

EMERGING MARKETS PROGRAM CENTAL FUND PROPOSAL

Full title of proposal:

U.S. – Philippines Agribusiness Trade and Investment Mission

Date of proposal submission: August 15, 2008

Name of organization(s) submitting proposal:

Trade and Scientific Capacity Building Division
Office of Capacity Building and Development
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Target Markets:

This activity will take place in Manila, Philippines with approximately 100 participants and close coordination with the Office of Agricultural Affairs, U.S. Embassy/Manila and staff from the FAS Office of Country and Regional Affairs (OCRA), Office of Capacity Building and Development (OCBD) and Office of Trade Programs (OTP) program areas. Trade and investment is the primary focus of the mission, but FAS will take advantage of the visit to discuss trade policy, political, economic and development issues.

Description of Problem:

It is the goal of the United States Government (USG) to expand market access in the Philippines and support public/private partnerships in advancing U.S.-Philippines bilateral trade. During Philippine President Arroya's recent visit to the United States, USDA and the Government of the Philippines signed a Memorandum of Agreement (MOA) to promote agricultural cooperation between the two countries. This Trade and Investment Mission was announced during a meeting between Secretary Shafer and the Philippine President (see attached press announcement).

The United States advanced several major initiatives in 2006 to further build our relationships with Southeast Asian countries, which together comprise the fourth largest trading partner of the United States. In particular, the U.S. built on President Bush's Enterprise for ASEAN Initiative (EAI), which seeks to enhance U.S. trade and investment ties with the member countries of the Association of Southeast Asian Nations (ASEAN), on both a regional and bilateral basis. The EAI offers the prospect of bilateral free trade agreements (FTAs) between the United States and

ASEAN countries that are committed to economic reforms and openness with the goal of creating a network of bilateral FTAs.

In August 2006, the United States signed a Trade and Investment Framework Arrangement (TIFA) with the ten ASEAN economic ministers. This TIFA establishes the architecture to facilitate more vigorous U.S. economic engagement in the ASEAN region and includes a work plan intended to promote ASEAN integration and improve the business climate. U.S. and ASEAN ministers agreed on an initial TIFA work program that includes: support for the development of an ASEAN Single Window to facilitate customs clearance; a framework agreement on sanitary and phytosanitary standards to promote trade in tropical fruits; and support for the development of harmonized standards for pharmaceutical registration and approval to speed the introduction of innovative medicines to markets and patients in ASEAN.

Project Objectives:

The objectives of this mission are to promote joint ventures, support bilateral trade and boost investment in Philippines's rapidly expanding agricultural sector. The mission will improve U.S. agribusiness ties with the Philippines through establishing direct trade relations between U.S. producers, investors, processors, buyers, Philippine buyers and producers. The product focus of this mission to Philippines is broad based: horticultural products, biofuels, livestock genetics, food processing, seafood, aquaculture, beverages, forestry products and storage facilities.

Technical Support:

FAS/OCBD will develop the program in coordination with FAS/OCRA, FAS Posts, U.S. Department of Commerce, Export/Import Bank, the Overseas Private Investment Corporation (OPIC) and the US-ASEAN Business Council. The Philippine government will be engaged to assist with recruitment and coordination of in-country activities.

Description of Activities:

The American companies participating in the mission will range in size from small, family agribusinesses specializing in farm equipment manufacturing to international agriculture input producers. OCBD will collaborate with OCRA, the Ag Counselor in the Philippines, the United States Trade Representative (USTR) and USDA's Office of Natural Resources and Environment, during the planning and implementation stages of this mission. Mission specifics are:

The Mission will spend approximately two days in Manila and two days in another Philippine region meeting agribusiness representatives.

- The Mission will be composed of approximately 20 American companies. Two FAS staff members will accompany the USDA/Washington head of delegation. FAS Manila staff will also participate in and support the Mission.
- OCBD, in close collaboration with the FAS Post in Manila, OCRA, USTR, the Department of Commerce and the US-ASEAN Business Council, will recruit American

and Philippine companies, as well as arrange group and individual meetings, briefings and presentations.

- OCBD will provide overall management, supervise in-country travel and lead all follow-up activities.
- American companies will meet one-on-one with potential partners and clients throughout the mission.

Participants will receive in-country briefings on the regions' investment and trade environment from U.S. Embassy staff, Philippine national and regional authorities as well as local company representatives.

Ground transportation and hotel costs for Philippine agribusiness representatives traveling on this mission will be paid by EMP funds. All U.S. participants in the mission will be responsible for cover their own hotel costs and round trip air travel to and from and/or within the Philippines.

