

THE POLITICS OF TRADE RELATIONS BETWEEN PHILIPPINES AND AUSTRALIA: THE CAIRNS GROUP ISSUE

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Introduction

The politics of trade, markets, international bargaining and the role of government and extra governmental actors in these processes are classified as international political economy. Each actor, whether it is a country or corporation, has its role to play and its own policies for interacting in the global marketplace. In order to understand the interactions amongst parties it is necessary to understand each party's policies and the reason behind them. In terms of governments as global actors, these international policies are rooted in domestic policy. The implication of this idea is that foreign policies are subjective and rely more on internal institutions, which are a result of national development and history, rather than the pressures of external forces. National goals and needs shape international actions.

It is in this view that this paper will be based – the role of domestic actors and government in the international trade. In June 2002, the international trade market was shocked when the Philippines' newspapers were flooded with news that the Philippines will leave the Cairns Group if Australia will not end the 20-year ban imposed on Philippine fruits including mangoes, bananas, pineapples, and coconut peat. The Philippines is negotiating to get Australia's clearance to export the aforementioned fresh fruits despite bilateral negotiations between Manila and Canberra over the past five years and the talks continue until today.

This paper looks at the politics that prevails in the negotiations between the two countries. It will specifically examine the case of the Philippines in the parley as the ones who advocate leaving from the Cairns group are politicians owning big plantations and farms. The protection and liberalization policies reflect the politicians' responses to the demands made by domestic interest groups, which are also closely associated with them. In the Philippines, the former secretary

of the Department of Agriculture was also the chairman of the Federation of Free Farmers, the largest agricultural producers in the Philippines while the former Secretary of Trade is a plantation landlord who owns a big land in the Philippines. This essay, however, will not deal with personalities, but on how these two department heads negotiate with their Australian counterparts.

The Cairns Group and the Philippines Membership

The Cairns Group is a coalition of 19 agricultural exporting countries that accounts for one-third of the world's agricultural exports. Since its formation in 1986, the Cairns Group has succeeded in putting agriculture on the multilateral trade. It was largely a result of the Group's effort that a framework for reform in agricultural trade was established in the Uruguay Round and agriculture, for the first time, become subject to trade liberalizing rules, which are set out in the WTO Agreement on Agriculture.¹

Following the conclusion of the Uruguay Round, the Group has continued to push for fair trade in agricultural exports, a cause that unites the Group across language, cultural and geographic boundaries. The Cairns Group is an example of coalition building in the trade area. By acting as a group it has had more influence and impact on the agriculture negotiations than any individual members could have had independently. The members of the Group are: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay.² Cairns Group members were generally pleased with the Uruguay Round outcome. Nonetheless, they believe much remains to be done to ensure that a genuine market-oriented approach to agricultural policies is achieved.

Since the conclusion of the Uruguay Round, the Cairns Group has worked in Geneva for early implementation of the World Trade Organization (WTO) agreements relating to agriculture. It has insisted on strong operational rules for the Committee on Agriculture and the Committee on Sanitary and Phytosanitary (SPS) measures. The Group has facilitated coordination among members on a host of issues, including WTO accession negotiations (especially those of China and Taiwan), EU agricultural reform, agricultural export subsidies, and trade and the environment. The Cairns Group's ambition and broad

objectives for the agriculture negotiations are set out in its "Vision Statement". The Vision Statement outlines the Cairns Group's objectives in each of the three key reform areas within the framework for agricultural trade. These include deep cuts to all tariffs (including tariff peaks) and removal of tariff escalation, the elimination of all trade-distorting domestic subsidies; the elimination of export subsidies and clear rules to prevent circumvention of export subsidy commitments.

During its fifteenth ministerial meeting in Manila on May 26-27, 1995, which was attended by the Director-General of WTO, Mr. Renato Ruggiero, the Philippines pushed its determination to continue its work to achieve a global system of agricultural trade, free of distortions and consistent with market principles. It also noted that the Uruguay Round outcome on agriculture was a significant first step towards this objective, but that Cairns Group members would take every opportunity to press further trade liberalization in agriculture.

