

# **NATIONAL CONFERENCE**

## **“A Nation in Crisis: Agenda for Survival”**

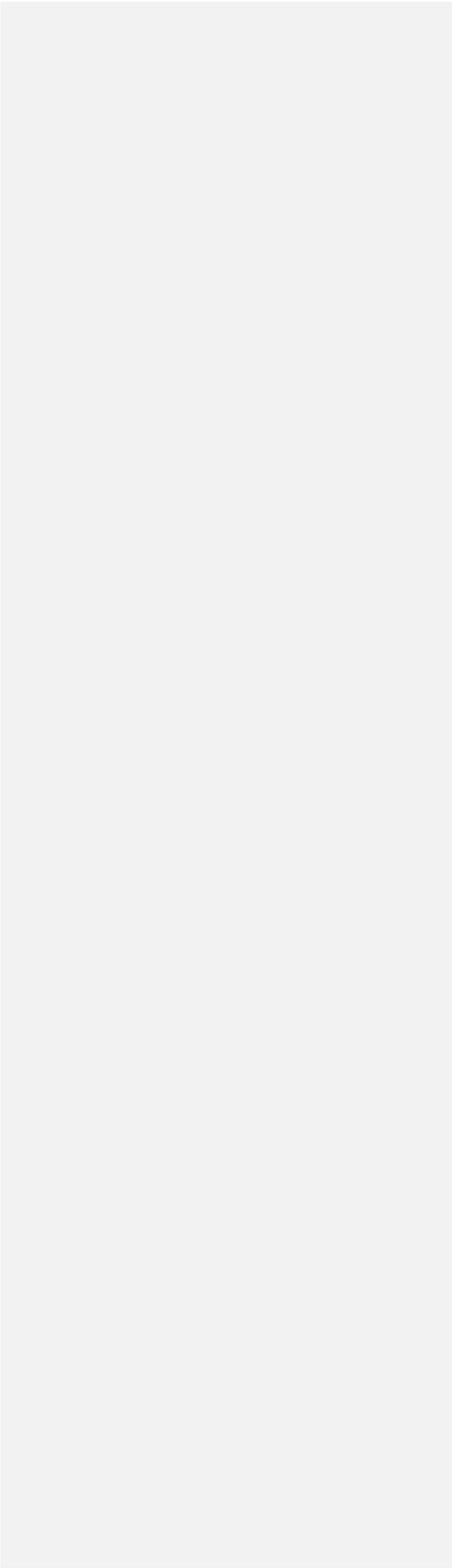
**January 22-23, 2003  
Club Filipino, Greenhills, San Juan**

## **Documentation of Proceedings**



REPUBLIC OF THE PHILIPPINES  
OFFICE OF THE VICE-PRESIDENT

**FAIR  
TRADE  
ALLIANCE**



## NATIONAL CONFERENCE

### *"A Nation in Crisis: Agenda for Survival"*

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Club Filipino, Greenhills, San Juan

#### **Background and Rationale of the Conference**

In December 2002, the Convenors of the Fair Trade Alliance (FTA) held a dialogue with Vice President Teofisto Guingona and his staff.

What came out of the dialogue was the crystallization of a grim reality -- the gravity of the present national economic crisis and the threats of more conflict-laden divisions in Philippine society. However, there was also a consensus that the crisis is rooted primarily in the failure by the Philippine economic policy makers to pursue an independent and nationalist program of economic development. Unlike what the leaders of our successful neighboring Asian countries did, our economic policy makers, the neo-liberal technocrats in particular, abandoned nationalism in favor of a narrow type of agro-industrial development model dependent on the exportation of light export products, the uncertain flow of foreign investments and a high level of dependence on foreign borrowings. The performance of the economy in the last three decades speaks volumes on the weaknesses of this model.

The Vice President of the Republic, Honorable Teofisto Guingona, and the FTA Convenors led by former Senator Wigberto E. Tañada, came to the conclusion that the three-fold challenge of reviving the economy, putting it back on the growth path and ensuring its capacity to create jobs and livelihoods for all Filipinos requires a basic re-thinking of the existing but failed economic policies and a revival of the nationalist ideas in the economic sphere. Hence, the idea of holding a National Conference on "A Nation in Crisis: Agenda for Survival", with the general objective of reviving and applying the idea of economic nationalism in the economy.

Of course, the economy is very much altered from what it was in the 1950s and 1960s. Thus, the Conference will address questions such as --

- How can economic nationalism be applied in an economy which has been debased, opened up and fragmented by three consecutive decades of neo-liberal program of economic liberalization, deregulation and privatization implemented in the Philippines in a one-sided, non-consultative and arbitrary manner?
- What should be the form and expression of economic nationalism in the era of globalization?
- What should go into a nationalist economic agenda, especially in the light of the super-liberalization agenda under AFTA and WTO this year up to 2005?

#### 4

- How can the eroded domestic industrial and agricultural base of the country be restored, modernized and expanded?
- How can the consumers, who benefit from the flood of cheap imports, be enlightened on the central importance of protecting and nurturing local industries?

These are some of the questions, which proponents of economic nationalism must answer. The FTA and its partners, in a conference held last July at the University of the Philippines ('From Core to Periphery: An Inquiry into the Philippine Industrial Debacle'), tried to seek answers on the root causes of the present economic crisis and the general state of Philippine industrial and agricultural underdevelopment. However, while there was unanimity on the analysis that the Philippine economic failure is rooted in the abandonment of economic nationalism and the consequent entronement of neo-liberal economics in the economic policy sphere, the Conference participants have not gone far and deep enough in providing answers to the above questions and what ought to be done.

Hence, Vice President Teofisto Guingona and the FTA Convenors led by former Senator Wigberto E. Tanada are convening a two-day National Conference on "A Nation in Crisis: Agenda for Survival" on January 22-23, 2003, at Club Filipino.

#### **Objectives**

The overall objective of the National Conference on "A Nation in Crisis: Agenda for Survival" is to gather representatives of industry and business, trade unions, farmers' organizations, consumer associations, local government units and other productive sectors of society who share in the belief of reviving economic nationalism as a way out of the present crisis and drawing up a national development agenda based on economic nationalism.

The specific objectives of the two-day conference are:

- ✓ To discuss the nature of the crisis the country is in
- ✓ To define national interest and clarify the nationalist stand on burning economic issues in the context of globalization, and
- ✓ To formulate a concrete nationalist agenda for the reform, recovery and sustainable growth of the economy.

**NATIONAL CONFERENCE***"A Nation in Crisis:  
Agenda for Survival"*January 22-23, 2003  
Club Filipino, Greenhills, San Juan**PROGRAMME****DAY ONE****January 22, Wednesday**

Registration	9:00 – 9:30
National Anthem	9:30 – 9:35
Ecumenical Prayers	9:35 – 9:40
Acknowledgement of Guests and Participants	9:40 – 10:00
Welcome Remarks	
Wigberto E. Tañada, Fair Trade Alliance, Lead Convenor	10:00 – 10:30
Keynote Address	
Teofisto Guingona, Vice President of the Philippines	10:30 – 11:00
Presentation: Key Findings from the Conference on Core to Periphery	11:00 – 12:00
Dr. Rene Ofreneo, UP Solair	
LUNCH BREAK	12:00 – 1:30
Presentation: Economic Nationalism and the National Treatment Clause: The Case of the Philippine Constitution vs. WTO Agreement	1:30 – 2:30
Atty. Merlin Magallona, UP College of Law	
WORKSHOPS	2:30 – 5:30

**Workshop Group 1: Nationalist Industrialization**

Discussants: Mr. Meneleo J. Carlos, Federation of Philippine Industries  
 Ms. Joy Chavez - Malaluan, FOCUS on the Global South  
 Ms. Cristina Morales, Action for Economic Reform  
 Mr. Jose Concepcion, Bishops' -Businessmen's Conference

Facilitator: Mr. Mario Sereno, Association of Petrochemical Manufacturers of the Phils.

**Workshop Group 2: Nationalist Agricultural Development**

Discussants: Mr. Ted Mendoza, UP Los Baños  
 Mr. Manny Ching, businessman  
 Sec. Luis Lorenzo III, Department of Agriculture

Facilitator: Mr. Dong Calmado, PEACE Foundation

**Workshop Group 3: Nationalist Education and Culture**

Discussants: Mr. Raul Segovia, Citizen's Alliance for Consumer Protection  
 Ms. Leticia Constantino, National Movement for Civil Liberties  
 Dr. Vivencio Jose, UP College Arts and Letters

Facilitator: Prof. Jorge Sibal, UP SOLAIR

**Workshop Group 4: Nationalist Government and Globalization**

Discussants: Dr. Sixto Roxas, economist  
 Ms. Aileen Zosa, Bases Conversion Development Authority

Facilitator: Ms. Rebecca Malay, Philippine Rural Reconstruction Movement (PRRM)

**Workshop Group 5: Local Governance and Nationalism**

Discussants: Rep. Apolinario Lozada, Jr, 5<sup>th</sup> District, Negros Occidental  
 Mr. Vic Luna, Office of the Vice President

Facilitator: Mr. Bong Antonio, Local Government Academy

**Workshop Group 6: Nationalism and a Globalizing Services Sector**

Discussants: Atty. Merlin Magallona, UP College of Law  
 Mr. Jose Umali, National Union of Bank Employees  
 Prof. Maria Lourdes Sereno, UP College of Law

Facilitator: Prof. Bonifacio Macaranas, UP Solair

Day One started with the singing of the Philippine National Anthem.

**Mr. Lito Rallistan, President of the Association of Democratic Labor Organizations. (ADLO), Prayer:**

Ama, iniibig mo na kami ay magkatipon-tipon upang aming pag-aralan at makapaglabas ng mabuting resolusyon ayon po sa nagaganap na kahirapan ng ating bayan.

Sa umaga pong ito, kaming lahat mula sa iba't ibang mga sector, mula sa propesyonal, mula sa sector ng mga manggagawa, mga magsasaka at iba pa mga kapanalig na mamamayang Pilipino ay nagnanais na bumuti ang ating bayan. Sa dakong ito ng umaga at hanggang sa darating na hapon, kami po ay inyong pagpalain na makaganap ng isang tunay na adhikain para sa ating bayan. Amen.

**Mr. Freddie de Leon, Philippine Rubber Industry Association, master of ceremonies:**

Magandang umaga po sa inyong lahat. Ang isa pong layunin ng kumperensyang ito ay makapagbuo ng isang panukalang pangkabuhayan na makakalunas sa malalaking suliranin ng ating bansa. Magkakaroon po tayo ng pagkakataon ngayon na iharap ang ating kanya-kanyang paniniwala at kuro-kuro ukol sa paksang ito.

Ngayon, ang mga organisasyon po na represented dito ay ang mga sumusunod: PhilExport, Federation of Philippine Industries (FPI), AGRIWATCH, ChemPhil, NAMA-WU, LUCWU, PCWC, NAFLU, Columbian Chemicals Philippines, ADLO, Congress of Labor Organization, FSM - NCL, Philippine Sugar Millers Association, NEPA, Sanib Lakas Foundation, Star Motors, Office of Congressman Teves, PATAMABA, LGU representatives from Boac Marinduque, Sugar Alliance of the Philippines, Coalition of Global Filipino, Magkape TAYO, UP Institute of International Legal Studies, Samahan ng Magsasapatos, DAWN - PMRW, KATAPAT, MASCO - CLO, Education Network, Foundation for Nationalist Studies, PMDG - RPM, Social Democratic Caucus, Philsteel Group, PEACE Foundation, PABI - Tyson, Confederated Labor Unions of the Philippines, PSIA, LAGMAN Federation, City Government of Marikina.

And from the media we have RMN News, Business World, Today. Those who will be coming in late will have the privilege to be acknowledged later. (see annex 1: List of Participants)

Ito pong ating panayam ay nahahati sa tatlong bahagi. This morning and part of the afternoon we will have four speakers who will give the background and the directions



of the Conference. Then, in the later part of the afternoon, we will have workshops. Tomorrow morning, we will have the plenary session.

Dito po sa mga unang magsasalita, napansin kong maraming abogado. Much have been said about lawyers. Actually, there is nothing wrong with lawyers. It is just that 90 percent of the lawyers give the rest a bad name. Biro lang ho iyon. I just want to start with a light mood sapagkat ang ating paksa ay medyo serious. Pero si Merlin, tawa ng tawa, mukhang totoo iyon e. That is the only joke I will give today because I might be reprimanded.

For the welcome remarks, we have somebody who is well known to all of us, well-loved by all of us, ladies and gentlemen, former Senator Wigberto E. Tañada.

**Senator Wigberto E. Tañada, Fair Trade Alliance, Welcome Remarks:** (see annex 2: Unbridled Globalization and Nationalism)

Maraming salamat, Freddie. Magandang umaga po sa inyong lahat, mga kasama at mga kaibigan. Marami pong salamat at kayo po ay nakadalo sa ating pagpupulong na ito na sana ay maging makabuluhan at makahulugan para sa Sambayanang Pilipino.

My friends, last January 10, the President made a well-publicized stand against unbridled globalization punctuated by an order freezing Philippine liberalization commitments under WTO and AFTA to the so-called 'minimums'.

My friends, has our President seen the light? Is this the beginning of the long-awaited reversal of the long-enthroned policy of opening up, liberalizing and privatizing the Philippine economy in the name of global competition? Tatahak na nga ba ang ating bansa sa panibagong direksyon? Sa direksyon kontra sa liberalization at globalisasyon?

The truth is that the policy pronouncement made by the President comes relatively late in the day. Late in the sense that more than 90% of our tariff lines are already under the 0 to 5% tariff regime. Late in the sense that many of our industries, including agriculture, have already suffered serious reverses and losses with a large number irreparably shut down, permanently. It is precisely the unbridled, reckless and aimless globalization and liberalization of the economy in the 1980s and in the 1990s that has brought untold misery to our people, has stunted our growth as a nation and has precipitated a never-ending cycle of recessions in the country.

Nonetheless, my friends, it is never too late to amend, adjust or reverse a flawed economic policy. Moreover, we are facing existing and new threats in the regional and global economic firmaments, AFTA liberalization schedule, the WTO industrial liberalization schedule, the proposal to lower the tariffs for the Philippine agriculture, the continuing WTO efforts to open up our service industries, and so on.

In addition, we still do not have a readiness program in place. A program on how to deal with and tackle the challenges arising in a globalized and liberalized economic order such as the trade juggernaut that is the People's Republic of China.

I raised this 'readiness' issue some ten years ago, in 1994, during the Senate debates on the Philippine membership in the WTO. The proponents of the WTO ratification and the NEDA economists evaded this 'readiness' issue by saying that a safety net program for both industry and agriculture, especially for the workers and the farmers, would be in place.

Well, nasaan po ang safety nets program na iyan na sinasabi nila nitong nakaraang sampung taon? Dumaan ang Asian financial crisis dulot ng globalisasyon, may safety net bang nagsalba sa mga industriya at trabahong Pilipinong bumagsak? May safety net ba sa bigas, mais, gulay, manukan, babuyan at iba pang kabuhayan sa kanayunan na nagbabagsakan?

This is why, my friends, we are earnestly anticipating how the President's economic advisers and technocrats will translate her pronouncement against unbridled globalization into a concrete program of 'doables' in the shortest time possible, for time is running out.

Napakahabang panahon na na naghihirap at patuloy na naghihirap ang ating sambayanan. We need recovery and growth now and we want this recovery and growth to be equitably shared by everyone.

This is why, my friends, we are holding this National Conference today, 'A Nation in Crisis: Agenda for Survival'.

We are in crisis and we shall continue to be in crisis as long as we are not changing the economic policy regime.

But what is our development agenda?

Ours is a different one. We want to draw up a development agenda based on the general principle of economic nationalism.



Sa kumperensiya pong ito ay hindi na tayo magpapaligoy-ligoy. Ang hinahanap nating agenda para sa pagbabago at panibagong pagpapalakas ng ating ekonomiya ay nakasalalay sa pilosopiya ng economic nationalism o makabansang pangkabuhayan.

What is the meaning of economic nationalism?

It means, first of all, giving substance to the Constitutional mandate to have an economy effectively controlled by the Filipinos. This means recovering our economic sovereignty, our right to chart and determine our own economic destiny. We have long lost our economic sovereignty when our past leaders allowed this country to sink deeper and deeper into indebtedness, especially with the IMF and the World Bank, and to rely more

on their poisonous policy prescriptions based on the economic orthodoxy of the so-called Washington Consensus.

Secondly, economic nationalism means building up our capacity as a nation to grow and develop as one. We have a large population and a fairly large land and sea territory which can sustain a vibrant economy. We have a talented people capable of creating world-class products and services, if only their skills are developed and harnessed. The problem is that our neo-liberal economic technocrats with the strong backing from the economists from the IMF and the World Bank have simplified the policy choices to us. Just open up your economy, let the ensuing liberalization make your industry efficient and wait for foreign investments to flow in and create jobs for everybody.

Of course, we all know what happened under three decades of the neo-liberal economic development paradigm. The promise of a jobful growth never materialized. Poverty and unemployment have worsened. And because there was no reversal of the neo-liberal economic policy regime, the economy kept deteriorating even after EDSA 1 and now EDSA II.

Thirdly, economic nationalism means we have to rekindle the spirit of solidarity, of helping one another. Paano mabubuhay ang industriya at agrikulturang Pilipino kung hindi natin susuportahan ang mga ito? At papaano talaga ang mga industriya at agrikulturang ito kung ang mga may hawak nito ay walang commitment sa mga consumer na Pilipino at walang pagnanasa na mapabuti ang kanilang mga produkto hanggang sa mahigitan ang mga produkto at serbisyo ng ibang bansa sa kalidad at sa presyo? At papaano bubuti ang industriyang Pilipino at agrikultura kung wala ang pag-aaruga, pagtangkilik at suporta mismo ng ating pamahalaan? Tayo lang mga Pilipino ang makakatulong sa sarili natin.

Is economic nationalism passé especially under globalization?

Well, my friends, just look around us here in Asia. If China has not been practicing economic nationalism, it will not be where it is now. If Japan and Asian NICs did not practice economic nationalism, they will not be where they are today. If Malaysia, India and Thailand are not practicing economic nationalism, they would not have surpassed the Philippines as they did in the 1980s.

So my friends, our task today is to draw up a nationalist development agenda and help develop a road map on how this country can go back to the path of recovery, growth and development. We have identified at least six areas where a nationalist agenda must be fleshed out - industrialization, agricultural development, the service sector, education and culture, national governance and local governance.

The idea, my friends, is to go beyond rhetorics. We need not preach to the converted and discuss over and over the roots of our national misfortunes which we already know are traceable to the abandonment of the principle of nationalism by our policy makers especially in the area of economic policy formulation.

We need to know the practical relevance and workability of the nationalist solution in addressing the major economic ills facing the country under globalization. Your presence here means the nationalists are prepared to roll their sleeves and draw up a real development agenda guided by the spirit of nationalism.

May I close by personally thanking all of you for giving time to this Conference despite the very short notice and some limitations in the preparation of this Conference.

You will understand that given the context of the times and the nature and the urgency of the topics that we have outlined that we cannot postpone this Conference. Time is not a luxury we have.

Finally, my friends, may I introduce to you the partner of the Fair Trade Alliance in convening this Conference. We had always known him as a fighter when it comes to issues of principle and issues affecting the national interest. He readily agreed to the idea of holding this Conference and even insisted that we should not avoid making a clear and categorical stand on the crucial role of economic nationalism in turning the economy around.

Kilala po natin siyang lahat. Utang panlabas, batas militar, dayuhang base militar, pambansang dignidad, kalagayan ng mga maliliit, usapin ng corruption at usapin ng makabansang kaunlaran. Siya ay palaging nangunguna sa hanay ng mga makabansang aktibista sa pagtalakay at pag-ukit ng posisyon sa mahahalagang pambansang usapin na ito.

Siya ay kasama, kaibigan at kapatid natin, kinararangal ko pong ipakilala sa inyo si Ginoong Teofisto Guingona, Vice President ng ating minmahal na bansang Pilipinas.

***Vice President Teofisto Guingona, Keynote Address:*** (see annex 3: Free the Nation!)

Mabuhay and Fair Trade Alliance (FTA)!

Mabuhay lahat ng participants dito sa Conference ng Fair Trade Alliance!

Mabuhay si former Senator Wigberto "Bobby" Tañada!

Mabuhay ang ating moderator, Freddie de Leon ng rubber Industry.

Mabuhay ang isang dating nasa serbisyo sa gobyerno, nakikita natin sa public markets sapagkat gusto niyang makita kung talagang may increase ang presyo ng manok, baboy at kung ano-ano pa. E, ang balita ko ay iniwan na niya ang kanyang tungkulin sa gobyerno to be the representative of the farmers and fisherfolks in the agricultural sector. Kaya the government's loss, if I understand correctly, is the private sectors' gain, the nation's gain, mabuhay si Ernie Ordonez!

Thank you Bobby for the wonderful introduction. I wish to congratulate and thank the Fair Trade Alliance for this joint undertaking with the OVP. Thank you all for your concern for the Philippines and the 80 million Filipinos.

We fight anew for independence, for sovereignty both economic and political and for sustained development.

Before we can really join the global economy, we must first build our own economy, integrate our own economy before we integrate with the challenges of WTO.

Because the global economy is harsh. Free trade means survival of the fittest, the strongest. But we cannot fight globalization because we are already there and we have ratified it. I think Senator Tañada was in the Senate. I was not, fortunately or unfortunately, and you brought the case to the Supreme Court together with the Atty. Magallona but unfortunately the Supreme Court interpreted wrongly. Therefore like the Visiting Forces Agreement, natalo. Pero talo man, we will continue to fight for what we believe is for the best interest of the Filipino kaya mabuhay ang Filipino!

We fight for the nation. We fight for the Philippine interest in a global economy. Now, more than ever, the Filipino should be a nationalist. There is nothing wrong with nationalism. It is not passé. It is vital in this day and age. It is more relevant now, more necessary to survive the crisis and to develop sustainably.

Other countries, as already pointed out - developed and rich, however, distort free trade. That is why free trade is a dismal failure. It is not fair trade; it is free trade by big, rich, developed nations versus small, poor and developing nations.

Para bang football. If we let, for example, the best football team in the Philippines, they say it is De La Salle, champion sa football, hindi sa basketball. If we let them play with Brazil, you know the consequences. Why? Because Brazil



constantly trains, exercises periodically, is supported by their government for the vision of pride and prosperity in football. Four years to go but they are already training, even now. Eh tayo, wala. No training, no exercise, no support by our own government. That is why there is disarray. The rich nations have become richer and the poor have become poorer.

For example, manufactured goods. World Development Report states that manufactures account for three quarters of developing country exports but the tariff on our exports to developed countries are on the average four times the tariffs on exports of developed countries to us.

For example, rubber shoes. Nasaan ba ang taga-Marikina dito? Developing countries like the Philippines will impose zero to five percent tariffs on these shoes whether they come from Bangkok, whether they come from the United States or from Singapore. A developed nation like the United States or other rich, developed countries imposes 20% on the same shoes when imported from any country, a poor country like the Philippines. While developed countries protect their industries, we liberalize. In fact, the Philippines unilaterally reduced tariffs and eliminated non-tariffs barriers because these pressure to lower tariffs started in the 1980s in compliance with the pressure from the IMF - World Bank conditionalities in exchange for standby facilities and loans.

You want loans? We will give you loans but you have to reform. You have to liberalize. You have to lower the tariffs. Pero sila, the rich developed countries sustain their tariffs. Therefore the inequality has become worse and the rich nations continue to become rich, the poor, unfortunately, become poorer.

