes. Cipollina, Debucquet, and Salvatici (2017) also concluded that while the EU GSP schemes have a minor impact on trade, some sectors benefit more than others. In particular, agricultural preferences are not effective, but textiles and precision mechanics benefit the most. Specific beneficiary countries also have different utilization rates for each GSP scheme that it benefits from. Reasons that contribute to these variations are discussed in succeeding sections.

The overall effects of preferential schemes on trade for beneficiaries also varies: There is a school of thought that the preferential market access schemes have minimal effects on beneficiaries. For instance, Ornelas and Ritel (2020) pointed out a common historical pattern where a sharp increase in the share of imports from preference beneficiaries in the first half of the 1970s was followed by a period of steady decline. In addition, preferential schemes promote LDC exports but only if they are WTO members (Ornelas & Ritel, 2020). Meanwhile, Herz and Wagner (2011) concluded that GSP schemes tend to foster developing countries' exports in the short-run but hampers them in the long-run due to distortions in the economic structure of GSP recipients.

Other factors such as the imposition of discriminatory specific tariffs on agricultural products that constitute a bulk of developing and LDC countries' exports can also largely offset the schemes' benefits (Chowdhury, 2012). Specifically in the case of Sri Lanka, the study states that both the EU and US GSP schemes have not been effective in providing market access – as while the EU GSP has wide product coverage, the utilization rate remains low due to restrictive rules, and in the case of the US GSP, the utilization rate is high, but product coverage is low and excludes sensitive products of main interest for Sri Lanka (Wijayasiri, 2007).

Meanwhile, an external study commissioned for the mid-term review of the EU GSP+ in 2018 noted that the GSP scheme remains relevant, and its trade impact remains positive and important especially for LDCs and vulnerable country beneficiaries. For the period 2011-2016, EU imports from GSP eligible countries increased after the GSP reform, especially for 49 EBA countries and 8 GSP+ beneficiaries. Meanwhile, while there was a slight increase in the exports of the 23 standard GSP countries since 2014, imports from these countries during the post-reform period (2014-2016) slightly declined compared with the pre-reform period (2011-2013). The main products imported by the EU under the GSP scheme, and the major beneficiaries of the scheme are textiles, footwear, and machinery and mechanical appliances (Development Solutions, 2018).

In terms of utilization, both the EBA and GSP+ beneficiaries have increased their GSP utilization since 2014 by more than 10% on average, with some exceptions – 10 out of 49 EBA countries experienced reduced utilization rates by more than 10%. Meanwhile, standard GSP beneficiaries' utilization rates declined by 3% on average after the reform. Export diversification, which is measured by the number of tariff lines exported to the EU, is highest for standard GSP beneficiaries and increased for GSP+ and EBA beneficiaries in aggregate, although the latter remains to have the least diversified exports to the EU among GSP beneficiaries (Development Solutions, 2018).

Preference margins are important factors for GSP utilization: Some studies focus on preference margins – the difference between a certain reference tariff and the preferential tariff under the GSP schemes – that make exports from developing countries more competitive. This margin matters because a higher preference margin or tariff saving is expected to generate larger trade flows (Hakobyan 2015). It is an important consideration for exporters in deciding whether to avail of GSP preferences as they weigh the cost of compliance to GSP rules against the preference margins (Low, Piermartini & Richtering 2005).

A sub-set of these studies reviewed demonstrate how the schemes' trade effects depend on different empirical approaches to measuring preference margins either in absolute or relative terms – that is, whether the reference tariff used is the MFN rate or preferential tariffs enjoyed by other exporters under other preferential schemes or Free Trade Agreements (FTAs) – and how the preference margin is computed when tariff rate quotas (TRQs) are in force.

Results from the studies vary. Cipollina et al. (2017) concluded that preference margins have relatively minor impact on creating additional trade flows, albeit some sectors benefit from GSP more than others. On the other hand, Raimondi, Scoppola and Olper (2012), confirmed that effective preference margins (relative) are lower than unadjusted (absolute) preference margins when tariff rate quotas are in force but that EU preferences still matter significantly in developing countries' ability to export a specific commodity (rice). Related to this, Cirera (2014) underscored that the EU GSP schemes induce a price rent (benefit) from the preference margin that is partly appropriated by preferential exporters and importers in the EU, depending on the type of product and size of preference margin. Exporters on average capture only a fraction of the price rent created from preference margins.

Authors also take note of preference erosion or the decline of preference margins under the GSP schemes. Preference margins have eroded in the last decades from a significant decline in import tariffs through multilateral or unilateral cuts in applied MFN tariffs and the proliferation of FTAs. Hence, tariffs are no longer considered as a major market access barrier and, for other products that continue to be levied high tariffs, these preference margins shrink as more competitors enjoy reduced or zero tariffs under other arrangements (van der Ven, 2015).

The design of GSP schemes has implications on the effectiveness and scope of utilization of the scheme

Conditional access upon compliance with rules of origin: The EU GSP scheme, as well as other GSP schemes, require exporters to comply with RoOs to claim benefits under the scheme. Restrictive RoO is one of the most cited reasons for the low utilization of GSP schemes (Hakobyan, 2015; Herz & Wagner, 2011; van der Ven, 2015; Wijayasiri 2007). RoOs are conditions imposed to consider products as originating from a particular country. RoOs stipulate a minimum level of domestic value addition. This is measured either through a percentage of the total value of a product (e.g., minimum % of value-add) or specific production steps that must be undertaken in the country (e.g., transformation rules, list of minimum operations) for a product to be considered originating (van der Ven 2015). RoOs are in place to ensure that only the intended beneficiaries benefit from the scheme and products are not merely trans-shipped from other non-eligible countries. Minimum levels of value addition are also intended to develop the local industry and the creation of backward linkages.

The textiles and apparel sector are one particular sector which is usually subject to stringent rules. The EU GSP scheme, for instance, requires standard GSP and GSP+ beneficiaries to comply with the double transformation rule for textile and garment exports – i.e.,, yarn must be woven into fabric and transformed to apparel in the beneficiary country. There EU GSP scheme does allow for bilateral and regional cumulation (i.e., cumulation with the EU, or with a set group of other beneficiary countries, respectively), or allows beneficiaries to request for a temporary derogation from the RoOs. Under the US GSP –textiles and garments are only covered under the AGOA and excluded from the GSP scheme – and prior to reforms, AGOA's RoOs stipulated a triple transformation rule for garments to be considered as originating – that is, fiber must be spun to yarn, woven to textiles, and transformed to apparel in the beneficiary country. Since 2001, the rules have been simplified to allow beneficiaries to source inputs from anywhere, which is called the Special Rule or single transformation rule. This change contributed to an increase of approximately 168% in the export volume for top seven AGOA beneficiaries. This also contributed to diversity in apparel exports in the 30-60% range (de Melo & Portugal-Perez, 2014).

Developing countries mostly engage in activities at the lowest segments of the value chain (van der Ven, 2015). The production structure in developing countries is also characterized by dependence on imported textiles, lack of backward linkage to a local textile industry or regional integration with neighboring countries producing textiles, which make them unable to comply with the value-added or transformation requirements (de Melo & Portugal-Perez, 2014; Hakobyan, 2015). These factors make compliance with RoO costly for exporters, make preferential schemes less attractive, and contribute to the decision of exporters to forego using the preferences altogether if the cost of compliance is greater than the preference margin (Wijayasiri, 2007).

Potential for withdrawal of GSP schemes: Preference giving countries have discretion on the specific design of their schemes. Preferences can be granted or withdrawn at the discretion of the donor country (Herz & Wagner, 2011). In addition, conditions for access and product coverage can be amended at any time. This uncertainty motivates developing countries to seek negotiated market access through FTAs with developed countries to lock in the preferential access to developed countries' markets (Manger & Shadlen, 2014).

Other conditionalities attached to GSP schemes: Beyond the GSP schemes' economic objectives, the literature also underlines how conditionalities can be used for other political and foreign policy objectives as well as how it is affected by private sector interests in the preference giving country (Blanchard & Matschke, 2015).

For instance, the EU GSP+ scheme is conditioned upon the ratification and effective implementation of a list of core international conventions and agreements on labor, human rights, and good governance. The literature has varying views in this aspect. The external study for the EU GSP mid-term review noted positive, albeit limited, social and human rights impact of the GSP scheme mainly from the threat of preference withdrawal but the study also noted that it is difficult to determine the environmental impact of the GSP scheme due to scarcity of data on environmental indicators. The GSP+ scheme incentivized adherence to environmental protection due to its requirement to ratify and implement related international conventions. Nonetheless, the environmental impact of the GSP should be accompanied by beneficiaries' ability to mitigate potentially detrimental effects of increased exports on the environment (e.g., potential negative environmental effects of textiles and clothing manufacturing, which are the main imports under the scheme) (Development Solutions, 2018).

The imposition of these conditions has also received criticism on the grounds that there is difficulty in establishing causality between improved labor standards and economic growth; and how the economy of beneficiaries worsens upon the withdrawal of preferences and how this effectively leads to worsened labor and human rights (Velluti, 2014).

The effectiveness of the GSP schemes in achieving its non-economic objectives depend largely on (a) the effective monitoring of beneficiaries' compliance and withdrawal of benefits in case of violations (Curran & Eckhardt, 2021); (b) whether GSP benefits constitute a clear incentive for the private sector to petition their governments to resolve human rights concerns; and (c) the political clout of the industry to influence the beneficiary country's decision-making (Yap, 2013). In this context, the new GSP proposal has placed increased focus also on the strengthened monitoring of compliance including at the country level with the participation of various stakeholders.

Limited product coverage: The preferential schemes, oftentimes, exclude important agricultural and raw inputs that are the bulk of exports from developing countries (Brown, 1989; Chowdhury, 2012; Clark, 1994; Wijayasiri, 2007). Even if agricultural products are included in the scheme, they are (a) subject only to small tariff reductions; (b) limited by quotas (Brown, 1989); and/or (c) subject to discriminatory specific tariffs (Chowdhury, 2012).

GSP Schemes need to be complemented with a conducive industrial and development policy framework to effectively foster sustainable economic development: As noted above, GSP schemes are intended to foster sustainable economic development. Market access under such preferential schemes is deemed an important enabler but needs to be coupled with other factors to foster sustainable development of industries. Foreign Direct Investment (FDI) embeddedness, regional integration, and enabling industrial policies play a key role. For instance, taking the case of the apparel industry, van der Ven (2015) explained that while some developing countries such as Madagascar, Sri Lanka, and Bangladesh were able to use the GSP preferential market access to attract investors and develop a sustainable local apparel industry through a balanced industrial policy, other countries such as Kenya, Lesotho, and Cambodia were not equally successful due to an unbalanced focus on export-oriented FDI that are not locally embedded and did not create backward or regional linkages.

The above survey demonstrates the wide variety of GSP-related topics explored in the existing literature. Studies have largely focused on the following (a) overall trade and economic benefits of GSP schemes; (b) empirical approaches to computations of preference margins and utilization rates; (c) link between GSP schemes and sustainable development objectives; and (d) flaws in the design of GSP schemes that hinder their effectiveness and utilization.

3. Key trends in Philippine exports to the EU: Setting the context

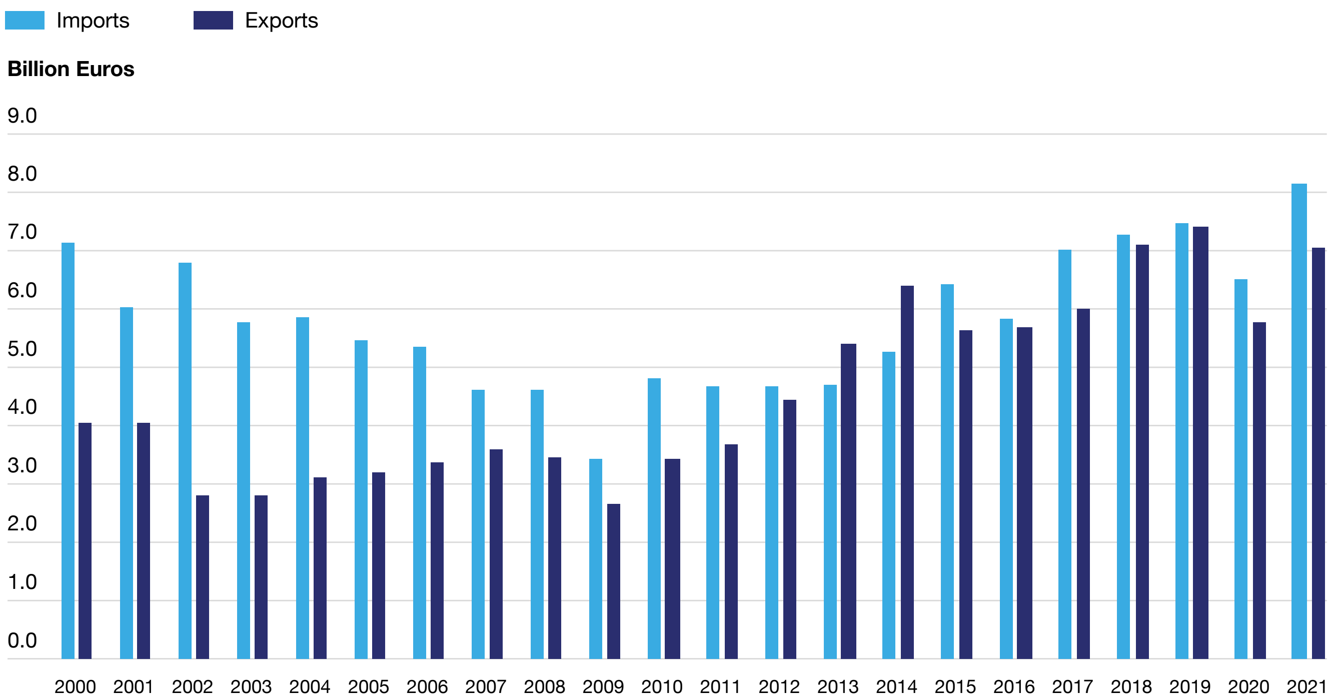
To contextualize the understanding of the Philippines' utilization of the EU GSP+ preferences, this section provides an overview of trends in Philippines' trade with the EU (up to 2021).

EU imports from the Philippines have significantly increased in the last seven years (Figure 1). EU imports from the Philippines rose from 4.7 billion euros in 2013 to 7.5 billion euros in 2019, representing a 60% growth. In comparison, the overall growth of Philippines' exporters during this same period amounted to 25%. In 2021, EU's imports from the Philippines amounted to 8.1 billion euros–an increase that more than made up for the 13% fall due to the COVID-19 pandemic in 2020. The trade performance in the first half of 2022 indicates that this positive trend will persist, with EU imports growing at 40% and exports by 19%, based on the latest EUROSTAT data.

In terms of export shares, however, the contribution of Philippines' exports to EU to total Philippine exports has remained stagnant, averaging at 13% for the last decade. This is significantly lower than the 20% average of the previous decade.

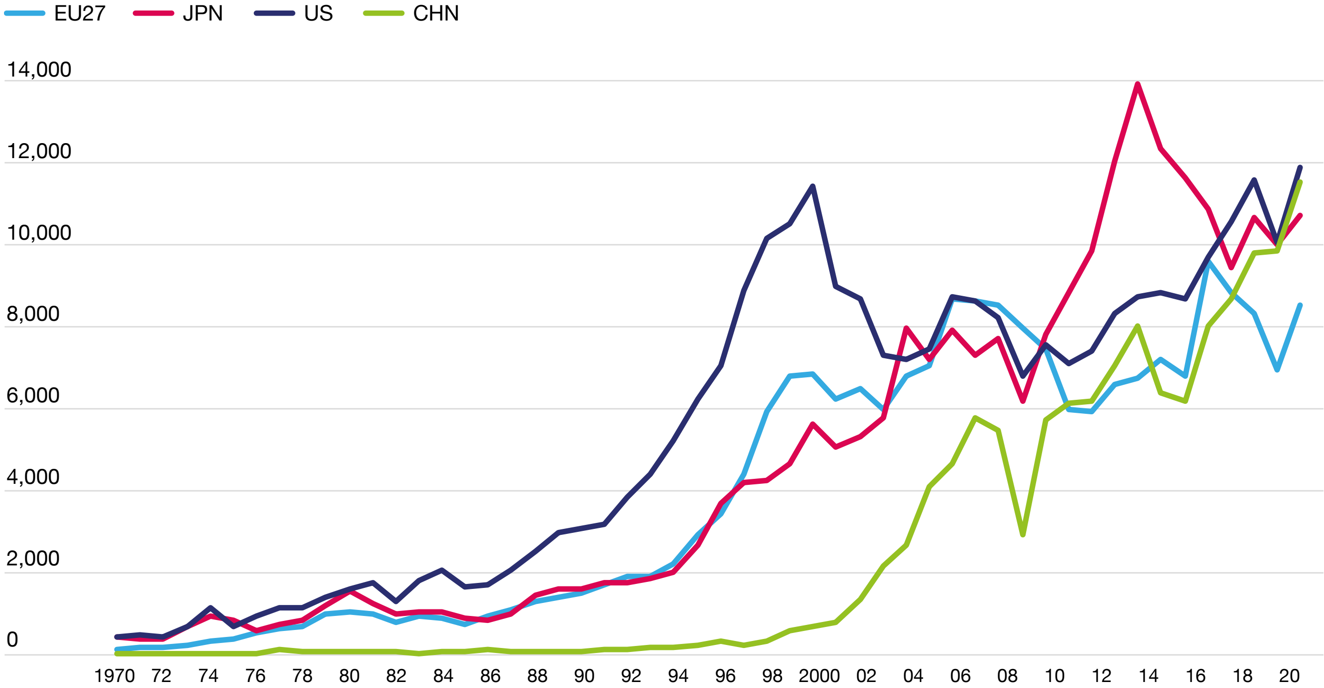
Historically, the EU has been the Philippines' third largest trading partner after the US and Japan (Figure 2a & 2b). In the late 1990s, the relative importance of EU increased when it accounted for slightly more than a quarter of the Philippines' total exports, thus replacing Japan as the second largest export market for the Philippines. Exports to the Netherlands increased by more than half in 1997, and other big EU markets, Italy, Germany, France registered double-digit growth as well.

Figure 1: EU imports from and exports to the Philippines (2000 – 2021), in euros billion



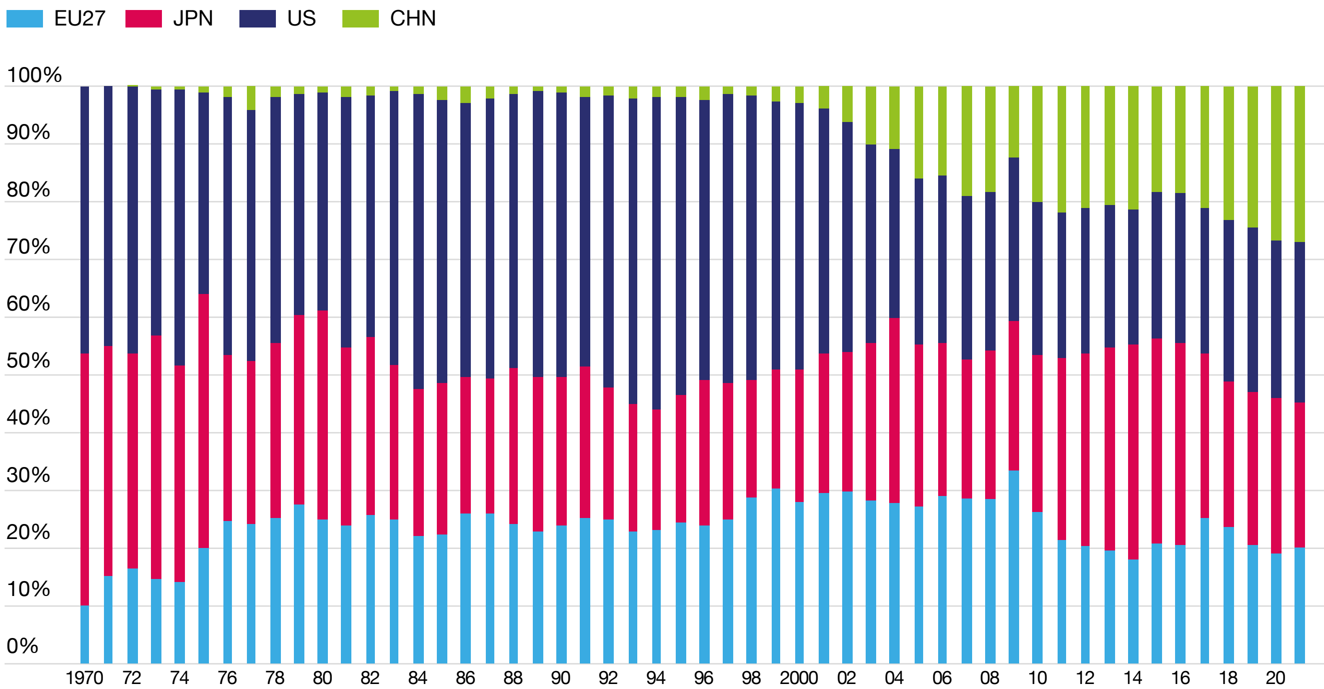
Source: Calculations based on the EUROSTAT database

Figure 2a: Philippines' exports to main exports partners (1970 – 2021), in current USD million



Source: Calculations based on the WITS database

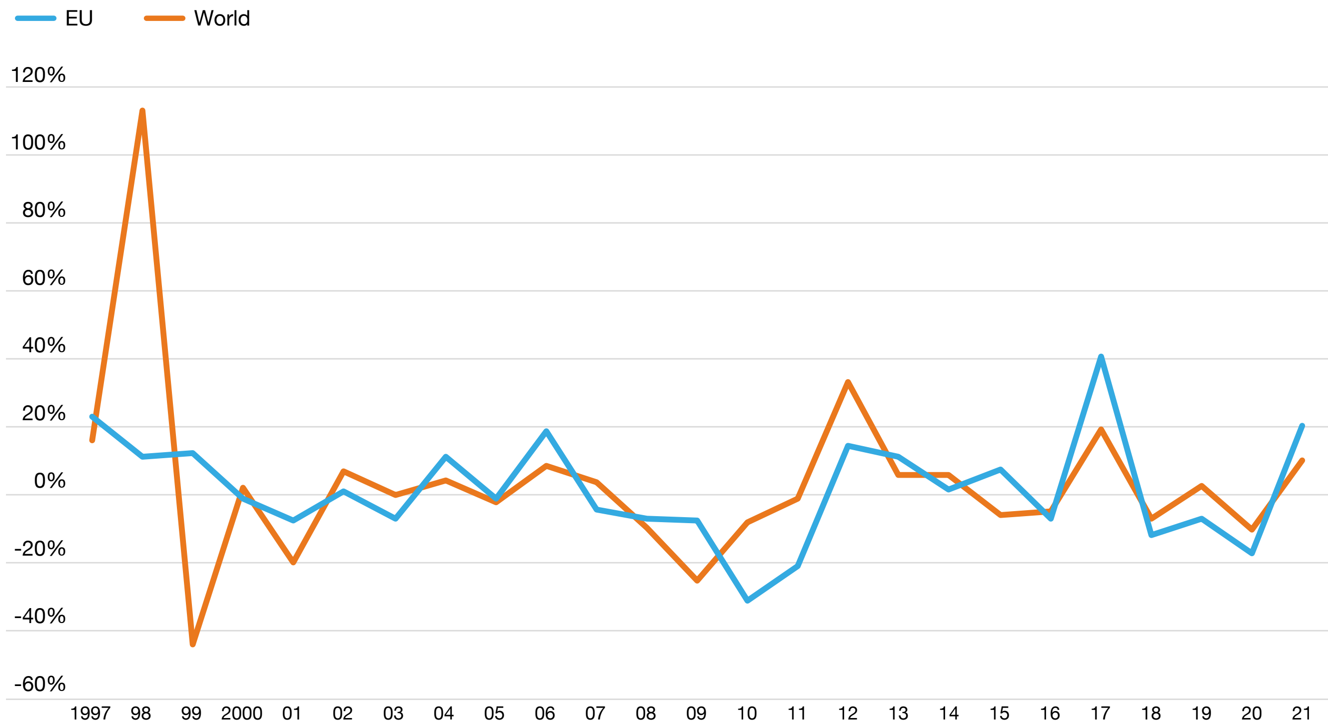
Figure 2b: Share of major trade partners in Philippines' exports



Source: Calculations based on the WITS database

After some setback due to a global recession in early 2000, exports recovered in 2004-06, only to plunge once again following the 2007- 2008 global financial crisis. Expressed in US dollars, Philippine exports to the EU sharply rose by 40% in 2016-2017 (largely driven by Dutch imports) but was subject to a downward trend as the global market weakened and then was further affected by the COVID-19 pandemic lockdowns (Figure 3).

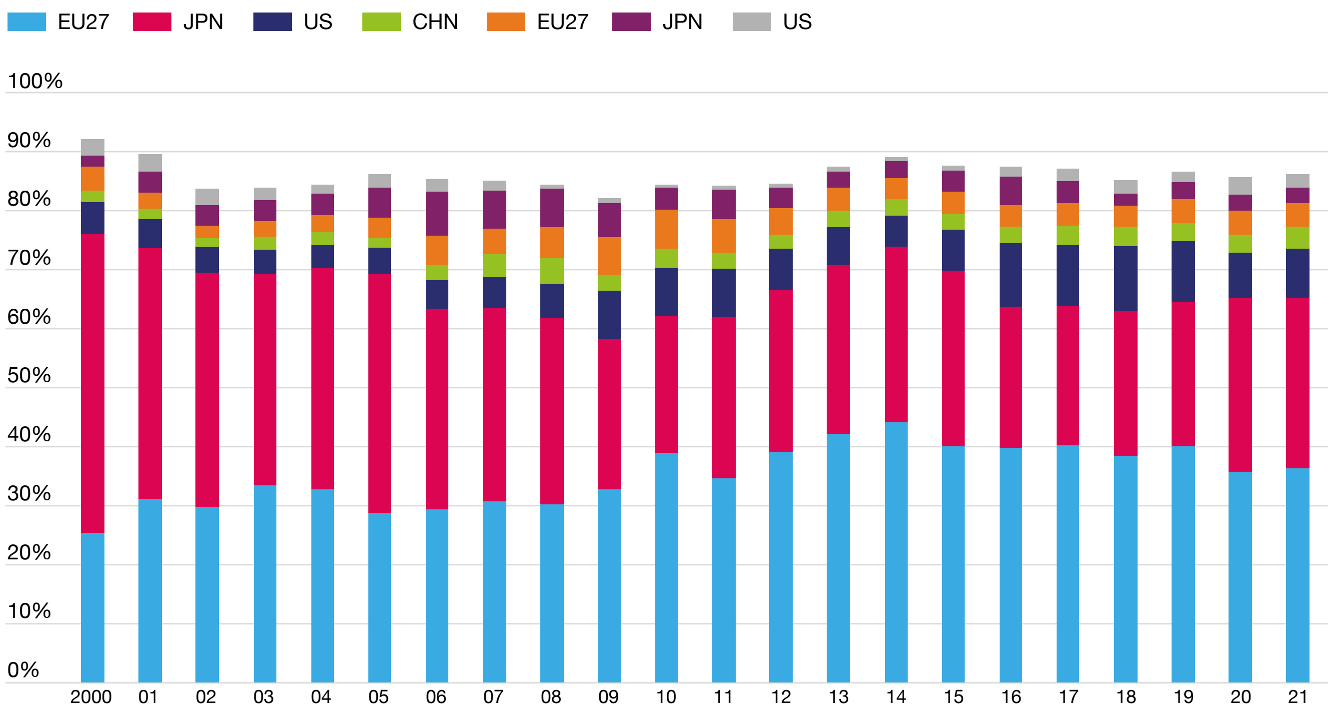
Figure 3: Real Growth of Philippines' Exports – World Vs. EU27 (1996 – 2021)



Source: Calculations based on the WITS database

Germany and the Netherlands are the top EU destinations for Philippine exports, averaging to 39% and 27% of total exports, from 2010-2021, respectively (Figure 4). The impact of Brexit on Philippine-EU trade has been modest as the share of United Kingdom's imports in total EU imports from the Philippines has been in decline for decades. UK's imports from the Philippines, as a percentage of total exports, distinctly dropped from an average of 20% in the 1990s to just 4% in 2009, and then was at 6% when it left the EU in 2020.

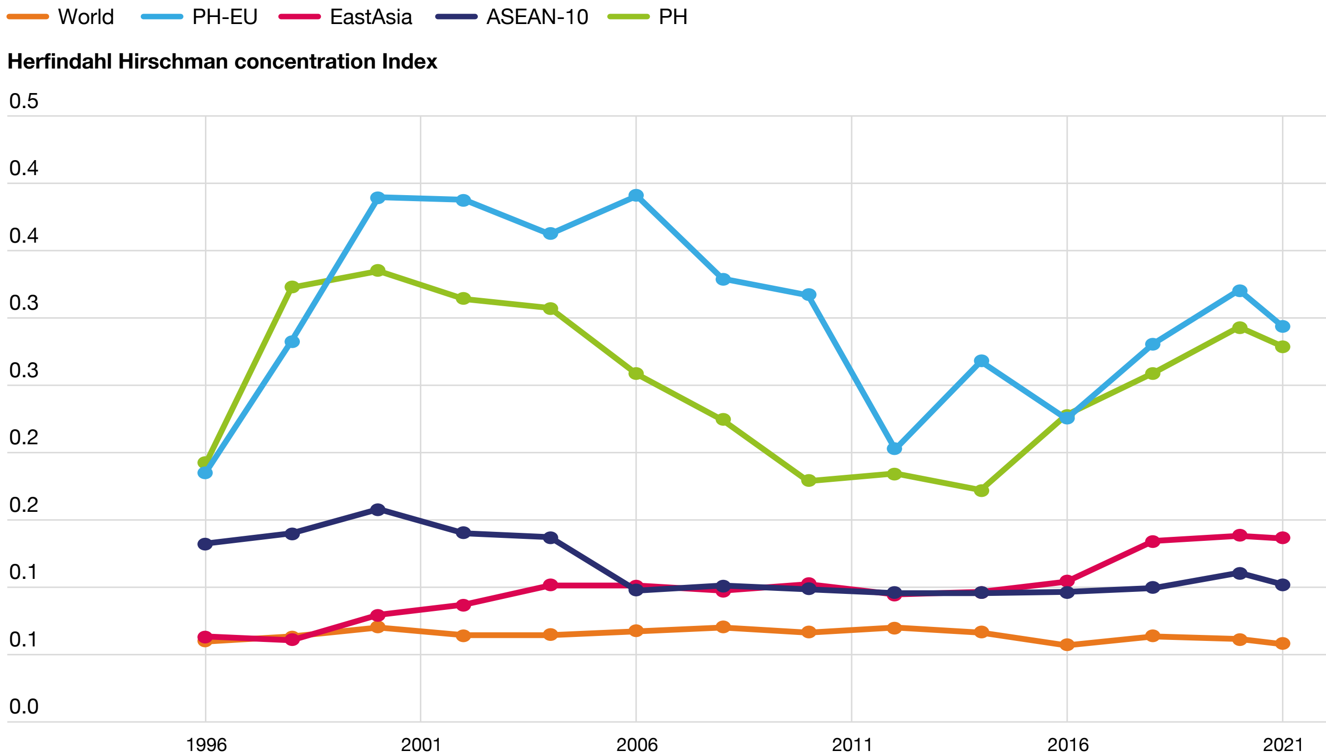
Figure 4: Share of major EU countries in imports from the Philippines (1996 - 2021)



Source: Calculations based on the EUROSTAT database

Philippine exports to the EU are highly concentrated on just a few products. The level of concentration is, in fact, higher than overall Philippine exports, which is in turn is higher than the world average, and higher than that of ASEAN and East Asia (Figure 5).

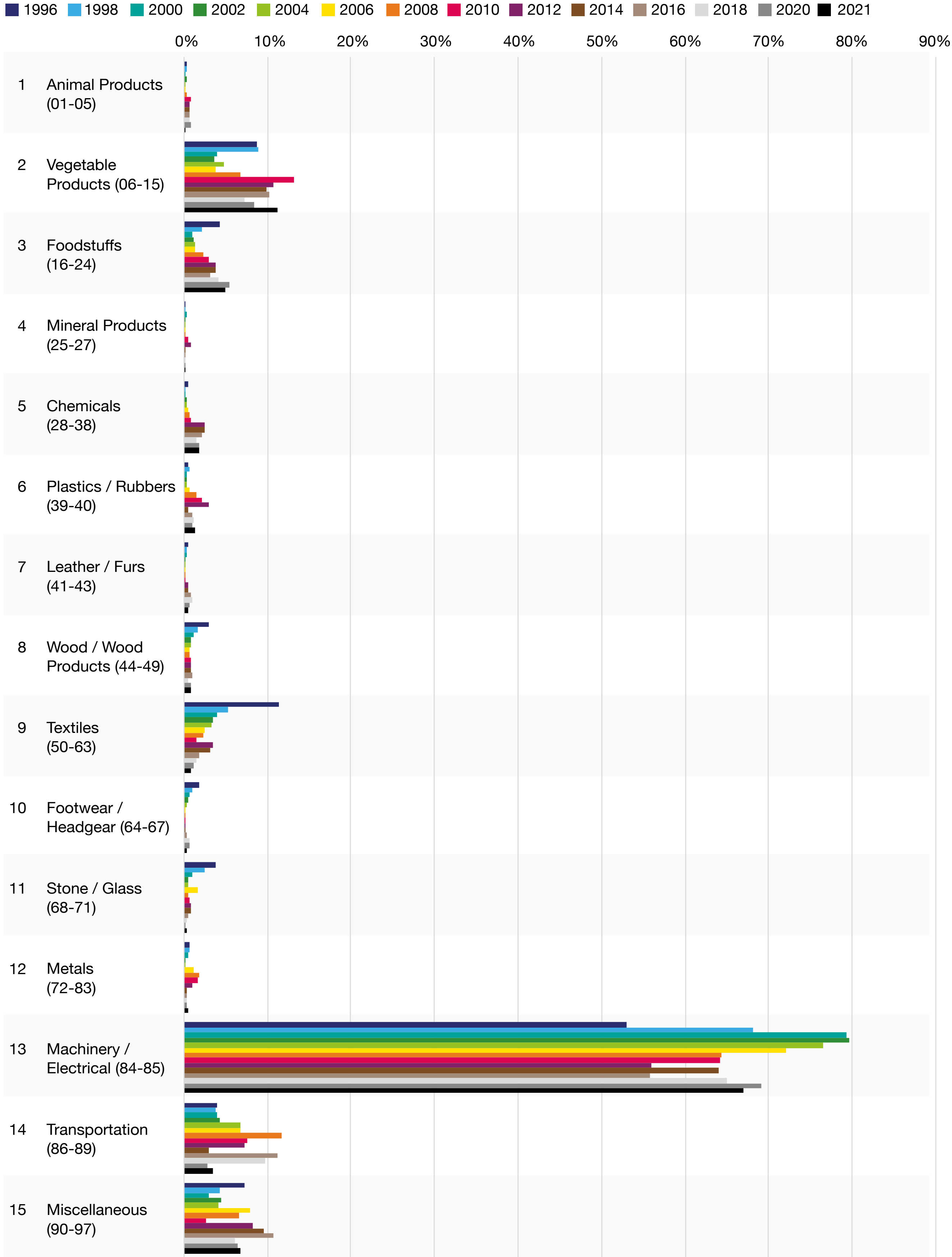
Figure 5: Export Diversification (HHI)[5] – 1996 - 2021



Source: Estimates calculated based on the WITS database

Electronics and machinery sectors (HS 84-85) account for close to 70% of total exports to the EU (Figure 6). At its peak in 2002, these products amounted to 80% of Philippines' exports to the EU. Semiconductors (integrated circuits) contributes the most in this sector comprising 35% of all exports from 2013 – 2021, based on latest EUROSTAT data.[6] This is followed by vegetable products (HS 06 – 51) with an average of 8%, and transport machinery and equipment (HS 89 – 89) at an average of 6% in the period from 1996 to 2021.

Figure 6: Relative importance of export products (Share of Total Exports), 1996 - 2021



Source: Calculations based on the WITS database (at the H2 level)

The Philippines' strong export growth in 2021 was largely driven by around 10 HS4 product groups, accounting for two-thirds of total revenues, and registering high growth rates. As shown in Table 3, most semiconductors (HS-85), which constitute a significant share of exports expanded with double-digit growth rates. Exports linked to the coconut sector also performed remarkably well, with copra almost doubling its exports compared to the previous year.

In 2012, there were 2,310 firms exporting to the EU from the Philippines, which was a decline from the 3,622 firms in 1998. This data was derived from the Philippines' Philippine Trade Transactions database which covers the universe of exports and imports of Philippine firms from 1991 – 2012 (Balaoing, 2017).[7] Most firms exported to Germany – recording a peak of 1,487 firms in 1996, but then dropping by 41% to 868 firms in 2012 (Figure 7).

