GATT Issues, Gut Issues

Corinne A. Canlas*

Unknown to most Filipinos, the Philippines is set to commit itself to a global trade treaty that may well dramatically alter the shape and course of the national economy. This treaty is the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).

The GATT primarily focuses on ensuring a common framework for trade among its signatory countries, principally by serving as the venue for setting specific rates for tariffs and other trade-related matters.

It is part of an institutional troika which emerged from the Bretton Woods Conference of 1944. The other two were the International Bank for Rural Development, now more popularly known as the World Bank (WB), and the International Monetary Fund (IMF). It was not until 1947, though, that a charter for the establishment of the International Trade Organization, which formed the basis for the GATT, was signed by 23 states.

From the original 23, GATT membership now extends to 117 countries worldwide, which account for over 90 percent of world trade.

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These include all the member states of the Organization for Economic Cooperation and Development (OECD), a majority of developing countries, and some countries from the former socialist bloc such as Hungary, Czechoslovakia, Poland, and Romania. The former Soviet Union obtained observer status in 1988 while China and Taiwan have pending applications. The Philippines became a full member of the GATT on January 1, 1980.

GATT's Logic and Character

The underlying logic of the GATT is based on the economic theory of comparative advantage, developed by economist David Ricardo in the early 19th century. This theory holds that all countries will benefit from free trade. Efficiency and output will be maximized by producers concentrating their resources in areas where they enjoy the greatest advantage (or least disadvantage) in relation to their competitors. Conversely, where governments seek to protect domestic producers from foreign competition by using trade barriers to distort prices, less efficient and high cost industries will flourish at the expense of domestic consumers and global economic growth. Free trade allows the economy to open up and liberalize, and disallows state intervention that would distort prices and insulate the domestic economy.

As part of free trade, tariffs are imposed on imported goods or services to generate resources for the government and regulate importation. The state can impose lower tariffs on goods and services it deems necessary for development like capital equipment. Conversely, it can impose higher tariffs on goods and services that are either competitive to local goods and services, or are non-essential luxury items. In recent years, non-tariff measures have also been increasing such as the ban on certain importations for health and environmental reasons.

Given its adherence to the logic and wisdom of free trade, the GATT's trade terms and agreements uphold a set of basic principles — non-discrimination, reciprocity, and transparency.

Non-Discrimination

The most-favored-nation (MFN) treatment is intended to allow GATT members to enjoy trade preferences in terms of tariff-reduction or tariff-free importation over external trade partners. This is intended to circumvent the cycles of discrimination and retaliation in trade that characterized the pre-GATT period.

Reciprocity

When any one member-country lowers its tariffs on another's exports, it can expect the other to lower its tariffs in return. The MFN rule requires the same concessions to be passed on to other GATT members, creating a 'virtuous cycle' of liberalization. However, developing countries have raised the issue of 'one-way reciprocity.' When countries are unequal in terms of their levels of development and negotiating power, there is less basis for reciprocity. Developing countries thus invoke special and differential treatment to gain maximum leverage in negotiation and also to allow a longer transition period or delayed implementation in recognition of their lower levels of development.

Transparency

This principle advocates the replacement of non-tariff barriers (NTBs) with tariffs. From a free market perspective, there are two advantages to tariffs: (1.) they only distort, rather than completely override market signals; and (2.) they are highly visible. This makes trade effects relatively easy to monitor, and their incidence easier to reduce through negotiations. GATT membership involves an obligation to 'bind' tariffs — in effect, a commitment to fix ceilings which are negotiated downwards.

The Uruguay Round

The substantial reduction of tariffs and other trade barriers is the main aim of the GATT. This goal has been pursued through 'negotiating' rounds. Each of the first four rounds focused on tariffs for individual commodities and lasted for a period of one year. The seventh, the Tokyo Round, where countries agreed to reduce tariffs on thousands of industrial goods under a general formula, lasted from 1973 to 1979.

The eighth, the Uruguay Round, was launched in September 20, 1986, and is, by far, the most ambitious and far-reaching in the treaty's history. It is comprehensive, including areas that, for the first time, have been integrated in the GATT, namely, agriculture, services including banking, textiles and clothing, intellectual property rights, and investment measures.

