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“Banana Wars”: The Food Security Implications of the Australia-Philippines Agricultural Trade Dispute

Stewart Lockie

Since 2000 Australia and the Philippines have been engaged in an acrimonious dispute over agricultural trade. Ostensibly, this dispute is about Australia's use of strict phytosanitary standards to restrict the importation of Philippine fruit products. Arguing that these restrictions are being used as non-tariff barriers to trade, the Philippines has retaliated by reducing imports of Australian cattle and boxed meat, threatening to ban Australian dairy imports and, recently, referring the matter to the World Trade Organization. Underlying this seemingly strong reaction is a trade imbalance overwhelmingly in Australia's favor. This paper analyzes the trade in what are in fact luxury foods, including vegetables and tropical fruits, and offers a critical assessment of the competing visions of food security that have been deployed in the trade disputes between the two countries.

KEYWORDS: *Philippine agriculture, Australian food exports, trade dispute, food security, World Trade Organization*

In 1992, the Australian government commenced implementation of a number of policies designed to boost food exports and foster closer economic relations with the rapidly growing populations and economies of Asia (Pritchard 1999). Ten years later—following three years of increasingly acrimonious debate—the Philippine government began dispute resolution proceedings with Australia in the World Trade Organization (WTO) over Australia's refusal to allow free entry of Philippine fruits into Australia (DFAT 2003a). The apparently straightforward logic of the Australian government's positioning of the country as a “Supermarket to Asia”—whose rising populations and living standards seemed to provide a natural market for Australia's food exports—had

come into conflict with the equally compelling logics of comparative advantage and quarantine control. The banana plantations that told the Philippines's own export success story threatened to overwhelm the Australian banana industry with lower prices and the possible introduction of expensive exotic diseases. Economic logic was confronted with political reality as both countries thence sought to position themselves as staunch defenders of the free trade principles embodied in the WTO.

The concern of this paper is not with the detail of this trade dispute but with the implications for food security within the Philippines of the agenda and trade relationships underlying the dispute. That food imports and food security have become increasing foci for political dissent within the Philippines (Del Rosario-Malonzo 2001) is not surprising given that:

- the Philippine population increased from 39 to 77 million between 1972 and 1991 (FAO 2003) and is projected to reach 115 million in 2025 (Hussain and Sombilla 1999), and thence to continue growing well into the twenty-first century (P aunlagui 1999);
- national self-sufficiency in rice production in the year 2010 would require an increase in production of nearly 50 percent over 1990s levels (Hussain and Sombilla 1999);
- nearly all available arable land on the Philippine archipelago of only 300,000 square kilometers is already in agricultural use (FAO 2003), with 90 percent of land suitable for cultivation of high yielding rice varieties already used for this purpose (Hussain and Sombilla 1999); and,
- the majority of Filipinos already consume diets that are energy and nutrient deficient (Bayani and Marchesich 2001).

With trade liberalization and agricultural modernization represented as the solution to myriad social problems, it is critical that both are scrutinized to determine what they really do mean for those most vulnerable to food insecurity. Although Australia and the Philippines are relatively minor trading partners, examination of trade relationships between the two countries provides a useful focal point through which some implications of the liberalization and modernization projects due to the rationalizations (discussed below) for disputation over trade in terms of food security and rural livelihoods can be drawn out.

Competing Visions of Food Security

The fundamental need for food security is something few would dispute. The meaning and implications, however, of food security in the Philippines are fiercely contested (Bello 1997). Among the multitude of positions on food security, two broad schools of thought may be discerned. The first—which is currently ascendant in national and international policy—promotes a minimalist view of food security as the availability and affordability of nutritionally adequate and culturally acceptable food (Cabanilla 1999). According to the minimalist view, the origin of food is immaterial so long as it meets the needs of consumers. Not surprisingly, governments and agencies also responsible for championing trade liberalization and the modernization of traditional agricultural sectors promote this view (Madeley 2000). Liberalization and modernization are proposed by such agencies as the antidotes to chronic food insecurity by shifting production of staple foods to those countries and regions in which resources can be utilized most efficiently, lowering the price of food for consumers, and boosting incomes in those agricultural regions in which resources may more effectively be used to grow higher value alternative crops (Bello 1997; Madeley 2000). The notion of Australia as a Supermarket to Asia fits very comfortably with this vision for food security since, even in the event that markets for those products sold by Australia are oversupplied, any comparative advantage held by Australian producers will merely provide market signals to Philippine producers that they should redeploy their resources elsewhere. Trade deficits, however, remain problematic since they undermine long-term capacity to afford food imports.

The second school of thought on food security is centered on the concept of “food sovereignty.” While this view is now a marginalized position within government—and regarded as simply incorrect by many economists (e.g. Cabanilla 1999)—nongovernment organizations and farmer groups vigorously promote it. Within this school, there are a number of emphases that reflect the diverse coalitions of opponents of wholesale trade liberalization. For some, food security is tied intrinsically to self-sufficiency and the capacity of Philippine agriculture to meet domestic demand for all staple foods, thus buffering domestic producers and consumers from world market volatility (IBON 1999a;

Del Rosario-Malonzo 2001). For others, the core issues center more on who controls the food supply and the livelihoods of those dependent on it (Arao 2000a). While trade may not necessarily be inconsistent with this conceptualization of food sovereignty, the specific approaches to trade liberalization and agricultural modernization that have been taken in the Philippines are seen to have transferred control of Philippine agriculture to transnational corporations (TNCs) and agencies (such as the World Trade Organization) while undermining the livelihoods of the majority of Filipino farmers and doing little to lower the cost of food for consumers. Moves to further embed the influence of TNCs through contract growing arrangements, the introduction of plant variety rights legislation, promotion of high-input Green Revolution technologies and so on are all seen as highly problematic. Overall, the food sovereignty approach to food security does not preclude a role for Australian imports—either of food or production technologies—but limits these to sectors and technologies that do not threaten the ability of Filipinos to decide how they will meet their own basic needs.

