



COMMISSION ON HUMAN RIGHTS
REPUBLIC OF THE PHILIPPINES

**Advisory on the Political Economy of The Death Penalty: GSP+ and
Implications on the Philippines (CHR (V) A2021-007)**

**A policy paper by the Commission on Human Rights of the Philippines
and**

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Executive Summary

Discussions on the death penalty tend to focus on normative dimensions of implementing the policy or the effectiveness of deterring crimes. However, an increasingly unexamined aspect is the economic ramifications of legalizing and reimplementing death penalty once again, which could affect trade and fiscal policies in the Philippines. Apart from President Duterte's verbal tirades against the international community, what remains crucial are the economic implications on trade preferences oriented around a certain set of values. The European Union (EU) has formulated what is called the Generalised Scheme of Preferences (GSP), which is a series of trade preferences in favor of promoting economic development and pursuit of a general set of principles in the global South including the implementation of human rights standards.

The relationship between the Philippines' social policies, particularly the death penalty, is clearly related to trade and economic development. This Advisory examines the following questions:

- How did the Philippines ascend to the GSP+ and how important is the EU to Philippine trade?
- How important is the GSP+ and what is the likely impact on the Philippine economic growth, particularly increasing exports, balance of trade, and trade diversification?
- Corollary to the first question, what is the granular impact of losing the GSP+ to Philippine some provinces, industries, and workers?

This paper concludes that GSP+ is currently underutilized, but the trade benefits have served to be an important engine for Philippine exports to the EU.

1. The status of the Philippine trade regime is as follows:

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- a. Electronics and services comprise major exports of the country. While electronics began in the 1990s, global market shares have decreased since 2006 whereas services have increased.
 - b. Philippine exports to the EU have continued to increase since 2010.
 - c. Philippines is the 35th most complex economy in the world.
 - d. Philippine imports outweigh exports, although exports have taken a slight decrease in 2017 and 2018.
2. Losing the GSP+ benefits would result in a fall in the exports, a greater negative balance of trade, and constrained efforts to diversify exports.
 - a. Philippine exports have been less competitive due to the decrease in prices: chemicals (-44.4 percent), coconut oil (-28.9 percent), ignition wiring sets (-27.5 percent), and bananas (-13.2 percent).
 - b. The Philippines has a positive balance of trade payments with the EU at \$12 billion, which limits the negative balance of trade in \$40 billion.
 - c. Export diversification is crucial to shield the Philippines from macroeconomic shocks.
3. The GSP+ contributed to increasing FDI due to the number of firms that want to take advantage of the trade benefits. Losing the GSP+ might lead to considerable divestment for these firms.
4. The GSP+ increases the incentives for social and environmental compliance.
5. Losing the GSP+ benefits will likely derail provincial development strategies, decrease in as well as a decrease in regional employment and GDP contribution.
 - a. Increasing the number of exit ports exporting to the EU, increasing from 20 to 26.
 - b. Losing the GSP+ most likely results in a cut of 7,321 jobs, which would harm some of the poorest provinces in the country, particularly Lanao Del Sur, Sultan Kudarat, Northern Samar, and Sarangani, increasing the pathways of violence in those areas.
6. China is not an alternative market due to the non-fungibility of exports; relying on the Chinese government may compromise other Philippine interest.
7. Although the EU have continued interest to import Philippine products, the Philippine government has experienced some delays on the talks about the Philippine-EU FTA. The reimposition of death penalty alongside the extra-judicial killings are some of the reasons that the Philippine government officials have pointed out.
8. The cost of implementing the death penalty seems to be twice the amount of administering non-death penalty measures in other countries



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**THE POLITICAL ECONOMY OF THE DEATH PENALTY: GSP+ AND
IMPLICATIONS ON THE PHILIPPINES**

CHR (V) A2021-007

I. Introduction

Since the election of President Rodrigo Duterte (2016-), segments of the Philippine government have voiced out to reimpose the death penalty, which is defined as the state-sanctioned homicide for certain crimes. In the Philippines, the death penalty was legal for heinous crimes yet rarely implemented due to the social and political pressures from key sectors of society.¹ In 2006, former President Gloria-Macapagal Arroyo (2001-) succumbed to the Catholic Church, removing capital punishment, and ratifying the Second Optional Protocol by the International Convention on Civil and Political Rights (OP2-ICCPR). Since Duterte, the Philippine National Police (PNP) vigorously pursued the “war on drugs”, leading to the deaths and arrests of thousands of allegedly involved persons-of-interests. In Duterte’s 2020 State of the Nation Address (SONA), he called on the Department of Justice (DOJ) to reinstate the death penalty once again. He also implored both houses of the Legislative to pass a law bringing back the death penalty. Multiple sectors, including the Commission for Human Rights (CHR), called the possible reinstatement “a breach of international law,” arguing instead for a “comprehensive approach in addressing drug sale, and use, as well as other crimes, anchored on restorative justice instead of merely imposing punishments without regard for human lives and rights” (CHR 2020).

Discussions on the death penalty tend to focus on normative dimensions of implementing the policy or the effectiveness of deterring crimes. However, an increasingly unexamined aspect is the economic ramifications of legalizing and reimplementing death penalty once again, which could affect trade and fiscal policies in the Philippines. Apart from President Duterte’s verbal tirades against the international community, what remains crucial are the economic implications on trade preferences oriented around a certain set of values. The European Union (EU) has formulated what is called the **Generalised Scheme of Preferences** (GSP), which is a series of trade preferences in favor of promoting economic development and pursuit of a general set of principles in the global South.² The GSP+, a more advanced version of the GSP, which enacts a greater set of trade benefits to the global South.³ The Philippines ascended to the GSP+ in 2014,

¹ For a list of heinous crimes, see Gavilan (2019).

² For a list of the conventions, see European Commission (2019a).

³ GSP+ gives greater benefits to the global south in three fields: (a) trade benefits to 90 countries in over 6300 tariff lines; (b) provides duty-free exports to countries that have ratified specific international conventions across fields; and (c) duty- and quota- free access to all countries except arms.

CHR: Dignity of all

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giving benefits to 6,274 number of commodities (European Commission 2018). In the first year, Philippine officials expected that the GSP+ would increase trade by 35%, accrue export earnings worth \$737 million, and generate 200,000 jobs (Palaña 2014). However, the Philippines has only been able to utilize 71% of these benefits, illustrating that the economic benefits could be more (European Commission 2018). In 2020, the largest Philippine exports are machinery and appliances (67%), transport equipment (5.8%), animal and vegetable fats and oils (5.1%) and optical and photographic instruments (4.3%) (European Commission 2020).

While the GSP+ covers a huge array of issues such as labor, human rights, freedom of speech, and environmental regulation, the death penalty has been the most salient issue. The EU has previously removed the GSP+ of other countries: for instance, in December 2013 alone, the EU has dropped Sri Lanka, Myanmar, and Cambodia (Berggren 2019).⁴ The GSP+ of the EU is linked to other similarly structured agreements, such as the US and Japan's own GSP (Özden & Reinhardt 2005). Losing the EU GSP+ opens the precedent to losing the US and Japan versions,⁵ which would ineluctably impact the lives of Filipinos. The relationship between the Philippines' social policies, particularly the death penalty, is clearly related to trade and economic development. This Advisory examines the following questions:

- How did the Philippines ascend to the GSP+ and how important is the EU to Philippine trade?
- How important is the GSP+ and what is the likely impact on the Philippine economic growth, particularly increasing exports, balance of trade, and trade diversification?
- Corollary to the first question, what is the *granular* impact of losing the GSP+ to Philippine some provinces, industries, and workers?

Given the questions above, the Advisory will make three arguments against death penalty through the economic dimensions of the GSP+

1. At the national economic level, the GSP+ has boosted Philippine exports, improved balance of trade payments, and increased export diversification. The withdrawal of the GSP+ will likely resort to a fall in exports, negative balance of trade, and less incentive to diversify exports. Finding alternative markets are unlikely given the nature of Philippine exports. Maintaining the GSP+ will help the Philippine government attain a greater position in world trade.
2. At the regional level, the GSP+ has boosted exports of key provinces and increased their linkages to other European states. The initiative has boosted the number of jobs in each province due to the opportunities presented by the EU 27 markets. All participating province in the EU market have a total amount of exported goods between \$3 million to \$2.5 billion. Provinces such

⁴ The EU initially withdrew its GSP+ trade benefits from Sri Lanka in 2010 for its 'human rights shortcomings' such as torture, arbitrary arrests, use of child soldiers and unlawful killings. Although reinstated in 2017, Sri Lanka risks losing its GSP+ status again for its 'persistent failure' to enact human rights reforms. In Cambodia, the EU cited the 'deterioration of democracy, respect for human rights and the rule of law in Cambodia' as a direct violation of their obligations under the EBA scheme. See: [Advisory on the effect of the death penalty on the EU GSP+ benefits to the Philippines, \(CHR \(V\) A2020-018\)](#).

⁵ The United States gives benefits to over 3500 Philippine products. See Özden and Reinhardt (2005)

as Agusan Del Norte, La Union, and Sarangani have exported goods worth millions of USD. Regional development is likely to be derailed if and when the GSP+ gets rescinded.

3. Finding alternative markets is unlikely due to the non-fungible commodities and political cost of depending on a smaller number of trade partners.
4. The economic cost of death penalty is high. The policies do nothing to improve national and regional economic growth.

In support of these arguments, we conducted in-depth interviews with officials from the Department of Trade and Industry (DTI), Department of Finance (DOF), and the *Bangko Sentral ng Pilipinas* (BSP). We specifically spoke to teams from the three agencies, comprising of individuals who either negotiated or became very familiar with the GSP+.⁶ We supplement these with Philippine government on exports, foreign direct investment, and balance of payments. We added European Union reports, particularly from the EU Commission, Parliament, and Directorates. In sum, this Advisory presents primary and secondary data to answer these questions, analyzing the relationship between the imposition of the death penalty and its likely impact on Philippine economic growth and development.

