

A COUNTRY REPORT THE IMPACT OF AFTA ON PHILIPPINE ECONOMY AND SMALL SCALE PRODUCERS



PHILIPPINES NGO
LIAISON COMMITTEE
FOR FOOD SECURITY
AND FAIR TRADE (PNLC)



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The Impacts of AFTA on the Philippines Economy and Small Scale Producers

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***This report was reviewed by Ms. Jeck Cantos-Reyes**

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PNLC hopes that this humble contribution will add value to the advocacy towards a better environment for the marginalized women and men whom this work is dedicated.

Table of content

	Contents	Page
	Executive Summary	4
	INTRODUCTION	8
A.	Background on AFTA implementation in the Philippines	9
B.	AFTA implementation in the Philippines	11
C.	Government's agricultural development program	21
D.	Comparative advantage analysis	26
E.	Socio-economic profile of small men and women farmers and fishers in the era of AFTA	28
F.	Conclusions and Recommendations	50
G.	Organisational members of Philippines NGO Liaison Committee for Food Security and Fair Trade (PNLC)	54

Executive Summary

At the Fourth ASEAN Summit in January 1992, the ASEAN Heads of government agreed to establish an ASEAN Free Trade Area (AFTA) by the year 2008 to open up their economies in the era of globalization.

As an implication, unprocessed agricultural products were included in the CEPT scheme on January 1, 1996. Sensitive Lists are treated differently but deadline for transfer of SL to IL is 2010, when all products are in the CEPT-IL. Rice is the only RP product in the Highly Sensitive Listing. Philippines has reduced duties to 0-5% on 98.98% of all tariff lines included in the CEPT, according to the authorities.

Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA): 10 years implementation time frame starting on January 1, 2000; phasing in products the Temporary Exclusion List (TEL) in Five equal installments beginning on January 1, 2003 and completing on January 1, 2007 and ending at the tariff rates of 0%-5% by January 1, 2010; phasing in agriculture products which are temporarily excluded on January 1, 2004 and completing on January 1, 2010 at 0%-5%; phasing in sensitive agriculture products beginning from January 1, 2008 but not later than January 1, 2010 and ending on January 1, 2017 at rate 0%-5%; maximizing the number of its tariff lines with tariffs between 0-5% by 2007 and expand the number of tariff lines in the 0% category by 2010; and submitting the various products lists for the CEPT scheme to ASEAN by June 30, 1999.

ASEAN framework Agreement on Services: according unconditionally from the date of accession to the Agreement to services and service suppliers of any other ASEAN Member State treatment no less favorable than that it accords to like services and service suppliers of any other country, exceptions to the above could be given up to the year 2005 provided the measures favoring certain countries have been in existence before the accession.

Framework Agreement on the ASEAN Investment Area: having up to five years after its accession to the Agreement to maintain existing measures that are inconsistent with the Agreement with regard to opening up of industries and according to nation treatment to ASEAN investors. Phasing out all items on the TEL by no later than 2010 for ASEAN investors.

The period preceding accession to AFTA, the economy was in recession. Philippines lagged behind its ASEAN neighbors as far as economic performance is concerned. Its ASEAN neighbors had also been posting 7-to 8-percent GNP growth rates for over 10 years in a row. Such was the economic quandary the Philippines met head-on the time of its accession to AFTA.

The government argues that AFTA will deliver a bigger market of 330M consumers to the Philippines. They also envision sources of cheaper inputs with the lowering of tariff duties on ASEAN products. They also envisage more investments, with the coming of the bigger market and cheaper inputs and factors of production. This

obtains as the country gains attractiveness for both domestic and foreign investors. This will, according to government, result to new joint ventures, new distribution channels and the transfer of new and better technologies.

The Philippines and the AFTA

This participatory research on AFTA aims to assess its impact on the Philippines from the perspective of small men and women farmers. On the basis of this assessment, recommendations will be made to address and mitigate the negative impact and enhance the positive impact of AFTA, especially on priority-based commodities such as rice, corn and fish.

Rice , corn and fish are selected as priorities because they are the major staple products of the Philippines. A study on these products will provide major insights into how national policies affect the country's food security and agricultural production. Studying other agricultural products can also yield important insights but due to budget constraints they are not covered.

The research sites chosen are the major producers of said products. For rice, they are the provinces of Bulacan and Iloilo. These provinces are among the major rice granaries of the country. Isabela and South Cotabato, being the top major corn producers in the country are selected for corn. Navotas City in Metro Manila and General Santos City are the areas for fish. Navotas is the fish trading capital of the country while General Santos City is the tuna harvesting capital of the country.

Due to limited resources, the research can only cover three villages per research site. These villages, however, are representative of the relevant production in the provinces or cities selected. Present also in these villages are partner organizations which facilitate the research in the area. Research methodologies employed were the following: review of related literature, key informant interviews, mini-surveys of 297 respondents, focused group discussions.

Significant Findings:

1. Using ASEAN import-export figures from 1993 to 2001, the share of the ASEAN market in the Philippines' total exports more than doubled from seven to 15.7 percent. Despite the significant growth, the Philippines still registered PhP 6,528,213.30 in losses from the intra-ASEAN trade transactions within the same period .
2. The business sector reported in July 2004, that the impacts of AFTA from 1993 was truly lamentable. That Philippine industries suffered from more competitive imports from ASEAN and from other Asian countries, particularly China, Taiwan and South Korea. The business sector reported closing down or the cutting of outputs because of cheaper or better imports from ASEAN and other markets:

Industries severely injured include the appliance industry; shoe industry; car battery industry; car parts industry; chemicals industry; plastic industry; textile industry; match industry, aluminum industry; rubber industry; cordage industry;

tire industry; steel industry; pulp and paper industry; cement industry; ceramic tile industry, among others.

As to agriculture, most affected industries include the following: garlic; onion; sugar; fruit; corn; potato; coffee; vegetable; wood industry. By the mid-1990's the country had turned from a net agricultural exporter to a net importer.

3. In the local researches, the following situation describes the Filipino farmers and fishers during AFTA implementation:
 - a. The situation of small Filipino rice and corn farmers have not improved: Tenancy, monocropping and chemical intensive farming, high cost of production, high post harvest losses, low income levels. This indicates that Philippine rice and corn is not competitive to world markets. Backward fishing modes also describes the marginal fishers especially in comparison to commercial fishing vessels
 - b. Although rice is not yet in the Inclusion List, and that tariff rate is still high at 50% but nevertheless, Philippine rice is still not competitive. What tragedy shall befall the Philippine rice industry and the millions of rice farmers once the rice market is fully liberalized!
1. A thorough evaluation at the local, national and regional levels would reveal that AFTA's scheme of the lowering of tariffs, removal of trade barriers **contributed** to Philippine agriculture and industries suffering massive and crushing defeat in the hands of the stronger ASEAN and global economies.

Recommendations

- Policy shift towards immediate and real access and control of the poor farmers and fishers to the economy through fastracked agrarian reform, equity in access to market and capital;
- National economy-wide and sectoral policies must encourage broad- based growth and equity. This requires public provision for rural infrastructure such as farm to market roads, irrigation systems, post harvest facilities;
- Public provision and promotion of backward and forward linkages of agriculture to industries and to the local markets;
- Research, development and extension services along appropriate sustainable farming and fishing technologies;
- Prompt government regulation of widespread smuggling and dumping of imported agricultural products; on the spiraling costs of production and fishing expenses; illegal and destructive fishing technologies;
- Address fishery resource depletion resource through rehabilitation, regeneration and conservation of aquatic and coastal environment while at the

same time providing protection for the municipal fishers rights to fishing in municipal waters within the limits of ecological balance;

- Occupational diversification of farmers and fishers through the promotion of diversified farming systems and provision of public investments for on-farm and off-farm sources of incomes and livelihood projects for farmers and fishers;
- Ensure active and meaningful participation of farmers and fishers in policy formulation, implementation and evaluation of matters affecting agrarian reform, rural equity and development.
- Decisive institutional reforms along major government frontline agencies in agrarian reform, agriculture and environment so as to effect efficiency, transparency and democratic participation of the poor farmers and fishers;
- Government programs and funds along safety nets (such as the Agricultural Enhancement Fund, ACEF) from the negative impacts of trade liberalization should be redirected and utilized for public provisions and investments for the small farmers and producers' agricultural development
- Independent review of the impacts of major trade proposals along agricultural deregulation and trade liberalization such as the AFTA and the Tariff Reform Program and other trade agreements based on the principles of food security, fair trade, sustainable development and growth with equity;

INTRODUCTION

During the Fourth ASEAN Summit in January 1992, the ASEAN heads of government agreed to establish an ASEAN Free Trade Area (AFTA) by the year 2008. This was advanced to 2003 by the ASEAN Economic Ministers (AEM) Meeting in September 1994.

The main implementing mechanism of AFTA is the Common Effective Preferential Tariff (CEPT) Scheme, which provides for the removal of obstacles to freer trade among member states. It includes the abolition of high tariffs or taxes on traded goods and the scrapping of quantitative restrictions (QRs) and other non-tariff barriers (NTBs) which limit the entry of imports.

The goal of the scheme is to reduce tariffs on all manufactured goods to 0-5 per cent by the year 2003, again advanced on 2002. For the Philippines, this is projected to benefit Philippine exporters to ASEAN. The lower CEPT rates are expected to make the country's products cheaper in these markets, thus stimulating greater demand.

This participatory research on AFTA aims to assess its impact on the Philippines from the perspective of small farmers. On the basis of this assessment, recommendations will be made to address and mitigate the negative impact and enhance the positive impact of AFTA, especially on priority-based commodities such as rice, corn and fish.

Rice, corn and fish are selected as priorities because they are the major staple products of the Philippines. A study on these products will provide major insights into how national policies affect the country's food security and agricultural production. Studying other agricultural products can also yield important insights but due to budget constraints they are not covered.

The research sites chosen are major producers of the three products. For rice, they are the provinces of Bulacan and Iloilo, the major rice granaries of the country. Isabela and South Cotabato, being the top major corn producers in the country, are selected for corn. Navotas City in Metro Manila and General Santos City are the areas for fish. Navotas is the fish trading capital while General Santos City is the tuna capital of the Philippines.

Due to limited resources, the research can only cover three villages per research site. These villages, however, are representative of the relevant production in the provinces or cities selected. Also present in these villages are partner organisations which facilitate the research in the area.

A. BACKGROUND ON AFTA IMPLEMENTATION IN THE PHILIPPINES

Filipino consumers would hardly know anything about AFTA if not for the markings on packages of shampoos and other personal products, indicating imported products from Procter & Gamble, Colgate Palmolive, and other companies which transferred factories, and now becomes the source of supply for Southeast Asian, including the Philippines.

The plan to cut import tariffs on products traded among the six original ASEAN members (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) now reshapes the business landscape in the ASEAN region.¹ CEPT is the mechanism by which tariffs on goods traded within the ASEAN region, which meet a 40 per cent ASEAN content requirement, were reduced to 0-5 per cent by the year 2002/2003. (For Vietnam, it is 2006; Laos and Myanmar in 2008; and Cambodia in 2010). The tariff reductions moved on the “fast” and “normal” tracks. Tariffs on goods on the fast track were reduced to 0-5 per cent by 2000. Tariffs on goods in the normal track were reduced to this level in 2002, or 2003 for a small number of products. Currently, about 81 per cent of ASEAN’s tariff lines are covered by the fast or normal track.

ASEAN members have the option to exclude products from the CEPT in three cases: temporary exclusions; sensitive agricultural products; and general exceptions. Temporary exclusions refer to products for which tariffs were lowered to 0-5 per cent, but which were protected temporarily by a delay in tariff reductions. A small number of sensitive agricultural products are extended a deadline till the year 2010 for their integration into the CEPT scheme. General exceptions refer to products which a country identified as necessary for protection of national security, public morals, the protection of human, animal or plant life and health, and protection of articles of artistic, historic, or archaeological value. Approximately one per cent of ASEAN tariff lines fall into this category.

¹ **No more tears for AFTA**, Roel Landingin, Newsbreak, July 20, 2002.

Pre-AFTA Business Sector Apprehension

Peter D. Garrucho, former Secretary of the Department of Trade & Industry and Managing Director for Energy, First Philippine Holdings Corporation, in a speech before ASEAN, provided the backdrop for AFTA implementation in the Philippines:²

The year prior to the signing of AFTA was not a great year for the Philippine economy. Economic growth was flat in 1991 and it was standard fare to blame many things we could not control – the 1989 coup, the killer earthquake and typhoon, and the Mt Pinatubo eruption. Exporters hadn't broken the US\$10 billion marker (while other ASEAN countries had hit over US\$20 billion), and there was heavy dependence on the US market. A few were even casting doubts over future prospects, the country having just ended the treaty allowing US bases in the Philippines.

Most of the apprehensions concerning its competitiveness can be attributed to the fact that the Philippines is not at par in terms of economic performance with other countries in the region and many perceive that doing business in the country is not good business. A look at some of the statistics indicates that the Philippines lagged behind its ASEAN neighbours in economic performance. Its neighbours had been posting 7 to 8 per cent GNP growth rates for over 10 years in a row. They were running government budget surpluses, earning export revenues well into the double digits in US dollars and enjoying current account surpluses. They were saving more than 25 per cent of their national incomes. Given the dramatic contrasts, it was easy for the Philippines to earn the appellation as “sick man of Asia.”³

Why AFTA for the Philippines? Amidst the apprehension, the Philippines presented the following reasons for accession to AFTA:⁴

1. Bigger Market: For potential exporters and manufacturers, AFTA immediately means a bigger market of 330 million consumers instead of the small domestic market of 64 million.