Tariffs of rich nations are not only higher for developing country exports, they also escalate with the level of processing. For example in Japan, in European Union, fully processed food products face tariffs twice as high as those on products in the first stage on processing.

For example, woven cotton fabric faces 16% tariff in Canada, the tariff becomes higher at 22% if the cotton fabric is processed into cotton shirts. The ratio is even higher with tariffs on fully processed food products and twelve times those on products in the first stage. In the face of this distortion and unfair trade how can the poor countries industrialize and compete?

And, as Ernie Ordonez knows, it is worse in agriculture. Developed countries continue to protect its farmers not only through tariffs but also through exports subsidies. Tariffs that developed countries impose on agri products from developing nations are almost five times higher than those on manufactures. Examples are meat, sugar, dairy products, tariffs on vegetables like sweet corn, okra and carrots imposed by developed countries range from 16% to 22%. On the other hand, because of AFTA commitments we have lowered our tariffs of these products from 0 to 5%. Imbalance, De La Salle football team against Brazil.

There is no level playing field. Agricultural protection and subsidies by rich industrialized nations did not decline as expected. They said they were going to reduce but they did not reduce. As a matter of fact, in some cases, they even increased. They have risen to 66% of the value of the production or equivalent to \$ 1 billion per day in 1999.

This resulted in costs and losses on poor countries like the Philippines of these distorted protection and subsidies by rich nation, our losses correspond to about \$ 19.8 billion in 1999. This is, therefore, a serious setback to farmers and industries in poor countries.

Poor developing countries cannot afford to subsidize their agricultural exports. How much do we give for the farmers? How much do we have appropriated for NFA? Barely 1 billion pesos. The farmers instead of selling to the NFA because it takes long and there

are under-the-table deals prefer to sell to the traders. The Philippines therefore cannot afford to subsidize exports, cannot afford to fund marketing, cannot afford to fund cheap credit, not even infrastructure.

When we joined the WTO through the treaty in the Senate, there were arguments that – anyway, there would be safety nets. Billions of pesos were supposed to be appropriated annually for these safety nets – irrigation, post-harvest facilities, farm to market roads – but most of these, I understand, went instead to the T-Bills. The banks instead of lending for these safety nets lent the money of the T-bill transactions of the government for and the other needs. Today, we are that just where we were, still without – basically without safety nets.

So, as Filipinos what do we do to survive, to enhance our competitiveness in the face of distortion. We demand fair trade not exchanges in the guise of free trade.

First, build on what the President has pronounced. Bobby says, in effect, this may be a new beginning and this may mean the start of the reversal of a policy. Although we cannot seem to increase the tariffs because there would be many complications there, we can do something because she has frozen tariffs, she has asked for a review. This means a review, product by product, classification by classification but in addition they ask for deferment while review is going on and implementation of things that we can do after we shall have established that product in the name of national interest really demands a higher tariff. We ask for the deferment for 5 years. We have to ask for specifics and it is your duty as members representing your group to take part in the review. To do this so there our farmers and industries will be prepared for globalization. We have to map out our plans in this forum that we are undertaking. Identify what government should do and what we should do to undertake and get ready.

Number two, stamp out smuggling. This is not the concern of the businessmen. This is the concern of government and if the national government cannot do it the local governments will do it, the NGOs will do it and let us all cooperate in stamping out smuggling. I understand that in Nueva Ecija, onion is already a dying production because of smuggling. In Baguio and Benguet, vegetables are already dying because of inordinate importation. When shall we start protecting our own farmers from going to perdition? These smugglers are committing economic sabotage and there exist a bill in congress punishing smuggling as an act of economic sabotage. I propose, therefore, that we support that bill and I further propose that a task force consisting of private and public sector go after smuggling. Those smugglers' task force composed of lawyer-volunteers to file case because the private sector must help even through surveillance, information, monitoring of the market within the next five years. Ernie Ordonez is good in monitoring. Perhaps he can lead one team and we have to all pitch in.

If that bill passes we can impose the highest penalty of economic sabotage on smuggling. If there is a will, there is a way. If the President means to fight graft and corruption, and I think she does, then we must follow through by examples of actual practices for the benefit of the Filipino consumers, farmers and fisherfolks. Mabuhay ang Filipino!

Number three, create another task force to file cases with international bodies for countervailing measures and unfair trade practices. You know this countervailing measures and unfair trade practices hearings can last long and in the meantime the products come in to the prejudice of the farmers and fisherfolks and industrialist. If we do not expedite them, if they do not follow through then time will mean predation for our farmers, fisherfolks and agri industrialists.

Australia, for example, has planted their own men in key positions in the world trade organizations. Thailand has done the same. The Philippines has not. We have slept on this. If we file countervailing measures certainly those people who have been planted there by their own nations, if there is a case against them, will win against our own interest.

Fourth, we need bold measures. We need at least 5 years to prepare. Why not defer for five years the implementation of the AFTA and unilateral reduction of tariffs? Slap a 10% surcharge on imports to raise revenues for competitiveness programs. Surcharge is not prohibited. Malaysia did this. Malaysia slapped a 10% surcharge to protect their car and vehicle industry. Then we can use that money for the massive education and technology transfer to our farmers, fisherfolks and workers.

In the meantime we must focus on what we need to do. Set policies and programs, reform power, build infrastructure and transport, strengthen credit and marketing, build up information, get irrigation going, more warehouses, post-harvest facilities, educate our farmers and workers, acquire technology to modernize.

We do not say and we do not agree to the proposition that we do not have money because we already have the deficit. We have the money in ODA loan. We already have 15 billion dollars. Some of have should go to the massive education for our farmers and fisherfolks. Some of that should be left for the local governments to dispose off in accordance with their own economic development.

Number five, starting with the Cancun meeting this year, because there will be a Cancun meeting in Mexico, and in all global forums and organizations, we must work for a voice, a voice for special and differential treatment of the poor and developing nations. We must band together with all similarly situated countries to have a vibrant effective voice. International institutions should also make information available. This is not a club; WTO is not a club for the rich developed nation and to announce to us only the decision that they have made. They must be transparent. We must participate. All developing and poor nations must band together and strengthen capacity to analyze the issues and effectively communicate our interest to them. Tell them, 'we want this, we do not want that, we want fairness, we want justice, we want truth, we want equality'.

For example, poor countries are at a significant disadvantage in the present negotiations on the WTO level. We are at the disadvantage on such issues as labor, environment, intellectual property rights. Negotiating WTO is a continuous process but very few are on the table. With many meetings of the few mainly by developed nation in disregard of the majority of the developing and less developed nations. Poor countries lack the expertise

to participate in technical terms in trade debates. It has been estimated that almost 60% of developing countries members of the WTO are handicapped in their participation. Poor nations must band together.

For example, in the Philippines we have only one representative in Geneva with I don't know how many staff members, 1 or 2? There is no policy of readiness. How can we have face WTO? How can La Salle face the Brazil football team if there is no plan, at least, no policy of readiness? When to have training? When to have exercises? Who support to give to the players?

Therefore, sixth, my humble suggestion is that we must speak out, cry out, shout for other poor developing countries to join us in this cry for survival, justice and truth. On experiences of poor people who will be affected on the global actions, we must speak out. Our local farmers, industrialist and businessmen should speak out. Although I understand that they are already tired sometimes because government does not listen, we should continue to speak out. If we are not ready then we must say so to the government. If we need something then we must advocate. If we deserve something, we must undertake a crusade. We will be here to fight for you, for the national interest. To build from a creeping sense of helplessness because the Filipino can rise again,

Lastly, may I invoke the provision of special and differential treatment under the WTO and constantly seek to provide specific provisions that will clarify and operationalize real special and differential treatment. Under paragraph 5 of enabling clause of WTO, it states and I quote, 'the developed countries, that means the rich, rich ones, the United States, Japan, European Union, do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to trade of developing countries. That is the developed countries do not expect the developing nations, in the course of negotiations, to make contributions which are inconsistent with their individual development, financial and trade needs. Developed contracting parties shall therefore not seek neither less-developed contracting parties be required to make concession that are inconsistent with the latter's development, financial and trade needs'.

Therefore, I say, if the very WTO rules allow special and offered treatment then we must cry out and say, 'let us invoke that and act accordingly'. We want access to their markets with lower tariffs. We need time to build and integrate our own industries, our own agriculture. We need time to integrate Basilan's rubber and algae, carageenan with the other industries in Cebu where there is processing. We need to integrate our island industries with our national economy. Build food, basic food, clothing and shelter for our people before we export. Anyway, we export tuna to European nation where they are imposing 25% tariffs. It will be very hard for our people to sustain that kind of export. Let us feed our people first before we export. At any rate, the export if it is not indigenous, is limited by the multinationals who do not utilize indigenous products. They export computers to their sister company and microchips back to the Philippines therefore benefiting only a few of their corporations which are transnational.

We must fight for the Filipino. We must fight for our rights and we must strengthen the agricultural and industrial sector of this nation. As already defined by Bobby, we are mandated even by the Constitution to have effective control of the nation's economy.

We must build, not perish. We must be proud one day to be a Filipino manufacturer, a Filipino farmer or fisherfolk. We have this land of 7000 islands. We have these resources, God-given and blessed to our children. We must fight for them and proudly stand one day and say I am a Filipino. Thank you!

*Freddie de Leon:*

Thank you, Vice President Guingona. Sounds like a real Atenean speaking. Well, what I can say is, I think from hereon, we are beginning to see a brightening future for the Filipinos. Before we have a brief break, let me just acknowledge the presence of other organizations: representative from the Office of Satur Ocampo, KAPISANAN – Tokyo, APMP, ACT, Governor Mandanas of Batangas, Bukluran ng Manggagawang Pilipino, Philippine Institute of Technology, A64 Movement, ECPG, Cropking Chemicals, Commission of Filipinos Overseas. I was advised that we will have a brief break. So, will the waiters do what has to be done? Thank you.

**Dr. Rene Ofreneo, FTA Co-convenor for NGOs, Key Findings from the Conference on "From Core to Periphery":** (see annex 4: Core to Periphery or Why the Philippines has Failed to Industrialize)

Good morning everybody. As Ka Bobby has said earlier, we have discussed many times the root of all our problems. We have discussed this over and over and the latest discussion on this was the Conference which the Fair Trade Alliance helped organize. It was held August of last year at the UP Solair Auditorium. A number of resource persons presented. Captains of industry starting with Meneleo Carlos, Tony Garcia, academicians like Prof. Jorge Sibal, a number of NGOs and labor leaders made presentations.

What I will do today is try to summarize what were discussed during the Conference last year on "From Core to Periphery". The title 'core to periphery' means that before the Philippines was in the core of development, now we are at the periphery.

Once upon a time, in the early 60s, the Philippines was considered one of the most progressive in Asia. As a matter of fact, some of the Korean and Taiwanese auto experts used to come to the Philippines just to study our automotive industry. If you remember, at one point, we had the Sakbayan and the Trakbayan and we also developed the Ford Fierra.



There were also a lot of people from Thailand and Vietnam who went to UP Los Baños to study how to green their agriculture and how to promote self-sufficiency on food.

That was in the 1960s. Now, what happened? Why does it seem like we were left behind by these countries? That was the focus of the Conference on 'From Core to Periphery'.

There were around 20 people who submitted different papers but the conclusion somehow converged. We are happy to point out that two of the economists from the UP School of Economics, who unfortunately are no longer with the UP School of Economics, one is already with Ford and the other one is with UNDP, Prof. Butch Montes and Prof. Joseph Lim, took a position that is very similar with the position of the Fair Trade Alliance. They even came out with many mathematical computations in their paper entitled 'Structural adjustment after structural adjustment, why is the Philippines is still poor?' (see annex 5)

Why did we not have structural transformation? Their paper was a major deviation from the usual neo-liberal paradigm.

So let me start the summation by sharing these statistics.

These are the GDP growth in Southeast Asia. In the 50s and 60s, we were ahead in Southeast Asia. If you look at the figures for that decade, the Philippines was averaging 6.5% GDP growth rate. But if you analyze it, the GDP growth rate during this time in industry was almost two-digit. Then, Singapore and Malaysia were averaging only 3.6, Thailand 5.7, Indonesia 4.

In the next decade, 60s to 70s, Singapore, Malaysia and Thailand posted substantial increase in their GDP. The Philippines still posted growth but the other three countries sustained their growth until the 80s.

In the case of Singapore and Malaysia, growth was sustained up to the year 2000 which is unlike what happened to the Philippines. This was the decade of globalization.

Employment by Sectors. The share of industry, in the case of Philippines in 1980, was about 15.5% which was also the share of industry to employment in the 60s. In other words, the share of industry to employment generation almost did not change. Up to the present, it is still around 15%. The sector increasing in terms of employment share is services. Agriculture has been decimating.

In the two decades, 80s and 90s, Thailand's share of industry to employment starting at a very low level of 10% exceeded that of the Philippines'. Indonesia also exceeded us although after the financial crisis it almost equaled the figures for the Philippines. Malaysia had a very substantial increase in industrial employment. It used to be agricultural. Korea's growth was consistent from the 60s to the present which is 33%.

If you will recall, in 1972 - 73, one agency that was created when Martial Law was declared, was NEDA. It was then that the neo-liberal economic paradigm flourished

headed by Dr. Gerardo Sicat. He was assisted or influenced by Dr. John Powers who was loaned out to the UP School of Economics by Ford. Sec. Blas Ople that time brought with him, courtesy of the ILO, a certain guy by the name of Gustav Ranis from the YALE Growth Center.

I am mentioning all these economists because they were instrumental in forming the new development paradigm. They say that there is unemployment in the Philippines because there is not enough jobs being generated by industry and agriculture, that industry and agriculture were not doing well because they are servicing a very limited domestic market. So, why doesn't the Philippines adopt this new paradigm called labor-intensive, export-oriented industrialization? That was the reason why we put up the Bataan Export Processing Zone, the bonded warehousing manufacturing program, which have multiplied and are now sources of smuggling. All these initiatives make the economy outward looking. The point of all these initiatives was to decrease the rate of unemployment. What happened was, by the 80s, unemployment has increased.

Since 1972, in our Medium-Term Plan, the declaration was that unemployment will be reduced, specially the Yellow Plan of President Corazon Aquino in 1986. In the Yellow Development Plan, unemployment should have been reduced to 5% by end 91 – 92 but our unemployment now has increased to double digit. The latest, as of July 2002 is 11.2% and April last year, 13.9%. Four million were unemployed, about 5 million underemployed.

Now some facts. These are the results of the Conference largely from the paper of Jorge Sibala.

The share of the industrial sector to Philippine employment has been fluctuating, between 14 to 17% from 1960 to the present. In other words, there is no meaningful structural transformation especially in terms of industrial expansion. Our industrial sector, composed of construction, gas and mining, and manufacturing, which is more important, fluctuates between 9 to 12%. What is increasing is the services sector but a large part of this is informal.

Local manufacturing has been in crisis, since the early 1980s. In the early 80s, the World Bank introduced the structural adjustment lending. We were the first recipient together with Turkey of the SAP or the structural adjustment program which during the 90s became better known as Globalization Program based on the Washington Consensus.

Agriculture performance was fairly good in 1970s, but in the early 80s, agriculture started to collapse and infrastructure was not developed, especially irrigation.

In the 80s and 90s, two export industries grew - garments and electronics - either through joint venture or subcontracting with transnationals. Garment export grew in the 80s up to the mid 90s, after which electronics became bigger. The two together account for almost 90% of export with electronics accounting for more than 60%.

In the second half of the 1990s, we saw that many local manufacturers, although this was already happening in the 80s, started closing down, especially in the garments and

textile industry. Before, we had Aries, which had more than eleven thousand workers. This transferred to China. We used to have around 250 textiles firms, the integrated, about 35. Now, less than a dozen are still around. A lot of them have relocated to Vietnam and some to as far as Nicaragua. The others closed down and shifted to trading or joined the capital flight.

Why has there been no major structural transformation in the Philippine economy when in fact that was the purpose of shifting to labor-oriented industrialization according to Gerry Sicat? That was also the contention of Winnie Monsod, Dondon Paderangga, Ciel Habito and Dante Canlas. But why was there no major transformation, especially the growth of industry? Industry was hardly growing, agriculture stagnating. Only services grew but mainly in the area of the informal sector.

We can summarize the Conference, based mainly on historical explanations.

Number one, the role of colonialism, mainly its lingering effects especially in our consumption pattern, the colonialism standard industrialization which fostered a certain form of behavior specially rent-seeking – not often evident but sometimes very pronounced among leaders, some of our elite focused on extractive industries, import-export and our colonial mentality especially our slavious liking for imports.

In the 1950s, we saw the rise of some Filipino industrialist emerging from their 'land'. During the time of President Quirino, import and foreign exchange rules were introduced and implemented very strongly by Central Bank Governor Mike Cuaderno. This was when you will only be given dollars if you use it for developing new and necessary industries. This led to an explosive growth of industries in the 1950s. Although most of the industries were light such as assembly, but just the same, this was the time that industry grew as well as trade unions. A lot of unions were formed at that time. This also ushered the rise of 'Filipino First' consciousness.

In the early 60s, when President Diosdado Macapagal assumed power, there was balance of payment crisis. In the early import substitution, it remained import dependent because we concentrated on light industries. We had to import machines and raw materials. In the case of car assembly, we were importing CKDs. Although an industrial culture is being developed, import dependence was there. Since we pay dollars for our imports, we had the balance of payment crisis.

This was the first time we went to the IMF, the first year of Pres. Macapagal, and we never left the IMF since then. The dilemma at that time was, after the initial stage of import substitution, the industrial structure such as in Japan and the NICs, should have developed the export industries. It seems like we never had an orientation on that. Also, we should have gone from light to intermediate products, intermediate industries and hopefully to some basic industries. Like in petrochem, we have upstream and downstream but we got stuck with light industries.

In the early 60s, we had the choice of going into exports or going into industrial deepening. What happened was the government accepted the IMF de-control policy.

The policy removed the foreign exchange and import control. But due to pressure from local industries brought about by their impending collapse caused by the policy and the initial devaluation of the peso, President Macapagal substituted for the import and foreign exchange control a very high and generalized system of tariff protection. We had then tariffs as high as 200% on certain products. The problem with the tariff protection that was set up was that it was not performance-focused nor time-bound. It was a protection forever on industries, whether they were making good or not. Whether they are innovating or not, they were enjoying some kind of protection. There was a crisis in industrial direction.

In the 1970s, the concept of labor-intensive, export-oriented industrialization was promoted based on labor-intensive investments of transnational corporations. It was also in the 70s that the ODA-driven development planning started.

If you will have the time to look at every development plan since the time of Gerry Sicat, the most important chapter of every development plan is the last chapter which is the plan implementation. It is there that the roles of the IMF and the WB are outlined, the infrastructures to be funded by the ODA. The whole plan was ODA-driven. This now was the rise of the technocracy which was very blunt in many of their papers. Local industries that were bred in the 1950s and 60s, instead of being labeled as pioneers and as industrialists, were labeled as protectionists and inefficient, starting the bias against local industrialist.

But the picture was not that simple. Marcos himself, in his own way, tried to carve out his own empire so he promoted his cronies. We were told by some who were very close to Pres. Marcos that his real model was the Meiji restoration, the promotion of some *saibatsus*, that is why he thought of the 11 industrial projects. Although, it turned out that some of the cronies that he depended on turned out to be just carpetbaggers, some did turn out to be industrialists, and controversial like Lucio Tan, Danding Cojuangco.

In the 70s, because employment was not improving, they introduced the stopgap temporary measure of deploying workers overseas. We sent thousands of workers to the Middle East. We called them OCW, now OFW because there is some negative connotation to 'contract' workers.

In the second half of the 70s, because the economy was not improving, insurgency grew in some parts of the country.

In the 1980s, since we borrowed heavily in the 70s, debt crisis which became a political crisis, exploded.

There was one time between 1975 - 76 when Gerry Sicat was asked if we are not borrowing too much. He answered that we should not worry because if we are investing these loans to productive undertakings, the loan will pay for itself. Meaning growth will pay for these loans. But we did not grow.

This was the time when the WB came up with a new program, the Structural Adjustment Program. Trade liberalization program was also started. From an average tariff of 70%, tariff was reduced to 50%. Agricultural deregulation also started which also started the careers of Mon Clarete, Bruce Tolentino, Arsenio Balisacan.

There was also financial liberalization which introduced unibanking. Farmers used to be assured of loans from rural banks but there was monopolization. Commercial banks grew bigger which eased out the thrift banks and the development banks. There was concentration of banking in urban areas, commercial banks at that.

Marcos still tried to promote the 11 industries through Bobby Ongpin but the timing was bad. He was already surrendering to the IMF-WB and said that the 11 industries will be funded by foreign capital, completely abandoning his 'meiji' vision.

In the second half of the 1980s, Marcos was replaced but the new government continued the Structural Adjustment Program. In fact, it became easier to implement the SAP and agricultural deregulation program because there was no resistance anymore.

During the time of Marcos, there was some level of resistance with the SAP because he was trying to protect his cronies. We had faster industrial liberalization. There was a mini-boom due to consumption boom in the 1986 to 1988. In 1989, we had a full-blown crisis in agriculture as well as the power crisis.

In the 1990s, under President Ramos, liberalization and globalization was accelerated. When people say 'what is the effect of WTO on tariffs on industry?'. The fact is, it is very limited. We accelerated liberalization in the industrial sector on our own.

By 1997, the Economic Freedom Network declared the Philippines as one of the 'freest' in the world. 'Freest' in the sense that we have liberalized the foreign investment regime. We have lowered our tariff to the levels of Thailand, lower than Indonesia and close to Malaysia and Singapore. There was explosive growth of export but there was no improvement in employment. The number of OFWs grew.

In 1994, at the height of the debate on the WTO, where Ka Bobby was our leading spokesman at that time, on the side of those who were very critical of joining the WTO without any preparedness, the DTI, DA and NEDA said 'that with WTO, starting 1995, we will be creating 500T new industrial and 500T new agricultural jobs per year and a gross value added of P60B per year'. But this did not happen. Actually, it was in 1995 that the Philippines became a net importer in agriculture and our agricultural imports keep on increasing.

From 1997 to the present, some were still gungho over the promise of free trade.

We thought we were the least affected by the financial crisis but in the middle of 1998, we found out that the effect on the Philippines was tremendous. Our unemployment was second to Indonesia. We also had a budget crisis that continues to grow up to now.

We now have a budget deficit that is almost 5% of our GDP. What we have now is the deepening of the industrial and agricultural crisis. Our country is drowning in imports.

Let me point out some features of our economy today. What are the major features?

We have four sectors, probably five - industry, agriculture, services plus export sector and the OFW sector, which is the main lifeline of the economy. We have five million overseas workers and about 3 million immigrants; totaling 8 million compared to about 2 to 3 million industrial workers. These OFWs who remit to the Philippines is the source of growth of SM, Robinson's Galleria.

The problem with these sectors - industry, agriculture and services, are that they are like islands unto themselves. They have very limited complementation, limited processing, limited value addition. Agriculture almost has no linkage with industry, domestic industry with the export industry. There is very limited value addition. The different regions also don't have linkages.

Most of the Filipino businessmen are shying away from long-term investment projects. We have many businessmen but they focus mainly on short-term investment projects because the environment is not conducive. They are wary of investing long-term. Many have become mere subcontractors for transnationals, going into trading or going into BOT and other government projects.