Because of the comprehensive nature of the agreement it was forging, the Uruguay Round wrapped up negotiations only on December 15, 1993, after seven years of grueling talks. The treaty which resulted from the Uruguay Round is slated for signing on April 15, 1994 in Morocco.

Promises, Promises: GATT's Hard Sell

If GATT's own estimates are to be believed, implementing the Uruguay Round terms would mean gigantic growth for international trade. Negotiators speak of a possible increase in world trade by as much as US$230 billion annually within a decade. Exports of developing countries could increase by some US$150 billion per year over normal growth rates. Apart from earnings from trade in commodities, the coverage of trade in services opened up by the Uruguay Round is estimated to be worth US$1 billion. In the case of the Philippines, our GATT negotiators say that our economy has much to gain from signing the treaty.

Most-Favored Nation Status

This would mean trade without discrimination. The Philippines sees GATT membership and the subsequent MFN status as the key to opening up international markets for our products, a substantive part of which are agricultural commodities such as copra, sugar, banana, pineapple products, and cutflowers. In contrast, the government warns that we will be isolated and may be subject to discrimination if we are outside of GATT. MFN treatment will not be available to us, and we may be subject to unilateral action such as losing our General System of Preferential (GSP) privileges which allows duty-free importation to the US amounting to around US$1.1 billion annually.

Stable Trade Rules

This can be attained by tariff binding where tariff rates are negotiated and set per member country through multilateral negotiations. Once set, these tariffs are clarified and applied uniformly; hence, stability in free market terms is expected to level off the playing field for competitors. Philippine GATT negotiators have committed 537 agricultural tariff lines at 10 percentage points above the 1995 applied rates and 114 agricultural tariff lines to be bound at 5 percentage points above the 1995 rates. These items are listed as costs of GATT membership because of the lesser protection allowed for these product items. Tariff reduction of 27 tariff lines in agriculture is expected to result in rates below 1995 applied rates within 10 years.

The only deviation permitted under the GATT concerns customs unions and free trade areas, members of which are allowed to enjoy trade preferences over other trade partners. Examples of such are the North American Free Trade Area (NAFTA), ASEAN Free Trade Area (AFTA), and the Single European Market project.

Removal of Quantitative Restrictions

The GATT allows developing countries to gradually reduce their tariff protection in 10 years; for developed countries, the time frame set is six years. Government negotiators claim that this reduction is beneficial to the country because it will make the country more competitive and efficient. In turn, 93 agricultural products that are presently enjoying quantitative restrictions have been promised for tariffication at only double the 1995 applied rates. Specifically for rice and corn, many farmers think that the 100 percent tariff rate will not be enough.

Uniform Application of Trade Rules

Some of the Philippine agricultural products enter duty-free under the MFN or GSP, but façe non-tariff measures (NTMs) and technical barriers which restrict trade flows. For example, *robusta* coffee is free under MFN to the US and Japan; copra is free from tariffs under MFN to the EEC; and centrifugal sugar is free under GSP to the US. But these products have to go through health and sanitary regulations in the US; commodity and internal taxes and phytosanitary regulations in Japan; and import restriction, licensing, health certification, and entry control measures in the EEC.

The GATT will ostensibly rationalize these barriers across countries by providing for non-discriminatory application of rules on import licensing, preshipment inspection, technical barriers to trade, health, and phytosanitary regulations. This arrangement will make it easier for all countries' exports to enter into the international market.

Prevention of Trade Wars

GATT is expected to reduce, if not eliminate, tariff escalation, or trade wars, in order to assist in development. Tariff escalation has been quite apparent in coconut products exports of the Philippines to Japan and the EEC. For instance, tariff rates on copra are lower than on crude coconut oil. The higher tariffs on value-added items is said to discourage investors in developing countries from processing raw materials into higher-value products. By regulating tariff escalation, it is surmised that

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this disincentive to investments in raw material processing will be diminished.

Issues for Developing Countries: The 'Hard' in Hard Sell

The 'hoopla' being generated over the GATT's supposed benefits have failed to stem a host of issues being raised over the negative consequences the Uruguay Round will wreak on perennially struggling Third World economies, including the Philippines.

