



World Trade Under GATT and the Filipino Peasantry

LEONARDO Q. MONTEMAYOR

ABSTRACT. Farmers from the Philippines were generally unaware of the progress of General Agreement on Tariffs and Trade (GATT) negotiations since the beginning of the Uruguay Round. The government failed to consult farmers regarding the country's continuing membership to the GATT and to give farmers any notification of the results of ongoing deliberations prior to the treaty's ratification—despite the fact that Filipino farmers are potentially the most adversely affected by the treaty's mandates. To answer for this omission, the paper seeks to explore the impacts of the latest GATT treaty on farmers in terms of policy considerations. It criticizes the Philippine government for entering into an agreement wherein Filipino farmers are at a clear disadvantage; in contrast to government-subsidized farmers in industrialized nations, Filipino farmers have never received any substantial support from the government. Hence, the production costs of Filipino farmers are much higher than those of farmers from the developed world. Moreover, the trend in resource allocation in the Philippines has been towards industrialization rather than agricultural development, despite the latter being more in line with safeguarding the continued viability of the country's resources. The paper argues that the “free trade” mindset, which engendered this misappropriation, treats agriculture like any other economic activity, and reduces farmers to mere producers of tradeable items. The paper furthers the argument that the Philippines should not be a party to the trade agreement by citing provision of the Philippine Constitution that seem incompatible with the GATT treaty. In sum, it states that only the multinational traders of agricultural commodities will benefit from the GATT treaty; no such benefit will inure to unsupported, unorganized farmers.

KEYWORDS. GATT · industrialization · agricultural development · free trade · Philippines

INTRODUCTION

The General Agreement on Tariffs and Trade (GATT) is a multilateral trade agreement subscribed to by 117 countries. It seeks to lay down fair and market-oriented rules for the further liberalization of world trade. Started in September 1986 in Punta del Este, Uruguay, the

GATT deliberations were supposed to end in 1990. However, disputes over the removal of trade protection, particularly in agricultural commodities, caused a stalemate in the negotiations. In November 1992, the United States and the European Community entered into the Blair House Agreement, which aborted a looming trans-Atlantic trade war, especially, on oilseeds. In 1993, the heads of the major industrialized countries meeting at the Tokyo Group of Seven Summit agreed to resume the stalled multilateral talks at the GATT headquarters in Geneva which finally led to the conclusion of the Uruguay Round. In 1993, the heads of the major industrialized countries meeting at the Tokyo Group of Seven Summit agreed to resume the stalled multilateral talks at the GATT headquarters in Geneva which finally led to the conclusion of the Uruguay Round.

The principal agricultural trade issues under consideration in the Uruguay Round are the following:

1. Improving market access for global trade in agricultural goods, particularly, through a lowering of tariff and non-tariff barriers;
2. Phased reduction of direct and indirect subsidies (such as domestic support and export subsidies) and other measures affecting agricultural trade; and
3. Minimizing trade distorting effects of sanitary and phytosanitary measures.

The Draft Final Act (released on 20 December 1991) of the Uruguay Round permits developing countries, like the Philippines, some flexibility by way of lower rates and more gradual phasing of reduction in market access and export subsidies. As a general rule, however, the Philippines will have to remove import quotas and quantitative restrictions and replace them with tariffs, to be phased down over a given period (of up to 10 years). This is also the position of the 14-member Cairns Group of major exporting countries, of which the Philippines is a part.

On the other hand, domestic support measures which are part of agricultural and rural development programs are exempted from reduction commitments. These consist of investment subsidies generally available to agriculture, domestic support to producers to encourage diversification from the growing of illicit narcotic-crops, and agricultural input subsidies.

Given such scenarios, there is no doubt that GATT will inevitably affect the development of Philippine agriculture. Unfortunately, since the start of the Uruguay Round in 1986, the farmers were generally not informed of the progress of GATT negotiations and its possible impact on agricultural trade. In this light, I will try to reflect on and explore some social and policy consideration affecting the farmers.