2. Cheaper Inputs: With lower tariff duties on ASEAN products, it becomes possible for domestic products to obtain sources of inputs from ASEAN suppliers.

3. More Investments: Because of the larger ASEAN market and the possibilities for cheaper sources of supply, the country becomes more attractive to both domestic and foreign investors. This means new joint ventures, new distribution channels and the transfer of new and better technologies.

² “A Look Back at a Decade of AFTA.”

³ The Philippine Economy: Still the Odd Man Out, by Cielito F. Habito, *The Manila Times*, March 14, 2003.

⁴ Primer on AFTA Implementation prepared by the Tariff Commission, 1994.

4. Greater Efficiency: AFTA is a step towards global efficiency as local manufacturers confront pressures from competing imports.

5. Consumer Benefits. For Filipino consumers, tariff cuts and freer imports will mean availability of a variety of cheaper goods of better quality. This comes not only because cheaper imports will become available, but also because local industries are forced to innovate and become more efficient.

AFTA Coverage

At the onset of CEPT, the Philippine Inclusion List totals 4,053 or 97.95 per cent of the six-digit product lines and 4,451 or 79.61 per cent of the nine-digit product lines. The CEPT-Exclusion List totals 1,140. This reflected the commitment of the Philippine government to keep track of its sovereign commitment to the ASEAN trade liberalisation scheme.

Fast Track Programme covers 15 groups: Vegetable oils, chemicals, fertilizer, rubber products, pulp and paper, wooden and rattan furniture, gems and jewelry products, cement, pharmaceuticals, plastics, leather products, textiles, ceramics and glass products, electronics and copper cathodes.

Philippine Sensitive Listing includes live swine and poultry, meat of swine and poultry (including poultry cuts), cassava, sweet potato, corn, pork, vegetables and grain sorghum. Rice is the only RP product in the Highly Sensitive Listing.

Today, the Philippines has reduced duties to 0-5 per cent on 98.98 per cent of all tariff lines included in the CEPT, according to the Tariff Commission.

B. AFTA IMPLEMENTATION IN THE PHILIPPINES

Trends in ASEAN Trading

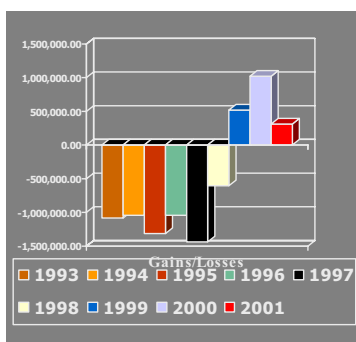
According to the government, Philippine trading with ASEAN dramatically improved in the 1990s. ASEAN is the Philippines' third or fourth largest trade partner, after the United States and Japan. From 1993 to 2001, Philippine exports to ASEAN countries grew from 795,312.5 to 4,986,037. The share of the ASEAN market in the Philippines' total exports more than doubled from 7 to 15.7 per cent. Imports on the other hand, grew from 1,882,995.8 to 4,664,794.8 or an import growth of 248 per cent. In this regard, the Philippines still registered 6,528,213.30 peso in losses from the intra-ASEAN trade transactions in the same period.⁵

Table 1: ASEAN Trading, 1993 to 2001

⁵ The Philippines in AFTA, Address by Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations at the Manila Rotary Club, Manila, March 7, 2002.

Year	Imports	Exports	Gains / Losses
1993	1,882,995.8	795,312.5	-1,087,683.3
1994	2,463,843.9	1,425,530.2	-1,038,313.7
1995	2,489,132	2,357,509.4	-1,316,223.6
1996	4,011,806	2,970,331.8	-1,041,474.2
1997	4,872,822.4	3,436,165.3	-1,436,657.1
1998	4,428,887.9	3,821,026.5	-607,861.4
1999	4,461,006.3	4,989,133.8	528,127.5
2000	4,995,437	5,982,570.6	1,027,133.6
2001	4,664,794.8	4,986,037.6	321,242.8

Note: Data from 1996 onwards reflects investments generated from SEC registered entities. Withdrawals consist of decrease in capital in existing firms and amount of paid-up capital in dissolved firms. Source: Securities and Exchange Commission.



The Philippines' trading activity with ASEAN represented 15.6 per cent of the country's total world trade in 2001.⁶ By percentage, the share of trade with ASEAN was more brisk than trade with the European Union. Trade with ASEAN summed up to US\$9.655 billion, with US\$4.99 billion in exports and US\$4.67 billion in imports. The Philippines stood to gain US\$320.6 million with the favorable balance of trade in 2001. Among ASEAN countries, only trading with Indonesia and Vietnam had an unfavourable balance of trade.

With a value reaching US\$3.47 billion for 2001, the country's top export to the ASEAN market were electronics products and components. The other export earners were metal components worth US\$99.60 million, coconut oil valued at US\$56.44 million, cathodes and sections of cathodes of refined copper valued at US\$53.58 million; and petroleum products at US\$40.40 million.

Philippines spent most on imports from ASEAN: electronics and components amounted to US\$554.79 million; and office and electronic data processing machines

⁶ 2001 NSO (National Statistics Office) Philippine Yearbook.

at US\$500.56 million. Top imports from ASEAN were telecommunication equipment and electrical machinery valued at US\$472.92 million; mineral fuels, lubricants, and related materials worth US\$471.01 million and industrial machinery and equipment worth US\$248.46 million. On the other hand, exports of non-electronics has increased from US\$351 million to US\$890 million in 1997 and dropped drastically to US\$584 million during the 1998 financial crisis. Exports of non-electronics to ASEAN countries staged a strong recovery in 2000 with US\$970 million. Electronics products continuously dominated the share of total Philippine exports, from 5 per cent in 1993 to 74 per cent in 1997 and 83 per cent in 2001.

In general, the value of imports exceeded the value of exports for all items: fish and fish products; poultry and livestock; hides and leather (handbags and belts, leather and non-leather goods, travel goods, hat and other headgear); wood and wood articles; pulp and paper; garments; footwear; cement and ceramics, and gems.

Philippines incessantly imported products in the ASEAN CEPT lists such as mineral products, chemicals, prepared foodstuff and vegetable products. Chemicals included organic and inorganic chemicals, fertilizers, upstream and downstream petrochemical products, dye and tanning and colouring materials.

The rising import of mineral products is puzzling. The Philippines is a mineral-rich country and a major producer of copper cathodes. It is intriguing how it can be a major importer of copper ore and concentrate, nickel and nickel ore and concentrates.

As to vegetable products and processed foodstuff (processed fruits, processed vegetables, meat and meat preparations, processed coffee, cocoa, tea and mate), relentless exports growth explains why Philippine vegetable and agricultural producers bemoan the incursion of cheap imported vegetables, fruits and processed foodstuffs, to the detriment of local production.

In his speech, "A Look Back at AFTA, A Decade Later," at an ASEAN gathering, Peter Garrucho, former Philippine Secretary of Trade and Industry, observed that in ASEAN countries invested in high-profile projects and industries in the Philippines such as steel, infrastructure like telecommunication and toll roads, and in services like banking. The financial results of these investments provide a mixed story. He surmised that Philippine industries suffered from competitive imports although formidable competition has come not just from ASEAN but from other Asian countries, particularly China, Taiwan and South Korea.

He discerned that because of trade liberalisation, Philippine manufacturing has not been better off. A number of industrial firms have closed shop or are struggling. Electronics which has been one outstanding exception has also been weakened now with the global downturn. In garments, the country has lost its market share. In the canned tuna exports, the Philippines encountered problems of market access. The US\$20 billion market in exports a few years ago has been hit but electronics constitute a large share.

Philippine business leaders discussed in detail the lack of competitiveness of Philippine industry vis-à-vis ASEAN trading. According to them, AFTA has been largely associated in the Philippine public mind with the closure of a number of local

companies and the relocation of several multinationals to other ASEAN capitals, leaving thousands of Filipino workers jobless. The Federation of Philippine Industries (FPI), a group of manufacturers, counted 37 firms that have closed down or cut output in the last three years because of cheaper or better imports from ASEAN and other markets.

According to Meneleo Carlos, chairman of the Federation of Philippine Industries and president of the RI Chemical Corporation,⁷ Philippine performance is reflected in the following situation:

- CEPT rates are now between Thailand at 6 per cent and Indonesia at 4.2 per cent;
- Closure and downsizing since 1995, 85,000 jobs lost;
- Multinational operations relocated elsewhere;
- Need competitive infrastructures for power, sea transport and ports, agricultural support systems, etc;
- Need to modernise bureaucracy and judiciary for competitive services;
- Need for massive technology transfer to farms and urban communities like China;
- Need to promote export orientation – exports per capita very low, excluding overseas Filipino workers; and
- All reform programmes must be realistic, fast-tracked, time-bound to attract investors.

The FPI indicated the industries that have been severely affected by these problems. Their products include appliance; shoe, car battery, car parts, chemicals, plastic, textile, match, aluminum, rubber, cordage, tire, steel, pulp and paper, cement and ceramic tile, among others. As for agriculture, the FPI reported that most affected products include garlic, onion, sugar, fruit, corn, potato, coffee, vegetable and wood industries.

Consumer product manufacturers have also shifted their factories around the region because of lower tariffs and significant differences in production costs among ASEAN members.⁸ Procter & Gamble Co moved its shampoo factories out of the Philippines and other ASEAN countries and centralised its operations in Thailand several years ago. The Unilever Group is making most of its Lipton tea bags in Indonesia. LG Electronics of South Korea is relocating its refrigerator production facilities also to Indonesia.

Global Competitiveness

The Philippines was classified as far from average in terms of global competitiveness;⁹ the country is on the 33rd spot, the lowest among the ASEAN members. However, the Philippines received the highest grade in open market development (fifth place) and labour (No. 16). The country was the worst in the area of infrastructure as it fell to 40th place.¹⁰

⁷ From the article “ The Impact of AFTA from 1993,”, www.aseansec.org/meneleo_carlos.htm

⁸ “No More Tears,” by Roel Landingin, at Newsbreak.com.ph (online, accessed on Aug 20, 2002).

⁹ 1998 Global Competitiveness Report.

¹⁰ 1998 Philippine Exporters Confederation. *Philexport*.

Trends in Government Revenue

The Philippine government incurred revenue losses due to tariff reduction. Tariff revenue losses were estimated at US\$27,274 million from 1994 to 2001 (see Table 2).

Table 2: Estimated Tariff Revenue Losses, 1994-2001 (in US\$, million)

Year	(A) Average MFN tariff (%)	(B) Imports CIF value (million, US\$)	(AxB) Total Duty Revenues
1994	19.72	20,036	3,951
1995	15.87	25,941	4,117
1996	15.55	30,442	4,734
1997	13.43	33,354	4,479
1998	10.69	26,810	2,866
1999	9.98	27,813	2,776
2000	8.06	28,744	2,317
2001	7.71	26,379	2,034

Source: NSO, Tariff Commission, as presented in Omnibus Paper on MFN Tariffs, Trade and Liberalisation and Economic Development, Fair Trade Alliance (FTA).

Labour and Employment

In 2002, the country's population was estimated at about 79.50 million. The Philippine industrial sector has a poor record of labour absorption. Agriculture and services sector absorbed most of the country's labour force. Agriculture absorbed 38.6 per cent of the labour force but its share has continuously declined from 54.3 per cent in 1975 to 38.6 per cent in 2000. Services sector, on the other hand, continued to have small increases in its share of employment from 3.7 per cent in 1975 to 39.2 per cent in 1990 and 46.3 per cent in 2000 (see Table 3).

Table 3: Share of Major Sectors in Employment, 1975- 2000

Year	Agriculture	Industry	Services
1975	54.3	14.7	30.7
1980	51.3	15.1	33.5
1985	49.7	13.9	36.4
1990	44.8	15.6	39.2
1995	43.5	16.0	40.5
2000	38.6	15.8	46.3

Source: National Statistics Office.

While unemployment is primarily an urban concern (see Table 4), underemployment is the more serious phenomenon in the rural economy. About 21 per cent of the labour force in the rural areas was reported to be underemployed. In 2003, 3.5 million people or 12 per cent of the labour force was unemployed; but combined unemployment and underemployment was 8.5 million or 28 per cent of the labour force.¹¹

¹¹ NSO, Oct 2003

Table 4: Employment, Unemployment and Underemployment, 1990 – 2003

Year	Employed ('000)	Unemployed ('000)	Underemployed('000)
1990	22532	1993	4964
1991	22979	2267	5161
1992	23917	2263	5282
1993	24443	2379	5353
1994	25166	2317	5137
1995	25698	2342	5670
1996	27442	2195	6121
1997	27715	2640	6082
1998	27912	3143	6127
1999	28980	3017	5955
2000	27453	3459	-
2001	29155	3654	-
2002	30062	3874	5109
2003	30119	3559	4849

Source: National Statistics Office.