Unequal Interdependence

Indeed, the latest GATT round will expectedly spur a huge surge in world trade. For many developing countries, however, the doubt over GATT does not lie on whether it will mean increased global trade, but whether it will mean improved incomes and reduced trade deficits for their economies.

The ever widening disparity and the perennial trade imbalances between the economies of the developed and developing countries are reflective of a patently unequal interdependence between them. Consider the concentration of Third World exports on a few industrial country markets. The US alone takes 60 percent of developing country manufacturing exports. Overall, the US and the European community each take 22 percent of Third World exports and Japan, a further 12 percent.

Trade among the developing countries did increase from 25 percent to 32 percent in the 1980s, with the expansion being accounted for by the Asian newly-industrializing countries (NICs). But deeper analysis would show that regional trade among developing countries is actually at a minimum. Intra-trade declined from 22 percent to 18 percent for Latin America, while less than four percent of the trade for African and ASEAN countries took place within the regions for the same period.

The bulk of Third World exports is concentrated in labor-intensive goods, with textiles and footwear alone accounting for a quarter of the total. Primary or unprocessed commodities remain the dominant link of the majority of developing countries with the world economy. In the case of the Philippines, this particularly holds true for both sugar and coconut during the 1970s up to the early 1980s.

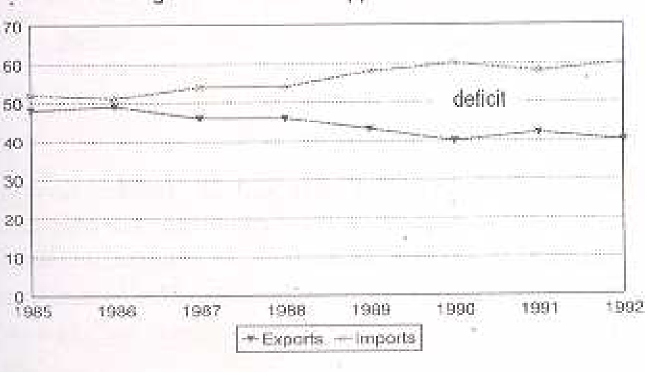
An analysis of Philippine foreign trade figures from 1985 to 1992 clearly shows a glaring deterioration in the balance of trade over the past eight years, with imports growing quite rapidly and with exports, or its value deteriorating just as fast (Figure 1). Philippine agricultural trade, which between 1986 and 1988 showed a positive balance, started to slide in 1989 and has deteriorated since then (Figure 2). The top ten Philippine agricultural exports and imports for 1992 are shown in Table 1.

With the terms of trade-dipping even in the absence of GATT-imposed liberalization, one can easily configure the even more dramatic deterioration of Philippine trade that will register once GATT forces the country to open its doors to imports. This is especially true for Philippine agriculture whose competitiveness continues to erode relative to that of its Asian neighbors.

The GATT makes developing countries vulnerable in terms of prices, markets, and retaliatory measures such as sanctions. Policy shifts in the North, especially those affecting primary commodities and labor-intensive goods, make developing countries vulnerable. Their narrow economic base, combined with huge foreign debt obligations, the limited availability of investment resources, high level of poverty, and the

Figure 1

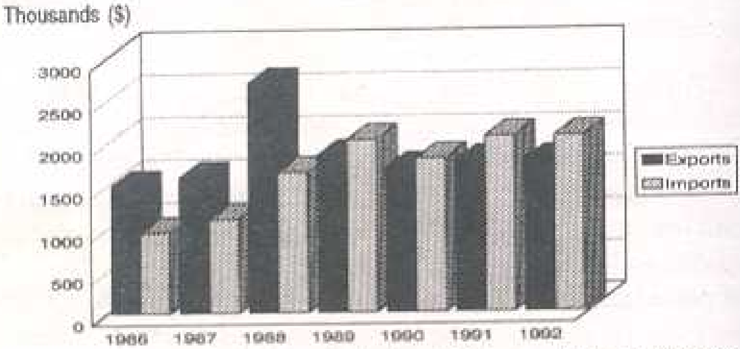
Foreign Trade of the Philippines from 1985-1992