Irrespective of the position taken within these debates, the four elements of food security offered by the minimalist position—availability, affordability, nutritional adequacy, and cultural acceptability—offer essential criteria by which to evaluate the impact of both the liberalization and sovereignty agenda. Before examining the likely impacts of Australian trade in particular this paper will consider Philippine performance against these criteria during the period of modernization and trade liberalization following the Green Revolution of the 1970s.

Green Revolution, Trade Liberalization and Food Security

The Philippines is a chronically food insecure country. Although there is probably sufficient food within the Philippines to meet basic needs, the typical Filipino diet is grossly inadequate in energy and nutrients (Bayani and Marchesich 2001; Briones et al 1999). In 1998, 31.8 percent of preschool children were found to be underweight-for-age, 32 percent were stunted (underheight-for-age), 6.6 percent were wasted (underweight-for-height), but 1 percent was overweight (Bayani and Marchesich

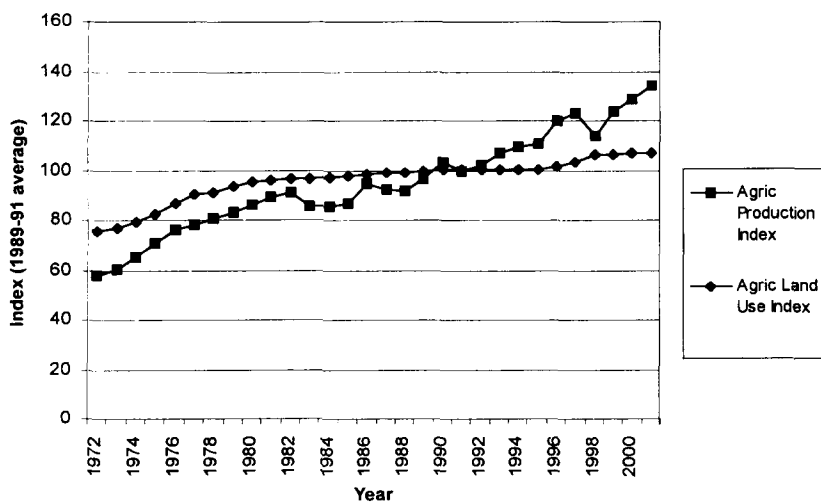
2001). At the same time, 19.8 percent of adolescents and 13.2 percent of adults were underweight and energy deficient. Women—especially those who were pregnant or lactating—were found to be particularly vulnerable. Iron-deficiency anemia affected 30.6 percent of the population while significant numbers were affected by Vitamin A and iodine deficiencies. A major cause of malnutrition in the Philippines is poverty, with some 37.5 percent of the population unable to meet their most basic food and other needs in 1997 (Bayani and Marchesich 2001). Using a different methodology (based on expenditure rather than income), the *Philippine Human Development Report 2002* reports that this situation deteriorated further between 1997 and 2000 with the number of impoverished Filipinos increasing from 25.1 percent to 27.5 percent of the total population. The 1991 Family Income and Expenditure Survey showed that urban families spent up to 64.6 percent of their income on cereals, and rural families up to 66.6 percent (Mariano 1996).

Importantly, poverty is closely related to reliance on the agricultural sector with 65.6 percent of the poor population residing in rural areas in 1994 increasing to 71.5 percent in 1997 (Bayani and Marchesich 2001). In a survey of farm workers in the sugar industry in 1999, 90 percent believed that food consumption in their households had declined since 1995 due to high prices, low wages, and underemployment (Tujan 2000). The most food insecure households nationally include upland farmers, lowland crop farmers, agricultural workers, subsistence fishermen, and the urban poor (Briones et al. 1999). Clearly, increasing the profitability and value-adding capacity of the small farms sector is crucial to household food security.

Moves to modernize and liberalize Philippine agriculture have been undertaken more-or-less simultaneously since the 1960s. The International Monetary Fund first imposed trade reform in 1962 and again in 1973 (Guzman 2000a). In 1974, with World Bank funding, the Philippine government began promoting more vigorously the adoption of Green Revolution technologies—including high yielding varieties (HYVs) of rice and corn—through the provision of credit, land reform and cooperative programs. However, the dependence of HYVs on optimum growing conditions provided by irrigation, synthetic inputs (fertilizer and