Agricultural Production and Consumption

According to the Bureau of Agricultural Statistics, agriculture structure in 2002 was rice, 20 per cent of total agriculture, is the biggest industry in terms of output value, while chicken was 11.9 per cent and hogs 11.6 per cent; coconut 7.9 per cent and corn 4.9 per cent. Aquaculture output share of 10 per cent was large but comprised at least three products (seaweeds, bangus and tilapia).

The three main crops – palay, coconut and corn – account for about 80 per cent of all farmland but contribute 32.8 per cent of total value. This translates to 17,000 peso per harvested hectare at current prices in 2002. Amidst the sluggish agricultural growth, sources of growth were mostly non-land-based agriculture – poultry, livestock and fisheries. The land-based agriculture had dismal performances.

In 1990-2000, expansion was fuelled by non-crop sub-sectors which contributed 86 per cent of growth; poultry got 36.8 per cent, livestock got 27.5 per cent and fisheries 22 per cent. Crops occupy over 95 per cent of farmland but contributed to only 13.7 per cent of growth.

The leaders of the crop sub-sector were rice, mango, banana and sugarcane. The laggards were corn, coffee, garlic, onion, tobacco and abaca. In 2001 and 2002, non-crops remained the heaviest contributors. In 2002, their share to total growth was more than 81 per cent compared to 19 per cent for crops.¹²

As for food self-sufficiency, by the mid-1990s, the country had already turned from a net agricultural exporter to a net importer. For instance rice, from 89.49 per cent in 1996 Philippines has become 73.16 per cent self-sufficient in 1998.

¹² BAS.

Table 5: Self Sufficiency Ratio for Selected Crops / Food, 1996 – 1998

Crop	1996	1997	1998
Rice	89.49	91.05	73.16
Corn	91.10	93.37	97.13
Chicken	99.96	99.81	99.51
Pork	99.42	99.05	98.89
Beef	83.12	81.68	85.98
Cassava	100.02	100.02	100.03
Sweet Potato	100.00	100.00	100.00

Source: Bureau of Agricultural Statistics, Indicators of Food Self-Sufficiency for Cereals, selected Livestock and Poultry Products and Root Crops, 1996-1998 (Regalado et.al. p. 8).

Cropping and Production Expenses and Productivity

About 75 per cent of the country's rice fields are exclusively devoted to rice farming.¹³ Paddy productivity is low (less than three tons/hectare) while potential is 12 tons/hectare. This is due to high production cost stemming from high cost of inputs, inadequate irrigation (less than 50 per cent of irrigable land) and high post-harvest losses (25 per cent during the wet season).¹⁴

Average annual growth for paddy from 1970 to 1990 continued to decline. Production growth in 1970-1979 was 4.8 per cent; 2.3 per cent in 1980-1989 and 2.6 per cent from 1970 to 2000. Growth in area harvested was 1.5 per cent in 1970-1979 and 0.3 per cent from 1970 to 2000. As for yield, there was 3.3 per cent growth in 1970-1979 and 2.3 per cent from 1970 to 2000.¹⁵

The Philippines lags behind other ASEAN countries in productivity and agricultural growth. It grew at a rate of only 1 per cent from 1980 to 1990 while the neighbouring countries grew at between 3.4 per cent and 4.3 per cent. On a per commodity basis, it has the lowest yields for rice, corn, banana and abaca; and has one of the lowest yields for coconut and tobacco. It should be noted, however, that it has the highest yields for pineapple, coffee and mango.¹⁶

Meanwhile, paddy production cost in the Philippines (in Central Luzon) was reported to be the highest at US\$888 per hectare or about US\$96/mt of paddy,¹⁷ when compared to five selected Asian countries. The Central Plain of Thailand and China had the lowest cost of about US\$59. On a per unit basis, and with the exception of India, the costs of labour, fertilizer, machine rental, and fuel were cost drivers for the Philippines relative to the other three countries¹⁸ (see Table 6).

¹³ GAIN, 2001

¹⁴ Food and Agribusiness Yearbook, "Millennium Edition".

¹⁵ The Rice Industry Strategic Issues and Directions, SIKAP/Strive Foundation and Center for Food and Agribusiness, University of Asia and the Pacific, July 2003.

¹⁶ A Country Paper on the Republic of the Philippines, Lachica, A.A., Prodigalidad Vivo Ma. L., University of Gent, Belgium, Academic Year 1999-2000.

¹⁷ The Rice Industry Strategic Issues and Directions Draft Final Report, SIKAP/Strive Foundation, July 2003.

¹⁸ Ibid.

Table 6: Comparative Production Cost, Yield and Output, Selected Asian Countries

Item	Philippines (Central Luzon)	Thailand (Central Plain)	Vietnam (Mekong Delta)	India (Tamil Nadu)	China (Zhejiang)
Average Yield (MT/ha/year)	9.2	10.8	9.2	11.2	12.4
Price of Output (US\$/ton)	171	102	92	128	120
Total Production Costs	888	636	683	698	731
Total Cost / ton (US\$)	96.52	58.89	72.24	62.32	58.95

Source: Department of Agriculture, Philippines, 1999.

Among the five countries, rice benchmark farms of China were heavy users of fertilizer of 504 kg of nutrients per hectare. It was followed by India at 330 kg nutrients per hectare. The Philippine, Thai and Vietnamese benchmark farms used from 230 kg to under 330 kg nutrients per hectare.

For the rice prices and markets, rule of thumb is to double the farmgate price given a milling recovery of around 65 per cent.¹⁹ Rice farmers are disadvantaged by high rice prices. They sell most of their produce at harvest-time. Only 13 per cent produce the rice they consume; 85 per cent of all Filipinos and 78 per cent of rural households source their household rice from the open market.²⁰

Farmgate price for rice tend to be depressed during the peak harvest months and relatively higher henceforth. Only 3 per cent of farmers benefited from government paddy price support. The government, through the National Food Authority (NFA), pursues supply and price stabilisation. The NFA is supposed to assist farmers by buying paddy at a “high” support price or above the prevailing market price. To help consumers, it is expected to sell at a “low” release price or below the prevailing market price. Buying “high” and “selling” low as well as storing rice longer to release at the proper time meant that NFA operations incur substantial losses. NFA rice buyers describe it as low in quality, poor in taste, smell and colour. NFA buyers have to trade off quality for cheaper price.²¹

Another source of rice supply is imports which are under the control of the NFA. To a limited extent, the private sector has been allowed to import fancy rice varieties. In

¹⁹ Ibid.

²⁰ Global Agriculture Information Network, Voluntary Report, October 2001.

²¹ Filipino Report Card on Pro-Poor Services, World Bank, May 30, 2001.

2003, accredited farmers' organisations are given the licence to import part of the import volume to cover the rice shortfall.²²

Rice smuggling is a big problem confronting the Filipino rice farmer. Rice prices in the Philippines are much higher than rice exporting countries like Vietnam and Thailand. Thus, it is particularly profitable to smuggle rice into the country. World rice prices have fallen steadily over the past decade while Philippine rice prices climbed fairly rapidly. These trends provided incentives for smugglers. Enforcement of anti-rice smuggling rules and regulations is very weak. When rice is found to be smuggled, it is confiscated and later sold by the government in the domestic market. Thus, even smuggled rice still adds to total domestic rice supply.²³

Corn prices and markets²⁴

Corn is the country's second major crop and generally classified into white and yellow corn. Consumption of white corn as staple food is common in the Visayas and Mindanao. Yellow corn is primarily the main ingredient for poultry and livestock feeds. It accounts for about 60 per cent of total production. About 25 per cent of corn production is used for food and 70 per cent for animal feeds.

White corn, being for human consumption, is generally priced higher than yellow corn, which is used as animal feed ingredient. Farmgate price of corn has been generally decreasing since 1995. However, wholesale and retail prices during the same period were increasing. At the wholesale level, yellow corn commands better prices than white corn.

In 1995, the areas under corn dropped to below three million hectares for the first time since 1980. Since then, the corn hectareage has declined at an annual average of 2 per cent. Yield has increased over the past five years for yellow corn, from 2.2 tons/hectare in 1995 to 2.7 tons/hectare in 1999. White corn yield has stagnated over the years.

Corn production is declining due to low profitability. The shortfall is made up by imports and substitutes. The country is a net importer of corn, averaging 253,000 tons annually over the last five years. It imported less than 900 tons in 1994 but large inflows started in 1995. In 1996, the country imported 402,000 tons (US\$86 million) to meet the growing requirements of poultry and livestock sectors. Lower tariff is a major concern among farmers.

²² The Rice Industry Strategic Issues and Directions: Draft Final Report, Sikap/Strive Foundation and Center for Food and Agribusiness, University of Asia and Pacific, July 2003.

²³ GAIN 2001.

²⁴ Food and Agribusiness Yearbook, "Millennium Edition".

Rural Poverty, Food Security and Living Standards

There is a large number of “near poor” in the country, with 45.9 per cent of the population living on less than US\$2 per day. Urban and rural food insecurity continued to rise.

The people's situation continues to be very serious, with hunger rising to 15.5 per cent, and Self-Rated Poverty at 49 per cent, according to the Social Weather Survey (SWS) of Aug 26-Sept 5, 2005. Household heads reported that their families experienced hunger, without having anything to eat, at least once in the past three months, rose to 15.5 per cent in August 2005 – or an estimated 2.6 million families – from 12 per cent in May 2005. This is the second highest national proportion since SWS began surveying in 1998, after the record high of 16.1 per cent in March 2001. As of August 2005, hunger is at 18 per cent in Balance Luzon, 16.7 per cent in the National Capital Region, 13.3 per cent in the Visayas, and 12 per cent in Mindanao. Self-Rated Poverty stayed at 52 per cent in Mindanao.

Table 7: Urban-Rural Poverty Incidence

1985	% below US\$ 1 / day	% below US\$ 2 / day
1990	22.8	61.3
1991	19.1	53.5
1994	19.8	55.0
1996	18.4	53.1
1997	12.1	45.2
1998	14.6	47.7
1999	13.7	47.1
2000	12.7	45.9

Source: World Bank.

Also, such money-value thresholds were already reached as early as five years ago, even though the cost of living rose sharply every year. The failure of the thresholds to increase despite high inflation is a sign that the poor are actually lowering their real living standards.

GNP and GDP by Industrial Origin

Philippine GNP growth rate by sector from 1970 to 1990 reflects economic downturn (see Table 1). In fact, the agriculture, forestry and fisheries sector growth rate declined from 3.9 per cent (1970 – 1975) to 2.2 per cent (1989-1990). Industry declined from 7.5 per cent (1970-1975) to 1.9 per cent (1989-1990). Services likewise declined from 4.8 per cent (1970-1975) to 3.3 per cent (1989-1990). Viewed in a

longer term perspective, fixed investment has averaged at the low 20 per cent of GNP range in the 1980s and 1990s, compared to the 30 to 40 per cent range in other major East Asian countries.²⁵

In the period 1994 to 1997, GDP average growth was 5 per cent. Since the regional crisis, however, the country has regained only a modest, though fairly stable, growth rate of 3 to 4 per cent (see Table 2 and Figure). In 2001, this was a relatively robust performance despite the steep downturn in exports. The problem is the growth rate of about 0.8 per cent per year since 1998 is insufficient to deliver a rapid and sustained poverty reduction.²⁶

The Philippines faces serious economic collapse in two years unless the government reins in the widening public sector deficit and the ballooning debt, a warning issued by the University of the Philippines' top economists. They noted that the national government's total debt stood at 3.36 trillion peso as of 2003, or equivalent to 78 per cent of the GDP. The public sector debt includes the obligations of government owned and controlled corporations, rising to more than 130 per cent of the GDP. The government expects a budget deficit of about 200 billion peso this year. The economists said a crisis would not be averted even if government sought relief by reneging on paying the debts held by Filipinos. Even that would also cause major difficulties and bankruptcies for the domestic banking system, they said. Such systematic shock would entail no less severe economic contractions, causing thousands of bankruptcies and throwing millions into the streets.²⁷

C. GOVERNMENT'S AGRICULTURAL DEVELOPMENT PROGRAMME

To better appreciate Philippine agricultural situation, it is ostensible to study the government's agricultural development policies and programmes such as agrarian reform, credit support, pre and post-harvest facilities during the period.

Agrarian Reform

The Land Registration Programme (Lista Saka) in 1988 revealed that 5 per cent of all families owned 83 per cent of farm land.²⁸ Most land holdings were managed in haciendas in plantation crop production, common in Negros (sugar plantations), Luzon (coconut plantations), and Mindanao (banana, pineapple, rubber plantations). In the Philippines, land reform has a long history. Earlier land reform programmes

²⁵ "Development Achievements Mix Success and Disappointment" on the Philippines: An opportunity for Renewed Poverty Reduction; A World Bank Policy Review, 2002.

²⁶ From the article "Development Achievements Mix Success and Disappointment" on the Philippines: An opportunity for Renewed Poverty Reduction; A World Bank Policy Review, 2002.

²⁷ *Philippine Daily Inquirer*, Aug 23, 2004, Vol. 19, No. 257. Juan V. Sarmiento Jr.

²⁸ James Putzel, *A Captive Land: The Politics of Agrarian Reform in the Philippines*, London: CIIR, 1992, p. 27.

were directed at improving tenure status of tenants. In 1987, the Comprehensive Agrarian Reform Programme (CARP) outlined a far reaching programme. To be implemented in a 10-year period (1988 to 1998), the programme estimated that 10.3 million hectares of land (revised to 8.2 million hectares) would be distributed to benefit about 3.7 million small scale farmers and landless families.