Performance Measures:

Results can be quantified over the long term – increased trade, joint ventures and/or investments between the United States and Philippines.

Time Line for Activities:

November 2008

Rationale for Project:

This trade and investment mission will 1) introduce American companies to Philippine agribusinesses; 2) increase awareness of U.S. products and U.S. business practices in the Philippines; and 3) support ASEAN-US Trade and Investment Framework Agreement by encouraging the Philippines to adopt more open economies and free markets.

Over the past several years, OCBD has implemented successful EMP and State Department funded trade and investment missions to the Baltics, Bulgaria, the Dominican Republic, East Africa, Georgia, Kazakhstan, Madagascar, Romania, Russia, Southern Africa and Serbia and Montenegro. Through OCBD's attention to detail, logistical support and follow-up it has developed working relationships with small, medium and large U.S. companies. OCBD would like to transfer the success and momentum of the previous missions to Philippines.

Statistical data:

- U.S. agricultural exports to Philippines in 2007 surpassed \$1.15 billion, the highest level posted ever. This increase is due in part to higher commodity prices coupled with the strengthening of the Philippine peso.

- Wheat and soybean products were most responsible for this growth, as exports grew from \$443 million to **\$552 million**. While higher prices amplified the trend, volumes also increased.
- U.S. red meat exports grew by 60% to \$33.8 million. This level represents an all time high for pork and beef. Poultry exports are also up 40 percent to \$20 million.
- U.S. export growth in other major commodities includes: snack foods up 16% to \$41 million; dairy products up 58% to \$152 million; processed fruits and vegetables up 24% to \$52 million; fruit and vegetable juices up 127% to \$14 million; and pet food up 26% to 11 million.
- The Philippines is the 2nd largest U.S. agricultural export market in Southeast Asia, after Indonesia.

Demonstration of Benefits for U.S. Agriculture:

Benefits to the U.S. as a result of the project are easily tracked and include an increase in U.S. exports, joint ventures and investments. Another benefit which is perhaps more difficult to measure, but still very important, is an increase in the awareness of U.S. products and business practices in Philippines.

Justification for Federal Funding:

OCBD works to promote joint ventures, support bilateral trade and boost investment in the Philippines' rich agricultural sector. The support OCBD offers the Mission by recruiting Philippine companies, holding briefings, providing logistical support and focusing on follow-up increases the participants' likelihood of successfully entering the targeted markets.

Similar Activities Funded by USDA in Target Market:

We are not aware of FMD, MAP, or FAS Post programs that provide such a comprehensive, multi-commodity agricultural trade and investment mission such as this.

Budget:

U.S. - Philippines	
Agribusiness Trade and Investment Mission	
Travel (Foreign - 4 people)	\$9,200
Per Diem (U.S.)	9,500
Meeting Venues	20,000
Translation & Equipment	10,000
Receptions	5,000
Ground Transportation	10,000
Control Room & Equipment	10,000
Consultant Fees	20,000
Misc.	6,000
	SUB-TOTAL: \$99,700
OCBD Salaries	22,204
	TOTAL: \$121,904

USDA SIGNS AGREEMENT WITH PHILIPPINES ON AGRICULTURAL COOPERATION

WASHINGTON, June 24, 2008 –Agriculture Secretary Ed Schafer today signed a memorandum of agreement with Philippine Agriculture Secretary Arthur C. Yap to promote agricultural trade and investment between the two countries. The objective is to advance agricultural cooperation, productivity and sustainable natural resource management through science and technology collaboration. In addition to the memorandum, USDA will sponsor a trade and investment mission to the Philippines sometime in the fall.

"The Philippines and the United States share broad economic ties and a profound commitment to democracy," said Schafer. "We are further strengthening our agricultural and strategic partnership through increased cooperation that standardizes food safety regulations, rural development, biotechnology, and product distribution and marketing. We are very pleased to recognize the friendship that continues to grow between our two countries."

The Philippines is a key market in Southeast Asia for U.S. agricultural exports, with sales reaching over \$950 million in fiscal year 2007, the highest level ever. The United States remains the top food and beverage supplier to the Philippines. At the same time, the United States is the number one market for Filipino agricultural products, with sales for more than \$621 million in fiscal year 2007, including coconut oil, tropical fruits and vegetables and sugar.

The Philippines is the first Asian country to approve the planting of a biotechnology food crop—corn—and remains a consistent supporter of rational, science-based regulations in many international bodies. The Philippines remain on schedule to

commercialize genetically engineered, insect-resistant eggplant in 2009 and virus-resistant papaya and nutritionally-enhanced rice soon thereafter.

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