This Advisory is structured as follows: first, it will present a brief overview of an increasingly important trend in international political economy, particularly the rise of trade preferences and political values associated with transactions. The review will focus on the GSP and the associated literature on the GSP+. Second, it will review the Philippine trade data, particularly the aggregate export composition, product market share, export partners, and the ECI index of the Philippines. The third and fourth sections examine the likely impact of losing the GSP+ due to the death penalty. Specifically, section three will examine the importance of the EU27 in increasing export shares, balance of trade, and trade diversification. The fourth section looks at regional trade data, particularly comparing 2014 and 2019 Philippine provincial exports using port of exit data. Afterwards, it will look at employment data before the GSP and after the GSP+, which would indicate an association between the trade preferences and employment. The final section focuses on the cost of implementing death penalty, which, while not a trade issue, is the alternative to losing the GSP+ benefits.

II. The Political Economy of the GSP+

The political economy of trade is a crucial starting point for discussing this issue. Many high-income countries comprise wealthy markets that low- and middle-income states do not have access to due to the high cost of tariffs, transportation cost, and standards around labor and environment. Nonetheless, the European Union, as a single trading block with homogenous standards on most tradable goods, is the biggest market for many low-income countries. In this light, GSP has become more beneficial than the Most Favored Nations (MFN) status offered to other countries (see Putte & Velluti 2018). GSP+ makes an additional 66% exempted from tariffs and other fees (see European Commission 2019a). Furthermore, the enhanced version, the GSP+, aligns the EU's vision with the 27 increasingly important international conventions on human rights, labor, environment, women's empowerment, indigenous groups, freedom of speech, and

⁶ We anonymized the names of the officials as well as the interview dates and time to protect their identities. All the interviews have been conducted via zoom.

other related ventures. Apart from the GSP+, the EU also offers the Everything but Arms (EBA) scheme to a select number of countries, liberalizing all trade sectors except weapons or arms (see Lebzelter & Marx 2020). The progression of the GSP, GSP+, and EBA consist of an upward pyramid that host countries can access under certain political and economic conditions. The existence of the GSP increases host country trade access by about 66% from the original starting point.

These schemes make the trade benefactor (the European Union) give preferences and incentives, comprising the removal of tariffs to a large number of commodities, to the trade beneficiary (the host countries), without the attendant reciprocity on the part of the other country. Put simply, while most trade preferences in the developed world are accessed by reciprocal trade arrangements, political or economic concessions, and previously existing colonial ties, the GSP, GSP+ and EBA provide access without considerably economic adjustment. The list below summarizes countries in the respective EU trading scheme (European Commission 2019b).

Standard GSP: Congo, Cook Islands, India, Indonesia, Kenya, Micronesia, Nauru, Nigeria, Niue, Samoa, Sri Lanka, Syria, Tajikistan, Tonga, Uzbekistan, Vietnam

GSP+: Armenia, Bolivia, Cape Verde, Kyrgyzstan, Mongolia, Pakistan, Philippines, Sri Lanka

EBA (Everything but arms): Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar/Burma, Nepal, Niger, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Tanzania, Timor-Leste, Togo, Tuvalu, Uganda, Vanuatu, Yemen, Zambia

Statistical analysis of the GSP and GSP+ indicate mixed results. Economists and political scientists have studied the effect of both trade preferences on increasing trade flows from recipient countries and on inducing export diversification. Nilsson (2002) conducted one of the earliest studies of the GSP, comparing the Lomé Convention and the GSP between 1973 and 1992. Nilsson finds that the GSP does increase trade inflows on affected commodities and encourage GSP beneficiaries to diversify their exports. While Nilsson examines the baseline GSP but not the GSP+, two other studies find the effects of GSP to be insignificant. Using the Gravity model, the Persson & Wilhelmsson (2007) examined the EU's general trade preferences from the 1960s to 2002, finding that the GSP does not significantly increase either trade flows or export diversification. As both authors argue, host country firms exporting to the EU may not use trade preferences despite the entry dates to the trading scheme. In another study, Berggren (2019) used the Perfectly Matched Layer (PML) model to analyze the effect of the GSP+, using the GSP as a reference point in 63 countries between 1988 and 2006. He finds that the GSP+ does not statistically differ from the GSP. Nonetheless, there seems to be a net welfare gain in the GSP trade regimes over the other associated trade preferences. As Gasiorek et al. illuminate (2011), preferential trade regimes have a general welfare increase despite variation in sectors and models. However,

what stands out is the GSP and GSP+ increased the welfare of many beneficiary countries.

For the governance effects of the GSP+, particularly on the political, social, and environmental angles, the general finding is that the effects vary across sectors and countries. One of the most recent studies of the GSP+ finds that countries may ratify the convention but have trouble implementing the agreements. Indeed, this is what Gasiorek et al. (2011) illuminate in their statistical analysis. However, what should be kept in mind is that even the ratification of the UN Conventions does, in fact, lead to mobilizational effects that benefit elites and civil society. In Putte and Velluti (2018), the authors find that the threat of the GSP+ withdrawal induced both Bolivia and El Salvador to renege on their threat to renege on their UN Convention commitments. Furthermore, preliminary studies, particularly Berggren's analysis of Sri Lankan textiles, argue that the removal of the GSP and GSP+ from Sri Lanka in 2009 due to the gross human rights violations of the regime constitute an incentive to Sri Lanka's elites and firms to change suit. By 2015, Sri Lanka was readmitted to the GSP trade regime after implementing human rights reforms.

However, one of the most recent studies on the topic by Lebzelter & Marx (2020) find that the GSP+ is generally successful. Through the use of an index, the GSP+ has fostered an improvement of beneficiary state compliance across all 27 conventions. This index allowed both authors to observe the effects of the GSP+ both during the reforms of the trade initiative in 2015 and the ascension of beneficiary states. This study makes a similar inference that countries that have left the GSP+ generally experienced a decline in their human rights, environmental, and social accords.

The analysis of the academic literature on the GSP regimes brings out the following questions in the Philippine context. First, the Philippines acceded to the GSP+ regime in 2014, acquiring only the benefits in the subsequent years. How big are the EU trading partners to the Philippines? How did the Philippine government and attendant firms mobilize to ascend to the GSP trading regime? Second, what have been the effects of the trade benefits to the Philippines' revenue generation, trade inflows, and trade diversification? Third, which actors benefited from the GSP+, particularly firms, sectors, and regions within the country. Corollary to that, what would be the potential effect of withdrawing from the GSP+ on these firms, provinces, and workers.

III. An Overview of Philippines Trade

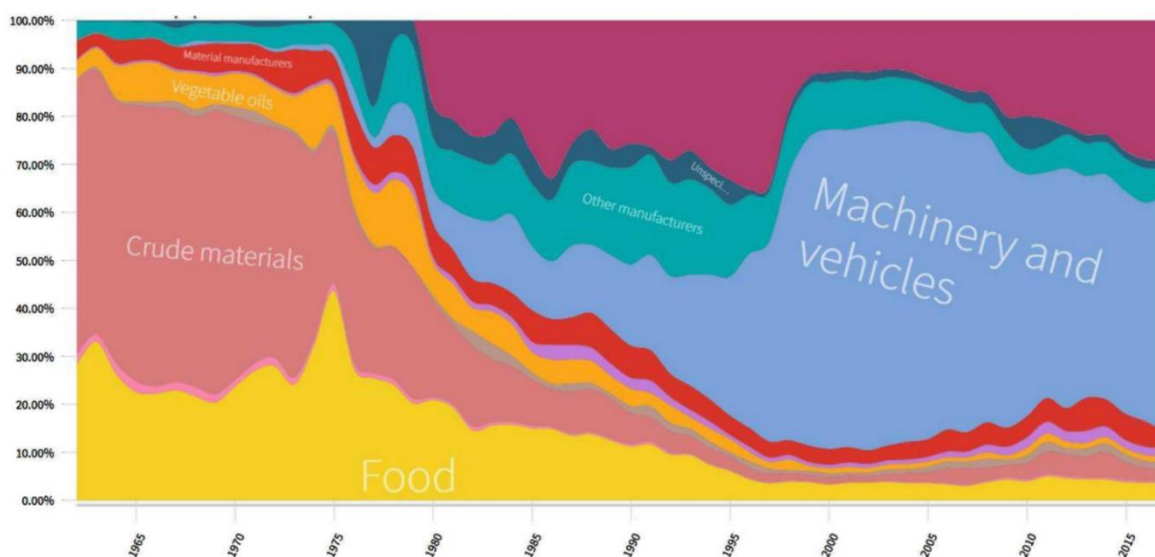


Figure 1: Composition of Philippine exports, 1965–2015

Source: The atlas of economic complexity, center for international development at Harvard University, Retrieved May 21, 2020 at <http://www.atlas.cid.harvard.edu>.