By December 1996, the World Bank noted that most land transfers were mainly plots which have some form of government ownership or control. Virtually all (94 per cent) of private land – the most contentious component of the programme – has yet to be acquired and distributed.²⁹

In 2005, Land Reform Secretary Rene Villa reported that the department had already completed the distribution of 3.52 million hectares, benefiting 2.02 million agrarian reform beneficiaries as of December 2004. This represents 82 per cent of CARP’s overall land distribution goal of 4.29 million hectares. The target balance stands at 771,348 hectares for distribution to some 443,300 beneficiaries. Villa also announced that the United Nations has adjudged the Philippines and Brazil as having the “best land reform programmes.”³⁰

Civil society organisations forwarded contrary views on this. In fact, civil society organisations raised the following questions:

Despite unreliability of data from the government, land reform accomplishment remained very low: for palay areas, it was 23 per cent, for corn areas, 22 per cent and 21 per cent for coconut areas. It is important to note that rice, corn and coconut cultivation take up about 80 per cent of farmland in the country.

Table 8: CARP accomplishments per major crops

Major Crops	Total Farm Area CARP Accomplishment (in hectares)		Percentage
Palay	3 427 864	785 251	23%
Corn	2 194 175	448 998	21%
Coconut	2 733 474	562 053	21%
Sugarcane	329 444	172 586	52%

Source: PARRDS dialogue with the President, Nov 20, 2002, Malacanang.

Moreover, civil society organisations claimed that land reform balance is still huge at 8,000,000 hectares. They argued that remaining balance in private land is more than 700,000 hectares, considering actual transfer of land. Missing in the official lists of CARP balance are the biggest landholdings all over the country. Also, there are 15 million hectares of classified forest/timber land. The accomplishment of DENR in

²⁹ World Bank, 1998.

³⁰ DLR completes distribution of 3.52-M has. of land under CAR. www.news.ops.gov.ph/archives2005/mar01.htm

ISF-CBFMP represents a mere fraction of classified timberland occupied by around 20 million upland dwellers. The balance of coverable A&D land is more than what is officially declared. In 2003 for example, 300,000 hectares of unclassified land were classified as A&D land but have not been included in the official government records. Many of the A&D land parcels are also imbued with private interest. The 4.9-million hectare ancestral land being claimed by indigenous communities remain largely untouched. Reported accomplishment must be rigorously examined in the light of reports that indigenous peoples in some areas do not actually control land covered under Certificate of Ancestral Domain Title.³¹

Simultaneous to the land reform programme, some sectors sought to convert or reclassify agricultural land for industrial or residential uses. The total number of conversions accrued to a 1,633 per cent increase in legal land conversions from 1990-1998 (DAR). Equally alarming is the extent of illegal land conversion around Regional Industrial Centres (See Table 9).

Table 9: Illegal Land Conversions

Location	No of Hectares
CALABARZON	43,598
Central Luzon	15,000
Clark Economic Zone	44,000
Hacienda Luisita	6,000
Fort Magsaysay	20,000
SOCSARGEN	5,500
Western Visayas	7,000
Total	172,940

Source: Institute of Strategic Planning and Policy Studies, University of the Philippines – Los Banos.

Agricultural Support Services

On the whole, government expenditures in agriculture were very low compared to its proportionate contribution to the economy. There has been an expenditure bias against agriculture.

Irrigation systems in 2002 covered 1.5 million hectares, about 48 per cent of irrigable area. About 95 per cent of irrigated area is devoted to paddy and about 70 per cent of paddy production is from irrigated areas. Irrigation expenditures decreased in share from about 2.8 billion peso in 1983 to about 2.2 billion peso in 1994 – a real decline of 75 per cent. Problems of irrigated agriculture are budgetary allocation, institutional weaknesses, backward ARE and project sustainability. Existing IS has also been unsatisfactory: insufficient water control structures to ensure equitable and timely distribution of water to all sections; neglect of flood protection and drainage in the design of NIS; increased silting of IS caused by watershed degradation and soil erosion ; institutional weaknesses of NIA and IAs.

³¹ Why.

Inadequate road transport is also a major concern. In rural areas, lack of adequately maintained farm to market roads subject farmers to be dependent on usurers and middlemen. The dispersed nature of the Philippine archipelago means that logistics of providing rural infrastructure are complex, involving costly administration. Even when funding is adequate, abuses in fund management and corruption cut across all players creating an environment that espouses inefficiency and low productivity.³²

Table 10: Budget for Infrastructures

	1999	2000	2001	2002	2003	2004	Later Years	Total
Various Infrastructure for local projects **	606,482	14,999,049	1,720,000	8,430,000	8,430,000	11,864,4699		46,050,000
Total	29,843,363	44,888,768	36,428,904	46,496,800	58,957,900	66,227,628	304,723,898	282,843,363

** For Farm to market road/ local roads and bridges, flood control/drainage, shore protection, water supply and markets (in support of the thrust of government on agricultural modernization, food security and poverty alleviation. (DPWH, 2003)

Source: Department of Public Works and Highways, 2003

Another reason for low rice and corn productivity is the lack of access to post harvest facilities. For corn, losses ranged from 3.7 to 25 per cent with an average of 12.7 per cent. Post-production losses amount to an average of 1.92 billion peso for yellow corn, and 1.43 billion peso for white corn. Post-production losses of corn both at on-farm and off-farm levels result from: (a) insufficient and inefficient post-production facilities; (b) lack of appropriate training on storage, warehousing, maintenance and handling techniques; and (c) corn stored for a certain period deteriorates at a faster rate.³³

Rice harvesting is done manually and solar drying is still predominant. Threshing is the only activity that is mechanised. Physical losses reach as high as one third of the total production (1994-95, NAPHIRE data). In general, 30 per cent of post harvest losses are incurred during the drying operation, making it the major source of grain loss³⁴ (BPRE, 2002).

Despite government pronouncements of agricultural modernisation, in relation to globalisation, agriculture and agrarian reform budget averaged 3.5 to 4 per cent of the total national government budget between 1998 and 2005. An allocation specifically for land distribution adds another 0.3 per cent. This budget allocation is not enough to put the country's agrarian reform programme on track.

³² The Agriculture Industry: Issues and Strategies, Renato R. Montemayor, President, Purefoods Corp., Food and Agribusiness in the New Millennium.

³³ Maranan, Celerina L. et al. (1999). National Post harvest Loss Assessment, BPRE).

³⁴ BPRE, 2002

Table 11: Agriculture and Agrarian Reform Budget, 1998- 2005 (in million, peso)

Total Agri/Agra/LAD	1998	1999	2000	2001	2002	2003	2004	2005
Agri/Agra	18,998	25,015	32,272	35,613	27,567	30,389	29,624	34,483
(Per cent of government budget)	3.5%	3.9%	4.2%	4.5%	3.6%	3.3%	3.1%	3.6%
Land Distribution	-	2,216	3,550	4,149	769	3,019	2,577	1,739
Per cent of government budget	-	0.4%	0.5%	0.6%	0.1%	0.4%	0.3%	0.2%
Total budget	537,433	580,385	682,460	699,878	742,022	825,113	861,629	907,590

Source: Department of Budget and Management gathered by the Freedom from Debt Coalition, 2005.

This is aggravated by the fact that presently, small farmers with access to formal loans represent only about 10 to 15 per cent of the total farming population and the rest being serviced by the informal sector. Access to credit is constrained by a number of factors: limited capability of borrowers to undertake viable projects, lack of organisation, complicated bank procedures, high transaction costs and lack of collateral. The borrower's transaction costs (transportation, lost time and income) and the special fees in formal lending also negatively affect the borrower's demand for loans.³⁵

Overall, government expenditures that went into agriculture were very low compared to its proportionate contribution to the economy. There has been an expenditure bias against agriculture.

Such developments, no doubt, contributed to the country's industrial and agricultural crisis that affected the Philippine economy. The Fair Trade Alliance (FTA) report³⁶ on the crisis of Philippine industry and agriculture gave the following analysis:

1. The Philippine steel industry, supposed to be the foundation of industrialisation, has collapsed. Imports now dominate the local steel market. Tens of thousands of workers and their families have been displaced.

³⁵ Philippines: Promoting Equitable Rural Growth, p. 110, May 29, 1998, A Document of World Bank.

³⁶ "A Call for a United Front Against the Scourges of Globalization", Forum on "The Social and Economic Costs of 'Free' But Unfair Trade", FTA, Sept 11-12, 2001, Rembrandt Hotel, Quezon City.

2. Production of crops such as sugar, corn and rice are now being strangled by the massive imports of these commodities. The government is now even urging farmers to import rather than plant!
3. The local rubber and tyre industry is in death throes. Imports have dramatically increased, resulting in the closing of local tyre factories. Only two manufacturers are still operating.
4. The shoe industry, once a source of pride for the Philippines, is dead. The local market is now dominated by cheap and inferior imports.
5. The Philippine tile industry has also collapsed. Now imported tiles dominate the market and thousands of workers have become jobless.
6. The battery industry is battered. Three major manufacturers have closed, while the remaining ones have cut down their production and retrenched the workers.
7. Because of the dumping of imports, the local coal mining industry has collapsed, affecting thousands of workers and their dependents.
8. Dumping and price undercutting have also caused tremors in the pharmaceutical industry, resulting in the lay-off of more than 3,000 workers.
9. The local cement industry is now under an all-out onslaught by predatory and manipulative importers, who have flooded the market with imports. Many Philippine-based cement manufacturers have closed down or slowed down, resulting in the displacement of more than 4,000 workers.

D. COMPARATIVE ADVANTAGE ANALYSIS

To have another analysis of the ASEAN agricultural trade where Philippine agricultural products are indicated, it is interesting to look at the comparative advantage analysis of Vietnam. According to Vietnam's Ministry of Agriculture and Rural Development's comparative advantage study among ASEAN countries in relation to their implementation of AFTA-CEPT:

ASEAN products such as tropical fresh vegetables and fruits, rice, coffee bean, rubber, wood, wooden products, and aqua products and have comparative advantages in international markets. Malaysia, the Philippines and Indonesia have an advantage in vegetable oil, while Vietnam, Indonesia and Malaysia hold comparative advantage in pepper. Besides, each country has its own comparative advantages. For Thailand, it is sugar, tapioca, frozen chicken. The Philippines has its advantage in coconut while in Vietnam, it is cashew nuts, Soybean, cotton, milk, and dairy products, beverage and tobacco have fewer comparative advantages of all ASEAN countries (see Table 12).

Table 12: Comparative advantages of agricultural products in ASEAN

Ranking between ASEAN countries						
Commodities	First	Second	Third	Fourth	Fifth	Sixth
Live Animals	Malaysia	Myanmar	Thailand	Indonesia	Philippines	Vietnam
Meat and products	Thailand	Indonesia Vietnam	Malaysia	Myanmar	Philippines	
Milk products and eggs	Vietnam	Indonesia Malaysia	Thailand	Myanmar	Philippines	
Fish and fish products	Vietnam	Myanmar	Thailand	Philippines	Indonesia	Malaysia
Cereals and products	Vietnam	Myanmar Thailand	Malaysia	Indonesia	Philippines	
Rice	Vietnam	Thailand	Myanmar	Indonesia	Malaysia	Philippines
Fresh vegetables	Myanmar	Philippines	Thailand	Vietnam	Indonesia	Malaysia
Sugar, honey	Thailand	Philippines	Vietnam	Indonesia	Malaysia	Myanmar
Coffee, tea	Vietnam	Indonesia	Myanmar	Malaysia	Thailand	Philippines
Animal feed	Thailand	Myanmar	Philippines	Indonesia	Malaysia	Vietnam
Beverage	Malaysia	Philippines	Thailand	Vietnam	Indonesia	Myanmar
Tobacco	Philippines	Indonesia	Thailand	Malaysia	Myanmar	Vietnam
Raw skin and animal fur	Vietnam	Myanmar	Indonesia	Malaysia	Thailand	Philippines
Oil seed, peanut	Myanmar	Vietnam	Philippines	Indonesia	Malaysia	Thailand
Rubber (raw)	Thailand	Indonesia	Malaysia	Myanmar	Vietnam	Philippines
Wood	Myanmar	Malaysia	Vietnam	Indonesia	Philippines	Thailand

Source: Evaluation of potential impacts on Vietnam's agriculture during implementation of Common effective preferential tariff programme (CEPT) under Agreement on AFTA, Ministry of Agriculture and Rural Development, Vietnam, Hanoi, Jan 21, 2002; <http://www.isgmard.org.vn>

The analysis by SIKAP/STRIVE Foundation and the Department of Agriculture showed that Philippine rice and corn is not globally competitive. This is compatible with Vietnam-ASEAN comparative advantage analysis. It is important to note that the study saw Philippine's comparative advantage in tobacco (first), fresh vegetables, sugar, honey and beverage (second); animal feed and oil seed and peanut (third).

The Philippines is fourth in the fish and fish products items. Other Philippine agricultural products are also on the fourth to the sixth level in terms of comparative advantage. This partly explains the continuing ASEAN trade losses experienced by the Philippines in comparison to other ASEAN counterparts that have manifest comparative advantage.