Table 3: Top Philippines' exports to the EU (2021), in euros billion

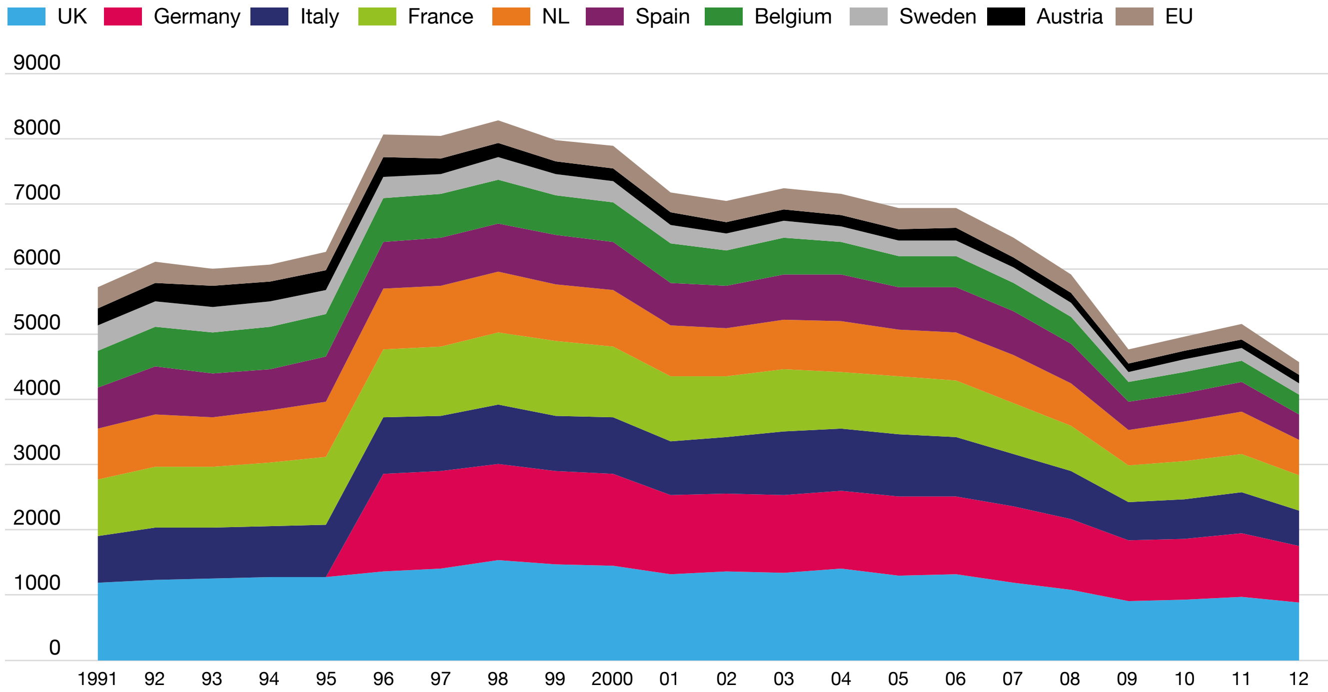
HS4	Description	Value	Growth	Share
8542	Electronic multi-component integrated circuits	1.78	14%	23%
8471	Data- processing machines	0.64	59%	8%
1513	Coconut crude oil	0.60	90%	8%
8541	Diodes	0.38	29%	5%
8473	Elect. Assemblies of elect calculators	0.38	138%	5%
8504	Inductors	0.31	186%	4%
8508	Vacuum cleaners	0.26	18%	3%
8528	Cathode-ray tube monitors	0.13	190%	2%
8532	Fixed capacitors	0.13	199%	2%
8536	Fuses	0.10	63%	1%
9021	Orthopaedic appliances	0.10	19%	1%
8517	Line telephone sets	0.10	200%	1%
0801	Desiccated coconuts	0.09	36%	1%
3215	Black printing ink	0.85	198%	1%
2008	Ground nuts (e.g. Peanut butter)	0.82	84%	1%
8537	Numerical control panels	0.75	40%	1%
8901	Sea-going vessels	0.64	189%	1%
9032	Electronic thermostats	0.55	44%	1%
1302	Extracts of liquorice	0.48	138%	1%
8529	Telescopic and whip-type aerials	0.43	95%	1%

Source: Author estimates based on EUROSTAT

The stagnant trend in Philippine exports to the EU is also evident from the sluggish entry of new exporting firms to the EU. Figure 8 sets out the demographics of Philippines' firms exporting to the EU market - particularly by outlining the entry, exit and survival of firms in the EU market.

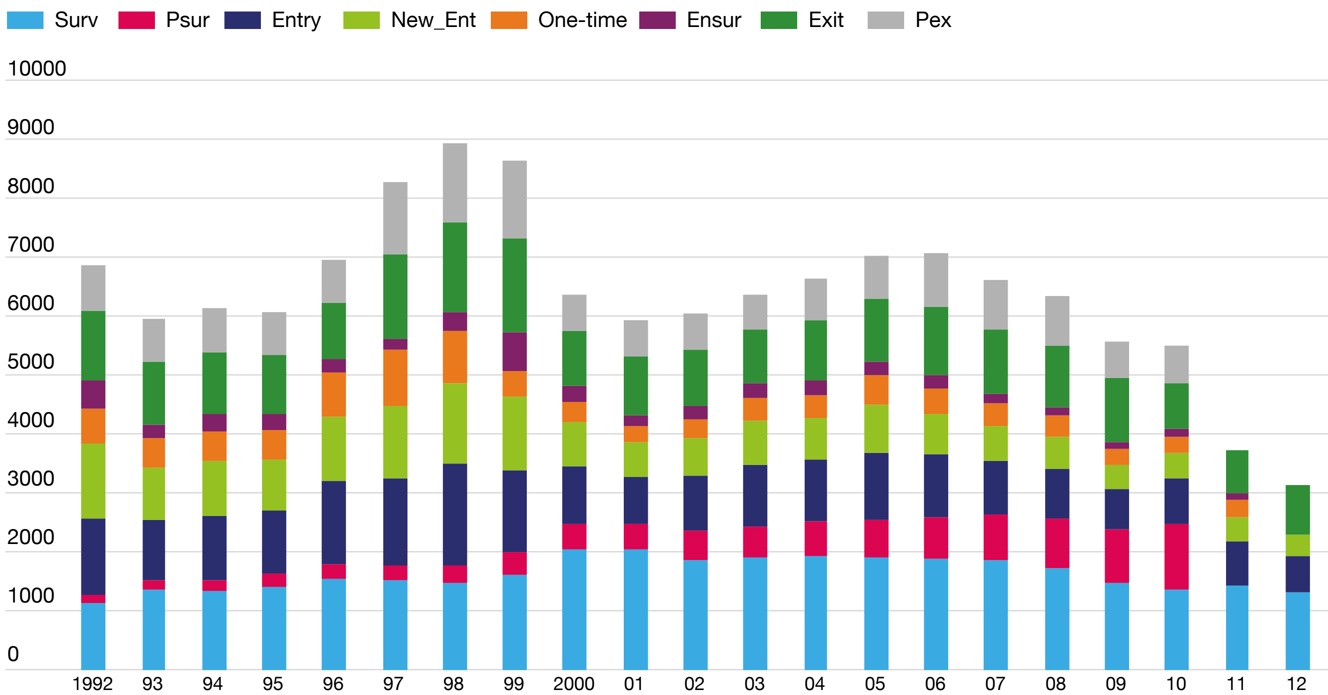
The figures for 'new entrants' can be taken as a good indicator of how dynamic or how attractive an export market has become. New entrants sharply fell from a high of 1,343 firms in 1998 to just 353 in 2012.

Figure 7: Total number of Philippine firms exporting to the EU (1991 – 2012)[ii]



Source: Calculations based on the Philippines' Trade Transactions Database – from the Philippines' Statistics Authority

Figure 8: Demographics of Philippines' Firms Exporting to the EU (1991 – 2012)



Source: Balaoing, 2017, (based on PSA trade transactions data)

Notes: *Surv* refers to the number of firms that survived in the following year. This is distinguished from *Psur* (permanent survivors), which pertains to firms that from the moment of entry has survived up to 2012, last year of the data. *Entry* is the number of firms that enter in a particular year. This is distinguished from *New Entr* (firms that appear for the first time in the dataset; and *Ensur,* which is the number of firms that enter and survived in the following year. *Exit* refers to firms the leave the market in a particular year, and this is distinguished from *Pex* or permanent exitors, which are no longer appearing in the data after exit (i.e., no re-entry).

ii See Annex A1 for details.

4. Key trends in the Philippines' utilization of the EU GSP+ scheme

Building upon the analysis of Philippines' exports to the EU, this section will dive further into the Philippines' utilization of the GSP+ benefits in its exports.

4.1. Scope and coverage of the databases in analysing the Philippines' utilization of the EU GSP+ scheme

Tariff data is critical in understanding the patterns of EU GSP utilization because of the important role played by tariff margins, or the difference between MFN and the GSP plus tariffs.

The lack of a consolidated database on GSP utilization with the corresponding data on preferential and non-preferential tariffs applicable on EU imports presented significant challenges, and accordingly, the three following databases were utilized for this exercise:

(a) EUROSTAT -This database provides information on the value of imports from the Philippines that entered under the MFN and GSP+ regime, however, it does not provide the tariff data.

(b) TARIC (Tarif Intégré Communautaire – Integrated Tariff of the European Communities) - This database provides tariff data but does not cover all the products listed in EUROSTAT, and therefore must be supplemented by data sourced from WITS described below.

(c) World Integrated Trade Solution (WITS) – This database, released by the World Bank, provides tariff data for all the products, but the highest level of granularity provided is at HS 6-digit level, while the EUROSTAT data is at the 8 digits (CN8) and the TARIC data are defined up to 10 digits at the EU level.

(d) Bureau of Customs (BOC) firm – level data – This database contains a sample of 1,423 firms spread across the period of 2013 to 2021. The Philippine BOC data of Philippine exporting firms to the EU is merged to the EUROSTAT-TARIC-WITS dataset. The firm data, however, is just a selection of the firms that are active in the GSP-using sectors.

EUROSTAT and TARIC are consistent with WITS at the HS Combined 6-digit level, but higher tariffs at the 10-digit level will be hidden when averaged up to the higher level of tariff line aggregation. In sectors with substantial differences in tariff rates at the 10-digit level, the use of WITS will therefore produce imprecise tariff margin estimates. Moreover, in consolidating the EUROSTAT-TARIC-WITS database, there were several inconsistencies to contend with and clarify. This section will seek to clarify the scope and coverage of these data sources with the objective of contextualising the proceeding analysis (in Section 4.2) within this framework.

(a) EUROSTAT – Tariff Lines

The EUROSTAT contains information on the value of imports that entered under different types of tariff regimes, such as under MFN and GSP.[8]

Import data are presented in terms of:

- *tariff regime,* MFN or GSP, and
- *eligibility* of imports for the GSP.

Table 4 presents the number of tariff lines under the various EU tariff regimes available for the Philippines.

Table 4: Number of tariff lines under the various EU Tariff Regimes for the Philippines (2013 – 2021)

	Total Tariff lines	MFN Zero (A)	MFN Nonzero (B)	GSP MFNzero (C)	GSP MFNnonzero (D)	GSP zero (E)	GSP Nonzero (F)	Mixed
2013	3,048	674	66	0	1119	78	187	924
2014	3,131	715	55	1	1148	71	185	956
2015	3,018	675	53	2	1059	215	34	980
2016	3,010	686	54	0	994	202	20	1,054
2017	3,047	734	49	0	1044	176	23	1,021
2018	3,007	732	54	0	1057	194	26	944
2019	3,071	749	59	0	982	187	25	1,069
2020	2,931	751	66	1	1052	161	14	886
2021	3,382	871	88	0	1365	86	3	969
Ave	3,072	24%	2%	0%	36%	5%	2%	29%

Source: Calculations based on the EUROSTAT database

The columns are further explained in this chart below:

Column	Description
Columns A and B	Not included in any preferential scheme and therefore, only have MFN duties. Distinction is made between imports with zero MFN tariffs (A) and non-zero MFN tariffs (B).
Columns C and D	Refer to tariff lines which do have preferential market access, but traders have not made use of the discounts and instead exported under the MFN scheme. Distinction is made between the MFN zero (C) and non-zero MFN imports (D).
Columns E and F	Refer to tariff lines under the EU GSP scheme, utilizing the zero (E) or non-zero tariffs (F).
Mixed	Refers to tariff lines where total imports were assigned to various types of tariff regimes. (This is the case when GSP utilization was less than 100% for instance).

Columns (A) to (D) are therefore imports that entered under MFN and (E) and (F) under GSP. Columns (C) to (F) are eligible for GSP, but only the latter two reflect the imports that utilized preferential access.

Columns (A) to (F) of Table 3 report the tariff lines wherein 100% of total imports can be ascribed to the said tariff regime.

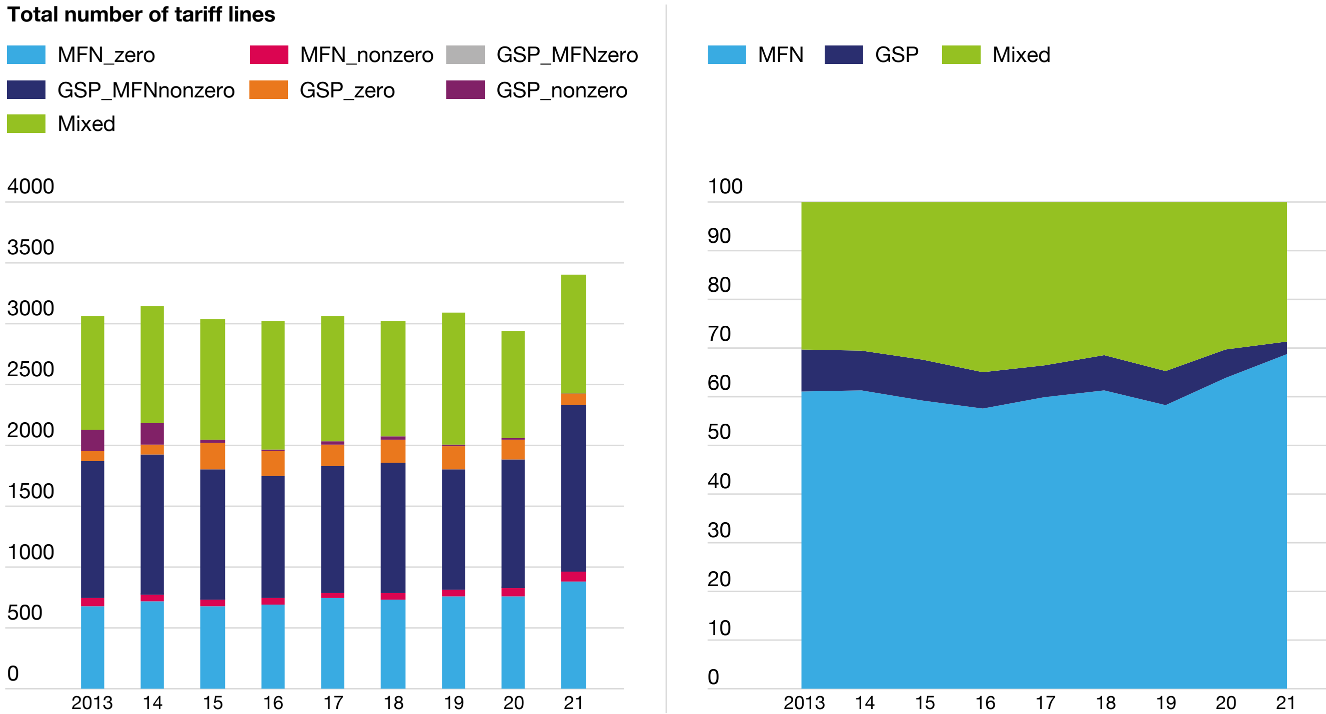
The trend is towards an increasing use of MFN tariffs, from 61% to 69%, in 2013 and 2021, respectively. Only an average of 6% of products lines were imported using GSP preferential tariffs with almost full utilization rates (i.e., 90% and above) from 2015-2021; the trend is likewise declining, from 8% in 2015 to just 3% in 2021.[9]

In 2021, the EU imported a total of 3,382 products (CN 8-digits) from the Philippines, 99.6% of which received duty-free access under the EU GSP+ *scheme*.

The EU GSP+ *scheme* provided duty free access to 99.6% of the 3,382 (CN8) Philippine products imported by the EU. However, the large share of products with low or zero MFN tariffs has resulted in low margins, or differentials between MFN and GSP rates.

It is, however, noteworthy, that there has been an increase in product diversification, especially in 2021 relative to 2014. Sectors with high tariff margins and GSP utilization such as HS 15 (*animal and vegetable oils*) and HS 16 (*meat & fishery products*) doubled their number of sub-sectors from 17 and 16 in 2014, to 33 and 29 sub-sectors in 2021, respectively.[iii]

Figure 9: Trends in MFN and GSP Tariff Utilization (2013 – 2021)



Source: Calculated based on EUROSTAT data

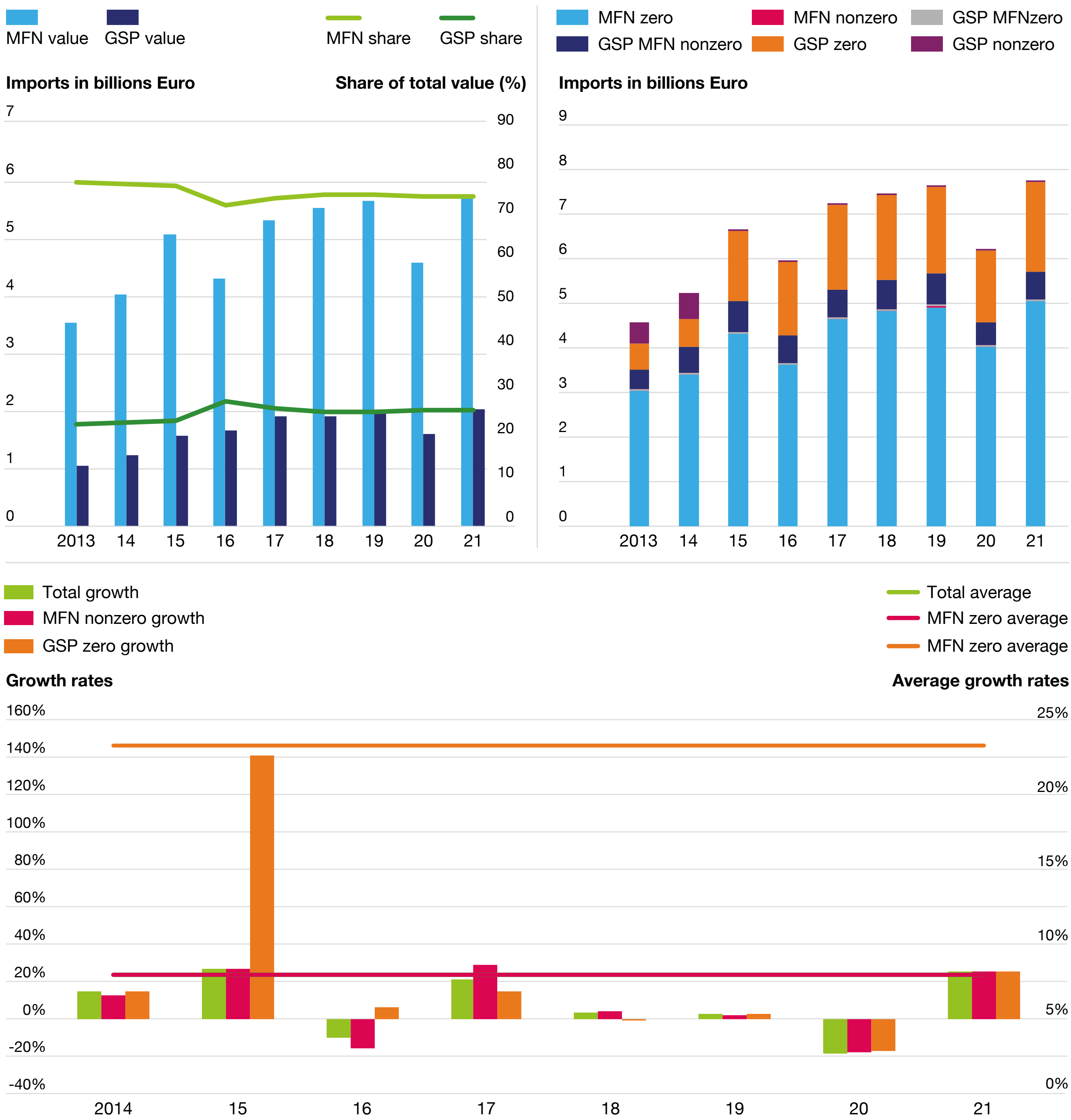
iii See Annex A2 for details on product lines trends.

(b) EUROSTAT – Trade values

Since the EU GSP+ scheme came into effect in 2015, a total of 13 billion euros worth of Philippine exports entered the EU utilizing the preferential tariffs. This is 26% of the 49 billion euros imported by the EU from the Philippines from 2015 to 2021 (Figure 10).

A constant trend in EU imports from the Philippines is the large share of products entering the EU under zero MFN tariffs (i.e., 31.5 billion euros in the same period). Although the sectors with zero MFN tariffs only comprise 24% of all tariff lines, in terms of value, the sectors still account for 64% of total EU imports from the Philippines, on average. The mirror trend is that while more than a third of tariff lines are in the non-zero MFN cum GSP preferences category, these products comprise only 10% of all imports from the Philippines. Imports which benefit from the zero tariffs under the GSP+ scheme amount to 26% of the value of all imports, even if these imports cover only 5% of all product lines.

Figure 10: Value and growth of EU imports from the Philippines under various tariff regimes (2013 – 2021)



Source: Calculations based on the EUROSTAT database

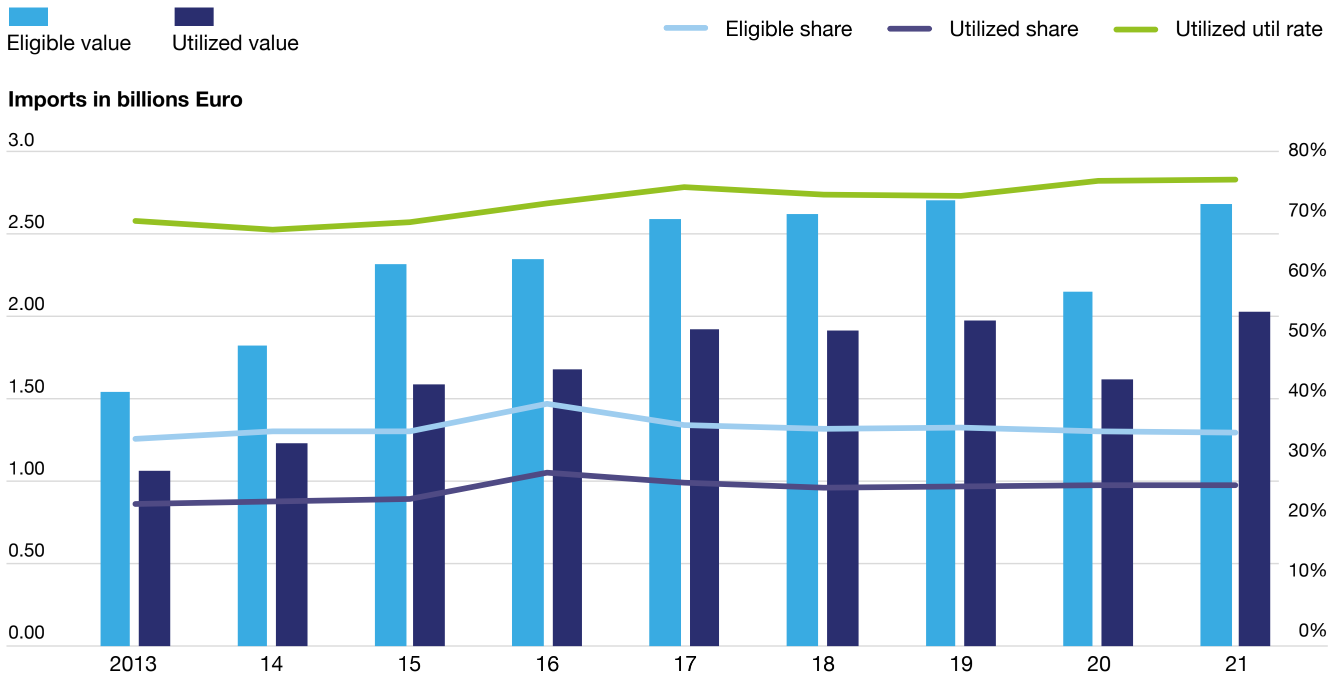
While the full introduction of the EU GSP+ in 2015 corresponded with a marked increase in imports utilizing the GSP preferences (Figure 10), the share of imports with eligible and utilized preferential tariffs in the total value of imports has remained stagnant (Figure 11).

Imports under the GSP+ scheme saw a sharp rise of 140% from 2014-2015, pulling up the average growth of zero GSP exports to 23% (2013-2021), compared to the average of 8% for overall Philippine exports to the EU in the same period. However, the trend of imports with the GSP+ tariffs has since moved at the same rate of overall imports, thus making shares constant from 2015 till 2017.

It is difficult to ascertain the specific contribution of the GSP+ scheme on overall trade. One can only highlight the correlation but not the causation effects as the this would entail a more rigorous econometric exercise, wherein the GSP+ scheme is only one among the many determinants of overall exporting and importing behavior of firms.

The impact of the COVID-19 pandemic on imports is clearly visible, with both - zero MFN and GSP+ imports falling by 18 and 17%, respectively (Figure 11). However, the strong 25% recovery in 2021 resulted in a modest increase of 2% in total imports with respect to 2019 (from 7.7 to 7.8 billion euros).

Figure 11: Eligible vs. Utilized GSP+ imports (2013 -2021)



Source: Calculations based on the EUROSTAT database

iv See Annex A3 for description of EU Tariff measures.

(c) TARIC and WITS Tariff data

The TARIC (Tarif Intégré Communautaire; Integrated Tariff of the European Communities) provides comprehensive information about the EU's tariff regime, which includes not only the level of tariff duties applied, but the exact start and end dates of application, the origin countries of imports, the 60 *types* of *tariff* measures (e.g., Tariff preference, import control, customs union duty, anti-dumping, country-specific measures), the *legal* base of the duty, and the conditionalities for the application of duties.[iv] The amount of detail, however, makes one miss the proverbial forest for the trees. It is meant to inform users with specific product information at its most disaggregated level, and less designed for those aiming to capture an overall view.

The World Integrated Trade Solution (WITS) database, in contrast, is easy to navigate but will obscure the tariff peaks at the 8th or 10th-digit tariff line levels. It also provides no information on the compound tariffs, which are combinations of ad valorem and specific tariffs.

Figure 12: Data merging and cleaning process

Merging data sets

Data	Total tariff lines	Merged lines
Eurostat	15,838	
TARIC	10,638	5,446
WITS	6,607	6,307
Positive trade	**5,543**	**5,102**

Rebuilding missing data

- Revealed tariffs from Eurostat:
  - GSP should be zero if total GSP utilized is equal to total imports that entered under zero GSP
  - MFN should be zero if total imports is equal to total imports that entered as zero MFN
- Remove negative margins: replace tariffs to WITS data

Source: Author

Figure 12 illustrates the process undertaken to merge the TARIC and WITS databases with the EUROSTAT data. Out of the 15,838 products in EUROSTAT, only 5,548 products (35%) have positive trade. The TARIC data are defined up to 10 digits at the EU level (total of 17,853 tariff lines), and therefore, or merging with the EUROSTAT data, TARIC tariff lines were reduced to CN 8-digits. The relevant tariff measures for the Philippines since 2015 are *ERGA OMNES* (MFN), the GSP+ *incentive arrangement for sustainable development and good governance,* and two anti-dumping measures specific to the Philippines. To merge the data with WITS, the CN8 classification is further collapsed into HS6.

The data was cleaned to address inconsistencies between the three datasets. Whenever the WITS and TARIC data were inconsistent, the latter was chosen. This is often the case when TARIC indicates a zero tariff and WITS did not. Such mismatch may occur since the WITS database reports the *weighted average* of the MFN and preferential tariffs. If there are therefore positive tariffs in product lines at the more disaggregated level, WITS will report a non-zero tariff.[10] On the other hand, WITS database does on some occasions indicate zero tariffs for products where the TARIC database attaches conditionalities or includes a specific tariff to that zero tariff. The TARIC also applies the so-called ***principle of the cascade***, which hinders machine-based merging of the data.[11] This is also the reason for relying on the WITS database in case of inconsistencies.

Table 5 below details some of the inconsistencies reported in the data, albeit with trivial effects due to the small value of trade. CN8 product 20060035 (guavas, mangoes, etc.), for instance, is covered by the GSP+ scheme, but the zero ad-valorem tariff is combined with a specific tariff of EUR 15.0 per hectokilogram. Although this product will have a 100% utilization rate of the preferential tariffs in 2021, it will not be reported under the zero GSP+ scheme. In fact, Eurostat reports it as entering under GSP non-zero tariffs.

Table 5: Examples of inconsistences in the datasets[v]

		TARIC		WITS		EUROSTAT (in million euros)				
Year	**CN8**	**ERGA OMNES**	**GSP+/ GSP gen**	**MFN**	**Pref**	**Total imports**	**Total GSP utilized**	**GSP Nonzero**	**GSP zero**	**GSP_ mfnnon zero**
2021	20060035	Comb 12.5	Comb	13.3	0	0.027	0.027	0.027		
2018	20060038	Comb 20.0	Comb 16.5	13.3	0	0.000008	0.000008	0.000008		
2021	20079950	Comb 23.32	Comb 20.5	13.3	0	0.00001	0.000008	0.000008		
2021	21069098	Comb 9.0	Comb 5.5	13	0	2.8	2.4	2.4		0.3
2018	22029999	Comb 5.4	Comb 1.9	9.6	0	0.09	0.02	0.02		0.07
2014	87120030	48.5*	10.5	14.6	10.5	38	30	38		
2021	87120030	48.5*	0	14.6	0	34	30		30	
2014	87120070	49.5*	10.5	14.6	10.5	0.13	0.13	0.13		
2019	87120070	48.5*	0	14.6	0	0.000004	0			

Source: Compiled by the author
*Definitive anti-dumping was imposed on the Philippines in 2019

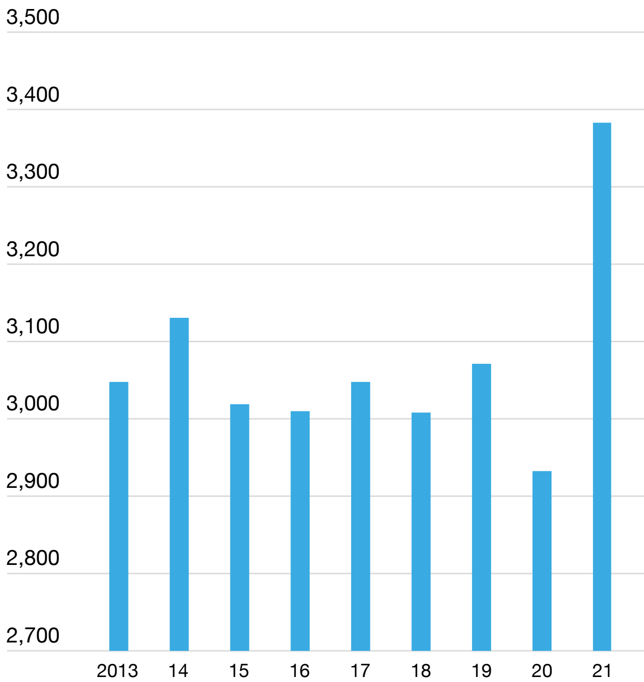
In 2021, the *GSP+* scheme provided duty free access for EU imports from the Philippines, with the exception of CN8 03061792 (*frozen shrimps*), which carry a tariff of 4%. Moreover, there are 80 products worth 56 million euros wherein specific tariffs imposed.[vi] Surprisingly, the GSP utilization rate for this category of products is 86% which is higher than average.

The EUROSTAT data is used to validate and further rebuild the missing data. For instance, the manner in which EUROSTAT defines imports as entering under the zero MFN or GSP regimes reveals the true tariffs applied, and in turn, indicates the cases wherein the GSP+ zero tariffs or non-zero duties are applied due to the imposition of specific tariffs. In the first place, all products with total zero MFN or GSP imports **equal to total imports** (in the case of MFN) and **total GSP utilized** (for GSP), should have corresponding zero MFN or preferential tariffs. There are also cases where WITS indicates that preferential tariffs exist, but EUROSTAT would report imports as entering under non-zero MFN, and not under *GSP – non-zero MFN*, which means that MFN tariffs (not preferential tariffs) are applied to imports with GSP tariffs. WITS also reports ad valorem MFN tariffs in certain instances, but only specific tariffs appear in the TARIC database.

From the 5,543 product lines at the CN 8-digit level (3,346 at HS 6-digit) - only 4% do not have any tariff data.

Figure 13 demonstrates that while the introduction of the GSP+ scheme coincided with the drop in product diversification from 3,131 product lines in 2014 to 3,018 the year after, a sharp increase of traded products was seen in 2021 at 3,392 product lines.

Figure 13: Total Number of Product Lines (2013 – 2021)



Source: Calculated by author based on EUROSTAT data

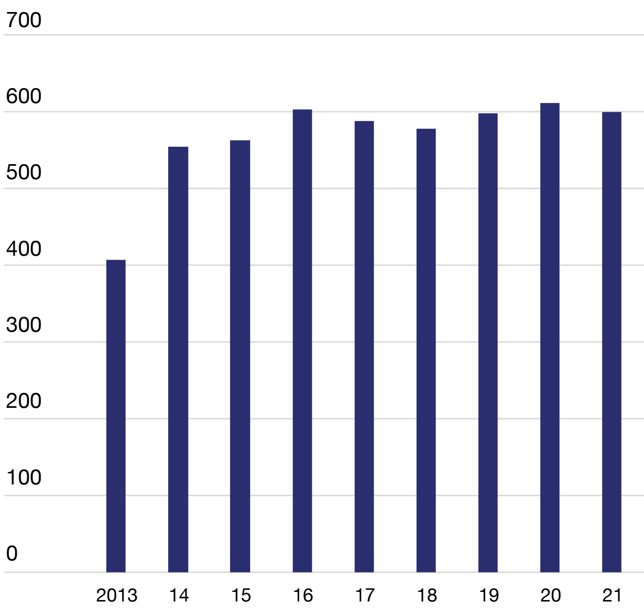
v See Annex A4.
vi Full list is available upon request from ITC.

(d) Bureau of Customs (BOC) firm-level data

Finally, the Philippine BOC data of Philippine exporting firms to the EU is merged to the EUROSTAT-TARIC-WITS dataset. The firm data, however, is just a selection of the firms that are active in the GSP-using sectors.

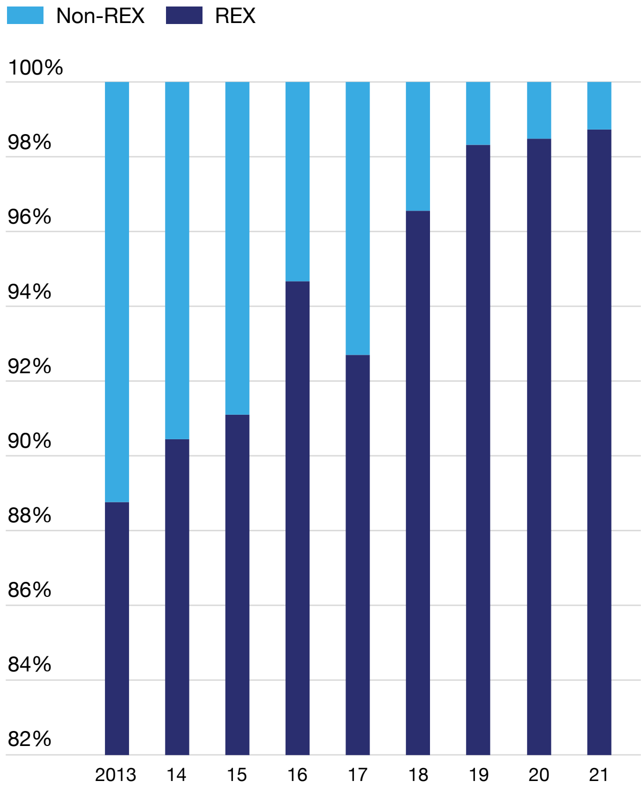
The BOC data contains a sample of 1,423 firms spread across the period of 2013 to 2021 (Figure 14). Most of these firms, however, are still not among the 744 REX-registered firms. On the other hand, only around half, or a total of 381 REX firms are included in the sample of firms provided by BOC for this study. In terms of total value of exports, non-registered firms' revenues are a small fraction of those earned by REX registered firms. In 2021, total exports of REX listed firms amount to 1.2 billion euros, compared to just 15 million euros for non-REX firms (Figure 25). It is only in 2019 that the first 21 firms registered in the REX. Around 60% of the firms (or 436) registered in 2020, and 36% the year after, suggesting the increased motivation of firms to avail of the greater ease of transacting with the Bureau of Customs in the period of the COVID-19 pandemic.