FREE TRADE AND FILIPINO FARMERS

At the recent Family Farmers Tokyo Summit hosted by the Japan Central Union of Agricultural Cooperatives (JA-ZENCHU), which immediately preceded the Group of Seven (G-7) Summit, I expressed incredulity over the Executive branch's alacrity in sacrificing the livelihood and incomes of millions of Filipino peasant producers on the altar of "free trade."

I contrasted our government's behavior with that of governments of industrialized nations that are so protective of their minority farmer populations. I pointed out that farmers in developing countries like the Philippines received little, if any, government support, in terms of production and export subsidies. Moreover, scarce public resources are mainly channeled into programs that benefit urban consumers rather than rural producers (most of whom are subsistence farmers). Physical infrastructure, facilities, and services that will enable small farmers to produce and market their products efficiently and profitably are greatly inadequate.

Hence, the indiscriminate and untimely imposition of free market forces through GATT and/or Structural Adjustment Programs will likely bring about reduced and volatile food production, more widespread poverty, increased migration of the rural unemployed into the cities or overseas, and heightened social and political instability. Another probable outcome would be the reconcentration of landholdings among the better-off producers and plantation/agribusiness interests.

The one-dimensional, "free trade" mindset treats agriculture like any other economic activity and reduces farmers to mere makers of goods to be produced and traded more efficiently in "impartial" markets. It does not take into account the various important roles of farming or the legitimate aspirations of farmers concerning income and living and working conditions. It ignores the principle that countries have the right and duty to determine their policy on food security,

particularly of basic staples. Finally, it fails to consider the social, economic, and political repercussions of leaving the provision of adequate and affordable food supplies and the well-being of small farmers to the vagaries of the so-called "free trade."

The Declaration of the Family Farmers Tokyo Summit, which was adopted by top officials of 21 farm organizations worldwide, recognized "the need to establish greater stability and order in the international trade of farm and food products." At the same time, the Declaration urged that the following recommendations be fully considered by GATT negotiations.

1. Every nation deserves the right to retain the authority to shape food policy for its security and the health of its citizens. In particular, solutions adapted to local and national conditions, including the maintenance of effective supply management programs, must be permitted.
2. Agricultural production on a family-run farm is without substitute in the contribution to social and political stability, the economic viability of rural regions, and hence, the welfare of the nation. Unless family farm policy, as encouraged by most nations up until now, is maintained the socio-economic balance between rural and urban areas will be further eroded, and is unlikely to be recreated.
3. Family farming is best suited to safeguard the countryside and the environment. It encourages maintenance of the land and its resources for use by succeeding generations.

The Declaration proceeded to state that "respect of these principles is essential not only for food producers and consumers but also for sound development of society throughout the world, to the benefits of this and subsequent generations."

LACK OF CONSULTATION

As we know, the GATT seeks to lay down rules governing world trade that will benefit its member-countries. Hence, every country should support efforts to achieve this purpose. At the same time, in global negotiations like this, each nation tries and should try to push its own

interests as far as it can “legitimately” do so. In such an endeavor, the economic giants of the world obviously enjoy great advantage over the smaller ones.

Unfortunately, since the start of the Uruguay Round in 1986, our people were generally not notified and updated on the progress of the negotiations. They did not know the precise positions and commitments submitted by, our official representatives in the GATT. They were unaware of how their legitimate interests were defended.

In other countries, administration officials and their negotiators in Geneva constantly informed not only their respective governments, including their legislatures, but also the various sectors of their societies. In the process, these officials duly noted and were guided by the reactions of their own people. So aware and so affected were these governments and their people about the issues and they debated thereon. In some nations, serious tensions developed, rifts in political parties occurred, parliaments were plunged into crisis, and high public officials were forced to resign.

In our country, almost all of our officialdom and people were kept in the dark. Like a man snoring in deep slumber, we had no idea of the agenda being discussed in Geneva nor their likely consequences. By and large, what our government and people heard were general assurance made by our trade representatives and economic leaders that the results of the GATT negotiations would benefit us.

In agriculture, our people are entitled to know in detail the consequences of freer trade under GATT on the country’s peasant producers and on such critical concerns as agricultural jobs and incomes, food security, intellectual property rights in agriculture, the environment, and the future of rural life and society.