Cairns Ministers stressed the importance they attach to the role of the WTO Committee on Sanitary and Phytosanitary Measures in ensuring that the SPS Agreement in the Uruguay Round is similarly implemented in strict accordance with all the provisions and principles laid down in it. In this regard, Ministers noted the key role, which needed to be played by the international standards-setting bodies. Cairns Group Ministers also called upon the major agricultural producing and importing countries to ensure that changes to domestic programs introduced subsequent to the conclusion of the Uruguay Round negotiations are fully consistent with the commitments and with the reform direction charted in the Uruguay Round Agreement on Agriculture, namely; away from production and trade distorting forms of support towards more decoupled forms of support, and the further dismantling of export subsidy practices. Cairns Group Ministers noted that any temptation to circumvent disciplines would be against the spirit and letter of the Uruguay Round Agreement.

Cairns Ministers also press for the continuation of agriculture policy liberalization through accession and other important negotiations in the WTO context and through the review mechanisms provided in WTO agreements, in particular the Trade Policy Review process. Cairns Ministers also stressed the importance of encompassing

genuine trade liberalization on agriculture in any future regional trade liberalization arrangements.

The Philippines

The Philippines is one of the pioneer members when the group was established in 1986. In May 1995, the Group had their meeting in Manila where the Philippines expressed determination to renew trade liberalizations as soon as possible, noting the Uruguay Round outcome as a significant first step in rolling back agricultural trade barriers.

As the group operates itself through ministers and officials at a government to government level, farmer organizations in the individual countries are closely consulted by their governments to frame Cairns Group policies and positions.

There is a lot at stake for farmer organizations and livelihoods of the family farms they represent. The Philippines' Federation of Free Farmers Cooperative attended the Group's meeting in Sydney in 1998 to plan its campaign for substantial progress on reducing agricultural protectionism in the WTO in 1999.

The Federation of Free Farmers (FFF), currently one of the largest producer's organizations (PO) in the Philippines was organized as a peasant union in 1953 by a group of Catholic laymen. The major objective of the FFF was to emancipate the peasants and their families from social economic, political and cultural oppression and backwardness through the education and organization of its members. FFF initially rendered legal services to farm tenant and workers and in lobbied for legislations that were favorable to the peasants.

An intensive reorganization drive was launched in the 1980s, and the educational curricula for members and leaders were revised to emphasize the nature of the FFF as an organization not only for, but more importantly, of and by the farmers themselves. A national policy was subsequently promulgated to temporarily stop receipt of external assistance, except those for education and training, to affect the shift to self-reliance. It is important to note that the Chairman of the Federation of Free Farmers during this time was Leonardo Montemayor, who was also the Secretary of the Department of Agriculture. The membership of the Federation of Free Farmers in the Cairns Group was reinforced by Montemayor.

The Ban - How did it start?

Many years back, the Bureau of Plant Industry and its counterpart in Australia signed an agreement whereby the Philippines will allow Australia fruits to enter in exchange for allowing Philippine mangoes, bananas and pineapples to enter the Australian market. But while Australia is already flooding the Philippine market with its fruits, it raised certain phytosanitary questions regarding Philippine mangoes. It originally questioned the use of ethyldibromide (EDB) as a means of treating Philippines mangoes against fruit flies.³

When the Philippines shifted to vapour heat treatment (VHT) for treating mangoes, Australia said there was a need to go into VHT trials, which the Philippines said was no longer necessary because Japan is already allowing VHT as a treatment for Philippine mangoes. The issue remains unresolved. The Philippine government noted that Australia's requirement for high levels of destructive sampling remains a concern. It said this is not necessary since any infestation by red-banded caterpillar and black borer would be visible to the naked eye. It reiterated that it found a way to prevent fruit flies by the use of VHT and steps had been taken to prevent the movement of mango pulp weevil.⁴

The Philippines has also raised concern over Australia's restriction on the use of benzoic acid as a preservative in sauces. It said there are no international standard for benzoic acid and no conclusive findings that it is harmful to human health.