Figure 14: Active firms per year in the BOC dataset



Source: Compiled by the author based on the BoC dataset

Figure 15: Share of REX and Non-Registered Firms in Total Value of Exports



Source: Compiled by the author based on the BOC dataset

4.2. Analysing the trends in Philippines' exports to the EU and utilization of the GSP+ scheme

This section presents the main analysis drawing from the datasets described above.

(a) Philippines' exports under the EU's import tariff regime

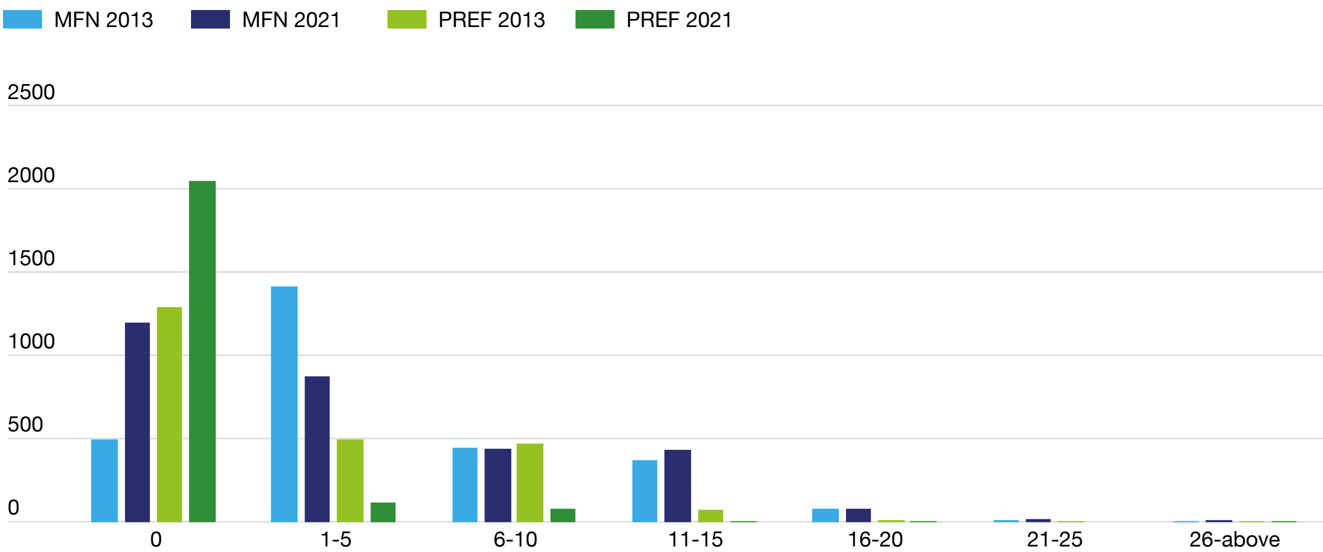
Around 65% of the value of all EU imports from the Philippines in 2021 enjoyed MFN duty-free access, amounting to more than 5 billion euros; and 26% with GSP+ zero tariffs (Figures 14 and 15).

The MFN duty-free imports cover 1,200 (or 40% of) product lines – which is an increase of almost 250% compared to 2013. A total of 99.65% of products with GSP preferences are likewise duty free in 2021, with the value of duty-free imports under the GSP more than tripling from 566 million euros in 2013 to just over 2 billion euros in 2021. The increasing share of duty-free imports via MFN and GSP means that taxable imports have fallen from 21 to just 9% of all imports in 2013 and 2021, respectively, or from 974 to 700 million euros.

The EU's tariff regime has also been greatly simplified as indicated by the sharp reduction of MFN (GSP) tariff ladders from 185 (101) unique levels in 2013 to just 30 (20) in 2021.

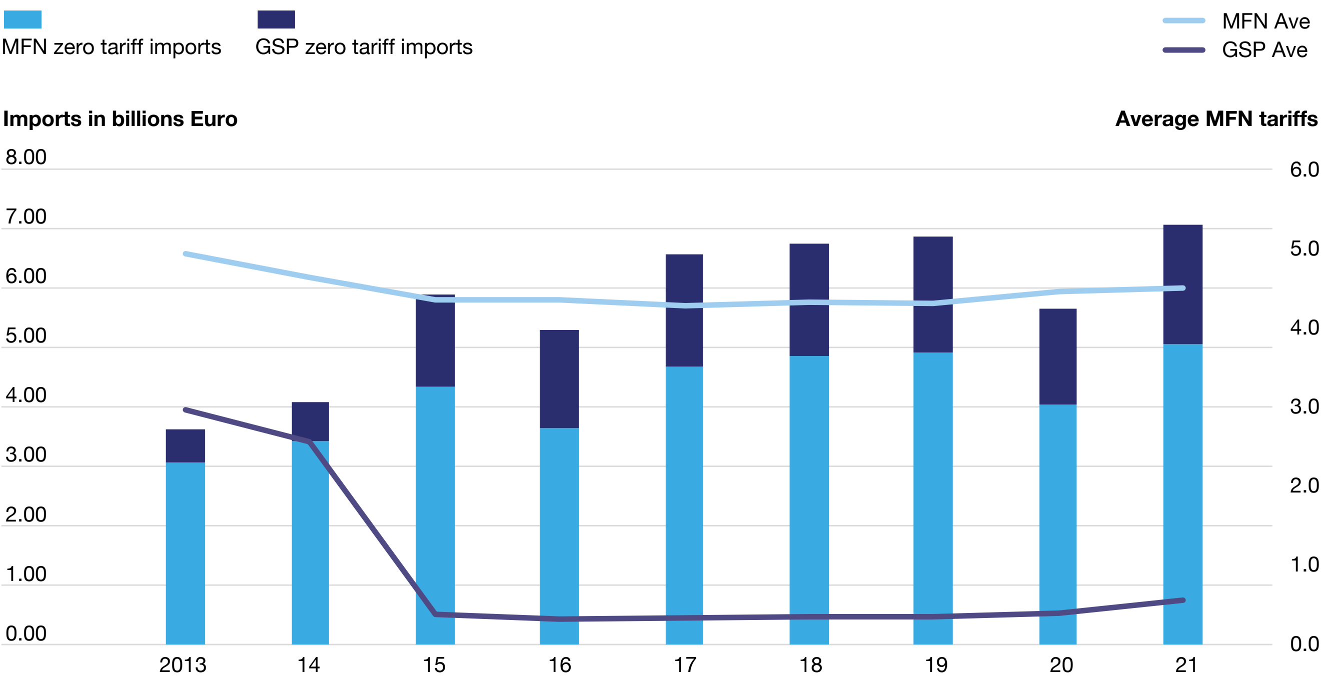
The number of relatively high MFN tariff products has remained constant, however. ***Foodstuffs* (HS 16 - 24) products, in particular, are imposed the highest average MFN tariffs of 14%, followed by *Textiles & Garments* (HS 50-63) at 10%, and *Footwear & Headgear* (HS 64 – 57) and *Animal Products* (HS 01 – 05), both with 8% average duties (Figure 16).**

Figure 16: Product lines under the EU's MFN and GSP tariff regimes (2013 vs- 2021)



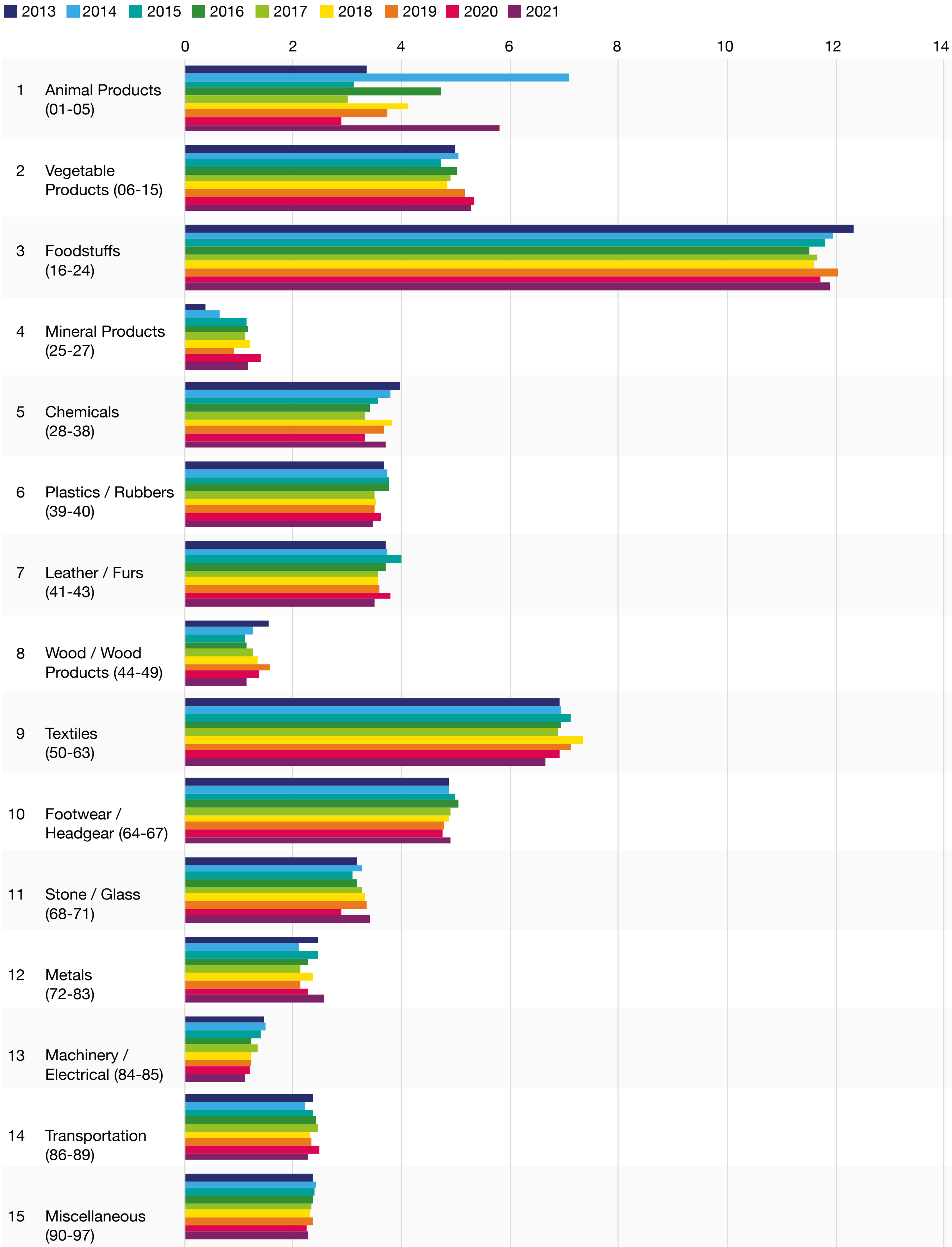
Source: Author computations from EUROSTAT & TARIC data

Figure 17: Duty-free MFN and GSP Exports & MFN and GSP Average Tariffs (2013 – 2021)



Source: Author computations from EUROSTAT & TARIC data

Figure 18: Trends in EU MFN Import Tariffs from the Philippines (2013 – 2021)



Source: Calculated by the author

Table 6 below lists out the sectors with the highest tariffs – which includes Philippine cigars and bicycles.

Cigars and Cigarettes: Based on the TARIC and WITS database, the cigars and cigarette sectors (CN8 24031990) are subject to the highest MFN tariffs of 75% and duty-free access under the GSP+ scheme.[12] MFN Tariffs have indeed sharply increased from just 17% in 2000.

Bicycle Products: The second highest rates are imposed on two bicycles sub-sectors – at 49% – namely for (i) bicycles with ball bearings (TARIC 8712003020), and (ii) cycles, including delivery tricycles (TARIC 8712007092).

While the WITS database reported an MFN duty of 14%, the relevant tariff for the Philippines is zero or 49%, depending on whether or not importers are able to present Certificate D-008.[13]

Table 6: Product lines with the highest MFN rates in 2021

CN8	Description	MFN
24031990	Cigars	75
24022090 24031100	Cigarettes Water-pipe tobacco	58
87120030	Cycles	49
87120070	Cycles	49
24039910	Chewing tobacco / snuff	42
20099019	Mixed juices	34
20082019	Pineapples	26
20094919	Pineapple juice	34
24021000	Cigars, cheroots	26
16041428	Skipjack tuna	24

This is due to the anti-dumping duties applied to imports of bicycles since 2019 from 6 countries: China, Sri Lanka, Indonesia, Tunisia, Cambodia and the Philippines. In the case of the second sub-sector – i.e., cycles, *including delivery tricycles,* imports fell from a high of 453 thousand euros in 2015 to just 4 thousand euros in 2021.

Food Products: The Tuna sector is among the most important food exports of the Philippines to the EU; and is subject to an MFN tariff of 24%, but all 13 sub-sectors are granted duty free access under the *GSP+ scheme.*

Garments: Articles of apparel and clothing accessories (Chapters 61 (crocheted & knitted) and Chapter 62 (not crocheted and knitted)) are imposed MFN tariffs of 12% and zero duties under the *GSP+ scheme.*

(b) Philippines' utilization of the EU GSP+ scheme - Overall

Based on the UNCTAD database, the GSP utilization rate of the Philippines in 2021 was lower than the 82% average for all the 8 member countries benefitting from the EU GSP+ scheme (Figure 17), and the 90% average for countries in the Everything-but-arms (EBA) scheme (which is available only for LDCs).

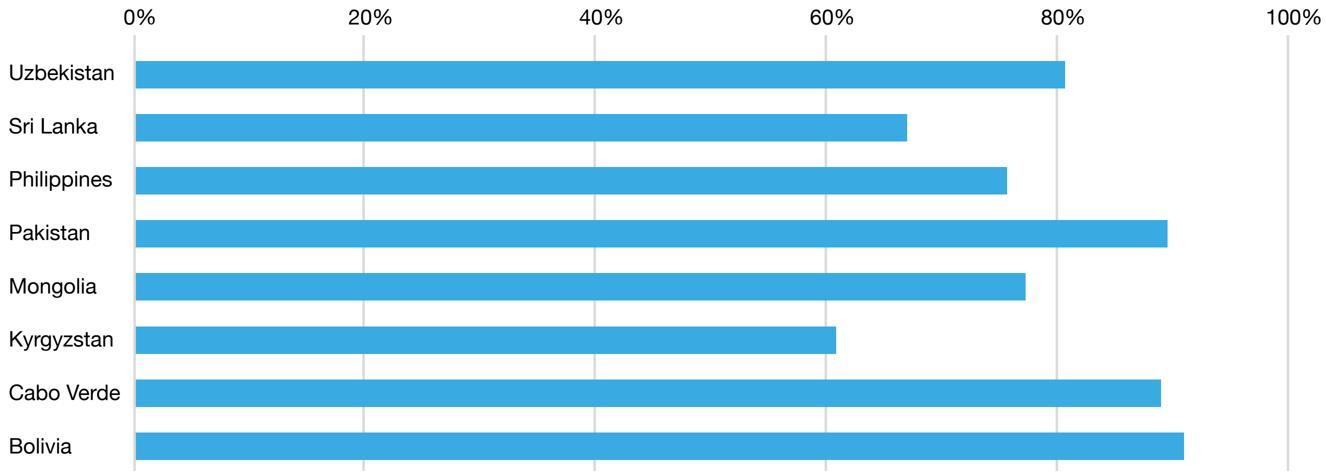
The Philippines has recorded a perceptible increase in the utilization rate of GSP preferences from 68 to 76% from 2015 to 2021 (Table 7; Figure 18 and 19).

The unweighted utilization rate, or the mean rate is significantly lower at just 32%. This increases to 44% when low-value or infrequently traded products are excluded. This suggests that where there are large users and sizeable tariff discounts to be earned, the utilization of GSP preferences is high.

In several tariff lines, however, the net benefits of GSP use are trivial given the downward trend in MFN tariffs, the administrative or documentation costs associated with the use of GSP tariffs, and the low value of traded products. The average increase in the share of imports that are eligible and have utilized GSP preferences have been minimal at just one and three percentage points, respectively.

Nevertheless, the total worth of unutilized GSP preferences was around 4.7 billion euros during the same time period.

Figure 19: EU GSP+ Utilization (weighted) per beneficiary country (2021)



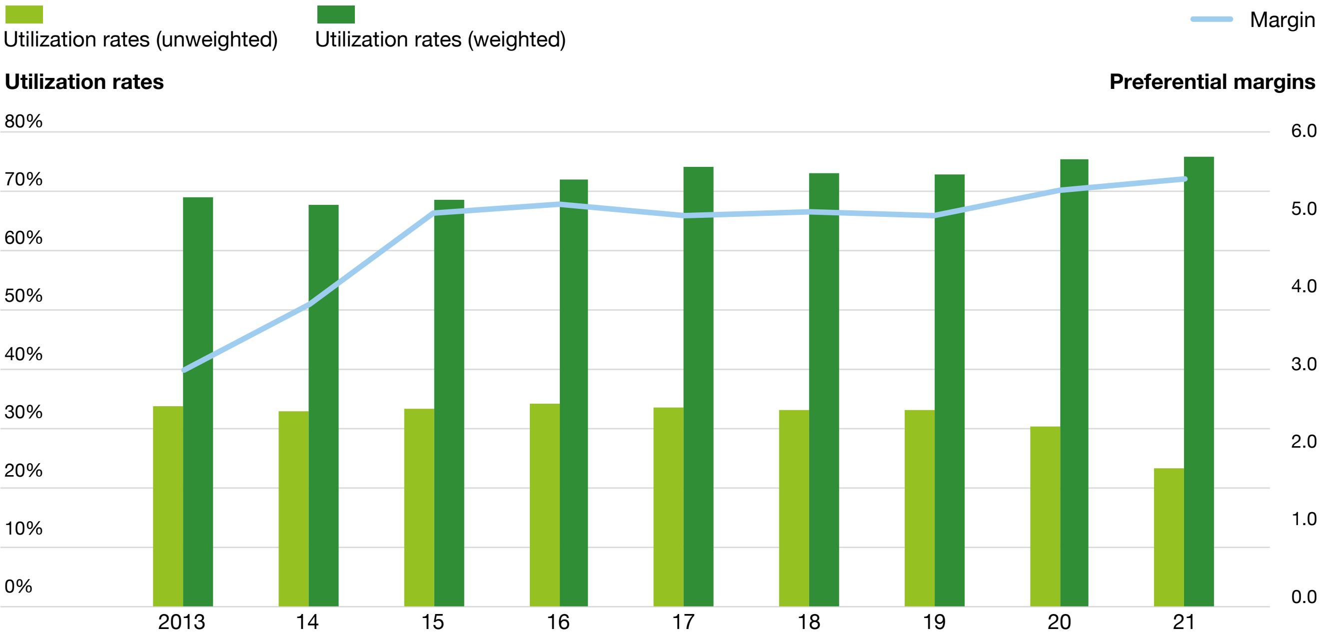
Source: UNCTAD Database on GSP+ utilization

Table 7: Value of EU imports (in billion euros); share of total annual imports; and GSP utilization rates

	Eligible		Utilized		Utilization rate		
	Value	Share	Value	Share	Weighted	Unweighted	Unweighted (5k euros & above)
2013	1.54	33%	1.06	23%	69%	34%	45%
2014	1.82	35%	1.23	23%	67%	33%	44%
2015	2.32	35%	1.59	24%	68%	33%	45%
2016	2.34	39%	1.68	28%	72%	34%	46%
2017	2.59	36%	1.92	26%	74%	33%	45%
2018	2.62	35%	1.91	26%	73%	33%	45%
2019	2.71	35%	1.97	26%	73%	33%	44%
2020	2.15	35%	1.62	26%	75%	30%	45%
2021	2.68	34%	2.03	26%	76%	23%	38%
Total	20.77	35%	15.00	25%	72%	32%	44%

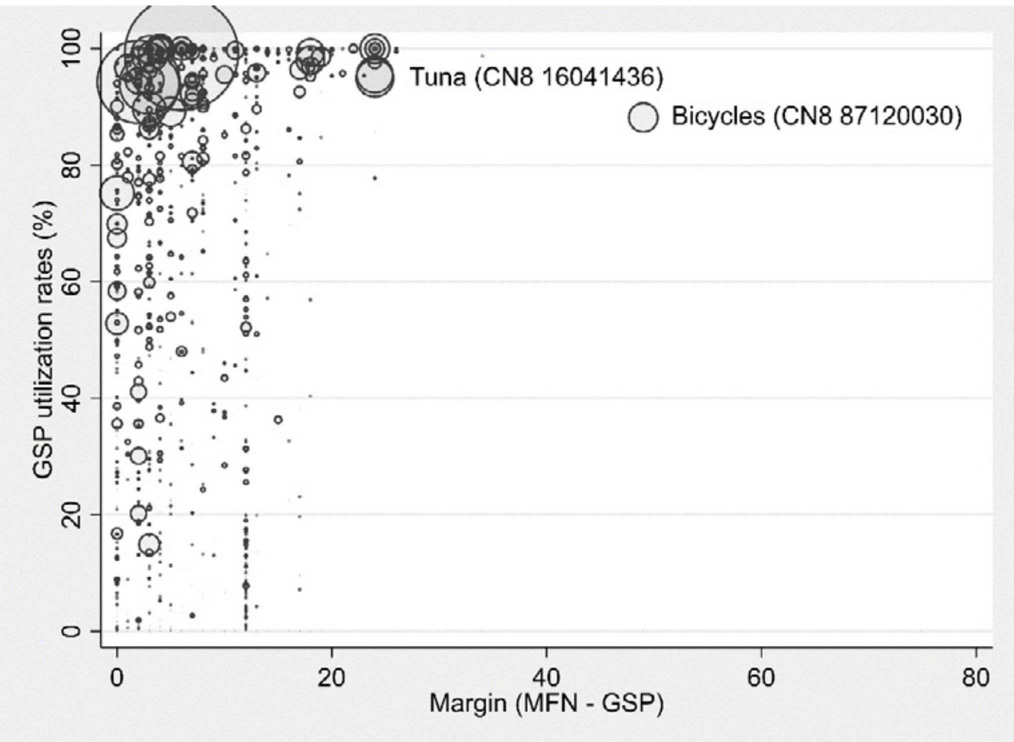
Source: Calculated from the EUROSTAT database

Figure 20: GSP Utilization Rates and Preferential Margins (2013 – 2021)



Source: Calculations based on the EUROSTAT-TARIC-WITS Database

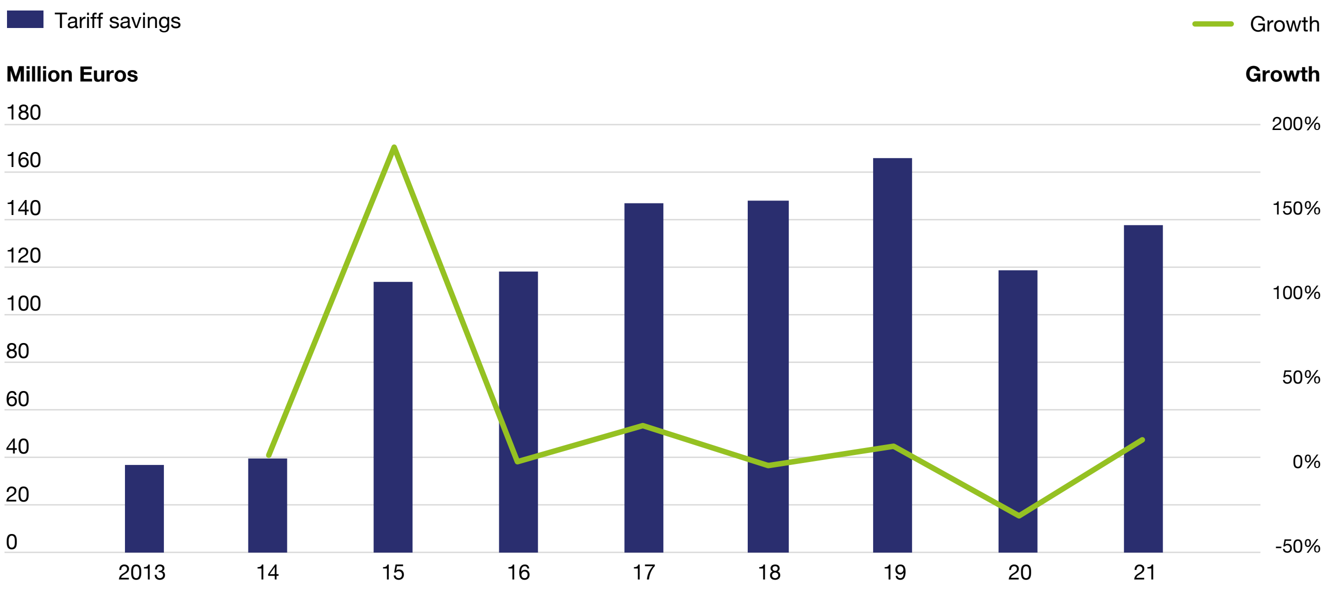
Figure 21: GSP utilization rates vs. preferential margins (2021)



Source: Calculations based on the EUROSTAT-TARIC-WITS Database

Note: GSP utilization rates are weighted by the value of imports using GSP preferences

Figure 22: Tariff savings due to GSP utilization (2013 – 2021)



Source: Calculations based on the EUROSTAT-TARIC-WITS Database

The *EU GSP+ scheme* has generated a total of 950 million euros savings directly benefitting EU importers of Philippine products from 2015-2021.[14] The indirect gains enjoyed by Philippine exporters came in the form of greater demand due to the more competitive prices of their products relative to those of their competitors (Figure 20).

The impact of the GSP+ scheme relative to the standard GSP can be seen by the sharp increase in the growth of savings from 7% from 2013-2014 to 140% in 2015 when the GSP+ took full effect. In 2019, tariff savings reached its peak at 166 million euros.

(c) Philippines' products benefitting under the EU GSP+ scheme

As mentioned earlier, the Philippine top exports enter the EU market MFN duty free, while its top agricultural products are largely imported using the duty-free access accorded by the GSP+ Scheme.

Table 8 details the top products chapter based on the dominant tariff regime used, and its relative importance to total trade (share of total Million euros). Among the top duty-free MFN chapters are electronics (85), machineries (84), optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts (90). The value share of duty-free imports to total imports ranges from 60 to 100%. Animal & vegetable oils (15) which includes copra, is fully eligible for GSP+ preferences, and is recorded as the Philippines' top agricultural export product as well as the top GSP+ export, together with meat and fish preparations – which is mostly tuna products (16), vegetable, fruit and nuts preparations (20), and furniture (94).

Table 8: Classification of product chapters based on the dominant tariff regime (2021)[vii]

MFN				GSP				
Ch	Description	Share in Total imports	Share zero MFN	Ch	Description	Share in Total imports	Share zero GSP elig	Ut. Rate
85	Electronics	51%	78%	15	Animal / Vegetable oils	8%	100%	85%
84	Machineries	19%	94%	16	Meat / Fish preparations	2%	100%	97%
90	Optical machines	5%	60%	20	Veg, fruits, nuts prep.s	1.2%	93%	95%
08	Fruits & nuts	1%	97%	94	Furniture	1%	78%	95%
32	Tanning extracts	1%	74%	38	Misc. chemical products	1%	99.5%	96%
89	Ships, boats	1%	100%	39	Plastics	1%	98%	78%
13	Lac; Gums; resins	0.6%	100%	61	Apparel & clothing	0.6%	100%	20%
47	Wood pulp	0.4%	100%	87	Vehicles; parts	0.6%	100%	79%
22	Bev, spirits, vinegar	0.1%	77%	40	Rubber	0.5%	97%	82%
48	Paper	0.1%	100%	91	Clocks, watches; parts	0.5%	100%	56%

Source: Compiled by the author

Table 9 further zooms into the top users of the EU GSP+ scheme (i.e., with 100% utilization rate) ranked according to the value of imports in 2021. The high tariff margins of 24% are strong incentives for tuna importers to source from the Philippines, as indicated by the high incidence of full GSP utilization in this sector.

vii Full list can be found in Annex A5.

Table 9: Top products utilizing the GSP+ scheme – ranked by value (in EUR million) of imports utilizing the GSP (2021)[viii]

CN8	Description	MFN tariff	Total GSP utilized
16041426	Skipjack Tuna fillet	24	31.0
38237000	Industrial fatty alcohol	4	28.0
16041436	Yellowfin Tuna fillet	24	13.0
29051900	Saturated monohydric acyclic alcohols	6	6.7
03034290	Frozen yellowfin tuna	22	2.2
55095300	Yarn		
55093100	Single yarn	4	0.56
36061000	Liquified-gas for cigarette lighters	7	0.55
03048700	Frozen skipjack tuna	18	0.33
16041446	Tuna loins	24	0.3
38089130	Insecticides	6	0.3
68101900	Tiles, flagstones, bricks	2	0.28
20089759	Mixtures of prepared/preserved fruits	18	0.22
96131000	Pocket lighters	3	0.18
16055500	Octopus, prepared / preserved	20	0.16
56081180	Knotted fishing nets of yarn	8	0.13
54023300	Textured filament yarn of polyester	0	0.11
73181300	Screw hooks and screw rings	0	0.10
56081120	Knotted fishing nets of twine, cordage	8	0.10
03074399	Cuttle fish	11	0.09

Source: Compiled by the author

viii Full excel file can be provided upon request from ITC.

Table 10 and Figure 21 further compare the utilization rates of coconut and tuna products to highlight the potential importance of tariff margins in the decision to import under the GSP+ scheme. **Compared to the tuna/fisheries sector, coconut-based products have lower GSP utilization weighted average of 84% (59%, unweighted). This translates into more than 3 million euros of foregone tariff savings, in comparison to 1.2 million euros for the tuna/fisheries sector (see table 10).** This could be explained by the lower margins, averaging 10% for coconut-based products, relative to an average of 21% for tuna products. The highest foregone savings of 2.6 million euros are found in the sub-sector of coconut-based products (CN8 15131110; Crude coconut oil) where the margins are the lowest at 3%. There could also be more small volume traders in coconut-based products, which experience a higher administrative cost of compliance relative to their large-volume counterparts – and therefore, may forego exporting under the GSP+ scheme to avoid the administrative costs.[15]

Table 10: Comparison of Coconut and Tuna Products (2021)

CN8	Description	Margin	Import Value in €	Util. rate	Foregone savings
15131110	Crude coconut oil, for technical or industrial uses	3	10,504,617	15%	2,550,000
15131191	Crude coconut oil, in packings of <= 1 kg	13	362,085	83%	8,047
15131199	Crude coconut oil, in packings of > 1 kg	6	476,805,384	99%	600,000
15131911	Solid coconut oil fractions, in packings of <= 1 kg	13	16,018	20%	1,668
15131919	Solid coconut oil fractions, in packings of > 1 kg	11	10,504,617	100%	110,000
15131930	Coconut oil, for tech. or indl. uses (excl. for foodstuffs & crude mfg)	5	23,856	100%	0
15131991	Coconut oil in packings of <= 1 kg (excl. for tech. or ind.l uses and crude)	13	386,364	4%	48,082
15131999	Coconut oil in packings of > 1 kg (excl. for tech. or ind.l uses and crude)	10	10,721,140	96%	100,000
15162098	Vegetable fats and oils and their fractions, in packings of > 1 kg	11	137,368	100%	65
15171090	Margarine containing <= 10% milkfats (excl. liquid)	16	48,329	78%	1,682
15179091	Edible fixed vegetable oils, fluid, mixed, containing <= 10% milkfats	10	16,896	86%	240
15179099	Edible mixtures or prep. of animal or veg fats or oils & edible fractions	16	17,882	33%	1,927
15180095	Inedible mixtures animal and vegetable fats and oils and their fractions	2	2,084,606	19%	34,255
15180099	Mixtures and preparations of animal or veg fats, inedible, n.e.s., in ch 15	8	554,335	0%	44,347
16030010	Extracts & juices of meat, fish, crustaceans, etc., in packings of <= 1 kg	13	86,924	100%	0
16041311	Sardines, prepared or preserved, whole or in pieces, in olive oil	13	31,468	100%	0

CN8	Description	Margin	Import Value in €	Util. rate	Foregone savings
16041319	Sardines, prepared or preserved, whole or in pieces	13	740,925	100%	29
16041421	Prepared or preserved skipjack, whole or in pieces, in vegetable oil	24	52,878,670	95%	720,000
16041426	Fillets known as "loins" of skipjack, whole or in pieces	24	30,988,076	100%	0
16041428	Prepared or preserved skipjack, whole or in pieces	24	49,043,689	96%	480,000
16041431	Yellowfin tuna, whole or in pieces, in veg oil (excl. minced)	24	3,816,194	100%	0
16041436	Fillets known as "loins" of Yellowfin tuna ", whole or in pieces	24	13,140,836	100%	0
16041438	Yellowfin tuna "Thunnus albacares", whole or in pieces	24	4,565,765	100%	0
16041441	Prepared or preserved tunas, whole or in pieces, in vegetable oil	24	328,949	100%	1
16041446	Fillets known as "loins" of tuna, prepared or preserved, whole or in pieces	24	299,556	100%	0
16041448	Tuna, whole or in pieces (excl. minced, skipjack and Yellowfin tuna)	24	384,167	100%	4
16041997	Fish, whole or in pieces (excl. minced, merely smoked, etc)	20	33,200	99%	68
16042070	Prepared or preserved tunas, skipjack or other fish of genus Euthynnus	24	6,387,153	98%	48,000
16042090	Fish, prepared or preserved (excl. fish whole or in pieces, etc.)	14	277,428	100%	128
16052900	Shrimps and prawns, in airtight containers (excl. smoked)	20	338,458	100%	160
16055500	Octopus, prepared or preserved (excl. smoked)	20	158,898	100%	0

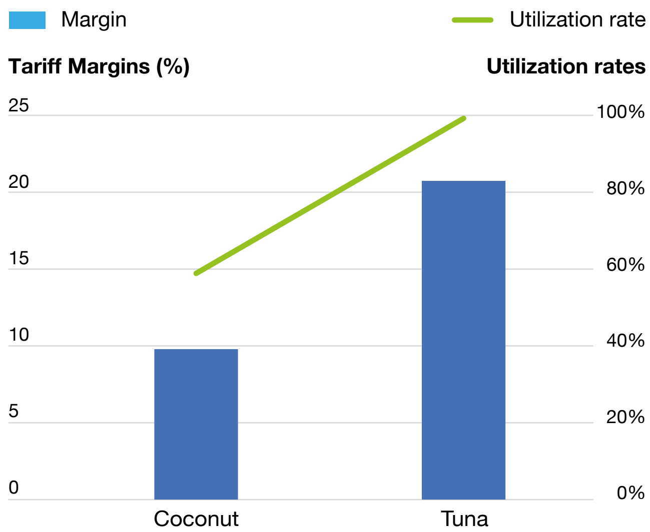
Source: Compiled by the author
Note: This excludes products with value of 3000 euros and below.

(d) Categorisation of product categories – to be prioritised for policy engagements

Based on the analysis, four product categories have been identified as areas in which policy attention can be focused to enhance use and benefits of the GSP+ scheme in the Philippines. These are:

- Priority Category 1: High value and/or high margin products but with low utilization rates
- Priority Category 2: Sub-sector products with low utilization rates based within in sectors with high value, high margins and high utilization rates;
- Priority Category 3: Products fully imported under the MFN scheme, despite being eligible for GSP+ preferences (i.e., with positive MFN tariffs); and
- Priority Category 4: Product sectors with less than full GSP+ eligibility (i.e., not all the product lines under product sector are recorded as eligible for GSP+ preferences; and so total imports from these sectors are equal to total GSP+ eligible imports).