In the case of the Philippine banking industry, the biggest business is the buying of T-Bonds, treasury bills. Some of the richest people in Philippines today are the manpower recruiters although they don't often attend the PCCI or ECOP. Unemployment, underemployment and poverty remain endemic.

Another sad development in the Philippines is industries fighting one another. In recent weeks, we have seen battle of media releases, upstream versus the downstream, plastic versus petrochem, sugar versus the food processors, Lipa hog raisers versus the meat processors. We have managed to pit one group against the other - the way it was done with unions, the way management pits a union against the other. We have done the same among industries. This is really very sad.

Some of the concerns.

Can the Philippines grow on the basis of only one 'export winner'? Our electronics is almost 70% of the total export but unfortunately something is developing in electronics. Electronics assembly is now transferring to China. So Mar Roxas now has this campaign promoting call centers but as far as I know it can only create some 10,000 jobs compared to India which provided about 100,000 jobs. In China and Vietnam, they are studying English now so they will probably be competing with us in a few years.

Can the Philippines remain only a sub-contractor of transnationals? The Philippines, unlike Taiwan, never graduated into what is called as 'original export manufacture'. One time, we tried to promote the Filipino car industry, requiring that car assemblies be sourced

locally. We required 40% local content. This was never followed. Several of our car parts manufacturers closed down. With the AFTA this year, some of the car assemblers are thinking of relocating or consolidating their operations in Thailand, which is five times bigger than our assembly, and even China. Our remaining parts manufacturers are those producing globally like the Yazaki Torres.

Can the Philippine population depend mainly on OFW earnings? This is what keeps our economy alive. Of course, we also know that there are developments in the overseas labor market. Countries like China, India, those in Eastern Europe are eating into it. In the Middle East, they have a nationalization or localization program. We don't know how long we can send our people there.

Can the Philippines afford a continuing erosion of the traditional industrial and agricultural base? They say that with the global opening up and the global competition, industry will become more efficient and we will see the rise of stronger industry and stronger agriculture. That was the theory but it never happened.

Can the Philippines feel secure amid rising and continuing agricultural imports? Can the Philippine pay its way out of its huge debt crisis? Our debt now, like in the 80s, is almost as huge as our Gross Domestic Product. In Argentina, their debt is 50% of their GDP and look at where they are now. Maybe, because of the substantial remittances from our OFWs we still don't feel the problem related to this but until when can we sustain the stability of our monetary situation?

Can the Philippines sustain itself without a clear vision of an integrated development program crafted mainly on the basis of Philippine national interest?

That is the summary of the Conference. Now, some silver linings.

We some homegrown Filipino companies capable of exceling locally and internationally like Jollibee, Central Azucarera. Unfortunately, these are very few. Some industrialist such as Philacor and Ramcar say they can excel in the global market. Unfortunately, Ramcar has already closed down two out of five factories and their industrial park in Santa Maria is being foreclosed. Philacor, on the other hand, our model employer, modernized but after the debt crisis, they were no longer the distributor of Westinghouse.

Filipinos have a natural advantage in IT. However, we do not have a clear program on IT. Some people are saying that this can be a tool for leap-frogging. But how? In the mid 1990s, we were ahead of other Asian countries but somehow the ICT sector was left behind. In the meantime, Vietnam now is coming out as a very big competitor in ICT. They have invested a lot and so has China. China is trying to master why India is good in IT Engineering. There is a growing realization that globalization requires more - not less - economic nationalism.

But the question still is - how should nationalism be applied? That is why, as Ka Bobby said, the purpose of this Conference is to flesh out how will we apply nationalism on the various areas of economy and on the economy as a whole.

That, in brief, is the summary of the Conference 'From Core to Periphery'. Thank you.

*Freddie de Leon:*

Thank you Dr. Ofreneo. Let me just remind the participants that after lunch we will have six workshops. We would also like to remind you, if you have not done so yet, to sign up for the workshops because participants to each workshop will be limited. If you want to get into the workshop of your choice, sign up now.

Our next speaker was the Dean of the UP College of Law and is now in the office of the Vice President, former undersecretary of the Department of Foreign Affairs. He will make a presentation on Economic Nationalism and the National Treatment Clause: The Case of the Philippine Constitution vs. the WTO agreement. Ladies and gentlemen, let us all welcome, Atty. Merlin Magallona.

*Dean Merlin Magallona, UP School of Law, presentation on economic nationalism:* (see annex 5: Economic Nationalism and the National Treatment Clause: The Case of The Philippine Constitution vs. the WTO)

Good afternoon to all of you. I regret that there is difficulty in abbreviating ideas assembled for you in this paper. We don't have any powerpoint presentation so you have to concentrate on me.

The general theme of this presentation is Economic Nationalism and the National Treatment Clause: The Case of the Philippine Constitution vs. the WTO Agreement. I am sure you will readily appreciate the relevance of the general theme of this paper because of the present attempt to amend the 1987 Constitution.

Let me begin with the statement of the issue at once. How is the move to amend the Constitution related or connected to the World Trade Organization agreement?

This presentation consists of four parts. The first is a discussion on economic nationalism in the constitutional system. It is outlined here that economic nationalism is in the core not only of the national economy but it is also the main framework of our political system. Certainly, there is no need to advocate what is integral to our political system, namely, that nationalism is a fundamental principle of the Philippine Constitutional Law.

The second part deals with the war against economic nationalism mainly carried on by external forces ending with the culmination of their effort in the amendment of the Constitution to do away with economic nationalism as the framework of the national economy.

The third part deals with the national treatment clause under the WTO agreement. The national treatment clause is what we may call 'the parity'. We experienced parity in our history, with the American imposing on our Constitution the rights in the exploitation of natural resources on equal terms, with Filipino citizens. But this time, the parity is parity in favor not only of the Americans but of all foreigners who are members of WTO. The national treatment clause is discussed in this paper with respects to the GATT 1994, the

General Agreement of Trade in Services, the Agreement on Trade-related Intellectual Property Rights and the Agreement on Trade-related Investment Measures.

I wish to emphasize that when we speak of the agreement establishing the World Trade Organization, we are not dealing with one single agreement. The WTO agreement is a constellation of major agreements, 26 in all, with accessory multilateral agreements.

The last part would deal with the political and economic consequences in the structure of power in the Philippine society and as a consequence the shift of congressional power into Presidential treaty making. Therefore, the implementation of the WTO agreement by the President will deal mainly with the shift of focus of power from congressional power,

which would be republican in character, and shifting to the concentration of power in the Presidency resulting in the erosion of republicanism.



Let me first deal with the first point. The first point gives you the coverage of the WTO agreement. It must be emphasized that the WTO agreement does not deal only with tariff, import and export of goods. A notable feature of the Uruguay Round resulting in the WTO agreement is entirely the

opening of a new area for international legal regulation to be imposed by the new world body, the World Trade Organization. I am referring to the trade in services. Services, in the context of the Uruguay Round, is an infinite listing of commercial and business activities, maybe ranging from gynecological services to funeral parlors.

The WTO agreement also deals with the Agreement on Trade-related Investment Measures and thereby establishing significant aspects of international regime on foreign investments.

The agreement on trade-related aspects of intellectual property governs intellectual property which used to be within the traditional coverage of national jurisdiction.

The General Agreement on Trade in Services institutes international standards for the practice of professions across national borders as well as regulate banking and other financial services, insurance, telecommunication, transport, construction, tourism, and a much broader field of other services. Philippine profession will be subject to international regulations under the General Agreement on Trade in Services including accounting and auditing, medicine, law, management, engineering and architecture. The impact on national culture will be considerable, generated by an impeded transborder data flow and information systems, in particular of television, movies, videos and other cultural goods.

The intrusion of multilateral decision-making into strategic and vital areas of the Philippine policy is by no means limited therefore to economic matters. It reaches into social and political relations in our society which will expectedly pass into the jurisdiction of the WTO. A question of deep going implication on our future as a people is raised by the fact that the WTO agreement in the Philippines is governed by the national treatment principle with respect to the treatment of certain categories of investments, intellectual property rights as well as in regard to the practice of profession, banking and financial services, insurance and a broader spectrum of services. This means that in these matters, the Philippines is under obligation to treat foreigners as having the same relevant rights as Filipino citizens as defined by the WTO Agreement.

In our history, the parity rights, in favor of American investors which the US government forced upon our Constitution, became an explosive controversy. Now, we are presented with parity rights in favor of all foreigners, as defined by the WTO agreement, covering a much broader and extensive field of rights and privileges.

In particular, national treatment in favor of foreign investors will strike directly on interest decisive on the future course of the national economy, in the same sense that this will accelerate the speed development towards a new century when foreseeably Philippine economy will lose its national character.

Consequently in the WTO agreement, national treatment of foreign interest holds the inevitable prospect of superceeding economic nationalism as a fundamental premise of Philippine economy. Considering that the Constitution is founded on economic nationalism then the operations of global capital under the aegies of the WTO agreement are on the way to sweeping away the very rational of Philippine nation state in our fundamental law.

By the way, under the WTO Agreement, there is a provision and therefore an expressed statement in the coordination of the WTO, the World Bank and the IMF. So, emerging in the WTO agreement is a triad. This is different from the triad based in Hongkong.

On the whole, the WTO agreement will have the effect of shifting the fundamental premises of our national life on two points. Firstly, the shift from economic nationalism to national treatment of foreign interest. Secondly, the transfer of decision-making from national to supranational authorities in matters vital to our economic, social and political life.

The first undermines the fundamental premises of the Constitution based on economic nationalism. The second entails a serious restriction of self-determination through the enactment of laws in policy areas covered by the WTO agreement. We are aware that if there is parity rights between Philippine citizens and foreign interest, there is a shift of the premises of the national economy into the globalized economy.

Let me give you a gist of how an authority on Constitutional law sees this parity rights. This formula, developed by Dean Cinco, our authority in Constitutional law, is addressed to the parity rights in relation to the Americans. He said and I quote, 'to give aliens the right

to exploit the natural resources is to create a condition of inequality between them and the citizens. The alien will become a privileged individual for he does not have all the duties and obligations of the citizen. The citizen has more obligations and responsibilities. The government may not compel an alien to render military service to the country. He is not bound to pay taxes from his income or business abroad. The country may not expect him unstinted devotion and undivided loyalty. His loyalty is first and foremost to his own motherland'.

The situation involved in the national treatment principle under the WTO agreement is far more serious than what was contemplated by Cinco in relation to the parity rights for the Americans. The WTO national treatment clause covers small sectors and activities in the Philippine economy. The coverage of the WTO has encroached upon traditional domestic areas of policy, going into civil and social life of Filipino citizens.

Let me deal now with economic nationalism and the Constitutional system. The paper will outline to you the fundamental premise that economic nationalism as a foundation principle, culminating in the Constitutional principle in the 1987 Constitution that the purpose of the Constitutional framework is to build an economy effectively controlled by Filipino citizens.

Let me skip this part because this is just an outline of Philippine jurisprudence that will point out, in the hands of Congress and in the hands of the Supreme Court, how economic nationalism has been propagated and made in very concrete terms the operation principle of the policy-making in the Philippines. The second point I would like to emphasize under this topic is that the present Constitution has strengthened economic nationalism.

We have here listed, the principles of 1987 Constitution and full provisions that spell out the terms of economic nationalism. Beginning with the principle that it shall be the responsibility of the state to carry out its foreign policy, national sovereignty and territorial integrity on the basis of national interest. Here, we have the requirements of the 60-40 equity in the control of relevant corporations, economic nationalism and the exploitation of development of natural resources, the proposition that only the Filipino citizens shall own lands, that only Filipino citizens shall exercise profession, the nationalization or Philippinization provisions with the respect to the administration of schools, with the respect to the operation of mass media. Altogether, therefore, we have a Constitution based on economic nationalism. This part will merely deals with a long litany of economic nationalism in terms of its instrumental principles.

Let me now deal with part two of the paper, the war against economic nationalism. The Constitution is under assault and we know that at the present time, the whole nation is mobilized to concentrate on the amendment of 1987 Constitution. As a background, let me that emphasize that the IMF-WB sovereignty, together with our local leaders, are leading in the attack of economic nationalism as a provision in the Constitution.

There is outlined here a series of recent laws enacted to remove economic nationalism from the leading regulation in the economy: the amendment of the General Banking

Act to provide, in the first place, for the operation of 10 biggest foreign banks in the world; the amendment of the Retail Trade Law; the introduction of 75-year lease for foreign investors even as this is a brazen violation of the Constitution; the ratification by the Senate of World Bank-sponsored Multilateral Investment Guarantee Agreement, which gives personality to transnational corporations. It is in this agreement that the Philippines becomes an insurance company for foreign investors with respect to expropriation and the consequences of civil strife in Philippine territory. This agreement, called the MIGA, deserve little attention, but unfortunately the Public Treasury of the Philippines is a potential source for operating as an insurance company on the part of the Philippines with the respect to losses of investments of foreign investors in the country. Finally, we can see, if we are going to allow the situation, the final overthrow of economic nationalism in the amendment of the Constitution.

In the last five years, public consciousness has been induced to recognize the need for changes in the Constitution. Curiously enough at that time, the demands of global capital for elimination of Constitutional restrictions to foreign investment have intensified. Public support for Constitutional changes may be enticed by non-controversial proposals for amendment but the intention is to pave the way for broader changes.

Is economic nationalism the real target for Constitutional revision? Are we facing the prospect of the WTO principles including its national treatment clause on the way to being enthroned in the Philippine Constitution for the 21<sup>st</sup> century?

There is an urgent need for us to transcend the deceptive presentation of the issues raised by the WTO agreement. We will increasingly realize that the stand we take now will determine the kind of fundamental law by which we can control our national destiny. The real choice is not between 30% to 50% tariff duty on garments or tomatoes, it is between a Constitution of economic nationalism and a Constitution of WTO principles.

Let me abbreviate the ideas presented under part three namely, the national treatment clause under the WTO agreement, in other words, if we may be permitted parity rights for all foreigners. In addition to the national treatment clause which is a potential for implementation by the Philippines, it must be emphasized that the national treatment principle under the WTO agreement is to be applied in complement with the Most Favored Nation clause. This means that if the Philippines will grant the national treatment clause for one national group of foreigners, the WTO agreement will automatically operate, with the result that that grant or concession by the Philippines shall accrue to every member of the WTO. Therefore, the application of national treatment clause will have the consequence of eliminating any discrimination among WTO members. Therefore, we say that the national treatment clause, in operation together with the Most Favored Nation clause, will be a parity right for all the nationals of every member of the WTO. Therefore, there cannot be any discrimination on the part of the Philippines for granting only national treatment to Thailand citizens or American or the British.

By operation, by automatic operation of the WTO principle, the Most Favored Nation clause will operate. In the language of the General Agreement on Trade in Services, this principle will immediately and without reservation automatically apply.

Let me just cut short the discussion of the national treatment clause by referring to the formula under the national treatment under the General Agreement on Trade in Services 1994. In this respect, the GATT of 1947 is transported as part of the WTO agreement and it became GATT 1994.

To summarize the national treatment clause under GATT 1994, the Philippines is restricted in the exercise of its sovereign powers including taxation, to exercise its sovereign rights with the respect to its industries which in application, will discriminate against foreign products. You can imagine that if the taxing power of the Philippines is restricted, this will cover a broad field of restrictions by which the Philippines is prohibited from undertaking and pursuing policies for the prosperity of its own industry if the effect of this is to discriminate against foreign products and foreign industries.

So you have here the national treatment clause in relation to the Most Favored Nation clause as the equalization principle. When we speak of the equalization principle, certain writers for globalization will say, this is merely a principle that will result or aim at leveling the field, but in practice and our historical experience will tell you that, we are the ones leveled. That is what we mean as leveling the field.

As a matter of fact, I think this is an understatement. We are going to be smothered by the bulldozer of the WTO. The national treatment clause under GATT 1994 applies to taxes and internal charges of any kind within Philippine territory which if adopted and pursued for Philippine products and Philippine enterprises may discriminate against similar or identical foreign products and foreign enterprises. In other words, the Philippines cannot adopt policies which will give favorable treatment to Filipino products as against foreign products. But the principle in the Constitution is the preferential use of Philippine materials, Philippine resources and Philippine labor.

In this respect, there is a direct contra-position between the WTO agreement and the Constitution. Of course, as a member of the WTO, the Philippines has accepted one fundamental principle written into the WTO agreement namely, that it is the duty of every WTO member that its laws and procedures shall conform to the WTO agreement as well as the multilateral agreements that accompany the agreement establishing the WTO agreement.

The national treatment under the General Agreement of Trade in Services, and by this time we realize what we mean when we say services. It is an infinite array of business, investment and economic activities. From one authoritative source who participated in the Uruguay Round formulation, let me give you the extensive coverage of the word 'services' that are now under the regulation by the General Agreement of Trade in Services.

The enumeration includes: advertising, market research, news gathering and reporting agencies, radio and television broadcasting, hotel and restaurant services, public utility services, shipping, car rental services, data processing, transmission, motion picture production, entertainment and recreation services, management and business consultancy, education, health services, publishing down to manpower search and

employment agencies, investment analysis, brokerage service, real estate services and fashion design.

We may classify services into two categories, strategic and non-strategic. An example of strategic services would be education and mass media which has a direct impact on our political life. We should not forget that what used to be within domestic jurisdiction is now covered by the WTO agreement, namely professional services, which will deeply affect the provision on the Constitution that the practice of professions shall be limited to Filipino citizens.

The mechanics of the coverage of the national treatment clause with respect to services is limited to what the Philippines, at one time, will included in the schedule of specific commitments. The schedule is devised such that each member of the WTO can list down, in a very specific manner, what are the services that are available for purposes of national treatment, especially for purposes of the Most Favored Nation clause.

For example, I understand that the American Bar Association is battling strongly in the current negotiation for the inclusion of legal services with the result if this is realized that foreign lawyers are going to practice in the Philippines under certain conditions. This will be true with respect to accountants, architects. Fortunately, with respect to lawyers, they are protected by Constitutional Nationalization provision. The present rule is that only Filipino citizens can practice law in the Philippines. The central principle in the General Agreement of Trade in Services is to respect the policy objectives of the Philippines. Therefore, if the Constitution provides against the practice of profession for foreigners, that will be respected initially. But the purpose of the liberalization process under the General Agreement of Trade in Services is that the liberalization process will continue and that will include the changes in policy objective.

I suspect that the attempt to distort the Constitution on the basis of economic nationalism is the result of some pressure. Don't forget that even asked whether the Senators who concurred in the WTO agreement had read all the agreements before they concurred in, we know that in the background, the ratification of the WTO agreement by the Philippine was under tremendous pressure from the IMF. I think we can document that observation.

On the national treatment clause under the TRIPS agreement, this concerns the national treatment clause in the agreement on trade-related aspects of intellectual property rights. The impact of this can simply be summarized by saying that intellectual property rights that are covered by the TRIPS agreement are to be respected within Philippine jurisdiction. The discussion here will point out that a Philippine inventor holding a patent or a copyright may have less rights than a foreign copyright owner or patent holder.

Lastly, there is national treatment in the case of agreement on trade-related measures. This will have to do with certain aspects of investments. There are restrictions here which are well-known. For example, the Philippines as a matter of policy cannot require that a foreign investor in the Philippine shall engage in processing, assembly or manufacturing which will require the use of local product or local content. Activities of these shall be

restricted and there is a listing in the TRIMS agreement of what are the policy areas on which the WTO principle shall prevail over the local policy formulation of the Philippines.

On congressional power versus Presidential treaty-making which will shift the structure of political power under the Constitution from Congress to the President. If we consider Congress as characterizing the Republican form of our government under the Constitution then we are losing the fundamental aspect for Republicanism.

One example of this is with respect to tariff. Under the Constitution, we know that the Constitution gives the President very specific power with respect to tariff namely the power to fix tariff. Congress can exercise this power in terms of the enactment of tariff bills, not treaties. But if you will read the WTO agreement, even the manner by which the Philippines will enact laws is regulated by WTO agreement.

For example, in the agreement on implementation of Article 7 of GATT 1994, there is provided, "in framing its legislation, each member shall provide for the inclusion in or the exclusion from customs value, in whole or in part of the following: ...". I don't have to complete that provision. The emphasis is that the WTO agreement is regulating the manner by which we are going to pass laws.

Is that within the power of the President? But it was the President who undertook the negotiation and the Senate was made to concur in the Presidential action resulting in the Philippines being a member of the WTO agreement.

Another example under the same agreement, "legislation of each member shall provide in regard to the determination of customs value for the right to appeal ...". Here is a provision in the WTO agreement that regulates our manner of making legislations. Where in the Constitution can you find a Presidential power that will regulate Congress in its process of policy-making? But of course, our Senators and Congressmen never saw this.

Bobby Tañada raised this to the Supreme Court but the Supreme Court, for its own convenience, changed the statement of the issue. It dealt with an issue which was not raised, an issue which they can readily answer. Why did the Supreme Court change the issue? Because the issue presented by the petitioners, the Supreme Court could not deal with effectively and if it could deal with effectively it could have been resolved in favor of the petitioner.

An example of this, which is now enthroned in bad jurisprudence, is the Tañada vs. Angara. As I recall, the petition presented to Supreme Court contended that the exercise of presidential authority under the guise of treaty making which resulted in WTO agreement covered grounds that are reserved by the Constitution to Congress. Therefore, under the Separation of Powers Doctrine, it was no business of the President to deal with these powers. Practically the petitioners were saying, 'you, the President, in negotiating this agreement was usurping congressional powers.

One of the powers that was claimed as a usurpation was the fact that the WTO agreement was promulgating rules in the adjudication of customs and tariffs cases in the

Philippines, adjudication measure which is far off from Presidential authority under the Constitution. I remember that the petitioners were anchoring their position on separation of powers.

How did the Supreme Court deal with this? The Supreme Court said we have examined the rules of the WTO agreement and it would seem that the rules stated there in the adjudication of relevant cases were also in observance of the due process of the Philippine legal system. But that is an entirely different issue. They did not deal with the separation powers doctrine. They deal with sufficiency of due process under the WTO rules but you cannot deal with the sufficiency of the rules on the basis of due process unless you resolve the question whether the President was usurping congressional powers or not. You do not resolve the question of the due process requirement if in the first place the President did not have the authority to deal with the conclusion of this agreement. Let us now go to some concluding remarks and I hope this is relevant to our Conference.

Overall, the President's treaty-making power on matters within the coverage of the WTO agreement intrudes into vast areas of internal legislation. Under resulting treaty rules that are in the WTO agreement cover very broad areas of policy which has the effect of the President's treaty-making authority supplanting legislative powers of the entire Congress. At this time, the President's treaty-making power is not limited to the country's external relations. They are exercised in matters which spread throughout civil and economic relations of domestic jurisdiction.

In a sense, we can be bold to put forward the proposition that there may be nothing in our life that is not covered by the WTO agreement. Therefore, with the ratification by the Philippines of the WTO agreement, our entire civil, political and economic lives are now covered by the WTO agreement. Therefore, it is proper that the WTO agreement may as well become our Constitution, if you allow that.

In the country's history, there has never been any instance where the major dimensions of Philippine internal life are so extensible subject to rules of an international agreement resulting from the exercise of the President's powers and concurred in only by one house of Congress and without the exercise of legislative authority vested by the power in the entire Congress. The exclusion of the House of Representative from decision-making in all matters which are traditionally known to pertain to the internal life of the people is a denigration of the most representative institutional system of our government. It is at war with the Republican democracy on which the Philippine State is founded. The foundation principle is established in Section 1 Article 2 of the Constitution, "The Philippine is a democratic and republican state".

