



## Asia-Pacific Trade Briefs

### Philippines

**Merchandise trade:** Exports from the Philippines grew rapidly in 2014 by 9.5%, which was much faster than the Asia-Pacific region overall (1.5%). This strong performance was largely driven by growth in manufactures, and agro-based and mineral products. The Philippines has a diversified export base, exporting 3,477 products to 124 different partners, compared with the Asia-Pacific average of 2,107 products and 95 partners. Its largest export partners are China, Japan and the United States, which account for 27.3%, 13.3% and 13.2% of exports, respectively. Electronic equipment constitutes a large part of the Philippines' exports; in particular, electronic integrated circuits account for 24.5% of those exports. Electronic circuits are also its largest import, signalling participation in GVCs. Agricultural products also make up an important portion of its exports, including goods such as coconuts, palm oil products and bananas. The Philippines' main import partners are China and the Republic of Korea, which collectively account for 36.8% of its imports. The Philippines' major imports consist of petroleum products and large machinery such as motor vehicles. Lower oil prices and strong inflows from business process outsourcing, tourism and remittances strengthened the current account surplus of the country in 2014-2015.

**Services trade:** The Philippines' services exports also grew, by 6.4% in 2014, slightly faster than the Asia-Pacific regional total (4.8%). This was led by higher exports of business services, the largest sector. The Philippines' imports of services on the other hand increased dramatically by 22.6% in 2014. This was largely accounted for by travel services, which totalled more than half of all services imports.

**Global value chains (GVCs):** The share of intermediate goods in trade – a proxy for participation in GVCs – is marginally higher in the Philippines (23%) than the Asia-Pacific region (22%) for imports, and much lower in the Philippines (8%) than in the region (18%) for exports. Nevertheless, the Philippines is highly integrated into GVCs compared with the region overall. This is reflected in the composition of top import and export products, which are dominated by intermediate goods (e.g., integrated circuits, diodes and semiconductors). These goods are classified as capital goods, but feature prominently as intermediate inputs in technology-oriented GVCs.

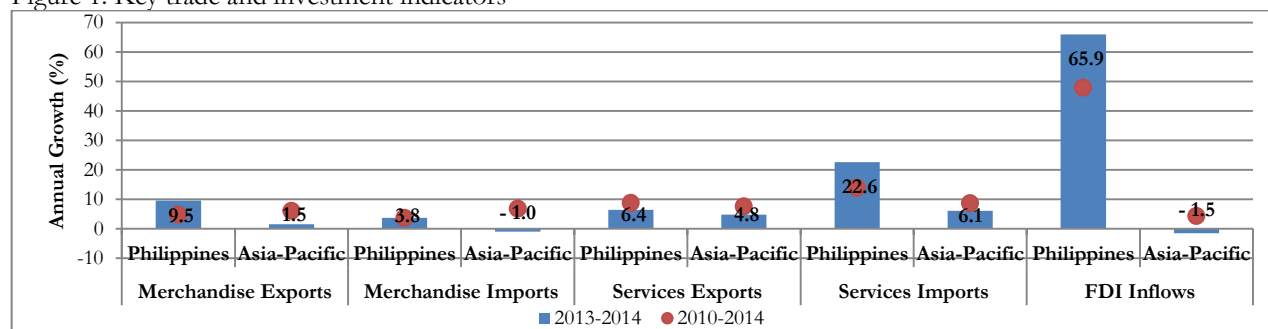
**Foreign direct investment (FDI):** The Philippines' FDI inflows showed extraordinarily strong growth by 65.9% in 2014 – from an already rapid annual average growth of 47.8% through 2010-2014. This occurred despite a succession of devastating typhoons that have placed major strains on the domestic economy and its infrastructure. Inflows in early 2014 were sluggish due to typhoon Yolanda; however, they increased markedly following an upward revision of growth forecasts by the International Monetary Fund in May 2014. The Philippines has strong fundamentals that help in attracting FDI, including: an accelerating domestic economy; an English-speaking workforce; natural resources; and a strategic location. In addition, prudential macroeconomic policies have built greater confidence in the economy.

**Tariffs:** Average MFN applied and effective tariffs, at 6.3% and 3.7%, respectively, are slightly lower than the Asia-Pacific averages of 7.4% and 7.4%, respectively. Average WTO bound duty, at 25.7%, is slightly higher than the Asia-Pacific average of 21.7%.