The government noted that Australia's practice is inconsistent with the WTO sanitary and phytosanitary agreement, noting that it allows the importation of products containing benzoic acid from New Zealand. On bananas, the Australian government banned shipments from the Philippines, alleging the fruits are infested with so many diseases. The Bio-Security Australia (BA), a quarantine and inspection agency of Australia, released a draft of the Inspection Risk Analysis (IRA) in the end of June 2002, a 6-month delay from the BA-committed schedule of December 2001. The said draft IRA was submitted to stakeholders for submission of comments and appeal IRA process completion for bananas is envisioned by October 2002. The said draft stated that the Philippines is unable to reduce risks associated with

pests and diseases found in Philippine bananas that are of quarantine concerns to Australia.

In the case of Philippine pineapples, while Australia has approved entry of local fresh pineapple into its market, it wanted the fruit to arrive into its shore decrowned and treated with methyl bromide for two hours to minimize or kill all the possible pests that may be present in pineapples. These decrowning and treatment will limit the fruits' shelf life to 15 days. Hence with an estimated travel for ten days, the fruit is left with a five-day shelf life at the destination market. The Philippines finds these two conditions unreasonable and detrimental to the country's trading position.

According to the Executive Director of Philippine Peasant Institute, Omi Royandoyan, how can Australia justify the continued ban on Philippine bananas on the basis of purported phytosanitary risks when the same bananas are already being exported to countries like Japan and New Zealand. The banana issue, according to him, merely illustrates the fact that Australia, which projects itself as a leading advocate of free trade, does not use the same trade barriers they claim to oppose when it comes to protecting their domestic producers.⁵

When Australian Federal Minister for Agriculture, Fisheries and Forestry Warren Truss visited the Philippines on July 2001, he said that the Philippines is a natural and important trading partner of Australia, so it is imperative that both countries improve their communication links and understanding on market access, quarantine and related issues. He further said that Australia has the most transparent quarantine regime in the world, that they maintain a thorough quarantine policy because they are relatively free from many of the world's pests and diseases, and they must preserve this enviable disease status.⁶

The decisions on access of products from overseas are made solely on an objective scientific basis as required the World Trade Organization quarantine agreement as the Sanitary Phytosanitary Agreement (SPS). Australia supports and complies with this agreement, this according to Truss.

Earlier than that, Truss met with the former Philippine Agriculture Secretary Leonardo Montemayor and former Trade Secretary Manuel Roxas II (now Senator). Truss asked the Philippine officials to provide a list of pests and diseases affecting the tropical

fruits it wanted to export and in turn, the Australian minister expressed his country's desire to export temperate fruits and vegetables to the Philippines. Truss also sought a lifting of the Philippines' ban on meat and bone meal imports and brought up concern over difficulties regarding the microbiological testing of raw meat. This is in relation to Manila's restrictions on imports of meat and meat products following the outbreaks of mad cow and foot and mouth disease.⁷

On the other hand, the Philippine officials sought market for bananas, mangoes and pineapple to enter to Australia. Montemayor is optimistic that in a few more months Philippine-produced bananas and pineapples can be seen in Australian store shelves, ready for the taking. The wider export market for local farm products augurs well for the agricultural modernization agenda of Philippines President Gloria Macapagal-Arroyo as this would generate foreign exchange, create jobs and ultimately reduce poverty in the countryside. Montemayor also suggested Australia to accept export shipment of non-Guimaras grown mangoes on a continuing basis, adding that export quality mangoes that can pass strict quarantine requirements can also be sourced in many parts of the country.⁸

Truss offered to help the Philippines develop the market and expand the commercial use of its coconut by-products, particularly the coco peat, to enable millions of copra farmers maximize their incomes from the so-called tree of life. Coco peat, the thick material covering the nut, is a good soil substitute. It is also an excellent raw material for automobile seats manufacturing aside from its various applications in construction and aerospace industry. The two countries scheduled high level talks on April to look at the possibility of widening market access for their agricultural products in each other's markets. But until now there is no concrete resolution.