Figure 23: Preferential tariff margins and utilization rates – Coconut vs Tuna Sectors (2021)[ix]



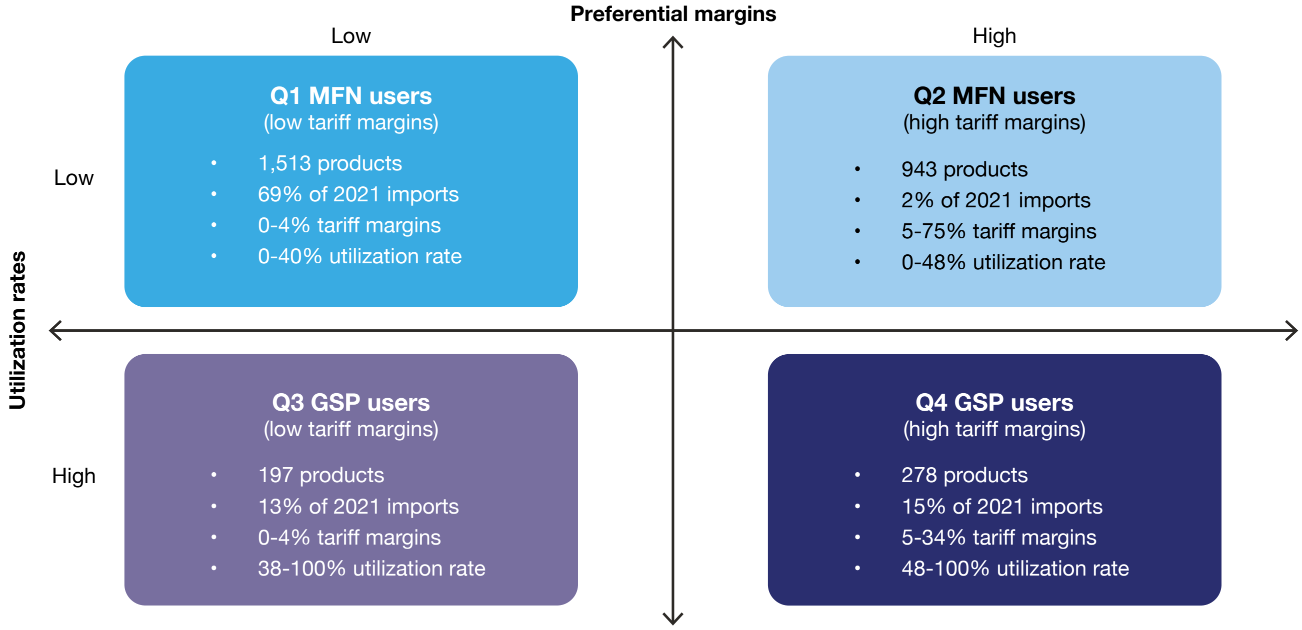
Source: Compiled by the author

Priority Category 1 and 2

For the analysis of the **first and second priority categories,** products are clustered into quartiles according to the combination of utilization rates, trade value, and preferential margins. The latter is particularly important in determining the foregone benefits, which, in turn, is necessary to determine their relative importance for policy action.

ix This covers 14 subsectors of Chapter 15 (*animal and vegetable oils*), and 17 subsectors of Chapter 16 (*meat and fish preparations*).

Figure 24: Product Clusters – Based on Utilization Rates and Margins



Source: Compiled by the author

To elaborate further on Figure 24 –

Quadrant 1: Products with zero or low margins and low utilization rates.

These zero (low) tariff MFN products accounted for 69% of total EU imports from the Philippines in 2021 (see figure 24 for the range of tariff margins and utilization rates per quadrant). The largest bulk of products in quadrant one is composed of those with MFN duty free access to the EU (62%) and registered an average of 8% growth annually from 2013 to 2021.

As demonstrated in Table 10, the largest sub-sector in this group is *Electronic integrated circuits* (CN8 85423990), accounting for 12% of all EU imports from the Philippines during the same time-period. Other products in Quadrant 1 recorded positive but low margins, and low levels of GSP eligible imports as reported in the EUROSTAT data.

High-value products with low utilization rates, such as *crude coconut oil* (15131110), are of policy interest as well. Only 15 million euros out of the 100 million euros worth of eligible imports in this sub-sector utilized GSP+ preferential tariffs. The trend is that of a continuous drop in utilization rates from 67% in 2017, to 31% in 2020 and 15% in 2021. This could be explained by the relatively small preferential margin of just 3% (i.e. – there products are subject to 3% MFN tariffs and also can enter duty free under the GSP+ scheme).

Quadrant 2: Products with low utilization rates, but high GSP margins

These products comprise just 2% of all EU imports. This is where the opportunity cost of non-utilization is the highest given the combination of high tariff margins and low utilization rates.

Quadrant 3: Products with high utilization rates, but low tariff margins

The products in this quadrant accounted for 13% of EU imports – and are subject to low tariff margins but nonetheless have high utilization rates. The quadrant is largely composed of electronics and machinery in the HS 84 and 85 categories. Although margins are small, these products could result in sizeable tariff discounts when applied to large volume of imports, thus the high utilization rates.

Quadrant 4: Products with high utilization rates, and high tariff margins

In 2015, the year GSP+ came into effect for the Philippines, this group grew by 52% in import value, to 1 billion euros, from 700 million euros in 2014. Products in this quadrant, account for 15% of all EU imports from the Philippines in 2021 and are comprised of the Philippines' top agricultural and traditional products such as coconut oil (HS6 15131), tuna (HS 160414), rubber products (HS 401110), and bicycles (HS 871200).

The products with the highest MFN tariff rates, and hence, preferential margins, can also be found in this product category. For instance, cigars (24031990), recorded a utilization rate of 94%, and a revenue of 4 million euros in 2019. In 2021, utilization rate was down to zero and trade amounted to just 2000 euros.

Table 11: Selection of quadrant product profiles[25]

CN8	Description	Value ('000)	MFN	Total util GSP	Util. rate
Quadrant One: low margins, low utilization					
85423990	Electronic integrated circuits	790,000	0	0	0%
85423190	Electronic integrated circuits, processors	500,000	0	0	0%
84717050	Hard disk storage drives	460,000	0	0	0%
08011100	Desiccated coconuts	89,000	0	0	0%
32159020	Ink cartridges for printers/copiers	62,000	0	0	0%
15131110	Crude coconut oil	100,000	3	15,000	15%
85371091	Programmable memory controllers	44,000	2	8,800	20%
85076000	Lithium-ion accumulators	33,000	2	604	1.9%
85371098	Boards, cabinets, and similar combinations of apparatus for electric control	31,000	2	9,200	30%
85051100	Permanent magnets of metal	29,000	2	81	13%
Quadrant Two: high margins, low utilization					
24012070	Partly or wholly stemmed or stripped dark air-cured tobacco	19,000	11	5,000	28%
90021100	Objective lenses for cameras	15,000	7	393	3%
61046300	Women's or girls' trousers	13,000	12	1,000	8%
20094930	Pineapple juice, unfermented	4,400	15	1,600	36%
62052000	Men's or boys' shirts of cotton	4,100	12	96	2%
61103091	Men's or boys' jerseys, pullovers	2,400	8	752	31%
61034200	Men's or boys' trousers	2,300	12	0.001	0.1%
03061792	Frozen shrimps	2,200	12	545	24%
61091000	T-shirts, singlets & other vests of cotton, knitted /crocheted	2,100	12	546	26%
62046318	Women's or girls' trousers and breeches	2,000	12	303	15%

CN8	Description	Value ('000)	MFN	Total util GSP	Util. rate
Quadrant Three: low margins, high utilization					
85081100	Vacuum cleaners	790,000	0	0	0%
85163200	Electro-thermic hairdressing apparatus	500,000	0	0	0%
85072080	Lead-acid accumulators	460,000	0	0	0%
85163100	Electric hairdryers	89,000	0	0	0%
85299065	Electronic assemblies	62,000	0	0	0%
38021000	Activated carbon	100,000	3	15,000	15%
38237000	Fatty alcohols, industrial	44,000	2	8,800	20%
94041000	Mattress	33,000	2	604	1.9%
85011099	DC motors of an output <= 37 W	31,000	2	9,200	30%
95066100	Tennis balls (excl. table tennis balls)	29,000	2	81	13%
Quadrant Four: high margins, high utilization					
15131199	Crude coconut oil	480,000	6	470,000	99%
16041421	Prepared or preserved skipjack tuna	53,000	24	50,000	95%
16041428	Prep. or preserved skipjack tuna	49,000	24	47,000	96%
40111000	New pneumatic tyres	34,000	5	34,000	100%
87120030	Bicycles, not motorised	34,000	14	30,000	88%
16041426	Fillets known as "loins" of skipjack	31,000	24	31,000	100%
20082090	Pineapples	29,000	18	28,000	98%
39012090	Polyethylene	17,000	7	14,000	81%
16041436	Fillets known as "loins" of Yellowfin tuna	13,000	24	34,000	100%
03044990	Fresh or chilled fillets of fish, n.e.s.	11,000	18	10,000	97%

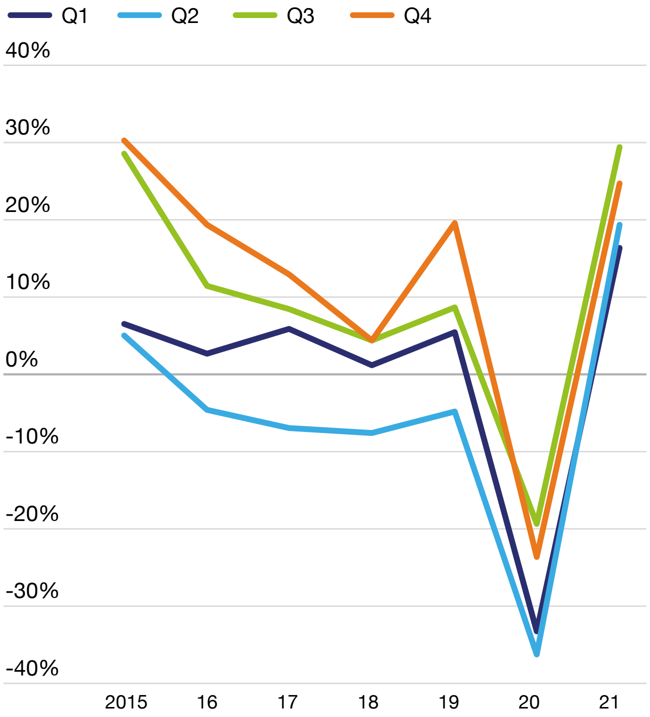
Source: Compiled by the author

Table 12: Profiles of Product Quadrants (2021)

	margins	utilization	Value
zero	0	0	4,900
Q1	3.3	2.3%	548
Q2	10.0	2.7%	129
Q3	1.7	69,1%	1,130
Q4	11.2	87.3%	1,180
Average	4.7	23.3%	

Source: Compiled by the author

Figure 25: Growth in Imports by Quadrants, 2015 - 2021



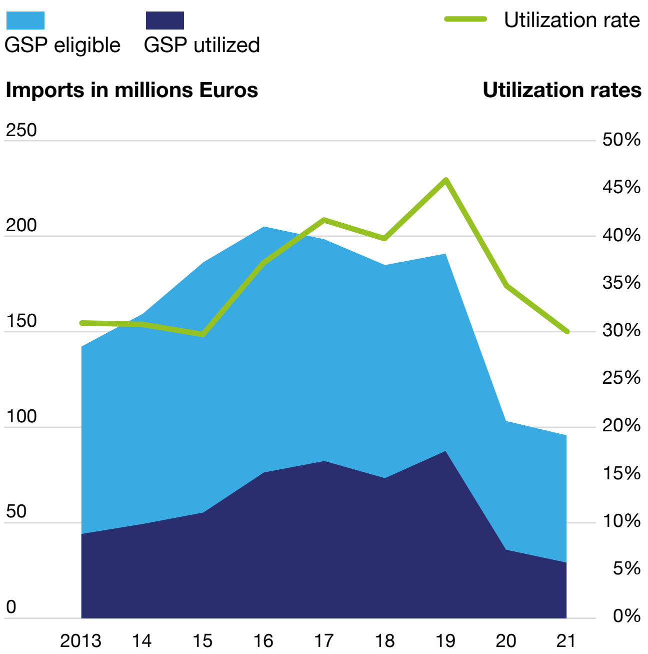
Source: Compiled by the author

As shown by Figure 25, export growth is highest in sectors (Quadrant 4 products) with the largest preferential margins. This implies that the EU GSP+ scheme does seem to exert a positive stimulus to trade. The corollary is that lack of sufficient access to preferential tariffs have a paralyzing effect on trade, as shown by stagnant exports of Quadrant 2 products. Difficulties in complying with import requirements, or inability to meet competition in the EU market – may prevent the Philippines' exporters from being able to effectively exploit the benefits of the EU GSP+ scheme.

The first priority category is mostly composed of products in *Quadrant 2*. It includes high-value products such as *tobacco* (24012070), and *camera lenses* (90021100). A third of the 943 products in this category is composed of apparel and clothing (chapters 61 & 62), which is worth 130 million euros of EU imports. The relatively high average tariff margins of 12% in these sectors result to around 7 million euros of foregone tariff savings in 2021.

The steady decline of the garments sector particularly warrants some policy attention. EU imports of Chapters 61, 62 and 63 (apparel, clothing, & other textile articles) have seen a sharp fall from a high of 87.5 million euros (and 46% utilization rate) in 2019, to less than 30 million euros (and 30% utilization rates) in 2021.

Figure 26: GSP Utilization Rates – in Apparel, Clothing and Other Textiles (HS 61 – 63), 2021



Source: Author calculations based on EUROSTAT data

Constrictive rules of origin requirements under the GSP+ scheme – which will be further discussed in the following section – was highlighted as one of the main challenges faced by exporters seeking to make use of the GSP+ benefits to export to the EU market. Easing of such constraints, such as through increased utilization of the cumulation exception, or through a derogation of the double transformation rule, there is potential to further increase EU imports by an additional 24% on average or extra imports worth 40 million euros annually.[16]

The second priority group includes products that can be found in the pockets of underutilization in quadrant 4 and quadrant 3 (Table 12),[x] which then translates into significant foregone financial benefits (Table 15).[17]

The third priority category bundles the 910 CN8 products that have zero rates of GSP utilization, - i.e., the products are fully eligible for GSP+ tariffs but nevertheless all entered the EU with positive MFN tariffs. Total foregone savings amounted to 2.5 million euros in 2021 (Table 15).[xi]

Finally, there are a group of product sectors with less than full GSP eligibility that also require attention (Table 14) - i.e., in the product sectors, not all the product lines record GSP+ preferences. In most instances, the *total imports* reported in EUROSTAT are equal to the *total GSP eligible imports,* which is to be expected since the *GSP+ scheme* covers all imports. However, for 155 products there is a gap that suggests that the *GSP+* duty free tariffs are not consistently applied across all import transactions.[xii]

Table 13: Illustrative list of products with high margins and low GSP utilization (2021)

CN8	Description	MFN	GSP Eligible ('000)	Total GSP used ('000)	Utilization rate
39269097	Plastics	6	6,300	3,300	48%
61099020	T-shirts, singlets & other vests of wool	12	6,300	3,300	52%
87149630	Crank-gear for bicycles	5	4,900	2,700	54%
87149690	Parts of pedals and crank-gear for bicycles, n.e.s.	5	1,900	1,100	58%
39239000	Plastic articles for the conveyance / packaging of goods	7	4,100	3,000	72%
62046239	Women's or girls' trousers and breeches, of cotton	12	1,300	685	51%
63063000	Sails for boats, sailboards / landcraft, of textile mtls.	12	1,300	792	64%
62044200	Women's or girls' dresses of cotton	12	1,100	627	57%
62034235	Cotton Men's or boys' trousers and breeches	12	1,100	682	61%
95079000	Line fishing tackle	4	1,200	641	54%

Source: Compiled by the author

x See Annex A6 for full list.

xi Full list available upon request from ITC; top 50 products reported in Annex A7.

xii Full list in Annex A8.

Table 14: GSP+ eligible products imported with positive MFN tariffs (2021)

CN8	Description	Margin	Value	Foregone savings
42021219	Trunks, suitcases, vanity cases and similar containers of leather	10	2817591	281759
90051000	Binoculars	4	2455565	98223
90131090	Telescopic sights for fitting to arms; periscopes	5	2379883	118994
85442000	Coaxial cable and other coaxial electric conductors	4	2062932	82491
62059010	Men's or boys' shirts of flax or ramie	12	1746338	209561
84821090	Parts suitable for use solely or principally with spark-ignition internal combustion piston engine, n.e.s.	8	1707806	136624
61071100	Men's or boys' underpants and briefs of cotton, knitted / crocheted	12	888760	106651.20
61083200	Women's or girls' nightdresses & pyjamas of man-made fibres	12	395509	47461.08
64039196	Men's footwear with outer soles of rubber, plastics or composition leather,	8	587412	46992.96
15180099	Mixtures and preparations of animal or vegetable fats and oils and of fractions of various fats and oils, inedible, n.e.s., in chapter 15	8	554335	44346.80
85286980	Colour projectors (excl. with TV receiver, designed for computer use)	14	282615	39566.10
62034290	Men's or boys' shorts of cotton	12	287071	34448.52
61043200	Women's or girls' jackets and blazers of cotton, knitted or crocheted	12	283147	33977.64
85359000	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits, for a voltage > 1.000 V	3	818365	24550.95
85446090	Electric conductors for a voltage > 1.000 V, insulated, not with copper conductors, n.e.s.	4	605735	24229.40
61033300	Men's or boys' jackets and blazers of synthetic fibres, knitted or crocheted	12	182295	21875.40

Source: Compiled by the author

Table 15: Products with less than full GSP eligibility (2021)

CN8	Description	Total imports in € millions	MFN tariffs	Eligibility share (%)	Util.Rates (%)
21061080	Protein concentrates	4,241,408	13	0	0
85408900	Electronic valves and tubes	1,169,248	3	1	0
85161080	Electric water heaters and immersion heaters	3,063,259	3	2	0
85051100	Permanent magnets	29,065,652	2	2	13
85258019	Television cameras	26,552,102	1	18	78
20098999	Unfermented fruit & vegetable juices	7,968,480	18	35	97
88033000	Other parts of airplanes or helicopters	2,832,335	1	39	0
85258091	Television, digital cameras	3,783,836	1	61	82
85299092	Television camera parts	3,846,319	1	67	0

Source: Compiled by the author

The quadrants analysis shows that majority of products groups important for Philippine trade in terms of value and being eligible for GSP+ benefits do register high utilization rates. Products with high utilization rates (Q3 and Q4) account for 28% of total EU Imports, while those with low utilization rates account for just 2% of total imports.

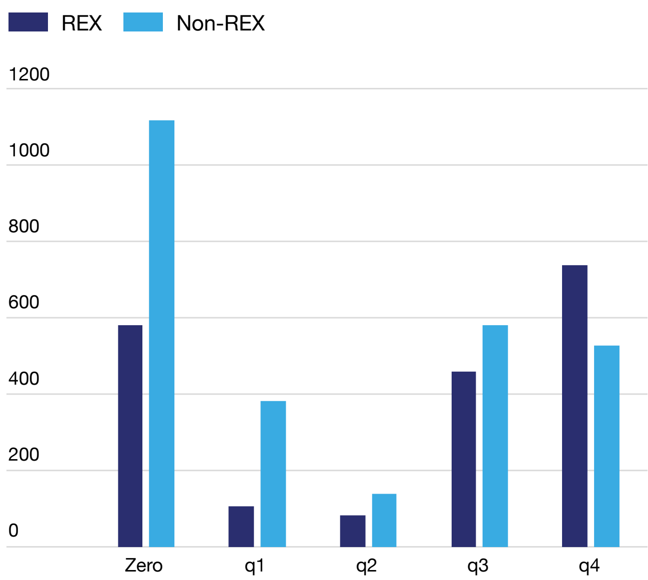
Nevertheless, there are still certain areas of intervention – particularly in the product categories where large tariff savings are foregone due to lack of utilization. From 2015 to 2021, a total of 4.6 billion euros worth of GSP eligible imports were imposed MFN duties instead. However, since the largest value of imports with no GSP preferences are in products with the lowest range of tariff margins (i.e., quadrant 1 and 3), the total amount of foregone benefits total amounts to only 177.5 million euros during the same period. Quadrant 2 products have the highest amount of foregone benefits due to its high margins and low utilization; and followed by Quadrant 4 products, which recorded the lowest total sum of imports with unutilized GSP, but a high amount of foregone benefits of 53 million euros, due the higher tariff margins.

Table 16: Foregone benefits due to non/underutilization of GSP preferences

	Total value of imports with unutilized GSP (Million euros)				Margin (percentage)				Foregone benefits (Million euros)			
Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2015	258.0	7.1	297.0	17.3	2.0	9.7	2.2	10.7	5.13	0.69	6.66	1.85
2016	184.0	128.0	320.0	74.7	1.8	9.4	2.2	10.9	3.32	11.98	7.10	8.17
2017	193.0	108.0	277.0	65.9	1.9	9.4	2.1	10.8	3.61	10.14	5.90	7.15
2018	169.0	70.4	315.0	92.8	1.9	9.1	2.1	11.0	3.18	6.43	6.74	10.24
2019	301.0	79.7	233.0	70.6	1.9	9.0	2.0	11.1	5.74	7.20	4.66	7.86
2020	288.0	50.7	248.0	106.0	2.0	10.0	2.1	11.0	5.71	5.06	5.22	11.63
2021	296.0	111.7	174.0	59.0	2.1	10.4	2.0	11.2	6.9	11.8	1.55	5.9
Total / ave	1,689.00	555.60	1,864.00	486.30	1.9	9.6	2.1	11.0	33.59	53.30	37.83	52.80

Source: Compiled by the author

Figure 27: Number of firms per product quadrant (REX vs. Non-REX Firms)



Source: Compiled by the author

Further, the way the firms populate the four product quadrants as described in Figure 27, provides an additional insight on what is behind the low average rate of GSP utilization. Drawing from the BOC dataset, it is inferred that smaller firms (which are also not REX-registered) are mostly in sectors with low margins and thus have lower GSP utilization, while larger firms (which are REX registered) are more active in sectors with higher margins and utilization rates.

5. Insights from stakeholders in the Philippines – opportunities and challenges in accessing the EU market and utilizing the GSP+ scheme

There are various reasons for traders to not avail the GSP+ benefits available for the Philippines – which can range from the low tariff margins thereby reducing the attractiveness of the scheme given the administrative costs, to difficulties in complying with certain requirements such as the local content rules thus being unable to demonstrate compliance, to also a general lack of awareness of the opportunities available or how to demonstrate compliance.

The data analysis was complemented also with a qualitative study – whereby a survey was disseminated to businesses and a series of focus group discussions were held over the period from March to August 2022.

The survey questionnaire was finalized after consultations with the public and private sector stakeholders[18] in May to early June 2022, and then translated to an online survey for ease of dissemination. It was disseminated through email to exporters in the databases of the Department of Trade and Industry's Export Marketing Bureau (DTI-EMB) and its Regional Offices[19] and partner private sector organizations – *e.g.*, PHILEXPORT[20], Philippine Chamber of Commerce and Industry (PCCI), European Chamber of Commerce of the Philippines (ECCP), Confederation of Wearables Exporters of the Philippines (CONWEP). The online survey link was also disseminated through DTI's social media pages for wider reach. The online survey was opened for responses from 28 June 2022 to 19 August 2022.

Survey fatigue was clearly observed among the target respondents. Despite the widespread dissemination of the survey through partners in both the public and private sector, the study garnered responses only from 63 companies, most of whom are direct exporters.[21,xiii] Hence, caution will be exercised in interpreting and drawing correlations and conclusions from the results. The survey results are not intended to be interpreted on a stand-alone basis and must be read in conjunction with the results of the focus group discussions and the empirical analysis done for the GSP study.

Participants in the focus group discussions included Philippines and EU trade attachés, logistics and customs brokerage firms, cooperatives, industry associations, and exporters. Participating exporters were from the following sectors: (a) processed food; (b) canned tuna; (c) garments; (d) handicrafts and home decors; (e) lighting fixtures and furniture; (f) footwear; and (g) bicycles. Participants included those already exporting to the EU and those that are not yet exporting to the EU.

This section summarizes the main themes that surfaced, while the annex reports the more detailed results.

xiii The list of companies is attached as Annex C.

5.1. Insights from selected sectors making use of the GSP+ scheme in the Philippines

One of the major aims of the EU GSP+ is to stimulate the demand for Philippine exports by lowering its prices in the EU market. Given below are some case studies of sectors which have managed to leverage opportunities in the market:[22]

Tuna Industry in the Philippines: The tuna canning industry is one of the top beneficiaries of the GSP+ scheme. Prior to the GSP+, the US was the major market for the Philippines, but some companies reported that the EU now accounts for almost 85% of exports due to the high tariff margins of 24% for tuna products – which, in turn, makes their products more competitive. Exporters indicated that upon receiving the GSP+ benefits, most of the market share of Thailand transferred to the Philippines, as Thailand was not a GSP+ beneficiary, thus making the Philippines more attractive to EU importers Prior to being granted GSP+ preferences, the Philippines faced fierce competition from Ghana, Mauritius, and Papua New Guinea – as these countries all enjoy zero tariffs in the EU market, but the situation changed after 2015, allowing the Philippines to also increase their export volume to the EU over time. Prior to the pandemic, some tuna canners reported being able to export approximately 70% more to the EU compared to export levels prior to the application of the GSP+ scheme. Canned tuna exporters reported to ship around 850 containers a month.

The increase in demand from Europe also allowed tuna exporters to expand their production (*e.g.,* around 30% of tuna canners have expanded their plants), hire more people, invest in more machines, and diversify their products (*e.g.,* adding pouch line for tuna). Tuna factories hire many employees because of the labor-intensive process; the job generating impact of the GSP+ is not only confined to the tuna canneries but to the fish ports as well as fish and can suppliers where tuna companies source their inputs from.

Garments Sector: The garments sector is potentially a large beneficiary of the EU GSP+ scheme, being a labor-intensive industry that provides employment for low skilled workers, out of school youth, women, and persons with disabilities (PWDs). Improving the EU GSP+ utilization rate to 50-60% can result in as much as an additional 60,000 – 100,000 hired workers. However, the current utilization rate remains low as exporters reported difficulties with complying with the double transformation rule where fibers must be spun/woven into textile in the Philippines before being made into garments for the finished product to be considered as originating. Woven garments have always been dominated by China as they have big investments on fully mechanized, capital intensive, and power heavy textile mills, whereas the Philippines does not have its own textile mills. Still, however, despite being unable to utilize the GSP+ preferences, there are European buyers sourcing from the Philippines due to the quality of work. Philippines garments exporters cater to middle to high-end brands such as Ralph Lauren, Rituals, Jigsaw, J. Jill, Club Monaco, Talbots, Boden.

Coconut Products: Philippine coconut products are recognized for their quality and European buyers have also shown interest in coconut syrup and sugar. However, according to exporters, the higher prices of the Philippine products make it harder to compete with other countries such as Indonesia.

5.2. Specific challenges identified from the qualitative assessment

Given below are the key challenges identified through the surveys and focus group discussions. Refer to Annex B2 for more details on the issues summarized in this section.

(a) Lack of awareness and knowledge about the GSP+ scheme- among Philippines' exporters and EU importers

More than half the companies surveyed were aware of the EU GSP+ scheme, with awareness higher among the firms who are already exporting to the EU. Most have received their information through government agencies (e.g., DTI's Export Marketing Bureau, and the Bureau of International Trade Relations), private sector organizations such as chambers of commerce and PHILEXPORT. Other sources of are the EU website, EU partner importers, the Bureau of Customs (BOC), and customs brokers.

Nevertheless, firms surveyed and consulted in the focus group discussion express more need in raising awareness not only among Philippine exporters but among EU importers as well. Foreign offices of the Philippine Trade and Investment Center (PTIC) receive inquiries – even from regular European buyers – on information regarding how to avail of GSP+ preferences, which would then be relayed to their suppliers from the Philippines. There was also limited efforts to effectively communicate on the GSP+ scheme during trade fairs – which ideally should be built into the pitches and in communications with buyers.

There is also insufficient information about the bilateral and regional cumulation rules under the GSP+ among exporters to the EU. Feedback received that there was limited utilization of the bilateral and regional cumulation rules when exporting under the GSP+ scheme. Apart from the lack of awareness of these rules, exporters also noted the inability to employ the use of inputs from the EU or ASEAN, particularly in the case of garment manufacturers (which may be related to cost-issues as well as specific buyer requirements which may require them to source materials from particular markets).

(b) Strict EU Sanitary and Health (SPS) and technical requirements

The European market requires high quality standards that exporters must comply with. **On top of the EU's SPS standards, exporters may also need to comply with private standards related to consumer preferences for healthier ingredients and socially responsible production.** Examples of such standards requirements include certifications for Organic, Fairtrade, Halal, Kosher and HACCP for food products. Complying with these private standards is cost prohibitive especially for MSMEs who cannot afford to pay the annual certification fees, which includes audits, plant visits, documentation, and trainings. These hinder some exporters from getting the needed certifications even if their operations are already compliant with the certification requirements (e.g., already following Fairtrade principles). An example cited was the British Retail Consortium (BRC) Global Standard certification required in the UK – where only a few Philippines companies have this certification. Regulations on food products, are particularly problematic, such as standards on MOSH-MOAH, aflatoxin levels, and PAH.[23] For products containing ingredients of animal origin (oysters) for instance, a specific EU registration number is required. Some exporters, especially SMEs, also experience problems in meeting EU's technical requirements related to labelling, packaging, and translation requirements.

European buyers are conscious about engaging with socially responsible and environmentally sustainable businesses. **There are numerous exporters, especially SMEs, who are working with marginalized communities, women, youth or have sustainable manufacturing processes – which presents an important opportunity that can and should be leveraged by the Philippines.** However, the high costs associated with obtaining certifications often results in SMEs being unable to make use of these opportunities.

The problem of meeting the EU's SPS requirements is compounded by the Philippines' insufficient laboratory testing facilities. Apart from the costly delays, this makes exporting to the EU more expensive as exporters are forced to send samples abroad for testing.[24] Applications for *Certificate of Product Registration* (CPR) and *License to Operate* (LTO) are still mostly centralized in the Philippines. The Food and Drug Administration has a limited number of staff that cover a lot of areas, which causes delays.

(c) Stringent rules of origin (RoO)

Strict RoO requirements are another commonly cited (and already well-known) challenge faced by exporters in effectively utilizing the GSP+ scheme. Exporters surveyed/engaged in discussions noted the need to gain access to more relaxed RoO where feasible. Certain specific examples cited were:

- **For Tuna Products:** Tuna exporters noted that Papua New Guinea enjoys more relaxed rules of origin since they can source fish from anywhere.[25] Philippine tuna canners, on the other hand, can only source fish from Philippine waters or Philippine flag vessels. Tuna canners have been sourcing tuna from Papua New Guinean waters due to insufficient supply in the Philippines, thus preventing them from exporting under the EU GSP+ scheme.
- **For Garments and Textile Products:** The Confederation of Wearables Exporters of the Philippines (CONWEP) referred to the instrumental role undertaken by the industry to lobby with the Department of Trade and Industry, Department of Foreign Affairs (DFA), and the Department of Labor and Employment (DOLE) to apply for the EU GSP+ preferences in 2012/2013. However, GSP+ utilization of the garment sector remains low – and the double transformation rule was identified as one of the main reasons for this situation. Woven garments have always been dominated by China due to large investments already effected into fully mechanized, capital intensive, and power heavy textile mills. The Philippines, however, does not have its own textile mills.

Exporters, however, noted that despite the stringent requirements, there are still loyal European partners who place a premium on longer-term relationships.

(d) Low preferential margins

Substantial margins are one of the important considerations affecting importers' decision to use the GSP. Given that several industrial goods already benefit from zero or low MFN tariffs – it is less of a hassle to export under the MFN rather than deal with the administrative requirements to access under the GSP+ scheme. The GSP+ scheme was deemed to be more relevant for agricultural and food products.

(e) Access to Logistics and Related Services

Exporters referred to the constraints faced because of access to shipping services. Challenges faced included:

- **Reduction in the number of vessels available:** This was particularly the case during the pandemic where shipping lines were cut resulting in fewer vessel calls. For instance, in General Santos port, for instance, there was a reduction to 2-3 vessel calls per month. As a result, exporters would need to book at least 2 to 3 months in advance to secure spots.

- **Lack of infrastructure:** In certain instances, Philippine products would be ready for loading, but would be bypassed by foreign vessels. Infrastructural challenges were highlighted as one of the reasons for foreign vessels not entering the Philippines ports. Exporters referred to the General Santos port which does not have a crane -which is required for vessels calling on the ports. Exporters noted that when a port is bypassed, exporters would need to try to secure space in the next vessels, which was further challenged by the reduced number of vessels currently available. There is also a global shortage in equipment and personnel such as truck drivers in ports and airports, which is why containers stay longer in ports.
- **Time and Cost of Shipping Services:** The increased demand and reduced supply of vessels – has resulted in driving up shipping costs. This is also coupled with longer transit times and delays in shipment delivery to buyers. Certain buyers from Italy, Netherlands, and the UK had also reported that shipments can be stuck in their ports for two or three months, which affects the products' shelf life. Tuna exporters have reported that it takes approximately two to two and half months for their goods to reach Europe. As a result, exporters noted that certain EU importers have opted to purchase from other sources who can ship their goods faster. Additional fees were also introduced by shipping lines and port terminal operators such as the International Container Terminal Services, Inc. (ICTSI), which are not sufficiently monitored and regulated by local authorities such as the Philippine Ports Authority (PPA).
- **Freight Costs:** While shipping to Europe has always been costly due to the distance, freight rates increased to record highs during the pandemic. In particular, increasing freight costs during the pandemic contributed to lower canned tuna exports to Europe from the Philippines. Several empty containers were also stuck due to stricter protocols during the lockdowns that has further contributed to the rise in freight costs. Meanwhile, freight costs for tuna competitors like Papua New Guinea and Ghana did not increase as much and rates for China, Thailand, and Vietnam are considerably cheaper due to their export volume. Tuna exporters have reported losing contracts to competitors in Papua New Guinea and Ecuador as a result.

(f) Complying with customs requirements - REX Registration

Exporters have contrasting experiences regarding registration with the Bureau of Customs (BOC) for self-certification under the EU Registered Exporter System (REX). The REX system made exporting under the GSP+ smoother and easier, significantly cutting the administrative burden of securing the CO Form A.

Tuna canners, seafood exporters, and others who engage the services of customs brokers or consultants generally had a smooth registration experience. The length of time it took to register with the BOC also varies – some have reported being able to register in less than a month while it took others anywhere from six months to over a year to process their REX registration. Exporters noted that there were no plant visits conducted during the pandemic and applicants only submitted photos, which may have also contributed to the delay in the registration process since site visits help the BOC quickly assess whether products comply with the rules of origin (RoO).

Apart from the delays in registration, some have also reported difficulties in finding a focal person in the Bureau of Customs with whom to directly coordinate with regard to their REX registration concerns and requested for the assistance of DTI to resolve REX-related challenges.

REX registration is more tedious and burdensome for consolidators since they export numerous products under different HS codes. Hence, there are a lot of documents needed for REX registration from the actual manufacturers of the products exported and some manufacturers have not been willing to share information (e.g., on pricing and process flow) considered to be confidential trade secrets. These challenges were also compounded by insufficient staffing at the BoC, and occasionally the inadequate knowledge of the tariff of HS codes of products. Some exporters also reported what they perceive to be an excessive amount of documentation required by the Bureau of Customs amounting to a significant barrier in this process.

Despite the challenges in the registration process, exporters have lauded the immense benefits of self-certification under the REX compared to the old system where they needed to go through the BOC to secure a Certificate of Origin (CO) Form A for every shipment to Europe to claim GSP+ preferences.

(g) Increased competitiveness of other countries

Competition from other suppliers have been exerting pressures as well. Suppliers with more efficient transport and logistics options in comparison to the Philippines- would already present one avenue to demonstrate increased competitiveness over Philippines' exporters.

In addition, other countries such as Vietnam, which have entered FTAs with major markets including the EU, alongside an aggressive export promotion strategy and conducive policy environment with generous incentives to entice FDIs - are being viewed as a more competitive option for EU importers.

(h) Other Concerns Raised:

- **Impact of the pandemic and Ukraine war:** Tuna exporters, for instance, reported as much as a 50% decrease in demand from Europe, which is their largest market – and cited the pandemic and the on-going war in Ukraine as some of the reasons for this situation. Given the importance of the EU market to the Philippines' tuna industry – the drop in demand has significant implications for the survival of firms, despite demand from other markets which has assisted to some extent to augment sales. Similar concerns were also cited by exporters of bicycles, noting that European consumers may have reduced spending because of the war, and may be considering closer sources for these products to reduce transportation costs. In addition, bottlenecks in logistics due to strict lockdowns in other countries like China also resulted in constraints importing needed inputs for production.

  The pandemic and the Ukrainian war have likewise highlighted and exacerbated logistics problems that significantly increased the cost of exporting to Europe (and elsewhere) and made it difficult for exporters to keep their prices competitive, even with the GSP+ preferences.

- **Insufficient credit access:** While there are alternative credit facilities such as Agro banks and SBCorp (the financing arm of DTI), terms to access working capital from financial institutions are not favorable with up to 7% interest rates and collateral requirements for 5 or 6% of the value. Exporters are usually in the negative list of banks due to poor and volatile export performance. This makes it particularly challenging for SMEs to access the financing required to meet start-up and production costs (further exacerbated by the high costs of testing and logistics services).