E. SOCIO-ECONOMIC PROFILE OF SMALL MEN AND WOMEN FARMERS AND FISHERS IN THE ERA OF AFTA

Age of Respondents: The majority belongs to an ageing population. Around 80 per cent are above 40 years old. Only 14 per cent of respondents are in the 30-40 years bracket. This reflects the expressed declining interest of the younger generation to continue with farming activities. Older people continue to farm since they have no other means of livelihood.

Among fishers, the different age groups, 31-35 years and 51-55 years, are evenly distributed. The respondents come from generations of fishers. They started early as children going out to the sea with their parents who are themselves fishers. Majority (50 per cent) are equally distributed in the 41-45 years old and 46-50 years old brackets. Another 26 per cent are likewise equally distributed in the 31-35 years and 46-50 years brackets. A small percentage, 6 per cent, is above 56 years. The respondents expressed their intention to go on with fishing activities since they have raised their families through fishing and this is the only work they know. They regard themselves as sons, daughters and families of the sea.

Sex: About 70 per cent of the farmer respondents are male and 30 per cent are female. The same pattern is exhibited across ecological zone.

Of the 53 fisher respondents, 98 per cent (52 persons) are male. Women who will meet the criteria for respondents are difficult to find since they rarely go out fishing even with their husbands or relatives. Women usually work in support of fishing activities in the community and the household. The only female respondent in Navotas is a lesbian and she has been going out fishing with her father and brothers since she was a teenager. There is also a belief among General Santos city fishers that “women are jinx to fishing”, so they should not go out fishing. Unfortunately, this is also accepted by the women in the area.

Civil Status: As to marital status of the farmer respondents, 90 per cent are married, 6 per cent are widowed and 3 per cent are single. A few of the respondents (1 per cent) are either separated or have live-in partners. Among fishers, the majority (79 per cent) is married, 17 per cent are single and 4 per cent are widowed.

Educational Attainment: Among the farmers, 60 per cent have attained only primary level education, 32 per cent secondary level, 5 per cent tertiary level, and 3 per cent had vocational and technical training. This illustrates the low educational attainment of farmers and is attributed by the farmers to their low income and poverty.

Among fishers, the majority (51 per cent) had primary education (these are mostly from Navotas), while 41 per cent reached secondary level and 6 per cent had technical-vocational training. The majority of the respondents who said they managed to go to high school were from General Santos City.

Fishers who do not own boats or own only small boats (0.5 to 1 tonner) in Navotas are impoverished. This partly explains the lack of capacity to pursue secondary education. It is interesting to note that with the meager income from Navotas fishing, the respondents who never attended school at all are small boat owners. The boats being

used are too small and backward to guarantee sufficient incomes.

However, in General Santos city, small boat owners can still manage to pursue secondary education because they earn a little more. But most of them never go beyond secondary schooling.

Household Size: In the six provinces/cities, households vary in composition from one to more than 10 members. However, on the average, these households consist of six members.

Number of children, working and non-working, farm, off-farm: Among farmers, the average number of children in the family is between four and five. About 26 per cent of male children help in the farm compared to only 12 per cent of female children. The numbers of male and female children who work outside the farm are almost equal.

Female children form 51 per cent and male children, 49 per cent of the total. About 47 per cent of the children are still studying, 21 per cent are helping in fishing activities while 32 per cent are working in other sectors. Most children who work outside fishing are too small to help or are women who cannot go out sailing.

House Ownership: About 92 per cent of the farmers own their houses and 5 five per cent say they live in the houses for free. Among fishers, 66 per cent own their houses, another 28 per cent have free use of the house and 6 per cent are renting.

Type of House: Among farmers, 43 per cent of their houses were made of temporary materials while 57 per cent were made of permanent materials. Permanent structures are actually part concrete and part light materials such as wood and bamboo. The floors of about a third of the houses are still made of earth. Most of their houses look like shanties.

Among fishers, 87 per cent of the respondents reported conjugal ownership of the house, with only 3 per cent reporting ownership only by the husband. About 48 per cent of the respondents have permanent house structures and 52 per cent, temporary. It is important to note that around 90 per cent of the fishers' homes are shanties, very small and cramped for the household and usually shared with other families. In the case of Navotas fishers, one house may have two to three households sharing the premises.

5 per cent use the flush type.

Among fishers, the contrast between General Santos City and Navotas is big. About 90 per cent of respondents in General Santos City have flush-type toilets and the remaining have water-sealed ones. About 50 per cent of Navotas respondents have water-sealed toilets, 11 per cent have no toilets, 2 per cent have open pit types and the remaining own the flush type. Obviously, Navotas fishers have bigger health and sanitation problems.

Source of Water and Lighting: Among farmers, 53 per cent get their water from artesian wells and open surface wells. A little less than half have piped water.

The contrast is striking between Navotas and General Santos fishers. About 65 per cent of Navotas fishers reported vended water as their source and the remaining as having piped water. A big majority (74 per cent) of General Santos City fishers reported artesian wells as their main source of water and the remaining from piped water. Overall, the result generally describes the majority of farmers and fishers as having problems with access to clean and potable water source.

Among fishers, 96 per cent have electricity while the remaining have none. Electricity supply does not seem to be a problem with the fishers. It is important to note, however, that Navotas communities get supply through dangerous illegal electricity connections and are therefore exposed to fire hazards. This complicates the congestion problem in Navotas.

Among farmers, around 81 per cent have access to electricity and 19 per cent have no electricity.

Type of Roads and Sources of Electricity: In most of the areas under study, the transport system is made up of mainly dirt and rough roads. This indicates difficulty in transporting goods and people especially during the rainy season. Only farmers and fishers in Navotas and Bulacan reported having cemented roads. Navotas is in Metro Manila and Bulacan is its neighbouring province.

All areas are reported to be serviced by private or government electricity corporations and cooperatives.

Farm and Land/ Boat Ownership Profile, Tenure Status and Farming Systems among Small Farmers: Among farmers, 63 per cent are tenants. Of these, 36 per cent are leaseholders and 27 per cent are landless. About 34 per cent are small owner cultivators and 3 per cent are part owners. This shows that the majority of the farmers have tenure problems and the concomitant problem of sharing harvests with their landowners, thus depriving them of the full benefits of their labour.

Almost all farmers, 97 per cent, are into mono-cropping and use chemical farming production methods. They use high yielding varieties (HYVs) or the hybrid seeds and the required chemical inputs. For lack of capital and savings from production incomes, most farming technologies and post harvest facilities are rented by the farmers. Expenses for pre and post harvest machines add to the rising expenses of the farmers. Farm to market roads are also lacking.

Boat Ownership and Fishing Technologies among Small Fishers: Around 55 per cent own boats, ranging between 0.5 and 2 tons. Another 40 per cent of the respondents do not own the boat they use, 4 per cent are aquaculture fishers and 2 per cent are part-owners of a small boat. The only female respondent is a part-owner of the boat she uses for fishing.

Overall, a big majority (95 per cent) of the fishers have limited mobility, fish catches and incomes because they either own small boats or do not own one at all. Those who own no boats are subject to inequitable sharing arrangement with the boat owners. Tuna fishers' income are relatively higher because their small boats are carried by the bigger commercial fishing vessels as they cross the borders of other countries to fish; to as far as Australia, Indonesia, Papua New Guinea. Due to increasing fishing border conflicts, more and more fishers who go out to the high seas have been arrested jailed and mistreated.

Other fishing equipments used are trawl nets, pole, hook and line and stationary nets. They represent very low and traditional fishing technologies. Only the General Santos City fishers use trawl nets which they use in cross-border fishing. The others have low catch and income levels because they cannot compete with foreign and big high-tech commercial fishing vessels.

Farm Size by Crop: Most respondents work on farms ranging from 0.5 to 2 hectares in size (105 rice and 111 corn). The rest work on farms with sizes ranging from 2 to 3 hectares (19 rice and 18 corn). This indicates that the majority of the farmers are working on very small farms. Since they depend mainly on farming for their livelihood, the farmers say their production from these small parcels of land is not enough to feed their families. They live in poverty and hunger.

On the size of boats, 38 per cent of the respondents used 2 ton boats, 19 per cent used 1 ton boats; 15 per cent used 3 ton boats; 17 per cent use 1.5 ton boats; and 11 per cent used 0.5 ton boats. Only 15 per cent used 3 ton boats. This indicates that fishers use inferior boats and gear. The General Santos City fishers use similar boats. However, these small boats are transported by bigger commercial fishing vessels across boarders and eventually unloaded in other countries' coastline to fish. They are than transported again by the commercial vessels back to Philippine waters.

Farm Size by Sex Ratio: Most male and female farmers work on farms measuring from 0.5 to 2 hectares (148 male, 68 female) and the rest till on 2 to 3 hectares (28 male, 9 female). The small landholdings by the farmers tallied with national level data indicating that the majority of farmers work on small farms.

Tenure by Crop: For rice, 63 per cent reported tenancy – 23 per cent are landless and 40 per cent leaseholders. About 34 per cent were small owner cultivator and they resemble the level of accomplishment reported by the DAR in its crop line accomplishment.

For corn, 63 per cent were tenants – 31 per cent were landless and 32 per cent were leaseholders; 34 per cent were small owner cultivators.

Tenure by Sex: Among the male, 63 per cent were reported to be tenants – 28 per cent were landless and 35 per cent leaseholders. Another 34 per cent were small owner cultivators and 2 per cent part owners. Among the female, 65 per cent were tenants – 27 per cent were landless and 38 per cent were leaseholders; 33 per cent were small owner cultivators and 2 per cent were part-owners. There is not much difference in tenure among the small men and women farmers. Both men and women belong to the category of tenants having problems or the small owner cultivators

earning low incomes from their labour.

Reason for changes in land ownership: Having money to buy farm land or having a child sending money from abroad to buy land can improve tenure status. Bankruptcy and indebtedness were the major reasons cited for farmers losing their land.

Mode of Acquisition: 57 per cent of farmers who owned land reported land reform as the main reason for change in their tenure status. Another 31 per cent of respondents said they inherited the land while 23 per cent rented the plots. About 4 per cent reported other modes such as land occupation (farmers tilling vacant lands and not paying harvest share to the landowners) and buying rights from caretakers of the land.

Land Classification: Most farming land (92 per cent) covered by the research were rain-fed – 65 per cent from lowlands. Irrigated areas comprise 8 per cent and were in the lowlands. The data indicates that the government has neglected irrigation, even for the rice and corn farms which are the country's food bowls.

Cropping, Production and Expenses

Cultivated area for primary crops: The average farm size cited by respondents was 1.52 hectares. Rice farmers' average farm size was 1.47 hectares while it was 1.58 hectares for corn farmers.

Type of secondary crops planted: Among the most common secondary crops being cultivated were coconut (18 per cent), rice (secondary crop for corn farmers, 13 per cent) and banana (10 per cent). Others engage in backyard gardening where a variety of fruit and lumber trees, vegetables and root crops are grown. Others rear farm animals and catch fish to meet their food needs.

Frequency of Harvesting: A big majority (73 per cent) of rice farmers harvest twice a year and the remaining 27 per cent harvest once a year. For corn, harvesting was also done twice a year (98 per cent). Considering that the areas were rainfed, irrigation costs made up a large portion of production expenses.

Due to corn infestation, farmers have been incurring higher production losses and have not been paying land rentals.

Among the fishers, a big majority (87 per cent) engage in fishing activities throughout the year as long as the weather permits. Only a small percentage (13 per cent) reported sailing for less than 150 days a year. This is largely because these fishers do not have a regular boat to use or due to recurring sickness.

Reasons for changes in production expenses – inputs: Several factors are contributing to the increase in the use of inputs. They are to maintain a level of productivity (38 per cent) or because of higher soil acidity (29 per cent), stronger pest resistance (12 per cent) and increasing growth of weeds (12 per cent). A total of 40 farmers (8 per cent) said input was needed to increase productivity while another 5 farmers (1 per cent) believe they have to use more seeds.

Farmers (67 per cent) who reported decrease in use of inputs said the rising costs of fertilizers and pesticides had forced them to cut down on their use.

Type of seeds being used: Most farmers (53 per cent) used high yielding variety (HYV) seeds while about 27 per cent went for hybrid seeds. A significant number of farmers used traditional seeds (20 per cent). These farmers are in organic farming and are encouraged by some NGOs and church programmes.

Seed saving practices: More than half the farmers (58 per cent) did not save seeds while the rest (42 per cent) saved seeds for the next planting season. Most farmers (85 per cent) who did not save seeds said they could only use the seeds once.

Organic farmers saved seeds for the next planting season. However, HYV users who saved and used the seeds a second time doubted getting a good harvest.

i. employment characteristics of respondents

About 75 per cent of the farmers depend on agriculture for their livelihood and 25 per cent have other sources of incomes such as by operating small stores or doing some construction work. The women also engage in small vending activities to supplement their farming income.

Respondents Incomes

The majority of farmers (91 per cent) reported earning less than US\$100 a month. In fact, 53 per cent earned less than US\$25; 21 per cent less than US\$50; and 17 per cent less than US\$100. These income levels clearly show that the farming families lived below the poverty level and food threshold.