Background on Philippines-Australia Trade and Manila's Strategy

In 2006, the Philippines' merchandise imports from Australia were valued at US\$644.7 million (representing 1.23 percent of Philippines total imports), an increase of 15.01 percent over the previous year. Milk and other dairy products, and live cattle and beef continue to account for over a quarter of total Australian exports to the Philippines. (See Table 1)⁹

Table 1. Summary of merchandise imports from Australia by major product grouping.
CIF value in US million dollars

	2006	2005	2004	2003	2002
Consumer manufactures	93,658,217	85,997,043	84,778,362	70,869,574	53,496,608
Food and food preparations	192,780,955	166,965,118	244,921,939	195,247,521	281,409,202
Resource-based products	244,460,219	191,989,651	152,540,975	137,339,158	151,156,280
Industrial manufactures	132,035,921	132,067,865	136,214,357	120,446,405	127,718,024
Special Transactions	1,762,567	948,942	1,382,794	2,340,233	2,231,946
Total	664,697,888	577,968,619	619,838,427	526,242,891	616,012,060

Primary source of data: National Statistics Office (NSO)

Processed by: Bureau of Export Trade Promotion (BETP)

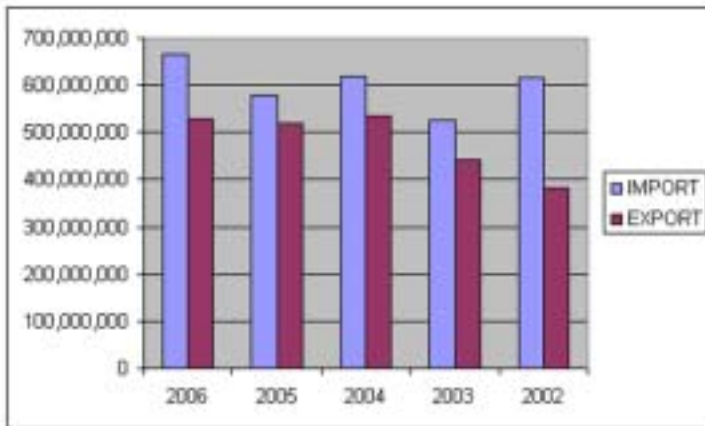
On the other hand, Philippine merchandise exports to Australia were valued at US\$530 million (this accounts for 1.07 percent of the country's total export), an increase of 1.84 percent from year 2005. (See Table 2)¹⁰ From these figures, the Philippines ranked 13th as a destination for Australian exports; and 32nd as a source of Australian imports. There was a trade imbalance of almost US\$135 million in the year 2006 between the two countries. (See Table 3). This trade imbalance prompted the Philippines to pressure the Australian government to open up their market. The agricultural trade imbalance between the Philippines and Australia is increasing as evident by the recent statistics which showed that from January to July 2002 alone, the country's total import reached US\$322 million as against US\$155 million in exports, or a US\$167 million difference.¹¹

Table 2. Summary of merchandise exports to Australia by major product grouping.
CIF value in US million dollars

	2006	2005	2004	2003	2002
Consumer manufactures	52,987,829	51,712,435	47,964,218	49,890,789	43,552,669
Food and food preparations	28,138,603	27,543,472	17,532,196	20,399,782	16,123,346
Resource-based products	254,451,031	226,812,059	116,274,589	123,629,072	52,741,921
Industrial manufactures	178,380,134	200,330,555	332,891,656	235,054,253	255,498,731
Special Transactions	16,058,735	14,020,793	21,877,799	11,345,757	14,309,537
Total	530,016,332	520,419,314	536,540,458	440,319,653	382,226,204

Primary source of data: National Statistics Office (NSO)
Processed by: Bureau of Export Trade Promotion (BETP)

Table 3. Comparison of Philippine Exports/Imports with Australia (in US\$)



The widening trade gap between the two countries has prompted former Agriculture Secretary Leonardo Montemayor to order a review of farm trade between the Philippines and Australia even as he called for a new study on ways to bridge the gap. On the other

hand, Senator Manuel Roxas II threaten the Australian government that the Philippines will leave the Cairns Group if the Australian government will not lift the ban imposed on some Philippine agricultural products to their country. It is important to note, however, is that Montemayor is the Chairman of the Federation of Free Farmers in the Philippines. Some say that this move is politically motivated in the sense that the FFF group is pushing Montemayor, being the former Secretary of the Department of Agriculture to pursue their course in their benefits. On the other hand, Roxas is a plantation owner on the Visayas region.