Source: *1993 Statistical Yearbook.*

Figure 2

Philippine Agricultural Trade from 1986-1992



Source: *Philippine Agribusiness Factbook and Directory*, 1991-92, 1993-94

Table 1

Top Ten Agricultural Exports and Imports

Exports	Imports
coconut oil (crude)	Wheat and meslin
shrimps and prawns	oil cake and other residues of soya beans
bananas	milk (in solid form/concenrated/sweetened)
pineapples	cotton
dessicated coconut	urea
centrifugal sugar	tobacco (unmanufactured)
coconut oil (refined)	tobacco (unmanufactured non-Virginia type)
skipjack/atlantic bonito	malt and malt flour
oil cake and other residues of coconut (copra)	milk
tuna	fish meal

Source: *Philippine Agribusiness Factbook and Directory*, 1993-1994.

absence of social welfare safety nets makes the economic and social adjustment to trade pressures more painful.

Developing countries feel that GATT articles favoring their development should remain since these constitute the only mechanism that can balance the trade scales. These refer particularly to the implementation of technical assistance, Special and Differential provisions, discretionary use of import licensing controls, and sector-specific liberalization on services.

Dominance of Transnational Corporations

World trade flows are dominated by powerful corporations located significantly in North America, Western Europe, and Japan. In 1985, the combined sales of the world's largest 200 transnational corporations (TNCs) exceeded US$3 trillion, equivalent to one-third of global gross domestic product. Table 2 shows a glimpse of the TNCs' control over selected commodities.

This concentration of corporate power is seen vividly in the Third World. Almost all primary commodities are now marketed by fewer than six multi-commodity traders. Few peasant producers may have heard of conglomerates such as Cargill, Unilever, or Gill and Dufus, but they lose control over their production to them before it has even left their national borders. Cargill has a sales turnover in coffee greater than the Gross Domestic Product (GDP) of any of the African countries from which it purchases coffee beans. It accounts for over 60 percent of world trade in cereals.

The power reach of TNCs extends to the GATT negotiating table, as was evident in the Uruguay Round. Even before the launching of the Uruguay Round, financial and agrochemical conglomerates in the US took the lead in forming the Multilateral Trade Negotiations (MTN) coalition — an alliance of over 200 companies led by American Express, Citibank, and IBM — set up to influence government policy. In Europe, corporate giants such as Hoechst, Bayer, British American Tobacco, and Unilever, have supported MTN's demand through an aggressive lobby and advertising campaign.

Table 2

Market Share of TNCs in World Market Commodity Trade

Commodity	No. of Controlling Companies	Share (in %)
cereals	5	77
bananas	3	80
cocoa	5	83
tea	5	85
tobacco	4	87

Source: "A Raw Deal: International Trade and the World's Poor," published by Christian Aid, UK.

The Intellectual Property Coalition, which includes agrochemical giants such as Pfizer, Monsanto, and Du Pont, was at the head of the demand for a GATT-based global patenting system enforceable in developing countries, which would effectively enhance foreign royalty payments for their exports. It was Cargill, the world's largest grain dealer, who took responsibility over US negotiating papers, the content of which was to reduce food import restrictions in both the developed and the developing countries (expanding the market for trading corporations) and phasing-out of market-based price support (which would lower the prices of raw materials for corporations). GATT-based intellectual property rules will further consolidate the leading edge of TNCs in areas such as pharmaceuticals, biotechnology, aerospace, and computers.

From the perspective of developing countries, the claims of TNCs on intellectual property rights is no less than a case of piracy. Many of the genetic materials used in the development of high-yielding, resistant, and disease-free biomaterials have been derived and accessed from the patent-free species of Third World countries. Once developed into patentable materials, the TNCs lay claim to these, charged royalty payments, and restricted access to these goods. Ironically, the farming communities which nurtured and evolved the crops cannot claim ownership of these patented species, nor can they use them without paying royalty or compensation.

Imperilling Food Self-Reliance

Food security and self-reliance for developing countries are threatened on several fronts. Not only must countries contend with the problems wrought by the IMF structural adjustment programs, they must also abide by the GATT in the dropping of all production and marketing subsidies on basic commodities like food grains.