Of course, we are giving so much credit, perhaps, to the House of Representative. You may question me on that.

In the light of Philippine membership in the WTO agreement, no amendments by Congress with the view to moderate or alter the adverse consequences of the WTO agreement will change the treaty rules and principles which bind the Philippines.

This is the presentation of our dilemma to us. Such enactments will not affect the rights and obligations of other state parties to the WTO agreement in relation to the Philippines. The Philippine laws, including the Constitution, cannot extend the jurisdictional reach to govern the relations with other states despite statutory enactment to the contrary. Therefore, the rights of the other WTO members with respect to the Philippine will remain intact and unaffected.

Whatever maybe the effects of these amendatory enactments within Philippine territorial jurisdiction, the Philippines will continue to be bound by its obligations under the WTO agreement, reinforced by the general norm of International Law now codified in Article 26 of the Vienna Convention on the Law of Treaties which state as follows, “a party to a treaty may not invoke the provisions of internal law

as a justification for its failure to perform a treaty”. That internal law, in International Law, includes our Constitution.



All these leave us to face the problem as to whether under the regime of the WTO agreement, the fulcrum of political power in the Philippines may have shifted from the duly constituted national organs of Constitutional authority to a supranational power. The organization of the WTO has reinforced the supranational power. In addition

to the regime of the IMF and the World Bank, the WTO now has reinforced the supranational authority of the triad. If so, then the dismantling of the Philippine nation-state founded on economic protection of its own citizens may have entered a new phase. Salamat po.

I understand that the Secretariat will make available the copies of this paper, resources permitting. Thank you.

*Freddie de Leon:*

Thank you, Professor Magallona. Binabawi ko na iyong sinabi ko kanina that 90% of the lawyers give the rest of a bad name. 10% of the lawyers give 90% a bad name. Baliktad ang ratio.

We will have a short break, maybe about 15 minutes. That should give us enough time to digest whatever intake you have gotten into your system. I would like to request the rest of you who have not signed up for workshops to please do so and come back at once so we can announce where the workshop sessions will be held.

Actually, your participation in the workshops is the more important portion of this Conference because we need your inputs, suggestions and ideas on how we can get the Philippine economy out of the present quagmire that we are in.

**BREAK OUT FOR WORKSHOPS**

**NATIONAL CONFERENCE**

*"A Nation in Crisis:  
Agenda for Survival"*

**January 22-23, 2003  
Club Filipino, Greenhills, San Juan**

**DAY TWO**

January 23, 2003, Thursday

Registration	9:00 – 9:30
Recap of Day One	9:30 – 9:45
Ms. Aileen Zosa, Bases Conversion Development Authority	
Presentation of Workshop Results	9:45 – 11:00
Plenary Discussion	11:00 – 12:00
Synthesis	12:00 – 12:30
Adoption of Conference Statement	12:30 – 1:00
Closing Remarks from the Convenors	1:00 – 1:15
Luncheon Press Conference	1:15 – 2:30

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*Freddie de Leon:*

We will now prepare to receive again the Vice President. Ladies and gentlemen, let us all stand to greet His Excellency, the Vice President of the Republic of the Philippines.

Welcome to the second day of the National Conference: A Nation in Crisis, Agenda for Survival. Kami ay lubos na natutuwa at nagkita - kita tayo muli. Ang panawagan nga sa isang makabansang kilusan ay 'walang iwanan'. Kaya't kami ay nasisiyahan at nandito uli tayong lahat.

The first item in the program this morning will be a recap of the proceedings in day one. The presentation will be made by Ms. Aileen Zosa of the Bases Conversion Development Authority. We are thinking of coming up with development agendas. I think this is a good sign because we may have spawned a trend which I think is welcome. A trend for

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*Documentation of Proceedings*

***National Conference on A Nation in Crisis: Agenda for Survival***

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people in government to start thinking long-term, start thinking about the long-term development of our country.

Ayoko nang magbigay ng joke sa mga lawyers at I might be held in contempt, mukhang galit na si Dean Magallona e. He took it very seriously.

You must have heard of this before. In socialism daw, if you have a cow, they take away your cow and give you milk. Pero sa capitalism, if you have a cow, they lend you a bull.

So, ladies and gentlemen, from the Bases Conversion Development Authority, we have an economist. Ms Aileen Zosa.

***Ms. Aileen Zosa, Bases Conversion Development Authority, Recap of Day One:***

Thank you, Freddie and good morning to our honored guest, Vice President Teofisto Guingona, Sen. Wigberto Tañada, and all the members of the FTA, good morning.

I will recap what transpired yesterday. This is the summary of the results of the forum for day one.

It started out with Sen. Tañada's welcome remarks and introduction. It was emphasized that it is never too late to reverse a flawed economic policy, such as WTO, AFTA, tariff reduction and unbridled globalization.

At present, more than 90% of tariff lines are in the 0 - 5% tariff regimes. Trade liberalization has brought misery to our people and we can see this in the shutdowns, the losses in agriculture, the displaced workers and the erosion of Philippine agriculture and industry.

The point was also stressed that before the WTO agreement was ratified by the Senate, there were clamours for addressing the 'readiness' issue, as well as the safety nets. Unfortunately, the government has never addressed these twin issues.

There is a need to translate PGMA's stand on freezing the tariffs and minimum commitments. Economic nationalism was defined by Sen. Tanada in three aspects. Giving substance to the Constitutional mandate to have an economy effectively controlled by Filipinos means recovering economic sovereignty, right to the chart and determine own economic destiny which were long lost to the IMF World Bank prescription. Economic nationalism also means building up capacity as a nation to grow and develop as one. Lastly, economic nationalism should rekindle the spirit of solidarity, of helping one another, that is, supporting our industry and agriculture, especially



government support. Thus, the forum intends to draw up a nationalist development agenda and help develop a road map on how this country can go back to the path of recovery, growth and development.

The forum was broken down into six (6) workshop groups, industrialization, agricultural development, service sector, education and culture, national governance and globalization, as well as local governance.

This overview of the forum was followed by a speech by Vice President. The speech essentially says that globalization was a dismal failure. There is, in fact, unequal globalization, no level playing field in terms of the following: tariffs in developed countries remain high, it even escalated; there is, in fact, continuing protection and subsidies by developed countries of agricultural products. Developing countries, on the other hand, cannot afford to subsidize their exports. So, in the face of this unequal globalization, what can we do?

Vice President Guingona has posited these issues.

That we demand FAIR trade not free trade.

In line with the President's pronouncements, there is a need to thresh out what our minimum commitments will be. Very important in the speech was the challenge to stamp out smuggling, to punish it as economic sabotage and the need for public and private sector task forces and special courts on cases on smuggling.

Vice President Guingona also challenged public and private sector to work together to file cases with international bodies for countervailing and anti-dumping measures. He also emphasized that government authorities should help and not prevent these cases.

There is a need for bold measures. Probably defer AFTA full implementation and the unilateral tariff reductions. There was a suggestion that a 10% surcharge be imposed on imports.

The challenge now is to work for a voice for the people in international forums. We have to speak out on experiences of people - how they are affected, how they are displaced by unbridled globalization. Our local farmers, businessmen and industrialists should speak out also.

Lastly, we have to invoke special and differential treatment. We have to operationalize the provisions of the SND in WTO. Basically, we have to emphasize that no reciprocity is expected on removal of trade barriers on developing countries if these are inconsistent with development, financial and trade needs of these developing countries.

After the speech of Vice President Guingona, Dr. Rene Ofreneo summarized the results of a previous symposium entitled 'From Core to Periphery'. The symposium results were as follows:

There had been no major structural transformation in RP's economy. It continues to remain poor inspite of serious Structural Adjustment Programs. Industry is hardly growing, agriculture is stagnating and only services expands a little. We see rising unemployment levels and there is inconsistent, unstable and unsustainable growth.

Dr. Ofreneo mapped out the history of the Philippine economy. He started with colonialism, the industrializing elite, the 1960 BOP crisis, the first time we accepted IMF prescriptions and policies, during the Martial Law regime - unbridled foreign borrowings, rise of investments of transnational corporation and cronyism, the 1980 debt crisis, the Asian financial crisis traceable to globalization and liberalization. That was, in a nutshell, the Philippine economic history.

Dr. Ofreneo followed it up with posing some national economic concerns. Can the Philippines grow only on one export winner which is electronics? Can we remain only subcontractors of TNCs or transnational corporations? Can Philippine population depend mainly on our exploited OFWs? Can the Philippines afford a continuing erosion of its traditional, industrial and agricultural base? Can the Philippines feel secure amid rising and continuing agricultural imports? Can Philippines pay its way out of its huge debt crisis? Can the Philippines sustain itself without a clear vision of an integrated development program crafted mainly of the basis of Philippine national interest? How should nationalism be applied?

After Dr. Rene Ofeneo's speech, Dean Merlin Magallona gave us a treatise on economic nationalism and Constitution.

It was emphasized that the present Constitution strengthens economic nationalism in practically a lot of major areas, independent foreign policy exploitation of national resources, land ownership, enjoyment of marine wealth, public utilities, franchises, education, mass media, advertising and the practice of profession.

But there have been global initiatives that constitute what Dean Merlin Magallona terms as 'assaults' or 'attacks' on the Constitution. Some of these are: the IMF World Bank conditionalities, the World Trade Organization which he emphasizes is not only on trade in goods but also covers services, investments and intellectual property rights.

He went on to detail what these provisions in the WTO agreement are, number one, national treatment under GATT. This provision provides for the elimination of tax policies to protect Filipino products basically saying that whatever tax incentives enjoyed by Filipino products will also have to be extended to imported products.

Another is the national treatment under the GATS, the General Agreement on Trade in Services. This opens up certain service sectors in our country like transport, communications, financial and banking, insurance, and tourism. This means that foreign professionals and foreign firms can go into these areas. He also emphasized that under GATS, the sectors which are identified have expanded in scope.

Another of these 'attacks' on the Constitution is the national treatment under TRIPS. This expanded the protection to IPRs or intellectual property rights and patents that will afford more protection to foreign patent holders.

Lastly, the national treatment in TRIMS, imports granted incentives as local firms.

Two questions have been posed very eloquently by Dean Merlin Magallona. What are the effects of globalization? The Philippine economy will lose its national character if we let globalization affect our industries and services. The national treatment clause will render foreign nationals at par with Filipino citizens. Filipino may lose their national identity as we grant more privileges to foreign enterprises and citizens.

That ends the summary. What will follow is the presentation of the results of the workshop groups.

*Freddie de Leon:*

Thank you, economist Aileen Zosa. Siya ho ay isang economist na hindi dual-handed, she says it as it is. Let us give her a round of applause.

We will now have the presentation of the workshop results. The presiding officer will be no other than the lead convenor of the Fair Trade Alliance, Atty. Bobby Tanada.

*Ka Bobby Tañada:*

Salamat Freddie. Magandang umaga po sa ating lahat. Tutungo tayo ngayon doon sa naging resulta ng mga workshops na ginanap kahapon. Nagkaroon po tayo ng anim na workshops. Isa on nationalist industrialization, pangalawa on nationalist agricultural development, pangatlo nationalist education and culture, pang-apat nationalist government and globalization, pang-lima local governance and nationalism, and the sixth is nationalism and a globalizing services sector. Ngayon, para doon sa workshop number one, tatawagin po natin the rapporteur Mr. Willy Tan from Marikina.

**Presentation of Workshop Results** (see annex 7: Workshop Results)

*Mr. Willy Tan, Samahan ng Magsasapatos ng Pilipinas:*

Maraming salamat po, Sen. Tanada. I will present the result of the workshop on nationalist industrialization. I think this workshop took the longest. Kami yata ang naiwan dito kahapon, iyong mga iba ay nagsi-uwian na.

Let me read the highlights of the workshop.

**The nationalist agenda should address maximum employment and serve the needs of 80 million Filipinos, provide goods and services at affordable cost to allow an increase in disposable income.** According to Mr. Meneleo Carlos, we have 80 million consumers and

that is large market. We insist on exporting to other countries, when in fact, dito pa lang sa ating bansa meron na tayong 80 million customers.

**The monetary policies have been designed for the interest of other countries rather than our own. We must preserve jobs, preserve industries. Monetary policies should serve our own needs. We should stop unfair trade.**

As I have heard, WTO is not anything about free trade. I don't know why our government authorities are going into liberalization, freeing our markets, freeing our industries, to the onslaught of imports. We should stop smuggling and we should stop dumping.

We have laws on anti-dumping, safeguard measures and these are for our protection. **We have the laws that should protect our local industries but we need to implement them.** We have anti-



dumping laws with no 'teeth'. Kung gagamitin ninyo ang batas na ito, bukod sa gagastos kayo, the burden of proof is on you. Napakahirap po nun.

**We have to review our tariffs and trade policies. We have to renegotiate unilateral concessions carefully and selectively.** In fact, President Gloria Macapagal Arroyo has already sent instructions to review the tariff policies of our government.

Ang problema kasi dito sa tariff natin, most of our local industries have not been consulted. I belong to the Samahan ng Magsasapatos sa Pilipinas. We asked if there has been any representation from the shoe industry. Minsan tinatanong ko sila. Wala raw e. How come the government sets policies without asking the affected industries? Iyon ang pinaka-problema natin.

**We have to institute anti-trust measures to ensure fair trade. Provide limited tariff protection plus monitor the industries given this protection,** para hindi ito maabusong. Ang sinasabi nila, pag sobrang protection, there is a negative side to it. But this is a special time. Ang problema natin dito, hindi tayo makalaban. Bakit? Because ang kalaban natin does not give us a fair chance. What they are doing is they are killing our industries. When the industries are not there anymore, pwede na nilang itaas uli ang presyong ibinagsak nila ngayon.

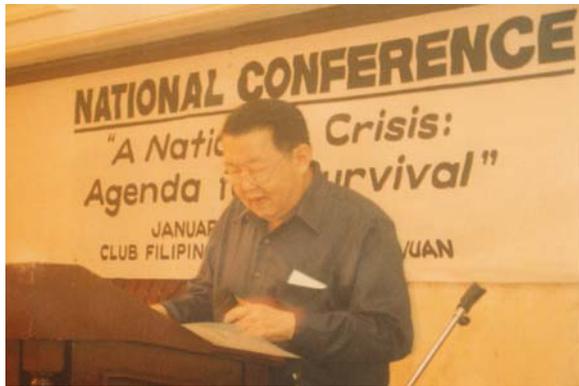
**Industries are suffering because of insufficient infrastructures available right now.** You know in China, wala pang businesses, yung infrastructure nila ginagawa na nila agad. They build buildings; they build roads kahit wala pang tumatao. So kung merong

negosyo or industries na ipopromote nila, nandoon na ang infrastructure. Samantalang sa atin dito, the industries have been there for so many years, the infractructures are nowhere to be found. Lalo na sa mga agricultural sector natin. Masyado tayong kawawa sa parteng iyon.

**We have to review and refine our BOT Law.** Sabi nga ni Mr. Carlos yesterday, the BOT Law is good because we have insufficient funds but we had to review the law. Some BOT projects are now controversial.

**We have to patronize indigenous local sources. Stop export oriented thought.** Alam nyo, dati hindi ko masyadong pinag-aralan pag binabanggit ng DTI kung gaano kalaki ang export nila. Napapanganga nga ako eh! Ang di natin naiintindihan, yung value added dun is kakaunti. Now, bakit gusto nating gusto mag export?

In 1997, for six years years in our study, ang pinakamataas na ine-export nating shoes ay 24 milliion pairs lang. In year 2001, ang import natin is 60 million pairs. So, titingnan natin na nakakuha tayo ng dollars from the 24 million pairs na na-export natin, lumabas



naman ang dollars natin to import the 60 milliion pairs. So what is the rationality of gearing on export when iyong domestic needs natin ini-import natin. Iyong sa local market natin binibili natin sa labas. Bakit hindi yung local market natin ang bigyan ng pansin.

Now, we are 80 million in population here. Let say bumibili sila ng 2 pairs of footwear each, one slipper and one dress shoes, that is 160 million pairs already. Among ourselves, di naming

kakayanin I-supply yan kahit pagsama-samahin ang lahat ng magsasapatos sa pilipinas. But how come the footwear industries right now is dying? Dahil sa ang unbridled importation natin dito sa Pilipinas ay napakalaki. Ang registered volume of footwear is just 60 million. But if we count kasama yung mga smuggling, footwear coming in is up to 200 million pairs. For 80 million Filipinos, 200M pairs ang pumapasok, importation pa lang yun. Paano na yung local? There's no way that the local can compete. Especially yung binebenta nilang imported dito is below the raw material cost. Ang ginagawa talaga ng mga imports na ito is kill industry.

I had the opportunity to talk to my friends in the restaurant business. The importation of onions nakatulong sa kanila. Kasi yung imported onions costs P20 per kilo while yung galling sa ating mga probinsya binebenta nila ng P60. Minsan, kapag umulan nagkakaproblema sa pag-transport so ibinebenta nila ng P80 per kilo. So malaki ang disparity. Of course, they would want to buy P20 per kilo. Nung naghigpit sa smuggling on the vegetables - onion, bawang, within one week time nagtaas agad ang presyo ng

imports, naging P40, nagdoble na agad. What would stop them from raising their price to P60 or P80 kapag wala na silang kalaban dito. Hindi nakikita ng gobyerno yun.

**We have to re-educate and to train people to change.** I was abroad for 10 years and nang dumating ako dito, nakita ko ang mga industries, mga factories nagsasara na. Bago ako umalis ang ganda-ganda ng negosyo. I found out, tinanong ko sa kanila, bakit yun bang mga laborers nila dito mababa ang sahod? Some of them received P400 – P500 per day. Meron pa silang pagbigas. Meron pa silang bonuses. But still they decided to strike and closedown the factories because of the some more demands. So para ipasara ang kompanya when you are a 'not bad' deal, hindi ko yon maintindihan. Noong nagtayo ako ng negosyo, I paid my laborers the standard minimum pay which is P280 a day. So imagine P400 to P 500 compared to P280 na minimum and you strike tapos isasara yung kompanya nila. Pare-pareho silang walang trabaho.

**We should provide and monitor security on opening of more economic zones which becomes venues for smuggling.** Yung laban naming sa kongreso last Monday with Cong. De Guzman of Marikina City, he pointed out that the shoes na pinapasok nila ngayon ditto sa Pilipinas is grossly undervalued. A pair of shoes, dress shoes, they declare as costing no more than P40. Sapatos na binebenta sa market na not less than P500, sometimes P1,500 to P 3,000, they import and declare the value as P40. Pag sinabi po nating 'declared', meron tayong papel. Nandun kung sino ang nag-import, anong pinagbayaran, a receipt.

**We need to have long-range targets, proper planning, comprehensive and rational development blueprint for specific products and industries. And before formulating strategies, government must consult affected industries.** Ito ang failure ng gobyerno natin. Banat sila ng banat without consulting the affected industries.

**We have to make the Philippines agriculturally and globally competitive.** Alam ko, ang Pilipinas ay mahusay sa agriculture but lately nagkakaroon ng maraming problema.

**We have to reduce the cost of business here in the Philippines.** That is the main problem of our manufacturers. How could they compete if the cost of electricity here is higher, as well as the costs of communication and transportation. This alone is not helping us to be globally competitive.

Kung hindi pa tayo globally competitive, bakit io-open natin ang market? Why should we go on with commitments to WTO. Maybe pwedeng ipagpaliban ito ng 5 years.

**Lastly, be a nationalistic. But we have to make concrete steps. We should patronize our locally produced product.** Huwag maging salita lang ito. I have been in Japan for ten years and the problem of their prime minister now is how to tell their citizens to buy foreign goods. Why? Because ang kanilang balance of trade ay medyo masama. Pinipilit pa nila ang kanilang citizen na bumili ng foreign goods. Samantalang dito sa atin iba. Mas gusto nating bumili ng foreign goods. Remember, products from Japan 30 to 40 years ago ay considered bulok. But the citizens continue to buy because they know that when you complain regarding a product, they will change it with a better product and

Japan continued to make their products better, Ngayon, kapag sinabi mong made in Japan, hindi na pwedeng sabihing bulok.

Thank you. Those are the highlights of our workshop.

*Ka Bobby Tañada:*

Maraming salamat, Mr. Willie Tan

Ngayon dadako naman tayo doon sa workshop two on nationalist agricultural development. Ang ating rapporteur for today ay si Mr. Dong Calmada.

***Mr. Dong Calmada, Philippine Ecumenical Action for Community Empowerment (PEACE) Foundation:***

Mahal na Bise Presidente, Sen. Tanada, at sa atin lahat dito sa plenary, magandang umaga po. Ang aking ire-report ay highlights nang aming napag-usapan kahapon. Siguro, kung pinakamatagal yung workshop kahapon, kami siguro ang susunod.

Ikwento ko muna iyong proseso ng workshop namin. Masaya tayo at napaunlakan tayo ng tatlong mahahalaga at magagaling na resource persons sa pangunguna ni Secretary Cito Lorenzo, Prof. Ted Mendoza ng Los Banos at si ka Manny Ching sa Rubber Industry. Mukhang nag-usap yung tatlo bago nagsimula yung workshop kasi may kanya kanya silang focus o emphasis sa kanilang pagbabahagi.

Si Prof. Ted Mendoza ay nag-focus doon sa historical, principled and systems bases agricultural development. He traced through history kung bakit nagkaganito ang ating agriculture. Si Sec. Cito Lorenzo naman ay na focus sa practical realities. Nagbigay sya ng mga kanyang opinion and iyong mga realidad natin sa ating agrikultura tulad ng pag-iisip ng ating mga magsasaka, iyong kanilang mindset. Maibalik yung kumpiyansa nila sa kanilang pagsasaka at pangingsda. Tapos si Ka Manny Ching ay nag-focus naman sa obserbasyon niya bilang isang negosyante. So from analytical to observations ang range ng pagtatalakay ng ating mga resource persons. Maganda rin ang naibahagi ng ating participants after the presentations.

Ang resulta ng aming workshop, pwede kong i-categorize into three. The first set ng napag-usapan is sa policy level, ibig sabihin, naka-address sa gobyerno o sa ating estado. Ikalawang tema ay tungkol sa advocacy work ng FTA mismo. Paano kikilos ang FTA in actual terms? Ikatlo, puntong cultural aspect. Kasi nga, ang sabi ni Prof. Ted, kung titignan mo ang etymology ng agriculture, agri and culture. Hindi lang farming system, di lang pagsasaka kundi usapin din ng mga tao. So meron kang babaguhin sa kultura o sa mindset ng magsasaka at mangingsda and even iyong nasa gobyerno.

Yung sa first set, sa **policy level**. Sa usapin ng **vision and strategy**, may pangangailangan talaga ang gobyerno na isagawa ito. Ano ba ang kanyang vision and strategy pagdating sa agricultural development? Kailangang magkaroon ng short term to long-term plans para sa agricultural development. Bigyan ng focus ang maliliit na magsasaka

at mangingisda bilang tunay na benepisyaryo at bida ng agricultural development. I-konsider doon sa vision yung transformation ng ating agrikultura. Tama na yung nakasanayan nating sistema na monocrop-based, plantation-based into diversified or mixed farming systems. Kinokonsider na rin dito sa diversified system yung iba pang usapin tulad ng support ng consumers. Tulad ng suporta ng mga consumers para ang ating agrikultura ay nakabatay doon sa consumer needs.