Among fishers, the respondents indicated a range of incomes. Again, there was a sharp divide: Navotas respondents reported having lower incomes, ranging from less than US\$1,000 (80 per cent) to US\$3,000. General Santos City indicated higher ranges: 55 per cent earned less than US\$3,000 and the others less than US\$4,000. Another 9 per cent reported having gross incomes of less than US\$6,000.

These results indicate that overall, Navotas fishers live in deep poverty with their low gross incomes while the tuna fishers earn higher incomes from their fishing activities in foreign waters. However, when caught for fishing in the territories of other countries, these fishers are jailed and suffer abuses and poverty.

Household Incomes

Among farmers, the monthly incomes of 82 per cent of households range between US\$25 and US\$100; 21 per cent have incomes less than US\$25; 33 per cent get from US\$25 to US\$50; 28 per cent of household incomes is at US\$51 to US\$100; and 12 per cent get less than US\$150.

Among fishers, there is a sharp divide in household incomes among the Navotas and General Santos respondents. Navotas fishers reported earning the lowest, from less than US\$25 to US\$100. The General Santos fisher households earned from less than

US\$100 to US\$201-US\$250. About 4 per cent earn the higher range of US\$250 to less than US\$400.

It is important to note that about half of the combined household incomes were mostly derived from fisheries. About a third of the respondents reported their earnings as the only source of household incomes. The data indicate the families' heavy dependence on the fisheries industry. The fishers lamented their lack of capacity to move on to other type of work, considering their low educational attainment and scarcity of better jobs.

Incomes from primary crops

Incomes from primary crops were spread over all the choices but 76 per cent of farmers' incomes did not exceed US\$150. About 19 per cent reported incomes of less than US\$25; 12 per cent earned between US\$26 and US\$50; 27 per cent earned between US\$51 and US\$100; 11 per cent earned between US\$101 and US\$150; 9 per cent reported earning above US\$501. About 22 per cent, in small percentages of 1-4 per cent, have incomes spread between US\$151 and US\$500. It should be noted that income from rice farming is less than income from corn. The highest ranges of US\$250 to more than US\$500 were reported by corn farmers.

However, in South Cotabato, respondents reported crop infestations. South Cotabato corn farmers have recorded production losses in the last two years. Even the BT corn variety was found to be infected, resulting in heavy indebtedness among corn farmers.

Likewise, Iloilo rice farmers are suffering with low incomes because their production has dropped due to lack of water for irrigation.

Prices and markets

Average farmgate prices of crops: For rice, the average farmgate price was US\$0.11 in 1999 and US\$0.13 in 2004. For corn, the average farmgate price was US\$0.09 in 1999 and US\$0.15 in 2004

Average wholesale price: Compared to 1999, all respondents reported minimal price increases. These increases pale in comparison with the jump in prices of fishing gears and equipments and prices of commodities.

General Santos City fishers reported that their common catches were yellow fin tuna and mackerel. Navotas fishers reported their common catches as bisugo (*nemipterus celebicus*) and Anchovies (*stolephorus spp*). These catches are the low-grade tuna and fish traded at the local markets. Overall, the prices of their catches ranged from US\$1.06 to US\$1.54 per kilo. On the other hand, average wholesale price ranged from US\$1.11 to US\$1.94, indicating very low profit margin and incomes for the fishers.

Average retail price: For rice, the average retail price was US\$0.29 in 1999 and it rose a little higher to US\$0.36. For corn, the average retail price in 1999 was US\$0.18 and it rose a little higher to US\$0.25 in 2004.

For fish, the average retail price for low grade tuna sold in the market is US\$2.18 to US\$3.27. Tuna sold for export was reported to be selling at US\$4 per kilo.

In effect, prices of crops and fish recorded only small increases since 1999 (at most about 5-20 per cent) while production inputs and expenses reached a minimum of 80 to 140 per cent. It was the multinational companies, the traders and input dealers which made super profits from the price increases.

Reasons for increase/drop in prices: On the very small incremental increase in prices of crops, the majority of the farmers (64 per cent) attributed this to rise in production costs; 10 per cent to traders hoarding the products and waiting for opportune time for more price increases; 9.7 per cent reported shortage of the product in the market.

Among fishers, the major reason cited for the minimal increase in prices is the rise in cost of fishing operations. About 18 per cent of respondents reported price increases due to shortage of fish in the market at times. Overall, fishers do not have a say in determining the price of fish. They only have very small returns from the increase in the prices of fish. It is the traders who rake in the huge profits from fishing.

All the fishers reported that fishing operations costs had increased by at least 80 per cent compared to the year 1999 because the prices of fuel (56 per cent) and trawl net have gone up. About 11 per cent of respondents also reported that small wage increments have added to the cost. About 18 per cent of price increases were also due to other expenses such as on boat repair and maintenance and overall rise in commodity prices.

The few who said “crop’s prices have decreased” attributed the cause to imports. Others blamed traders for setting low prices and poor government policy.

Main buyers of crops: A big majority of the farmers (82 per cent), sell their produce to traders and 11 per cent to input dealers. Overall, 93 per cent of the farmers’ produce were cornered by the traders and input dealers.

A big majority of the fishers (86 per cent) reported that their fish catches were sold in the market, i.e. 51 per cent to traders and 35 per cent to the community. This means that a portion of the fish (14 per cent) is kept for family consumption. The traders buy the fish from the fishers at the port or landing points. The 35 per cent of the fish catches sold in the community are of small volume. Thus, the traders dominate the market and determine the prices of fish sold at the landing areas or port.

Other buyers of crops: Most respondents (81.4 per cent) said traders form the secondary market for their crops; 11.5 per cent of the buyers are input dealers and 4.3 per cent are their fellow farmers. In effect, traders and input dealers are also the other buyers or markets for their crops. This reflects the traders’ tight control of prices and markets in the rural areas.

Reasons for choice of buyers: Overall, the traders and input dealers buy up the produce of farmers. This is usually because the traders had given cash advances to the farmers. Thus, the traders set the price and get higher returns. They buy from the

farmers at very low prices and sell at high prices to the consuming public. Farmers are at the mercy of the traders and the markets.

Major reasons cited for selling to the traders: 60 per cent of the farmers had taken loans and cash advances from the traders earlier and so the farmers repay them with their harvests. Loans are immediately deducted from the sale of the produce. The traders also pay farmers in cash. The farmers prefer this method of payment because they are cash-strapped even before planting. Some farmers (23 per cent) noted that a few traders offer better prices.

Among the fishers, the respondents cited the same reasons for selling their catches at the port or landing areas: loans taken in advance, payment in cash and higher prices being offered. The only difference is that the markets for their products are in the fish consignations, which are controlled by traders who buy in volume and at wholesale prices.

Knowledge of crops' destination

Most farmers (51 per cent) do not know if their crops are being exported. About 46 per cent believed their crops were exported. A small number (3 per cent) said their crops were being exported.

Almost half of the fisher-respondents said their products were sold in the international market and 43 per cent reported their catches were only intended for the local market. About 10 per cent of the respondents have no knowledge if their products exported or sold in the domestic market. What is apparent is that General Santos fishers know that their catches are intended not only for the local market but also for the export market, especially to Japan. Some knew that traders and their agents cheat them by classifying their catches as low grade meant for the domestic market when they are actually exported or sold to the tuna canning corporations. Navotas fisher-respondents, on the other hand, said their produce as intended only for the local market.

Other commodities (price information)

From the price information gathered from different provinces, it became apparent that price of basic commodities had continued to increase unabatedly for the last five years (1999 to 2004). On the average, rice and egg price had increased by 30 to 40 per cent from 1999 to 2004; vegetable prices went up by 40 to 50 per cent; prices of fish and meat products rose by 50 to 60 per cent.

While the incomes of farmers and fishers have stagnated or recorded marginal increases, the prices of their produce sold in the market leaped by 30 to 60 per cent.

Problems of small farmers and fishers

Major problems of small farmers (crops, tenure and sex): The common problems faced by all groups (by tenure) are high cost of inputs, limited or lack of production capital, inadequate water supply, high production expenses, landlessness, limited government support, indebtedness, natural calamities, high transport cost and low productivity.

Major problems cited by the farmers: high cost of input (21 per cent); lack of water (19 per cent), limited sources of capital (11 per cent), high production expenses (10 per cent) and landlessness (9).

Among small owner cultivators, major problems cited were high cost of inputs (21 per cent); lack of water (16 per cent); lack capital and limited government support (10 per cent). Among part owners, lack of water and limited source of capital were also reported.

Among tenants, their problems were limited source of production capital (16 per cent); high cost of input (14 per cent); water shortage and landlessness (10 per cent); high production expenses and indebtedness.

Leaseholders reported these problems: lack of water (21 per cent), high cost of inputs (14 per cent) and landlessness and high production expenses (12 per cent).

As for fishers, the top three problems cited were degradation and destruction of fishery resources (26 per cent); indebtedness (21 per cent); high operations expenses (15 per cent).

Degradation of fisheries resources was cited by the fishers of Navotas and General Santos City. For Navotas, this is a major cause for dwindling catches and deep poverty among the fishers. The poorest of the poor and the highest number of malnutrition cases are found in Navotas communities most dependent on the fishing industry. Navotas is in the municipality of Metro Manila which has a high population density and also the most number of poorest people

As for General Santos City fishers, the problems of over fishing and coastal resource depletion have become so bad that fishers tend to cross international borders and face the risk of being jailed for illegal fishing in foreign waters. This has led to diplomatic spats between the Philippines and other countries. Fishers also relate the *Ambak pare* experience with pirates and the Abu Sayyaf militants. These armed pirates would seize the boats and order the fishers to jump into the water or be killed. Thus, the term *Ambak pare!* (Jump into the water, or die, mister!).

On indebtedness and high operation expenses, the trader-financiers are willing to provide cash advances to fishers considering that the loans can be immediately deducted from the fish sales. This arrangement is advantageous to the traders as they get steady fish supply from the fishers. They are also the classifiers who have control over fish prices.

The problem is the fishers have to ask for higher cash advances as the cost of production increases every year. Fishers estimated the average increase in cost at between 50 and 80 per cent compared to 1999 prices. On the other hand, the wholesale price of their catches has almost stagnated. Price increases are minimal since the traders have control over classification and pricing. Thus, fishers experience declining incomes and, in the case of Navotas, grinding poverty and hunger.

Other problems of small farmers (by crop, tenure and sex): On the secondary problems, the farmers' the top responses were high cost of inputs (13 per cent); low price of produce (12 per cent); inaccessible post harvest facilities and high production expenses (11 per cent); and limited government support (7 per cent).

Other problems cited by the fishers were high operations expenses (47.2 per cent); degradation and destruction of fishery resources (43.4 per cent); indebtedness (39.6 per cent); water pollution (39.6 per cent); competition from imported fish (32.1 per cent); dwindling fisheries resources (32.1 per cent); no government subsidies on fishing and farming (28.3 per cent); limited government support (26.4 per cent); low price of fish products (24.5 per cent); calamity / natural disasters (22.6 per cent).

Recommendation to address problems

Among farmers, the top five recommendations to address the problems were better government regulations against monopolies (16 per cent); more domestic subsidies for small farmers (13 per cent); more public investments in agricultural infrastructure (12 per cent); agrarian reform (11 per cent); lower interest on loans (8 per cent).

The recommendation from male farmers were: better government regulation to control monopolies (61 per cent); more government investments in agricultural infrastructure (46 per cent); more domestic subsidies be given to small farmers (44 per cent); subsidise inputs (seeds, fertilizer, pesticides & fungicide) and make them affordable for farmers (41 per cent).

The female farmers recommended: more domestic subsidies for small farmers (53 per cent); better government regulation to control monopolies (52 per cent); lower interest rates (40 per cent); subsidised and affordable seeds, fertilizer, pesticides, fungicide and other inputs (38 per cent).

The fishers, who were mostly male, recommended these measures: conservation and protection of coastal resources (47. per cent); better government regulation (46 per cent); domestic subsidies for small fishers (38 per cent); guaranteed price for fish products (28 per cent); provision of other sources of incomes/ other sustainable livelihoods (28 pr cent); and participation / representation in policy and decision-making processes, especially those that affects them (26 per cent).

In general, all these measures indicate policy shift pertaining to resource and industry equity, sustainable resource management and regulation and more domestic subsidies for price and sustainable livelihood for fishers.

Credit market and indebtedness among small farmers

A big majority of the farmers (77 per cent) have loans to repay. Only a small group (23 per cent) is not in debts.

Among the fishers, 72 per cent of them said they have borrowed from different sources: traders/ middlemen (32 per cent); relatives (17 per cent) and moneylenders (13 per cent). The boat owners are often the traders and middlemen who provide cash advances to fishers for their fishing operations as well as for household expenses. Fishers do not have much difficulty in securing credit. As long as they can still go out and fish, the traders will continue to provide cash advances.

Incidence of borrowing

Among SOCs, more men (42 per cent) have taken loans compared to women (12 per cent). Among those without loans, 18 were men and 13 were women.

Among part owners, more male farmers have loans to repay. Only two male farmers are without loans, and no female.

Among landless tenants, there were 40 male farmers and 17 female are with loans. Among those without loans, 8 are male and 4 are females.

Among leaseholders, 35 were male and 24 were female with loans; there were 9 male farmers without loans and 5 farmers without loans.

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Among landless tenants, there were 40 male farmers and 17 female are with loans. Among those without loans, 8 are male and 4 are females.