5.3. Suggested interventions/needs identified by Philippines' stakeholders

Survey responses and discussions from stakeholders also provided insights into needs and proposed interventions to strengthen the Philippines' engagement with the EU market and leverage opportunities through the EU GSP+ scheme.

An underlying theme was the need for focused plans and programmes for exporters. Exporters noted that often initiatives tend to overlap among government agencies (e.g., DTI, Department of Agriculture, Department of Science and Technology), and even among DTI offices. There was a need for a clear policy direction in terms of the overarching objectives of the Philippines, and then targeted programmes to work towards these objectives which are affected with all relevant agencies working in a holistic and complementary manner. Exporters suggested identifying selected number of products as priorities- to focus efforts on – and noted that this can be driven through the Philippine Export Development Plan (PEDP).

Further, exporters also noted the need to ensure that stakeholders outside Manila are consulted and involved in discussions regarding export-related policies and initiatives.

In addition to these general recommendations, exporters also identified certain targeted intervention. Refer Annex B2 for further details on the elements summarised in this section.

(a) Targeted Awareness Campaigns on the EU GSP+ Scheme

Exporters noted the need for more targeted information campaigns (e.g., seminars, workshops, orientations, intensive trainings, focus group discussions, social media) carried out by the government in partnership with business associations and support organizations. The campaigns need to cater to the specific contexts of MSMEs and have a wider reach outside the main city centers.

Specific issues identified for training include:

- Information on the tariff margins – for products under the EU GSP+ scheme
- Updated on latest developments in trade agreements between the EU and its trade partners
- Regular updates on updates/changes to the EU GSP+ scheme

Exporters also suggested the establishment of a dedicated helpdesk or platform to access information on the GSP+ scheme and related information.

(b) Sustained promotional campaigns within the Philippines and to EU buyers

Stakeholders also expressed the need for sustained programs to reach out to Philippines' businesses and EU buyers.

For instance, exporters referred to the DTI's Shared Services Facilities (SSF) which provides equipment and services for cooperatives in regions – which could be used as a platform from which to also provide expertise/coaching for exporters on how to improve production and access target markets.

Another example cited was the efforts of the Netherland's Centre for Promotion of Imports – which provided hands-on assistance for exporters in Cebu and Davao, to prepare for exports to the EU market. This included financial assistance to set up booths in trade fairs in Europe, advisory support on trainings and services on market development, market intelligence, marketing, and design, among others. Trainings were also provided on the EU GSP scheme and utilization of websites and tools (such as HS code search tools).

(c) Initiatives to facilitate compliance with standards and access to certification

Suggestions provided on this front included the following:

- Upgrading the DTI's Shared Service Facilities to be HACCP or BRC ready, which are basic requirements for food processing.
- Region wide certification schemes - Exporters referred to an initiative led by local government unit (LGU) for the whole Alabat Island in Quezon Province to be certified organic – i.e., all products that come out of the island are certified organic. Such schemes could help to address the high cost of certification.

In addition, the need for more testing facilities in the country was highlighted – to avoid having to send samples abroad.

(d) Support services for MSMEs

Given the specific needs and contexts of MSMEs, exporters also suggested the need for targeted initiatives to enable MSMEs to meet international requirements and access services. For instance:

- Targeting small/new set-ups to have in place the relevant systems to meet certification requirements - According to PTIC, the notion that such certifications are too expensive for small companies is not entirely accurate – as it is more cost-effective to obtain these certifications when the company is still small and has requires less effort to change/adapt operations as needed to meet the certification requirements. It is more challenging to make these adjustments when the company is already well established. Therefore, setting up a targeted program so that Philippine exporters are already compliant with international standards and certifications from the start – could be a means to address this challenge.
- Program on mainstreaming and toll manufacturing The Philippine lacks a program for mainstreaming. PTIC posts usually advise companies to go the route of private labels, which has tough requirements, audits, and certifications. Exporters usually have to choose between spending money on marketing the brand or improving their standards to get certifications to enter the market.
- A program on mainstreaming and toll manufacturing would also address the problem of scale and supply. Many innovative products are from MSMEs but are hard to scale and mainstream. MSMEs can develop innovative products and big firms can produce these in bigger quantities. A program to connect innovative Philippine products with manufacturing facilities that could host them will be helpful.

(e) Incentives for Exporters and Related Stakeholders

Exporters also referred to the need for incentives for stakeholders in the export business – and provided the following examples in this regard:

i. Research Support: For instance, coconut exporters suggested the use of the coco levy fund to strengthen research into coconut products and related health benefits which could enable them to market products more effectively.

ii. Financial support to meet requirements: Tuna canners referred to the efforts by the Thai government to cover the cost of HACCP certification for selected facilities; and the Papua New Guinea government granting rebates for every tonne of tuna exported – thus enabling exporters to present more competitive prices in the markets.

iii. Targeted incentives for consolidators: Traders and consolidators play an important role in providing access to international markets, especially for MSMEs who cannot export directly to these markets. However, this group of stakeholders have been overlooked in the incentives under the CREATE Law, which only provides incentives to manufacturers. One of the changes that negatively impacted the consolidators was the imposition of the 12% VAT, which led them to increase their prices. DTI noted that discussions were underway to defer implementation of the imposition of the VAT for local purchases of exporters; and assess with BOI whether traders and consolidators can be included as part of the activities eligible for incentives under the Strategic Investment Priority Plan or SIPP.

(f) Streamlining customs regulations

Exporters noted the following customs related challenges which need to be addressed:

- frequent introduction of new BOC regulations that add to administrative burden;
- difficulty finding a focal point in BOC to resolve concerns;
- delays in releasing the shipment of inputs from ports, which causes delay in their production;
- delays in REX registration, which could be expedited by possibly accrediting PHILEXPORT to register exporters under the REX.

6. Conclusion and policy recommendations

The European Union is one of the fastest growing export markets for the Philippines in recent years. From around 5 billion euros in 2013, EU's imports rose to 7.5 billion euros in 2019, and around 8 billion euros in 2021, translating into a robust export growth of 10% per annum. This growth is largely driven by exports of semiconductors and electronics, which comprised 70% of all exports in 2021, and mostly enter the EU market duty-free under the MFN scheme.

GSP utilization has increased from 69% in 2015 to 76% in 2021, in product groups with high margins; utilization rates are even higher at 87% on average. This suggests that traders of high margin products do respond to the incentives provided by the GSP, enabling them to export Euros 13 billion worth of goods with tariff benefits from 2015 to 2021. The recent period of fast growth does coincide with the introduction of the EU GSP+ scheme in 2015, although it is difficult to ascertain its specific contribution on overall trade.[26] That initial growth spurt has not been approximated since then, however, and the shares of imports with GSP+ utilization have in fact remained constant. Nonetheless, positive trends have also been observed in terms of export diversification, particularly for sectors with high tariff preferences and GSP utilization. Products in HS 15 (*animal and vegetable oils*) and HS 16 (*meat and fishery products*) Chapters, for instance, have doubled their number of sub-sectors from 17 and 16 in 2014, to 33 and 29 in 2021, respectively.

The study finds that there is trend is towards an increasing use of MFN tariffs (from 61% of exports in 2013 to 69% in 2021), which is not surprising given the similar increase of products that can enter the EU duty free (as MFN rates have been in decline). Even the GSP utilization rate of one of the country's top agricultural products, *crude coconut oil* (CN8 15131110), has been declining from 66% in 2017 to just 15% in 2021 – which may perhaps be attributed to the fact that even though these products benefit from duty-free access under the GSP+ scheme, the MFN rates are quite low at just 3%, and exporters may find it more administratively simpler to export under the MFN.

The importance of the GSP+ scheme is most significant in the sectors which still have relatively high MFN tariffs. Specifically, these are in *Foodstuffs* (HS 16 - 24) products, which are imposed the highest average MFN tariffs of 14%, and in *Footwear & Headgear* (HS 64 – 57) and *Animal Products* (HS 01 – 05), both with 8% average duties (Figure 16). In fact, for these high tariff sectors which benefitted under the GSP+ scheme, exports to the EU sharply increased by 140% in 2015.

Specific products have significantly benefitted because of the GSP+ scheme – resulting in increased exports, which in turn, led to increased operations, and jobs. Canned tuna is one such example – whereby the EU now accounts for almost 85% of Philippines' tuna exports. The 24% tariff margin for tuna exports makes Philippines' products more price competitive in comparison to other exporters who do not benefit from the EU GSP+ scheme. Further, it was reported that the increase in demand from Europe allowed tuna exporters to expand their productions (e.g., around 30% of tuna canners surveyed have expanded their plants), hire more people, invest in more machines, and diversify their products (e.g., adding pouch line for tuna).[27] The job generating impact of the GSP+ is not only confined to the tuna canneries but to the fish ports as well as fish and can suppliers where tuna companies source their inputs from.

In general, products with high preferential margins also have high utilization rates. However, unutilized preferences in this category account for 20% of the total foregone financial benefits, precisely because of their high tariff margins. Examples of products in this category are Plastic articles (CN8 39269097; 39262000; 39259020), apparel & clothing (CN8 62046290; 61113090; 62046239), and bicycle parts (CN8 87149630). Unutilized preferences translate into foregone financial benefits. From 2015 to 2021, a total of 4.6 billion euros worth of GSP+ eligible imports were imposed MFN duties instead. However, since the largest value of imports with low or no use of GSP+ preferences are in products with the lowest range of tariff margins, the foregone benefits amount to Euros 178 million during the same period. Products with high preferential margins also registered the lowest total sum of imports with unutilized GSP+ benefits - but recorded foregone benefits to the value of Euros 53 million due to the higher tariff margins.

There is clearly still room to further expand the benefits from the EU GSP+ scheme – which could be affected through more sustained information campaigns, particularly towards exporters in high margin sectors. This is even more relevant for the Philippines in the present context – with the current formulation of the EU GSP+ scheme set to continue with no changes atleast until 2027.

In addition to diving into the high-margin, high-utilization products which are foregoing benefits, another key area of policy interest are the product sets with high preferential margins but register low utilization rates (e.g., average of 3% compared to the 87% of high-utilization products). From the 943 products in this category, a third of these products are contained in the *apparel and clothing* (chapters 61 and 62) sector and worth up to 65 million euros in EU imports from the Philippines.

Low utilization in this case is due to some exporters being unable to claim GSP+ preferences due to strict RoO requirements. This is particularly true for garment exporters who cannot comply with the double transformation rule. The lack of raw materials in the Philippines, or access to investments to textiles mills (as done in China) makes it challenging for the Philippines garment producers to meet these requirements and effectively benefit from the EU GSP+ scheme. The GSP+ scheme does provide for exceptions to the stringent RoO requirements through cumulation rules – but there may be limited knowledge/awareness of these opportunities, and also in certain instances, exporters are unable to make use of inputs from the EU or ASEAN, which makes these exceptions ineffective.

There are also agri-based and other food products, such as tobacco (CN8 24012070), and pineapple juice (CN8 200094930) included in this category, Philippine exporters in these sectors could face difficulties in complying not only with EU's strict SPS standards but also with private standards related to consumer preferences for healthier ingredients and socially responsible production (e.g., certifications for Organic, Fairtrade, Halal, Kosher and HACCP for food products). Complying with these private standards is cost prohibitive especially for MSMEs who cannot afford to pay the annual certification fees, which includes audits, plant visits, documentation, and trainings. Regulations on food products, are particularly challenging, such as standards on MOSH-MOAH, aflatoxin levels, and PAH.[28] Some exporters, especially SMEs, also experience problems in meeting EU's technical requirements related to labelling, packaging, and translation requirements.

The problem of meeting the EU's SPS requirements is compounded by the Philippines' insufficient laboratory testing facilities. Apart from the costly delays, this makes exporting to the EU more expensive as exporters are forced to send samples abroad for testing.

Policy Recommendations

(1) Targeted Information Campaigns – which can be structured based on the four product categories identified from the analysis.

The study identified four product categories for targeted policy attention, i.e.:

- Category 1: Products that are of high value and/or have high margins, but record low utilization rates (e.g., Aapparel and clothing (chapters 61 and 62))
- Category 2: Sub-sector products with low utilization rates in sectors with high value, high margins, and high utilization rates (e.g., Plastic articles (CN8 39269097; 39262000; 39259020), apparel & clothing (CN8 62046290; 61113090; 62046239), bicycle parts (CN8 87149630).
- Category 3: products that are fully imported under the MFN scheme despite being eligible for GSP+ preferences (e.g., Trunks, suitcases (CN8 42021219), Telescopes, periscopes (CN8 90131090), Electric conductors (CN8 85446010)).
- Category 4: product sectors in which not all the items are eligible for GSP+ access (e.g., Protein concentrates (CN8 21061080); Electronic valves and tubes 9CN8 85408900), Electric water heaters and immersion heaters (CN8 85161080)).

DTI has been undertaking various information campaigns for exporters in the Philippines, and also indicated the need to strengthen these information/awareness-raising efforts across the country. Building upon the general awareness-raising efforts, the analysis undertaken in this study can be used as a framework from which to design more targeted awareness-raising/information campaigns.

This can include targeted sessions for the producers falling within each of the categories – to explain the status in terms of utilization, foregone benefits based on tariff margins, and guidance on exporting to the EU based on the sectors represented in the categories.

To further enhance these targeted campaigns, it would also be relevant to reinforce the analysis with firm-level data from the BoC. Large firms exporting products seemed to demonstrate sufficient capacity to be informed about and meet requirements to exploit the benefits of the GSP+ scheme. However, SMEs may not be as equipped or informed, and lack the networks available to large firms. Being able to structure interventions by targeting such firms could further strengthen utilization of the opportunities in the EU market.

Alongside information campaigns for Philippines' businesses and exporters, it would also be necessary to craft campaigns for EU importers – to be capitalised on during trade fairs and other related information events. Information campaigns in this regard would need to cover the potential for savings for EU importers by exporting GSP+ products from the Philippines; and capacities for Philippines' producers to feed into demand for socially and environmentally responsible production (drawing upon specific industries/sectors which are already making efforts in this context).

(2) Formulating targeted policy interventions based on follow-up investigations into product categories of interest.

In general, traders are displaying rational behaviour in utilizing GSP+ preferences where tariff margins are significant, and not utilizing these preferences where the difference between MFN tariffs and GSP+ benefits are trivial.

However, as noted above, there are still certain sectors (Category 3 products), where traders are not making use of the GSP+ preferences despite the potential for sizable savings. The nature of most of the products do not categorically suggest that the usual rules of origin or certification issues might be the problem. It is likewise unclear why certain products which are not hindered by either combined tariffs or quotas would have less than full GSP eligibility. Since EUROSTAT data is compiled through the custom declaration of the individual EU member states, there might be issues in the declaration or classification of products, for instance, that lead to missed tariff savings wfor traders.

Diving into the four product categories identified above, the study highlighted certain products – based on insights gathered from the data analysis and feedback received from qualitative assessment. Developing targeted policy interventions would require further in-depth investigations into the identified products of interest – and considering its performance under the GSP+ scheme, tariff margins and export values.

The garment sector utilization of GSP+ preferences, for instance, has consistently been low – usually below 50% utilization – and the sector further faced a significant decline in the past few years. Exports fell from Euros 87.5 million in 2019 (46% utilization) to less than Euros 30 million (30% utilization) in 2021. The garments sector is a labour-intensive industry providing employment for low-skilled workers, out of school youth, women, and persons with disabilities. It was noted that improving EU GSP+ utilization rate can result in as much as an additional 60,000 to 100,000 hired workers. The common, and relatively well known, issue attributed to the low utilization was the stringent RoO requirements for garments – requiring double transformation. Policy avenues which can be explored to address this would be requesting for a temporary derogation, and for a more long-term solution - explore sources for inputs that can fall within the cumulation rules. Overcoming this RoO requirement could potentially increase EU imports of Philippines' garments by an additional 24% on average or extra imports worth 40 million euros annually. It would be relevant to undertake further investigations into the specifics of the garment sector in the Philippines in order to understand:

- The sources of inputs for raw materials used by the garments industry in the Philippines, and avenues that can be explored for cumulation, and scope of awareness of exporters on the availability of these options and provide necessary support to utilise these options as needed.[29]
- The causes for the sharp decline in exports from 2019 to 2021. The pandemic may have been an important factor in reducing export orders during this period – exacerbated with other challenges noted by exporters regarding shipping lines, etc. which were also impacted by the pandemic. Other factors which may have resulted in a reduction of competitiveness of garment products – should be explored, including the possibility of shifts in demand to other markets which are more competitive. For instance, examples of business lost to Vietnam which is deemed to be more competitive due to its FTA with Vietnam which came into force in 2020 alongside other policy developments undertaken were cited during the focus group discussions. (Refer Annex B2 for more information). This is discussed further in (4) below.

- Status of firms in the garment industry in the Philippines – including whether there has been a decline in firms exporting to the EU over this period, the current status of these firms, and whether trends are reversing after 2021.

With efforts underway also to recommence trade negotiations between the Philippines and the EU, it may be of interest for the Philippines' government to explore further some of these pertinent issues raised by exporters, so as to ensure that these considerations are built into future dialogues on this topic.

(3) Streamlining the procedural requirements to be complied with exporters to export to the EU and claim GSP+ benefits

In order to access the GSP+ benefits, exporters are required to meet certain procedural requirements as the REX registration and submit relevant documentary evidence to prove compliance with requirements.

The process for REX registration and documentary evidence required may be an area that warrants further attention, based on the varied inputs/insights received from exporters at the focus group sessions and survey feedback. Alongside reports of different time periods for processing registration requests, and lack of clarity on the procedures for verification and documents to be submitted, there was also mention of challenges with sharing certain information on the basis of competition related concerns.

Accordingly, it may be useful undertake a business process mapping study - which would map out all the steps, formalities, and documentary requirements for exporters to register under the REX system, and documentary requirements to comply with to export to the EU and claim GSP+ benefits. Through this mapping, the objective would be to understand whether the domestic procedures and formalities in place would constitute unnecessary barriers to registering under the REX system and effectively claiming GSP+ benefits when exporting to the EU – and whether it could be improved for the Philippines' producers.

(4) Other general policy considerations – to strengthen competitiveness of Philippines' products in the EU market

The GSP+ specific interventions noted above should also be complemented with targeted interventions to strengthen the competitiveness of Philippines' products in the EU market. This recommendation is driven by the insights gathered from the qualitative assessment. While the focus group discussions and the surveys were facilitated with the intention of gathering more in-depth insights into the GSP+ scheme in the Philippines – the feedback received bought to attention various other policy issues, which are not limited to GSP+ products, but relate to the exporting environment in the Philippines as a whole.

For instance, ***the issue of compliance with product standards was raised*** – in the context of the limitations of the laboratory infrastructure and capacities of businesses to track the various standards requirements being applied. As noted above, in addition to the general EU standards requirements for products, there are a growing number of private standards aimed to meet the EU consumers growing demand for healthy, environmentally, and socially responsible products. Further, individual countries are also displaying an increasing propensity to impose additional certifications (e.g. the Geprüfte Sicherheit (Tested Safety) GS standards). MSMEs, for instance, would lack the resources and capacities to keep track of the various standards requirements.[30] This is coupled with concerns as to whether there is infrastructural capacity within the Philippines to test for these requirements/for certifications issued domestically to be recognised by the agencies in the importing country – which, in turn, would drive up costs and companies would need to rely on the services of foreign labs which will drive up costs and thereby make Philippines products less competitive.

Another issue discussed was the ***increased shipping costs and logistics infrastructure*** – which has driven up costs for exporters. Tuna exporters, for instance, noted that tuna competitors such as Papua New Guinea did not face as much an increase as the Philippines did, and for competitors in China, Thailand, and Vietnam, it is more cost efficient due to the volume of exports. As a result, tuna exporters lost out on contracts to competitors.

Strengthened trade relations of other competing markets such as Vietnam, was another concern raised, contributing to the decline in the Philippines' exports of target products to the EU. The EU-Vietnam FTA entered into force in 2020, and as a result Vietnam may be able to export certain products with more liberal RoO, which in turn, makes their products more competitive that the Philippines' products which have to comply with stringent RoO requirements for products under the GSP+ scheme. Bicycle products are among the top GSP+ exports from the Philippines to Europe. For instance, bicycle exporters present at the focus group discussion also noted the decline in exports to the EU, referring to the impact of the pandemic which slowed down production due to difficulties in accessing imports required; the impact of the war in Ukraine which may have affected consumer spending habits; and competition from Vietnam which has the FTA with the EU, and may be able to benefit from more liberal

RoO requirements. Further targeted investigation would be required to assess changes in demand – particularly whether the reduction in demand for Philippines' bicycles is being met by an increase in demand for the product from other markets, such as Vietnam.

While these broader policy issues would be out of the scope of this study these matters were still detailed in Section 5 of the study – and should be taken into consideration, given that the sum of these issues would also impact traders exporting products which can benefit under the GSP+ scheme; and may be of relevance for the Philippines to explore further in light of the efforts to recommence trade negotiations with the EU.

The EU GSP+ scheme was established to incentivize developing country partners to adopt measures that will enhance sustainable development and good governance. However, the steady fall of MFN tariffs consequently weakens the overall effectiveness of the GSP as an incentive mechanism. For Philippine agri-food exports, such as tuna, coconut products, the renewal of the GSP+ scheme is undoubtedly of utmost importance. However, if the aim is to help the Philippines accelerate its economic growth through export diversification, then bilateral agreements such as an FTA with the EU will most likely have a broader and deeper impact. ASEAN countries currently occupy different positions in the EU's pyramid of preferences, with Vietnam and Singapore enjoying the most access due to the FTA that they have signed with the EU. Such asymmetry in market access could lead to the diversion of trade away from countries such as the Philippines, thereby impeding the pace of export diversification, which is among the principal aim of the EU's GSP+ scheme.

7. References

Balaoing, A. (2017). Philippine Export Performance: a firm-level view. *Philippine Economic Review*

Blanchard, E., & Matschke, X. (2015). U.S. MULTINATIONALS AND PREFERENTIAL MARKET ACCESS. The Review of Economics and Statistics, 97(4), 839–854. http://www.jstor.org/stable/43830281

Brown, D. K. (1989). Trade and Welfare Effects of the European Schemes of the Generalized System of Preferences*. Economic Development & Cultural Change, 37(4), 757. https://doi.org/10.1086/451759

Chowdhury, S. (2012). The Discriminatory Nature of Specific Tariffs. The World Bank Economic Review, 26(1), 147–163. http://www.jstor.org/stable/41342497

Cipollina, M., Debucquet, D. L., & Salvatici, L. (2017). The tide that does not raise all boats: an assessment of EU preferential trade policies. Review of World Economics / Weltwirtschaftliches Archiv, 153(1), 199–231. http://www.jstor.org/stable/26748653

Cirera, X. (2014). Who captures the price rent? The impact of European Union trade preferences on export prices. Review of World Economics / Weltwirtschaftliches Archiv, 150(3), 507–527. http://www.jstor.org/stable/44211815

Clark, D. P. (1994). A Diffusion Model of the Process of Implementing the Generalized System of Preferences. International Trade Journal, 8(4), 419–433. https://doi.org/10.1080/08853909408523811

Curran, L., & Eckhardt, J. (2021). Trade policy for fairer and more equitable global value chains. In F. PALPACUER & A. SMITH (Eds.), Rethinking Value Chains: Tackling the Challenges of Global Capitalism (1st ed., pp. 80–96). Bristol University Press. https://doi.org/10.2307/j.ctv209xn7j.10

de Melo, J., & Portugal-Perez, A. (2014). Preferential Market Access Design: Evidence and Lessons from African Apparel Exports to the United States and the European Union. The World Bank Economic Review, 28(1), 74–98. http://www.jstor.org/stable/43774127

Hakobyan, S. (2015). Accounting for underutilization of trade preference programs: The US generalized system of preferences. The Canadian Journal of Economics / Revue Canadienne d'Economique, 48(2), 408–436. http://www.jstor.org/stable/43818217

Hayakawa, K., Kimura, F., & Laksanapanyakul, N. (2018). Measuring the usage of preferential tariffs in the world. Review of World Economics / Weltwirtschaftliches Archiv, 154(4), 705–723. http://www.jstor.org/stable/45107124

Herz, B., & Wagner, M. (2011). The Dark Side of the Generalized System of Preferences. Review of International Economics, 19(4), 763–775. https://doi.org/10.1111/j.1467-9396.2011.00980.x

Kishore, P. (2011). Conditionalities in the Generalized System of Preferences as Instruments of Global Economic Governance. The International Lawyer, 45(3), 895–902. http://www.jstor.org/stable/23824397

Low, P., R. Piermaaratini, and J. Richtering. (2005). Multilateral Solutions to Preference Erosion. Paper prepared for the International Symposium on Preference Erosion: Impacts and Policy Responses, Geneva, June 13-14, 2005.

Manger, M. S., & Shadlen, K. C. (2014). Political Trade Dependence and North—South Trade Agreements. International Studies Quarterly, 58(1), 79–91. http://www.jstor.org/stable/24017848

Ornelas, E., & Ritel, M. (2020). The not-so-generalised effects of the Generalized System of Preferences. World Economy, 43(7), 1809–1840. https://doi.org/10.1111/twec.12988

Posner, T. (2012). Good Faith Recognition and Enforcement of Arbitral Awards as a Criterion for Eligibility Under the United States Generalized System of Preferences. Proceedings of the Annual Meeting (American Society of International Law), 106, 125–129. https://doi.org/10.5305/procannmeetasil.106.0125

Raimondi, V., Scoppola, M., & Olper, A. (2012). Preference erosion and the developing countries exports to the EU: a dynamic panel gravity approach. Review of World Economics / Weltwirtschaftliches Archiv, 148(4), 707–732. http://www.jstor.org/stable/41679503

UNCTAD. (2018). Generalized System of Preferences List of Beneficiaries. Accessed on 4 May 2022 from https://unctad.org/system/files/official-document/itcdtsbmisc62rev7_en.pdf.

van der Ven, C. (2015). Where Trade and Industrial Policy Converge: How Developing Countries Can Utilize Trade Preferences to Generate Sustainable, Local Growth in the Garment Sector. The International Lawyer, 49(1), 49–92. https://www.jstor.org/stable/26415531

Velluti, S. (2014). The Trade-Labour Linkage in the EU's Generalized System of Preferences. Studia Diplomatica, 67(1), 93–106. https://www.jstor.org/stable/26531609

Wijayasiri, J. (2007). Utilization of Preferential Trade Arrangements: Sri Lanka's Experience with the EU and US GSP Schemes. *Asia-Pacific Research and Training Network on Trade Working Paper Series*, 29, 1-51. https://repository.unescap.org/bitstream/handle/20.500.12870/1441/ESCAP-2007-WP-Utilization-of-preferential-trade-arrangements.pdf?sequence=1&

Yap, J. (2013). Beyond "Don't Be Evil": The European Union GSP+ Trade Preference Scheme and the Incentivisation of the Sri Lankan Garment Industry to Foster Human Rights. European Law Journal, 19(2), 283–301. https://doi.org/10.1111/eulj.12007

8. Annexes

Annex A: Data-Sets

Annex A1: Total number of Philippine firms active in EU, 1991-2012

	UK	Germany	Italy	France	NL	Spain	Belgium	Sweden	Austria	EU Average
1991	1207		710	853	788	627	565	401	252	318
1992	1242		797	933	807	731	619	390	280	329
1993	1271		766	939	768	671	623	386	317	276
1994	1281		790	964	816	625	637	387	309	270
1995	1294		799	1028	851	701	648	357	306	294
1996	1379	1487	869	1048	921	711	682	324	290	368
1997	1414	1488	843	1081	918	743	664	309	233	354
1998	1547	1475	910	1105	934	732	671	343	212	350
1999	1477	1437	851	1129	885	753	603	333	178	339
2000	1451	1412	868	1090	860	736	618	307	216	338
2001	1320	1229	810	998	783	649	604	278	196	308
2002	1375	1184	881	913	742	650	549	265	176	307
2003	1341	1194	982	945	776	691	554	259	184	322
2004	1410	1197	957	873	765	713	505	239	173	324
2005	1314	1203	954	884	714	660	473	244	174	314
2006	1337	1193	909	847	748	683	478	242	194	315
2007	1196	1176	802	772	740	669	447	222	167	296
2008	1097	1074	745	681	667	607	399	222	159	270
2009	914	942	571	570	543	430	301	158	120	218
2010	932	945	610	568	608	440	328	184	135	228
2011	985	979	627	589	630	469	327	182	142	236
2012	897	868	544	539	533	405	289	178	121	211

Annex A2: Product Lines (L) and Margins (M) per Chapter (C).

	2014		2015		2016		2017		2018		2019		2020		2021	
C	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M
3	39	6	34	11	36	11	30	11	30	12	35	11	32	11	49	12
4	5	17	2	.	9	.	4	.	4	.	6	.	8	.	11	17
6	9	3	11	6	9	7	10	7	9	7	10	7	11	7	11	6
7	15	4	14	9	17	8	12	8	16	7	16	10	16	9	16	9
8	33	7	27	8	24	8	21	8	26	8	30	9	21	9	28	8
9	18	6	16	8	15	8	16	6	18	7	15	8	17	7	22	7
11	10	4	10	10	8	10	12	10	11	10	6	10	9	10	20	13
15	17	7	19	10	19	9	24	9	24	9	24	9	20	9	33	9
16	16	7	20	19	26	20	20	20	21	20	20	21	22	19	29	17
17	18	6	17	13	19	13	16	13	17	13	24	13	18	13	24	13
18	19	5	12	8	14	8	13	8	14	8	15	8	16	8	23	9
19	36	6	38	9	36	9	39	.	32	.	35	13	36	13	43	11
20	83	6	83	15	80	15	78	15	83	15	72	15	80	16	97	16
21	18	6	18	9	18	8	19	8	20	9	21	8	25	8	29	9
22	22	3	29	4	28	7	33	7	37	6	30	9	36	7	43	6
23	3	8	5	8	6	10	3	10	2	10	6	3	2	7	8	7
24	16	19	16	22	16	22	16	19	14	19	15	23	15	23	17	23
50	6	7	7	6	6	5	4	7	2	7	5	6	4	6	2	7
51	2	7	5	7	4	6	4	5	5	8	2	8	2	8	5	6
52	28	6	20	6	10	8	16	6	13	7	12	6	9	6	16	5
54	16	4	25	5	15	5	17	5	12	7	13	6	13	6	24	5
55	19	5	24	7	15	7	17	7	12	7	14	6	3	5	14	6
56	32	3	30	6	30	5	28	5	29	5	29	5	28	5	34	5
57	12	4	10	7	7	7	13	7	11	7	13	7	16	6	17	6
58	29	5	22	7	22	6	27	6	24	7	20	7	25	6	16	6
59	14	6	10	6	10	5	12	6	10	6	7	6	9	7	10	7
60	10	8	8	8	9	8	5	8	8	8	6	8	9	8	10	8
61	125	7	121	12	120	12	122	12	117	12	118	12	132	12	135	12
62	157	7	147	11	156	11	155	11	154	11	159	11	158	11	171	11
63	55	7	51	9	53	9	55	9	51	9	61	10	58	9	65	9
64	53	8	47	10	51	10	55	10	58	10	63	9	60	10	72	10
69	21	4	22	6	26	6	20	6	20	6	18	6	21	5	21	6
70	41	4	38	4	34	4	43	5	31	5	33	5	29	4	43	5
79	2	3	1	5	2	3	1	5	2	3	2	3	1	5	3	5
81	6	3	6	6	6	4	7	6	4	4	8	4	6	5	4	6
87	62	5	60	5	64	5	65	5	64	5	65	5	60	5	59	5

Chapter descriptions (Chapter descriptions given below)

03	Fish and crustaceans, molluscs and other aquatic invertebrates
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
06	Live trees and other plants; bulbs, RoOts and the like; cut flowers and ornamental foliage
07	Edible vegetables and certain RoOts and tubers
08	Edible fruit and nuts; peel of citrus fruit or melons
09	Coffee, tea, maté and spices
11	Products of the milling industry; malt; starches; inulin; wheat gluten
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
17	Sugars and sugar confectionery
18	Cocoa and cocoa preparations
19	Preparations of cereals, flour, starch or milk; pastrycooks' products
20	Preparations of vegetables, fruit, nuts or other parts of plants
21	Miscellaneous edible preparations
22	Beverages, spirits and vinegar
23	Residues and waste from the food industries; prepared animal fodder
24	Tobacco and manufactured tobacco substitutes
50	Silk
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric
52	Cotton
54	Man-made filaments; strip and the like of man-made textile materials
55	Man-made staple fibres
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof
57	Carpets and other textile floor coverings
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use
60	Knitted or crocheted fabrics
61	Articles of apparel and clothing accessories, knitted or crocheted
62	Articles of apparel and clothing accessories, not knitted or crocheted
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags
64	Footwear, gaiters and the like; parts of such articles
65	Headgear and parts thereof
66	Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair
68	Articles of stone, plaster, cement, asbestos, mica or similar materials
69	Ceramic products
70	Glass and glassware
79	Zinc and articles thereof
80	Tin and articles thereof
81	Other base metals; cermets; articles thereof
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof

Annex A3: Types of EU tariff measures in TARIC

Measure type	Freq.	%
Additional duties	4	0
Additional duties (safeguard)	217	0.18
Additional duty based on CIF price, r..	23	0.02
Additional duty based on cif price	2	0
Airworthiness tariff suspension	288	0.24
Anti-dumping or countervailing regist..	87	0.07
Anti-dumping/countervailing duty – Co..	584	0.49
Anti-dumping/countervailing duty – Pe..	112	0.09
Anti-dumping/countervailing review	193	0.16
Anti-dumping/countervailing statistic	545	0.46
Autonomous suspension under end-use	708	0.6
Autonomous tariff suspension	2,204	1.87
Compliance with the pre-export checks..	4	0
Control on illegal, unreported and un..	778	0.66
Customs Union Duty	965	0.82
Customs Union Quota	54	0.05
Declaration of subheading submitted t..	44	0.04
Declaration of subheading submitted t..t	3	0
Declaration of subheading submitted t..	11	0.01
Declaration of subheading submitted t..	258	0.22
Declaration of subheading submitted t..	106	0.09
Declaration of subheading submitted t..	67	0.06
Declaration of subheading submitted t..	113	0.1
Definitive anti-dumping duty	14,520	12.3
Definitive countervailing duty	2,649	2.24
Entry into free circulation (quantita..	222	0.19
Entry into free circulation (restrict..	544	0.46
Import control	1,791	1.52
Import control – CITES	693	0.59
Import control – IAS	18	0.02
Import control – waste	717	0.61
Import control of fluorinated greenho..	267	0.23
Import control of mercury	37	0.03

Measure type	Freq.	%
Import control of organic products	149	0.13
Import control of timber and timber p..	118	0.1
Import control of timber and timber p..	2	0
Import control on REACH	76	0.06
Import control on cat and dog fur	170	0.14
Import control on genetically modifie..	48	0.04
Import control on luxury goods	364	0.31
Import control on restricted goods an..	1,768	1.5
Import control on seal products	128	0.11
Import prohibition	577	0.49
Import prohibition on goods for tortu..	36	0.03
Non preferential duty under end-use	492	0.42
Non preferential tariff quota	2,531	2.14
Non preferential tariff quota under e..	257	0.22
Notice of initiation of an anti-dumpi..	81	0.07
Preference under end-use	136	0.12
Preferential suspension	122	0.1
Preferential tariff quota	3,815	3.23
Preferential tariff quota under end-use	9	0.01
Provisional anti-dumping duty	20	0.02
Representative price	4	0
Restriction on entry into free circul..	1,564	1.32
Security based on representative price	2	0
Security based on representative pric..	23	0.02
Standard import value	23	0.02
Supplementary unit	859	0.73
Supplementary unit import	637	0.54
Suspension – goods for certain catego..	2,380	2.02
Tariff preference	62,861	53.23
Third country duty	8,650	7.33
Unit price	24	0.02
Veterinary control	1,333	1.13
Total	118,087	100