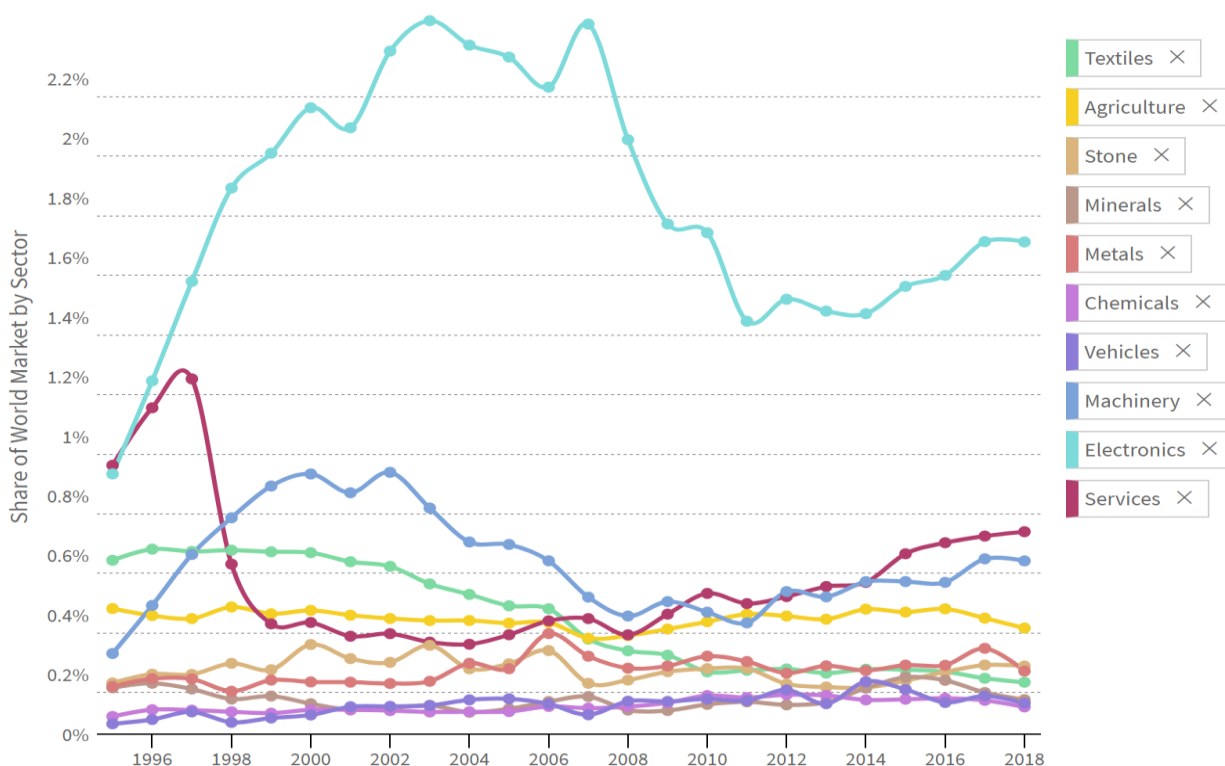


Figure 2: Percentage of world share by Philippine exports, 1996–2018

Source: The atlas of economic complexity, center for international development at Harvard University, Retrieved May 21, 2020 at <http://www.atlas.cid.harvard.edu>.

As Figure 1 illustrates, the Philippine economy has moved away from natural resource exports to exporting parts of machinery, vehicles, and services in the last few decades. The Philippines exported raw material exports and food stuff from the 1965 until 1985. However, the 1980s set about a new direction with the emergence of export processing zones, where the Philippines became a conduit for the assembly of car manufacturing and other vehicles. In the 2000s, the Philippines became the main assembler of several chips, which were used for computers and cellphones. Figure 2 illustrates the share of Philippine exports at the world stage. Here, electronics and services comprise the largest composition of exports, capturing 1.6% and 0.7% of the world market respectively. Electronics had

a bigger share at 2.4% in 2006, but steadily decreased due to international and domestic reasons. Philippine share of services started to increase since 2011.

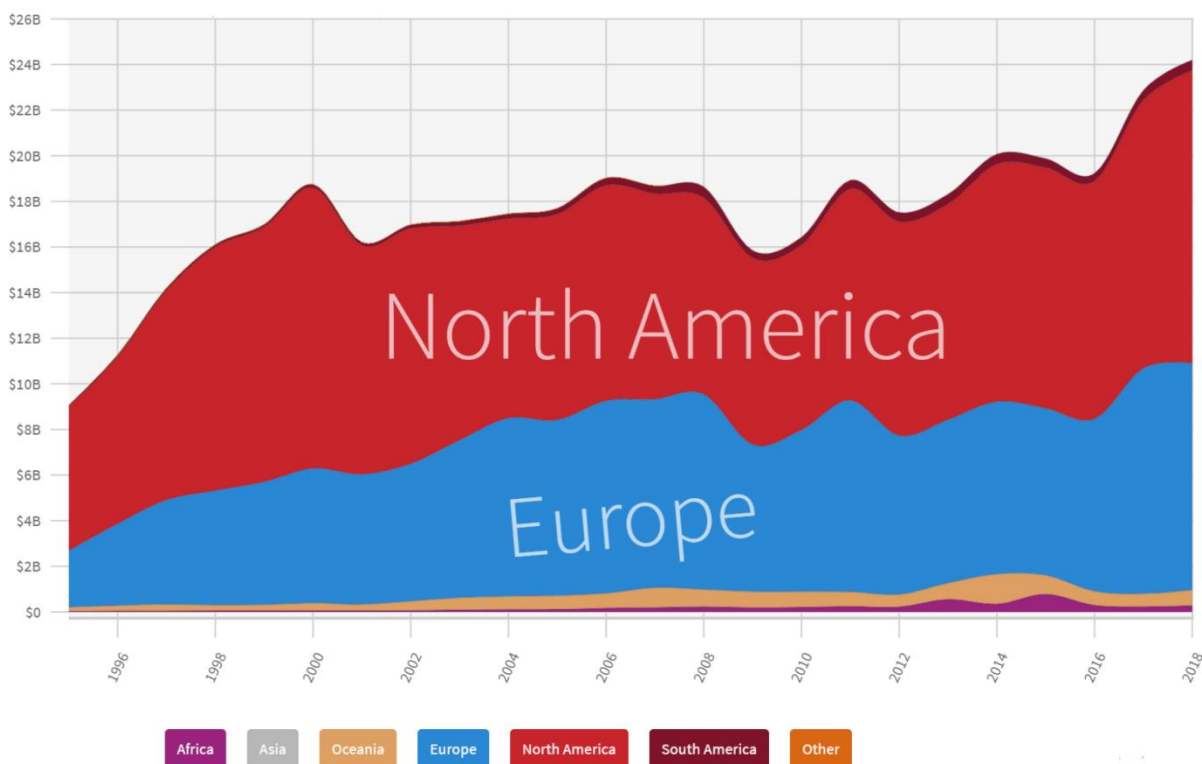


Figure 3: Largest Philippine Export Markets, 1996–2018

Source: The Atlas of Economic Complexity, Center for International Development at Harvard University, Retrieved May 21, 2020 at <http://www.atlas.cid.harvard.edu>.

Relatedly, Figure 3 shows the largest Philippine trade partners. Excluding Asia from the mix, North America and Europe comprise the 2nd and 3rd largest trading partners of the Philippines, accruing \$12 and \$9.6 billion respectively. All the other regions of the world, particularly Africa, South America, Oceania appear to be minor trade partners. Philippine exports to Europe increased from 2015, the final year prior to the implementation of the GSP+, to 2018; increasing by about \$2 billion from \$7.5 to \$9.6 billion. Despite the current administration’s drug war and verbal tirades against the international community, trade, since the implementation of the GSP+, has been increasing. In 2016, the Philippines and the EU started the first round of negotiation for a separate European Free Trade Agreement, the PH-EFTA FTA.

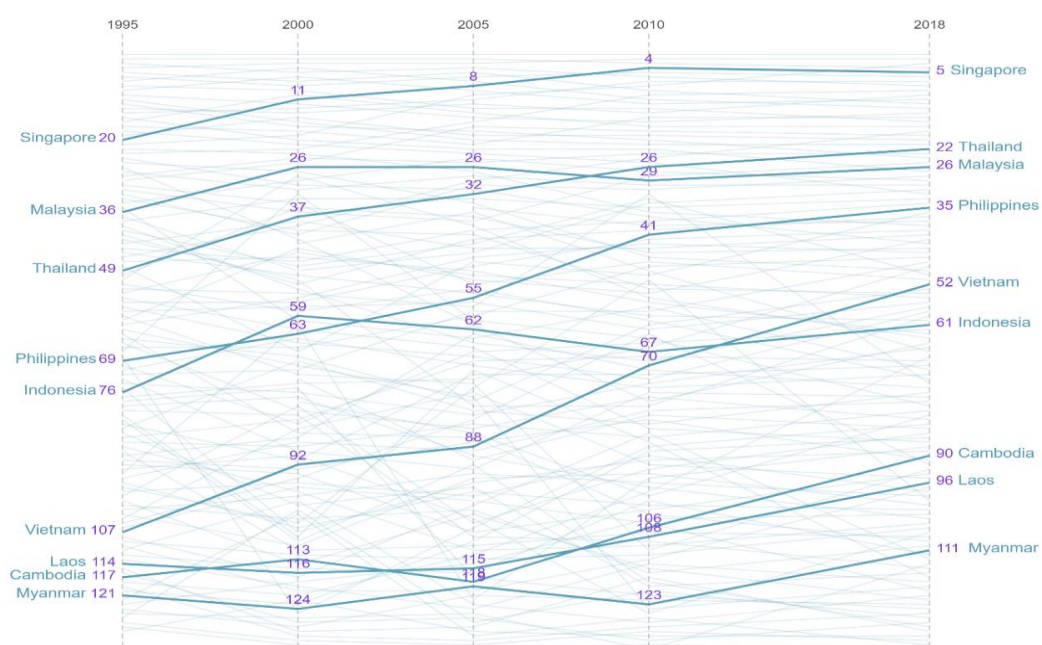


Figure 4: ASEAN ECI Score

Source: The atlas of economic complexity, center for international development at Harvard University, Retrieved May 21, 2020 at <http://www.atlas.cid.harvard.edu>.

Figure 4 illustrates the Philippine ranking relative to other ASEAN states when it comes to Economic Complexity (EC) index,⁷ which was developed based on the diversity, complexity, and sophistication of exports. Countries with high levels of complexity comprise highly diversified, sophisticated, and a specialized set of exports in their trade basket. Lower complexity countries indicate a range of narrower commodities with less marketable and easily replaceable commodities. Based on the figure, the Philippines is the fourth most economically complex country, exporting a range of commodities that surpass both export-oriented Indonesia and Vietnam. The Philippines has had an upward trajectory in export diversification. Between 2013 and 2018, there has been a three-fold increase in the Philippines' EC score.