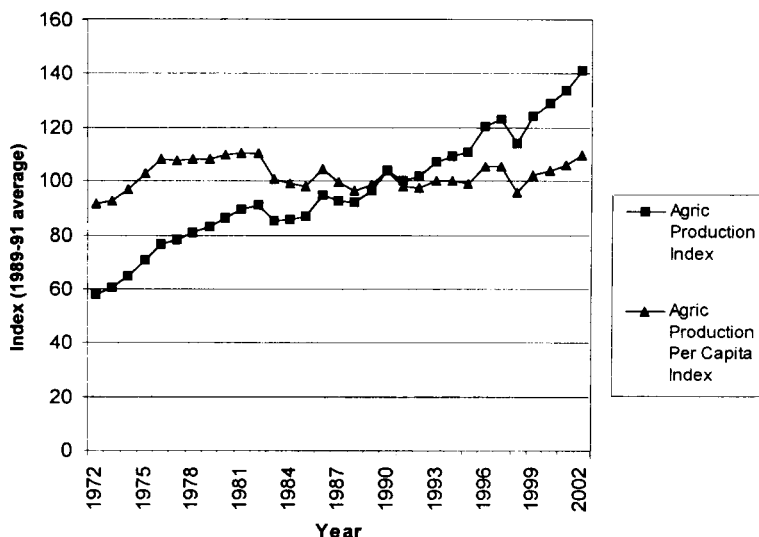
pesticides) and favorable seasonal conditions resulted in disappointing and erratic results for poor farmers. Often, this resulted in a cycle of loan defaults, increasing indebtedness, and falling yields (Lim 1996). Productivity gains in Philippine agriculture since the Green Revolution consequently have been modest. Figure 1 shows that much of the improved output from Philippine agriculture in the early years of the Green Revolution could be accounted for by an expansion of agricultural land use while, Figure 2 shows that increases in domestic production have been sufficient merely to avoid further declines in per capita food production. Importantly, these trends have not been uniform across agricultural crops. Rice yields—which are of particular importance due to the status of rice as a staple crop—increased from 1.3 to 2.9 tons per hectare between 1965 and 1994 (Hussain and Sombilla 1999). However, many of these gains were made in the early years of the Green Revolution and the rate of increase has slowed since the mid-1980s alongside reduced public expenditure on maintenance and expansion of irrigation and limited availability of land suitable for modern high yielding varieties (Hussain and Sombilla 1999).

Figure 1. Agricultural production and land use indexes, 1972–2001



Source: FAO 2002

Figure 2. Agricultural production index, 1972–2001



Source: FAO 2002

The 1979 national debt crisis resulted in the imposition of one of the IMF's first Structural Adjustment Programs requiring tariff reductions, import liberalization, and indirect tax reform (Guzman 2000a; Ofreneo 1996). While there is insufficient space here to detail ongoing programs of trade liberalization through the 1980s and early 1990s, it is telling that by the time the General Agreement on Tariffs and Trade (GATT) was ratified in 1994 the Philippines had half the allowable rate of agricultural price and production subsidization of 10 percent of production value (Guzman 2000a).

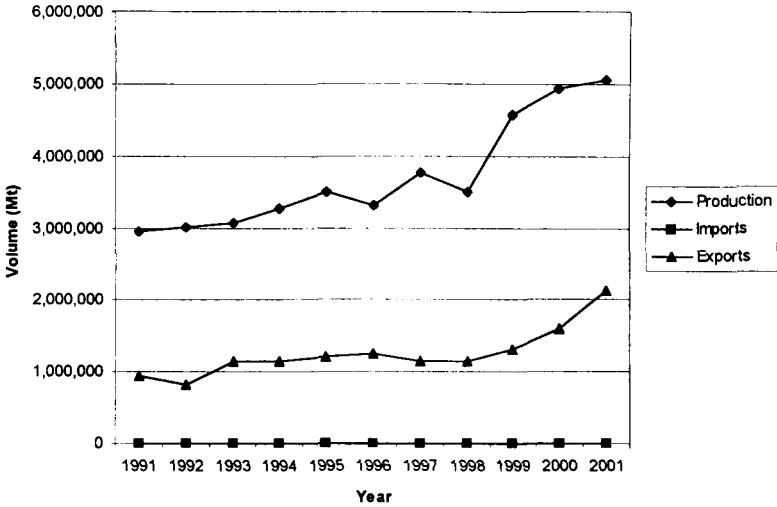
From the first IMF loan in 1962 onwards, trade reform in the Philippines has resulted in the expansion of export plantation crops such as banana and pineapple (Guzman 2000a), often forcing producers of staple crops—including subsistence farmers—into marginal lands (Atienza 1992). Following implementation of the GATT, land conversion for export crops and industry was pursued more deliberately. The Medium-Term Agricultural Development Plan (MTADP 1993–98) focused on the development of export-competitive High Value Crops (HVCs) such as asparagus, zucchini, tomato, garlic, onion, cauliflower, carrot, celery, cabbage, castor bean, cut flowers, and so on, with a goal

of reducing the land devoted to food grains from 5 million to 1.9 million hectares (Ofreneo 1996). In addition to providing credit, the Philippine government reconfigured its agrarian reform program to facilitate contract growing, joint venture, and leasing relationships between farmers and corporate agribusinesses (Tujan 2000). Despite this, the goals of the MTADP have not been achieved. Instead, from 1983 to 2002 the area of rice harvested increased from 3.1 million hectares to 4 million hectares (FAO 2002); demonstrating the limited ability of poor peasant farmers to invest in HVCs (Tujan 2000). Further, as Figure 3 shows, the only crop for which there was a significant increase in export volumes over the preceding decade was bananas. Exports of coconut were static despite increasing production (Figure 4), while exports of vegetables were negligible (Figure 5), reflecting the continued dominance of the sector by small rice growers seeking to supplement income by supplying vegetables to the local market (Guzman 2000b) and the collapse of farmgate prices due to competition from imported and smuggled vegetables (Aquino 2003). Sugar, meanwhile, lost its status as an export crop and is now subject to net imports (Figure 6). The staple crops rice (Figure 7) and corn (Figure 8) both registered significant increases in imports. Not only do government targets to convert more land to HVCs appear unrealistic, existing experience in the export plantation crops sector suggests that minimal, if not negative, growth in employment opportunities and rural incomes are likely to occur (Ofreneo 1996).