In calling for the scrapping of food subsidies across all countries, GATT does not acknowledge that countries of the North enjoyed years of export subsidies, price support policies, and trade terms which allowed them to dump unlimited surpluses on struggling economies; this while Third World farmers hardly received any support.

The US, along with the rest of the OECD countries, subsidizes their agricultural producers to a total of US$240 billion annually. These subsidies take the form of price support or export subsidy. Both require the US government to allocate huge amounts of money to buy agricultural products from farmers at prices higher than the domestic market price

(price support), or sell at prices lower than the prevailing international market price (export subsidy). Hence, price instability, over production, and export dumping have resulted, penalizing the small and efficient producers of both the North and the South who do not receive such subsidies. Because of the dominance of Northern countries over most agricultural commodities, the South, especially the food-net importing countries, is highly susceptible to chronic trade imbalances, balance of payments deficits, and food security problems.

For example, the US heavily subsidizes its cereal production, controlling over 40 percent of its exports globally. Alongside this, it is able to sell cereals at knockdown prices, often coupled with food-aid sweeteners, under its PL 480 program. In contrast, peasant corn producers in the Philippines experience depressed market prices during periods when shipments of imported wheat or soybeans reach the country. The local livestock sector might benefit from this importation because it lowers prices of corn and corn substitutes. However, small farmers, already saddled with the high costs of production are at a losing end because of the lower farm-gate and market price caused by 'dumping.' The impact of this policy will have a multiplier effect on the two million corn farmers across the Philippine rural areas who will experience a drop in their income and purchasing ability, notwithstanding, the social costs. At its extreme, low-cost importation may even trigger the widespread bankruptcy of small corn farmers who, with deregulation, have to contend with the high cost of production.

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For most of the heavily indebted Third World countries which were under the IMF's structural adjustment program, liberalization and decontrol were already underway since the early 1980s that saw the dwindling of government support to agricultural and social services. The government, since 1981, has steadily withdrawn agricultural subsidies at an increasing pace. What is left, at present, involves the price support that NFA allots for procurement which has decreased from

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seven to three percent. Production subsidy, in the form of fertilizer support, has already been significantly reduced for rice and corn farmers.

Under President Ramos' Philippines 2000 project, the total rice and corn area of five million hectares will now be reduced by 62 percent; the Department of Agriculture's Grains Production Enhancement Program (GPEP) pegs the rice and corn lands where it will focus production at 1.9 million hectares. With the key production area (KPA) strategy, government will divert the remaining 3.1 million hectares into the production of commercial crops and livestock. This drastic move, coupled with the diminution of food-production areas resulting from land and crop conversion, is already threatening to affect the country's capacity to produce its own food. The liberalization that GATT will enhance is expected to further impede the effort towards food self-reliance not only because of the low costs of food imports but largely because of the withdrawal of public allocation in terms of credit, infrastructures, and other support services for such engagement.

The GATT, at pace with the liberalization policies now being implemented across the Third World, is expected to reinforce food-import dependence, and pry it more open for the North's overproduction. The words of former US Agriculture Secretary, John Brock, captures it well:

> The idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on US agricultural products which are available, in most cases, at lower cost.

Sadly, this belief seems to be at the heart of the Philippine government's logic in their unilateral liberalization of the country's agriculture.

How the GATT Undermines Philippine Agriculture

The Uruguay Round treaty's impending implementation in the Philippines is the latest in a seemingly endless string of woes for small Filipino farmers. Government policies have historically penalized the agricultural sector. Already groaning under the burden of IMF-imposed deregulation under structural adjustment, marginalized farmers must now contend with the added problems the new GATT treaty will bring.

Food Security

In the early 1970s, the Masagana 99 program, launched to spur rice production, somehow succeeded in restoring marginal exports in the late 1970s and early 1980s. Yet, rice importation has been widely resorted to since the 1980s.

The liberalization that GATT requires makes food importation a convenient handle to respond to the food security needs of the country. However, this does not address the root cause of the decreasing viability of rice production in the country. First, the productivity of local rice producers have been decreasing over the years. This becomes more pronounced when compared to the productivity of other Asian rice-producing countries (Table 3). Thailand, Indonesia, and Malaysia have overtaken the yield per hectare by 1990.