The Philippines pursued negotiations with the EU to acquire the GSP+ status during the Arroyo and Aquino administrations. As former DTI Secretary Gregory Domingo said, “This is a game changer, hundreds of thousands of jobs will be available in the countryside. This will specifically help disaster-stricken areas. The approval of the EU Parliament reflects the EU’s strong support to the Philippines’ development strategy and recovery efforts” (Palaña 2014) Additionally, former Philippine DTI undersecretary argued, the GSP+ will increasingly make “foreign investors to turn their attention to the Philippines and consider the country as their manufacturing hub for the ASEAN region” (Donaldson 2014). In other words, the GSP+ benefits the Philippines’ broader development strategy of pursuing manufacturing and acquiring foreign investments in manufacturing. The next two sections present data on the general impact on revenues, trade diversification, and inflows.

IV. Export Shares, Balance of Trade, and Trade Diversification

⁷ The ECI index ranks countries not only through knowledge of the sector and technology, but also the range of exported products to a broader set of countries. Put simply, ECI illustrates the diversity and sophistication of a country’s productive capabilities and likely technological trajectory.

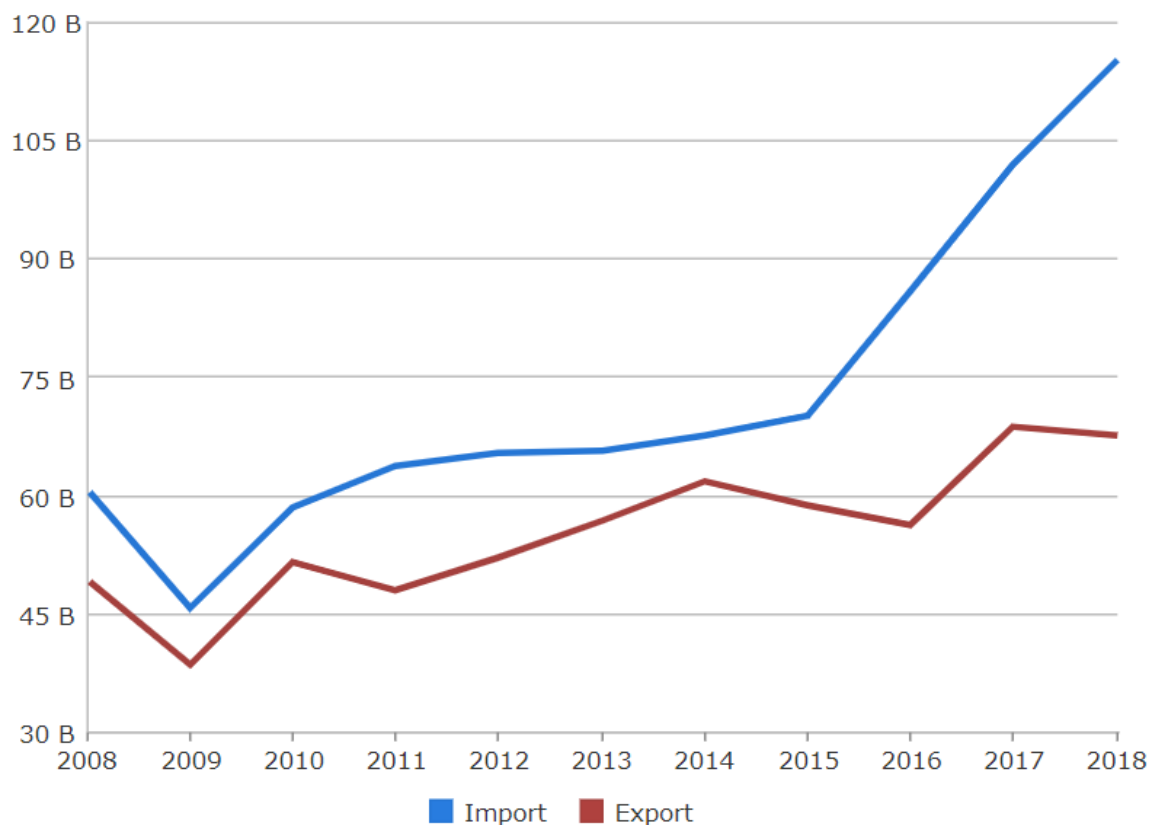


Figure 5: Philippine Import and Export Earnings, (2008-2018)

* figures in billions of PHP

Source:

<https://wits.worldbank.org/CountryProfile/en/Country/PHL/Year/LTST/Summary>

The figure above illustrates Philippine imports and exports. With the exception of the periods between 2008 and 2014, there is a trade deficit in the Philippines where the country is importing more than it is exporting. In explaining several downward trends, the fall in 2009 can be attributed to the global financial crisis, which inhibited Western markets from further consumption. The 2011 fall has been attributed to lack of recovery in the US market and the lackluster demand for electronics and semiconductor parts at that time (see Gallagher 2014). Trade recovered between 2011 and 2014 as the Aquino administration pursued diversification and increasing competitiveness, particularly negotiating for the GSP+ (Sabillo 2015). The dip between 2014 and 2015 was partly because of the trade sanctions imposed by the People’s Republic of China due to the West Philippine Sea disputes, affecting Philippine fruit exports (see Camba 2017). When the Duterte government pursued a positive approach to China, building a good relationship with President Xi Jinping, exports started to recover as seen between 2016 and 2017 (Camba 2020).

The GSP+ has been crucial to increasing the volume of exports. Though, as noted by the DOF official, it is difficult to pinpoint the increased of volume due to the lack of data that could directly test the precise impact of the initiative. Crucially, the growth of the Philippine economy has contributed to increasing the exports of the country after 2009. As noted by the DOF official, “I had a look and if you look at it after 2009 and even before the GSP+, there was an increase in the amount of exports.” Though, after the GSP+ was passed, there was easily an increased in the trade, as the DOF official noted himself. For a BSP official, the increasing amount of exported revenues “bring foreign exchange earnings in the country, enabling the

country to strengthen its pesos due to the higher volume of euro earnings.”⁸ Indeed, any product that is purchased by the European firms must be in pesos, dollars, or euros. Firms that earn from exports can bring back foreign currency, but for these firms to pay their services and laborers in the Philippines, they need to “convert their earnings into pesos, allowing the Philippines to strengthen its currency.” According to the DTI official, “our teams have done surveys and dialogues with firms and businesses across the country.”⁹ It is clear that for those firms exporting to the EU, the “GSP+ is one of the most important factors to maintain competitiveness and any potential setback could result in the potential loss of business.”¹⁰

Philippine trade has started to increase but exports have seen a decrease in 2018 and in 2020. In 2018, several natural disasters and increasing inflation made Philippine exports less competitive. More broadly, the US-China trade war and the more concentrated exports of the Philippines have made the commodities less competitive. In examining which exports have fallen in 2018, these are as follows: chemicals (-44.4 percent), coconut oil (-28.9 percent), ignition wiring sets (-27.5 percent), and bananas (-13.2 percent). Some of the commodities, particularly coconut oil and fruits, have dealt with governance and disease-related issues. Others are simply because the exports have become less competitive.

In 2020, exports have fallen even further as the COVID-19 pandemic has upended economic growth and markets across the world (Inquirer 2021). Therefore, maintaining the GSP+ is a must to dampen the expected shortfall and maintain the recovery of Philippine exports. Indeed, the loss or increasing expense of exporting to the EU markets due to the loss of the GSP+ cannot be easily compensated by other countries. Though China imports machinery and other assembled goods, China is also increasing its own share of electronic and optical products (see Camba & Magat 2021). In contrast, the Philippines electronic and optical markets have been stagnant between 2007 and 2014. Growth for Philippine exports to China have mainly focused on fruits and other agriculture goods. As such, the Chinese market is less likely to compensate for the loss of the EU market.

Country	Total Trade		Exports to		Imports from		Balance of Trade	
	Value	Percent Share	Value	Percent Share	Value	Percent Share	Favorable	Unfavorable (-)
Total	129,894.46	100.0	58,827.24	100.0	71,067.23	100.0	12,239.99	-
European Union (EU)	13,881.28	10.7	7,186.21	12.2	6,695.07	9.4	491.15	+
Germany	5,232.92	4.0	2,632.40	4.5	2,600.52	3.7	31.89	+
Netherlands	2,269.29	1.7	1,839.44	3.1	429.85	0.6	1,409.59	+
France	1,477.35	1.1	433.40	0.7	1,043.95	1.5	610.55	-
United Kingdom of Great Britain	898.25	0.7	499.59	0.8	398.66	0.6	100.93	+
Belgium	794.12	0.6	293.87	0.5	500.25	0.7	206.37	-
Italy	617.20	0.5	189.70	0.3	427.50	0.6	237.80	-
Ireland	203.29	0.2	55.32	0.1	147.97	0.2	92.66	-
Spain	550.36	0.4	194.15	0.3	356.21	0.5	162.05	-
Finland	175.17	0.1	27.08	0.0	148.09	0.2	121.02	-
Sweden	143.40	0.1	20.29	0.0	123.11	0.2	102.82	-
Czech Republic (Czechoslovakia)	305.74	0.2	115.84	0.2	189.90	0.3	74.06	-
Hungary	198.73	0.2	187.11	0.3	11.62	0.0	175.49	+
Austria	201.22	0.2	101.79	0.2	99.42	0.1	2.37	+
Denmark	143.53	0.1	41.83	0.1	101.71	0.1	59.88	-
Poland	85.66	0.1	58.69	0.1	26.97	0.0	31.72	+
Greece	15.79	0.0	7.40	0.0	8.40	0.0	1.00	-
Malta	258.20	0.2	251.90	0.4	6.30	0.0	245.60	+
Bulgaria	60.76	0.0	20.50	0.0	40.26	0.1	19.76	-
Portugal	26.15	0.0	20.79	0.0	5.36	0.0	15.42	+
Romania	52.73	0.0	48.39	0.1	4.34	0.0	44.05	+
Lithuania	7.66	0.0	3.84	0.0	3.82	0.0	0.02	+
Luxembourg	7.71	0.0	6.24	0.0	1.47	0.0	4.77	+
Slovak Republic (Slovakia)	7.66	0.0	5.52	0.0	2.14	0.0	3.38	+
Slovenia	12.30	0.0	4.60	0.0	7.69	0.0	3.09	-
Estonia	6.22	0.0	5.12	0.0	1.10	0.0	4.03	+
Cyprus	121.73	0.1	118.74	0.2	2.99	0.0	115.74	+
Latvia (Latvian Soviet Socialist Rep.)	1.24	0.0	0.82	0.0	0.42	0.0	0.40	+
Croatia	6.89	0.0	1.86	0.0	5.03	0.0	3.17	-

⁸ Zoom interview, BSP official and project team.