Among leaseholders, 35 male and 24 female farmers had loans to repay; 9 male and 5 female farmers did not have any loan.

Reasons for Borrowings

The farmer-respondents' top five reasons for borrowing were capital for production (70 per cent), capital and household expenses (30 per cent), household expenses (28 per cent); emergency/special events and for building and repair of houses.

According to gender, the top reasons of farmers to borrow were the same: capital for production (101 male, 34 female); capital and household expenses (41 male, 18 female); household expenses (39 male, 16 female); emergency / special events (12 male, 5 female); and building / repair of house (9 male, 7 female).

Among fishers, most cited reasons for borrowing were capital for production (37 per cent); household expenses (27 per cent); and to pay for previous loans (14 per cent).

Sources of credit

Sources of loans for farmers were: relatives (19 per cent); friends (18.3 per cent), traders / middlemen (16.7 per cent); landowners (14.8 per cent); input dealers (8.9 per cent); moneylenders (8.6 per cent); and fellow farmers (7.3 per cent). The others secured loans from micro credit institutions (3 per cent), banks (2.4 per cent), cooperatives (0.5 per cent), and government enterprises (0.5 per cent).

The data indicates that the farmers are still part of a well knit community, with strong support system and economic cooperation among their relatives and close friends. Farmers seek loans when in need. It is only after having exhausted these sources that they go to traders and input dealers. They are usually the last resort as the farmers and fishers want to minimise taking loans from traders because of usurious rates and other stifling conditions.

Capacity to settle debts and reasons for capacity to settle debts

A majority of the farmers (63 per cent) said they could repay their loans while 37 per cent did not think they could settle their loans in time.

On farmers' capacity to pay loans, 43 per cent relied on their harvest to settle debts. Others relied on revenue from other sources (26 per cent). About 14 per cent of the farmers said they have small loans; 11 per cent said honour/trust is at stake; 4 per cent said they would just make another loan to pay their debts.

Among those who cannot settle their loans, they cited these reasons: lower income and high production expenses (50 per cent); debts getting too high and were difficult to settle (32 per cent); worsening poverty (6 per cent); increase in household expenditure (4 per cent).

Most fishers (88 per cent) said they could settle their loans as per agreement while 12 per cent replied negatively. Fishers who could settle their loans said repayments were immediately deducted from incomes (38 per cent); they could pay monthly amortizations (16 per cent); made monthly repayment from profit from business (16 per cent); stable income because of the good condition of their boats (11 per cent); trust and honour were at stake (11 per cent).

As for those who cannot settle loans within the agreed period, their reasons were reduced fish catches due to use of trawl nets (68 per cent); income was not guaranteed (33 per cent).

Frequency of borrowings

Most farmers (60 per cent) borrowed money more than once a year and 75 per cent of them said they took higher loans now compared to 1999. This indicates recurring loans and heavy indebtedness among the farmers. The top reasons for takings loans were increase in production cost (59 per cent), higher household expenses (36 per cent) and drop in income (5 per cent).

Those who did not take loans said they disliked borrowing money (38 per cent); feared not being able to pay debts (30 per cent); they saw no change in production cost (10 per cent). Those who did not experience change in production cost were organic farmers. The rest hoped that they would have good harvest to avoid taking loans.

Among fishers, the frequency of borrowing was four to five times a year (45 per cent). Another 28 per cent said they borrowed two to three times a year. Compared to 1999, 95 per cent of respondents said they have incurred more debts. Only 5 per cent did not take loans. Fishers incurred more debts because the costs of fishing equipments have gone up (79 per cent) while their incomes from fishing have dropped significantly.

Fishers who did not incur more debts said their wives supplement their income by making and selling delicacies (55 per cent). Others said they do not spend on labour as they do all the work by themselves (36 per cent).

State policies and programmes for agriculture and small scale farmers

Most farmers (89 per cent) said the government had not provided them adequate support. Likewise, almost all the fishers (98 per cent) also said they did not get adequate government support. The small fishers said it was because they did not have influence on government decisions (43 per cent). In fact, the government favours big scale fishing and aquaculture farms and there is limited or misallocation of government budget.

Type of state support received: Top three answers were subsidy on fertilizers (30 per cent), land reform (28 per cent) and price support (19 per cent). However, the farmers felt more government support and programmes were being directed to big business and multinationals. There was so little support for the farmers who cannot even cross the poverty and food threshold.

The small fishers also lament the lack of government support. They wanted to know where government funds were allocated and whether they were misused.

Type of state support needed/ expected: Farmers' needs were provision of subsidised seeds (20 per cent), subsidised fertilizers (15 per cent), subsidised pesticides (12 per cent), land reform and rural development (10 per cent) irrigation (8 per cent) and credit (6 per cent). Marketing support, price support, subsidised trainings and good farm to market roads comprised 4 per cent.

The fishers wanted these types of government support: marketing (20 per cent), subsidised loans (19 per cent), agricultural extension services and post harvest facilities (11 per cent). The fishers also noted that strong government regulation should be made concerning coastal resource management, fish classification, control of illegal fishing, and dumping of imported products. Pirates should also be apprehended so as to make fishing safe for fishers.

Reasons for limited state support: About 28 per cent of the farmers believed corruption was the main reason for receiving limited government support. Another 26 per cent believed support did not reach small farmers and 17 per cent felt small farmers are considered inefficient producers.

The leaders complained that there were just too many programmes for agriculture but these were directed towards agribusiness and multinationals. Small farmers and fishers are left on their own to suffer production losses. They tend to also lose from cheaper imported agricultural products that flood the market.

Awareness of AFTA

Among farmers, 84 per cent had not heard anything about AFTA; only 16 per cent knew of AFTA. Of those who knew something about AFTA, 29 were male and 9 female. Among males, 35 per cent had no idea what benefits it would bring them; 28 per cent said AFTA meant free trade and globalisation; 10 per cent said they just saw the word in the newspapers; another 10 per cent said it would reduce subsidies. Among females, 34 per cent said that it would cut down the subsidies; 22 per cent had no idea of its benefits; another 22 per cent said it related to free trade and globalisation.

Among fishers, a big majority of the respondents (96 per cent) had not heard anything about AFTA. Only 4 per cent knew something about AFTA.

Extent of knowledge of AFTA, by tenure and sex

Of the 38 farmers who had information about AFTA, 26 per cent were small owner cultivators, 34 per cent were tenants and 39 per cent were leaseholders.

Of the small owner cultivators who knew of AFTA, 20 per cent said they saw the word in newspapers; 30 per cent were not aware of the benefits it would bring; 10 per cent believed AFTA would create more markets; another 10 per cent said it would cut down on subsidies; 20 per cent said it involved free trade and globalisation; another 10 said it would provide wider choices and cheaper products.

Among the 13 tenants who knew about AFTA, 30 per cent said they had no idea of the benefits it would bring; 8 per cent believed it would create more markets; 38 per

cent said it was linked to free trade and globalisation; 23 said it would cut down on subsidies.

Among the 15 leaseholders, 7 per cent saw the word in newspapers; 33 per cent said they had no idea of its benefits; 7 per cent believed it would create more markets; 13 per cent said it would cut down subsidies; 7 per cent said it would lead to wider choices and cheaper products; 87 per cent said it was linked to free trade and globalisation and 13 per cent said it would bring investments.

The fishers said AFTA was related to free trade and globalisation.

Overall, they had almost no information or too general knowledge about AFTA. Thus, they cannot effect policy evaluation and recommendation as AFTA and globalisation wreak havoc in their midst.

Sources of Information/ Knowledge about AFTA

Most farmers (43 per cent) who were aware of AFTA received their information from NGOs, 17 per cent from other farmers' organisations and 14 per cent from television.

The fishers had heard something about AFTA and their source of information were NGOs (100 per cent).

It should be noted that the government had been remiss of its duty to inform citizens of major policies and their outcomes, including those that had serious negative implications for the majority of the population.

Type of Information/ Knowledge about AFTA

Around 32 per cent of the respondents had no idea about the benefits AFTA would bring to them, 26 per cent thought AFTA was about free trade and globalisation, 16 per cent suspected that it would reduce all their subsidies. Same level of knowledge about AFTA was expressed by both male and female respondents.

Reasons for limited awareness

Overall, there was almost no understanding among farmers and fishers of the nature and implications of AFTA to agriculture and industry. The farmers and fishers had no knowledge of the policy framework undertaken by government, which had major implications on the production and economic situation of the majority of the rural population.

The interviews with local trade and agriculture officials indicated very little knowledge and updates on AFTA. These are frontline agencies that are supposed to be tasked to promote and monitor AFTA and relate with local programmes. However, they also do not seem to understand and monitor updates on AFTA. In effect, frontline agencies, farmers and fishers have very little knowledge and appreciation of the impacts of AFTA. Therefore, they could not participate in policy evaluation.

Gender issues in agriculture and trade

Roles of women in agriculture and trade: Farming in the country is male-dominated as it is a general assumption that men are full time farmers while the women are housewives and helpers. Nonetheless, more and more production, marketing and economic tasks were also being undertaken by women farmers.

The research noted that male farmers perform significant roles in production: in land clearing and preparation; seeds planting; fertilizer application; spraying; weeding; harvesting; threshing; transporting and hauling; marketing and processing. In between harvests, men also seek off-farm work such as in carpentry, contractual work in factories and driving trucks and other public utility vehicles.

Women, likewise, perform significant roles in production. They help in all major production, marketing and processing activities: land clearing and preparation; seed planting; fertilizer application; weeding; harvesting; transporting; marketing and processing. There are, however, production activities that are more dominated by men: land clearing and preparation; fertilizer application; spraying; threshing and transporting. It was noted that more women were involved in jobs such as weeding and harvesting.

In an effort to augment family income and meet food needs of the family, women also tend to do backyard gardening and rear hog and poultry. They do all production activities as they still take on most of the household chores.

Another development is that women seek additional sources of income: they do the marketing of produce and engage in small vending and food processing activities. They also seek work as contractual workers or on piece-rate basis at garment factories in Bulacan. Women also go to work in factories that have sprouted in the cities and in coastal communities of Navotas and General Santos city, which are mostly canning and sardines industries. These jobs are contractual and subject women and men to below the state mandated minimum wage. They basically work in sub-humane conditions but women are forced to accept the jobs in order to augment family income. Most of the factories are also near their communities. Thus, they do not have to be away from home for too long nor do they spend on transportation costs.

Among the male and female FGDs, respondents do not know if hiring more women to work outside their homes and seeking contractual jobs indicate trade liberalisation or the opening of domestic markets. What is most apparent is the dire need of families to survive and that men and women seek all ways possible to augment family income in these difficult times.

Access and control of resources, markets and basic services

It was noted in the FGDs that women have land rights in the country: conjugal ownership of lands is guaranteed by law. Women can also inherit land from their parents. This entitles women with land titles to access loans from formal credit sources. It was noted that loan agreements need the consent of husband and wife before loans can be processed. It also does not matter if the ones obtaining the loan are men or women as long as there is collateral to the loan.

However, women encountered some problems with regards government land titles such as Certificates of Land Ownership Awards (CLOAs), stewardship contracts, Emancipation Patents (EPs) when becoming beneficiaries or being indicated as co-owners in the titles with their husbands. It is usually the men who are listed as members of the organisation and who eventually become title holders. Accordingly, it is only men with the land titles who can avail of loans from formal credit sources.

However, the bigger issue is small farmers, both men and women, have tenure problems. They have problems with access to formal credit sources. They are heavily in debts because of high production expenses and low price of agricultural produce. It is not only the women who suffer from poverty and these major development impediments but are also experienced by tenants and other small producers.

Both men and women have equal access to credit. If the loan is sourced from the cooperatives, the responsibility is shared jointly by the husband and wife. It was also observed that women are the ones seeking ways to get loans and there are schemes available to them such as group loans for women.

On agricultural trainings and extension services, it was reported that most training sessions cater to men. Most agricultural technologies are also developed for the use of men. Machines are too heavy for use of women. Chemical inputs also tend to be harmful to the health of human beings and the environment. Since men are the members of the organisations, women can only attend trainings and meetings if their husbands are not around and if they are allowed to attend. Their husbands might never allow them to attend the trainings should the sessions be too long and too far from their homes. Another problem was noted in Bulacan where no training was conducted for the last three years. Thus, both men and women did not attend any training sessions at all.

In terms of health services, both men and women have access to health services in the health centre. It was noted that women were more persistent in providing health care for their families. Most health workers are also women. However, the bigger problem expressed in the FGDs is that there is no regular medical worker attending to the health needs of the people. Farmers can only be diagnosed properly during medical missions, which rarely take place.

In terms of decision making in production and other economic activities, both husband and wife contribute. However, the husband has the final say on matters like when to plant, what inputs to use and who to hire as farm labour. Women tend to be more the home manager and their husbands the farm manager, for this is the male domain. In effect, women decide more on children's education and attend to family needs. Their decisions are always in consultation with their husbands.

Overall, the male and female farmers were grappling with problems of poverty, lack of government support and the influx of cheap imported vegetables and fish. Farmers still face problems of high production expenses and lack of post harvest facilities. They view liberalisation as condemning Filipino farmers to the margins of global market. They, however, see the traders, big corporations and importers as the ones gaining from international trade. They could not see a bright future without the

government addressing the farmers' problems such as lack of land and production and marketing support services. There is no way farmers can compete without the government performing vital support services for them and in agriculture in general.

