



Trade Negotiations between the European Union and the Philippines

The EU Proposal on Small and Medium-sized Enterprises (SMEs)

Explanatory note - February 2017

This factsheet gives a general overview of the European Union's (EU) proposal on SMEs in the Free Trade Agreement (FTA) envisaged between the EU and The Philippines. The text of the EU proposal was presented to the Philippine Government experts shortly in advance of the negotiating round and is now available on the [website](#) of the European Commission.

Why do we negotiate rules on SME?

Small firms are the backbone of European and the Philippines economies. They are the engines of economic growth and job creation.

Small firms represent over 99% of all companies in the EU and in The Philippines. They are over 22 million in the EU and over 57 million in The Philippines.

The Philippine small firms:

- employ 97% of the total workforce,
- generate about 60% of the added value in the economy,
- account for over 15% of the total the Philippine exports.

European small firms:

- provide 67% of the jobs in the private sector,
- generate nearly 58% of the EU's non-financial business economy added value.
- Over 620.000 of them export outside the EU.

They:

- represent more than 88% of all EU exporters,
- account for 32% of the value of EU exports.

The FTA between the EU and the Philippines should make trade between the two partners easier and provide new business opportunities, including for small and medium companies.

We want to increase the number of EU small firms active on the Philippine market and raise their trade volume. We want them to be able to participate more in:

- international supply chains,
- public procurement tenders,
- e-commerce activities.

As a result, small companies will provide more jobs and contribute to a further integration of the EU and the Philippine economies.

Provisions in various chapters of the agreement will simplify trade in goods and services and reduce export related costs per unit, which will enable more small firms to do business in both markets. The benefits will include less burdensome technical rules, compliance requirements, customs procedures, rules of origin, protection of intellectual property.

Small firms, with their fewer resources, will be the first to benefit from these improvements.

Main goals

In addition to other provisions of the agreement serving the interest of smaller companies, the EU proposal on SMEs aims specifically to:

- Ensure that small companies are provided with **accessible information** about requirements to access both markets,
- Help small firms to benefit fully from the trade agreement through an appropriate **institutional set-up** appropriately linked to the bodies created under other chapters of the agreement.