⁹ Zoom interview, DTI official and project team.

¹⁰ Ibid.

Figure 6: 2020 Philippine Trade Data with EU Countries

Source: Philippine Statistical Authority, Url:

<https://psa.gov.ph/sites/default/files/Volume%20I%20-%20IMPORTS%202015%20e-Book%20of%2003-18-17.pdf>

Within the European Union, the Philippines' top five trading partners include Germany (2.72%), Netherlands (2.27%), France (0.80%), United Kingdom (0.51%) and the Czech Republic. The top five exported goods of the Philippines include electronic products at \$5.3 billion, machinery and transportation equipment at \$459.33 million, coconut oil at \$425.33 million, other manufactured goods at \$342.87 million and tuna at \$282.73 million (European Commission 2019a).

The EU markets largely provide a favorable balance of trade. Specifically, the Philippines exports more than it imports to the 15 out of the 27 EU countries. This means that a trade surplus, which accrues to \$491 million in 2019. In theory, this trade surplus can be used to finance a country's productive capacity, particularly the purchase of advanced technologies and intellectual property rights. However, the Philippines is importing more than it exports, accruing a trade deficit of \$12 billion. The loss of the GSP+ would worsen the trade deficits significantly, which would harm the overall Philippine development strategy of pursuing higher end services and manufacturing.

And finally, removing the GSP+ would harm trade diversification in the Philippines. Currently, the country is the 37th largest exporter and 29th biggest importer of goods in 2010. For services, the Philippines ranks 27th among exporters and 36th among importers, increasing due to the outward orientation of business process outsourcing since the late 2000s. The Philippine economy, however, is vulnerable to outward economic shocks, particularly unemployment in labor-importing countries due to the reliance on the remittances of overseas Filipino workers. Most of the Filipino exports comprise manufacturing products, ranging at 85% of total values. These products are chips assembled at the export processing zones in Luzon. The GSP+ helps the Philippines pursue trade diversification, which would make the economy more resilient to outside shocks.

V. The Philippines as an Export Platform

One of the strongest advantages of the GSP+ that the interviews with the various officials revealed is the rise in FDI. In theoretical terms, foreign firms internationalize their production to minimize cost, maximize efficiency, and acquire strategic advantages. The advantages of FDI are multiple. Increasing FDI leads to the diversification of the country's exports by hosting firms with different technological capacities. Firms that invest need to employ locals to some degree and train these workers to comply with the export requirements. Firms also contribute to taxation, business activities, and the forward-backward linkages that would emerge from such activities. High-levels of FDI is crucial to short- and long-term economic growth, as the shortfall of a country's revenue generation can be compensated by the activities and contributions of foreign firms.

A crucial advantage of GSP+ is that by making the Philippines a member of the initiative, foreign firms that are interested in exporting to the EU know that by

relocating their production to the Philippines, they will be able to bypass the tariff requirements and reduce the cost of exports. In an interview with a DOF official, he said that:

“What happens is that I think, the importance is more in terms of businesses investing here in the Philippines, knowing that they can actually export to Europe at reduced tariffs. That's the more important part because these investments translate actually to more long-term effects and they translate more to employment, rather than that just with any increase in exports, if we think about it. If you have an increase in exports, especially in terms of value, then that might just translate into profits or income into the exporter. But the spill over and the more important effects, which would be generating employment and investment.”¹¹

Similarly, these views were echoed by an official from the DTI. As the official points out, “the GSP+ has made the Philippines more competitive overall, and what must be analyzed is not only the increase of Philippine exports but the expansion of foreign firms that invested here in order to take advantage of low tariffs, lower production cost, and affordable labor.”¹² I followed up with questions on the potential impact of the GSP+ with both officials. Here, some divergence in their perspectives occurred. The DTI official argued that it “could lead to the decrease of FDI in the Philippines, particularly from those firms who are interested in exporting to the EU with decreased tariffs.”¹³ With the potential loss of the GSP+, the DTI official shares that, “in meeting with foreign and local firms in the country, they said that they are worried about losing the trade benefits. Many of them have been able to utilize the trade benefit to compensate for losses on operating in the Philippines due to the bureaucracy or other issues.”¹⁴ Apart from dealing with issues in the Philippines, the GSP+ is a “competitive edge for many of those exporting firms, as they are dealing with their competitors abroad who have the advantages of multiple state-supported initiatives.”¹⁵

In contrast, the DOF official offers a more sanguine perspective, stating that “We also noticed that there were also some European firms that did took advantage of the lower cost of production here in the Philippines. And so, they again, invested, they created businesses here, they created factories, they established factories here for them to be able to export back to their home countries. Because the tariffs aren't much and they could also save up on the labor costs, and as well as the other costs of production.”¹⁶ The DOF and DTI officials gave two clear examples of firms that set up production in the Philippines to export to the EU. Gaison, an EU soda company, as well as Sawo, Inc., a Finnish sauna manufacturer, have both invested in the Philippines. Firms outside the EU have also invested in the country to take advantage of the GSP+. Shimano, a Japanese corporation, is an example of such a firm.

For both officials, the GSP+ translated into greater FDI, spillovers, and economic activities. They differed on the degree of the initiative's importance. Nonetheless,

¹¹ Zoom interview, DOF official and project team.

¹² DTI official and project team.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ DOF official and project team.

given the economic position of the Philippines, any marginal increase of investments will be helpful to the country, given the staggering amount of poverty and inequality. To illustrate such trends, Figure 7 shows the EU FDI in the Philippines from 2005-onwards. Figure 8 shows FDI in the Philippines overall. The amount of FDI has certainly increased after 2010, though these changes cannot be fully attributed to the GSP+ given the lack of statistical analysis on the matter. However, what is clear is that the GSP+ has in theory and in practice helped the Philippines acquire greater amounts of FDI.

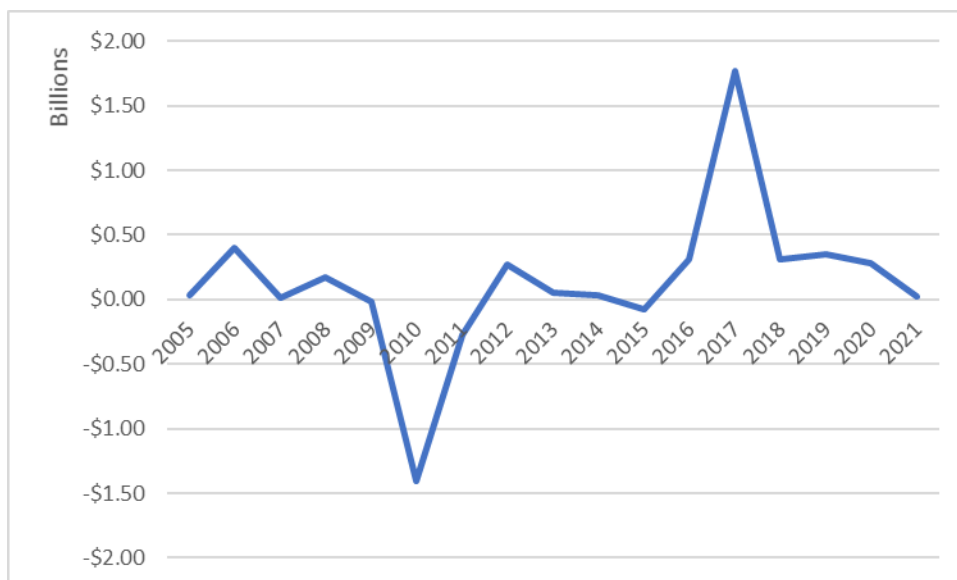


Figure 7: EU countries FDI in the Philippines, 2005 to 2021 (first quarter)

Source: Central Bank of the Philippines, Url:

<https://www.bsp.gov.ph/SitePages/Statistics/External.aspx?TabId=7>

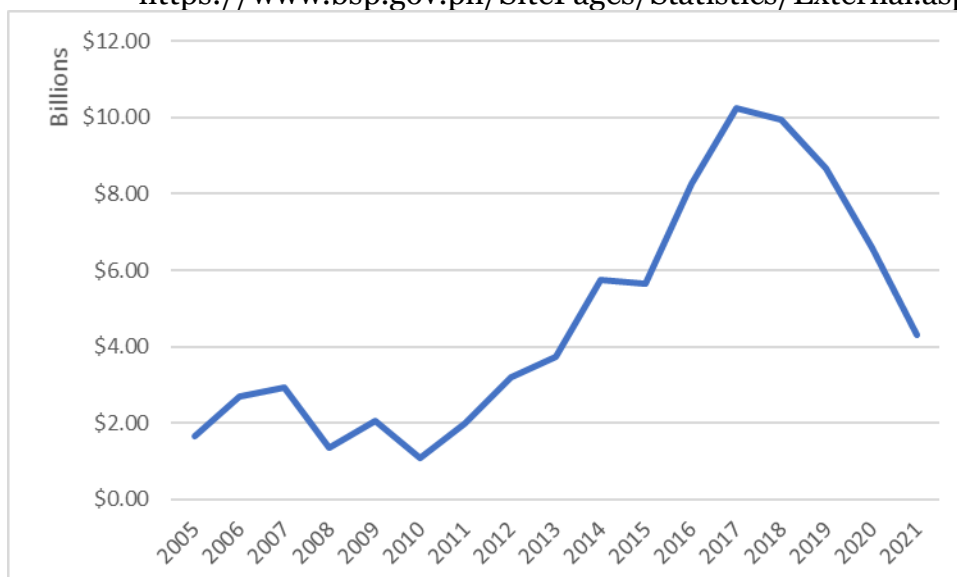


Figure 8: Total amount of FDI in the Philippines, 2005 to 2021 (first quarter)

Source: Central Bank of the Philippines, Url:

<https://www.bsp.gov.ph/SitePages/Statistics/External.aspx?TabId=7>

VI. Improving Social and Environmental Compliance

A clear, non-monetary benefit of the GSP+ is it clearly incentivizes firms to improve their labor and environmental standards to access the trade benefit. In international political economy, the incentives to improve social and environmental standards depend on shifting the incentives for firms to spend. If firms see that improving these standards, such as paying labor better or acquiring certification on commodity inputs, could improve their overall market access and competitiveness, then firms will undertake such changes. However, without such

incentives, firms would likely invest the least amount of money on social or environmental issues. In this case, the GSP+ creates an indirect effect, which is difficult to measure, for Philippine-based firms to change their practices.

