



## Why the GATT Is a Burden Filipino Farmers Refuse to Bear

PHILIPPINE PEASANT INSTITUTE

**ABSTRACT.** The paper challenges articles published in the *Manila Chronicle* that champion the notion that the Philippine economy will greatly benefit from the Uruguay Round of General Agreement on Tariffs and Trade (GATT) negotiations, either immediately or in the near future. In particular, it disputes the articles written by Fermin Adriano, who echoes the government hard-sell of GATT's benefits in spite of the lack of data to support such claims, and Alexander Magno, who accedes that small farmers will be adversely affected by GATT's imperatives, but also says that these farmers must suffer for the greater good. The paper argues that these articles fail to properly discuss the negative effects of the GATT to the rural poor of the Philippines, who comprise the majority of the Filipino population. It calls for a reversal of the government's bias against agriculture in favor of industrialization. As the treaty stipulates the elimination of non-tariff quantitative import restrictions, the bar on the grant of government subsidy to local farmers, and the implied empowerment of multinational corporations to determine the price of patented agricultural products, GATT will severely handicap poor agricultural communities in the worldwide trading table. Hence, the treaty would further impoverish the rural poor. In order for locally grown agricultural products to become competitive against foreign alternatives, the paper states that farmers from the most marginalized sectors must be economically and politically empowered, a process that entails the breaking up of monopolies over the country's means of production. Only then, the paper argues, can Filipino farmers find themselves capable of agreeing to the terms of GATT. It concludes by calling for a stop to the government's practice of kowtowing to the economic framework that perpetuates inequity in world trade.

**KEYWORDS.** Uruguay Round · GATT · non-tariff quantitative import restrictions · world trade · Filipino farmers · Philippines

### INTRODUCTION

Our dailies have been buffered of late by articles extolling the many wonders the recently-signed Uruguay Round Treaty of the General Agreement on Tariffs and Trade (GATT) will do for our economy. The *Manila Chronicle*, in particular, must be commended for providing

ample space for discussions on this issue. But what the *Chronicle* articles and columns (particularly those of regular columnists Alex Magno and Fermin Adriano) failed to detail are the costs the GATT poses on the country's majority—our 45 million odd rural poor.

Alex Magno's recent article "No Matter, Its GATT to be Done" (19 April 1994) allowed him to throw unlimited right hooks (pardon the pun) at his favorite punching bag of late—the Philippine Left. However, in dismissing all opposition to the GATT as empty leftist polemics, he also glossed over several valid issues held against the GATT, particularly, the threats the recently signed treaty foists on some 35 million of our country's peasants, small farmers, and farm workers.

Magno's optimism over the GATT's benefits to our economy is touching, but hardly contagious. We, in the Philippine Peasant Institute (PPI), still contend that, while the treaty may indeed spur some surge in trade revenues, the gains will not redound to those who will primarily bear GATT's terrible costs—our country's embattled peasantry. For by acceding to the GATT, the government not only dooms our small farmers' access to the local market on which they depend, but also threaten their very capacity to produce for that market.

By agreeing to throw out all quantitative restrictions and increasingly reduce the tariffs protecting local agriculture, government will pit our small farmers' produce against a flood of cheaper, more competitive imports. As expected, we cannot ably compete with countries whose farmers were bolstered by years of government support, an advantage our farmers never had.

The United States has been subsidizing its average farmer by some USD22,000 annually. A Japanese farmer receives as much as USD15,000 in annual subsidies. The European Community shells out an average subsidy of USD12,000 per farmer. In contrast, Filipino farmers have hardly benefited from any substantial government support. From the later part of the Marcos regime, down to the Aquino administration, and now under the Ramos government, farmers have always been the first to suffer from the deregulation and austerity measures the government carried on under the IMF's structural adjustment programs.

## **BIAS AGAINST THE AGRICULTURAL SECTOR**

This bias against the agricultural sector has been a traditional feature of almost all national economic blueprints since the 1950s. Seen as

backward and inefficient, agriculture was never given substantial attention by governments; successive administration either hedged or refused to undertake the necessary policy reforms which could have boosted the sector's performance. Thus, our millions of small farmers were allowed to languish under decades of landlessness, poverty, and inefficient production brought on by lack of capital, technology, post-harvest facilities, and forward-linkage markets.