Sa **modernisasyon**, may pangangailangan talagang i-modernize ang ating agrikultura at isang mahalagang sangkap dito ay ang pagpapaunlad ng ating science and technology. Kasi ang ating mga hardware ngayon, ang ating mga makinarya ay talagang mga imported yan. So, may mungkahi na dapat i-tap natin ang sarili nating teknolohiya sa pamamagitan ng pag-enhance ng ating sariling ST capacity. Tapos sa modernization effort na ito, kailangang involved yung participation ng industries sector. Gaya ng sinabi ni Manny Ching kahapon, dapat yung business sector i-involved na rin dun sa paggawa o pag-develop ng mga machines para hindi na dapat mag-import pa ng technology, sa usapin ng economic nationalization.

Sa usapin ng **agrarian reform**, talagang meron pa ring pangangailangang pabilisin, tapusin yung ating CARP. Kung ang deadline ay 2008 dapat ang ating gobyerno ay tutukan kung paano tapusin yung agrarian reform kasi ngayon almost half a million hectares and kailangang i-distribute ng gobyerno sa mga walang lupa. Magandang nabanggit ni Sec. Lorenzo kahapon, yung reality na 17 months to go na lang ang kanyang administration and ang kanyang mandate ay i-adopto yung hands-on approach sa kanyang leadership sa DA.

Ang kanyang pagkakasabi ang kanyang mandate ay una, pataasin ang kita at productivity ng mga magsasaka at mangingisda. Ikalawa, magprovide ng trabaho sa agrikultura. Ikatlo, siguruhin yung availability ng pagkain lalo na sa urban center.

Malaking rin ang pangangailangan na i-engage ng Department of Agriculture yung participation hindi lang ng LGUs kundi pati na rin yung mga civil society groups lalo na yung mga national NGOs. Ito kasi noong nakaraan ay hindi natuunan ng pansin ng DA.



National NGOs ay kailangang i-involve na rin sa mga policy-making processes.

Sa usapin ng tariff, dapat i-**reporma ang tariff system**, mula sa istraktura hanggang sa policy mismo. So lumalabas na sinesegunduhan namin yung mga nakasulat na mga papel hinggil dito sa pagrereporma ng ating tariff system.

Sa ikalawang set ng recommendations, sa **advocacy work** particular sa FTA, unang-una yung

advocacy natin tungkol sa **tariff reform**. Magandang nanggaling kay Sec. Lorenzo yung punto na tayo ay dapat ding gumawa ng homework. Hindi lang ito usapin ng pag-raise ng mga issue na dapat mataas ang tariff. Dapat meron din tayong 'hard' figures na dapat pwede natin maihatag sa mga proseso base tulad ng sa Tariff Commission. Dapat meron tayong mga handang datos to counter argue.

Sa **anti-smuggling efforts**, iminumungkahing yung FTA ay maging aktibo dito at dapat **palawakin** pa yung kanyang constituency para mas malakas yung pagpigil ng smuggling ng agricultural products. May mungkahi rin **na i-localize ang FTA**. So kung malakas tayo sa national level baka magandang palakasin din natin ang ating mga probinsiya. Kung paano gagawin iyon, di namin napag-usapan. In principle, dapat i-localize na ito.

Nabanggit din doon sa unang workshop ang **pag-patronize sa local products**.

Sa ikatlong usapin, iyong **cultural transformation**, nakapatungkol ito sa mga magsasaka, tayo at sa gobyerno. Malaking struggle din ito ng pagbabago ng mindset, mula sa cynicism, negativism, lalo na yung usapin ng kawal ng kumpiyansa sa mga mangingisda at magsasaka. Sabi ni Sec. Lorenzo, ito ang kanyang focus na ni-recognize naman ng mga participants - paano maibabalik ang kumpiyansa sa mga mangingisda at magsasaka. Yun na po ang napag-usapan naming kahapon. Marami pong salamat!

*Ka Bobby Tañada:*

Maraming salamat, Mr. Dong Calmada. Ngayon pupunta tayo sa workshop number three on Nationalist Education and Culture. Our rapporteur is Prof. Jorge Sibal.

**Mr. Jun Mendoza, Nationalist Economic Protectionist Association:**

Magandang umaga po at mabuhay sa ating lahat. Ako si Faustino 'Jun' Mendoza at ang aming topic sa workshop kahapon ay tungkol sa nationalist education and culture,



Bago roon ay gusto ko munang ipaalam sa inyo na ang NEPA o National Economic Protectionist Association ay nagagalak at narito tayo ngayon. Ang pag-asa natin ay nakikita natin sa isang pamunuan, sabi nga in hundred years magkakaroon tayo ng nationalist leadership at ngayon ay nakikita naming na napakalapit na pala noon. Nagagalak kami na ang pangalawang makapangyarihan pinuno natin ay isang nationalist. Siguro

tayo ngayon na narito ay talagang magkaroon pa ng pag-asa na mayroon pang mangyayari sa ating bayan at mangibabaw ang nationalist aspirations natin sa malapit na panahon.

Para po sa inyong kaalaman ang NEPA ay pinakamatagal na NGO na yata ito, noong 1934 pa. Pinamumunuan ito ng mga industrializing elite, sila Gonzalo Puyat, Aurelio Periquet, Toribio Teodoro ng 'Ang Tibay'. Ang isang incorporator nito ay ang San Miguel Brewery. Ang pangarap nila ay isang industrialisadong bansa at isang industrialization sa ekonomiyang epektibong pinamumunuan ng mga Pilipino. Ang NEPA na iyan sa ngayon ay di pa rin nawawala ang pangarap yan ng industrialization. Kaya itong ating pagpupulong na ito, kung titingnan natin ang NEPA ay hindi pa rin nawawalan ng pag-asang magkakaroon pa rin tayo ng pambansang industrialisasyon.

Noong panahon na iyon ang tinutulak nila noon pang mang 1934 ay ang tangkilikin ang sariling atin, ang ating produkto, Sapagkat hindi magkakaroon ng industrialisasyon kung walang markets sa kanilang product. Kaya noong nagkaroon tayo ng import substitution noong 1950 hindi rin umunlad yan dahil sa tinatawag nating narrow markets. Maliban doon sa parity, iyong narrow markets na iyan, iyong tangkilikin ang sariling atin.

Kaya napakahalaga ng nationalist education sapagkat kung walang nationalist education, walang tangkilikan. Kung walang tangkilikan, wala ring nationalist industriyalisasyon at nationalist agriculture. Kaya napakahalaga ng component ng nationalist education.

Kailangan ang **educational system natin ay scientific at nationalist**. Sapagkat kailangan natin ng mga manggagawa na magiging productive and creative. Kailangan natin ng mga engineers, scientist, technologist na magpapatatko ng industrialisasyon. Kaya ang tema ng ating agricultural education ay dapat maging scientific and nationalist.

Tatlo ang aming resource persons. Sina Raul Segovia ng Citizens' Alliance for Consumer Protection, Mrs. Leticia Constantino, at si Prof. Vivencio Jose ng UP School of Arts and Letters.

Ikinuwento ni Prof. Jose na lahat ng naging industrialized countries sa Asia, Korea, Japan, Thailand na nangunguna sa atin ay binigyan ng halaga ang kanilang nationalist education. Kung wala yang nationalist education na yan ay hindi maaring maging maunlad. Ipinakita niya na ito ang naging dahilan kung bakit nagiging industrializing tigers ang South Korea, Hongkong, Japan at Taiwan.

Ang naging problema sabi niya ayon sa isang pag-aaral ay nagde-deteriorate ang ating mga paaralan. Number 48 sa mga magagaling na universities ang UP at ang La Salle at Ateneo ay umabot pa sa number 70 at 78. Ibig sabihin noon ay lalong sumasama ang ating educational institutions. Ang mga nangunguna ay iyong from South Korea, Australia, at iba pang karatig bansa. Ang sinasabi na dahilan ng pagbaba ng ating educational system ay dahil ang minana nating educational system ay colonial in nature. Kaya ang dapat na thrust natin ay palitan ng bunga ng colonial education na iyan.

Ang sinasabi ni Mrs. Leticia Constantino, ang nakilala nating nasyonalismo ay uri lamang na paglaya, ang pagkamit natin ng independence noong 1948. Ibig sabihin, matapos na makamit natin yong independence para bang naging passé na ang nasyonalismo. Hindi natin nabigyan ng halaga ang mas masidhing bunga ng colonial education iyong kawalan ng economic nationalism. Kaya ang colonial na education ang nagbunga ng paniniwala na ang lahi natin ay mababang uri at ang superior ay ang mga Westerners. Kaya ang paniwala natin hanggang agricultural na lang tayo at hindi tayo pwedeng mag industrialize. Ang masama pang nangyari sa ating colonial education nakalimutan natin ang ating kasaysayan at ating istorya. Nawala din sa atin ang ating identity. Ang ating educational system ay nag-create ng market for foreign products at cheap labor para sa mga foreign factories.

Isa pang nagiging problema ngayon ang itinuturo natin sa economics ay iyong mga patakaran ng economic globalization, foreign investments, individualism at masyadong consumerism. Sa madaling salita ay dumaan tayo, na-social engineer tayo na maging colonials, maging brown American. Ang nararapat na sinasabi namin ay reverse engineering ng education. Kailangan ang educational system ay mai-reverse yong hanggang ngayon ay nananatiling colonial education.

Ang mga mungkahi namin ngayon ay ang mga sumusunod. Isa pa palang kailangan ay magkaroon ng nationalist training modules para sa mga guro at mga deans, principal at sa mga may-ari ng paaralan. Kailangan gumamit ng popular technology gaya ng mga 'anime' sa pagtuturo ng kultura ng nationalism at gumamit din ng multi-media advertising, ng internet and other forms of communication para maabot ang mga pamilya, paaralan, simbahan at iba pang mga institusyon kasama ang entertainment institutions.

Isang problema nating ang pagbabago ng ating kamalayan at kaisipan kaya pinag aaralan natin kung paano natin maiimpluensiya ang ating gobyerno para mabago ito mindset pa natin na hindi pa rin tayo naniniwala na pwede tayong mag-industrialize. Kailangan maniwala tayo na with industrialization, lahat ng nararanasan nating economic crisis ay magkakaroon ng solusyon. Yong balance of payment crisis, yong trade budget deficit. Mangyayari lamang iyan kung masusuportahan ng mga pamayanan, ng masses.

Ang educational system natin ay **dapat buksan ang isip ng karamihan**, hindi lamang sa business but in the economic sense, meaning economic nationalism, kung saan ang kapakanan ng marami at iyong pangmatagalan o sustainable ay pinagtutuunan ng pansin. Kaya ang grupo namin ay may ginawang resolusyon.

We resolve to give direction to nationalist education by crafting an inspiring vision of an economy and a society we desire.

We resolve to make Fair Trade Alliance a strong organization so that our views will be heard and respected.

We resolve also to develop an educational system founded on nationalism and moved by the spirit of global excellence for national development.

We resolve to translate the WTO provisions into layman's language that will enable us to overcome the negative effects for the economy.

We resolve to implement the NEPA law and the FLAG law. Alam ninyo noon meron tayong batas na dapat pairalin yong NEPA Law kung saan in the month of August inobluga ang local governments na bigyan ng panahon ang NEPA at yong prinsipyo ng economic nationalism ay mapag-aralan sa mga eskwelahan. Katunayan kahit pa noong panahon ni Pres. Marcos, noong Martial Law, ay pinairal pa rin ang NEPA Law na yan. Mayroon NEPA Week at isa iyon sa pwedeng madaanan ng ating mga pagtuturo para matanggap ng mga kabataan ang economic nationalism.

Lastly, we resolved to establish or reconstitute our group into the FTA Education Committee composed of the members of workshop three and jointly chaired by our three resource persons. Hindi natatapos ditto ang trabaho ng workshop three kundi ipagpapatuloy ang pagbabago sa ating educational system.

Bago ako magtapos ay mahalaga ay yong magkaroon tayo ng bagong pag-iisip. Kasi sa NEPA, naalala ko lang, matagal na kaming magkasama ni Freddie de Leon, lagi kaming nagmumungkahi ng national economic plan na lagi naming pinaabot sa lahat ng mga presidente natin mula pa kay President Marcos, President Cory Aquino, President Ramos, subalit hindi naman kami pinapakinggan sapagkat ang namumuno sa ating economic institutions gaya ng NEDA, Central Bank ay meron na silang mindset na tama iyong kanilang paradigm. Iyong neo-liberalism, free trade, free enterprise na iyan ay ideology na na supported by their convictions. In fact, meron pa silang scientific basis for all that. Kaya kahit anong gawin natin proposal naniniwala kami na di nila tayo pakikinggan.

Ang ating solusyon ay ang ating ginagawa na economic program ay dapat i-address na natin sa ating mga communities. Nasa ating mga kamay na ang ating solusyon.

Gusto kong ibalita sa inyo na magkakaroon ng reunion, resurgence ang NEPA at iimplement namin ang isang kantangkilikan network kung saan ilalagay na natin sa ating kamay ang pagbuo ng national economy. Ito ay gaganapin sa February 25, anniversary ng EDSA 1 revolution.

Inaasahan natin na ang NEPA at ang Fair Trade Alliance ay napapanahon. Siguro tayong naririto ngayon ay hindi lamang nagmamahal sa bayan kundi nangangamba, sabi nga ni Merlyn Magallona, tayo ay nangangambang mawawalan tayo ng bansa. Iligtas natin ang ating bayan. Maraming salamat.

*Ka Bobby Tañada:*

Marami pong salamat, Mr. Faustino Mendoza. Ngayon tutungo na tayo sa workshop number 4, ang nationalist government and globalization. Ang atin pong rapporteur ay kinikilalang leader sa sector ng paggawa, si Mr. Lito Rallistan o si Ka Lito.

***Ka Lito Rallistan, ADLO:***

Magandang umaga po sa ating lahat at ang grupo ng mga manggagawa o sector ay nagbibigay-pugay sa isang inisyatibang di namin inaasahan sa ilalim ng office of the Vice President at ng Fair Trade Alliance.

Ang amin pong workshop ay nag-umpisang magpulong ganap na 1:45 ng hapon at ang pagpupulong na ito ay tumagal ng dalawang oras. Natapos ang pulong sa ganap na 3:45 ng hapon. Ang amin pong tagapagsalita at tagapaglinaw ng mga isyung naatang po sa amin ay ang aming kapatid na si Dr. Sixto K. Roxas at kapatid na Aileen Zosa.

Ang mga lumahok ay mula sa apat na organisasyon. Ito po ay mula sa dalawang federasyon ng manggagawa. Isa iyong kinikilalang sentro ng paggawa sa ating bayan,



ang Lakas Manggagawa Labor Center at iyong dalawang federasyon ay iyong NLU, National Labor Union at ang Association of Democratic Labor Union. Ang isa po ay mula sa sektor ng industriya sa ilalim ng organisasyon ng FPI, isa galing sa City Council Local Government mula po sa lalawigan ng Marinduque. Bilang pang-apat ay

isang organisasyon na Reconciliation for Progress and Development sa ilalim ng pamumuno ni Atty. Bayani Hipol, ito po ay sa komunidad.

Doon po sa workshop na naituring, ang pamagat ay nationalist government and globalization. Dito ay naglapat ng anim na mahalagang puntos o katanungan para ito ay maging batayan ng talakayan. Ito po ay ang mga sumusunod at pasensya na po kayo at naisulat sa English.

1. What is the vision of a Nationalist Government – its mission purpose, its development thrusts should a nationalist government be elected and the reform measures it is going to undertake to reverse the decline of the economy?
2. What can a nationalist government do in dealing with the ill effects of globalization such as the collapse of local industry and agriculture? joblessness and jobless growth?

3. Can a nationalist government succeed in uniting the people behind a nationalist development agenda?
  4. How do we deal with the so-called economic fundamentals, in particular issues related to the budget, debt and so on?
  5. How should we strategize Philippine position in the globalizing world economy, especially in relation to AFTA and WTO?
- 5-6. What is the overall role of economic nationalism on governance issues?

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Iyan po ang giya kaya po ang aming unang tagapaglinaw, tagapagsalita ay binigyan ng diin ang tatlong mahalagang puntos. Ayon kay kapatid na Dr. Roxas sa kanyang paunang salita at paglilinaw hinggil sa issue ng globalisasyon at kung paano haharapin ng isang nationalist government ang polisiya at strategy laban sa isyu ng globalisasyon. Ang discussion po ayon sa kanya sa globalisasyon ay may nakatutok po para sagutin ang tatlong mahahalagang katanungan.

Una po, ano ba talaga ang katangian ng globalisasyon at ano ba ang layunin nito? Talaga bang nakabuti ang globalisasyon? Ano ba ang mga benepisyo nito? Pangalawang katanungan, ano ba ang dapat gawin upang maiwasan ang negatibong epekto ng globalisasyon? Panghuli, ano ang papel ng gobyerno sa isyu ng globalisasyon? Ano ang kahulugan ng isang nationalist government o makabayang gobyerno sa globalisasyon? Sino ang may mahalagang papel, ang local na gobyerno o ang national?

Sa pagpapatuloy niya, ayon sa ating kapatid na Dr. Roxas, ang globalisasyon ay tumutungo sa isang paglikha ng isang global o pandaigdigang o yong tinatawag niyang planetary community. Ang character ng globalisasyon sa ngayon ay free movement of goods, capital and services at hindi naman kasama ang free flow o galaw ng mga tao sa lipunan. Ito raw ay isang grandiyosong kaisipan mula sa mga neo-liberal.

We believe our country cannot achieve development if we can't bring in capital and services na hindi naman free flow o yong galaw ng mga tao sa lipunan. Ito raw ang kaisipang neo-liberal.

We believe that our country cannot achieve economic development if we cannot administer the need to develop our agricultural sector and our local market in planning for national economic policies. It should be participatory, with the involvement of the local communities. He suggested that there is a need to strengthen the grassroots community.

Sa puntong ito, may nagtanong po na isang leader manggagawa. Ang kanyang katanungan ay kung kailangan po ba nating pumasok sa globalisasyon. Hindi po ba tayo mapapasa ilalim sa mga dayuhang interes, saan na populutin ang mga Pilipino?

Ang sagot po naman ng ating kapatid na si Dr. Roxas ay ang globalisasyon is inevitable. There is a need to counteract globalization. He stressed **the need to prepare our local economy and strengthen it**. Differential treatment can be used to protect the local industries. He added that a **program for a nationalist government should focus on the**

**need to address rural poverty.** According to him, **a nationalist government is a government that protects the welfare of its citizens.**

As his last statement, he said that the **government should have the capability to shape concrete programs and strategies that can further the lives of our local communities.** Dito po nagtapos yong ganitong paliwanag.

Sumunod pong tagapaglinaw sa ikaapat na grupo ay ang ating kapatid na si Bb. Sosa.

Ayon po sa kanya ang foreign national observed that Filipino workers are very smart. Magagaling daw tayo at medyo pogi rin ng konti. Filipino workers are not, sabi ng dayuhan, consistent lalo na quality-wise kaya kinakailangan at importante na magkaroon ng training ang ating mga manggagawa, para maging highly skilled and competitive to increase our quality standard.

May isa po na kagyat na nagbigay ng obserbasyon dahil kung sa usapin ng pagiging mahusay na manggagawa ay mukhang handa po ang ating manggagawa ngayon lalo na sa ating industriya ng auto. Katunayan ang mga trainings na inilulunsad, ang sabi ng isang manggagawa, ay hindi naman para i-enhance iyong skill kung hindi i-enhance iyong pag-intindi ng mga manggagawa kung paano susunod sa mga polisiya ng management na hinango mula doon sa kanilang mother companies para ang mga proceso ng paggawa ng produkto. Kung ang produkto ay nililikha doon sa bansa o sa mother companies ng dalawang oras, dito tini-train ang manggagawa ng management para matapos ito ng isang oras at hindi para mapahusay pa ang kanilang skill. Iyon daw po ang mga training na kanilang nakukuha. Hindi talaga para pahasayin yong trabaho at ibigay o i-transfer iyong skill kundi iyon skill kung paano susundin ang polisiya, paano likhain o matatapos ang isang produkto ng mas maaga kaysa sa tinapos na produkto mula doon sa mother companies, doon sa labas ng bansa. Kaya siguro hindi tama na sabihin na ang manggagawa ay inefficient.

Isa pang tanong ay tungkol sa mga natatanggal na manggagawa dahil sa globalization. May mga retrenchments at ang tuluyang pagsasarado ay common na nakikita at nadarama ng mga manggagawa. May mga nalikhang mga polisiya ang ating gobyerno na mga safeguard measures hinggil dito pero ito ay para sa mga industriya, para sa mga namumuhunan ng ating bayan. Ang mga naapektuhang manggagawa ay walang safeguard measures.

Halimbawa, kapag ang issue ay trade liberalization, ang atin pong mga manggagawa ay malaki ang bilang ng mga natatanggal sa trabaho. Napipilitan naman sila na magbantay sa tarangkahan ng kanilang pinagsisilbihang kompanya. Naihayag tuloy ng isang kasama sa local government na siguro ang globalisasyon ay isang glamorized term ng kolonyalisasyon. Hindi para mapabuti ang takbo ng isang pamayanan kundi para ito ay i-colonized.

Naalala ko noong unang buuin noong nakaraang taon ang Fair Trade Alliance at ang aming speaker ay ang kinikilalang industrialista sa ating bayan na si Ginoong Concepcion. Ang sabi niya, ang globalisasyon daw ay isang mataas na anyo ng

imperialismo. Mukhang hindi na kakaiba ito sa mga naririnig ko simula ng ako ay maging isang leader manggagawa noong unang taon ng dekada 70. Narinig ko na ang kolonyalisasyon at narinig ko na ang imperialismo. Ito palang globalisasyon ay hango at nandoon sa sinapupunan ng aking mga narinig noong sinauna pa man. Naiintindihan ko lalo kung ano ang ibig sabihin ng ating kapatid.

Ang isa raw gobyerno sa ilalim ng pamumuno ng isang makabayang gobyerno ay **dapat bibigyan ng pangunahing prioridad ang interest ng kanyang mamamayan**. Ang nationalist government ay **kailangang tumitingin at tumatanaw at magbigay ng best effort para makapagsilbi sa interest ng bayan, ng mamamayang Pilipino**.

Inulan ng katanungan ito, mula doon sa grupo na galing sa komunidad. Naglinaw siya na he believes that there are two aspects that we can look into the issue on WTO agreement. First, other countries produce quality goods and they export them into our country. The Philippines also should able to compete by producing the same product of the same quality in the Philippines, selling them at the same price that foreign goods sell at. Second, the Philippine also should to be able to produce products that can be exported to other countries.

Ito ay sinaliwan ng katanungan na hindi naman kaagad nabigyan ng linaw noong ating speaker dahil naagaw ng isang katanungan mula sa industriya. Ang sabi ng ating kapatid na Freddie de Leon, ang globalisasyon is not as irreversible as other people say. According to him, people in other countries who are participating in international conventions are asking their governments to not participate or not to sign the new agreements in the WTO. As a result, according to him, this will reverse the process of globalization. **Government should probably go back to bilateral agreement as a response to the question on what will happen to world economies with the reversal of globalization.**



Ayon pa rin sa ating kapatid, sa kasalukuyang status, the current status of intangible or slow down of promises kept by the WTO left a widespread disgruntled feeling among the WTO participating countries. WTO is not really 'free trade' but 'failed trade'.

Sa pagpapatuloy, tinanong ulit ng isang participant mula sa labor group. He said that the labor sector is open to the fact that there are industries that are affected by globalization but there is also a need to have a nationalist government or a makabayang gobyerno. According to him a nationalist government **should see to it that there are programs that will help the affected level sector to cope with the situation**. He said that there should be insurance banks that can offer assistance to the labor sector.