As the BSP official states, “the improvement that I see and heard is that firms in the country will now have the incentive to comply with higher-level labor and environmental standards.”¹⁷ Though there are labor and environmental standards in the Philippines, these are far more rigorous standards in the EU. Firms had to enact changes, but these were all worth the effort since the GSP+ accords trade benefits. As the DTI official states, “in talking to firms about these, these companies were happy with the benefit since it allowed them the opportunity to comply with more rigorous, EU-level standards while also making sure their businesses profit.”¹⁸ As the BSP official echoes, these had some agglomeration effects with “some Philippine businesses following the same practice of improving their standards in order to comply with the EU.”¹⁹ In the words of the DOF official, what should be noted as well “is not just the trade volume or FDI, but the social and environmental compliance of firms in the Philippines, making the country more competitive as a whole. It means even without the GSP+, those firms that want to export to the EU could still export while attaining the trade benefit.”²⁰

VII. Provincial Developmental Patterns

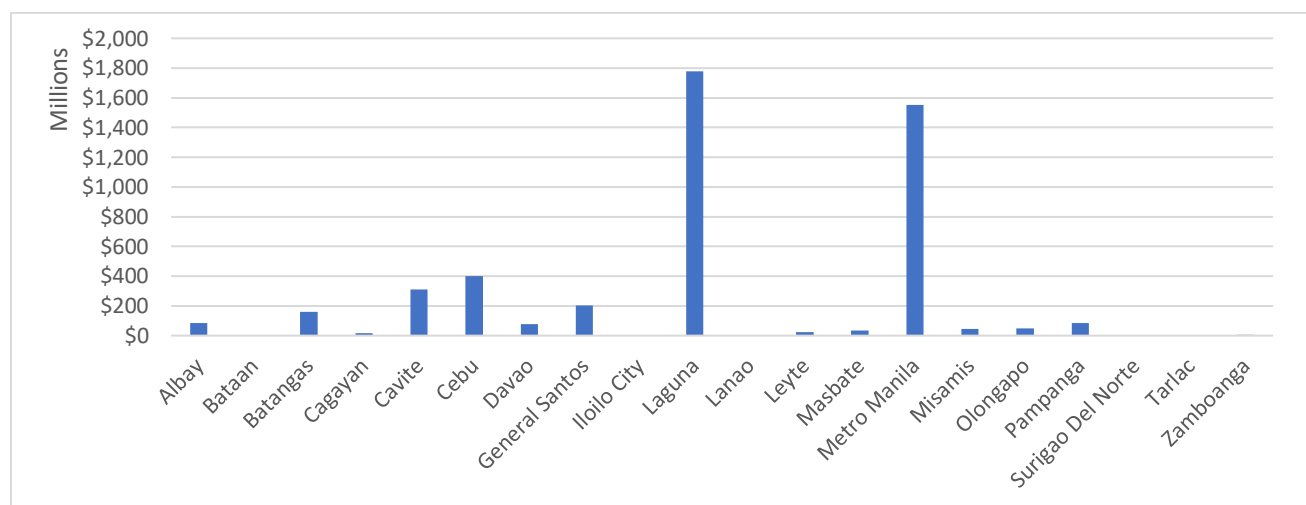


Figure 9: 2014 Estimated Worth of Exports to EU-27 by Philippine Provinces

Source: Philippine Statistics, Value & Volume of Philippine Exports by Port database (2014)

¹⁷ BSP official and project team.

¹⁸ DTI official and project team.

¹⁹ BSP official and project team.

²⁰ DOF official and project team.

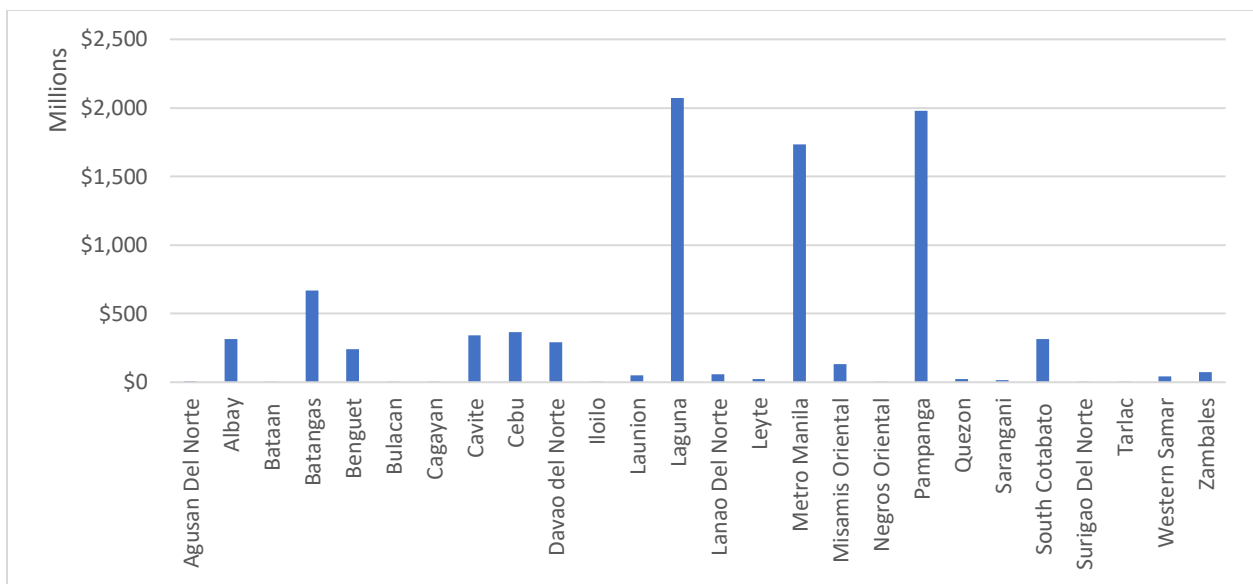


Figure 10: 2019 Estimated Worth of Exports to EU-27 by Philippine Provinces

Source: Philippine Statistics, Value & Volume of Philippine Exports by Port database (2019)

This subsection examines to what degree have the Philippine provinces benefited from the GSP+. Figures 9 and 10 show the worth of Philippine trade to the European Union, and the likely trade benefits accrued by the Philippines. The data above was directly extrapolated from the records of the Philippine Statistical Authority on the value and quantity of exported products from Philippine Ports. Despite the descriptive limitations of the data, this data and figure illustrate of which provinces benefit the most from trading with the EU.²¹

The two figures illustrate the following: First, Philippine provincial exports to the EU ranged between a \$2 million to 2 billion USD. Provinces at the lowest percentile, particularly Bataan, Cagayan, and Lanao in 2014, or Iloilo, Quezon, and Agusan Del Norte in 2019, exported goods worth around a few millions. At the highest percentile, Laguna and Metro Manila exported goods with a total worth of \$1.8 billion. The two provinces were followed by Pampanga in 2019, which exceeded Metro Manila. The rise of Pampanga as an exporter could be attributed to the developments at the Port of Clark and the Clark International Airport, which have emerged to be alternative transportation hubs in Luzon. Indeed, efforts by the government to decongest Metro Manila as a port of entry of goods and people appear to show in the figure. Second, there seems to be more provinces with ports of exit in 2019 than 2014. Specifically, the number of provinces which have exported to the EU have increased from 19 to 26, illustrating the increasing participation of key provinces in capturing the EU market. A single province disappeared from 2014, which was Olongapo that was moved under Zambales, due to consolidation in the region. Nonetheless, provinces such as Agusan Del Norte, La Union, and Sarangani have since joined.

A key province that needs to be highlighted is Sarangani, which exported \$15 million worth of goods to the EU in 2019 (European Commission 2019). Sarangani

²¹ The provinces on both figures note the port of exit by exported commodities by the Philippines toward the European Union. The PSA database does count for the provincial origin of the commodity, but over 50% of the data on that category was missing. Rather than omit the data, using port of exit is still useful as this category can approximate the nearby provinces that produce the exported commodities.

even surpassed other provinces, particularly Tarlac, Iloilo, and Cagayan, which appeared in the 2014 data, illustrating the gains made by the GSP+ and the direct trade mobilization by the province. Sarangani's crucial sector is the tuna industry, which is the fifth largest export by the Philippines to the European Union. The tuna industry has been trying to grow since the 1980s, establishing a fishing council and a national regulatory body to pursue exports. Negotiations with the EU started in the early 1990s to align labor and environmental standards of Philippine tunas (Seafoodshare 2008). The ascension of the Philippines to the GSP has given the tuna industry some share of the market. However, the GSP+, as illustrated by the Sarangani port's exports in 2019, demonstrates the added value of the initiative.