From the perspective of food security, it is also important to note that direct government intervention in Philippine agriculture prior to the GATT occurred primarily through the procurement (both domestically and internationally), warehousing and distribution of basic food items to prevent price manipulation by merchants (Tujan 2000). But, by 1989, government procurement was reduced to a token 2.2 percent of the domestic rice crop while, as Figure 7 shows, imports were increased. (Guzman 2000a) The inefficiency and cost structure of Philippine producers relative to international competitors contributed to prices for imported products significantly lower than for domestic produce (Arao 2000b; Madeley 2000). Yet with control over distribution, processing and retailing returning to private traders and cartels, it appeared that the

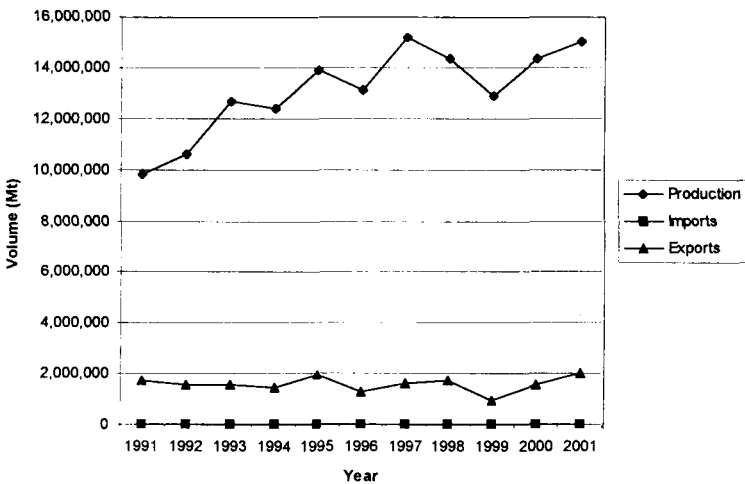
availability of less expensive imported meat, grains and vegetables was accompanied by inflating retail prices (Arao 2000b; Tujan 2000).