Annex A4 : List of sectors with combined tariffs

CN8	MFN	TARIC	Start date	Origin	Duty
20060035	12.5	2006003500	01/07/2000	ERGA OMNES	12.500 % + 15.000 EUR DTN
			01/01/2014	GSP+	0.000 % + 15.000 EUR DTN
			01/01/2015	GSP -GA	9.000 % + 15.000 EUR DTN
20060038	20	2006003800	01/01/2005	ERGA OMNES	20.000 % + 23.900 EUR DTN
			01/01/2014	GSP+	0.000 % + 23.900 EUR DTN
			01/01/2015	GSP -GA	16.500 % + 23.900 EUR DTN
20079939	23.27	2007993900	01/01/2014	GSP+	0.000 % + 23.000 EUR DTN
			01/01/2015	GSP -GA	20.500 % + 23.000 EUR DTN
20079950	23.32	2007995000	01/01/2008	ERGA OMNES	24.000 % + 4.200 EUR DTN
			01/01/2014	GSP+	0.000 % + 4.200 EUR DTN
			01/01/2015	GSP -GA	20.500 % + 4.200 EUR DTN
21012098	6.5	2101209800	01/07/2000	ERGA OMNES	6.500 % + EA
			01/01/2014	GSP+	0.000 % + EA
			01/01/2015	GSP -GA	0.000 % + EA
21069098	9	2106909800	01/07/2000	ERGA OMNES	9.000 % + EA
			01/01/2014	GSP+	0.000 % + EA
			01/01/2015	GSP -GA	5.500 % + EA
21069099		2202999900	01/01/2017	GSP+	0.000 % + 21.200 EUR DTN
22029999	5.5	2202999900	01/01/2017	GSP -GA	1.900 % + 21.200 EUR DTN
			01/01/2017	ERGA OMNES	5.400 % + 21.200 EUR DTN

Annex A5: Classification of product chapters based on dominant tariff regime (2021)

MFN		
Chapter	**Share of MFN imports in total imports**	**Description**
01	**100%**	Live animals
02	**100%**	Meat and edible meat offal
04	**100%**	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included
05	**100%**	Products of animal origin, not elsewhere specified or included
10	**100%**	Cereals
12	**100%**	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder
14	**100%**	Vegetable plaiting materials; vegetable products not elsewhere specified or included
23	**100%**	Residues and waste from the food industries; prepared animal fodder
25	**100%**	Salt; sulphur; earths and stone; plastering materials, lime and cement
26	**100%**	Ores, slag and ash
27	**100%**	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes
30	**100%**	Pharmaceutical products
35	**100%**	Albuminoidal substances; modified starches; glues; enzymes
37	**100%**	Photographic or cinematographic goods
41	**100%**	Raw hides and skins (other than furskins) and leather
45	**100%**	Cork and articles of cork
47	**100%**	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard
48	**100%**	Paper and paperboard; articles of paper pulp, of paper or of paperboard
49	**100%**	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans
50	**100%**	Silk
51	**100%**	Wool, fine or coarse animal hair; horsehair yarn and woven fabric
66	**100%**	Umbrellas, sun umbrellas, walking sticks, seat-sticks, whips, riding-crops and parts thereof
72	**100%**	Iron and steel
75	**100%**	Nickel and articles thereof
78	**100%**	Lead and articles thereof
80	**100%**	Tin and articles thereof
81	**100%**	Other base metals; cermets; articles thereof
89	**100%**	Ships, boats and floating structures
93	**100%**	Arms and ammunition; parts and accessories thereof
97	**100%**	Works of art, collectors' pieces and antiques

MFN		
Chapter	Share of MFN imports in total imports	Description
13	100%	Lac; gums, resins and other vegetable saps and extracts
88	100%	Aircraft, spacecraft, and parts thereof
74	99%	Copper and articles thereof
82	99%	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal
53	98%	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn
08	98%	Edible fruit and nuts; peel of citrus fruit or melons
84	97%	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof
34	96%	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, `dental waxes¿ and dental preparations with a basis of plaster
60	96%	Knitted or crocheted fabrics
67	96%	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair
92	94%	Musical instruments; parts and accessories of such articles
17	87%	Sugars and sugar confectionery
85	85%	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
44	83%	Wood and articles of wood; wood charcoal
22	82%	Beverages, spirits and vinegar
61	80%	Articles of apparel and clothing accessories, knitted or crocheted
32	76%	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks
83	76%	Miscellaneous articles of base metal
79	76%	Zinc and articles thereof
62	75%	Articles of apparel and clothing accessories, not knitted or crocheted
90	73%	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof
09	71%	Coffee, tea, mate and spices
96	69%	Miscellaneous manufactured articles
68	68%	Articles of stone, plaster, cement, asbestos, mica or similar materials
43	66%	Furskins and artificial fur; manufactures thereof
76	65%	Aluminium and articles thereof
24	64%	Tobacco and manufactured tobacco substitutes
69	60%	Ceramic products
71	57%	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin
59	50%	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use

GSP		
Chapter	Share of MFN imports in total imports	Description
36	99%	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations
29	97%	Organic chemicals
16	97%	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates
38	96%	Miscellaneous chemical products
18	95%	Cocoa and cocoa preparations
06	95%	Live trees and other plants; bulbs, RoOts and the like; cut flowers and ornamental foliage
55	95%	Man-made staple fibres
19	92%	Preparations of cereals, flour, starch or milk; pastrycooks' products
58	90%	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery
64	89%	Footwear, gaiters and the like; parts of such articles
20	88%	Preparations of vegetables, fruit, nuts or other parts of plants
63	88%	Other made-up textile articles; sets; worn clothing and worn textile articles; rags
15	85%	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
65	84%	Headgear and parts thereof
11	83%	Products of the milling industry; malt; starches; inulin; wheat gluten
46	83%	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork
56	81%	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof
07	80%	Edible vegetables and certain RoOts and tubers
33	79%	Essential oils and resinoids; perfumery, cosmetic or toilet preparations
40	79%	Rubber and articles thereof
87	79%	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
86	77%	Railway or tramway locomotives, rolling stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electromechanical) traffic signalling equipment of all kinds
21	77%	Miscellaneous edible preparations
39	76%	Plastics and articles thereof
94	74%	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated nameplates and the like; prefabricated buildings
03	73%	Fish and crustaceans, molluscs and other aquatic invertebrates
70	72%	Glass and glassware
28	72%	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes
73	69%	Articles of iron or steel
95	63%	Toys, games and sports requisites; parts and accessories thereof
52	63%	Cotton
54	63%	Man-made filaments; strip and the like of man-made textile materials
42	58%	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)
57	56%	Carpets and other textile floor coverings
91	56%	Clocks and watches and parts thereof

Annex A6: Pockets of underutilization - CN8 products with high margins and low utilization rates in quadrant 3 & 4 (2021)

CN8	MFN	GSP utilized	GSP Eligible	Util Rate	Foregone Savings	Description
61099020	12	3300000	6300000	52%	360000.00	T-shirts, singlets and other vests of wool or fine animal hair or man-made fibres, knitted or crocheted
87149630	5	2700000	4900000	54%	110000.00	Crank-gear for bicycles
39239000	7	3000000	4100000	72%	77000.00	Articles for the conveyance or packaging of goods, of plastics
87149690	5	1100000	1900000	58%	40000.00	Parts of pedals and crank-gear for bicycles, n.e.s.
62046239	12	685400	1300000	51%	73752.00	Women's or girls' trousers and breeches, of cotton
63063000	12	797241	1300000	64%	60331.08	Sails for boats, sailboards or landcraft, of textile materials
62034235	12	682905	1100000	61%	50051.40	Men's or boys' trousers and breeches of cotton
62044200	12	627766	1100000	57%	56668.08	Women's or girls' dresses of cotton
87082990	5	644622	995787	65%	17558.25	Parts and accessories for the industrial assembly of bodies of: tractors, motor vehicles
24011070	11.2	443603	893051	50%	50338.18	Dark air-cured tobacco, unstemmed or unstripped
63079098	6	396913	727683	55%	19846.20	Made-up articles of textile materials, incl. dress patterns, n.e.s
76169990	6	291396	607312	48%	18954.96	Articles of aluminium, uncast, n.e.s.
62063000	12	376611	681476	55%	36583.80	Women's or girls' blouses, shirts and shirt-blouses of cotton
95030041	5	479086	678856	71%	9988.50	Stuffed toys representing animals or non-human creatures
62044300	12	358532	665051	54%	36782.28	Women's or girls' dresses of synthetic fibres
56079020	6	330333	514365	64%	11041.92	Twine, cordage, ropes and cables, of abaca "Manila hemp or Musa textilis Nee"
62160000	8	199305	305460	65%	8492.40	Gloves, mittens and mitts, of all types of textile materials
61071200	12	141409	246664	57%	12630.60	Men's or boys' underpants and briefs of man-made fibres, knitted or crocheted
46029000	5	144262	238510	60%	4712.40	Basketwork, wickerwork and other articles, made directly to shape from non-vegetable plaiting materials or made up from goods of non-vegetable plaiting materials of heading 4601
22021000	10	109190	237508	46%	12831.80	Waters, incl. mineral and aerated, with added sugar, sweetener or flavour,
64039111	8	164192	228870	72%	5174.24	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather
24011085	18.4	117040	208249	56%	16782.46	Flue-cured tobacco, unstemmed or unstripped
62046290	12	92764	207404	45%	13756.80	Women's or girls' cotton shorts (excl. knitted or crocheted, panties and swimwear)
03089010	11	129969	184151	71%	5960.02	Live, fresh or chilled, aquatic invertebrates
64034000	8	130764	177901	74%	3770.96	Footwear, incorporating a protective metal toecap, with outer soles of rubber, plastics, leather

CN8	MFN	GSP utilized	GSP Eligible	Util Rate	Foregone Savings	Description
39262000	7	74330	167285	44%	6506.85	Articles of apparel and clothing accessories produced by the stitching or sticking together of plastic sheeting, incl. gloves, mittens and mitts (excl. goods of 9619)
70139900	11	73760	161826	46%	9687.26	Glassware of a kind used for toilet, office, indoor decoration or similar purposes
87089235	5	116074	159292	73%	2160.90	Silencers "mufflers" and exhaust pipes, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons
03079100	11	90445	149274	61%	6471.19	Live, fresh or chilled molluscs, even in shell
87149990	5	100680	140267	72%	1979.35	Parts and accessories for bicycles, and parts thereof, n.e.s.
62045200	12	94831	138473	68%	5237.04	Women's or girls' skirts and divided skirts of cotton
09109999	13	62141	102015	61%	5183.62	Spices, crushed or ground
03063690	12	63446	98984	64%	4264.56	Shrimps and prawns, whether in shell or not, live, fresh or chilled (excl. "Pandalidae" and "Crangon")
39221000	7	64367	91356	70%	1889.23	Baths, shower-baths, sinks and washbasins, of plastics
62044910	12	50761	84295	60%	4024.08	Women's or girls' dresses of textile materials, of silk or silk waste
24039990	17	53490	73848	72%	3460.86	Manufactured tobacco and tobacco substitutes, and tobacco powder, tobacco extracts and essences
62034990	12	44215	66466	67%	2670.12	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials
62171000	6	40010	65211	61%	1512.06	Made-up clothing accessories, of all types of textile materials, n.e.s. (excl. knitted or crocheted)
39234090	7	38949	63498	61%	1718.43	Spools, cops, bobbins and similar supports, of plastics
20089774	14	33424	58490	57%	3509.24	Mixtures of fruit, in which the weight of no single fruit exceeds 50% of the total weight
61171000	12	35575	56851	63%	2553.12	Shawls, scarves, mufflers, mantillas, veils and the like, knitted or crocheted
62093000	11	17491	29814	59%	1355.53	Babies' garments and clothing accessories of synthetic fibres
39259020	7	15469	29231	53%	963.34	Trunking, ducting and cable trays for electrical circuits, of plastics
03063990	12	16127	21817	74%	682.80	Crustaceans, fit for human consumption, whether in shell or not, live, fresh or chilled
62143000	8	14701	20270	73%	445.52	Shawls, scarves, mufflers, mantillas, veils and similar articles of synthetic
57029900	8	9224	19056	48%	786.56	Carpets and other floor coverings, of vegetable textile materials or coarse animal hair, woven, not tufted or flocked, not of pile construction, made up
61159691	12	8308	15648	53%	880.80	Women's stockings of synthetic fibres, knitted or crocheted
03063390	8	11014	14876	74%	308.96	Crabs, whether in shell or not, live, fresh or chilled (excl. "Cancer pagurus")

CN8	MFN	GSP utilized	GSP Eligible	Util Rate	Foregone Savings	Description
64039191	8	8953	12430	72%	278.16	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, covering the ankle and calf, with in-soles of < 24 cm in length
20059980	18	6481	11396	57%	884.70	Vegetables, prepared or preserved otherwise than by vinegar or acetic acid, not frozen
54071000	8	5064	10558	48%	439.52	Woven fabrics of high-tenacity yarn, nylon, other polyamides or polyesters, incl. monofilament
61113090	12	4907	10516	47%	673.08	Babies' garments and clothing accessories, of synthetic fibres, knitted or crocheted
55169400	8	5422	9622	56%	336.00	Woven fabrics containing predominantly, but < 85% artificial staple fibres by weight, other than those mixed principally or solely with cotton, wool, fine animal hair or man-made filament, printed
20052080	14	5030	7769	65%	383.46	Potatoes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen
62149000	8	4987	7277	69%	183.20	Shawls, scarves, mufflers, mantillas, veils and similar articles of textile materials
64035199	8	5240	6998	75%	140.64	Women's footwear with outer soles and uppers of leather, covering the ankle and calf
39201089	7	3069	5775	53%	189.42	Plates, sheets, film, foil, tape, strip, of unexpanded polymers of ethylene
39232910	7	2877	4403	65%	106.82	Sacks and bags, incl. cones, of poly"vinyl chloride"
20089938	16	2944	4218	70%	203.84	Guavas, mangoes, mangosteens, papaws "papayas", tamarinds, cashew apples, lychees, jackfruit, sapodillo plums, passion fruit, carambola and pitahaya, prepared or preserved, containing added spirit
87083091	5	1734	3706	47%	98.60	Parts for disc brakes, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons
63025390	12	548	998	55%	54.00	Table linen of man-made fibres (excl. nonwovens, knitted or crocheted)
20093111	14	596	955	62%	50.26	Single citrus fruit juice, unfermented,
20091998	12	594	792	75%	23.76	Orange juice, unfermented,
08043000	6	291	495	59%	12.24	Fresh or dried pineapples
62112000	12	130	180	72%	6.00	Ski suits (excl. knitted or crocheted)

Annex A7: Products with zero GSP utilization (top 50), 2021

CN8	MFN	GSP Eligible	Opp cost	Description
42021219	10	2800000	280000.00	Trunks, suitcases, vanity cases and similar containers of leather, with outer surface of plastic sheeting (excl. executive-cases)
85446010	4	5400000	216000.00	Electric conductors for a voltage > 1.000 V, insulated, with copper conductors, n.e.s.
62059010	12	1700000	204000.00	Men's or boys' shirts of flax or ramie (excl. knitted or crocheted, nightshirts, singlets and other vests)
84099100	3	5600000	168000.00	Parts suitable for use solely or principally with spark-ignition internal combustion piston engine, n.e.s.
84821090	8	1700000	136000.00	Ball bearings with greatest external diameter > 30 mm
90131090	5	2400000	120000.00	Telescopic sights for fitting to arms; periscopes
61071100	12	888760	106651.20	Men's or boys' underpants and briefs of cotton, knitted or crocheted
90051000	4	2500000	100000.00	Binoculars
85442000	4	2100000	84000.00	Coaxial cable and other coaxial electric conductors, insulated
85311030	2	3500000	70000.00	Burglar or fire alarms and similar apparatus, for use in buildings
61083200	12	395509	47461.08	Women's or girls' nightdresses and pyjamas of man-made fibres, knitted or crocheted (excl. T-shirts, vests and négligés)
64039196	8	587412	46992.96	Men's footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, covering the ankle
15180099	8	554335	44346.80	Mixtures and preparations of animal or vegetable fats and oils and of fractions of various fats and oils, inedible, n.e.s., in chapter 15
85286980	14	282615	39566.10	Colour projectors (excl. with TV receiver, designed for computer use)
62034290	12	287071	34448.52	Men's or boys' shorts of cotton (excl. knitted or crocheted, swimwear and underpants)
61043200	12	283147	33977.64	Women's or girls' jackets and blazers of cotton, knitted or crocheted (excl. wind-jackets and similar articles)
85299092	1	2500000	25000.00	Parts suitable for use solely or principally with television cameras, reception apparatus for radio-broadcasting or television, and monitors and projectors, n.e.s.
85359000	3	818365	24550.95	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits, for a voltage > 1.000 V
85446090	4	605735	24229.40	Electric conductors for a voltage > 1.000 V, insulated, not with copper conductors, n.e.s.
61033300	12	182295	21875.40	Men's or boys' jackets and blazers of synthetic fibres, knitted or crocheted (excl. wind-jackets and similar articles)
87084050	5	406354	20317.70	Gear boxes for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor
24022090	58	32848	19051.84	Cigarettes, containing tobacco (excl. containing cloves)
61052010	12	157758	18930.96	Men's or boys' shirts of synthetic fibres, knitted or crocheted (excl. nightshirts, T-shirts, singlets and other vests)
29094980	6	312635	18758.10	Cyclic ether-alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives (excl. 2-(2-Chloroethoxy)ethanol)
61089200	12	153636	18436.32	Women's or girls' négligés, bathrobes, dressing gowns, housejackets and similar articles of man-made fibres, knitted or
82023900	3	602427	18072.81	Circular saw blades, incl. slitting or slotting saw blades, and parts thereof, of base metal, with working parts of materials other than steel

CN8	MFN	GSP Eligible	Opp cost	Description
24031990	75	23990	17992.50	Smoking tobacco, whether or not containing tobacco substitutes in any proportion, in immediate packings of a net content of > 500
74152900	3	575868	17276.04	Rivets, cotters, cotter pins and the like, not threaded, of copper (excl. spring washers and spring lock washers)
87089435	5	338285	16914.25	Steering wheels, columns and boxes, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor
62089100	12	139372	16724.64	Women's or girls' singlets and other vests, briefs, panties, négligés, bathrobes, dressing gowns, housecoats and similar articles of cotton
62021900	12	130501	15660.12	
64041100	17	87705	14909.85	Sports footwear, incl. tennis shoes, basketball shoes, gym shoes, training shoes and the like
61079100	12	122340	14680.80	Men's or boys' bathrobes, dressing gowns and similar articles of cotton, knitted or crocheted
29319000	7	198499	13894.93	Separate chemically defined organo-inorganic compounds
85364900	2	640745	12814.90	Relays for a voltage > 60 V but <= 1.000 V
61044900	12	106493	12779.16	Women's or girls' dresses of textile materials, knitted or crocheted (excl. of wool, fine animal hair, cotton, man-made fibres and petticoats)
84143081	2	632408	12648.16	Compressors for refrigerating equipment, of a power > 0,4 kW, hermetic or semi-hermetic
61142000	12	102584	12310.08	Special garments for professional, sporting or other purposes, n.e.s., of cotton, knitted or crocheted
42021250	5	237481	11874.05	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels and similar containers, with outer surface of moulded plastic material
67041900	2	589116	11782.32	False beards, eyebrows and eyelashes, switches and the like, of synthetic textile materials (excl. complete wigs)
90138090	2	563944	11278.88	
88033000	1	1.10E+06	11000.00	
64039193	8	130111	10408.88	Footwear non-identifiable as men's or women's footwear, with outer soles of rubber, plastics or composition
85042100	4	254087	10163.48	Liquid dielectric transformers, having a power handling capacity <= 650 kVA
62019200	12	82235	9868.20	
39259010	7	138242	9676.94	Fittings and mountings intended for permanent installation in or on doors, windows, staircases, walls or other parts of buildings, of plastics
62043390	12	80238	9628.56	Women's or girls' jackets and blazers of synthetic fibres
85285900	14	68102	9534.28	Monitors (excl. with TV receiver, CRT and those designed for computer use)
39191080	7	135071	9454.97	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, in rolls <= 20 cm wide
62113290	12	77672	9320.64	Men's or boys' garments, of cotton, n.e.s. (not knitted or crocheted)

Annex A8: Product sectors with less than full GSP eligibility (i.e. product sectors with product lines that did not record as GSP+ eligible)

CN8	MFN	Total imports	GSP utilized	Eligib. share	Util. rate	Description
07129019	11	273	0	0%		Dried sweetcorn "Zea mays var. saccharata", whether or nor cut or sliced, but not further prepared
10061010	8	103	0	0%		Rice in husk for sowing
17022090	8	356	0	0%		Maple sugar, in solid form, and maple syrup
17029079	13	124	0	0%		Sugar and molasses, caramelised, containing in the dry state < 50% by weight of sucrose
17029095	13	613460	0	0%		Sugars in solid form, incl. invert sugar, and sugar and sugar syrup blends containing in the dry state 50% by weight of fructose, not containing added flavouring or colouring
20059100	18	64	0	0%		Bamboo shoots, prepared or preserved otherwise than by vinegar or acetic acid (excl. frozen)
21061020	13	54735	0	0%		Protein concentrates and textured protein substances, not containing milkfats, sucrose, isoglucose starch
21061080	13	4200000	0	0%		Protein concentrates and textured protein substances, containing, by weight, >= 1,5% milkfat, >= 5%
21069030	13	388	0	0%		Flavoured or coloured isoglucose syrups
21069051	13	45	0	0%		Flavoured or coloured lactose syrups
21069055	13	469	0	0%		Flavoured or coloured glucose and maltodextrine syrups
21069059	13	549	0	0%		Flavoured or coloured sugar syrups (excl. isoglucose, lactose, glucose and maltodextrine syrups)
23099031	7	68	0	0%		Preparations, incl. premixes, for animal food, containing glucose, glucose syrup, maltodextrine
29091990	6	7	0	0%		Acyclic ethers and their halogenated, sulphonated, nitrated or nitrosated derivatives
39172190	5	6	0	0%		Rigid tubes, pipes and hoses, of polymers of ethylene (excl. seamless and cut to length only)
51053100	2	179	0	0%		Hair of Kashmir "cashmere" goats, carded or combed
93020000	3	196001	0	0%		Revolvers and pistols (excl. those of heading 9303 or 9304 and sub-machine guns for military purposes)
93033000	3	3975	0	0%		Sporting, hunting and target-shooting shotguns with one or more rifled bores (other than spring, air or gas guns)
93040000	3	79686	0	0%		Spring, air or gas guns and pistols, truncheons and other non-firearms
93051000	3	67603	0	0%		Parts and accessories for revolvers or pistols, n.e.s.
93052000	3	6142	0	0%		Parts and accessories of shotguns or rifles of heading 9303, n.e.s.
93059900	3	2025	0	0%		Parts and accessories for weapons and the like of heading 9303 or 9304, n.e.s.
93062900	3	35578	0	0%		Parts of cartridges for smooth-barrelled shotguns; lead shot for air rifles and pistols
93063090	3	473	0	0%		Cartridges and parts thereof, n.e.s.
93070000	2	11982	0	0%		Swords, cutlasses, bayonets, lances and similar arms and parts thereof, and scabbards and sheaths
88031000	1	1300000	0	0%	0%	

CN8	MFN	Total imports	GSP utilized	Eligib. share	Util. rate	Description
34021300	4	35887	0	1%	0%	
84186900	1	8500000	0	1%	0%	Refrigerating or freezing equipment (excl. refrigerating and freezing furniture)
85408900	3	1200000	0	1%	0%	Electronic valves and tubes
85161080	3	3100000	0	2%	0%	Electric water heaters and immersion heaters (excl. instantaneous water heaters)
85051100	2	29000000	81443	2%	13%	Permanent magnets of metal and articles intended to become permanent magnets after magnetization
84198910	2	245	0	4%	0%	Cooling towers and similar plant for direct cooling (without a separating wall) by means of recirculated water
84199085	1	1800000	0	12%	0%	Parts of machinery, plant and laboratory equipment, whether or not electrically heated, for the treatment of materials by a process involving a change of temperature
85258019	1	27000000	3.70E+06	18%	78%	
70195100	7	9595	0	20%	0%	
76109090	6	168429	0	25%	0%	Structures and parts of structures, of aluminium, n.e.s., and plates, rods, profiles, tubes and the like, prepared for use in structures, of aluminium, n.e.s.
39206219	7	709	0	30%	0%	Plates, sheets, film, foil and strip, of non-cellular poly"ethylene terephthalate", not reinforced, laminated, supported or similarly combined with other materials,
35069900	7	105	0	34%	0%	Glues, prepared, and other prepared adhesives, n.e.s.
85364900	2	1800000	0	35%	0%	Relays for a voltage > 60 V but <= 1.000 V
20098999	18	8000000	2.70E+06	35%	97%	Juice of fruit or vegetables, unfermented, Brix value <= 67 at 20°
88033000	1	2800000	0	39%	0%	
38112100	5	58	0	43%	0%	Prepared additives for oil lubricants containing petroleum oil or bituminous mineral oil
90029000	2	99551	0	44%	0%	Lenses, prisms, mirrors and other optical elements, mounted, of any material, being parts of or fittings for instruments or apparatus
70199000	7	1975	976	49%	100%	Glass fibres and articles thereof, n.e.s.
08119095	14	1000000	516862	51%	99%	Frozen fruit and nuts, edible, uncooked or cooked by steaming or boiling in water, not containing added sugar or other sweetening matter
94019010	2	489555	0	52%	0%	
34021190	3	244596	35400	52%	28%	
84135080	1	2761	0	54%	0%	Reciprocating positive displacement pumps, power-driven
85285900	14	123251	0	55%	0%	Monitors (excl. with TV receiver, CRT and those designed for computer use)
88033000	1	36763	0	57%	0%	
38112100	5	58	0	43%	0%	Prepared additives for oil lubricants containing petroleum oil or bituminous mineral oil

CN8	MFN	Total imports	GSP utilized	Eligib. share	Util. rate	Description
90029000	2	99551	0	44%	0%	Lenses, prisms, mirrors and other optical elements, mounted, of any material, being parts of or fittings for instruments or apparatus
70199000	7	1975	976	49%	100%	Glass fibres and articles thereof, n.e.s.
08119095	14	1000000	516862	51%	99%	Frozen fruit and nuts, edible, uncooked or cooked by steaming or boiling in water, not containing added sugar or other sweetening matter
94019010	2	489555	0	52%	0%	
34021190	3	244596	35400	52%	28%	
84135080	1	2761	0	54%	0%	Reciprocating positive displacement pumps, power-driven
85285900	14	123251	0	55%	0%	Monitors (excl. with TV receiver, CRT and those designed for computer use)
88039090	1	36763	0	57%	0%	
90200010	1	113995	0	58%	0%	Gas masks (excl. protective masks having neither mechanical parts nor replaceable filters)
84818081	2	3886	0	59%	0%	Ball and plug valves for pipes, boiler shells, tanks, vats or the like
84138100	1	46094	809	59%	3%	Pumps for liquids, power-driven
85258091	1	3800000	1900000	61%	82%	
96121010	3	38167	0	64%	0%	Typewriter or similar ribbons, inked or otherwise prepared for giving impressions, whether or not on spools or in cartridges, of plastics (excl. woven of textile materials)
84818019	2	23399	0	64%	0%	Taps, cocks and valves for sinks, washbasins, bidets, water cisterns, baths and similar fixtures (excl. mixing valves)
73239300	3	90126	0	64%	0%	Table, kitchen or other household articles, and parts thereof, of stainless steel
85168080	3	153669	0	65%	0%	Electric heating resistors
85299092	1	3800000	0	66%	0%	Parts suitable for use solely or principally with television cameras, reception apparatus for radio-broadcasting or television, and monitors and projectors, n.e.s.
88032000	1	69263	0	69%	0%	
74152100	3	310	0	69%	0%	Washers, "incl. spring washers and spring lock washers", of copper
40093100	3	8463	0	71%	0%	Tubes, pipes and hoses, of vulcanised rubber (
84814090	2	74032	0	74%	0%	Safety or relief valves (excl. those of cast iron or steel)
90039000	2	8340	0	78%	0%	Parts of frames and mountings for spectacles, goggles or the like, n.e.s.
20098979	17	867048	544729	78%	81%	Juice of fruit or vegetables, unfermented, Brix value <= 67 at 20°C, value of > € 30 per 100 kg,
73259990	3	2882	0	79%	0%	Articles of cast steel, n.e.s. (excl. grinding balls and similar articles for mills)
84814010	2	21952	0	80%	0%	Safety or relief valves of cast iron or steel
74122000	5	2542	0	82%	0%	Copper alloy tube or pipe fittings "e.g., couplings, elbows, sleeves"

CN8	MFN	Total imports	GSP utilized	Eligib. share	Util. rate	Description
32049000	7	29	0	83%	0%	Synthetic organic products of a kind used as luminophores, whether or not chemically defined
84829900	8	7000000	4700000	83%	81%	Parts of ball or roller bearings (excl. balls, needles and rollers), n.e.s.
84131900	1	21226	0	84%	0%	Pumps for liquids, fitted or designed to be fitted with a measuring device
39191080	7	160103	0	84%	0%	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, in rolls <= 20 cm wide
76169990	6	698389	291396	87%	48%	Articles of aluminium, uncast, n.e.s.
85011010	5	163848	123180	87%	86%	Synchronous motors of an output <= 18 W
84818099	2	290889	4711	87%	2%	Appliances for pipes, boiler shells, tanks, vats or the like
87089199	4	2932	0	88%	0%	Parts for radiators, for tractors, motor vehicles for the transport of ten or more persons, motor cars
40169300	2	3400000	1600000	89%	52%	Gaskets, washers and other seals, of vulcanised rubber (excl. hard rubber and those of cellular rubber)
84812010	2	3300000	1700000	89%	58%	Valves for the control of oleohydraulic power transmission
85043200	2	376779	89041	90%	26%	Transformers, having a power handling capacity > 1 kVA but <= 16 kVA (excl. liquid dielectric transformers)
39173200	7	40010	28311	90%	78%	Flexible tubes, pipes and hoses of plastics, not reinforced or otherwise combined with other materials
84099900	3	66646	13149	91%	22%	Parts suitable for use solely or principally with compression-ignition internal combustion piston engine "diesel
39206900	7	35913	0	91%	0%	Plates, sheets, film, foil and strip, of non-cellular polyesters, not reinforced, laminated
40092200	2	3112	0	91%	0%	Tubes, pipes and hoses, of vulcanised rubber
29053200	6	95	0	92%	0%	Propylene glycol "propane-1,2-diol"
84219990	2	1900000	323729	92%	19%	Parts of machinery and apparatus for filtering or purifying liquids or gases, n.e.s.
84818069	2	1511	0	94%	0%	Gate valves for pipes, boiler shells, tanks, vats or the like
94039090	3	805036	712715	94%	94%	
84143081	2	666365	0	95%	0%	Compressors for refrigerating equipment, of a power > 0,4 kW, hermetic or semi-hermetic
20089949	18	28000000	27000000	95%	99%	Fruit and other edible parts of plants, prepared or preserved, not containing added spirit but containing added sugar, in immediate packings of a net content of > 1 kg
85078000	1	31739	2642	96%	9%	Electric accumulators (excl. spent, and lead-acid, nickel-cadmium, nickel-metal hydride and lithium-ion accumulators)
39269097	6	7100000	3300000	96%	48%	Articles of plastics and articles of other materials of heading 3901 to 3914, n.e.s.
85366990	2	5900000	2400000	96%	43%	Plugs and sockets for a voltage of <= 1.000 V (excl. those for coaxial cables and printed circuits)
79070000	5	90718	22084	97%	25%	Articles of zinc, n.e.s.
84813091	2	72296	186	97%	0%	Check "non-return" valves for pipes, boiler shells, tanks, vats or the like, of cast iron or steel

CN8	MFN	Total imports	GSP utilized	Eligib. share	Util. rate	Description
40094200	2	11141	0	97%	0%	Tubes, pipes and hoses, of vulcanised rubber (excl. hard rubber), reinforced or otherwise combined with materials other than metal or textile materials, with fittings
40091100	3	16733	0	97%	0%	Tubes, pipes and hoses, of vulcanised rubber (excl. hard rubber), not reinforced or otherwise combined with other materials, without fittings
84798997	1	1100000	339322	97%	30%	Machines, apparatus and mechanical appliances, n.e.s.
85123090	3	359812	96653	97%	28%	Electrical sound signalling equipment for cycles or motor vehicles (excl. burglar alarms for motor vehicles)
85068080	5	70699	0	97%	0%	Primary cells and primary batteries, electric
39191019	6	145380	0	97%	0%	Plastic strips, coated with unvulcanised natural or synthetic rubber, self-adhesive, in rolls <= 20 cm wide
87089599	4	8048	6903	98%	88%	Safety airbags with inflator system and parts thereof, for tractors, motor vehicles
85076000	2	33000000	604370	98%	2%	Lithium-ion accumulators (excl. spent)
85472000	4	116977	19270	98%	17%	Insulating fittings for electrical purposes, of plastics
84819000	2	346023	119201	98%	35%	Parts of valves and similar articles for pipes, boiler shells, tanks, vats or the like, n.e.s.
85122000	3	185225	0	98%	0%	Electrical lighting or visual signalling equipment for motor vehicles (excl. lamps of heading 8539)
85489090	2	7500000	2600000	98%	36%	
32159070	7	22000000	20000000	98%	92%	Ink, whether or not concentrated or solid
85437090	2	21000000	8300000	98%	41%	Electrical machines and apparatus, having individual functions, n.e.s. in chap. 85
69149000	3	2930	0	98%	0%	Ceramic articles, n.e.s. (excl. of porcelain or china)
73269098	3	1100000	694479	98%	61%	Articles of iron or steel, n.e.s.
81089090	7	29239	0	99%	0%	Articles of titanium, n.e.s.
85389099	2	3800000	67767	99%	2%	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, n.e.s.
85444290	3	13000000	1700000	99%	13%	Electric conductors, for a voltage <= 1.000 V, insulated, fitted with connectors, n.e.s.
58063290	8	16056	0	99%	0%	Narrow woven fabrics of man-made fibres, without real selvedges, with a width of <= 30 cm, n.e.s.
74130000	3	1313	0	99%	0%	Stranded wire, cables, plaited bands and the like, of copper (excl. electrically insulated products)
84139100	1	220795	0	99%	0%	Parts of pumps for liquids, n.e.s.
21069092	13	12000000	11000000	99%	96%	Food preparations, n.e.s., not containing milkfats, sucrose, isoglucose starch
39263000	7	4674	0	99%	0%	Fittings for furniture, coachwork and the like, of plastics
84799070	1	546324	8921	99%	2%	Parts of machines and mechanical appliances having individual functions, n.e.s. (excl. of cast iron or cast steel)
85169000	3	3300000	3200000	99%	97%	Parts of electric water heaters, immersion heaters, space-heating apparatus and soil-heating apparatus,
39259020	7	29525	15469	99%	53%	Trunking, ducting and cable trays for electrical circuits, of plastics

CN8	MFN	Total imports	GSP utilized	Eligib. share	Util. rate	Description
84148080	1	3000000	2800000	99%	95%	Air pumps and ventilating or recycling hoods incorporating a fan, whether or not fitted with filters
84812090	2	386718	3317	99%	1%	Valves for the control of pneumatic power transmission
39259010	7	139456	0	99%	0%	Fittings and mountings intended for permanent installation in or on doors, windows, staircases
85444991	4	300235	224249	99%	75%	Electric wire and cables, for a voltage <= 1.000 V, insulated, not fitted with connectors, with individual conductor wires of a diameter > 0,51 mm, n.e.s.
39209990	7	137219	119502	99%	88%	Plates, sheets, film, foil and strip, of non-cellular plastics, n.e.s., not reinforced, laminated, supported
15179099	16	18032	5840	99%	33%	Edible mixtures or preparations of animal or vegetable fats or oils and edible fractions of different fats or oils
85159080	3	178315	1486	99%	1%	Parts of machines and apparatus for soldering or welding or for hot spraying of metals, metal carbides
94051091	2	1400000	1300000	99%	94%	
90292038	2	25337	0	99%	0%	Speed indicators and tachometers (excl. for land vehicles)
56074990	8	19969	19863	99%	100%	Twine, cordage, ropes and cables, of polyethylene or polypropylene, whether or not plaited or braided
84833080	3	23450	0	100%	0%	Plain shaft bearings for machinery
29389090	7	1600	0	100%	0%	Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives (
85371091	2	44000000	8800000	100%	20%	Programmable memory controllers
74153300	3	8192	0	100%	0%	Screws, bolts, nuts and similar articles, threaded, of copper (other than screw hooks, ring- and eyebolts,
87089997	4	2000000	1000000	100%	52%	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, motor cars
59119099	6	5487	0	100%	0%	Textile products and articles, for technical purposes, specified in Note 7 to chapter 59, n.e.s.
74199990	3	69868	2568	100%	4%	
84248970	2	1600000	1500000	100%	96%	Mechanical appliances, whether or not hand-operated, for projecting,.
20089999	18	995096	971994	100%	98%	Fruit and other edible part of plants, prepared or preserved, not containing added spirit or added
85041080	2	12556	0	100%	0%	Ballasts for discharge lamps or tubes (excl. inductors, whether or not connected with a capacitor)
39100000	7	65988	0	100%	0%	Silicones in primary forms
84213935	1	2727	0	100%	0%	Machinery and apparatus for filtering or purifying gases other than air by a catalytic process
85059090	2	43477	11288	100%	26%	Parts of permanent magnets, electromagnets, electromagnetic clutches, couplings, brakes and lifting heads, electromagnetic or permanent magnet holding devices, n.e.s.
76072010	10	4701	0	100%	0%	Aluminium foil, backed, of a thickness
84149000	2	1600000	981619	100%	62%	Parts of: air or vacuum pumps, air or other gas compressors, fans and ventilating or recycling
85444993	4	1100000	57643	100%	5%	Conductors, electric, for a voltage <= 80 V, insulated, not fitted with connectors, n.e.s