The final point is that the number of EU countries directly importing from the Philippines has increased. Though States can still import even without being the direct port of destination, which is illustrated by the data that all 27 EU states have imported goods, a direct port of destination is an indicator for greater country-to-country linkages. Newer EU member states, particularly Latvia, Lithuania, and Slovakia, have created direct ties with the Philippine ports. Directly importing from ports generate regional linkages, which decrease transaction cost due to the cheaper transportation cost, and the more expedient process. Increasing EU trade strengthens global trade ties, which increase the likelihood of further connecting the Philippines to the other EU countries through informal interactions, business networks, and social relationships between the importer and exporter. As what Kim and Shin argue (2002), the world has increasingly been globalized between 1956 and 1996 but the increasing concentration of regionalization has also characterized the world economy since the early 2000s. Maintaining the GSP+ would make likely expand trade ties with the EU states further years down the line. Losing these privileges would dampen the Philippines' effort for greater markets in the EU.

VIII. Labor, Regional Growth, and Economic Contribution

The contribution of GSP+ can be calculated through the Social Accounting Matrix (SAM) analysis of employment and economic effects of trade. As a tool of the International Labor Organization (2019), the SAM analysis provides projected values of GDP contribution and employment from exported commodities. However, there are limitations to this. First, the SAM analysis does not show the actual change in the Philippine economy and provinces before and after the GSP+, and second, it does not analyze the firms and social involved, as well as what it means to the development strategy of the provinces. Despite these limitations, the SAM analysis still provides the best possible method to analyze hypothetical impact given the limitations of the data. CJ Castillo (2021) of the Labor Education and Research Network provided the SAM analysis of employment effects of trade.

As Castillo summarizes, Philippine EU exports earned about \$2.3 billion USD. The decision to remove the GSP+ would subtract about \$323 million worth of direct trade, amounting to a total of \$721 million due to the multiplier effects on other sectors. Through the SAM analysis, Castillo finds that a total number of 52,000 people will lose employment. As Castillo notes, it is possible for the Philippines to find alternative trade partners. However, the current state of the economy due to COVID-19 means that the immediate loss of employment and production value

would be a huge bane to the Philippines. Overall, the analysis shows that there is a net negative as a whole.

There are two point that can be further inferred from Castillo's estimates. First, some of the poorest provinces in the Philippines, such as Lanao del Sur, Sulu, Sarangani, Northern Samar, Maguindanao, Bukidnon, Sultan Kudarat will be vastly affected. These provinces are located in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), Eastern Visayas (Region 8), and SOCCSKSARGEN (Region 12) respectively. Losing the GSP+ would result in losing 7,321 jobs--a massive loss to these provinces. Additionally, these areas are dealing with long-standing security issues, particularly the New People's Army and Abu Sayyaf-related organizations. There is some literature linking poverty, terrorism, and insurgency altogether. While Krueger and Malečková (2003) deny the causal connection or a linear link between poverty and terrorism, there is still a non-linear connection between the two. Indeed, one of the pathways to extremism and violence is strongly influenced by poverty. In other words, removing the GSP+ would increase pathways to extremism, increasing the likely long-term cost on Filipinos.

Second, apart from employment, there is surely a revenue shortfall on these regions due to the decline in employment and economic activities. Income tax in the Philippines range between 20 to 35% based on the individual's annual income. Similarly, corporate income tax has been reduced to 25%. Furthermore, as Castillo notes, the GSP+ is intimately linked to other industries, particularly removing the GSP+ would surely yield into taxation or revenue loses for these regions in the millions, making them less likely to attain their development goals. For instance, the Eastern Visayas' branch of the National Economic Development Authority (2020) states that it plans to increase tourism, expand the agriculture sector, and increase infrastructure. These development goals are also linked to increasing funds for education and calamity-related expenses. These would be vastly affected by the decrease of agriculture exports to the EU. Additionally, the Bangsamoro Region has been reliant on the export of high-grade nickel to China. These sources are finite and cannot be relied on moving forward. As both regions are vulnerable to calamity or piracy, there is a need to maintain and increase income levels from agriculture exports. Removing the GSP+ would obstruct development goals.

IX. Is China an alternative market?

Proponents of capital punishment argue that losing the GSP+ will be acceptable since the Philippines can find alternative markets. As Figure XI shows, the market utilization for GSP+ cover animal or vegetable fats (28%), machinery and equipment (10%), and preparations of meat, fish, crustaceans, mollusks, and aquatic invertebrate (7%). While losing the GSP+ could still mean that these products are sold at the EU market, they will be less competitive in the end. Finding alternative markets would depend on the demand and nature of those markets.

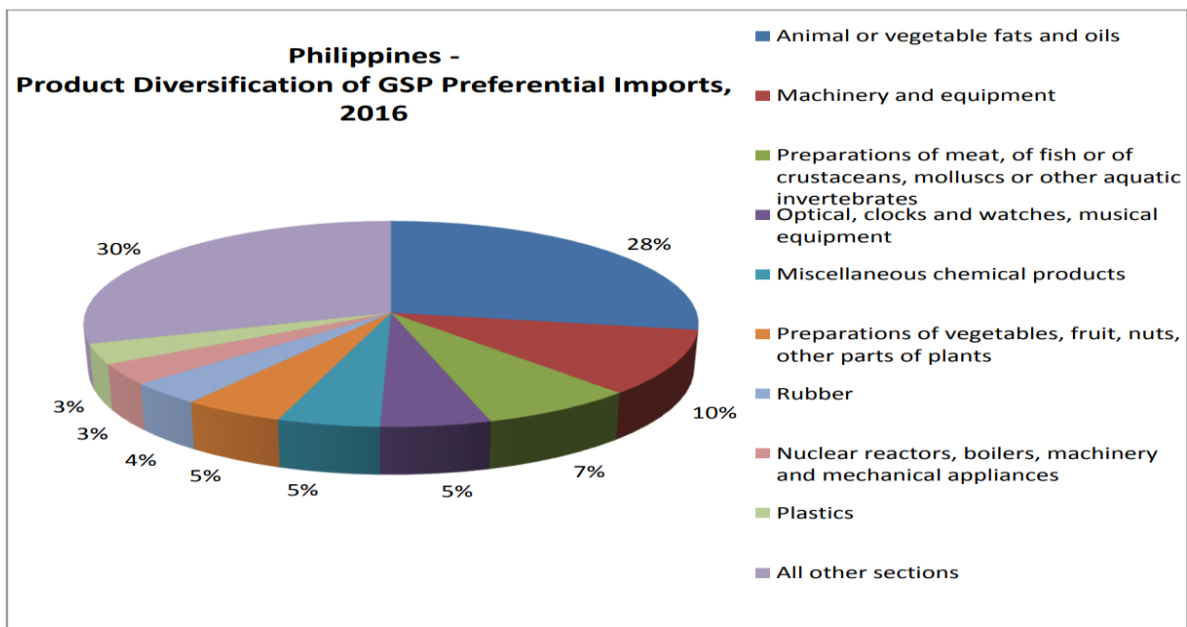


Figure 11: Philippine exports covered by GSP preferential imports
Source: European Commission (2019a)

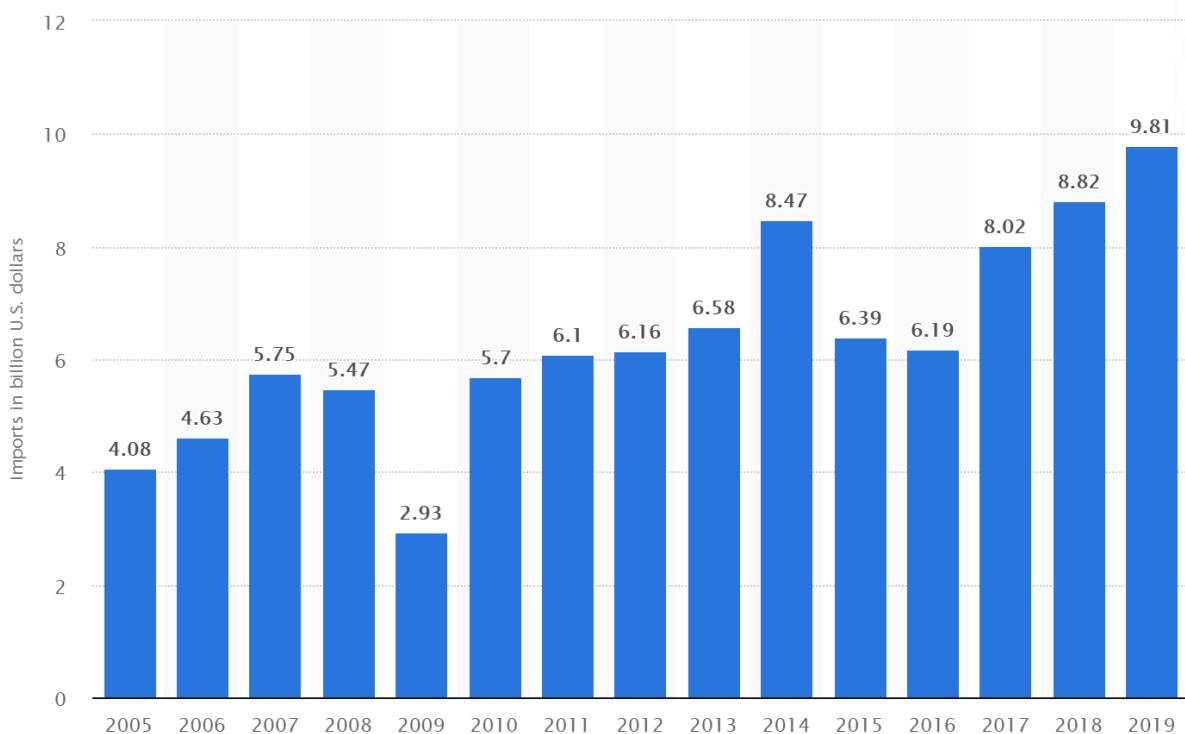


Figure 12: Value of Imported Philippine Goods in China (2019)
Source: Statistita, Url: <https://www.statista.com/statistics/525370/china-import-of-goods-from-the-philippines/>

China is one of the current alternatives to the Philippines export market, shipping 27% of the Philippines' total exported fruits. Similarly, the Philippines imports 23% of goods from China. Since the Duterte administration, Philippine exports to China saw an annual increase of 9 percent, jumping from \$8.2 billion in 2017 to \$8.7 in 2018 (Xinhua 2020). The Philippines electrical and electronic equipment (\$4.12 billion), machinery, nuclear reactors, and boilers (\$1.69 billion), ores, slag, and ash (\$831.2 million) and fruits and agricultural goods (\$810.29 million). A cursory analysis of the commodities covered by the GSP+ illustrates that the Chinese market is limited at best. The fruit market, which is under agricultural goods, is the import market most likely to expand. Indeed, Philippine exports of pineapples, durian, and bananas have been rising throughout the last few years. For instance, China has become the largest fruit recipient of Philippine bananas, reaching to \$288 million and increasing by 25.6 percent from 2017 to 2018

(Xinhua 2018, 2020). As seen in figure 10, trade between the Philippines and China has been increasing since 2013, suffering a gradual drip in 2014 and 2015 due to the West Philippine Sea disputes. Duterte's administration has resulted in stronger trade and new export markets.