Implications of the Strategy

How will this scheme affect the Philippines-Australia political and economic ties? How will this affect the solidity of Cairns Group? Let's have a little background of the relationship of Philippines-Australia. Australia and the Philippines enjoy longstanding and close relations, underpinned by strong people-to-people links. The Filipino community in Australia is now estimated to be in almost of 200,000.¹² The Philippines and Australia share many common interests and both countries value their cooperation in regional affairs such as ASEAN, APEC and their joint contribution in East Timor.

The Philippines is a very important development partner, ranking fourth largest as a recipient of Australian development assistance, after Papua New Guinea, Indonesia and Vietnam. Australia is the second largest provider of grant aid in the Philippines after Japan. The defense relationship continues to expand and Australia is now a significant external source of training assistance to the Armed Forces of the Philippines.¹³

During the Martial Law period there were some difficulties in the aid relationship with some Australian aid programs and workers being affected by internal struggles against the regime. From 1986 bilateral development cooperation was strengthened. A review of the aid relationship was conducted in 1993 and recommended that in the future, aid projects deal primarily with direct poverty alleviation, population and health activities, ecologically sustainable development projects, primary and secondary education and the strengthening of commercial ties. The Minister for Foreign Affairs commissioned a further review of the Australian aid program in 1996. The report

prepared by Paul Simons, which was released on 2 May 1997, recommended that the aid program have a sharper geographic focus on the poorer regions of recipient countries. For 1998-1999 Australian development cooperation assistance amounted to A\$60.9 million, consisting of A\$52.7 million provided bilaterally and the remainder provided under regional and other arrangements. Australian development cooperation assistance for 1999-2000 is estimated at A\$61.8 million, and for 2000-2001 it is budgeted for A\$63.1 million.¹⁴

Bilateral consultations in November 1998, reiterated the geographic focus of Australian aid for the Philippines in the southern parts, especially Mindanao and set up a new three-pronged approach, namely: 1) assistance in the key livelihood areas or rural incomes, health, education and environment; 2) governance facility to support economic reform and pro-poor policies of the Estrada government; and 3) vulnerable groups facility to help government address the social costs of adjustments for globalization.¹⁵

Bilateral trade has continued to grow, even amidst the post September 11 global economic slowdown. Total two-way trade in FY 2000-01 amounted to A\$2.013 billion. Australia's major exports to the Philippines include dairy products, crude petroleum, live animals, copper and coal. The major imports from the Philippines include computers, integrated circuits, equipment for distributing electricity, telecommunications equipment and radio-broadcast receivers.¹⁶

For the Philippines to leave the Cairns Group will affect the bilateral relations of the country. The Cairns Group is regarded as the "little guys club" in the international trade, serving as a lobby group for developing countries in the World Trade Organization.

It is a blow to Cairns and to the Australian government because the group is very proud of its developing-country membership. This is a challenge to Australia who is being looked upon as a champion of free and fair trade and the Cairns Group which advocates open trading in Asia and the Pacific. The strategy of the Philippines will have a tremendous effect on the Group considering that the Philippines have been an active member of the group since its inception.

According to an interview with Mr. Paul Griffiths, the officer-in-charge of the Cairns Group in Australian Embassy in Manila, he said that the Philippines plays a constructive role in the group, as evidenced by its contribution at the Cairns Group meeting in Bolivia. It is of course the Philippines' right to choose its membership of international

organizations, but at this stage Australia would not expect the Philippines to leave the Cairns Group as the Group is playing a vital role to protect developing country concerns such as subsidization (and to promote agriculture liberalization against countries that have not yet done so) in the lead up to the next WTO round.¹⁷

He regards the Philippines as an integral member of the Cairns Group and vital to its continuing developing country agenda. Australia and the Philippines has a broad relations in which there are many other avenues to develop ties. The Philippines has recently sought talks in the WTO on Australia's quarantine rules. While Australia would prefer to have concluded the IRA process, and sorted out the differences by bilateral talks, it recognizes the Philippines' right to bring such action under the rules-based trading system.

He defended his country by saying that the restrictions placed on all imports to Australia are quarantine restrictions that all countries use. Australia has an acknowledged conservative quarantine policy to protect its flora and fauna (by virtue of its unique historical and geographic position), but decisions on access to the Australian market are made on the basis of a clearly articulated, transparent, scientific risk analysis processes, not on political factors or trade offs.