Second, the domestic cost of production for irrigated rice is also fairly high when compared to some countries based on 1988 figures (Table 4). Domestically, the cost of production for rice has been increasing with the withdrawal of government subsidies in production since 1981 and the deterioration of farm-gate prices. Despite government-regulated price support, the National Food Authority (NFA) has not been able to make a dent in the price of rice because of its insignificant share in rice procurement. NFA's procurement has ranged between two percent to seven percent. Corollarily, rice marketing has been dominated by the Big 7 — the rice cartels that practically control the marketing and distribution of rice. With deregulation, NFA procurement will now be pegged at three percent until 1998 after which it will phase out its procurement program.

The massive land conversion from agricultural to non-agricultural use and the increased crop conversion from food crops to commercial crops have exacerbated the issue of food security. In the province of Laguna, 68 percent of the converted lands between 1988 to 1992 have hit

Table 3

Rough Rice Yield, Selected Asian Countries, 1988-1990
(in tons per hectare)

Country	1988	1989	1990
Japan	5.89	6.17	5.97
Republic of Korea	6.56	6.52	6.08
Taiwan	4.86	4.81	4.60
Thailand	2.15	2.08	2.00
Malaysia	2.68	2.70	2.87
Indonesia	4.11	4.28	4.38
Philippines	2.64	2.78	2.72
India	2.54	2.56	2.62
Sri Lanka	3.04	2.99	2.99
Bangladesh	2.36	2.62	2.77
China	5.35	5.50	5.72
Vietnam	2.97	3.23	3.25

Source: *World Trade Statistics*, 1990

Table 4

Irrigated Rice Production Cost Per Hectare
Selected Asian Countries, 1988
(in US$)

Country	Production Cost per hectare*
China	158
Indonesia	
W.Java	837
C.Java	677
Philippines	
Gravity	909
Deepwell	826
Thailand	579.5
South Vietnam	461

*Cost items include current inputs, e.g., fertilizer, chemicals, and others, and fixed capital, e.g., labor and land.

Source: *World Rice Statistics*, 1990.

irrigated ricelands. Despite attempts to put a lid on land conversion, the trend is still speeding up with more than a hundred thousand hectares already lost to non-agricultural use. In Mindanao, the incursion of banana plantations into rice farmlands is expected to intensify with the proposed lifting of Letter of Instruction (LOI) Nos. 50 and 790, which will open the floodgates for banana expansion.

A look at Figure 3 shows the total land area in the Philippines and the distribution of land use and vegetation. Agricultural lands consist of 35 percent of the total 30 million hectares. Of this, 31 percent is devoted to rice, 12 percent to corn, and 57 percent to other agricultural crops (Figure 4). Of the total rice area of 3.2 million hectares, the Bureau of Soils and Water Management says that 97 percent can be considered as prime lands (Figure 5).

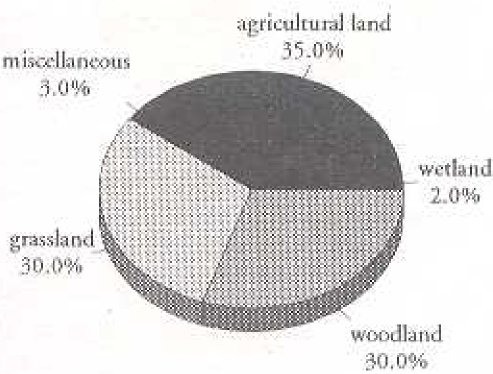
But this seems to have been missed out by the government in its frenzied drive to industrialize and catch up with its Asian neighbors. Under the agricultural component of Philippines 2000, the Medium-Term Agricultural Development Plan (MTADP), the present three million hectares devoted to rice will be reduced and pegged at 1.2 million hectares. With unrealistic projections regarding yield, the MTADP hopes to achieve rice self-sufficiency in the year 2000 through intensive agriculture while converting the remaining rice farmlands into the production of commercial crops or pasture lands for livestock.

All together, the above factors make rice production a losing venture for small farmers. With the Philippines becoming uncompetitive in rice production especially when compared to its Asian neighbors, self-sufficiency in rice production has become less preferred than the dependence on rice imports.