It is under this condition that our government negotiators expect our farmers to slug it out with the rest of the world. Because the current GATT treaty has decreed against the provision of subsidies to local producers, the government has effectively tied its hands from correcting the weak status our farmers are mired in. Of course, theoretically, countries like the Philippines, whose per capita income fall below USD1000, are still allowed by the GATT to keep subsidizing their producers by up to 2 percent. The problem is that the Philippine government has in effect dropped any semblance of support to local farmers as part of the package of deregulation and structural adjustment measures that it follows. Its Medium-Term Agricultural Development Plan (MTADP), for instance, pushes for the reduction of the intervention of the National Food Authority (NFA) in the *palay* (unhusked rice) market from buying an average of 7 percent of local supply in 1993 to buying only 3 percent by 1998. It also limits government subsidy for rice production to the provision of certified seeds, which is further made dependent upon the availability of sufficient funds.

While government ties its hands from assisting our rural sector, another implication of GATT will be borne by our farmers—the burden of increased production costs due to the effect of additional patent rights and royalties on the price of agricultural inputs. For the first time ever, the recent GATT round included agricultural products among those agricultural products among those covered by intellectual property rights protection. This allows transnational corporations, who control much of the agricultural technology and inputs industry, to jack up prices and keep poor agricultural economies forever dependent on their product lines.

Already saddled by the burdens of continued landlessness, high production costs, and dwindling markets and profits, the imposition of GATT-related trade and economic liberalization will further breaks the backs of our small farmers, if not bury them six feet under altogether. Yet, Magno shrugs away this prospect of consigning out small farmers to annihilation, arguing that this is how progress works.

There are winners and there are losers. But just how can economy progress sustainably if over half of the population lose out, if half of the domestic buying public is fettered in poverty and near-nil purchasing power? If such a scenario, it is not just one sector that loses, but the entire economy.

Magno, at least, is hardnosed enough to state bluntly that sectors who just cannot cut it—like our small farmers—will suffer GATT's consequences. Sadly, the same cannot be said of Dr. Fermin Adriano, heretofore, one of the main champions of supporting local agriculture. In his column "GATT: Development or Stagnation" (*Manila Chronicle*, April 15, 1994), Adriano even argues that the treaty will benefit the country's rural poor. He, thus, unreservedly supports the treaty.

### ROSY PROJECTIONS

In his column, Adriano liberally quotes the hard sell being peddled by technocrats from the Department of Agriculture (DA) to goad farmers into supporting the GATT. The DA's figures project that the GATT will "easily" mean "a rise in annual agricultural trade net earnings by PHP3.4 billion, a yearly increase in agricultural gross value added (GVA) by PHP60 billion, and an additional 500,000 jobs annually." Exactly how these projections were reached was not explained; then again, such rosy predictions are always easier to make—and break—than to substantiate. They are also easily forgotten once it is the costs and not the benefits that become obvious over time.

The rosy projection both Adriano and Magno make on GATT's benefits to the agricultural sector are founded on what is an increasingly tenuous premise—the country's inherent comparative advantage in certain agricultural commodities. Magno cites cutflowers and *nata de coco* (cream of coconut) as prime examples: Adriano adds bananas, pineapples, coconut and vegetables to the list. Their premise begs two questions: Just how competitive are we? How long can we keep our competitive edge given our government's long-held policy that has always been biased against the agriculture?

Recent agricultural trade figures reveal that, if we indeed have a comparative edge in our agricultural exports, it is fast slipping out. Coconut oil/copra, once our main export revenue earner, has been consistently sliding in performance as it loses out to cheaper substitutes like palm nut. Our bananas, on the other hand are being edged out by bananas from Ecuador and other Latin American countries, even in traditional Philippine banana export strongholds like Japan and the

Middle East. Further, government trade figures from 1986 to 1992 show that while the country's agricultural trade showed a positive balance from 1986 to 1988, it started to slide in 1989 and has deteriorated to negative levels since then.

Our edge is slipping because production costs remain high, technological support is remiss, and incentives for small farmers to improve production are few and far between. If we do not watch out, our current edge in such fast-rising products such as nata de coco or cutflowers will similarly be diminished.

