



Bilateral Trade and Economic Relationship

The Philippines maintains a good trading relationship with Australia. Two-way merchandise trade was valued at A\$2.2 billion in 2008, almost 15 per cent higher than in 2007. Both governments consider there to be significant potential for growth. However, due to the global economic slowdown, trade has declined in 2009. January to November 2009 figures show that two-way merchandise trade decreased by 24% to A\$1.5 billion compared to A\$2 billion for the same period in 2008.

Major Australian merchandise exports to the Philippines (2008-09):

- Copper ores and concentrates - A\$161 million
- Milk and cream - A\$136 million
- Crude petroleum – A\$127 million
- Refined petroleum – A\$122 million

Major Australian merchandise imports from the Philippines (2008-09):

- Crude petroleum - A\$97 million
- Batteries & electric accumulators – A\$31 million
- Copper – A\$31 million
- Telecom equipment & parts - A\$28 million

Total trade in services between Australia and the Philippines was worth around A\$827 million in 2008-09. Australian services exports to the Philippines were worth A\$381 million, while Australian imports from the Philippines were worth A\$446 million. Australia's service exports to the Philippines included education-related travel (A\$122 million) and personal travel excluding education (A\$78 million). Australia's services imports from the Philippines included personal travel excluding education (A\$301 million) and telecom, computer & information (A\$42 million).

The entry-into-force of the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) on 1 January 2010 represented a significant development in the trade relationship. The agreement locks in existing access to both the Australian and Philippines' markets, with tariffs to be eliminated on approximately 95% of tariff lines in the Philippines, while Australia will eliminate all tariffs on imports from the Philippines by 2020, and most within a few years.

The AANZFTA will put the Philippines ahead of most of the rest of the world in terms of access to the Australian market. Philippine exports to Australia, including industrial products, transport vessels, automotive parts, furniture and processed agricultural products, will face zero tariffs. The agreement provides improved market access to Australia for Filipino workers and professionals.

AANZFTA outcomes provide opportunities for Australian exporters in the meat and livestock industries, milk and dairy, horticulture, grains, wine, passenger motor vehicles and auto parts, clothing, footwear, aluminium and minerals. In services and investment, the agreement provides greater transparency and certainty, with guaranteed protections for investment. Key improvements are in the mining, energy, higher education, finance and telecommunications sectors.

The Australia Philippines Business Council (APBC), established in 1975, provides a focal point for networking between Australian and Philippine business communities. The APBC's counterpart organisation in the Philippines is the Philippines Australia Business Council.

Export and Investment Opportunities

Agribusiness

The Philippines' annual population growth rate is currently around 2.04 per cent, which will lead to increasing opportunities for Australian agribusiness exports. Areas of potential include the supply of grains, flour, dairy, stockfeed, feed ingredients, and animal genetics for cattle, horse, goat and sheep.

- **Goats** - Imports of live goats for breeding increased at an annual average rate of 80 percent for the past 5 years. In 2007, the country imported a total of 2,027 goats, mainly from Australia. Industry players estimate in 2008, some 2,400 heads were sourced from Australia and the United States, mainly full blood Boers and Saanen dairy goats.
- **Horses** - Australia is a major supplier of thoroughbred horses to the Philippines. In 2008, approximately 280 horses arrived in the Philippines, with Australia as the main supplier. The country currently has two race tracks which hold races every day. Talks on having a third race track in Mindanao are underway.
- With the Philippine Government's focus on the modernisation of the agriculture sector, prospects for supplying equipment and services to domestic agricultural production projects are also good. Australia has the potential to participate in assisting the Philippines to meet its goal of increasing productivity through the sale of technology in such areas as irrigation, post-harvest facilities and seed production.

Mining

Based on a land mass comparison, the Philippines is considered to be the fifth most mineralised country in the world, with mineral resources ranked globally as third in gold, fourth in copper, fifth in nickel and sixth in chromite deposits. The decision in December 2004 by the Supreme Court upholding the constitutionality of the 1995 Mining Act, which was confirmed in January 2005, has led to renewed international interest in the mining sector. The Philippine Government expects projected investment in mining projects will reach US\$13 billion by 2013.

There are around ten Australian companies with interests in the mining sector, mostly at the exploration and development stage. As well as direct mining investment, there are also export opportunities for Australian mining service providers.

Australia's trade and investment relationship with the Philippines (d):

Australian merchandise trade with the Philippines, 2008-09:		<u>Total share:</u>	<u>Rank:</u>	<u>Growth (yoy):</u>
Exports to the Philippines (A\$m):	1,409	0.6%	24th	10.1%
Imports from the Philippines (A\$m):	605	0.3%	38th	-20.7%
Total trade (exports + imports) (A\$m):	2,014	0.4%	31st	-1.4%

Major Australian exports, 2008-09 (A\$m):		Major Australian imports, 2008-09 (A\$m):	
Copper ores & concentrates	161	Crude petroleum	97
Milk & cream	136	Batteries & electric accumulators	31
Crude petroleum	127	Copper	31
Refined petroleum	122	Telecom equipment & parts	28

Australia's trade in services with the Philippines, 2008-09:		<u>Total share:</u>
Exports of services to the Philippines (A\$m):	381	0.7%
Imports of services from the Philippines (A\$m):	446	0.8%

Major Australian service exports, 2008-09 (A\$m):		Major Australian service imports, 2008-09 (A\$m):	
Education-related travel	122	Personal travel excl education	301
Personal travel excl education	78	Telecom, computer & information	42

Australia's investment relationship with the Philippines, 2008 (e):		<u>Total:</u>	<u>FDI:</u>
Australia's investment in the Philippines (A\$m):		1,825	616
The Philippines' investment in Australia (A\$m):		269	np

The Philippines' global merchandise trade relationships:

The Philippines' principal export destinations, 2008:			The Philippines' principal import sources, 2008:		
1	United States	16.6%	1	United States	12.7%
2	Japan	15.7%	2	Japan	11.6%
3	China	11.2%	3	Singapore	10.5%
14	Australia	1.0%	15	Australia	1.6%

Compiled by the Market Information and Research Section, D/FAT, using the latest data from the ABS, the IMF and various international sources.

(a) All recent data subject to revision; (b) IMF/EIU forecast; (c) PPP is purchasing power parity; (d) Total may not add due to rounding; (e) Stock, as at 31 December. Released annually by the ABS. np Data not published.