Figure 3. Banana production and trade, 1991–2001



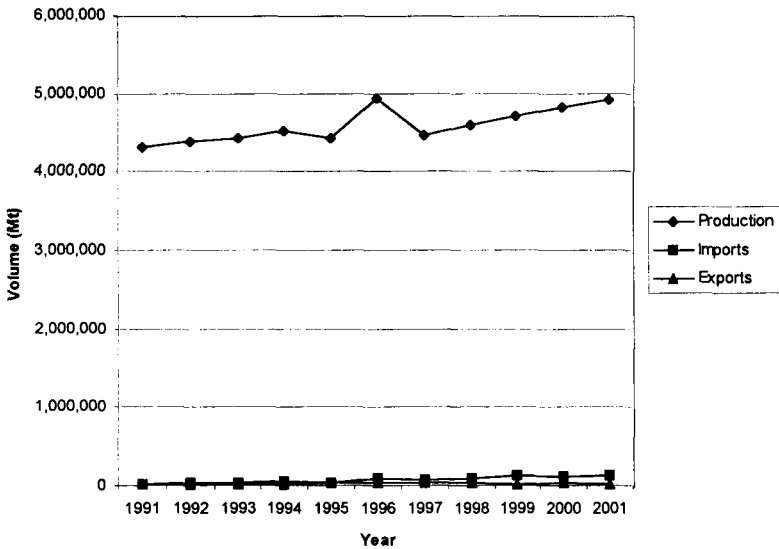
Source: FAO 2002

Figure 4. Coconut and coconut oil production and trade, 1991–2001



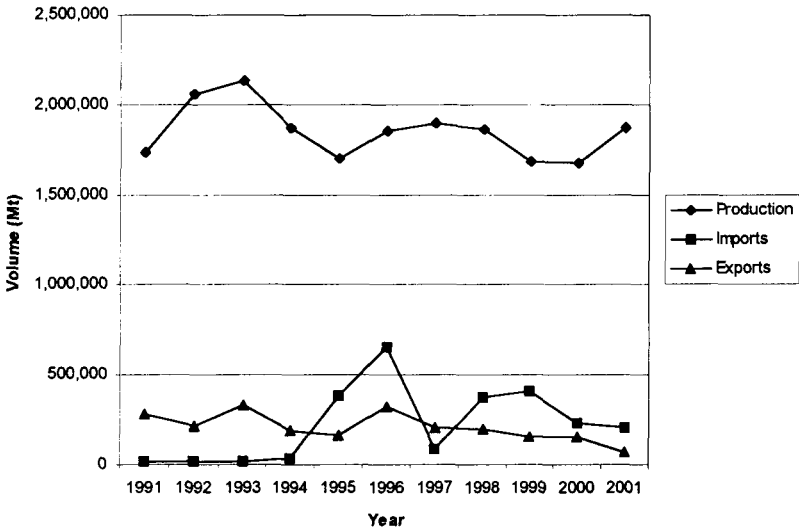
Source: FAO 2002

Figure 5. Vegetable production and trade, 1991–2001



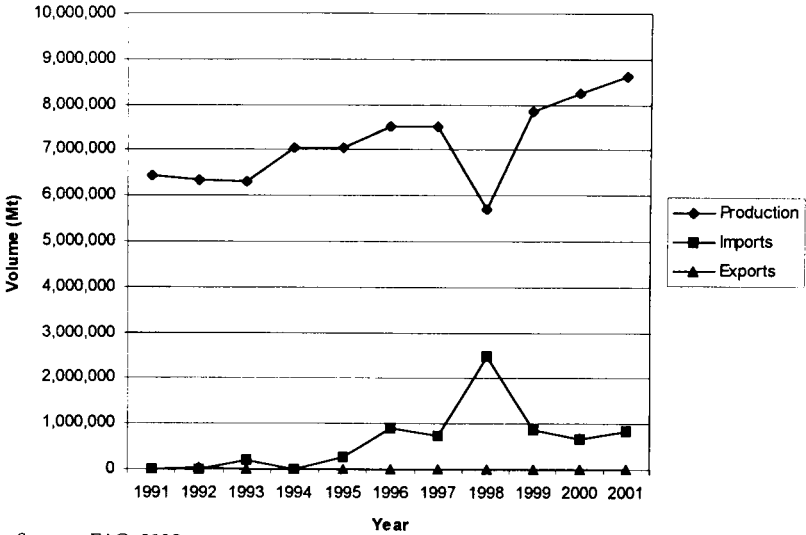
Source: FAO 2002

Figure 6. Sugar (raw equivalent) production and trade, 1991–2001



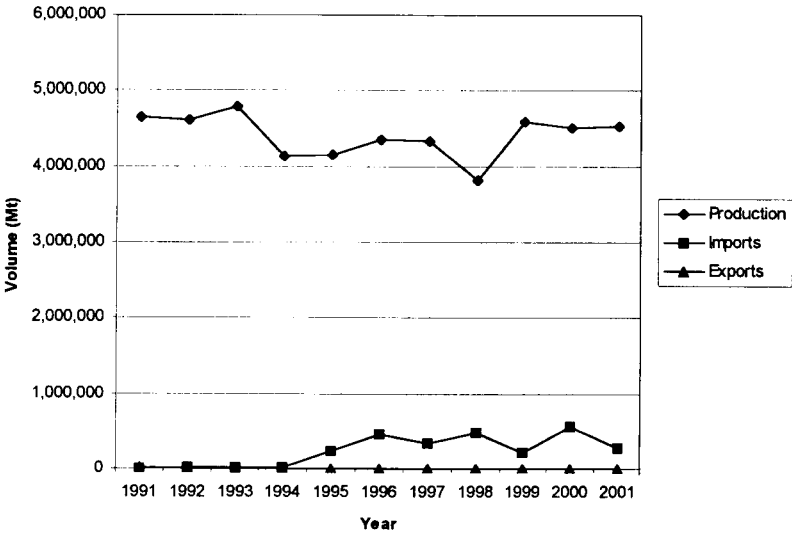
Source: FAO 2002

Figure 7. Rice production and trade, 1991–2001



Source: FAO 2002

Figure 8. Corn production and trade, 1991–2001



Source: FAO 2002

To summarize, attempts to modernize and liberalize Philippine agriculture have seen retail food prices rise at the same time that productivity gains within agriculture have remained insufficient either to maintain competitiveness relative to overseas producers or to increase farm incomes. The point here is not to suggest that trade liberalization is solely responsible for the ills of Philippine agriculture but that it is, by itself, almost certainly incapable of addressing them. This paper will turn now to the politics of trade and the strategies adopted by the Philippine government to shape trade with Australia in ways that meet domestic goals.

Banana Wars:

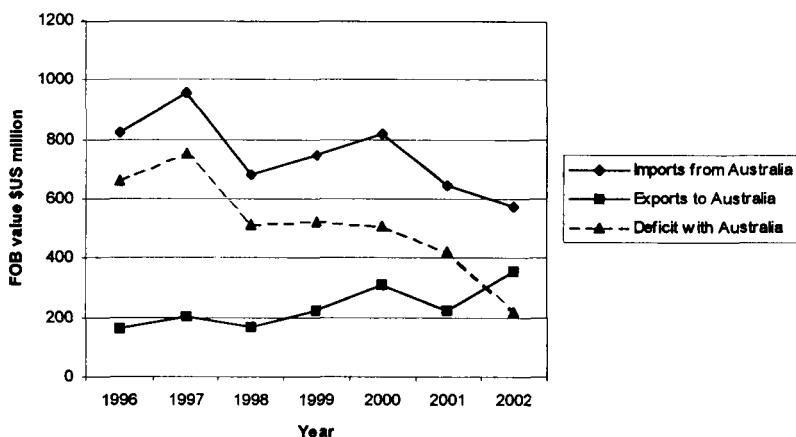
The Philippines-Australia Trade Dispute

Australia was the Philippines' 14th largest export destination in 2002 (accounting for 1 percent of total merchandise exports) and 13th largest source of imports (accounting for 1.6 percent of total merchandise imports). As Figure 9 shows, Australia has traditionally enjoyed a substantial trade surplus with the Philippines, much of which can be accounted for by agricultural products including milk, beef and live cattle. The dramatic reduction in this surplus that is evident from 2001 onwards is due in no small way to the export success of the Philippine banana (see Figure 3). For, despite the fact that not a single banana has been traded between Australia and the Philippines, its influence in trade politics between the two countries has been immense, with an escalating dispute since early 2000 over Australia's refusal to grant import licenses for Philippine bananas, pineapples and mangoes due to concern that these may contain pests and diseases that threaten the domestic industries.