Regarding the IRA process, according to him, Australia has completed the IRA for pineapples and is currently completing the IRA for bananas. The pineapple IRA in fact allows trade in pineapples with the Philippines, subject to some risk management measures - decrowning and fumigation with Methyl Bromide. The Philippines has raised the issue of an alternative fumigant than Methyl Bromide and Australia has said that it is willing to discuss this matter further.

Regarding the Banana IRA, the process is not concluded. A Draft Banana IRA was released on 1 July 2002 to allow Philippine stakeholders to comment. Bio-Security Australia is committed to completing the IRA as quickly as possible and is devoting significant resources to that task. Given the number of stakeholder comments (19 in all) and the need to do a thorough job of a complex scientific issue, it is difficult to provide a definitive timeframe for completion.

An Assessment

The agricultural trade relations between the Philippines and Australia is now in a muddled situation because of the Philippines'

plan of leaving Cairns Group if the Australian government will not end the 20-year ban imposed on some Philippine agricultural products. The Philippines will not consider that plan should the Australian government open up its market. Australia benefits a lot from the trade relations between the two countries. While the Cairns Group advocates a free and fair trade between countries, Australia, being the leader of the group, protects its own products by imposing a stricter quarantine measures for products from other countries as it boasts as a country free of pests and diseases. Philippines' leaders see it as a non-tariff barrier. It is trade protectionism, carried out to its worst and its most blatant form.

While the Australian government insists the ban, the United States, Japan and Taiwan opened its doors for Philippine mangoes to enter their markets. These three countries are by no means more lenient in their policies in terms of quality and standard of products entering their market. On the other hand, the Philippines have been exporting mangoes, bananas and pineapple to New Zealand, a nearly country of Australia.¹⁸

On Philippine bananas, the Australia claimed that the Philippine bananas variety bore several plant diseases that could be harmful to their crops. But Japan and the Middle East, which have stricter quarantine procedures, allow Philippine exports of the said fruit. The trade war between the two countries already began when the Philippine government banned the importation of live cattle from Australia in 2000, a move supported by Filipino livestock traders, in retaliation for Australia's restrictions on Philippine fruits.

Now, the Philippines is poised to pull another trigger in a trade war after Filipino businessmen pledged to support a ban on Australian dairy products if Australia continues to disallow the importation of Philippine fruits. Filipino milk importers have agreed to tap suppliers in New Zealand and Europe for their milk solids and powder. They are sympathetic to the plight of the local tropical fruit industry in its bid to gain market access and fair trade in Australia.

The Philippines is one of Australia's biggest markets for milk, butter and cheese. The Australian government gives support and protection for its banana industry, which produces only 250,000 tons a year compared to the Philippines' 3.5 million tons. The Australian government need not worry about losing its tiny banana industry be-

cause Philippine fruit exporters could sell to Australian farmers' cooperatives. With the opening of the Australian market, the Australian government could be helping a much bigger community by increasing imports of Philippine fruits that are produced in poverty-stricken areas in Mindanao and, after all, the Philippines is not out to kill the Australian fruit industry. It just wants to give Australians more choices on their supermarket shelves, much like in Philippine stores.

On the other hand, the Philippine leadership criticized powerful nations that wield protectionist trade policies. As President Arroyo said in the annual general meeting of the Pacific Basin Economic Council, a forum of political and corporate leaders from the Pacific Rim, "We find it tragic that developed countries still persist in maintaining protectionist barriers to trade." Although she did not mention specific names, recent events have shown how developed countries, such as the United States, the European Union and other wealthy countries, have been protecting textiles and agriculture sectors where developing countries have comparative advantage. Arroyo said that protectionist barriers had undermined the ability of governments in developing nations to mobilize support for trade policy reforms—something which rich countries have demanded. She stated, "How can we reform our trade policies when our citizens feel that the developed countries have not yet reformed their trade policies sufficiently to receive our goods more easily?" She added, "All this erodes faith in the system and aggravates poverty (inequality)".¹⁹

Arroyo called on the international community not to allow tariffs to escalate against poor nations and to reduce "burdensome requirements" for products to enter developed markets. Arroyo cited the case of the Philippines, wherein the country's mangoes, bananas and other fruits had to undergo "onerous and expensive" certification requirements before being allowed into some countries, such as Australia. She commented, "Sad to say, while everybody is looking at reducing tariff barriers, sanitary requirements and technical standards seem to be now the welcome choice of protectionists."²⁰

Conclusion

Where does this leave us? The above discussion does not tell us the complexities of the different processes and theories of

international political economy. However, it does illustrate the overall logic of the roles of the government and the need to examine the issue.

