

Basuguan ng Pilipinas



Embassy of the Philippines

Submission No:.....	21
Date Received:.....	18/12/08
Secretary:.....	J. L. M. M.

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Sir:

With reference to the request of Ms. Janelle Saffin MP, Chair, Trade Sub-Committee, Joint Standing Committee on Foreign Affairs, Defence and Trade for a Philippine submission for the study being undertaken by the Trade Subcommittee on expanding Australia's trade and investment with Asia, the Pacific and Latin American countries, we are pleased to submit the attached paper prepared by the Philippines' Department of Trade and Industry.

We hope that the submission would be of help to the study to pave the way for the better understanding of the trade and investment relations between our countries.

Very truly yours,

  
ERNESTO H. DE LEON  
Ambassador

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Principal Research Officer  
Trade Sub-Committee on  
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**WAYS OF EXPANDING AUSTRALIA'S TRADE AND INVESTMENT RELATIONS WITH THE  
PHILIPPINES  
(Submission to the Australian Parliament)**

**Bilateral Trade**

- In 2007, total bilateral trade of Australia and the Philippines grew by 12% to US\$ 1.2 billion.
- Australia ranked 13<sup>th</sup> as a market for Philippine export and 16<sup>th</sup> as a source of imports. In terms of total trade, Australia ranked 17<sup>th</sup> with 1.18% share.
- Philippine exports to Australia increased by 10% from US\$ 480 million in 2006 to US\$ 528 million in 2007. The bulk of Philippine exports to Australia were petroleum products (40%), electronics (13%) and copper cathodes (8%).
- Philippine imports from Australia increased by 14% from US\$ 627 million in 2006 to US\$ 717 million in 2007. Petroleum and food products comprised 31% and 19% of Philippine imports, respectively.
- During the last five years, from 2003-2007, Philippine exports to Australia grew by 9.01 % while imports from Australia grew by 11%.

**Australian Investment in the Philippines**

- For the past two years (2006 and 2007), Australian investments registered with incentives with the Philippine Board of Investments comprised only about .2% of total equity investment. This is estimated at only around US\$ 5 million (P 229 million at US\$1=P45).
- 65% of Australian investment is in the mining industry. Other investments are in construction materials, information and technology services, infrastructure and utilities and trading.
- The Philippine priority investment areas where Australian investments are encouraged include: agriculture/agribusiness and fisheries, infrastructure, tourism, research and development, engineered products, mining, non-traditional export products and services.

**Ways to Expand Trade and Investment Relations with the Philippines**

**1. Promote better trade complementation**

While trade between Australia and the Philippines is increasing, there still remains a huge potential for further growth because of strong inherent complementation of products being traded. Most industrial goods imported by the Philippines from Australia are manufacturing inputs while Philippines essentially exports manufactured goods to

Australia. Such is the case for petroleum products, copper and aluminum. The bulk of Philippine food imports from Australia are dairy products and other agricultural produce, while Australia provides a market for Philippine processed tropical fruits and juices, and coconut products.

Areas of complementation between Australia and the Philippines could be enlarged through the following approaches:

**a. Auto Parts**

- A complementation in the supply of auto parts and components between the Philippines and Australia may prove to be mutually beneficial to both economies. The Philippines can export its more competitive parts to Australia, while Australia can be a major source of certain parts and components that are not locally produced, as well as a provider of certain services catering to the auto industry. An export development program operating within this framework can be developed to assist both Philippine and Australian companies in gaining market access for their products.

Reciprocal Business Missions/Trade Fair Participation

Organization of focused trade fair participation and reciprocal business missions would help Australian and Philippine auto parts makers facilitate business transactions.

**b. Food Industry**

- Complementation could also be enhanced in the food industry. The Philippines' CITEM (Center for International Trade, Expositions and Missions) and AUSTRADE could work together in bringing each others' importers in major exhibitions like Fine Food in Australia and IFEX in the Philippines.

Better understanding of each others' SPS regime would also promote exports of agricultural products in both countries while safeguarding the health of citizens, flora and fauna of the importing country. To facilitate this, there is a need for the Australian Quarantine and Inspection Service (AQIS) and the Philippine's Bureau of Food and Drug (BFAD) to cooperate in the sharing of technical expertise to harmonize the accreditation and/or certification schemes of both governments to ease export and import of agricultural produce. This will also help build business confidence in each other's SPS regimes.

Australian technical assistance in food preparation technology would promote Philippine appreciation of Australian cuisine and food products and at the same time help Philippine producers upgrade their know-how in food processing.

**c. Services Industry**

- Complementation could also be pursued in the Services Sector where Philippines and Australia could create opportunities for exchange of highly skilled labor and expertise.

**i) Education**

Twinning arrangements with educational and training institutions aimed at upgrading the curriculum and achieving equivalency of credentials could provide an entry point for Australian service providers wishing to penetrate the Philippine market. On the other hand, such programs would better equip Philippine service providers and enable them to more successfully ply the Australian market. These collaborative efforts would satisfy both the buyer and the seller of the service in both markets.

**ii) E-services (information technology, animation, digital gaming)**

Partnering of Australian and Philippine providers of E-services with Australia taking advantage of competitively priced Filipino skilled manpower especially in film animation and business outsourcing would expand operations in both markets. Knowledge of Australian needs and Philippine capability in these areas could be further explored through mission exchanges and trade fair participation. In the Philippines, the E-Services fair provides a venue for rich information exchange and business matching.

**2. Australian states like Queensland and the Northern Territory to increase their linkages and cooperation with Southern Philippines (Mindanao)**

Infrastructure development to increase linkage of Australia with the BIMP-EAGA region including the Philippines' Strong Republic Nautical Highway would allow for more market access. Exchange of business missions should be promoted to increase trade and investment between these particular regions.

**3. Commitment to pursuing the goals of the ASEAN-Australia-New Zealand Free Trade Area Agreement, especially the economic cooperation work programme aimed at capacity building to support the effective implementation of the FTA.**

The AANZFTA work programme is estimated to cost AUD 20-25 million. It has the following 8 components: Rules of Origin and other Aspects of Implementation of Tariff Commitments, Sanitary and Phytosanitary Measures, Standards, Technical Regulations and Conformity Assessment Procedures (STRACAP), Services, Investment, Intellectual Property, Sectoral Integration, and Customs. Implementation of activities under these components would definitely increase understanding of commonly agreed principles and processes and as a result facilitate trade with ASEAN member states.

**4. Cooperation in Science and Technology**

Recognizing that science and technology contributes to the continued expansion of economies, Australia and the Philippines could encourage and facilitate the promotion of public and private sector partnerships in the support of the development of innovative products and services. This would include endeavors in the development of natural resources and various uses of indigenous materials.

**5. Promote better understanding of each others' people, culture and regime**

It is understandable that the Philippines would be more familiar with other foreign culture, like America for example because of historical ties. Australia, on the other hand, may be more familiar with the culture of other Asian countries like Indonesia because of proximity. Continuing interaction, dialogue and information exchange would expand knowledge and appreciation of each others' people and culture. The Philippines would be particularly interested in knowing more about Australian arts, crafts and design technology. This understanding would deepen existing relationships that could transcend to trade and economic benefits.

**6. Support to the World Trade Organization – Doha Development Agenda (WTO-DDA)**

The commitment of Australia and the Philippines to the multilateral trading system and to working towards an ambitious and balanced outcome of the DDA would greatly contribute to enhancing confidence in the overall expansion of trade.