The few who voiced misgivings, particularly for the sake of the Filipino small farmers, observed from the reactions of some of our trade negotiators and economic officials that they were masterfully succumbing to the view of foreign countries and multinational corporate interests. Hardly were they ever heard strongly and persistently defending the interests of the Filipino masses, especially our farmers, our fisherfolk, and many of our small manufacturers. Such an advocacy, even if it had only partial success, would at least have had some impact, and could earn dividends in future negotiations.

REASONABLE TRADE POLICY

Given the fact that over half of our people are engaged in agriculture with minimal government support, the quantitative restrictions imposed by our laws constitute the most reasonable trade policy that we can think of. For what is more reasonable than to require that, if we adequately produce a certain crop to meet the needs of our people, we should not import the same item from other countries, and we should import only when there is a real shortage of the said commodity.

Sad to say, our trade negotiators and economic leaders have apparently never defended these laws with determination and strong logical justification. Their favorite refrain is that, anyway, the quantitative restrictions will be substituted by equally protective tariffs. And yet, they declare in the same breath that tariffs will gradually be phased down.

Sec. 13, Art. XII of the Constitution provides that “[t]he state shall pursue a trade policy that serves the *general welfare* and utilities all forms and arrangements of exchange on the basis of *equality and reciprocity*.” Another section provides that “the state shall protect Filipino enterprises against unfair foreign competition and trade policies,” (Sec. 1, Art. XII of the 1987 Constitution, emphasis is mine)

In the case of production and import subsidies, it may be true that the GATT agreement will require the advanced countries to decrease their subsidies, by say 20 percent, while developing countries like the Philippines will be exempted from any mandatory reductions. Even so, the Philippines may still be unfairly prejudiced because, while the reckoning or base point of other countries is massive subsidization, the starting line for the Philippines is zero, inasmuch as the Philippines provides little or no subsidy to its farmers. Hence, in the coming years, Filipino farmers will be forced to compete in their own country with still highly subsidized and cheap imports. By the time all subsidies are entirely phased out, many of our farms may have been decimated beyond recall.

It is universally recognized that subsidies of this kind constitute unfair trade practice and competition. Moreover, since the Philippines has not subsidized, nor is capable of subsidizing, the production and exportation of any of its agricultural crops, the free entry into the Philippines of massively subsidized farm products certainly precludes the condition of equality and reciprocity required by our Constitution. At the same time, it undermines Philippine agriculture, which

constitutes the livelihood of millions of our country's men and women, and threatens the food security and general welfare of the Filipino people.

It may also be the case that GATT will help open more markets for some Philippine products like pineapples, bananas, garments, and some electronic products. But will not all these be at the price of allowing our country to be flooded with other subsidized agricultural products from abroad? Moreover, who will really profit from the GATT agreement—the masses of small farmers and farm workers, or the multinational corporations and big Filipino traders who control global trade in major agricultural commodities?

Regrettably, we have yet to see a strong and sustained defense of this pro-Filipino position on the part of our negotiators and economic leaders. This is quite unlike the situation of other countries, big and small, whose representatives fought to uphold their farmers' legitimate interests every inch of the way. Many of these officials defended the agricultural sector which is a small minority of their population. On the other hand, although the overwhelming majority of our people are small farmers, we have hardly heard of protest in their behalf.

FREE TRADE AND ENVIRONMENT

Environmental degradation in the Philippines and other developing countries is basically caused by poverty and lack of land tenure. To the extent that "free trade" in agriculture will displace rural producers, we can expect intensified encroachment into already fragile ecosystems because of the imperative of human survival. At the national level, developing countries will be forced to further deplete their natural resources to lessen mounting debts and budget deficits. To overcome this situation, peasant farmers must be given a stake in the land and natural resources through secure land tenure and support services. Farmers who own and run their own farms are better disposed and able to take care of their immediate environment than corporate interests solely motivated by profit.

LEGAL ISSUES

Almost from the start, the positions taken by a number of advanced countries and transnational corporations have been in opposition to our existing laws. At least two laws are in point.