CN8	MFN	Total imports	GSP utilized	Eligib. share	Util. rate	Description
85311095	1	84770	0	100%	0%	Burglar or fire alarms and similar apparatus (excl. those for use in motor vehicles or buildings)
85371098	2	31000000	9200000	100%	30%	Boards, cabinets and similar combinations of apparatus for electric control or the distribution of electricity, for a voltage <= 1.000 V
38021000	3	32000000	30000000	100%	95%	Activated carbon (excl. medicaments or deodorant products for fridges, vehicles etc., put up for retail sale)
94056080	2	52378	50983	100%	97%	
34039900	5	64308	35	100%	0%	Lubricant preparations, incl. cutting-oil preparations, bolt or nut release preparations, anti-rust or anti-corrosion preparations and mould-release preparations,
94051098	2	4100000	4100000	100%	99%	
84821010	8	107252	0	100%	0%	Ball bearings with greatest external diameter <= 30 mm
85367000	3	6600000	5700000	100%	87%	Connectors for optical fibres, optical fibre bundles or cables
32064970	7	9366	9361	100%	100%	Inorganic or mineral colouring matter, n.e.s.; preparations based on inorganic or mineral colouring matter of a kind used for colouring any material or produce colorant preparations, n.e.s. (
85011099	3	16000000	14000000	100%	86%	DC motors of an output <= 37,5 W
90021100	7	15000000	393519	100%	3%	Objective lenses for cameras, projectors or photographic enlargers or reducers
84145100	2	131342	35792	100%	27%	Table, floor, wall, window, ceiling or RoOf fans, with a self-contained electric motor of an output <= 125 W
85442000	4	2100000	0	100%	0%	Coaxial cable and other coaxial electric conductors, insulated
84141089	1	18340	1778	100%	10%	Vacuum pumps
39081000	7	152566	120587	100%	79%	Polyamides-6, -11, -12, -6,6, -6,9, -6,10 or -6,12, in primary forms
84813099	2	48599	44911	100%	92%	Check "non-return" valves for pipes, boiler shells, tanks, vats or the like (excl. those of cast iron or steel)
39076900	7	2300000	2300000	100%	100%	Poly"ethylene terephthalate", in primary forms, having a viscosity number of < 78 ml/g
84099100	3	5.60E+06	0	100%	0%	Parts suitable for use solely or principally with spark-ignition internal combustion piston engine, n.e.s.
73181558	4	1200000	921612	100%	79%	Screws and bolts, of iron or steel other than stainless "whether or not with their nuts and washers", with slotted or cross-recessed heads
85163100	3	44000000	39000000	100%	90%	Electric hairdryers

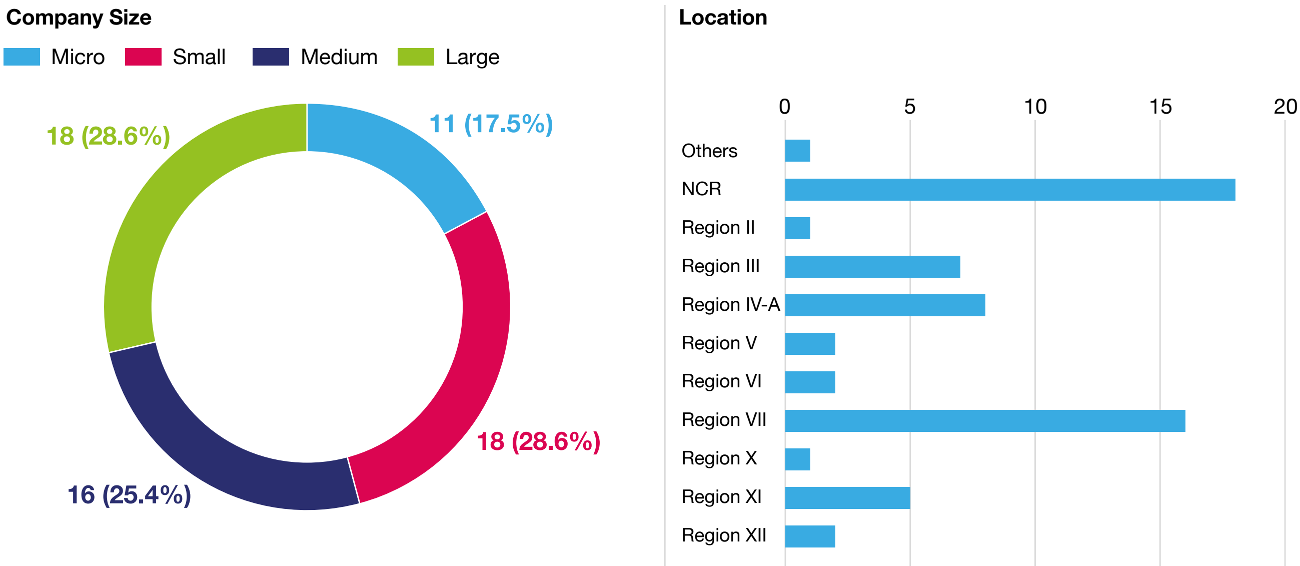
Annex B: Qualitative Assessment

Annex B1. Survey Feedback

(a) Respondents' profile

Among all the respondents, there is an equal number of small and large enterprises, followed by medium-sized and micro businesses.[31] Majority of the respondents are located in Luzon (36), followed by Visayas (18), and Mindanao (8). In terms of regional location, many are from the National Capital Region (NCR), followed by Region VII (Central Visayas), Region IV-A (CALABARZON), Region III (Central Luzon), Region XI (Davao), Region V (Bicol), Region VI (Western Visayas), Region XII (SOCCSKSGARGEN), Region II (Cagayan Valley), and Region X (Northern Mindanao).[32]

Figure B1: Respondents' size and geographical profile



In terms of ownership, 60% of the respondents are 100% Filipino owned. The remaining 40% have foreign equity from Japan, the United States, Germany, Australia, China, Denmark, Indonesia, Italy, South Korea, Mexico, Sweden, and Samoa.

Majority of the respondents are from male-led enterprises. In terms of workers, there is almost an equal number of firms that have predominantly female and predominantly male workers while the remaining ones reported an equal distribution of male and female workers.

More than half of the firms employ predominantly mid-skilled employees, followed by those employing high-skilled employees, and low-skilled employees. More than half of the respondents also employ predominantly younger workers (18-35 years old) while others employ workers in the 36–60-year-old age bracket. The remaining 8% employ workers ranging from 18-60 years old.

Majority or 81% of respondents are direct exporters while 19% are indirect exporters.

Figure B2: Respondents' firm ownership profile

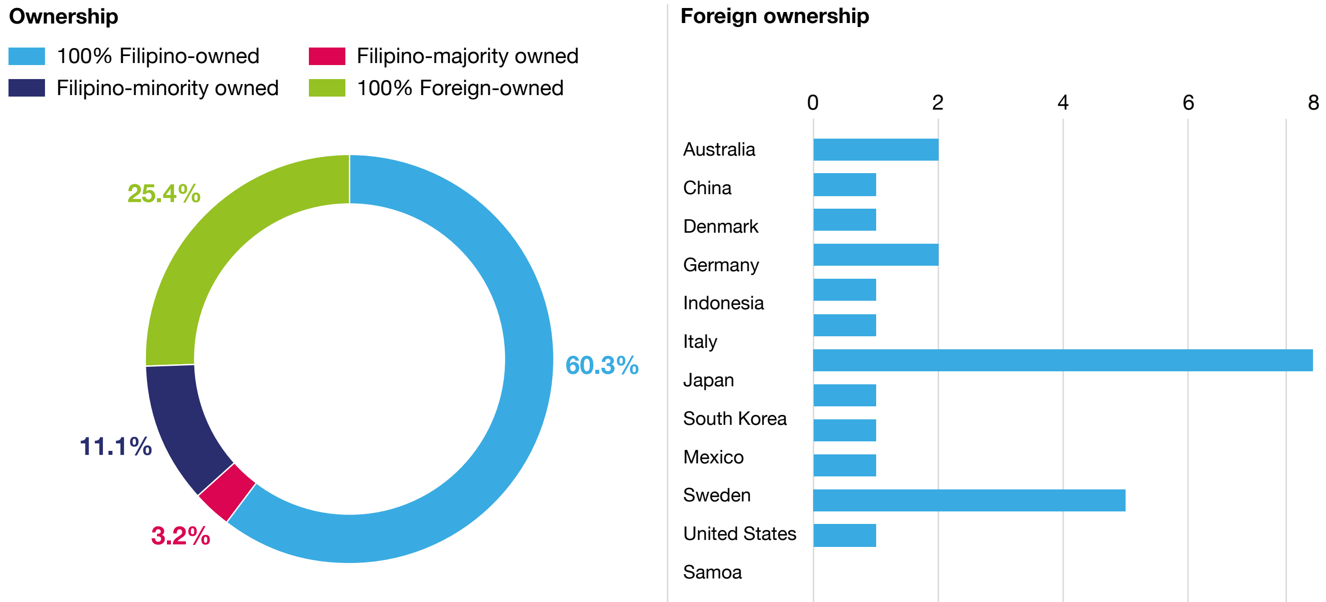


Figure B3: Respondents' gender profile

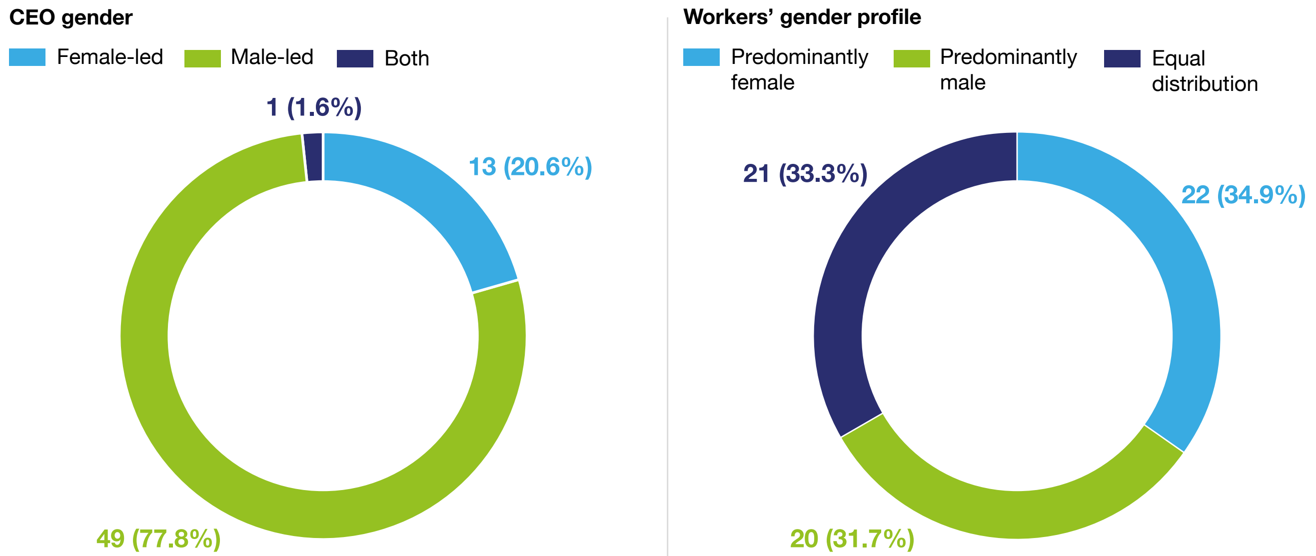
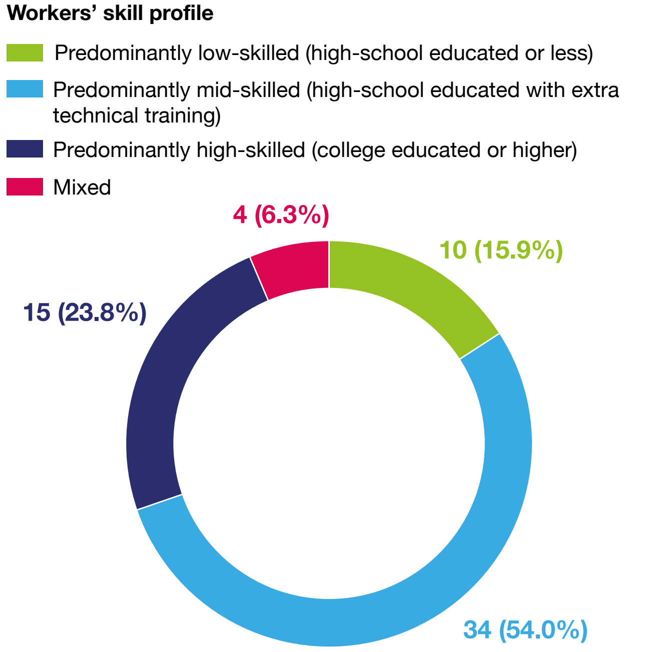
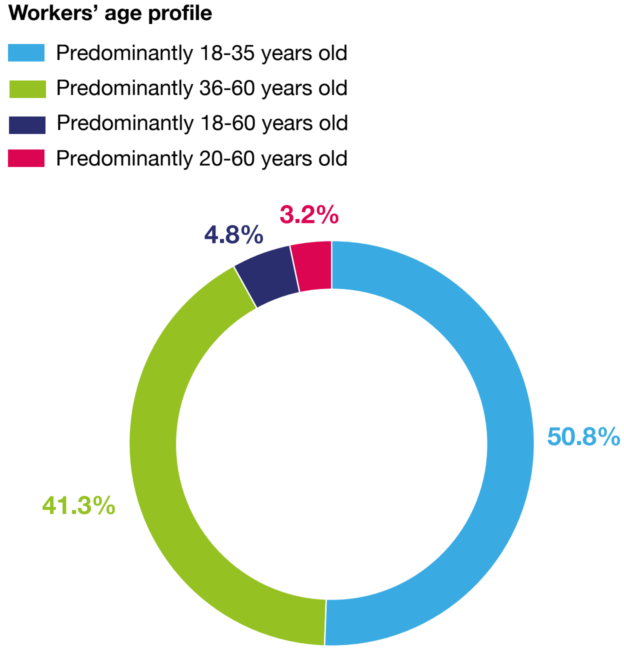


Figure B4: Respondents' skills profile





(b) Exporters to the EU

Fifty-one respondents are currently exporting or have previously exported to the EU. Among them, 36 directly export to the EU and 12 indirectly, the rest have previously exported to the EU.

The top 10 markets in the EU28 are the United Kingdom, Germany, Netherlands, Italy, France, Spain, Denmark, Belgium, Czech Republic, and Greece.

More than a third of those who are exporting to the EU are large firms. Majority of exporters to the EU are 100% Filipino-owned companies. Meanwhile, the rest have foreign ownership from EU member states (Denmark [1], Germany [2], Sweden [1]), Japan [4], and one each for South Korea, Mexico, United States, and Samoa.

Figure B5: Direction of Exports

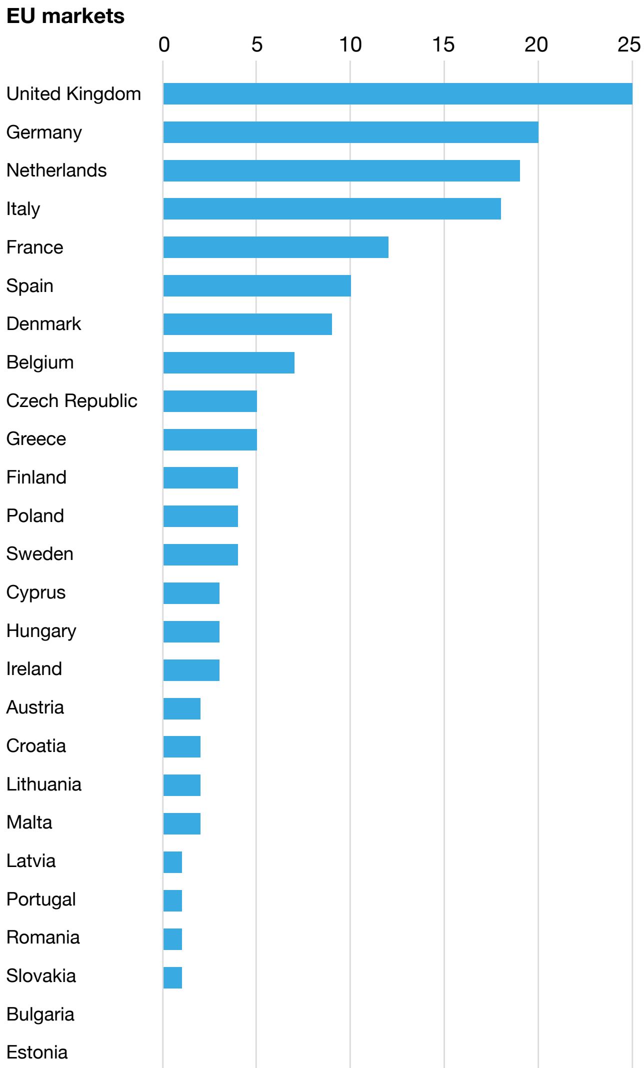
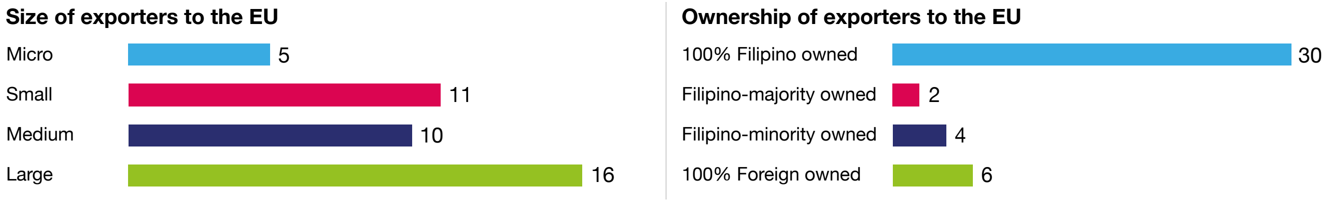


Figure B6: Size and firm ownership of exporters to the EU



(c) Awareness and Use of the EU GSP+ Benefits

More than half or 36 of all the respondents are aware of the EU GSP+ scheme. Among EU exporters, the awareness is higher at 76% (32 of the 42 respondents).

There are 26 (41%) of respondents who rated the available information on the GSP as adequate/highly adequate while 12 or 19% of respondents rated the information as inadequate or highly inadequate. Most of those who are aware about the GSP scheme first learned about it from the DTI's national and regional offices. Other sources of EU GSP+ information are the EU website, EU partner importers, the Bureau of Customs (BOC), and customs brokers.

(d) Use of the GSP+ preferences and assistance

Only 69% or 29 of those exporting to the EU are utilizing the GSP+. Majority of the GSP users are large enterprises. Most of the GSP users are also 100% Filipino-owned while some have foreign equity from EU member states (Denmark, Germany, Sweden), Japan, South Korea, Mexico, United States, and Samoa.

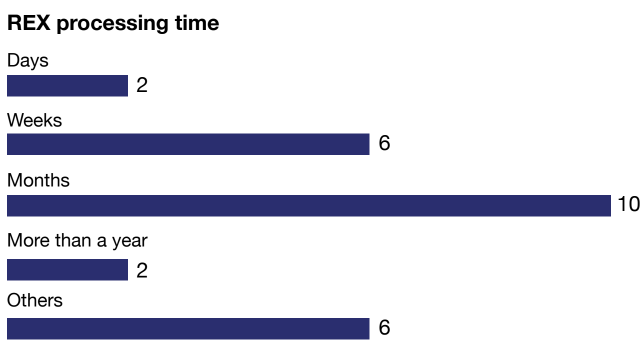
Among those exporting to the EU, most have received assistance in using the GSP scheme through information dissemination seminars and complying with documentary requirements. The top sources of assistance in using the GSP scheme are the national government agencies, customs brokers, and regional offices of national agencies.

Figure B7: Type and source of assistance in the use of GSP

(e) REX Registration

From the 26 (out of 29 responses) respondents who are using the EU GSP+, majority have registered with the BOC for the EU Registered Exporter (REX) system. Those who have registered had varying experiences regarding the speed of registration with the BOC. Some obtained their REX numbers in a matter of days while it took others more than a year to complete the process. For the majority of those who registered, the process took a matter of months. Those who are not registered with the BOC include those whose registrations are currently ongoing.

Figure B8: REX processing time



(f) Cumulation

Among those exporting to the EU, majority are not aware about the bilateral and regional cumulation rules under the GSP+. Only a small number of them use bilateral and regional cumulation when exporting under the GSP+ scheme.

Those who use bilateral cumulation have been using it for 3-7 years while those using regional cumulation have been using it for 5 up to 16 years. Meanwhile, lack of awareness and not using inputs from the EU or ASEAN are the main reasons for not using cumulation.

Figure B9: Cumulation rules - Awareness and Use

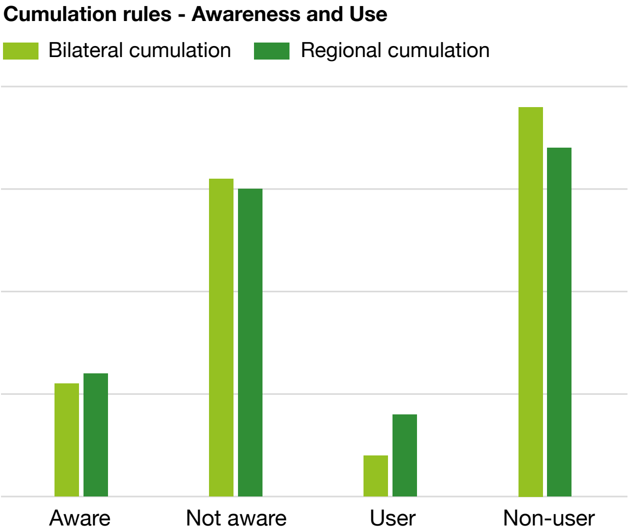
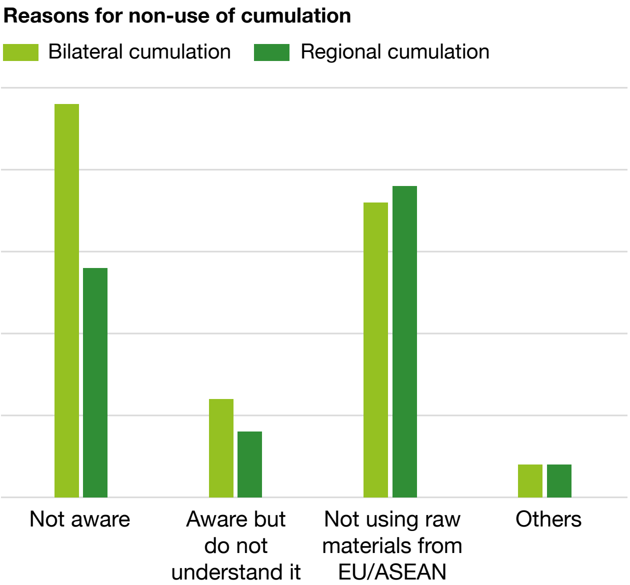


Figure B10: Reasons for non-use of cumulation



(g) Factors affecting GSP utilization

Figure B11 below summarizes the responses of 13 exporters to the EU who are not using the GSP+ about various reasons why they do not utilize the scheme. The most cited[33] reasons for the non-utilization of the GSP scheme are (a) lack of awareness and knowledge about the GSP scheme, (b) strict EU sanitary and health requirements (SPS), and (c) stringent EU technical requirements (certification, labelling, packaging).

Apart from the factors cited above, respondents also specified the following reasons for not using the GSP+:

- There was no GSP+ scheme at the time of exportation.
- There are too many documents required by the BOC to process GSP exports.
- Using the GSP for the first time is burdensome because staff at the BOC and other government offices are not knowledgeable on tariff or HS codes of products. There are also discrepancies in documents that cause delays resulting in exporters paying unreasonable penalties.

Figure B11: Factors affecting non-GSP utilization

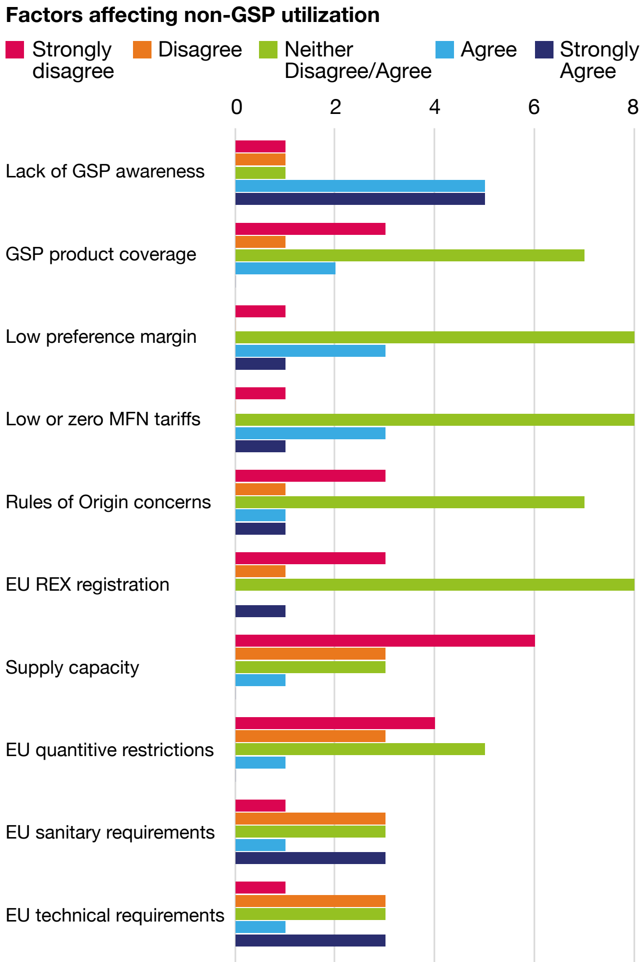
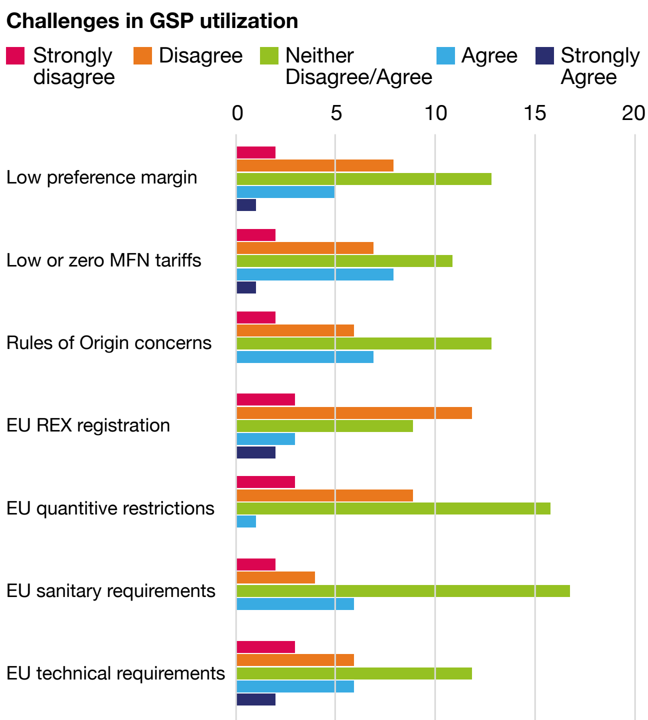


Figure B12 below summarizes the responses of 29 exporters to the EU who are GSP+ users about challenges they face when using the scheme. The most common [34] challenges faced by GSP+ users are (a) low or zero MFN tariffs, (b) restrictive rules of origin, (c) stringent EU technical requirements (certification, labelling, packaging), and (d) low preference margin.

Other challenges when using the GSP+ specified by the respondents are:

- Regulations on food products – Increasing standards on MOSH-MOAH, aflatoxin levels, and PAH,[35] required EU registration number for products containing ingredients of animal origin (oysters)
- Additional EU requirements that the Philippines does not have the capacity to test, which makes exporting to the EU more expensive and causes delays.[36]
- Logistics and freight concerns – lack of port calls, expensive shipping cost that reduces competitiveness
- Qualifying for GSP preferences based on the rules of origin
- Formulation and labelling requirements
- Translation requirements per country in the EU

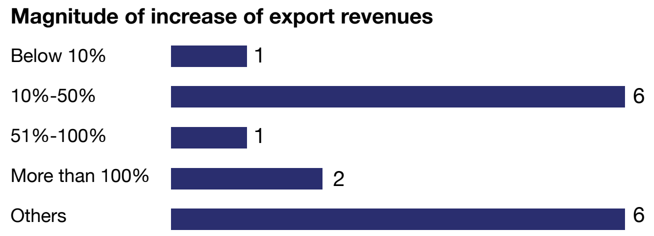
Figure B12: Challenges in GSP utilization



(h) Benefits from the EU GSP+

For 16 out of 29 GSP users the scheme led to an increase in their exports to the EU. The amount of increase in exports varies, ranging from below 10% to as much as 300-600%. For 10 out 16 firms, this is due to the higher margin of preference under the GSP+, and for 12, due to an increase in production capacity to export more to the EU.

Figure B13: Magnitude of increase of export revenues

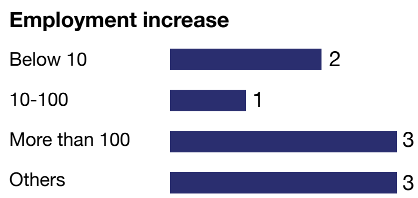


Meanwhile, those who did not report an increase in exports under the GSP+, cited the following reasons:

- low or zero MFN tariffs (1);
- production capacity remained the same (5)
- no new buyers or orders (2)
- exporter is new to the market (1)
- orders based on need / per project basis (2)
- competitors are also GSP+ beneficiaries (1)
- competitors' prices are more competitive when accounting for freight costs (1)
- others: importers fighting with grey imports (1)

In terms of employment, 9 out of the 16 exporters who reported an increase in exports due to the GSP+ also reported hiring more employees. The number of additional employees range from below 10 to up to 500 more employees. Those who did not hire more employees noted that the number of their employees was sufficient to meet the requirements from their increased exports to the EU.

Figure B14: Employment increase



(i) Brexit effect

From the 42 respondents who are exporting to the EU, 8 were affected by Brexit. Specifically, they reported the following effects:

- New inquiries came from Ireland
- UK buyer ceased purchasing
- Reduced shipments to or orders from the UK
- Policies became stricter
- Cannot avail of zero tariff for exports to the UK
- Others – internal issues with local authorities

(j) Suggestions to improve GSP utilization

Exporters gave the following suggestions on how to better assist them in using the EU GSP+:

Awareness and information available on the GSP

- Conduct more awareness raising/information dissemination activities (e.g., seminars, workshops, orientations, intensive trainings, focus group discussions).
- Wider dissemination of information per investment zone.
- Conduct more industry specific trainings on the EU GSP+.
- Disseminate information through the use of social media.
- Improve the outline of information provided to give a clearer preview of what can be learned from seminars or information campaigns.
- Provide or disseminate additional learning materials for the exporters on the EU GSP+.
- Provide a table to show the EU GSP+ tariffs (specific tariffs and duty-free tariffs).
- Provide more updates on the latest developments on trade agreements between EU and its trade partners.
- Provide constant updates to exporters as soon as there are changes/updates related to EU GSP+.
- Create a dedicated help desk or platform where exporters can ask information on the EU GSP+ status or general information that can be easily accessed by exporters.

Others

- Work on the renewal of and re-application to the new GSP+ scheme after 2023.
- Lessen the documentation needed and simplify GSP-related processes (e.g., for the EU REX registration).
- Provide more assistance in marketing Philippine products.
- Link coffee exporters with EU buyers to allow expansion of market and improve the socio-economic status of coffee farmers in the country.
- Provide financial/material facility/equipment assistance through loans or grants from the EU in order to enhance the coffee farmers' production capacity and elevate their socio-economic status.
- Be more present when new standards are being developed for export products (e.g., on MOSH, MOAH) because as they become more stringent, the potential for increasing exports is reduced due to inability to meet the new standards.
- Make tests available in the Philippines to comply with EU technical lab test requirements. Since these tests are constantly being updated, a specific center can receive the changes or updates made by the EU (whether from EU or based on information from exporters) and study how these tests can be made available in the Philippines.
- Find ways to improve logistics (e.g., having a boom in the Gensan harbor to encourage more vessel calls and so that vessels do not bypass Gensan) and lessen freight expenses. While these are not directly related to the GSP, this affects Philippine exports since other countries who enjoy zero duties in the EU market can provide faster and cheaper logistics.

Respondents also offered the following suggestions for the EU on how to improve the effectiveness of the EU GSP+:

- Improve the GSP Rules of Origin (e.g., using non - Philippine fish for canned tuna similar to arrangement enjoyed by Papua New Guinea).
- Make it a standard requirement for EU importers to inform their suppliers about the advantages of using the EU GSP+.

Push for the willingness of EU market participants to pay a premium for certified sustainable coconut oil to provide better opportunities for coconut farmers.

Annex B2. Highlights of the Focus Group Discussions

Consultations and focus group discussions were undertaken with stakeholders from the public and private sector over the period from May 2022 to September 2022. Given below are the key takeaways from the discussions undertaken.

(a) The European market

Export products and markets. The Philippines is well known in Europe for coconut products, tuna, and canned pineapples, which are also the top users of GSP+ preferences in the EU and the UK. Philippine coconut products are recognized for their quality and buyers have also shown interest in coconut syrup and sugar but the higher prices of the Philippine products makes it harder to compete, for instance, with Indonesia. Other competitors include Thailand, and Sri Lanka. Exporting fresh agricultural products to Europe is not practical given the long travel time that affects the good's quality and shelf life. Philippine exporters find it more convenient to export processed food products (e.g., banana chips instead of fresh bananas) instead.

Philippine exporters usually focus on a single market in the EU and a single product. Exporters also target Filipino consumers overseas. While focusing on its main export products, the Philippines needs to simultaneously (a) expand its product range; (b) export more sophisticated products; and (c) diversify its export markets in Europe to avoid dependence on a single buyer.

Quality conscious consumers and loyal buyers. European consumer tastes are more sophisticated. The European market requires high quality standards that exporters must comply with. They are particular with healthier ingredients, design, regulatory compliance, and certifications such as Organic, Fairtrade, Halal, Kosher certifications. For instance, the Swiss market demands products that require EU organic and Swiss organic certifications. This can be a hurdle for Philippine exporters, who usually have organic certification for the US but not the EU market. Philippine exporters also tend to focus on the US market given the stringent rules and requirements to enter the EU market. In addition, European buyers are conscious about engaging with socially responsible and environmentally sustainable businesses. Exporters who are working with marginalized communities, women, youth or have sustainable manufacturing processes can use this in marketing their firms to European buyers. Notwithstanding the stringent requirements that European buyers demand, they are long-term customers. Some exporters consider European importers as loyal partners who put premium on longer-term relationships.

Mainstreaming through private brands. Europe focuses more on private brands, which is different from Philippine exporters' notion of mainstreaming – that is, seeing their own brands in European supermarket shelves. DTI's Philippine Trade and Investment Centers (PTIC) abroad encourage Philippine exporters to supply for private labels, which is already being done by bigger companies like Century Pacific and RD Tuna.

Competitors. Exporters have cited Vietnam as an emerging competitor, aided by a wide network of free trade agreements (FTA) with major markets around the world, an aggressive export promotion strategy, and a conducive policy environment with generous incentives to entice inward FDIs. Many buyers have shifted to sourcing from Vietnam when importing from China became more expensive.

Impact of GSP+ on investments from the EU. GSP+ preference is usually a bonus but not a first consideration for European companies looking to investment in the Philippines even for products with high margins. Skills and cost of manufacturing take precedence. Other countries also have tariff preferences under FTAs that level the playing field vis-à-vis PHILIPPINES's GSP+ tariff advantages.

In addition, GSP+ tariff cuts are mostly on agricultural and food products. Industrial goods usually already enjoy 0 MFN tariffs. Most investments in the Philippines are in the industrial sector. The Philippines also has limited supply of ingredients or raw materials for food products compared to Thailand, the food basket of Asia. Packaging is also imported and is included in the local content requirement. This is a challenge for investors who would like to go to the Philippines. Therefore, investments that thrive in the Philippines are on services and assembly. In manufacturing, Electronics Manufacturing Services (EMS) is still service-related or deals with components and the Philippines usually assembles from imports and then re-export.