He also said that the labor laws and policies should be strengthened to protect their rights.

Napakaimportanteng sa ngayong panahon ay maglabas, to come up with a nationalist agenda to protect the interest of our people and industries. There is a **need to look at our present positive policies to build our local economies on order to cope with the negative impact that globalization may cause.**

The last person, yon huli pong participant ay galing po sa FFW. Ang sabi niya ay **dapat merong perspektiba** and he believes that we **should go back to basic**. There is always an antagonistic feeling toward the government but this not should be the case. According to him, a **nationalist government should define where and how it should protect its citizen**. For him, globalization is the creation of a community of nations and in a community, there should be a general caring attitude. He added that in contrast to the trend of global identity, we should always **assert our local identity and sovereignty**.

Nakapaglabas po kami ng mga proposisyon, labing-anim po lahat.

Ayon po sa aming grupo:

- Government should protect and support labor in terms of socio-economic fund or emergency fund for displaced workers due to trade liberalization.

Strengthen workers organizations especially on the labor management councils, for them not to raise issue against each other but to raise issues on the improvement of production, processes and efficiency.

Dapat talagang palakasin ang grupo ng pagtutulungan ng puhunan at paggawa sa ilalim ng issue ng globalization para ng sa ganoon tingnan ang bahagi ng lumalaking bilang ng mga contractual workers na kung saan marami ang lumalapastangan na mamumuhunan sa hindi pagbabayad ng tama sa kanila bukod sa kawalan nila ng karapatang mag-union.

Dapat tingnang maigi ng isang makabayang gobyerno na sa dakong ito ng ating buhay ay merong ganyang mga lumalaking grupo ng mga manggagawa.

- There should be a policy that industries still struggling should be rescued and so with the jobs in those industries.
- Localize to develop. "Think globally and act locally"
- Local governments and civil society should be partners in development.
- A nationalist government should not allowed the economy to be disadvantaged by WTO rules. It should protect and support its people.
- Philippinize products. Introduce indigenous design in Philippine products.

- Disperse industries and economic activities to the regions.
- Simply reverse what are being done now.
- Rationalize public spending, structure public expenses.
- Get industry representative on the negotiating table on trade agreement plus labor.
- Enforce immediate safeguard measures.
- Debt relief and debt moratorium should still be pursued.
- There should be policy where imports should balance exports in trade with each country.
- There should be a graduated, calibrated liberalization, ala China.
- There should be a continuing program for learning, innovation and technology acquisition.
- Go back to the basic.

Marami pong salamat at mabuhay tayong lahat.

*Ka Bobby Tañada:*

Maraming salamat, Ka Lito. Ngayon bago tayo pumunta sa workshop number five, unahin natin yong workshop number six, on nationalism and a globalizing services sector. Ang rapporteur po natin sa workshop na ito ay si Atty. Meilou Sereno

***Atty. Meilou Sereno, UP College of Law:***

Bise Presidente, Sen. Tañada, Dean Magallona, kagalang-galang na mga bisita at kaibigan. Hindi po ako ang rapporteur. Pinag-utusan po ako ng facilitator at ... pinagtulungan po nila ako at nandito po ako at umunlak sa imbitasyon ng FTA. Ginagawa ko lahat ng kaya ko para maka-contribute sa session na ito dahil po I consider myself as a kaibigan and ka-ibigan of members of the FTA. So thank you very much.

The presentation that my group is going to make is a bit different. First, I have asked permission from the facilitator of our group, Prof. Boni Macaranas and also consulted with Ms. Beckie Gaddi whether we can, in fact, go through some clarificatory discussions first so that the strategies and objectives of the FTA can be better achieved.

First, I wish to congratulate FTA. When I read the unity statement that they issued in 2001, I found that it was the most comprehensive and the most intelligent statement of any

coalition so far trying to take a very global perspective. I have to say that I admire it because it is really a class act. Considering that it is multisectoral, it is a very realistic approach to the problem at hand.

With much apologies, I would like to make this clarificatory discussions and where I am coming from. In the best of faith, I am giving these statements as a former legal counsel of WTO in Geneva itself. So if you are looking for somebody who has worked in the heart of the dragon, I have been there. I read those discussions on those debates from both sides.

I have also worked with the Philippine government when it negotiated several of our disputes from several countries principally the pork and poultry minimum access problem when the US and the European Union were trying to force us to change our administrative regulations on the minimum access volume system. Also to a large extend, when there some internal problems of a confidential nature and I cannot disclose anymore that I have assisted in. I have also, at the same time, seen the plight of the industry and how my heart bleeds for what is happening in industry. So my participation has been on the legal side. Until December of last year, I was the legal counsel of the WTO-AFTA Advisory Commission under the Office of the President. I learned international trade law under Prof. John Jackson who was considered number one in the world. So within that context, please let me just clarify certain things.

First clarification, what I call 'debunking the myth'. **WTO does not require free trade.**

There is not a single line in the 550 pages of legal text of the Marrakesh Agreement or the so-called WTO treaty that members must try to achieve free trade or form free trade areas. So the decision of any country to



go for a near-zero regime can only be the result of two things. One, a unilateral decision on the part of the government, that I want it or two, as a result of a concession that they are making.

For example, Canada, the United States and the European Union have tariff rates which peak as high as three hundred percent (300%). Now, at the same time, they claim in all their press statements that their average tariff rate is only 3%. This is because of the so-called phenomenon of tariff peaks. In other words, you have a tariff structure which is very low for some products and very high for the others. You can imagine already the kind of products that are receiving 300% tariff protection. Of course, the products that they have no interest, they impose a zero tariff regime.

The tariff peak of the Philippines is 80% and it is only limited to a very, very few products. So ours is not a tariff system that is similar to the tariff system even of the most developed nations.

Under the Marrakesh Agreement, the concept of a free trade area is a derogation, an exception. It is not the norm and has to be strictly examined under the conditions of Article 24 of the WTO. In other words, they think that when you enter into a free trade area, the way that the NAFTA is a free trade area and the European Union is a free trade area then it is an exception or a possible major violation of the MFN clause. So in order not to be charged with violating the MFN clause, the WTO members involved must do either of two things. Either get a waiver from everybody else na okay sa kanilang may free trade area or strictly comply with the conditions of the Article 24 which require substantially free trade, a near zero regime for all or nearly all of the goods produced in that region. The only way that the AFTA-CEPT regime can be validated is if we dive to a zero regime down the line. So if you think that you are trying to hold up the AFTA-CEPT by saying let us keep on making those exceptions, the AFTA-CEPT is always open to a legal challenge that it does not satisfy Article 24 of the WTO. There is always a danger there that I don't know whether some governments may be oblivious or not.

Second, the **WTO achieves its objectives through two things**. One is a **progressive impetus to trade liberalization**. So, that is accurate. How do they do that? By holding continuous rounds of trade negotiation. Right now, we are under two rounds, the mandated negotiating round under the Marrakesh Agreement concurrently with the round of negotiations under Doha. That is what will drive all countries to further reduce their tariff but at the same time the other track of the WTO is to **regulate the trade practices of countries through legal regulation of trade policies**.

So, if you bring this two together in a mix, what do you have? You have a country like the United States able to use all the legal flexibilities within the WTO and pushing for greater market access in the countries that it wants to open its areas to. On the other hand for the Philippines, we can also adopt the same strategy.

**Look at all the flexibilities in the WTO and force market opening access for those countries that we want to penetrate. At the same time, call into question the implementation by the other developed countries of the subsidies agreement, of the agreement on the agriculture which they are right now using to protect their farmers by major subsidies, protect even their industrial giants by the callous imposition even, of anti-dumping duties.**

In other words, it is a ball game. What we have to realize is it is ballgame with rules, if we don't know how to use those rules we are going to be knocked down fast and we wouldn't even know that we had a chance.

Myth number 3: **the tariff structure of the Philippines is a monolithic structure**. Wrong. Basically we have 3 kinds of tariffs applicable right now. So you have to understand what are you barking at, what you are angry with. The first line that you are going to look at

under the tariff rates of Section 104 which is the tariff line descriptions for the Philippines is the MFN rate. Iyan iyong sinasabi ng FTA na huwag nang further i-reduce.

Myth number one is that the **MFN rate is the same as the MFN clause of the WTO**. It is not. The MFN rate is the rate that we apply to the imports of all countries with whom we have, either a trade and investment treaty or whom we have normal trading relations. So pag sinabi ninyo na huwag nang pababain ang MFN rate you are not telling the government, huwag na ninyong pakialaman yong WTO rates. Those are two different things. You are saying, iyong unilateral decision ninyo na ipababa pa ang MFN rates ay huwag ninyo nang ituloy o you backtrack from it.

What are the legal restrictions on the government? Can you ask them to stop reducing the MFN rates? Yes, you can. Why? It is a unilateral decision of the government so pag sinabi nila hindi pwede kasi bawal sa WTO medyo hindi po tama iyon. Hindi tama pag sinabi nilang hindi nila kayang hindi babaan ang MFN rate kasi ito po ay binding under the WTO, hindi po iyon tama.

Ano ang tama? The MFN rate can never be higher than WTO bound rates. So ang titingnan po ninyo ceilings kung gusto ninyong itaas ng government ang MFN rates, tingnan nyo po ang WTO schedule of commitments natin. So iyon po ang second column. Iyong first column is the applicable rates na gusto ninyong i-adjust and the second column is what we committed as a treaty obligation. Iyan po ang maximum ninyo within the existing law at hindi po lahat ng bagay ay naka-bind sa WTO. So if it is not bound, you can impose one thousand percent (1,000.00%). And you, through your discussion with government not through a general plea for increase or change, you go with them with a line-by-line discussion. For example, tariff number 3901 or 4165, bakit ganito ang rate nito?

The third tariff rate we have is the AFTA-CEPT rates which is applicable only to members of AFTA. Iyan ang mababang mababa. The WTO bound rates po natin, kaunti lang po iyon, in fact only just about 60% of our tariff lines or even less are bound under the WTO. Ang AFTA po natin right now is nearly 99% bound.

Iyong AFTA-CEPT po ang talagang major ang reductions na sinasabi ng Pilipinas na nahihirapan po siyang lusutan kasi naipangako na. Ang dapat po ninyong itanong bakit mahirap? Pag sinabi po nilang imposible, ang tingin ko po ay hindi accurate iyon. Kasi po wala statute na nagbi-bind sa Pilipinas at those rates. Pero pag sinabi nilang mahirap, tanungin po natin kung bakit mahirap, at iyan na po ang discussion point ninyo.

Ito lang po ang gusto kong i-clarify kasi po ako ay natutuwa dahil for the first time, people of different persuasions are coming together. Now, allow me to go to what should really be my proper role which is introducing what we agreed upon.

Ganito ang nangyari sa services sector. Maganda ang nangyari sa services sector kasi iba-iba ang kurokuro namin. Sabi ng taga National Union of Bank Employees, si Ginoong Umali, nag-collapsed ang banking employment dahil sa globalisasyon. Maraming nawala, may retrenchment pati sa telecommunications sector. Ako po nag-introduce

ng element of domestic competition, baka naman kaya nagkakaproblema o kaya masyadong napamahal yong bili ng PLDT, o kaya naman po ay talagang global downsizing at meron talagang movement towards merger and consolidation in a banking sector. So sa discussion lamang po namin ay nagbigay ako ng food for thought kay Ginoong Umali.

Pero ang sinabi po namin at mukhang di naman na-dispute ay iyong General Agreement on Trade in Services as the legal document was not responsible for the liberalization of the banking sector. What was the responsible for the liberalization of the banking sector was a decision reached in the early 90s by our economic managers concurred in by Congress to liberalize banking sector. Nauna po iyong batas bago dumating iyong GATS. Maaari po talaga mas may impetus ngayon pero hindi po GATS ang nag-cause noon. Ang nangyari po, ang banking decision ang ibinigay natin sa negosasyon kasi anyway there was already a government decision to open it.

**Second po yong exploitation ng mga trabahante natin sa labas.** It is not the effect of GATS. it may well be the result of the fact that we don't enough jobs here. It also is a result of the fact that it is easier to travel and find jobs abroad. It is a phenomenon created by all kinds of factors not directly by GATS.

**Third is the social costs of continuing migration ay matindi.** Everybody agreed. Napakabigat talagang binabayaran ng Filipino family for continuing migration.

Fourth, ang sabi naman po kasi yong globalization phenomom na tuloy tuloy, yong mga **marginalize sector lalo pong napuput at risk and hindi nila alam ang nangyayaring**



**ito.** So everybody knows na lalong nahihirapan talaga ang mahirap ngayon. Meron kasing parang social transformation na nangyayari and in any social transformation it is really most dangerous to the marginalized sector.

Fifth, **kung anuman kahirapan sa gobyerno natin na mag-usap-usap at gumawa ng policy ay lalong lumalala.** In

other words because of the pressure to negotiate, make offers and requests, kung anuman ang problema, lumalala at naha-highlight ngayon. Kasi noon pa man, ang consensus sa grupo, ay noon pa naman may problema na of that character. Mayroon hong nagsabi na dahil sa globalisasyon, imbis na makagawa ng batas na makabayan immediately, dapat kayang-kayang gumawa ng Kongreso ng makabayang batas, ay napipigilan dahil may magsasabi sa kanya na hindi yan compatible sa mga commitments natin at hindi yan pwedeng gawin dahil iba na ngayon ang ekonomiya. Meron pong ganoong hakahaka. Mayroon din po naman hakahaka si Dean Magallona na ang ating Konstitusyon, bantayan natin.

Pero ang sa akin namang bright side. Alam ninyo, maaaring ang dami-daming problema po natin pero meron po tayong possibilities. Halimbawa po sa agrikultura, nakakaiyak nga po talaga ang nangyari 'no? Pero ang tingin ko po, sa lahat ng agreements sa WTO, ang GATS ang pinaka may possibility of maximizing economic benefits through the GATS mandated negotiations especially for those who are very good in providing services. Ito po ang opinion ko. Siyempre maaaring hindi ho lahat naniniwala. Propesyonal, sa mga nasa construction services, engineers, architects, IT people, medical people and all those other services that maybe provided on-line. In other words, kung nandito na po tayo sa laro na tinatawag nating WTO agreement, **laruin natin ng napakahusay lalo na sa services sector kasi ang tingin po ng negotiators natin diyan po tayo makakakuha ng maximum benefits.**

Halimbawa ho kung tingnan natin ang service sector and liberalization of the service sector as a source for specialized skills and expertise which can also compete worldwide then we are achieving our national interest, in that manner. Meron din naman pong nagsabi na, pag ini-open mo ang service sector sa isang bagay nakaka-attract ka ng necessary capital. Ako po yong nagsabi noon. Ang sabi ko po ay sa tourism, kaya inilagay na yan na i-open kasi ang idea masyadong capital-intensive ang pag-build ng infrastructure for tourism. So what you do is to open it. Anyway there is no statutory limitation on the provision of tourism-related services in the Philippines.

Third, **pwede po nating dagdagan ang value at importansya ng Pilipino inputs in the national and global economy.** Tingnan po natin halimbawa yong call center. Sinasabi nila Pinoy daw yon na nagdi-disguise na Amerikano. Akala mo Amerikanong mga company but actually mga Pinoy ang nagpapatakbo. The IT world. In other words, it is a question of positioning ourselves. How we can even eat more of the economic pie than are traditional given us, which is basically kung anong pwedeng i-squeeze down sa atin, iyon ang ibinibigay.

It can also be the **vehicle to take a more active proactive approach to ensuring people's and workers' rights.** Halimbawa po, dahil po meron sa GATS na mode of supply of service which is the movement of natural persons or cross border services, every time we talk about cross border services, ipaglaban natin that it should also include the right to have movement of natural persons. Bakit hindi natin idikit ng idikit? Kahit na makulitan sila ng makulitan sa atin. Ullitin na lang natin ng ullitin.

Ano ba ang ibang approach ng negotiation? Ang mga negosyante natin alam 'yan. Yung mga nasa organizational fields alam yan. Baka naman bumigay. Ensure movement of natural persons. Tanggalin yan completely as a question of sovereign rights arising from the right of each state to impose strict immigration laws on its own. Huwag hayaang completely laging ibabato sa ILO. Ibalik ng ibalik sa WTO. Ang ginagawa ng mga developed nation, ibato yan sa ILO. Ang gawin natin, okay ILO, ibalik lagi natin sa WTO. What's to stop us? Wala naman eh. Ilagay lang natin ng ilagay sa position paper natin. Let us talk to more countries and let make sure that more countries include the right to movement of natural persons in their position papers.

It can only be used to **maximize economic opportunities for Filipinos and the continuing avenue of improvement of Filipino capabilities**. Dagdagan po natin ng paraan na, halimbawa po kayong mga doctor, gusto ninyong mag-provide ng on-line medical services. E di ilagay ninyo sa demand list natin which is called the 'request list', US mag-allow kayo ng practice of on-line services for medical professionals, nursing professionals, scientists, engineers, architects kasi nakikita natin malaki 'yung economic potential natin. Let us try to scan the map of the world. Dito sa mga bansang ito, ano ang gusto natin? Ano ang kaya natin? Translation. Bakit hindi natin pasukan ang translation? In other words, i-expand natin yong listahan ng mga gusto natin, mga demands natin.

Anong strategies? Ito po ang mga suggested strategies para sa alliance. Kasi yong mga kagrupong namin talagang gusto practical na suggestions, kung paano daw i-operationalize ang tanong kaagad. Ito po ang preliminary ideas ng grupo. Iyong mga suggestions can be broken down into two things, process-based suggestions.

Number one, alam nyo po sa bansa ang services sector is well organized. Tayo po hindi organized. Bakit po tayong may mga trade associations sa industry even agriculture, pero sa serbisyo which is starting to become the largest sector of the economy and as the largest sector of the economy ang laki-laki ng potensiyal, hindi po tayong nago-organize? So ang alyansa po **can help organize and alliance can also help in the information campaign on what are the possibilities for the services field**.

Sabi nila bakit hindi humingi ng regular dialogue. I-pinpoint sa government yong mga sectors na responsible for the negotiation in Geneva services sector. In-identify ko po yong mga ito. Ang NEDA po ay nagco-coordinate, ang DOTC for transportation and the telecommunications sector, ang Bangko Sentral po with the DOF sa financial sector at ang PRC po for the professional sector. Bakit ho natin hindi **hingian sila ng regular dialogue para kung ano man ang nasa laman ng isip nila, alam nila, alam nyo rin as an alliance**.

Sabi po ng iba bakit hindi tayong **gumawa ng system of accountability?** Halimbawa po mag-kokonsultasyon. May proceso na documented yong consultasyon at dapat ipakita rin kung paano pinroces yung inputs into the negotiating position of the Philippine Government and for the negotiators to come back and report. Hindi naman na parang sila ang boss, pero dialogue nga e. Ano ba ang nangyari sa Geneva bakit hindi natin na push yong mga doctor natin na mag-practice doon? Ganoong klase po. Ganoon klaseng mga scenario.

**Gumawa ng information about the services possibilities that are open at the same time yong mga external threats sa atin.** Kung alam natin kung ano man ang mga open, let us make that demand on government because government really has the most complete information of the opportunities in the services sector.

Ano ho ang mga kailangan nating bantayan? Kung lalaban tayong sa services sector, there are two ways by which services can come in the Philippines. Through the front door or through the back door. The back door method will always undermine our strategies.

You must turn the faucet on domestic regulation at the wheel of our legislators and our people. **Higpitan po natin ang domestic regulation on rendering of services.**

Kasi po alam ninyo wala pa itong GATS, noong 1980s pa ho marami na ang nag-practice na mga foreigners dito. Kumukuha sila ng mga local counterparts. Bitbit po sila ng mga multinational companies, yong iba ho talagang may major presence. Iyon po ang dapat nating bantayan. They cannot practice without a license here. Higpitan natin yong domestic regulation. Kung sarado pa ang sector, they cannot absolutely practice whether directly or indirectly. Huwag po tayong magpapalamang that way.

Doon po naman sa content na adhikain naman ng alyansa, **i-prioritize na kung ano iyong mga services na hindi tayo takot na mabuksan.** Kung ang palagay natin wala tayong dapat ikatakot, yan ang pwede nating ibigay na marbles. It is a game of marbles, the trading of marbles. Ano ang marbles natin? Ang marbles natin ay yong kumpanteng-kampante tayo na quality and cost wise, kahit magdagsaan pa sila, hindi nila tayo kaya. So that will be what will constitute our offer list. On the other hand, **yong request list natin should also be a very intelligent request list.**

**In the services that we offer, Filipino presence must always be added.** In other words, yong mga call centers po natin, is there a way na malaman ng mundo na mga Pinoy lahat yan?

**Let the PRC get its act together as well as all the other bodies that are involved in the services sector and then ask and try to develop a culture of self regulation.** In other words, let the services sector understand that they must face a market that demands that they comply with best international practices. Kumbaga parang magse-self ISO certification tayo. Iyon po ang adhikain ng grupo namin. Marami pong salamat.

*Ka Bobby Tañada:*

Maraming maraming salamat, Meilou sa iyong ibinahagi sa amin ngayong umaga. Marami kaming bagong bagay na natutunan. Ngayon pupunta naman tayo sa workshop no. 5. Ang atin pong rapporteur doon, ewan ko kung ito ay rapporteur talaga o pinilit lang, si Mr. Vic Luna, workshop no. 5, Local Government and Nationalism.

**Councilor Mike Magalang, Municipality of Boac, Marinduque:**

Magandang umaga po. Ako po si Konsehal Mike, hindi si Ginoong Vic Luna. Magandang umaga po sa ating mga convenors, pasensya na rin po dahil nahuli ang report ng group 5, medyo inayos pa sa ating secretariat. Balikan po natin at idiin natin yong kahalagahan ng ating pagkamakabayan, na lumilingon sa kasaysayan natin na mukhang nakakaligtaan na.

Kahapon ay ipinagdiwang natin at ginugunita siguro ang mahalagang pagkamatay ng ating magbubukid sa Mendiola ilang taon na ang nakakaraan. Bilang pagdidiin na mahalaga yong agricultural sector natin dito. Sa araw na ito ay ginugunita natin ang Convention ng Malolos na sa nakaraang bahagi ng kasaysayan ng mga ninuno natin

nag-usap tulad din ng pag-uusap natin marahil ngayon kung paano itatakda yong susunod na yugto para makamit natin ang kabuhayang makabayan, nationalist economy o kabuuan ng pagka-nasyonalismo.

Anim na bahagi po yong pinag usapan sa workshop group on local governance and nationalism. Ang unang bahagi po ay, pwede ba nating tingnan kung ano iyong mahalagang bahagi ng local government units o iyong kabuuan mismo ng mga kalagayang local para sa pagtataguyod or promotion ng economic nationalism at paano rin iu-unite yong ating mga mamamayan towards a nationalist agenda?