That said, the Chinese market cannot compensate for the products exported to the EU because the two export markets are different. EU products for electronics are different from the Chinese ones. Philippine electronic exports to China comprise assembled chips and integrated circuits in consumer products, such as laptops, cellphones, and other devices. A good number of commodities, particularly those in transportation machinery that the EU does not import, will not be useful for the Chinese market. While assembled chips and integrated circuits can still be used in the Chinese market, it should be noted that there is a limited demand for these items. Indeed, the DTI official said, "it is difficult to be certain what will happen, but some Chinese firms also invested in the Philippines to take advantage of the EU markets. There are Chinese firms as well in the country that take export back to China due to the trade advantages and tariffs. But it is difficult to imagine that the Chinese market can compensate for the EU market."²² Indeed, consumer device companies from both the EU and China import these products from the Philippines. What they need to import will depend on the demand, which has been stable over time, for those commodities.²³ As such, a glut of Philippine electronic exports to China will not mean an increase in Chinese demand for those products.

Politically, there are other reasons that the Chinese market cannot be used as an alternative. First, the territorial disputes in the West Philippine Sea constitutes a major reason why it is important to strengthen the EU markets. Overreliance on the Chinese market increases vulnerability of Philippine security policies, leading to situations of a *quid pro quo* of maintaining our export market in exchange for territorial or political acquiescence. As Camba & Magat (2021), Chinese foreign direct investment (FDI) tends to increase when the Philippines pursues a reconciliatory approach with China in the South China Sea. Conversely, Chinese FDI tends to decrease when the Philippines defends its disputed territories. The current dispute over the Juan Felipe Rift illustrates that the People's Republic of China's gradual quest for regional suzerainty cannot be taken for granted (Camba 2017). Second, negotiating for trade benefits between the two countries will take a long time, making it difficult for Philippine products to quickly find importers. Indeed, the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement between China and the Association of Southeast Asian States, took more than a decade to negotiate and finalize (Camba 2020). And finally, the Chinese market has encountered several difficulties due to the trade war during the Trump administration. This trade war could have harmed our Philippine products, by imposing tariffs Chinese consumer goods. As Philippine electronics are used in these goods, decreasing demand for Chinese electronic products would inevitably harm the Philippine exports. While the Trump administration is gone, for now, it is likely that the Biden administration will step up its game in facing China, as currently evinced in the US' renewed effort in strengthening ties with the Philippines and defending Taiwan from Chinese aggression.

X. Death Penalty and the GSP+

²² DTI official and project team.

²³ DOF official and project team.

A political question is whether implementing the death penalty in the Philippines will push the EU into removing the GSP+. There is no direct answer to this since the data is insufficient and the interviews indicate conflicting answers. The EU has certainly removed countries from the GSP+ due to their improved economic status, graduating from low- to high-middle income countries. Yet the EU has also removed countries from the list partly due to their violations.²⁴ Speaking with the DTI team, the officials note that, “the businessmen worry about the policies of the Philippine government that could directly harm the inclusion of the Philippines in the initiative. Some have received queries from members of the EU parliament.”²⁵ These issues make sense as “the DTI, particularly during the Arroyo and Aquino administration, has spent a good amount of effort working with EU officials to make the Philippines compliant with the regulations.”²⁶ The DTI team notes that “though it is difficult to say whether or not there is a direct effect, the statements of the EU parliament can be worrying and while death penalty alone may not be the reason, it may become the clincher for the EU to remove the Philippines from the GSP+.”²⁷

Other officials, particularly the DOF and BSP, are more doubtful of the potential impact of the death penalty. As the DOF official notes:

It's a matter also of checking what exactly are the conventions? What exactly is EU expecting in terms of this issue on the death penalty? Because, yeah, I mean, to be honest, I haven't really seen exactly what convention they are asking us to subscribe to in terms of death penalty and you know, I mean, I don't know, maybe there might be a clause there that, if you go on with the death penalty, there might be a certain clause that still actually makes you eligible for GSP+. I'm not so sure that's something that will have to be studied.²⁸

As the official points out, the EU does have the incentive to maintain trade since the local markets benefit from Philippine goods. The DTI official also notes that “talks about the EU free trade area has continued despite lingering concerns on death penalty.”²⁹ The DOF official notes that, “this has been quite delayed for a time and one of the markers that might be a cause for the delay is of course, again, this issues about human rights, which is actually paramount in terms of dealing with the EU. However, this matter is in continuous dialogue between the Philippines and the EU. I think sometime around late last year, maybe was it September or October of last year?” Nonetheless, both teams from both agencies acknowledge that death penalty has created delays on the progression of the EU free trade area. And if death penalty has delayed the EU free area, it is not entirely inconceivable that renewing the GSP+ might be more difficult or could be forfeited altogether.

XI. Implementing the Death Penalty

²⁴ The EU has previously withdrawn its trade benefits in Sri Lanka, Cambodia, and Myanmar for non-conformity to human rights obligations. See: [Advisory on the effect of the death penalty on the EU GSP+ benefits to the Philippines, \(CHR \(V\) A2020-018\)](#).

²⁵ DTI official and project team.

²⁶ Ibid.

²⁷ Ibid.

²⁸ DOF official and project team.

²⁹ DTI official and project team.

The final section briefly examines some preliminary research on the cost of implementing death penalty, drawing from the works of various non-government organizations and secondary research. The FLAG Anti-Death Penalty Task Force finds that the average cost of conducting an honest litigation of an accused for the death penalty would be \$6,700 per person. In 1995, Senator Ernesto Herrera said that the Philippines would need to pay \$230,000 to build a gas chamber, \$100,000 for an electric chair, and \$20 per 10 grams of *pancuronium bromide*. There is also the cost of administration, which will divert manpower from various other responsibilities toward administration death penalty. Cost across countries vary due to the different administrations and expectations of prisoners. However, in Kansas, the cost of administering death penalty was twice than the average cost of the state for keeping prisoners.

It is enormously difficult to find data on the cost of the death penalty since these cases occur widely and states tend to limit access to such information. However, a paper by Roman et al. (2009) finds that there is an increase of one million dollars per death penalty filing in Maryland. This paper, which uses quasi-experimental methods, estimated the cost of the case, incarceration, additional security, and materials. The authors note that additional measures to make death penalty seem legitimate increases the cost further.

XII. Conclusion

The GSP+ is currently underutilized, but the trade benefits have served to be an important engine for Philippine exports to the EU. In summarizing the data and charting the way forward, this paper concludes by making the following points:

1. The status of the Philippine trade regime is as follows:
 - a. Electronics and services comprise major exports of the country. While electronics began in the 1990s, its share in the global market has decreased since 2006. Conversely, services have increased.
 - b. Philippine exports to the EU have continued to increase since 2010.
 - c. Philippines is the 35th most complex economy in the world.
 - d. Philippine imports outweigh exports, although exports have taken a slight decrease in 2017 and 2018.
2. Losing the GSP+ benefits would result in a fall in the exports, a greater negative balance of trade, and constrained efforts to diversify exports.
 - a. Philippine exports have been less competitive due to the decrease in prices: chemicals (-44.4 percent), coconut oil (-28.9 percent), ignition wiring sets (-27.5 percent), and bananas (-13.2 percent).
 - b. The Philippines has a positive balance of trade payments with the EU at \$12 billion, which limits the negative balance of trade in \$40 billion.
 - c. Export diversification is crucial to shield the Philippines from macroeconomic shocks.
3. The GSP+ contributed to increasing FDI due to the number of firms that want to take advantage of the trade benefits. Losing the GSP+ might lead to considerable divestment for these firms.
4. The GSP+ increases the incentives for social and environmental compliance.
5. Furthermore, losing the GSP+ benefits will likely derail provincial development strategies, decrease in as well as a decrease in regional employment and GDP contribution.

- a. Increasing the number of exit ports exporting to the EU, increasing from 20 to 26.
 - b. Losing the GSP+ most likely results in a cut of 7,321 jobs, which would harm some of the poorest provinces in the country, particularly Lanao Del Sur, Sultan Kudarat, Northern Samar, and Sarangani, increasing the pathways of violence in those areas.
6. China is not an alternative market due to the non-fungibility of exports and relying on the Chinese government may compromise other Philippine interest.
 7. While the EU countries have continued interest to import Philippine products, the Philippine government has experienced some delays on the talks about the Philippine-EU free trade area. The reimposition of death penalty alongside the extra-judicial killings are some of the reasons that the Philippine government officials have pointed out.
 8. The cost of implementing the death penalty seems to be twice the amount of administering non-death penalty measures in other countries.

ISSUED this 13th day of December 2021, Quezon City, Philippines.



KAREN S. GOMEZ DUMPIT
Commissioner



GWENDOLYN LL. PIMENTEL-GANA
Commissioner

(On Official Business)
LEAH C. TANODRA-ARMAMENTO
Commissioner



ROBERTO EUGENIO T. CADIZ
Commissioner

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