The Philippines has a long history as an exporter of tropical fruits. Del Monte shifted its pineapple plantation operations to the Philippines from Hawaii in the 1920s to take advantage of, among other things, the low cost of labor, while the export banana industry was initiated in the late 1960s in response to the declining market for abaca (hemp) fiber and the undersupply of bananas to Japan (Feranil 1998). The Philippine banana industry is now the world's fourth largest exporter

and is looking for new markets into which to expand, as existing markets become saturated (*The Australian*, 29 April 2002). Although operating under a number of trade names, the industry is essentially dominated by two transnational agribusiness firms, Dole and Del Monte (Feranil 1998), and expects to capture half the Australian banana market within two years should quarantine barriers be removed.

Figure 9. Philippines-Australia merchandise trade, 1996–2002



Source: Department of Trade and Industry 2003

On 29 August 2003, at the instigation of the Philippines, a panel was established by the World Trade Organization to examine Australia's quarantine measures relating to all fresh fruits and vegetables (DFAT 2003a). This was the first dispute taken to the WTO by the Philippines since 1996, when requests were made for consultations regarding the export of shrimp to the United States (WTO 1996a) and for the establishment of a panel to investigate the export of desiccated coconut to Brazil (WTO 1996b). In taking a complaint against Australia to the WTO the Philippine government alleged that quarantine restrictions on the importation of fresh fruit and vegetables were inconsistent with Australia's obligations under the General Agreement on Tariffs and Trade; that they resulted in trade distorting delays in the approval of import licenses; that they were not based on an appropriate, uniformly applied or scientific risk assessment; and that they were more trade

restrictive than necessary to provide an appropriate level of protection (WTO 2003). In response, Australian representatives not only asserted their confidence that quarantine measures were WTO compliant, but contested the legitimacy of the Philippine protest; in particular, its systemic challenge to the right of WTO members to enforce quarantine regimes rather than on any specific sanitary and phytosanitary measures contained in the Australian regulations (DFAT 2003a).

The Philippine protest to the WTO was first mooted in early 2000 (*Manila Standard* 2000b) amidst a number of claims by then Secretary of Agriculture Edgardo Angara that trade barriers were being used by developed countries to discriminate against Philippine exports. Claiming that trade with Australia accounted for half of the Philippines total agricultural trade deficit of US\$700 million (*Manila Standard* 2000b), the Secretary ordered the Bureau of Animal Industry to begin reducing the importation of live cattle from Australia by 20 percent a year for five years (*Manila Standard* 2000c). Active steps were also taken to reduce dairy imports from Australia through import diversification (*Manila Standard* 2002; *Australian Financial Review* 2002) and threats made to accede from the Cairns Group. Angara's policy of "trade reciprocity"—or buying only "from those countries that buy from us" (*Manila Standard* 2000a)—had some effect, with Australia agreeing to test mangos and bananas simultaneously and to complete quarantine risk assessments within 24 months (Williamson 2000). However, when these assessments were completed in 2002 they recommended a continuation of the total ban on Philippine bananas, restrictions on imports of mangos to those grown on Guimaras Island only, and treatment of pineapples with methyl bromide and the removal of tops (*Manila Standard* 2002). These recommendations precipitated the commencement of formal bilateral consultation processes required before formalization of a trade dispute.

Yet, according to the Philippine government, the trade dispute with Australia over importation of bananas, mangos and pineapples has less to do with free trade or economics than it does with political stability on the island of Mindanao where the majority of export bananas and other fruits are grown (Chong 2002). In a meeting between Australian Prime Minister John Howard and Philippine President Gloria Arroyo in

August 2003, President Arroyo argued that regional development necessary to break the nexus between terrorist activities and poverty on Mindanao was clearly linked to the fortunes of the export banana industry (Fagan 2003). According to this argument, by providing villagers with employment and incomes, the export fruit industry reduces the likelihood that they will join Muslim rebels in their struggle against government forces. This argument is promoted vigorously by representatives of the export fruit sector, including Senen Bacani (former vice-president and general manager of Dole Philippines and former secretary of agriculture) and Luis Lorenzo Jr. (current secretary of agriculture and former chairman of Del Monte Philippines) (Manuzon 2002). Nevertheless, it may be questioned on a number of grounds:

First, Davao Province (the center of export banana growing and trade on Mindanao) is predominantly Roman Catholic. Provinces comprising the Muslim Mindanao Autonomous Region have negligible involvement in the export fruit growing businesses, instead predominantly growing rice, corn and copra. They are also among the ten poorest in the Philippines. Based on the Human Poverty Index, between 1997 and 2000, the incidence of poverty in Sulu province increased from 87.5 to 92.0 percent, in Tawi-Tawi from 52.1 to 75.3 percent, in Lanao del Sur from 40.8 to 48.1 percent, and in Maguindanao from 24.0 to 36.2 percent. These provinces also had the four lowest life expectancies in 2000 at 52.3, 50.8, 56.9 and 52.6 years of age, respectively (*Philippine Human Development Report 2002*).

Second, despite poverty in Davao Province being dramatically lower than in the Muslim Mindanao Autonomous Region, it still increased slightly between 1997 and 2000 from 26.2 to 27.3 percent (*Philippine Human Development Report 2002*). This occurred at the same time that banana production and exports accelerated some 30 and 40 percent, respectively (see Figure 3), with Davao accounting for roughly a third of total national exports. While there is a need for care in imputing direct lines of causality between these data, we would expect to find—were the relationships between banana exports, regional development, employment opportunities and so on as direct as the Philippine government has claimed in its trade dispute with Australia—some evidence of poverty reduction in Davao. Instead, the overall level of poverty in

Davao has deteriorated slightly and remained more-or-less identical to the national average.