If the government seriously wants to harness the revenue and development potentials of agriculture, it must undertake serious reforms—reforms, which up to now, it has desisted from undertaking. These go beyond the basically infrastructure-related recommendations. Adriano and the DA are forwarding, and instead address the deeper roots of agricultural underdevelopment. Among these reforms are the serious breaking-up of monopolies over land ownership, credit and capital, inputs and technologies, and crop markets.

Since the government has unstintingly heeded the liberalization preached by GATT—and by the IMF structural adjustment packages before it—the possibilities for undertaking these necessary reforms are seriously undermined. Deregulation disallows government from intervening in the production side (it cannot offer production subsidies) and in the marketing side (it is limited in procuring, for instance, palay through the NFA, which only allows the rice cartel to reign supreme over farmers produce). Import liberalization takes away whatever incentive farmers may gain from the domestic market. Investment liberalization allows foreign agribusiness to box out small local farmers from effectively competing in cash crop or export crop production. It also edges out local entrepreneurs who could invest in appropriate forward linkage rural industries where farmers could alternately sell their crops. Anywhere farmers turn, it seems, the implications of trade liberalization hit them squarely in the jaw.

The PPI does not want to imply that liberalization, *in toto*, is bad. There are indeed certain benefits the country can gain from it, such as the breaking up of inefficient monopolies in crucial industries like transportation and communications. What PPI does oppose is the government's habit of liberalizing first and most deeply those marginalized sectors who have always borne the brunt of skewed and inequitable economic policies. It is in this light that our opposition to the GATT must be seen.

We wish to correct Magno's impression that those who oppose the GATT impositions are timid defeatists who take a dim view of our people's capacities. Our farmers, and NGOs like PPI which stand with them, have as much faith in the Filipino as the next nationalists. But if our country's small farmers do not match Magno's jaunty, confident image of pro-GATT advocates, it is because they have been virtually broken by decades of flawed agricultural policies, failed land reform programs, and ineffectual government support.

Seriously empower farmers, economically and politically. Allow them to partake of the democratized benefits of a strong rural economy based on agrarian reform, fair trade and increased local agri-industry linkages. Give them a substantive voice in local and national policy-making. Then and only then can you expect farmers to be jauntily confident when government proffers an economic treaty as far-reaching as the GATT.

## OPPOSING GATT

Magno asserts that the earlier global misgivings against the GATT have died down and that all countries "[have] reconcile[d] with the wisdom and necessity of a global trade regime." Not so. The recent gigantic anti-GATT rally in India, the continued rumblings against rice importation in Japan, and the growing opposition to the GATT in the Philippines—not just among farmers but among fisher folk, laborers and consumers as well—belie such a claim.

Magno asks where the Anti-GATT forces have been all this time. He might just as well ask our government negotiators where they have been all this time. Did they ever, at any point during the six years of the Uruguay Round, deign to tell the people of what concessions and impositions the GATT negotiations were foisting on us? If our people are only now raising their voices against the GATT, it is because government has only now bothered to come forth with the details—and not even all of them; the presentation government has been making on the GATT snack too much of hard sell, painting glorious pictures of the *potential* benefits while hardly discussing the exact costs, and who bears them.

Magno did well to quote from Machiavelli: "There is nothing more difficult to take in hand . . . than to take the lead in a new order of things." Yet by lapsing to the similarly tired old arguments of *laissez faire* and free trade—a system just as much under crisis as the socialism

Magno so enjoys disparaging—he becomes equally guilty as some leftists of failing to rise to the challenge of changed and changing times. Surely the good professor cannot believe that the free trade and comparative advantage theories espoused by Smith and Ricardo a good century ago can still completely provide the ideal path to development? Not in this day and age of global recession, First World overproduction, and environmental degradation!

In the same vein, many NGOs and people's organization seriously engaged in the struggle for people-led and people-centered development—the PPI among them—are now in the process of staking alternative path to development, paths which often cannot be easily pigeonholed into neat, orthodox categories of Left or Right. Thus, our opposition to the GATT should not be viewed as an empty, ritualistic gesture of protest, but as a refusal to pay obeisance to the same economic framework that has undermined our people and our development all these years. Our opposition to the GATT is, as well, a challenge to all—Magno and Adriano included—to join us in our struggle for fair and just trade, and for equitable, meaningful and sustainable development. ❀

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