Nakita po at consensus sa grupo namin na una, mahalaga yong **i-maximize iyong local government, ano man ang kahinaan nito, as a tool na maimpluensyahan natin ang ating mga local government units na at least maging innovative man lang sila, maipasok yong nationalist agenda sa kanilang planning system, sa budgeting system at sa kanilang pag-prioritize ng mga economic projects and programs with the end in view of economic nationalism.**

Kasunod po, **i-influence po natin yong ating local government officers o local government officials na gamitin yong kanilang powers na ang local situation ay maging conducive sa local entrepreneurs, sa ating mga local business sector at gamitin nila ito para yong promotion and pag-influence mismo sa mamamayan noong consciousness na i-patronize natin yong local na products natin.**

Ganundin po, **i-maximize yong mga local special bodies, specially the umbrella council, the local development council towards greater participation of our basic sectors, yong civil society, at nakakaligtaan lagi natin, yong business sector, na di man lang napasama sila doon sa development councils na per observation ng group, sa ilang rural areas, kakaunti iyong nagpa-participate na basic sector, civil society, samantalang sa malalaking sentrong syudad naman, tinanggihan naman ng mga local government units yong mahalagang partisipasyon ng civil society sector and the business community. Laging tingnan yong mahalagang interaction ng local government, ng basic sector or civil society and the business community.**

Ganoon din po yong **enhancement mismo ng participation and complementation ng local government units.** Na yong maliliit

na local government units na nandoon din naman yong mga consumers, i-complement naman nong malalaking local government units para yong mga local products natin magci-circulate mismo sa mga local areas natin. Yong mga produkto ng mga maliliit



kukunin ng malalaking government units. Yong complementation and integration. Sabi namin, ito siguro yong bagong mukha ng 'bayanihan', solidarity.

Iyong ikalawang area, can nationalist development agenda be developed at the local level? Syempre, pwede naman talaga through, number one, the **local government units as well as the public should have and insist on the 'political will'**. Political will noong mga tao sa government at the local level at political will natin na nasa organized sector. Kung hindi kaya ng local government officials at mga tao doon, impluensiyahan natin sila. Kung ayaw nilang gamitin yong kapangyarihan nila, gamitin natin yong kapangyarihan ng bayan, sang-ayon din sa tadhanain ng Local Government Code.

**Local government units must see to it that programs for their respective communities are sustainable and in line with nationalist agenda.** So magagamit pa rin natin yong role of organized people's organizations, the business community na impluensiyahan, from the planning process. Paggawa pa lang ng basic na, ano ba ang vision ng munisipyo na



ito? ng siyudad na ito? Impluensiyahan na natin sila kaagad doon. So that the projects, programs and allocation noong budget nila, malaki man ito o maliit, nakasentro sa tamang pupuntahan, ano yong gusto nating mangyari.

**I-encourage din natin yong entrepreneurship spirit don pa lang sa local level.** I-support yong local entrepreneur, through, number one, **gawing**

**entrepreneur-friendly yong mga local legislations natin. Tanggalin yong mga bureaucratic red tape sa processing ng mga permits. Bigyan sila ng fiscal and non-fiscal incentives.**

**I-improve yong economic management ng mga local government officials and to facilitate o maalis yong mga nagpapahirap sa ating mga partners na business sector.**

Third area, how can a nationalist local government deal more decisively with the ill effects of globalization? Habang yong ating business community and economy ay naaapektuhan ng globalization, sa local level, sabi nga din namin kanina, **i-promote at i-patronize yong local product at magtulungan yong local government units themselves.** Iyon na yong sinabi kanina.

Can a nationalist local government show the way out of the crisis? Sabi namin, oo and **we support and recommend the suspension of Philippine participation in the WTO with the clear perception and knowledge on what to do during the suspension.** For 15 years. For the first five years would be spent on the restructuring economic policies. The second five years would be spent marketing strategies as well as extensive selling of local

products and finally the last phase would be spent for the further improvement of products to be certain that they are globally competitive.

Can the local government strategize its position in the globalizing world economy especially in relation with the WTO. Sabi namin yes by, sinabi na rin kanina ng karamihan, **going back to basics**. We identified iyong **spirit of bayanihan and the other values na nakalimutan na natin ay ibalik ulit**, mula sa sarili, sa iba't ibang units ng ating society. I-imbibe sa isip to **get out of wasteful habits by cutting down ones consumption**, kung ano lang ang kailangan natin. Sabi nga kanina, yong sa shoe industry 80 million ang Filipino, bakit kailangan 265 million yong pares ng sapatos.

**Identify techniques that work best for the local government. Sinasabi dito na kunin o i-document yong mga successful na na initiatives sa local government unit in line with ano yong nais nating marating and i-replicate ito, i-popularize sa ibang local government units din.**

Siguro through this alliance, **mag-initiate ng isang recognition scheme na if a local government unit ay nag-succeed sa noong kanyang economic nationalist agenda or implementation, gaano man kaliit yong project**, i-recognize man lang ito and influence yong ibang award-giving bodies na gawing isang policy o isang parameter noong kanilang selection yong parameter ng economic nationalism.

Finally, ano yong overall economic nationalism on governance issues. Sa local government, mahalaga pa rin **yong accountability, transparency, good governance**. **Siguro from globalization we go to glocalization**. Thank you very much.

*Ka Bobby Tañada:*

Maraming salamat, Konsehal. So, natapos na natin yung presentation ng workshop results, tutungo na tayo sa plenary discussion. Habang tayo ay nagkakaroon ng talakayan in plenary ay maghahanda na ng pagkain dahil baka hindi ninyo napupuna ang oras ngayon ay 12:30 pasado na. Mukhang hindi kayo nagugutom. So, while we are having this plenary discussion, food will be served.

Now the table is open for your comments, your observations on what we have heard this morning and yesterday. Meron po bang gustong unang magsalita? Pakitaas lang po ang inyong kamay at ipakilala po ninyo ang inyong sarili. Nandito po ang micropono sa gitna.

**OPEN FORUM**

*Raul Segovia, Citizen's Alliance for Consumer Protection:*

Magandang umaga po, Sen. Tañada, Bise Presidente. Ang question ko po ay tungkol sa kahapon nag-attend ako, nandoon po si Sec. Lorenzo. I was raising the question, why is it that the Department of Agriculture, for that matter, the same with the other departments, with all its bureaus and agencies in their department, why are not they open to NGOs participating in policy-making?

Ang sagot ni Sec. Lorenzo, sa community level ka na, whatever province, whatever community, whatever town you are, doon tayo magpa-participate? My objection to that is kapag community level ka na, tapos na boxing because the policy has already been predetermined at the higher level, implementation ka na lang. We NGOs do not



like to be utus-utusan. They want to be participatory in policy-making right from the start. Sec. Lorenzo seems to be evasive on that question. Ang gusto niya, sa community ka, doon mag-participate kayo. Utus-utusan na tayo.

First, the government does not pay NGOs. When we ask for participatory decision-making on the top level we don't want to be

paid, we are not asking for pay the way the cabinet members are being paid. In other words, we are not only cheap but at least that would practice transparency. How do they arrive at certain policy decisions that are hidden from public eyes? Yan lang, medyo I was disappointed with Sec. Lorenzo's response to that.

*Ka Bobby Tañada:*

Maraming salamat, Ka Raul. Nandoon din po ako sa workshop na yan. Narinig ko po yung sagot niya sa inyong tanong. Ang pagkakaintindi ko po naman ay bukas naman siya na maging kabahagi ang civil society, NGOs, even on the national level. Nabanggit lamang niya na yong mga NGOs, civil society na nandoon na sa local, makakatulong din kayo diyan. Hindi naman, sa pagkakaintindi ko, niya sinabi na hindi welcome ang NGOs, ang civil society on the national level because he would also want to be transparent. Sinabi nga niya, 17 or 18 months na lang siya dito sa posisyong ito, kakailanganin niya ang tulong natin.

Kaninang umaga po, nabasa ko sa ating pahayagan na ang Department of Agriculture itinutulak ang kahilingan, please let me know if this is not accurate, the Department of Agriculture is pushing their request for an increase in the tariffs of vegetables from 7% to 40%, so kung magagawa po ng Department of Agriculture yan, sa tingin ko iyan ay

malaking bagay. Baka yan ay magpakita doon sa iba nating kagawaran, lalong lalo na sa Tariff Commission, DTI, sa NEDA, na maaari namang gawin yan.

Katulad nga ng sinabi ni Meilou, yong MFN sa WTO, yan ay yong binding lang. We committed ourself to a ceiling. Yong ating existing tariff lines are not yet above that ceiling so talagang pwede nating itaas yang tariff rates na yan without violationg WTO. Hindi katulad noong palagi nating naririnig na lalabag tayo sa WTO, baka tayo balikan, hindi naman pala ganoon ang katotohanan.

***Ernie Ordonez, Agriwatch:***

Ito po ay very related sa sinabi ni Ka Raul Segovia. Sa workshop po namin sa agrikultura, sabi namin na ang Fair Trade Alliance, kung gusto talagang lumakas dapat nasa probinsiya. Related po ito sapagkat ako po ay nasa Tariff Commission two days ago and kahapon nag-position paper kami, Agriwatch, na 40% talaga. Meron kaming formal letter sa kanila at nagkausap kami ng Benguet Farmers kahapon. Sama-sama kami doon. Ito pong proposal ko ay action proposal.



Alam po ninyo galing po ako sa Department of Agriculture at doon po sa Department of Agriculture, may batas. Ang batas doon merong NGO, civil society, nasa batas na siya po ay nasa Agriculture and Fisheries Council. Nasa batas yon. Ngunit noong nandoon ako sa Department of Agriculture, nakita ko na maski nasa batas yon, hindi ibinibigay ang lahat ng information sa agriculture fisheries council. May tinatago, kaya lumabas na ako para malaman nila kung ano yong tinatago.

Nagagalak ako na nandito ako sapagkat yong presidente ng lahat ng Regional Agriculture and Fisheries Council ay galit rin na katulad ko. Dahil doon siya ay sumali sa Bantay Agrikultura o Agriwatch. Siya ay Board of Director.

Ito ang sinasabi ko kay Raul Segovia. Dahil sa batas, nandoon po na dapat nandoon ang NGO at yong presidente ng Regional Agriculture and Fisheries Council ay sumama na sa Bantay Agrikultura namin at kami po ay gustong sumali na sa Fair Trade Alliance, ito po ang recommendation ko, ang Fair Trade Alliance po, dahil kami ay sasali diyan kung tatanggapin kami ...

***Ka Bobby Tañada:***

Tanggap po kayo ng buong loob, buong puso ...

Ernie Ordoñez:

Salamat po. Alam po ninyo sa batas, nandoon yong private sector, hindi bilang secretary o vice chairman. Chair, ng bawat regional councils. Yong presidente elected by all the chairs ay kasama ngayon sa Board of Directors namin. So ito pong recommendation ko. Ang Fair Trade Alliance parang imperialist Manila kasi wala pa sa probinsiya. Ngunit ang request ko po, starting today, sinabi nga ng former speaker natin, think global, act local. Ang isinasuggest ko po sa inyo, thanks to Mr. Raul Segovia, na meron na tayong entry sa National Agriculture and Fisheries Council. Kasi sinabi ko nga ang presidente ng lahat ng mga Regional Agriculture and Fisheries Councils ay nandoon na as Board of Director. So by osmosis, since we are now part of the Fair Trade Alliance, we will get our directions from Sen. Tañada and Vice President Guingona, we can do that. But gusto ko more people from here go into the Agricultural and Fisheries Council.

Alam po ninyo, sinabi sa agriculture seminar namin na yong vegetable smuggling napigil na sa Manila, lumusot ngayon sa Cebu. Ang Fair Trade Alliance po, kung think global and act local, gusto ko po na fair trade means 'against smuggling'.

Isa pa, hindi lamang smuggling kundi, namamatay ang mga piggeries at poultry not only because of smuggling but because yong carabeef at yong fish na dapat hindi, ay pumapasok sa palengke kaya bumabagsak. Sino kaya ang dapat bumantay dito? Palagay ko meron na kaming hotline, Fair Trade Alliance, kasi this is unfair trade.

Ang suggestion ko po kung tinatanggap na kami Fair Trade Alliance, first suggestion ko lahat ng principles, philosophies at iba pa, makipag-ugnayan tayo at ipasok na natin sa legally mandated Agriculture and Fisheries Councils. So ang pinaka-strong force ko, gusto ko, ay hindi yong Sisters of Charity or Rotary Club but ang Fair Trade Alliance sa Agriculture and Fisheries Councils. Yon ang first suggestion ko kung papayag po kayo.

Ang second suggestion ko para may, sinabi nga nung isa sa services sector na napakapractical, sinasabi ko po na yong smuggling na na-gain na dito sa vegetables pero nakalusot sa ibang lugar, yong smuggling become a major project of Fair Trade Alliance na gagamitin natin ang mga kaibigan sa iba't ibang probinsiya para yong smuggling at yong entry into the market of goods that should not to enter the market, such as carabeef and imported fish, be also a project of the Fair Trade Alliance reporting so that mapigil na itong smuggling.

Alam po ninyo, ito sinasabi natin ano, ang problema minsan sa Conference ay philosophy. Ang gusto ko, sabi ni Attorney na galing sa Geneva, ang gusto po namin ay action. The reason po why ako ay very optimistic ay sapagkat yong smuggling for the first time, was solved because of pressure na nangyayari. Pinigil natin yong redemption. Ang redemption po, ang mga smuggler nakukuha nila, bigyan lang nila ng two pesos redemption tax, tapos sa auction, i-auction lang nila ng three pesos, okay na. Napigil na namin yon. So merong systemic changes. Pero kung wala yong pagbabantay ng trade associations sa port walang mangyayari.

So yong vegetables po, 450% of the illegal, was smuggled and we caught it. The pork, with no pressure, no one was caught. Very interesting. 75 containers were caught of vegetables but only one container was caught of pigs. But when the threat of the blockade came, block all the food that came here, all of a sudden they caught 45 containers in one week. Which means that the Fair Trade Alliance must have strength and position, and actually if they do not agree with us, potential threats as in boycotts. Because it is time, we are one with the farmers who are suffering and we in this room, binigyan tayo ng Diyos ng education dapat sama-sama tayo doon.

So two suggestions, number one, Fair Trade Alliance, pasok tayo sa Agriculture and Fisheries Council and number two, anti-smuggling and anti-diversion as a main project throughout the country. Yon po ang suggestion ko.

*Ka Bobby Tañada:*

Marami pong salamat dating Usec Ernie Ordoñez. Gusto ko pong ipaabot sa inyo, sa palagay ko po ay walang tututol, lahat nga ay magagalak pa, buong puso po kayong tatanggapin sa Fair Trade Alliance, yong Agriwatch, tayo po ay magtulungan. Sabi nga ninyo, yong laban sa smuggling, nabanggit na iyon ni Vice President at makikita natin yon sa draft declaration, yan ay pag-uukulan din natin ng kinakailangang atensyon at kapansinan.

Yes sir, after this gentleman, Mr. Oscar Barrera

***Mr. Andy Rosales, Article 64 Movement:***

Magandang tanghali po Bise Presidente, Senator. Ako po si Andy Rosales mula sa Article 64 Movement Philippines. Ang Article 64 Movement po ay isang probisyon sa isang Local Government Code na nagsasabi kung paano pipiliin ang mga kinatawan ng mga people's organizations, non-government organizations and private sectors sa mga local special bodies particular sa Local Development Councils. Ang pina-pilot po naming area ay Quezon City. Nag-advocate po kami doon for the last five years para po sabihin sa mga local government na kailangan ay may Local Development Council na kabalikat ang mga civil society sa pag-formulate ng development plans. Kaya lang po hanggang ngayon ay dine-dribble kami ng mga local government officials.

Dito po sa Quezon City, nakasaad po kasi sa batas sa pangkalahatan, na at least 20 percent ng internal revenue allotment ay dapat isene-set aside para po sa local development plan. Sa Quezon City, kinukwenta po namin, for the past two years ay umaabot na po ng P 560M itong dapat naka-set aside na 20% share ng IRA. Magagalaw lang po iyan kung organized yong Local Development Council. Kaya lang po hindi na organized yong Local Development Council.

Gusto ko pong lagyan ng laman habang nakikibaka kami dito sa pagi-institutionalize ng partisipasyon ng mga civil society sa local governance, gusto ko pong lamanan yong sinabi ni Mr. Ordoñez, papaano yong organisasyon diyan? Kami po nakahanda sa Quezon City na ipatawag ulit yong accredited organizations at i-transform kami bilang

isang organized market. Lahat po kami ay kumakain ng kanin, gulay at lahat pangangailangang payak ay nasa amin, dahil karamihan sa amin ay urban poor communities.

Kung handa na po yong ating kapatid na magsasaka at mangingisda sa kanayunan na mag-organize sa kanilang lugar, kami ang pwede nilang bagsakan, deretso dito po sa mga urban communities in particular. At kung matutulungan po ninyo kami, na yon pong 20% na dapat na isine-set aside ng local government ay maimpluensiyahan sa paggamit na mai-establish yong systema na iyon ng direct trading between the consuming community and the producing community ay sigurado pong babagsak ang presyo at sigurado pong magkakaroon ng merkado iyong mga magsasaka at mangingisda na iniipit ng kapitalistang mga 'commissioner'.

Yon po ay isa sa nakikita namin na konkreto na gawin natin pagkatapos ng Conference na ito. Gawin natin agad yong mekanismo upang yong pakikibaka natin sa local ay malagyan po natin ng laman.

Ang Article 64 movement ay nakahanda rin pong mag-share ng aming mga experiences at saka mga dokumento namin sa iba pang mga local governments para po ma-fast track yong pakikibaka ng mga civil society para makasali po sa local development planning. Salamat po.

*Ka Bobby Tañada:*

Marami pong salamat. Magtulungan po tayo at lumabas na naman ito sa workshop. Kilangan talaga maging buhay ang ating pakikilahok lalong lalo na sa lokalidad, sa mga communities. Ito ang isa mga magpapatupad doo sa ating hinahangad na buhayin yong solidarity sa bawat hanay na nasa ating lipunan.

Yes, Oscar and then Rolly and then Dave.

*Mr. Oscar Barrera, KATAPAT / PhilExport:*



Ito ay kasunod noong sinabi ni Ginoong Segovia kanina regarding partisipasyon ng mga organizations. Matagal na akong nasa business, dating nanggaling ako sa PCCI Tariff Committee, Philexport, maraming organizations. Marami na akong na-experience sa mga dialogues with government institutions and economic thinkers basically NEDA at Tariff Commission.

Ang problema nangyayari diyan is yong mga naa-appoint sa NEDA o

kaya sa Tariff Commission, walang karanasan sa actual business life. Nanggaling sila sa UP School of Economics, graduate. Punta sila sa Wharton, graduate. Then, pasok sila director general NEDA. Completely ganoon. For the last twenty years at least, if you look at the biodata, lahat ng naging NEDA, walang nakaroon even connection sa isang business or even sari sari store.

Ngayon, ano ang talagang asahan natin kung ang gumagawa ng mga business policies para sa government, NEDA? They do not understand the problems of business. Frustrating talaga. I talk to the technical people pero iba, isu-snow down kayo ng ang daming mga formula sa blackboard, kesyo Cusnitz curve, kung ano ano.

It is so different, it is miles apart. Now what I would like to say is that kung ang Central Bank of the Philippines by law merong private sector representative, bakit hindi din natin gawin by law ang NEDA ay magkaroon ng private sector representative. Now I propose, however, na yong private sector representative should be institutionalized, hindi yong handpicked lamang ng appointing president or whoever. Hindi yong kakilala nya, crony o whatever. It should be institutionalized. It should be like the president of PCCI or the president of FPI, yong presidents of real organization that should be member of the NEDA. At least magkaroon man lang ng kaunting dialogue in a higher level. So that is my concrete proposal for today.

*Ka Bobby Tañada:*

Thank you very much Oscar, Ka Rolly, tapos si Mr. Joe Concepcion.

***Councilor Rolly Laraccas, Municipality of Boac, Marinduque:***

Thank you. Rolly Laraccas po from Boac, Marinduque. Mr. Vice President, good morning po. Yon pong sinabi ni Secretary Ordoñez na parang yong pagpapalano ay imperialist Manila, nakikita ko rin po yong pangangailangan na ibaba pa ito sa grassroots. Ang bias ko po kasi nasa information dissemination. Particularly doon po sa pagpasok ng mga goods dito sa atin.

Ang pinakamahusay po or the best salesmen po ng foreign products are the OFW. Bakit po hindi? Kasi, if we have eight million OFW na may tatlong anak bawat isa, bigyan lang sila ng tatlong sapatos every Christmas, ang isip po nila ay nafo-focus sa mga imported goods. So, if we are going to do some information dissemination within the country, yong 8 million OFWs po ay dapat bigyan din natin para naman yong spirit ng nationalism ay ma-instill sa kanila kahit nandoon sila sa ibang bansa. So dollar na lang ang ipasok nila dito, huwag na yong goods, if that could be possible.

*Ka Bobby Tañada:*

Maraming Salamat Rolly, meron tayong kinatawan dito, isang samahan ng OFW at meron ding plano ang ating Vice Presidente kung paano natin higit pang mapapakinabangan yong remittances na ipinadadala dito ng ating OFW. Upuan din natin iyan at titingnan din natin kung ano ang magagawa natin sa direksyon na yan.

**Mr. Jose Concepcion, Bishops' Businessmen's Conference:**

Una, ako ay tumitindig dito hindi dahil sa WTO kung hindi bilang punong-barangay. Ang tanong ko, yong nagsalita ditong taga-Quezon City, ang sabi niya, may twenty percent allotment ng local government at hindi gumagalaw.

Alam po ninyo sa aming barangay, meron po kaming Barangay Development Council at ang mga kasama doon ay hindi lamang yong mga nahalal na kagawad kasama din lahat ng mga various NGOs at meron tayong 20% ng aming budget na naka-allocate for barangay development at yon ginagamit po namin.

Aking tanong sa kanya ay ganito po. Ano ba ang barangay mo? Number two, nahalal ka na ba sa barangay? Number three, bakit hindi nakikialam ang mga mamamayan sa barangay?

Ang kailangan para maalis ang pulitika yon mga matitino ay dapat tumakbo para sa ganoong paraan ay maging kagawad or barangay captain, sa ganitong paraan magpapalit ang bayan natin.

*Ka Bobby Tañada:*

Maraming Salamat Joe Con.

**Mr. Sixto Roxas, Office of the Vice President:**

Talagang kailangan na may magawa tayong action para maisakatuparan yang representasyon sa Barangay Council, sa Municipal Council, sa Provincial Board, dahil nandiyan naman iyan sa ating Local Government Code. Kailangan lang ang enabling legislation, sabi, pero nandoon na yong spirit, intention and objective na kailangang magkaroon ng representation ang iba't ibang mga batayang sector. Kaya nga lamang sinasabi ng ibang mga namumuno sa ilang mga local units ay wala silang budget o kukulangin ang budget nila pag nagkaroon pa ng additional member na kagawad sa Barangay Council, sa Municipal Council, sa Provincial Board. So, kailangan yan ay mabago natin.

*Ka Bobby Tañada:*

Okay, Mr. Ting Roxas.

**Mr. Ed Reyes, Saniblakas Foundation:**

Maganda po itong mga proposals na makibahagi, makihalo ang pribado at NGO sa local at national governance. Ang gusto ko lang imungkahi dito, hindi naman sapat na magkaroon tayo ng representative. Kinakailangan din na ang sector na pribado saka ang NGO ay merong hinuhubog na plano na siyang tinutulak sa pamamagitan ng representasyon sa local at national government. Kaya ang kailangan po ay magkaroon ng parang 'protocol' po ang civil society at saka private industry at private enterprise po

ng isang sistema ng pagpapalano para unang-una, magkaroon na sila ng tinatawag na trade-related impact assessment sa kanilang sector at sa kanilang komunidad. Sapagkat dyan po sa sistemang yan, kailangan suriin, suriin ng mabuti ang epekto sa kanilang sariling sector at sa kanilang sariling komunidad. Kaya iyan ay mangangailangan ng isang sistema ng pagpapalano at pagsusuri sa bawat sector.