Third, the plantation fruit growing industries remain the focus of considerable criticism for exploitative employment and contract farming arrangements. As Vellema's (2003) study of the Philippine asparagus industry shows, exploitation is not a necessary outcome of contract farming. Instead, considerable scope exists for institutional innovation in the mixture of management styles, controls and partnerships embedded in contracting arrangements to ensure that the needs of all parties are met. Nevertheless, critics maintain that manipulation of the Comprehensive Agrarian Reform Program has provided a means for transnational firms such as Dole and Del Monte to institute less mutually beneficial arrangements. Although most of the lands devoted to export banana and pineapple production are nominally owned by small farmers, a range of mechanisms is used by these firms to maintain control over plantation style production. These include the use of contract farming arrangements with small farmers in which the company assumes virtual control of the production process, the monopolization of transport and marketing infrastructure, and the leasing of lands from so-called farmer cooperatives receiving lands as beneficiaries of land reform (Atienza 1992; Batara 1996; Feranil 1999; Homeres et al. 2000; IBON 1998).

The argument that expansion of tropical fruit exports from Mindanao will, by itself, promote regional development and livelihood improvement on a scale sufficient to relieve Islamic dissatisfaction with Manila is questionable. At the very least, it would appear that any attempt to seriously address rural poverty and food insecurity on Mindanao through food exports must consider also the relations of production under which that food is produced to ensure that small farmers and rural workers have control over their labor and resources and receive a fair return for them. However, not only does the export-led strategy for regional development fail adequately to consider such relations of production, it fails also to consider the opportunity cost of ignoring other potential development paths. When this is considered in combination with the small proportion of overall trade actually accounted for by relations with Australia, it seems reasonable to speculate that the outcome of the Philippine government's actions will ultimately

do more to support the interests of transnational agribusiness firms and the local elites through whom they operate than it will to promote food security and peace.

Impact of Australian Trade on Philippine Producers and Food Availability

As Table 1 shows, Australia's main export to the Philippines—accounting for nearly half of total exports to the Philippines by value in 2002—is food. As Table 2 shows, over half of these exports comprise processed dairy products such as milk powder and ultra heat-treated milk and cream. Using slightly different product categories, the Australian Bureau of Statistics (2003) reports that in 2002–03 Australia's primary exports to the Philippines were milk and cream (A\$213 million), ships, boats and floating structures (A\$98 million), human and veterinary medicaments (A\$71 million), live animals (A\$58 million), and copper (A\$48 million). In turn, the Philippines primary exports to Australia were computers (A\$245 million), integrated circuits (A\$84 million), crude petroleum (A\$69 million), telecommunications equipment (A\$47 million), and radio broadcast receivers (A\$31 million) (DFAT 2003b).

Table 1. Philippines-Australia merchandise trade by category, in US\$ million, 1996 and 2002

	1996			2002		
	Exports to Australia	Imports from Australia	Balance of trade	Exports to Australia	Imports from Australia	Balance of trade
Consumer manufactures	44.0	47.6	-3.6	39.6	51.1	-11.5
Food & food preparations	13.9	318.0	-304.0	13.6	266.4	-252.8
Resource-based products	17.2	239.7	-222.5	47.2	135.7	-88.6
Industrial manufactures	62.3	209.5	-147.1	242.3	120.1	122.2
Special transactions	23.3	8.4	14.8	13.6	2.1	11.5
Total	160.8	823.2	-662.5	356.3	575.4	-219.1

Source: Department of Trade and Industry 2003

Table 2. Australian food exports to Philippines, in US\$ million, 1996 and 2002

		1996	2002	Change 96-02
Dairy & egg products	Processed	189.8	147.7	-42.1
Cereals	Processed	27.0	25.7	-1.3
	Fresh	15.2	10.8	-4.4
Meat	Processed	0.7	0.4	-0.3
	Fresh	29.8	22.2	-7.6
Sugar	Processed	18.5	2.1	-16.4
	Fresh	13.9	4.1	-9.8
Live animals	Fresh	0	13.5	13.5
Animal feeds	Processed	5.4	9.2	3.8
Vegetables	Processed	3.3	7.3	4.0
	Fresh	0.4	0.6	0.2
Cocoa	Processed	1.4	5.9	4.5
Beverages	Processed	1.9	2.2	0.3
Fruit	Processed	1.6	1.3	-0.3
	Fresh	1.8	0.5	-1.3
Confectionary & honey	Processed	0.5	2.4	1.9
Sauces, condiment & spices	Processed	1.5	1.4	-0.1
Marine	Processed & fresh	0.2	0.1	-0.1
Coffee	Processed	0.1	0.1	0
Other	Processed	4.8	8.6	3.8
	Fresh	0.1	0.3	0.2
Total		318.0	266.4	-51.6

Source: Department of Trade and Industry 2003

The main concern of this paper is, of course, not whether this balance of trade is "fair," but the effect it is likely to have on food security. As argued above, the critical questions revolve, therefore, over the impact of this trade on the availability, affordability, nutritional adequacy and cultural acceptability of food within the Philippines. Further, given the particularly rural profile of poverty in the Philippines, it is especially important to consider the impact of Philippines-Australia trade on rural incomes and livelihoods. Leaving aside, for a moment, the issue of scale (and the obvious contention that, as a relatively minor trading partner, it is the Philippine trade with other countries that will have the greatest impact on the lives of the poor), it is possible to make a number of observations.