Republic Act No. 7607, otherwise known as the Magna Carta of Small Farmers, prohibits the importation of agricultural commodities that are produced locally in sufficient quantity. Another law, Republic Act No. 1296, disallows the importation of onions, potatoes, garlic and cabbage, except under certain conditions.¹

Both statutes prescribe a policy of quantitative restrictions in trade by prohibiting the importation of agricultural products which are produced locally in sufficient quantity. There has, however, been increasing pressure from the removal of such quantitative barriers and their replacement by appropriate tariffs.

In view of these laws, we are faced with some serious constitutional and statutory issues:

First, can the President sign the GATT treaty if, by its terms, it will override existing laws that, under the Constitution, he has sworn to observe and execute?

Second, can the President sign the GATT treaty if it allows for any period of time unfair trade practices or inequality, unfair competition, or harm to the general welfare of our people, contrary to the provisions of the Constitution?

Third, assuming that the President will sign the agreement, can the Senate exercise its ratifying power under the Constitution in derogation of existing laws?

And finally, under Sec. 24, Art. VI, of the Constitution, all tariff bills should originate exclusively from the House of Representatives, although the Senate may propose or concur with amendments. Since under the GATT, non-tariff barriers will not be replaced with new tariffs, can the President and the Senate approve or ratify the treaty without the constitutionally required initiative of the House of Representatives?

POLICY CONCERNS

As the sole delegate from a developing country during the Tokyo meeting, I stressed that farmers in developing countries should be afforded wide latitude and support in strengthening their agriculture so that they can relate on more even terms with their counterparts in industrialized nations. In this regard, stable and remunerative prices as well as fairer market access for commodities from developing countries would help. However, unless small farmers are organized into strong association and cooperatives, the benefits of fairer trade will mostly go

to a few local and multinational agri-business interests, and public expenditures will remain prejudiced against rural producers.

There was a consensus among the participants in the said conference that farmers' cooperatives should take the initiative in establishing a fair trading system among cooperatives worldwide that would serve as an alternative to the present domination exercised by multinationals and business elites in both developing and industrialized countries.

On the other hand, even as we anticipate and prepare for the problems ahead in view of the GATT, it is also possible for us to see through the windows of opportunity offered by the new trade agreement. There is a need to map out plans and strategies to bolster our economic competitiveness and maximize our gains from the improved market access arising from the Uruguay Round.

The issues and problems confronting us necessitates cooperation between the House and the Senate, and between Congress and the Executive. Perhaps, we should also seek the assistance of the Judicial Branch.

If some of our leaders have had some shortcomings in the past, we may profit from those deficiencies and avoid them in the future. For the problems I have just cited continue to confront us even more enormously as we face the months and years ahead. Now that the GATT Uruguay Round has been concluded, it is incumbent upon us to determine its specific terms and implications. For instance, what were the specific commitments made in the name of our country? How will each sector of our society be affected in the concrete? What economic and social safety nets should be instituted to cushion vulnerable sectors from the dislocations engendered by global trade liberalization?

I recommend that Congress and the President lead a broad-based, nationwide information campaign and discussion on all these aspects of the GATT.

Above all, I submit that we should not forget, as some of our government officials seems to have forgotten in the past, the constitutional right of the people, and their organization, to effective and reasonable participation at all levels of social, political, and economic decision-making (Sec. 16, Art. XIII, Philippine Constitution). After all, it is their future and that of their children that are at stake. ❀

ACKNOWLEDGMENT

This article was culled from two papers by the author: "The Current GATT Negotiations: What is at Stake for Philippine Agriculture and the Filipino Peasantry," a paper presented during a roundtable discussion at the PCED hostel, University of the Philippines at Diliman,, August 25, 1993; and "The Small Farmers of the Philippines and World Trade," a privilege speech delivered before the House of Representatives on January 24, 1994. First published in *Kasarinlan: A Philippine Quarterly of Third World Studies* 9, no. 4 (1994): 74-82.

NOTE

1. On the basis of House Resolution No. 679, the Committee of Agriculture of the House of Representatives will soon conduct a hearing on the dichotomy between the position taken by our trade negotiators and the policy of quantitative restrictions under our laws.

LEONARDO Q. MONTEMAYOR is the representative of the peasant sector at the House of Representatives.