Figure 3

Distribution of Land Use/Vegetation

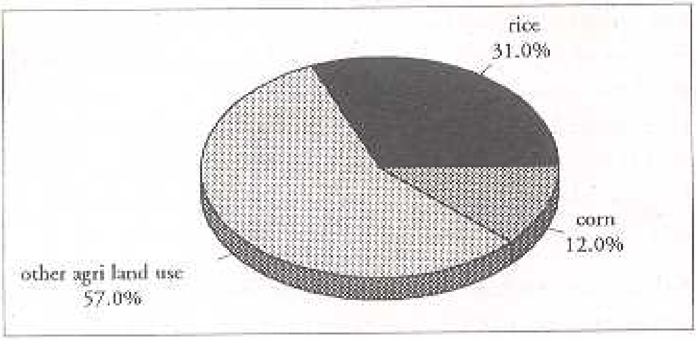
(Total Land Area = 30,004,802 has.)



Source: Cited in "Land and Water Resources Conservation and Management Plan," Department of Agriculture, January 1, 1992.

Figure 4

Distribution of Agricultural Land Use*



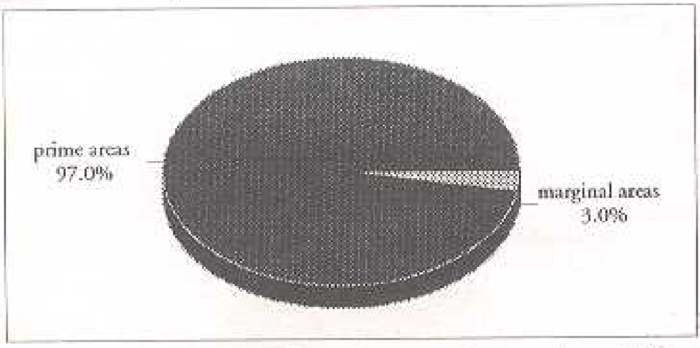
*Lands are classified as agricultural if they are devoted to agricultural activity such as cultivation of soil, planting of crops, growing of fruit trees, raising livestock, poultry, fish, or aquaculture products, including, the harvesting and immediate processing of such, and other farm activities and practices in conjunction with such farming operations done by persons whether natural or juridical.

Source: Cited in "Land and Water Resources Conservation and Management Plan," Department of Agriculture, January 1, 1992.

Figure 5

Total Rice Area Coverage

(Total Rice Area = 3,305,279 has.)



Source: Cited in "Land and Water Resources Conservation and Management Plan," Department of Agriculture, January 1, 1992.

Of course, GATT does not propose to open the floodgates of food importation abruptly. Developing countries are given 10 years, at the most, to master the rules of trade, adjust their policies, and get the feel of the market. After which, free trade is expected to reign globally and determine the competitive products that developing countries need to produce. For those which will remain net-food importers, or those which will eventually become one, GATT proposes to respond to the food needs through food aid.

A glimpse of this is captured by the present state of African countries who are now eternally dependent on the so-called kindness of developed countries for something as basic as food. The African experience alone is sufficient proof that, however convenient, depending on imports to address food needs cannot, in the long run, realistically ensure food security.

Agrarian Reform

Land redistribution, by the admission of the Department of Agrarian Reform (DAR) itself, has so far been achieved at 20 percent of the targeted 10.3 million hectares covered by Republic Act No. (RA) 6657 or the Comprehensive Agrarian Reform Law (CARL). Even in rice and corn lands, where tenancy was supposed to have been eradicated 22 years ago through Marcos' Presidential Decree No. (PD) 27, land redistribution is still far from complete. This is being aggravated by land reform reversals where Certificates of Land Transfer and Emancipation Patents have been cancelled because of DAR's approval of either landowner's retention rights or exemptions arising from conversion of lands into non-agricultural use.

Why then would GATT affect agrarian reform? At a stage wherein the CARL is being besieged with amendments not merely slowing it down but effectively diminishing its coverage, the shift to free trade will also affect land utilization.