First, it is clear that the role of the state has never diminished in this era of so-called globalization and trade liberalization. The formation of trading blocs, in this case, the Cairns Group does not make the state a less important institution. In fact, it is even more emphasized. Both Filipino and Australian farmers, or any farmers for that matter, ask their governments from protection against any form of exploitation in the international market. Trade liberalization will certainly find benefit from states that can efficiently deal with the disturbances that magnify globalization's own waterloos.

Second, the decision to withdraw or remain in the Cairns Group rests mainly on the leadership of the Department of Agriculture and the Department of Trade. We can see the role of the government in deciding issues on international economics. The dispute between the two countries has not escaped the attention of President Gloria Macapagal-Arroyo. Arroyo sought the help of the Australian government and the WTO regarding the issue. While Australia would prefer to have concluded the IRA process, and sorted out the differences by bilateral talks, it recognizes the Philippines' right to bring such action under the rules-based trading system. While the Philippines' access into the Australian market for bananas and pineapples is a bilateral concern, it is the sentiment of the Philippines that Australia should lead by example. Although Australia is only one member, albeit the Group leader, negotiations must be done in government-to-government level. In this way, the state leaders remain the point of interactions between governments.

Other members of the Cairns Group share the same concern against that of Australia. But in this case, the member states acknowledge the sovereignty and policy of non-interference within the members. This can be a weakness of the Group, but that is another story. In any event, recourse to dispute settlement procedures in the World Trade Organization against Australia remains an option for the Philippines should the fruit access issue be clearly irresolute in the bilateral context. The Philippines and Australia recognized the role of the World Trade Organization as an arbiter in times of conflicts between states in the international trade. However, the Philippines deemed it

necessary that bilateral talks are more feasible and appropriate than channeling the issue through multilateral forum. The role of the state and the government is placed above multinational organizations.

The trade differences between the two countries are startling. No matter how one measures it, the Philippines-Australia trade gap is at record levels. The merchandise trade deficit soared to a record US\$135 million in 2006. The current-account deficit, the broadest gauge of the red ink, reached its highest level ever at US\$167 million. No surprise, the politics of trade deficits are heating up. Political pressure is building in the Philippines for the government to confront a deficit blamed on restrictive trading practices with Australia and too liberal trade policies at home. This has prompted the Philippines' Department of Agriculture and Department of Trade and Industry to pressure the Australian government to loosen up their policies on Philippine imports and review the existing trade bans imposed on Philippine products. But then the Philippines and Australia have a broad relationship that is deeper than bananas and pineapples. There are a lot of avenues in which the two countries should develop. However, it should be noted that the farmers and the peasants were the mostly affected sectors in this issue, hence, there is a need of urgency to examine and solve this matter.

Endnotes

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² *Ibid.*

³ Sol Jose Vanzi, "Trade war vs Australia over RP fruit exports", Philippine Headline News Online, February 29, 2000. Available at: www.newsflash.org.

⁴ *Ibid.*

⁵ "PPI criticizes Australia on banana issue", Philippine Peasant Institute press release, July 5, 2002. Available at: www.ppi.org.ph.

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¹⁶ *Ibid.*

¹⁷ The writer interviewed Paul Griffiths of Trade and Economics Section in Australian Embassy, Manila.

¹⁸ Gil Cabacungan Jr. "RP willing to trade deals with Taiwan", Inquirer News Service, July 12, 2001. Also "US open to more mango exports from Cebu", Inquirer News Service, November 24, 2001.

¹⁹ Onirban, "Manila Blasts Rich World for Protectionist Trade Policies", The Daily Star. May 8, 2002. Available: <http://www.dailystarnews.com/200205/08/n2050805.htm#BODY9>.

²⁰ *Ibid.*

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