(b) GSP+ awareness and utilization

Information campaigns. The government (DTI's EMB and Bureau of International Trade Relations or BITR) and the private sector (chambers of commerce, PHILEXPORT) have conducted information campaigns and seminars to raise Philippine exporters' awareness about the GSP+. These have helped improve GSP+ utilization in recent years. As a result, exporters are now looking more into the European market instead of only focusing on traditional markets. Nevertheless, there is still not enough GSP+ awareness among Philippine exporters as well as EU importers. PTIC posts abroad receive inquiries even from regular buyers on information regarding how to avail of GSP+ preferences, which they would then relay to their Philippine suppliers. In trade fairs in Europe, Philippine exporters do not talk about and leverage the GSP+ when talking to buyers and pitching their products. GSP+ benefits should trickle down to more MSMEs through more awareness raising campaigns. Large firms with dedicated export or legal teams are able to utilize the preferences while MSMEs need more assistance to understand the scheme.

Importance of margins. Substantial margins are one of the important considerations affecting importers' decision to use the GSP. Margins are low for some of the main Philippine exports to the EU and the UK. It is therefore a good strategy to focus on high margin products like canned tuna and bicycle (major GSP+ users) in which the Philippines already has a dominant market share so that we can keep and protect our market position.

(c) EU GSP+ benefits

The GSP+ has helped certain sectors increase their exports to Europe because it lowered the cost for buyers and made Philippine prices more competitive. Additional exports to the EU also enabled companies to expand production and generate jobs. Nonetheless, even with GSP+ preferences, these sectors are not exempt from challenges.

Bicycle exports. Bicycles are among the Philippines' top GSP+ exports to Europe. Procycle was established in 1994 and is the biggest Philippine exporter of bicycles that caters to the US and European markets. Procycle manufactures bicycles based on their buyers' design and brand. They previously had a competitor – United Cycle – but they were not eligible for GSP preference. Due to this, Procycle became the sole supplier of bicycles from the Philippines to Europe and their sales doubled after five to ten years. Procycle reported that exports boomed starting in 2000. They have been continuously exporting every year since then. They initially focused on Europe but also eventually catered to the US market when they got a license from Giant bicycles in 2010.

There has recently been a decline in Philippine exports of bicycles to the UK. Cambodia and Vietnam are the main Philippine competitors. Vietnam has an FTA with the EU and the UK, which allowed them to benefit from the decline in Philippine exports to the UK. PTIC-London is in discussion with UK's Department for International Trade (DIT) on the bicycle issue. Exports of bicycles from the Philippines shifted from the UK to the Netherlands, possibly using Netherlands as a hub to re-export to other EU countries. If there was trade diversion due to Brexit, the decrease in exports to the UK is not commensurate to the increase in exports to the Netherlands. In addition, while UK imports of bicycles increased, Philippine exports to the UK decreased. This means that importers either shifted to other countries or production was scaled back in the Philippines since companies usually have manufacturing sites in other locations.

This decline was confirmed by Procycle, who used to export 100 containers per week but have reported receiving no orders in 2022 from Europe (as well as the US) due to the war in Ukraine, which affected consumer spending habits. Lockdowns during the pandemic also slowed down their production because some materials are imported.

Giant, a huge bicycle manufacturer that the Philippines is targeting to invest in the Philippines, has invested in Vietnam, which has an FTA with the EU. Since bicycles are already accorded 0% duty under the EU GSP+, the EU-VN FTA will give Vietnam an edge if they were able to negotiate more liberal rules of origin (RoO). In order to better understand the decline in bicycle exports to the UK and the EU in general, there is a need to look into supply chain issues, changes in the demand side, and whether this is an effect of Brexit.

Canned tuna exports. The tuna canning industry is among the top beneficiaries of the GSP+ scheme. Prior to the GSP+, the US was their major market but some companies report that the EU now accounts for almost 85% of exports due to the 24% GSP+ tariff advantage. Buyers prefer buying from the Philippines over Thailand, which is not a GSP+ beneficiary. Most of the market share of Thailand were transferred to the Philippines after GSP+ was granted. The Philippines competes with Ghana, Ecuador, and Papua New Guinea (PNG) for canned tuna.

Prior to being granted GSP+ preferences, the Philippines faced fierce competition from Ghana, Mauritius, and PNG, who all enjoy zero tariffs in the EU market. After GSP+ preferences were granted in 2014, the Philippines was able to increase its export volume to the EU over time. Prior to the pandemic, some tuna canners were able to export approximately 70% more to the EU compared to export levels before GSP+. Canned tuna exporters ship around 850 containers a month.

The first Philippine tuna cannery started shipping to the US and EU in the 1980s. More tuna canning companies were founded by the late 1980s. Since then, until the Philippines was granted GSP+ preferences in 2014, the flagship product of General Santos (GenSan) tuna canners was the two-kilo tuna can export to the US market, specifically catering to the requirements of hotels and restaurants as well as year-long supply contracts for the military. Thailand dominated the market for retail cans at that time. The US market accounted for 70% of canned tuna exports while the EU market accounted for only 30%. GenSan became the country's tuna capital because the *Saranggani* Bay was not yet overfished in the 1970s. As tuna supplies dwindled, fishing operators started fishing in PNG waters under fishing licenses. There is a bilateral agreement between the Philippines and PNG on this. When the GSP+ preferences took effect in 2015, the tuna industry in the Philippines became very attractive and many buyers approached tuna companies in the Philippines. Before cargoes arrived in the EU in January 2015, importers have already claimed zero duties.

The increase in demand from Europe allowed tuna exporters to hire more people, invest in more machines, and diversify their products (e.g., adding pouch line for tuna). Around 30% of tuna canners have expanded their plants. Tuna factories hire many employees because of the labor-intensive process. The job generating impact of the GSP+ is not only confined to the tuna canneries but to the fish ports as well as fish and can suppliers where tuna companies source their inputs from.

Other exports. Arte Cebuana, a home decor exporter in Cebu, experienced an increase in demand from Europe from 2018 to 2021, which led to an increase in their hired employees and weavers from communities in mountainous areas in Northern Cebu. Weavers are provided fair compensation and inputs are also sourced locally from Surigao in Mindanao from 90% sustainable materials.

(d) Challenges in exporting to Europe and utilizing the GSP+

i. Impact of external global concerns. Philippine exporters were affected by the pandemic and the war in Ukraine.

Exporters of canned tuna have reported decreased orders from Europe during the pandemic. In particular, some have reported a 50% decrease in demand from Europe, which is their largest market, in the past two years that significantly impact their survival despite demand from other markets helping augment sales.

Bicycle exports to Europe have also declined. Consumers have cut down on spending due to the war in Ukraine and might potentially be considering nearer sources to cut on transportation cost. In addition, bottlenecks in logistics due to strict lockdowns in other countries like China have affected the importation of needed inputs for production from Shanghai.

Other sectors were also affected. For instance, the Cebu GTH Foundation – an association for gifts, toys and houseware manufacturers – reported that their exporter pool is getting smaller. There are currently only 25 active exporter members from more than 110 members before the pandemic. PHILEXPORT Cebu members have also declined to 260 from more than 400 members due to the pandemic.

ii. Logistics concerns.

Apart from the decline in sales, the pandemic and the war in Ukraine have highlighted and exacerbated logistics problems that significantly increased the cost of exporting to Europe (and elsewhere) and made it difficult for exporters to keep their prices competitive, even with the GSP+ preferences.

Increased shipping cost. While shipping to Europe has always been costly due to the distance, freight rates have increased to record highs during the pandemic and this is one of the major challenges that all exporters currently face. Freight costs to Europe have ballooned to anywhere from two, three, four, five or even nine times more compared to pre-pandemic levels. In particular, increasing freight costs during the pandemic contributed to lower canned tuna exports to Europe from the Philippines. Meanwhile, freight costs for tuna competitors like PNG and Ghana did not increase as much and rates for China, Thailand, and Vietnam are considerably cheaper due to their export volume. Tuna exporters have reported losing contracts to competitors in PNG and Ecuador due to this. Additional costs are usually borne by exporters and make a significant dent in their margins. In other cases, depending on the payment terms agreed, importers shoulder the additional shipping cost, which makes them increase their prices as well for their local distributors in Europe. Additional fees were also introduced by shipping lines and port terminal operators like the International Container Terminal Services, Inc. (ICTSI) that authorities like the Philippine Ports Authority (PPA) should be monitoring and regulating.

Fewer vessel calls. Shipping lines have cut the number of vessels during the pandemic that resulted in fewer vessel calls. Tuna exporters have noticed this concern in the GenSan port. Weekly vessel calls in GenSan have been reduced to two to three vessel calls per month during the pandemic. At present, exporters need to book two to three months in advance. There were instances when products are ready for loading only for GenSan to be bypassed by vessels. The GenSan port also does not have a crane, which is a public infrastructure needed for vessels calling on the ports. When a port is bypassed, exporters would need to try to secure space in the next vessels. Available vessels and containers cannot keep up with the demand, which drives shipping costs upward. These have led to longer transit times and delays in shipment delivery to buyers. Some importers have opted to buy from other sources who can ship their goods faster. Tuna exporters have reported that it takes approximately two to two and half months for their goods to reach Europe.

Port congestion. Some buyers from Italy, Netherlands, and the UK reported that shipments can be stuck in their ports for two or three months, which affects the products' shelf life. There is also a global shortage in equipment and personnel such as truck drivers in ports and airports, which is why containers stay longer in ports. A lot of empty containers were also stuck due to stricter protocols during the lockdowns that has further contributed to the rise in freight costs.

iii. EU REX registration. Exporters have contrasting experiences regarding registration with the Bureau of Customs (BOC) for self-certification under the EU Registered Exporter System (REX).

Tuna canners, seafood exporters, and others who engage the services of customs brokers or consultants generally had a smooth registration experience. The length of time it took to register with the BOC also varies – some have reported being able to register in less than a month while it took others anywhere from six months to over a year to process their REX registration. Apart from the delays in registration, some have also reported difficulties in finding a focal person in the BOC with whom to directly coordinate with regard to their REX registration concerns and have asked the help of DTI to resolve REX issues. No plant visits were conducted during the pandemic and applicants only submitted photos, which may have also contributed to the delay in the registration process since site visits help BOC quickly assess whether products comply with the rules of origin (ROO).

REX registration is more tedious and burdensome for consolidators since they export numerous products under different HS codes. Hence, there are a lot of documents needed for REX registration from the actual manufacturers of the products that they export and some manufacturers have not been willing to share information (e.g., on pricing and process flow) that they consider to be confidential trade secrets.

Despite the challenges in the registration process, exporters have lauded the immense benefits of self-certification under the REX compared to the old system where they needed to go through the BOC to secure a Certificate of Origin (CO) Form A for every shipment to Europe to claim GSP+ preferences. The REX system made exporting under the GSP+ smoother and easier, significantly cutting the administrative burden of securing the CO Form A.

iv. Stringent rules of origin. Some exporters have not been able to claim GSP+ preferences due to strict ROO requirements and have advocated for more lenient origin rules at par with those enjoyed by competitors.

Tuna exporters noted that PNG enjoys more relaxed ROO since they can source fish from anywhere while Philippine tuna canners can only source fish from Philippine waters or Philippine flag vessels. Tuna canners source tuna from PNG waters due to insufficient supply in Philippine waters. 60% of tuna catch worldwide is from PNG. Other tuna sources like Indonesia have introduced restrictions on the use of tuna from their waters. Some tuna canners have factories in PNG and had to apply for fishing licenses. Securing more lenient ROO on the fish used as raw material will greatly benefit Philippine tuna canners.

The Confederation of Wearables Exporters of the Philippines (CONWEP) requested the DTI, Department of Foreign Affairs (DFA), and the Department of Labor and Employment (DOLE) to apply for the EU GSP+ preferences in 2012 to 2013. However, GSP+ utilization of the garment sector remains low because most of the exporters cannot comply with the double transformation rule where fibers must be spun/woven into textile in the Philippines before being made into garments for the finished product to be considered as originating. Woven garments have always been dominated by China because they have big investments on fully mechanized, capital intensive, and power heavy textile mills, whereas the Philippines does not have its own textile mills.

Garment exporters have thus asked the DTI to request for derogation from the European Commission. Exporters are currently using bilateral and regional cumulation. Textiles are sourced from China, Turkey, ASEAN as well as from Italy, Japan, Thailand, and Taiwan for specialized dry-fit sportswear. Around 70% of textile inputs still come from China because sourcing of inputs is a buyer-driven decision where the buyers would dictate where the textiles will be sourced from.

Garment manufacturing is a labor-intensive industry that provides employment for low skilled workers, out of school youth, women, and persons with disabilities (PWDs). Improving the EU GSP+ utilization rate to 50-60% can result in as much as an additional 60,000 – 100,000 hired workers.

Despite the Philippines not being able to utilize GSP+ preferences, buyers still source from the Philippines because of the quality. Philippine garments exporters cater to middle to high-end brands (e.g., Ralph Lauren, Rituals, Jigsaw, J. Jill, Club Monaco, Talbots, Boden).

v. Effect of Brexit.

The effect of Brexit on Philippine exports to the EU and UK needs to be further studied. Apart from the decline in Philippine bicycle exports, PTIC-London also noted that frozen mangoes used to be available through Picard but was no longer available after Brexit. It was exported from the Philippine to France but it loses GSP+ preference when it enters the UK due to Brexit. Procycle also noted that they now have to revert back to securing the CO Form A from BOC for GSP exports to the UK since the UK is no longer part of the EU REX system after Brexit. While this did not significantly affect Procycle's operations because they only ship around 10% to the UK, this means that Philippine GSP exporters to the UK will no longer benefit from the trade facilitating feature of the EU REX system.

vi. Lack of laboratory testing facilities.

Exporters noted the lack of testing facilities in the country for certain laboratory analysis required by buyers (e.g., for oil used in canned tuna, tests for virgin coconut oil). Due to this, samples have to be sent abroad to Vietnam, Taiwan or Germany, which is costly and causes delays.

vii. Non-tariff measures.

The EU is a heavily regulated market, especially for the food sector, and exporters need to learn about these regulations and comply with them to be able to enter the EU market. EU also has stringent requirements on labor standards, occupational safety and health, which may discourage exporters who are only beginning to explore the EU market.

An example of this is compliance with the EU CE marking, which indicates that a product has been deemed to meet EU safety, health and environmental protection requirements. It is a requirement for certain products imported and marketed in the EU. PTIC-London shared the case of a Filipina who imported parols (Christmas lanterns) from Cebu to the UK, which were held at the port because they did not have a CE mark for the outlet. The importer was not aware of this and the goods were shipped back to the Philippines. Exporters of lamps and other lighting fixtures have also noted the same challenge. These cases can be avoided if exporters are more aware and if there are more information campaigns on these.

There is also an on-going novel food application for dried mangoes prior to the pandemic. A huge UK importer wanted to import commercial quantities of dried mangoes. The request was endorsed to Brussels and is still on going. The novel food application for pili nut is also on-going and the Department of Agriculture (DA) has submitted a dossier to the EU to provide evidence that trade is not new and there was already significant trade in the past.

In terms of labelling requirements, Blue Planet shared that they once had a problem with a shipment of Century Tuna products in 2017 that had incorrect labelling indicating "for Philippine market only" instead of "for export market only" so the goods had to be sent back. After this, they implemented label checking procedures before shipping the items out to avoid the same problem.

Certifications. European buyers usually require certain certifications such as Halal, Kosher, Fairtrade, Organic, HACCP certification for food products. Complying with these private standards is cost prohibitive especially for MSMEs who cannot afford to pay the annual certification fees. There are also stringent requirements for certification like audits, plant visits, documentation, and trainings. These hinder some exporters from getting the needed certifications even if their operations are already compliant with the certification requirements (e.g., already following Fairtrade principles). In the UK, British Retail Consortium (BRC) Global Standard certification is usually required but only a few Philippine companies have this certification. This was highlighted when there was a pili nut importer who wanted to scale up sourcing from the Philippines but only five companies in DTI's records have BRC certification and there was no pili nut exporter among them. This demonstrates how limited the supply base is for Philippine companies that have the right certifications.

Food and Drug Administration (FDA) concerns. Applications for Certificate of Product Registration (CPR) and License to Operate (LTO) are still mostly centralized. FDA has a limited number of staff that cover a lot of areas, which causes delays. This points to an emphasis on overregulation instead of incentivizing compliance.

Access to credit. While there are alternative credit facilities like agro banks and SBCorp (the financing arm of DTI), terms to access working capital from financial institutions are not favorable with up to 7% interest rates and collateral requirements for 5 or 6% of the value. Exporters are usually in the negative list of banks due to poor and volatile export performance. This is a real challenge especially for small companies.

(e) Policies and programs needed to improve export performance and GSP+ utilization

i. Trade policy

EU GSP+ renewal. For sectors that are heavily reliant on the GSP+ preferences, the renewal and retention of GSP+ preferences are crucial for their survival. In particular, exporters stressed the importance of complying with the international conventions specified in the GSP regulation, which are often affected by political decisions. Tariff advantages under the GSP+ is important for exporters to be competitive, especially considering that competitors like Vietnam, Thailand, and PNG enjoy substantial government support.

PH-EU FTA. Exporters recognize that the GSP+ preference is not permanent. The Philippines will eventually graduate from the scheme or lose its beneficiary status if the Philippines cannot comply with the GSP+ conditions. Exporters therefore advocate for an FTA with the EU, which will provide permanent preferential access to the EU market and enable Philippine exporters to be on equal footing with other countries who have an FTA with the EU.

Derogation request. Garment exporters highlighted the importance of reviving the derogation request to the EU Commission to enable them to utilize GSP+ preferences.

ii. Trade promotion initiatives

Market intelligence. Exporters need more information on market trends and opportunities regarding in-demand products that have high export potential in international markets. Exporters must also be advised about technical regulations and new rules before they are implemented. Currently, exporters are usually advised about new regulations by importers. Disseminating this information (e.g., from EMB or PTIC posts abroad) will be helpful to exporters.

Trade fair participation. Many exporters noted the effectiveness of participating in local and international trade fairs and exhibitions through DTI-EMB, CITEM, and DA-AMAS to meet potential European buyers face-to-face. One benefit of participating in trade fairs is the inclusion in online directories that buyers can check. There was an increase in online marketing when trade fairs were halted due to the pandemic. While online presence could work for some products, others like design-based products would still benefit from participation in trade shows abroad where exporters can directly showcase their products to potential buyers. The Philippines needs to enhance its presence in international trade shows to compete with ASEAN countries like Thailand and Vietnam. This can be done through (a) additional government funding to enhance the design and size of the Philippine pavilion and participating booths; (b) providing complete promotional materials for the entire Philippine delegation; (c) offering subsidized trade fair participation and freight costs; and (d) increased visibility of and assistance from attachés in marketing promotion during trade shows abroad.

Role of overseas posts in trade promotion. Apart from participation in trade shows, which is usually expensive, some exporters noted that attachés abroad (presumably both trade and agriculture attachés) should be more aggressive in promoting Philippine exports and connecting Philippine exporters with potential buyers. There are a limited number of posts in Europe that usually cover several markets. DTI and/or DA could therefore consider adding posts or personnel abroad to undertake more extensive trade promotion initiatives.

Digital marketing. Some noted a perceived mismatch between the industry and the government's push for digital marketing. Online marketing for the retail market may not be suited for Philippine exporters, most of whom are manufacturers that export in bulk to wholesalers instead of selling only a few pieces. On the other hand, some exporters have benefitted from websites like Alibaba's B2B platform where big buyers from different countries are present. While exporters can create free accounts, they would need to invest and pay expensive premiums to be a member and be able to use the full business services that the portal offers. MyKartero, an online shipping platform for Philippine products destined for international markets, expressed its willingness to collaborate with DTI and ITC on how they can better help Philippine exporters in their portal become more aware about and utilize GSP+ preferences.

Showcasing Filipino products abroad. Another suggestion is for embassies to put up Filipino stores in various locations worldwide where products from the Philippines can be showcased regularly and where potential buyers can easily see the actual products and obtain samples from.

iii. Plans and programs for exporters

Awareness campaigns on the EU GSP+. In order to improve exporters' awareness about the GSP+ preferences, more information campaigns need to be carried out by the government in partnership with business associations and support organizations. These need to cater to MSMEs and have a wider reach outside the main city centers. This would help equip exporters with knowledge about the GSP+ and how they can leverage it to gain more buyers from the EU.

Focused and well-coordinated plans and programs. The Philippines needs focused plans and programs for exporters. While there are available funds, efforts are usually dispersed with no single objective and direction. Initiatives also tend to overlap among government agencies (e.g., DTI, DA, DOST) and even among DTI offices. Inter-agency and inter-office coordination is therefore needed. There is also a need to ensure that stakeholders outside Manila are consulted and involved in discussions regarding export-related policies and initiatives. The Philippines needs to identify five to ten focus products and industries so that government agencies have clear priorities where they can focus their resources on. The Philippine Export Development Plan or PEDP, which is currently being updated, has to provide a single unifying vision and realistic targets. The government must also ensure that there is synergy between development plants crafted by different agencies.

Sustained and hands-on coaching and training programs. Sustained programs instead of one-off projects are more effective. There is a need for sustained and holistic programs for priority products from manufacturing to promotion. DTI has Shared Services Facilities (SSF) that provide equipment and services for cooperatives in the regions and DTI could consider using these SSF to provide not only equipment but also experts that can help exporters improve their production.

Exporters in Cebu and Davao have cited hands-on and sustained assistance they received from the Netherlands' Center for the Promotion of Imports from developing countries (CBI) that helped prepare them to export to the EU market. Assistance included funding for booths in trade fairs in Europe for up to three years, consultants providing trainings and services on market development, market intelligence, marketing, and design. CBI also introduced the EU GSP to them and taught them how to access useful websites and tools (e.g., HS code search tools). CBI also trained 40 Philippine consultants in Rotterdam, 11 of whom remain active as consultants here in the Philippines. Government agencies can consider similar coaching and training programs for exporters.

Certification assistance. DTI's SSF could be upgraded to be HACCP or BRC ready, which are basic requirements for food processing. In terms of organic certification, the government could consider initiatives that would help address the high cost of certification. For example, there is an initiative by the local government unit (LGU) for the whole Alabat Island in Quezon Province to be certified organic – i.e., all products that come out of the island are certified organic. PTIC posts note that the notion that these certifications are too expensive for small companies is not entirely accurate because it is better to do the certifications while the company is still small and there is little to change in their operations. Certification is a more expensive exercise when a company is already big. On this note, DTI needs a deliberate program so that Philippine exporters are already compliant with international standards and certifications from the start.

Program on mainstreaming and toll manufacturing. The Philippines lacks a program for mainstreaming. PTIC posts usually advise companies to go the route of private labels, which has tough requirements, audits, and certifications. Exporters usually have to choose between spending money on marketing the brand or improving their standards to get certifications to enter the market. A program on mainstreaming and toll manufacturing would also address the problem of scale and supply. Many innovative products are from MSMEs but are hard to scale and mainstream. MSMEs can develop innovative products and big firms can produce these in bigger quantities. A program to connect innovative Philippine products with manufacturing facilities that could host them will be helpful.

Support for coconut exporters. Coconut exporters need more support for product development such as studies on the health benefits of coconut sugar. Additional programs for coconut exporters can also be considered under the coco levy fund.

Incentives for exporters. Tuna canners shared the type of government support enjoyed by competitors. For example, Thailand's government shouldered the HACCP certification of 80 canning facilities. Meanwhile, PNG competitors enjoy rebates for every ton of tuna exported since 1997. This enables PNG exporters to sell at lower prices and be more competitive. Such types of sustained support for forex-generating exporters are more efficient compared to one-time programs.

Incentives for traders and consolidators. Traders and consolidators play an important role in providing access to international markets, especially for MSMEs who cannot export directly to these markets. However, they have been overlooked in the incentives under the CREATE Law, which only provides incentives to manufacturers. One of the changes that negatively impacted the consolidators was the imposition of the 12% VAT, which led them to increase their prices. DTI is discussing with the Congress to defer the implementation of the imposition of the VAT for local purchases of exporters. Currently, only registered business enterprises under the IPAs can avail of the VAT zero rating, and not consolidators and traders. DTI-EMB is also discussing with BOI if traders and consolidators can be included as part of the activities eligible for incentives under the Strategic Investment Priority Plan or SIPP.

Laboratory testing facilities. There is a need for more testing facilities in the country, such as in the case of Thailand and Vietnam, that would allow exporters to comply with EU market requirements and avoid the additional cost of sending samples abroad.

iv. Other Measures

Resolving regulatory concerns. Exporters have noted the need to resolve concerns with regulatory agencies such as the FDA (CPR and LTO) and BOC. In particular, the following BOC-related challenges need to be addressed: (a) frequent introduction of new BOC regulations that add to their administrative burden; (b) difficulty finding a focal point in BOC to resolve concerns; (c) delays in releasing the shipment of inputs from ports, which causes delay in their production; (d) delays in REX registration, which could be expedited by possibly accrediting PHILEXPORT to register exporters under the REX.

Addressing logistics challenges. High freight costs and other logistics challenges are global concerns and not specific to the European market. Nonetheless, there is a need for inter-agency collaboration and coordination with the private sector on how the government can help alleviate the impact of these challenges to exporters.

Annex C. List of Participating Companies / Association

1. Agrinurture, Inc.
2. Andy Albao Corporation
3. BF Industries, Inc.
4. C.O.P. Pili Sweets and Pastries
5. Cargill Oil Mills Philippines, Inc.
6. Cebu Kadoya Corporation
7. Cebu Mitsumi Inc
8. Century Pacific Agricultural Ventures Inc
9. Cocolife Multipurpose Cooperative
10. Draka Philippines, Incorporated
11. Elgie Packaging Equipment Inc
12. EXAS Philippines Inc
13. Excellent Texscreeners Inc
14. Filipinas Oro de Cacao, Inc.
15. First Bataan International Group Inc.
16. Fis Global Solutions Phils. Inc
17. Go Global Service Solutions, Inc.
18. Good Sail Trading Inc.
19. Gsl Premium Food Export Corp.
20. Hagonoy Sports International Inc
21. Integrated Flow Systems LLC
22. KH Cebu Corporation
23. L&T International Group Phils, Inc
24. La Galuche, Inc.
25. Lapekto Lapel Paper Mache And Wooden Products International
26. Legato Health Technologies Philippines, Inc.
27. Mactan Apparels, Inc.
28. Mactan Wood Carving & Gilding Corporation
29. Magsasakang Progresibo Marketing Cooperative
30. Marigold Manufacturing Corp.
31. Marikina Food Corporation
32. Mekeni Food Corporation
33. MFP Home of Quality Food Corp.
34. Minoura Philippines Corporation
35. Mobilia Products, Inc.
36. Prime Fruits International, Inc.
37. Project Beans
38. Quality Gloves Manufacturing Corp
39. R&L Handicraft
40. Ranola Handicraft Company
41. Reliance Producers Cooperative
42. Republic Biscuit Corporation (REBISCO)
43. Salay Handmade Products Industries Incorporated
44. Seatrade Canning Corporation
45. Source Philippines Pty Lt
46. Stepan Philippines, Inc
47. Sugar Creations Arts & Crafts, Inc.
48. Synergistic Outsourcing Support Consumer Goods Wholesaling
49. Tae Sung Phils. Co., Inc.
50. Theo and Philo Chocolate Factory Inc.
51. Tixxi Handbags
52. TMC International
53. Tri-Phil International, Inc.
54. TribungKape, Inc.
55. TRP Inc.
56. Universal Robina Corporation
57. Vargas Native Products
58. Vasacrafts Company Inc.
59. VCLC Brew
60. Veng Phil. Co. Ltd. Inc.
61. Venzon Lighting & Objects
62. Yanah Crafts Global Trading
63. Yuenthai Philippines, Inc

Endnotes

1. Upon the prodding of the Confederation of Wearables Exporters of the Philippines (CONWEP), the Department of Trade and Industry applied to join the EU's GSP+ agreement in February 2014.

2. In 1971, the then European Economic Community (EEC) created the Generalized Scheme of Preferences (GSP) to enable developing countries to access the EU market by paying lower tariffs on their exports to the EU. This scheme is renewed every 10 years, with the current iteration of the EU GSP scheme set to expire on 31 December 2023. The scheme comprises of the Everything But Arms (EBA) granting duty-free access for all products (except arms) from LDCs; and the Standard GSP and GSP+ granting tariff preferences for 66% of tariff lines from lower and middle-income countries.

3. Myanmar and Lao PDR enjoy the most favourable regime under the EU GSP, namely the Everything But Arms scheme. At the time of writing, Cambodia's duty-free access has been suspended due to its government's inability to address EU's human rights concerns. Indonesia is under the standard EU GSP, while Vietnam and Singapore are the only ASEAN countries with a FTA with the EU.

4. Namely, Philippine Exporters Confederation Inc. (PhilExport), Philippine Chamber of Commerce and Industry (PCCI), European Chamber of Commerce of the Philippines (ECCP), and Confederation of Wearables Exporters of the Philippines (CONWEP)

5.The Herfindahl index (also known as Herfindahl–Hirschman Index or HHI) is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them. It is computed using the following formula: $\sum_{i=1}^{k} s_i^2$ where $s_i \in (0,1)$ is the share of component i total manufacturing value added, i = 1,…,k. The index ranges from 1/k to 1.

6. The biggest share is HS is 85423990 (Electronic integrated circuits (excl. in the form of multichip or multi-component integrated circuits and such as processors, controllers, memories and amplifiers)) with 12 percent, and CN 85423190 (Electronic integrated circuits as processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits (excl. in the form of multichip or multi-component integrated circuits) with 11% of total.

7. Data after 2012 is not yet updated and not fully merged with the list of Establishment of the Philippines' Statistics Authority.

8. Sourced from EUROSTAT database, international trade (theme), "Adjusted extra-EU imports since 2000 by tariff regime, by HS2-4-6 and CN8 (DS-1262672)"

9. An average of 20% of tariff lines have utilization rates of 90% and more. The trend is declining from 21% in 2015 to 12.9 percent in 2021. The share of products using duty-free MFN access, instead increased from 22% to 26% during the same period.

10. One must also take caution in noting the start date of the reported tariffs.

11. When a TARIC measure is created for a goods code at a certain level of the hierarchy in the nomenclature of goods codes, if these goods codes possess child-codes, they will automatically inherit the characteristics (i.e., applicable measures) of its parent-codes (European Commission DG on Taxation and Customs Union, 2022).

12. Based on the EU Official Journal that reports the EU regulation (No. 978/2012) defining the GSP scheme, cigars and cigarette sectors are considered sensitive. Under the Standard GSP scheme - a tariff reduction of 44% is granted to the sector. But, applying the Cascade Principle, under the GSP+ scheme, the tariffs for all products classified under TARIC 2400000000 are zero.

13. This is an example of the 80 sectors wherein combined tariffs (ad valorem and specific tariffs) and/or conditionalities are attached to the granting of zero GSP+ tariffs.

14. The formula used to calculate tariff savings is: $TS = \sum_{it} x * y$, where x stands for tariff margin (MFN-GSP), and y is equal to the total amount of imports that utilized the GSP.

15. For instance, in the datasets provided by the Bureau of Customs, there were 78 exporting firms in the coconut sector, in comparison to just 21 firms in the tuna sector.

16. This estimate assumes that the sector will achieve the average utilization rate of 76% if the extra barrier as represented by the double transformation rule is removed. The formula used is: $Extra = \sum_i \left[\frac{M-(el*0.7)}{M}\right]$, where M is total imports, and el, stands for GSP eligible imports.

17. The formula used to calculate foregone benefits is: $FB = \sum_{it}(el - y) * x$, where el is GSP eligible imports, y is equal to the total amount of imports that utilized the GSP, and x stands for tariff margin (MFN-GSP).

18. Public sector: Department of Trade and Industry – Bureau of International Trade Relations, Export Marketing Bureau, Foreign Trade Service Corps, Board of Investments. Private sector: Philippine Chamber of Commerce and Industry, European Chamber of Commerce of the Philippines, Philippine Exporters Confederation Inc., Women's Business Council Philippines.

19. In particular, Region 3, Region 7, Region 11. EMB also endorsed the survey to the DTI-Regional Operations Group (ROG) for wider dissemination.

20. PHILEXPORT National and PHILEXPORT chapters in Region 3, Region 7, and Region 11

21. There are different ways to determine the optimal sample size based on factors such as confidence level, confidence interval, and population. However, a simple minimum sample size is usually 100 or 10% of the population. As of May 2022, there are 746 EU REX exporters registered with the BOC, which captures the population of EU GSP+ users in particular. The total population increases when considering the number of Philippine exporters to the EU and the overall number of Philippine exporters in general.
22. The sectors highlighted in this report are based on the exporters who were present at the focus group discussions and provided insights through the surveys. While invites for the focus group discussions were disseminated broadly – there was still low turnout in some of the locations, or the exporters who attended the sessions were broadly based in specific sectors.
23. MOSH stands for mineral oil saturated hydrocarbons; MOAH stands for mineral oil aromatic hydrocarbon; and PAH refers to polycyclic aromatic hydrocarbons. EU regulates the levels of MOSH, MOAH, PAH as well as aflatoxin in food and packaging materials that come into contact with food products due to the potential health risks that these contaminants pose.
24. Exporters noted the lack of testing facilities in the country for certain laboratory analysis required by buyers (e.g., for oil used in canned tuna, tests for virgin coconut oil).
25. Papua New Guinea has an Economic Partnership Agreement (EPA) with the EU, and under the EPA's RoO was granted derogation for 'global sourcing' meaning the Papua New Guinea can source fish from third-country vessels and process. This was granted on the basis of the limited fishing capacity in the country and to promote development of an onshore processing capacity to create local jobs, skills transfer, and income. Refer: https://webcache.googleusercontent.com/search?q=cache:IqjgJWux-ioJ:https://trade.ec.europa.eu/doclib/docs/2020/october/tradoc_158988.pdf&cd=1&hl=en&ct=clnk&gl=ch
26. The GSP+ scheme is only one among the many determinants of trading behaviour of firms, which should necessarily be considered in a more rigorous econometric estimation of impact.
27. ITC sought further evidence from the tuna producers present at the discussions on specific numbers for increase in jobs, operations, etc. – but was not able to receive the details.
28. MOSH stands for mineral oil saturated hydrocarbons; MOAH stands for mineral oil aromatic hydrocarbon; and PAH refers to polycyclic aromatic hydrocarbons. EU regulates the levels of MOSH, MOAH, PAH as well as aflatoxin in food and packaging materials that come into contact with food products due to the potential health risks that these contaminants pose.
29. For instance, apart from bilateral and regional cumulation, there is also the option of cross-regional cumulation – which allows beneficiary countries from Group I (where the Philippines is located, alongside Cambodia, Indonesia, Lao PDR and Myanmar) to cumulate with beneficiary countries in Group III (which comprises of Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka) – and comply with the RoO requirements. This cumulation, however, is subject to a request – and not granted automatically, unlike the bilateral and regional cumulation.
30. Refer to Annex B2 for the example of imports of parols (Christmas lanterns) to the UK. (While the UK is no longer in the EU – the example is of relevance as it relates to the CE marking which is required by EU member states as well). The products were held at the port as the CE mark was not provided, and the importer was unaware of this requirement. The products were then shipped back to the Philippines.
31. Micro: Up to P3,000,000 in assets (excluding land) or 1-9 employees
    Small: P3,000,001 – P15,000,000 in assets (excluding land) or 10-99 employees
    Medium: P15,000,001 – P100,000,000 in assets (excluding land) or 100-199 employees
    Large: P100,000,001 or more in assets (excluding land) or 200 or more employees
32. 'Others' in Figure 2 refer to an Australian-owned company who indicated Australia in its address. The following regions are not represented in the results: Cordillera Administrative Region (CAR), Region I – Ilocos, Region II – Cagayan Valley, Region IV-B – MIMAROPA, Region VIII – Eastern Visayas, Region IX – Zamboanga Peninsula, Region XIII – Caraga, and the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM).
33. Respondents were asked to rank different reasons for not utilizing the GSP scheme based on how much it applies to them through a likert scale. The most cited factors refer to those that received the greatest number of agree and strongly agree responses.
34. Respondents were asked to rank different challenges faced when using the GSP scheme based on how much it applies to them through a likert scale. The most common challenges refer to those that received the greatest number of agree and strongly agree responses.
35. MOSH stands for mineral oil saturated hydrocarbons; MOAH stands for mineral oil aromatic hydrocarbon; and PAH refers to polycyclic aromatic hydrocarbons. EU regulates the levels of MOSH, MOAH, PAH as well as aflatoxin in food and packaging materials that come into contact with food products due to the potential health risks that these contaminants pose.
36. This likely refers the lack of testing facilities in the Philippines, which was also mentioned in the FGDs.

International
Trade
Centre

dti
PHILIPPINES

ARISE+ Philippines

Funded by the European Union