The liberalization of land ownership has already been underway with the passage of Republic Act No. 7652 or the Investors' Lease Act. This was passed to encourage foreign and big investors to invest in agribusiness. It also allows investors, including foreigners to lease land up to 50 years, renewable for another 25 years. It must be remembered that the Constitution specifically disallows foreign entities to own land. The Investors Lease Act allowing a 75-year lease is tantamount to ownership.

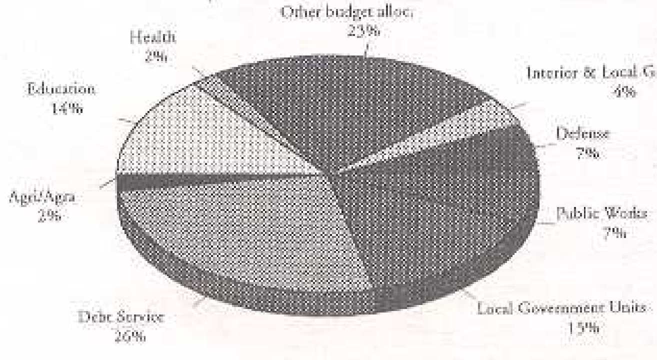
In the face of persisting monopoly over land, as a result of ineffective agrarian reform programs, GATT will exacerbate the existing inequalities related to land ownership and control. Free trade subjects the land to the market — its use being defined in terms of market efficiency. With agrarian reform far from being completed, land redistribution will be merely reduced to economic efficiency. Tenancy, which is related to backwardness, still persists in the countryside. The failure to achieve a thorough going land redistribution scheme has not only tied up the productive forces in the countryside to the backwardness of tenancy but has also failed to gain increasing productivity which allows agriculture to regain its competitive edge. Corollarily, this weakness is at the core of the inability of the rural economy to attain dynamism in terms of its potential for production and as a market.

Given the policy bias against the agrarian sector, the effectiveness of agrarian reform through CARL is doomed. The GATT and the liberalization that it offers will further diminish any hope for real and genuine land redistribution. With less government political will and intervention, land utilization will be left to the market forces. Moreover, the support services necessary to make agrarian reform sustainable in favor of the farmers will suffer major cutbacks as a result of deregulation.

A look at Figure 6 showing the 1994 National Budgetary Allocation is very revealing. The combined budget allocated for agriculture and agrarian reform constitutes a mere 2.3 percent of the total budget. What is really disturbing is that the largest allocation of 27 percent is allocated for debt service. Resources, which could have been channeled to

Figure 6

1994 National Budget Allocation



Source: 1994 General Appropriations Act

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development efforts, are still being eaten up by the debt that continues to burden the people. This does not augur well for the millions of peasants who toil the land.

Recommendations

There are two levels of recommendations that need to be considered regarding the issue of GATT. In the short run, the government should undertake the following:

1. Broad and far-reaching discussions and consultations on the GATT should be initiated to allow the citizenry to know what it is, study its implications, and propose a position regarding the direction of government policy. This should serve as a requisite before the Senate ratifies the country's adherence to the GATT.

2. The debate on GATT should not be limited to government institutions such as the Department of Trade and Industry or the Senate. Getting a broad consensus on how the country should posture itself on the GATT and similar trade and development negotiations should involve people's organizations, non-government organizations, and the private sector.

3. The implementation of the agrarian reform program should be accelerated with priority on placing all private landholdings with an area of 50 hectares and above under compulsory acquisition and for immediate distribution to peasant cultivators.

In the medium-term, the following measures are hereby proposed:

1. Seriously review and consider the revision of the Medium Term Agricultural Development Plan, specifically, its component on GPEP, to

fully develop the three million hectares of price rice lands and rationalize the corn production *vis-a-vis* the program on livestock.

2. Stop all legislative amendments aiming to further deprive the Comprehensive Agrarian Reform Law of its redistributive intent. Implement land transfer and distribution of all public lands and all private lands 24 hectares and above.

3. Provide full government support for food self-reliance. Review the national budget and increase allocation for support services, specifically credit, post-harvest, irrigation, and marketing support for small farmers, particularly the beneficiaries of agrarian reform, and those owning three hectares and below.

4. Retain Section 23 of the Magna Carta of Small Farmers (RA 7607) and maintain the attainment of food self-reliance as a national target and policy.

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