Major research findings

All the grandiose promises which heralded the coming of AFTA in the Philippines burst like bubbles at the end of the last decade. The Philippine economy is in the brink of collapse. Agriculture is in deep crisis and the Filipino peasantry, which comprises the biggest section of the population, is more impoverished than ever. The phenomenon called Philippine poverty has always been ascribed as rural poverty.

This research has delved into the production and structural problems confronting farmers and fishers. Contrary to assertions that integration into the global and ASEAN free trade markets will eventually modernise Philippine agriculture and economy, the reverse has been taking place. Philippine agriculture remains backward and poverty, inequality and exploitation continue to ravage the peasants and fishers.

Overall, the situation of the Filipino rice and corn farmers has not improved. They continue to languish in poverty and underdevelopment. The majority of them still lead the life of poor tenants, without access to land, capital and other support services. They still engage in mono-cropping and chemical intensive farming. Their production and income levels remain very low and are insufficient to meet their food and household needs. They attribute this largely to increased cost of production, especially farm inputs and high cost of land rent.

Philippine rice and corn are not traded in the world market as these are not competitive. In this regard, the Philippine government is seen by the farmer-respondents as being unresponsive. This situation persists despite the government having an agricultural modernisation plan and the lowering of tariffs of imported inputs and technologies, which supposedly should have modernised Philippine agriculture and made the Filipino farmer regionally and globally competitive.

The fishing industry has not fared any better. Almost half the fisher-respondents have boat ownership problems which restrict their mobility, catches and incomes. Fishers who do not own boats suffer inequitable sharing arrangement with the boat owners. Tuna fishers' incomes are relatively higher because their small boats are carried by the bigger commercial fishing vessels which cross borders of other countries to fish. But they run the risk of being caught and jailed for illegally fishing in foreign waters. Other fishing equipments used are trawl nets, pole, hook and line and stationary nets. They involve a very low and traditional fishing technology. Only General Santos City fishers reported having used trawl nets, considering their fishing activities across borders. Yet, their fish catches and income levels remain low because they cannot compete effectively with foreign and big commercial fishing vessels which employ advanced technologies. Fishers also complain about the proliferation of smuggled imported fish sold cheaply in local markets.

Low income combined with constant debts lead to marginalisation. Fishers get loans as cash advances to provide for fishing and household needs. The ever-rising cost of fishing and the uncontrolled inflation take a heavy toll on the marginal fishers.

Nothing in the country today compares with the poverty situation among Navotas communities: backward fishing methods, insufficient incomes, heavy and recurring indebtedness, sub-humane housing and living conditions, low education and poor health conditions.

This is not the case with the tuna fishers of General Santos City but the small fishers are pushed by over fishing and pirates who roam the seas and claim their boats and lives. They also cross borders and face imprisonment and human rights abuses when caught fishing illegal in foreign waters.

Small fishers also pointed to the lack of government regulation in fish classification. Traders can thus cheat the poor fishers easily. They complain of spiraling fishing expenses while costs of basic commodities continue to be uncontrolled. They are also affected by the inability of the government to check smuggling of imported fish, which pushes down the prices of local fish.

Just like the Navotas and other small fishers in the country, General Santos City fishers raise the issue of the government's lack of support for small fishers in comparison to agribusiness and big fishing corporations. Benefits of public investments in terms of research, credit, subsidies and infrastructure undoubtedly and disproportionately accrue to the big local and multinational corporations and impinge on the small fishers' livelihood.

Major recommendations of small farmers and fishers

Agriculture is the main foundation of the Philippine economy. Despite its slow growth over the decades, agriculture remains the biggest source of hope for the country's economic recovery. It also meets the food requirements of the people.

With its rich natural resources and endowments, its capacity and potentials are vast. A sound agricultural production system organised around the needs of the majority of the people can be the foundation of a strong industrial and service sector and an ever-growing domestic market. Rice, corn and fish production can be enhanced to make the country self-reliant in its staple food needs.

The experiences of farmers and fishers shown in this study serve to highlight the pressing need for a meaningful and concrete policy shift and for structural reforms towards addressing rural poverty and effecting rural equity. In particular, the farmers and fishers who were interviewed gave the following proposals:

1. Policy shift to give immediate and real access and control of the economy to the poor farmers and fishers through fast tracked agrarian reform, equity in access to market and capital.
2. National economy-wide and sectoral policies must encourage broad-based growth and equity. This requires public provision for rural infrastructure such as farm to market roads, irrigation systems and post-harvest facilities.

3. Public provision and promotion of backward and forward linkages of agriculture to industries and to the local markets.
4. Promote research, development and extension services along appropriate sustainable farming and fishing technologies.
5. Prompt government regulation to prevent widespread smuggling and dumping of imported agricultural products, illegal and destructive fishing technologies, and to check the spiraling costs of production and fishing expenses.
6. Address fishery resource depletion through rehabilitation, regeneration and conservation of aquatic and coastal environment while at the same time providing protection for the municipal fishers rights to fish in municipal waters within the limits of ecological balance.
7. Occupational diversification of farmers and fishers through the promotion of diversified farming systems and provision of public investments for on-farm and off-farm sources of incomes and livelihood projects for farmers and fishers.
8. Ensure active and meaningful participation of farmers and fishers in policy formulation, implementation and evaluation of matters affecting agrarian reform, rural equity and development.
9. Decisive institutional reforms in major government frontline agencies in agrarian reform, agriculture and environment so as to ensure efficiency, transparency and democratic participation of the poor farmers and fishers.
10. Government programmes and funds in safety nets (such as the Agricultural Enhancement Fund, ACEF) to cushion from the negative impacts of trade liberalisation should be redirected and used for public provisions and investments for the small farmers and producers' agricultural development.
11. Independent review of the impacts of major trade proposals on agricultural deregulation and trade liberalisation such as the AFTA and the Tariff Reform Programme and other trade agreements based on the principles of food security, fair trade, sustainable development and growth with equity.

F. CONCLUSIONS AND RECOMMENDATIONS

AFTA failed to help usher the Philippines to global competitiveness

The year prior to the signing of AFTA was not a great year for the Philippine economy. Economic growth was flat in 1991. There was the 1989 coup attempt, the killer earthquake and typhoon, and the Mount Pinatubo eruption. There was heavy dependence on the US market and yet the treaty allowing US bases in the Philippines has been terminated. Many cast doubts on the future prospects of the Philippines.

Moreover, the Philippines lagged behind its ASEAN neighbours in economic performance. Its neighbours had been posting 7 to 8 per cent GNP growth rates for over 10 years in a row. They were running government budget surpluses, earning export revenues well into the double digits in US dollars and enjoying current account surpluses. They were saving more than 25 per cent of their national incomes. Given the dramatic contrasts, the Philippines earned the appellation, the “Sick man of Asia.”

Such was the economic quandary at the time of the Philippines’ accession to AFTA. The government argues that AFTA will deliver a bigger market of 330 million consumers to the Philippines. It envisions sources of cheaper inputs with the lowering of tariff duties on ASEAN products. It also sees more investments, with a bigger market and cheaper inputs and factors of production. This is expected to take place as the country becomes attractive to domestic and foreign investors. According to the government, this will result in new joint ventures, distribution channels and the transfer of better technologies.

AFTA was also imagined to be a step closer towards global efficiency as local manufacturers confront pressures from competing imports. For the Filipino consumers, this would mean availability of cheaper goods of better quality. This is to come from cheaper imports and from local industries that will be forced to innovate and become more efficient.

At the onset, the Filipino business sector, farmers and civil society posited strong opposition to the regional trade policy. The policy was seen to be unswervingly biased against the weak economies vis-à-vis the stronger ASEAN economies. They see AFTA to be wreaking greater havoc to our gaunt and emaciated economy.

AFTA, through the Common Effective Preferential Tariff (CEPT) Scheme, reduced tariffs on all manufactured and processed agricultural goods to 0-5 per cent, commencing in 1993 and ending by 2003. This also scrapped quantitative restrictions (QRs) and other non-tariff barriers (NTBs) that limit the entry of imports.

With the ten years of AFTA implementation, the Philippines was off to regression, not modernisation. Philippine industries suffered from more competitive imports not only from ASEAN but also from other Asian countries, particularly China, Taiwan and South Korea. The country’s FDIs went steadily downhill. Even the locals adopted a

wait-and-see attitude as evidenced by the fact that very few were borrowing from the banks. By 1998, there was a sharp drop in FDIs in number and capital inflows.

The Philippine business sector closed down or cut outputs because of cheaper and better imports from ASEAN and other countries. Industries were severely affected, especially those manufacturing appliances, shoes, car parts, chemicals, plastic, textile, matches, aluminum, rubber products, cordage, tyres, steel, pulp and paper, cement and ceramic tiles.

As for agriculture, the most affected were the production of garlic, onion, sugar, fruit, corn, potato, coffee, vegetable and timber. By the mid-1990s, the country had turned from a net agricultural exporter to a net importer.

This agricultural crisis is the outcome of inter-related factors: landlessness among farmers and farm workers, low agricultural productivity resulting from lack of important pre- and post-harvest facilities such as irrigation systems, farm to market roads, access to credit and market information, lack of appropriate and sustainable farming systems and technologies. This is taking place as the government undertakes macro agricultural policies such as agricultural liberalisation, deregulation and privatisation as a prelude to modernisation and global competitiveness.

To top it all, the Philippines is classified as far from average in terms of global competitiveness, and in fact the lowest among the ASEAN members, namely Thailand, Indonesia, Malaysia, Vietnam and Singapore.

A thorough evaluation at the local, national and regional levels will reveal that AFTA's scheme of lowering tariffs and removing trade barriers directly contributed to the massive and crushing defeat of Philippine agriculture and the entire economy in the hands of the stronger ASEAN and global economies. The outcome is the ultimate decimation of local industries by ASEAN countries as they take advantage of our liberal market and government while they enjoy protection by their own governments.

AFTA failed to help in ushering in more investments, cheaper inputs, and bigger markets. It is high time that the Philippines move towards terminating the negative impacts of AFTA.

Towards a new economic and agricultural development policy

As a measure to both address deep set rural poverty and the ill-effects of AFTA, significant policy measures should be undertaken.

First: The Tariff Reduction Programme (TRP) must be stopped and re-calibrated upwards and to coincide with a comprehensive review of the country's agricultural and industrial development.

Economic complementation in free trade area did not actually see light in the Philippines. With this, a transparent and full review of AFTA-CEPT commitments based on principles of fair trade and sustainable development should be undertaken.

New regional commitments should put premium to securing food security and national sovereignty.

Second: Policy shift towards giving immediate and real access and control to the poor farmers and fishers of the economy through fast tracked agrarian reform, equity in access to market and capital.

Third: National economy-wide and sectoral policies must encourage broad-based growth and equity. This requires public provision for rural infrastructure such as farm to market roads, irrigation systems and post harvest facilities.

Fourth: Public provision and promotion of backward and forward linkages of agriculture to industries and to the local markets.

Fifth: Promote research, development and extension services along appropriate sustainable farming and fishing technologies.

Sixth: Prompt government regulation to prevent illegal and destructive fishing technologies, smuggling and dumping of imported agricultural products, and to check the spiraling costs of production and fishing expenses.

Seventh: Address fishery resource depletion through rehabilitation, regeneration and conservation of aquatic and coastal environment while at the same time providing protection for the municipal fishers' rights to fish in municipal waters within the limits of ecological balance.

Eighth: Occupational diversification of farmers and fishers through the promotion of diversified farming systems and provision of public investments for on-farm and off-farm sources of incomes and livelihood projects for farmers and fishers.

Ninth: Ensure active and meaningful participation of farmers and fishers in policy formulation, implementation and evaluation of matters affecting agrarian reform, rural equity and development.

Tenth: Decisive institutional reforms in major government frontline agencies involved in agrarian reform, agriculture and environment so as to ensure efficiency, transparency and democratic participation of the poor farmers and fishers.

Eleventh: Government programmes and funds in safety nets (such as the Agricultural Enhancement Fund, ACEF) from the negative impacts of trade liberalisation should be redirected and used for public provisions and investments for the small farmers and producers' agricultural development.

Twelfth: Independent review of the impacts of major trade proposals in agricultural deregulation and trade liberalisation such as AFTA and the Tariff Reform Programme and other trade agreements based on the principles of food security, fair trade, sustainable development and growth with equity.

Thirteenth: Harmonisation not only on standards and quality of products but also on standards of labour, industry and environment protection as these are internationally invoked and recognised human rights and sustainable development standards.

Fourteenth: Develop sustainable agriculture and organic farming as the major programme for developing agriculture. Safe, nutritious and sufficient food should be available and accessible to the Filipino farmers and citizens.

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About SEACON

The Southeast Asian Council for Food Security and Fair Trade (SEACON) provides a coordinated approach to food security, agriculture and trade issues. We integrate local initiatives of agrarian reform and agricultural development with trade concerns at the Southeast Asian level. In each of our member countries, we support people centred national based food security councils that enable government, private sector and civil society representatives to meet and dialogue on agriculture and trade issues.

The establishment of the national food council is to ensure that whatever analysis / positions taken on at the regional level, would have the secure backing from the grassroots and vice versa.



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