First, improvement in Philippine export performance to Australia in recent years may be seen—from the perspective of the minimalist vision of food security—to have increased food security at a national level by reducing the trade deficit with Australia and improving national capacity to afford food imports. However, dominated as it is by industrial manufactures, this expansion of exports is unlikely to have offered improved livelihood opportunities to rural Filipinos and, if anything, may have contributed to continued rural-urban migration.

Second, with limited evidence that involvement in the export fruit industry improves the economic situation of anybody other than a limited number of local elites and transnational firms, there is equally limited evidence to suggest that Australia's refusal to import Philippine bananas (and to impose strict conditions on pineapples and mangos) has led to any lost opportunities to improve household food security in poor provinces.

Third, Australian imports compete directly with a number of Philippine agricultural sectors that—while oriented to the production of cash crops for domestic and international consumption—are ill-equipped to deal with such competition (Madeley 2000). With evidence that cheaper wholesale prices due to import competition do not lead necessarily to cheaper retail prices, the real issue here is their impact on farm profitability.

In the case of vegetables, official statistics (see Figure 5) provide a misleading picture of the volume of imports competing with local produce due to the large volume of vegetables that are either smuggled into the country or incorrectly declared at customs (Aquino 2003). While it is impossible to quantify the exact impact of Australian imports on domestic prices, it is telling that the Philippine vegetable industry—despite its promotion by government as a High Value Crop—is understood by government officials and farmer groups alike to be in a state of deep crisis due to its incapacity to compete with cheaper and higher quality imports. (Aquino 2003; Escandor and Pelayo 2003; IBON 1999b). Contrary to some claims that imports actually improve food security by supplying markets such as the food service sector (hotels and restaurants) that demand vegetable varieties and quality standards which, locally, cannot be met—thus freeing Philippine grow-

ers to supply domestic food needs—there is evidence that such markets freely switch between local and imported product on the basis of price as well as quality (Aquino 2003). The critical issue here is not whether Philippine producers supply hotels or villages but, again, whether they receive sufficient return on their investment in a crop to meet the livelihood needs of themselves, their families and their workers. Clearly, this is not the case, either for vegetables or for a variety of other crops including sugar, rice and corn (Aquino 1998; IBON 1999c).

Farmers do not have the luxury of opting to supply a local market untouched by the influence of global trade. Instead, Philippine peasant farmers face what may be described as a triple whammy. As land is converted to high value crops it is reconcentrated and corporate land schemes are put in place that lock farmers into contract growing and credit schemes. Those farmers who move into high value crops are trapped between rising production costs, lower prices, dependence on the infrastructure and technical assistance provided by agribusiness, and indebtedness. Meanwhile, cheaper imports of staple crops undermine those remaining in traditional crops such as rice (Guzman 2000a). Contrary to the proposition of neoliberal political orthodoxy that increasing exposure to international competition will encourage Filipino producers to shift into those enterprises in which they have a comparative advantage—thus securing long-term productivity and profitability—excessive costs imposed by poor post-harvest and transport infrastructure, high input prices, extreme interest rates, poor land tenure, contractual obligations to transnational agribusiness firms and internal corruption place major constraints on their capacity to do so (Briones et al. 1999; Cabanilla 1999; Costales 1999; IBON 1999b).

Conclusion

While Australian farmers may not be responsible for Philippine and international trade policy, their produce plays a critical role in exposing Filipinos to the competitive pressures of the global marketplace. While many would construe this as positive—encouraging Philippine producers to abandon commodities that may be produced more efficiently elsewhere—a range of factors outside the control of small peasant farm-

ers limit their ability to find alternative market niches with which to secure reasonable livelihoods for themselves, their families, and other rural workers. This highlights a fundamental contradiction within the minimalist vision of food security as availability, affordability, adequacy and acceptability. At the same time that this vision is put forward in association with a trade reform and export agenda to discredit notions of food sovereignty or self-sufficiency, such an agenda appears incapable of meeting its own minimalist vision. Experience, to date, with trade liberalization and the expansion of tropical fruit exports suggests little has been achieved either to boost rural incomes or to lower food prices. Instead, there are indications that the number of people unable to meet basic food and other needs grew nationally between 1997 and 2000; that poverty expanded over the same period in the country's principal banana growing province at the same time that production and exports accelerated; and that rural sugar industry workers were eating less than they did several years ago. Regardless of their motivations, in pursuing a case against Australia in the WTO the Philippine government appears to be acting more in the interests of transnational agribusiness firms than in the interests of the small Filipino farmers and rural workers they dominate. At the same time, this action potentially distracts attention away from other food security issues such as Filipino's ability to either grow or buy sufficient rice and other staples as population continues to increase.

Even if food security is not taken to mean complete self-reliance, the experience of trade liberalization and export growth within the Philippines suggests nevertheless that some measure of food sovereignty remains critical. Again, given the predominance of poverty in rural areas, it appears logical to conclude that a meaningful measure of food sovereignty would be the level of control experienced by Philippine farmers and farm workers over the production and distribution of food and more equitable relationships with agents, plantation operators and others. The basis on which food sovereignty would be built has been articulated repeatedly by Philippine farmers groups and NGOs—genuine land reform, infrastructure investment, affordable credit, farmer-led research, protection of farmers' and public intellectual property, and so on (*Farm News and Views* 1996). Without these—and no

matter how often the Philippine government accuses developed countries of hypocritically subsidizing their producers or erecting non-tariff trade barriers—there is little reason to assume that impoverished farmers and farm workers will ever find a niche in which they hold a comparative advantage over the economies of scale and technological sophistication of transnational plantation owners and developed country producers.

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