**Trade costs:** Intraregional trade costs in the Philippines have fallen marginally since 2009. It is costlier for Asia-Pacific economies to trade with the Philippines than with East Asia-3 (China, Japan and Republic of Korea) (the intraregional benchmark) and with EU-3 (France, Germany and United Kingdom) (the extraregional benchmark). Based on the UNRC Survey 2015,\* the Philippines's trade facilitation and paperless trade implementation score is 65.6%, compared with 46.5% for the Asia-Pacific region.

**Trade agreements:** The Philippines has nine trade agreements in force, which is higher than the Asia-Pacific average of seven agreements. 59% of total exports are to PTA partners, compared with 35% for Asia-Pacific, while 69% of total imports are from PTA partners, compared with 45% for Asia-Pacific. This indicates that the Philippines is highly active in using PTAs as a tool for securing or enhancing trade with major trading partners.

Figure 1. Key trade and investment indicators



\*Country notes summarising results of the UNRC Survey 2015 are available at: <http://unnex.unescap.org/UNTRFSurvey2015.asp>

Figure 2. Top merchandise markets

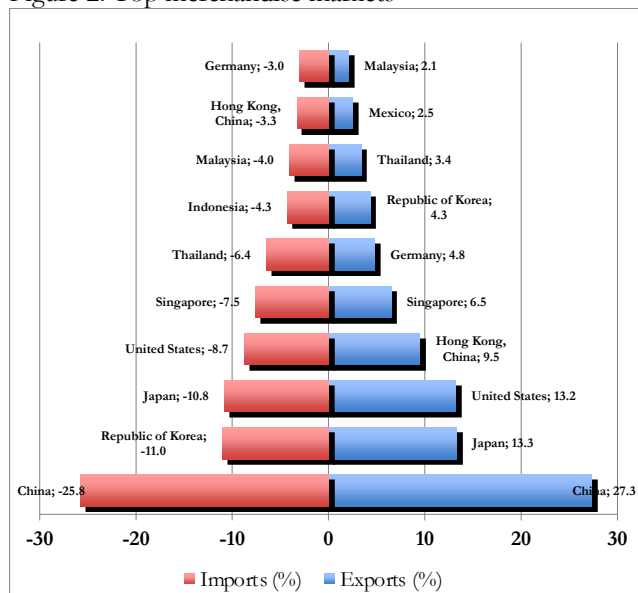


Figure 3. Top merchandise products

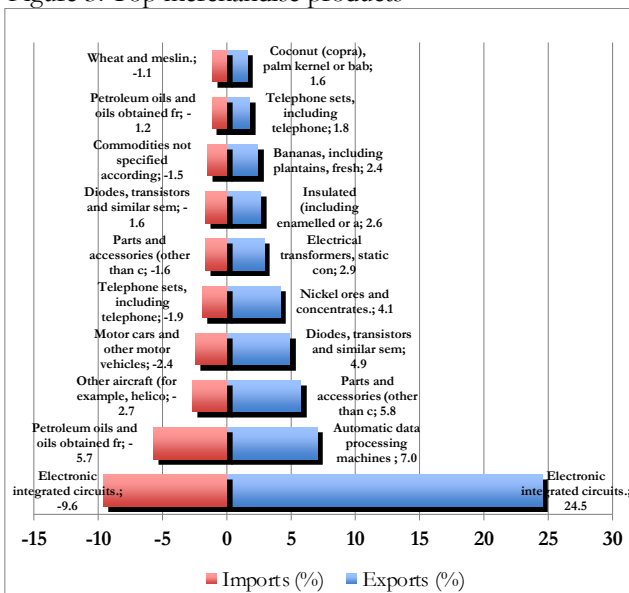


Figure 4. Trade in goods by their use

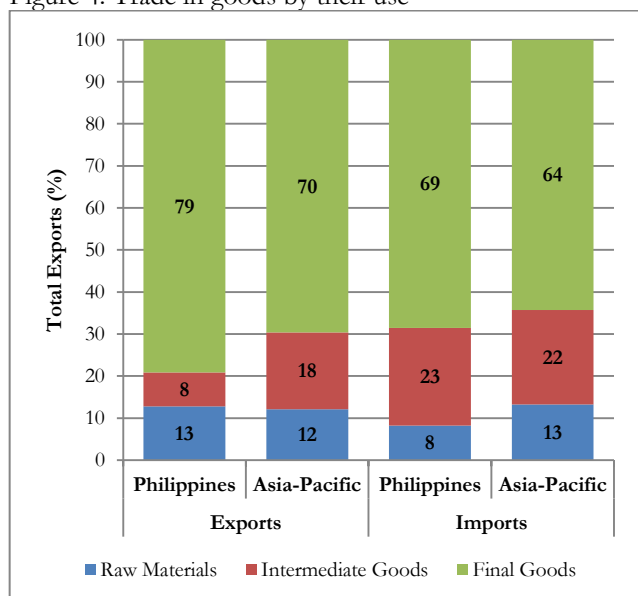


Figure 5. Foreign direct investment

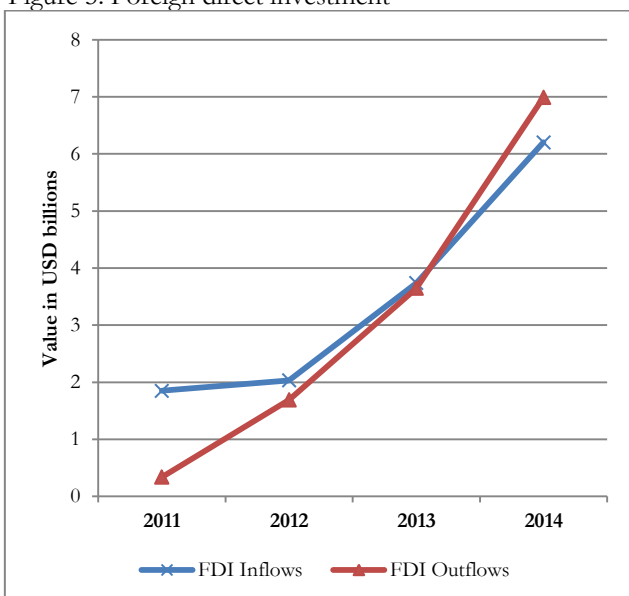


Figure 6. Tariffs

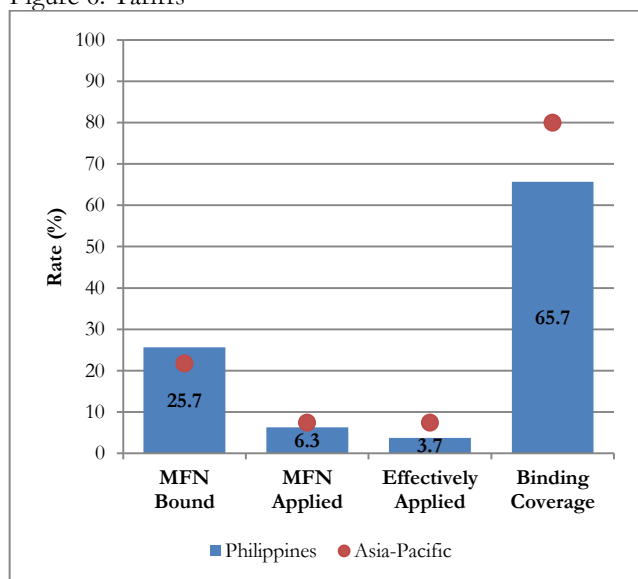
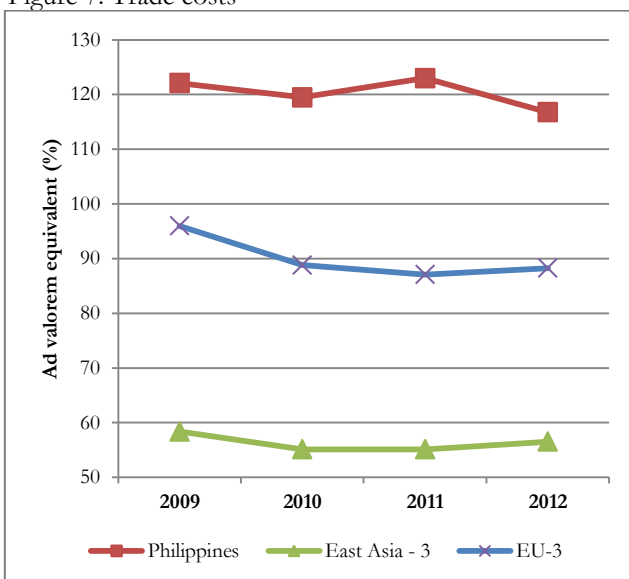


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.

Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.

Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.

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