Maganda ang ating pagpupulong ngayon ngunit ang pruwera na magiging makasaysayan ito ay iyong mangyayari after this day. Lyon pong pagsama-sama na ng ating bansa para sa makaturang pakikipagkalakalan na pinalalaganap at pinananawagan ng Fair Trade Alliance. Muli po ang aking pagbati sa inyo.

*Ka Bobby Tañada:*

Marami pong salamat, Ed Reyes. Dave...

***Dave Diwa, National Labor Union:***

Happy lunch! Ako si Dave ng trade unions, kasapi din po ng Fair Trade Alliance. Yung sa akin, hindi mungkahi kung hindi parang pasabi doon sa nag-report kanina, iyong group six. Ang Fair Trade Alliance kasi, ang core ng advocacy is against free trade tapos sabi kanina na WTO is not about free trade.

Sa palagay ko, kung kanina nagsabi ng paglilinaw, gusto kong ipaabot na rin na yong ganitong pananaw ay isa sa hindi kami komportable. I have no doubt about the credentials, the expertise of Atty. Sereno pero ang problema sa mga nasa academe, they tend to treat issues in very academic manner. Sabi nga kanina ang economists daw, reasons with their hand - on the one hand, on the other hand. Ang problema sa mga lawyers naman, not to demean, they can turn white into black, black into white. Walang dichotomy, walang vagueness sa amin yong papel ng WTO.

Dito sa ating kumpe-rensya ngayon kailangan maging maliwanag ang pagtanaw natin sa papel na ginagampanan ng WTO sa ating bansa, sa buong daigdig. Ang phenomenon ng free trade, ang phenomenon ng globalisasyon is precisely being exacerbated by WTO. Ito yong



gusto kong i-share. Kasi para bang sinasabi, because not a single word of free trade, of free trade agreement is in the WTO document of the 424 pages of document, of the 30 agreements, 22 ministerial decisions at mula noong Marrakesh hanggang doon sa Doha, nag-Washington pa sila, di natuloy, nandoon pa rin yong debate na ang WTO is at the

root of the problems of the world. Kaya dapat kilalanin ito at kinikilala ng Fair Trade Alliance ang ganitong usapin.

Parang political parties, not a single word of political party is found in the Constitution but definitely the political life of the country revolves around the movements of political parties. So ganoon ang pananaw naming. It is not because not a word of free trade is found in the WTO documents that we can dismiss the WTO as a simple rule-making body, as a simple dispute settlement body, as a simple mechanism to solve, as it were, policy conflicts between nations. Ang pananaw namin, ang WTO ang sentro ng usaping sa trade. I'll just give three reasons for the consideration of our friend.

Sabi nga kahapon ni Rene, itong nangyayari sa bansa, sa buong mundo, is an expression of a particular mindset, of a particular world view, a particular paradigm and that is yon neo-liberal orthodoxy. That free markets, markets, free trade is the way of salvation. That remove barriers, get into a borderless world, no rigidity, yung mga ganyan, ang solusyon. Isang pananaw yan na ginagalang natin.

Pero sa kabila naman ang sinasabi nga namin hindi ganoon ka self-correcting iyong merkado kaya nangangailangan ito ng mamamayan, ng estado na poposisyon sa isang particular na pananaw. Iyan yong ideological basis na gusto namin maging matingkad sa ating pananaw. Sabi nga doon sa workshop namin kahapon, sa problema ng ating bansa, kung walang maayos na pananaw, kahit sino ilukluk mo diyan paulit-ulit yong current account deficit, paulit-ulit yong trade imbalances, corruption kung walang maayos na pananaw sa pag iisip.

Number two, yong WTO is literally about trade, huwag nating guluhin. Not trade in the sense ng GATT, dati kasi GATT iyan but in 1995 GATT as purely economic agreement transformed into WTO, where WTO becomes an overseer. Basically, pinag-usapan nya yong takbo ng kalakal, either goods, services, yong property rights pinasukan.

Finally, hindi dapat ma-dismiss ng ganoon dahil ang WTO will remain as the phenomenon of the 21<sup>st</sup> century. All advances in technology, innovation will precisely accelerate the WTO mechanism. Kaya sabi nga kanina, continuing process yan kaya nakakatakot na hindi natin tingnan ang source ng lahat ng ito. Iyon po ang gusto kong mapaabot sa mga kasama, WTO is an enemy.

*Ka Bobby Tañada:*

Maraming salamat, Ka Dave. Ako ay napagsabihan na yong press Conference will have to take place before two o'clock, in about thirty minutes. We still have the declaration and some resolutions to approve. Now just a brief response from Meilou to clarify what she had said earlier.

*Atty Meilou Sereno, UP College of Law:*

Lahat ho naman tayo ay merong perspektibo sa buhay. I never said that the WTO does not want liberalization of trade. In other words, the framework is liberalization of trade. I

do not also see, kasi ang tingin ko kasi ay may mga givens tayo sa bansa, may mga kaya tayong gawin at may mga hindi tayo kayang gawin.

Before the WTO, ito ang reality number one, if a country just decided to stop all the importation of any Philippine product, there is no recourse at all in international law, zero. Now, there is a recourse in the WTO.

The first case that was won in the WTO was a case filed by Venezuela and Brazil against the US. It was a major victory. Napilit nilang palitan ng US ang kanilang trade rules on preformulated gasoline. Another notable win was a win by Costa Rica against the US for the importation of underwear, Costa Rican underwear. Another was a win by India against the US against the unfair restriction on the importation of women's skirts.

In other words, ang reality po noon, kahit anong ingay natin wala na tayong recourse. Pag ang isang country na sinusuplayan natin ng produkto ay ayaw tanggapin na bigla ang ating produkto. WTO allowed that. So ang tingin po natin is, iwe-weigh po natin ang cost and benefits.

May cost ho ang membership sa WTO, is doesn't come for free. Pero halimbawa po, sabihin natin dahil po palagay natin mali ang minumungkahi sa WTO ay idi-disengage po natin ang sarili natin, hindi po tayo makikilahok to fight for the rights of developing nations, ang only avenue for us is already a bilateral, country by country negotiation. Kung kunwari ho ang bansa ini-exportan natin ay 140 countries baka wala pong energy and time ang mga bansang ito na makipag-usap para sa atin. And the negotiating leverage that we have in a bilateral is very clear to us. Zero, kasi weak tayo, siguro ang kaya natin pukpukin is a small Pacific island nation.

Kung halimbawa mas malaki ho economically sa atin then we have stronger leverage in a multilateral setting kasi meron tayong tinatawag na free-rider phenomenon. In other words, yong strength ng ibang bansa na ina-apply nila to other countries, pag naka-open ang window for us, pwede po din nating gamitin.

We also live within a framework of rules. May changes po yan. So ang tingin ko ho ganito yan. WTO is not a gift, it is not a present that comes free, it is an avenue for us to have our voice heard where before it was a completely unheard. It is an avenue for us were we can make use of rules where completely there were no rules.

In that setting, I think we have a smart better chance of improving our lives in a world system where people are already trading globally than in a world were the options are not clear. But, of course, every one can really look at the intentions ng WTO. I will not go into that anymore, kasi ho masyadong malayo na po yon. Yon ho ang points of comparison natin, what was there before and what is there now. Thank you po.

*Ka Bobby Tañada:*

Thank you. Sa tingin ko pare-pareho naman ang ating objective. We have to be creative, dapat po tayong maging malikhain kung ano yong makapagtaguyod,

makapagpasulong ng ating national interest, ng common good ng Filipino, ng ating general welfare, yon ang ating gagawin. Sa loob at sa labas ng WTO, may mga kailangang baguhin diyan at maari nating baguhin sa mga kasunduan, sa pagpapatupad, sa dispute settlement. Pero hindi tayo malilimitahan lamang diyan. Dahil sa labas niyan ay meron pa rin tayong gagawin na mga positibong hakbang, We have to give chance to as many as possible, so may we request the persons who will be speaking to limit what they will say. Angel, then Ted Mendoza, then Mr. Guerrero, then Jong.

***Angel Mendoza, Asia-Pacific Workers Solidarity Link:***

Galing po ako sa FTA labor. ibig kong basahin lang dito yong mungkahing resolusyon para sa FTA at sa lahat ng mga nandito. Papaaksiin ko na lang dahil may mga whereases po, mga premises. Ito po ay isang resolusyon na nanawagan para sa FTA at ang kapulungan para sa policy reforms sa gobyerno kaugnay ng Tariff Reform. Pupunta na po ako sa sinsabi kong resolusyon. (see annex 8: FTA resolution I)

Now therefore, be it resolved that the Fair Trade Alliance (“FTA”) and this Conference call on all sectors of Philippine society to unite for tariff policy reform under the TRP.

Moreover, be it resolved that the FTA and this Conference urge the President, Her Excellency Gloria Macapagal-Arroyo, to:

- (a) immediately repeal E.O. 334;
- (b) create a multi-sectoral committee to develop an industrialization program for the Philippines to be headed by a Cabinet Secretary and composed of representatives from industry, labor and peasant representatives;
- (c) create a Trade Representative Office with tripartite composition, ibig sabihin po government, industry-agribusiness and labor-peasant, to review trade and tariff policies with the end in view of reforming the TRP within the framework of a national industrialization program and towards the creation of a economically strong and independent Philippine Republic. The Trade Representative Office will also consult local industries and agricultural producers, labor and farmers, insure market access abroad and review and negotiate international trade commitments; and
- (d) strengthen safety nets by revising the implementing rules and regulations of the various safety net laws in order to provide reasonable standards and to confirm the power of the DTI and DA Secretaries to reverse the erroneous recommendations of the Tariff Commission. Ang binabanggit po dito na mga safety net laws ay iyong RA 8800 o yung Safeguard Measures, Anti-dumping Law and yung Countervailing Law. And likewise to put in place sufficient and effective safety nets for labor, i.e. unemployment insurance, emergency labor contingency fund, etc;

(e) upgrade MFN tariffs, institute non-tariff measures and revise so-called safeguard laws to defend and enhance competitiveness of local industry and agriculture. Lyon po.

*Ka Bobby Tañada:*

Maraming salamat. Si Ted, then si Mr. Guerrero.

***Mr. Ted Mendoza, College of Agriculture, UP Los Baños:***

Brief point lamang po. Gusto ko sanang magpasalamat dito sa Club Filipino pero ang obserbasyon ko po relation sa ating discussion dito ay dapat true to type Filipino ang ating ginagawa. Magmula pa po kahapon, ang sini-serve pong pagkain dito ay 'unfilipino', hindi po typical Filipino at hindi po ito nakakatulong sa nationalist agricultural development kung hindi po natin ipa-patronize dito mismo sa ating ginagawa ang Filipino products.

Ito pong ating softdrinks, hindi po yan softdrinks, sana man lang buko juice, coconut juice. To neutralize one glass of softdrinks na iniinom natin, we need to drink 40 glasses of water. So yon po ang ratio, one is to forty glasses. Kaya po yong mga conscious sa health, pasensya po kayo, yon po ang dapat ninyong inumin.

Yon pong kinakain natin, yong fatty foods na yan, marami pong cholesterol yan, mataas sa uric acid, bibili na naman kayo ng puree, gastos na naman po yan. So, sana po kung ako ay tatanggapin ng Agriwatch, ako po sana ay magvo-volunteer sa kanila. Bantayan po natin ang ating consumption pattern kasi naka-link po iyan sa production. Hindi po tayo uunlad, hindi po tayo magsu-survive hangga't di natin tinitingnan kung ano ang consumption pattern natin, ang taste preference natin. Maraming pong salamat.

*Ka Bobby Tañada:*

Maraming pong salamat. Mr. Guerrero, yes.

***Mr. Jose Umali, National Union of Bank Employees:***

Correction po, hindi po Guerrero, Umali.

*Ka Bobby Tañada:*

Ah, Mr. Umali, sorry.

*Mr. Jose Umali:*

Salamat po. Dahil nabanggit po ang pangalan ko ni Prof. Sereno, nais ko po lamang magbigay ng paliwanag. Nasabi po niya kanina sa aming workshop, sa workshop 6, na

kaming mga presentors ang nagkadebate doon. Nasabi po nga niya, ipinaliwanag po niya ang tungkol sa mga bangko.

Ang kanyang paliwanag, ang nangyari sa banking ay di dahil sa GATS kundi dahil doon sa paga-allow ng Philippine Government na i-liberalize ang banking industry. Marahil ay konting paliwanag po lamang. Yon pong pag-liberalize ng banking industry ay dulot ng globalisasyon at ito ang naging unang hakbang. Pagkatapos po ay dumating, para mapagbigyan doon sa globalisasyon yong capital transfer kaya't nagsipagpasok o pinayagan natin yong mga bangko. Napansin ko din po natin sa ating pag-uusap, lahat ay nakatukoy doon sa pagtre-trade ng mga goods. Medyo hindi nabigyan ng paliwanag, bagamat maganda ang paliwanag na binigay ni Atty. Sereno kung ano po itong GATS pero ang paliwanag po ay nagpatukoy din sa trading goods.

Iyong GATS ay hindi na po trading goods yan. Pangatlong hakbang na nga po yan. Una po ay pag-liberalize, pagpasok ng mga bangko at ngayon po, dito sa GATS, at higit naming pinangangambahan ay ang serbisyo, maraming uri ng serbisyo ngayon ang magiging object of trading. Hindi na ho goods kundi services. At ayon po ngayon sa ibinigay ng government, apat na industriya ang binuksan na upang magkaroon ng trading in services. Ito ay dadami pa ho.

Apat na ang ibinigay na commitments, isa po diyan ay financial services. Ang ibig sabihin ng pagseserbisyo ng finance ay gagawin na sa lahat ng mga bansa kung gusto natin magkapalitan. Apat ho iyon. Number one, tourism; pangalawa, communications; pangatlo, transport at pagkatapos ay yong finance.

Ang nangyari po dito ay ito. Noong papasukin natin ang mga bangko, mga multinationals banks, ano po ang nangyari? Pumasok. Ang dapat ho doon ay nagbukas sila ng kanilang mga bangko. Di nagbukas. Ano ang ginawa? Pumasok kunwari pagkatapos ay pumasok sa ibang bangko, binili ang bangko o di kaya naman ay nakipag-merge doon sa mga bangko natin. So ano ang nangyari? Nawawalan ng trabaho sa banking. So yon ang problema namin ngayon.



Kaya yong sinasabi ni Atty. Sereno wala pong kinalaman, hindi po totoo yon. Sapagkat financial services, sa makatuwid, dahil nga sa ginawa ng gobyerno natin, panlaban daw, para yong ating mga bangko ay maging competitive ay sinabi

sa mga bangko, kayo'y magsama-sama para kayo ay lumaki. Hindi ho ganoon ang nangyayari. Sa pagsama-sama nawawalan ng trabaho ang mga empleyado. Merong isang bagay na nais ko lamang idagdag.

There was a very important issue raise that was raised yesterday by Prof. Magallona and this is what I would like to call the attention of everybody to. Dito po sa WTO, ang trading natin, sabi ho ni Prof. Magallona na aking lubhang ikinasaya, kung tayo ay pumapasok sa kasunduan na makikipagpalitan, palitan ba yan o kung anong bagay, kundi dito na mismo sa serbisyo, ang ibig pong sabihin noon kapag ang gobyerno natin ay pumayag na buksan ay kinakailangan ay yong mga serbisyo na pepwede nating ibigay din sa ibang bansa ay dapat yon ang ating buksan. Kung hindi natin kaya, huwag nating buksan.

Sa makatuwid ba, ang ibig sabihin noon, iyong bang mga bangko natin na may-ari sa Pilipinas, yan ba ay mayroong kakayahan na makipaglaban sa ibang bansa? Yon bang ditto, halimbawa sa turismo, meron ba tayong operators ng tourism na pwede sa ibang bansa para makipaglaban? Wala. Ang ibig sabihin, sana ay tingnan ng gobyerno natin kung tayo ay magbubukas because yong tinatawag na 'comittments' sa apat na pamamaraan, hindi ko na ipapaliwanag kung paano ang supply of services ay pwedeng pasukan. Tingnan. Kung hindi natin kaya, huwag buksan sapagkat yong naman talaga ang essence ng kalakalan, ng palitan. Let us trade our services where we can compete. If we cannot, we should not do it.

Halimbawa, yong mga IT na lamang natin, ipinagmamalaki natin napakagaling nating Pilipino sa IT. Di ba't napasama tayo sa listahan na tayo ang sumira, ang nagbigay ng virus? Magaling tayo pero nasaan ang mga IT natin ngayon. India, Malaysia, even Pakistan. Yan ang dapat nating tingnan.

*Ka Bobby Tañada:*

Salamat po. Maraming salamat, Mr. Umali. Ito na po ang huling matatawag natin. Jong.

***Leody de Guzman, Bukluran ng Manggagawang Filipino:***

Maiksi lang po itong sasabihin ko. Ako po si Leody de Guzman ng Bukluran ng Manggagawang Filipino. Meron lang po kaming kahilingan o resolusyon dito sa National Conference na ito ng FTA.

Sa mga manggagawa po, hindi lang yong contractualization ang problemang hinaharap namin diyan. Hindi pa yan ang totoong problema. Yong isyu ng mababang sahod na ngayong nangyayari o yung issue ng moratorium sa mga CBA. Hindi pa yong ang malaking problemang kinakaharap naming ngayon e. Ang totoong pinakamalaking problema ngayon ay iyong tanggalan sa trabaho kasi iyon po ang pinakamasakit na iyong ating mga manggagawa ay biglang mawalan ng trabaho. Isang resolusyon na suggestion namin dito, kasabay ng ating kampanya para tutulan iyong zero tariff regime, hinihingi ng mga manggagawa na baka pwede isabay din natin yong zero retrenchment sa ating mga manggagawa. Iyon lang po at maraming salamat.

*Ka Bobby Tañada:*

Okey, Jong.

***Mr. Jong Sereno, Association of Petrochemical Manufacturers of the Philippines:***

Good afternoon, I will make this short dahil sa lack of time. My proposed resolution is on the policy reform on Philippine commitments under the AFTA-CEPT. Mahaba po yong whereas pero babasahin ko nalang po yong specific resolution. (see annex 9: FTA Resolution II)

Be it resolved that the Fair Trade Alliance ("FTA") call on all sectors of Philippine society to oppose the further reduction of AFTA-CEPT tariffs on Philippine products to 0%.

Be it resolved, further that the FTA call on the Philippine government to strengthen the safety nets by revising the various safety net laws themselves as well as their implementing rules and regulations in order to provide reasonable standards and to confirm the power of the DTI and DA Secretaries to reverse erroneous recommendations of the Tariff Commission and to strictly implement the improved safety net



Be it resolved, further that the FTA call on the Philippine government to invoke on behalf of Philippine industry all just and qualified claims brought under Article 6 of the AFTA-CEPT agreement.

Be it resolved, further, that the FTA call for the harmonization of AFTA tariff lines, dahil hindi naman po pantay-pantay iyong bilang ng tariff lines among the ASEAN countries, as

well as the harmonization of labor and social standards across all AFTA member countries, towards the creation of a truly level playing field for all.

Be it resolved, further, that the FTA exhort all ASEAN member countries, particularly the Philippines, to re-examine the drive towards bilateral trade relations with the U.S.A., China and Japan inasmuch as such unequal trade relations would only lead to the slashing of tariffs with no mechanism to discipline these large countries.

Be it resolved, finally, that the FTA call on ASEAN itself, as a collective body, to closely re-examine proposals to establish the ASEAN-China Free Trade Area and an ASEAN-Japan Free Trade Area.

*Ka Bobby Tañada:*

Maraming salamat. Kung may iba pang mga resolution, paki-submit na lamang po. Ngayon pupunta na po tayo sa Declaration dahil nasabihan na naman ako baka iyong media na nag-aantay ng may katagalan ay umalis na e gusto ring makapagtanong sila. Now, let us take up the Declaration and let me call on Dean Ofreneo to tell us about this.

*Dr. Rene Ofreneo:* (see Annex 10: Declaration of Unity: Economic Nationalism Conference - Rebuilding the Economy, Rebuilding our Future!)

Magandang tanghali po sa ating lahat. Meron po kahapong pinaikot na draft unity declaration, seven pages. Hindi po nabigyan lahat pero yung mga chair at facilitators nabigyan. Now, ni-revise po ito based on the inputs coming from the different workshops last night and then kaninang umaga, ni-revise pa rin po at ito po ay inihaharap sa komperensyang ito for adoption. Dahil kapos po tayo sa oras ay isa-summarize po naming ni Aileen itong presentation.

Anyway, ang title po nito ay 'Rebuilding our economy, rebuilding our future'. Wala tayong hinaharap kung wala tayong ekonomiya. Yong unang pahina po nitong declaration ay tungkol sa mga diniscuss natin kahapon at ngayon tungkol sa sitwasyon ng ating economy na napakahirap. Sinasabi rin po na itong ating crisis ay nakaugat, major cause, maraming causes but the major cause is the simplistic ideology of reducing economic policy choices to questions of either going export-oriented or not, of either adopting a labor-intensive or capital-intensive approach, or of further relying on foreign investments or going it alone. So, the ensuing aimless and probably reckless liberalization and globalization later on, ito ay naka-subvert sa vibrancy ng industrial process. Nawalan tayo ng agro-industrial direction at napakahalaga po nawala iyong kultura ng industrialism and ngayong nalulunod tayo sa imports, karamihan ay smuggled or dumped.

Ang tanong ano ang gagawin natin lalo na may more liberalization schedules nakahanda? Sa September ay meron Cancun ministerial meeting ang WTO where they will discuss the further liberalization. Halimbawa agriculture, we have tariffed it, how to reduce the tariff, they will liberalize services, they will open up the domestic market through the principle of competition policy. Competition policy means just open up even the local markets.

Ang isang proposal ditto ay, tayo ba ay maghahalukip at ang sinasabi ng document, hindi. Tayo ay mga Pilipino na naniniwala sa hinaharap ng Pilipinas at tayo'y hindi nawawalan ng pag-asa. With unity, patriotism, pwede nating i-rebuild ang economy but kinakailangan magkaroon ng mga pagbabago.

Ang unang pagbabago ay, direksyon ng ekonomiya. We need to fight for a new policy direction for the economy. Of course, yong sinimplify ng mga neolib na either labor-intensive, export-oriented etc., ang punto natin yong we adopt yong definition ni Ka Bobby kahapon na ang overall is to develop overall capacity of the economy, industry and agriculture, at hindi tayo matali doon sa mga simplified choices. Kinakailangan ma-

develop yong mga appropriate linkages in a mutually enforcing manner. Create jobs and value added. Nabanggit yong ating industry, agriculture, services, export sector, they are islands unto themselves. Wala pong mga linkages at nagkaroon pa tayo ng situation na nag-aaway-away ang mga industries. So, kinakailangan na magkaroon ng harmonization yan katulad ng nakikita natin sa China at saka sa ibang bansa.

We need also to push for this kind of vision, an activist and nationalist government. Ano ba ang papel ng nationalist government? Ito po – one that is able to assert and enhance our national interest in the global and regional trading arenas. Ikalawa, hindi nakatali sa free trade neo-liberal economic dogma. Ito yong words ni Tintin kahapon. That the role of government is simply to minimizing its role in the economy and allow the freeflow of capital. A nationalist and activist government is focused on, one, enhancing the overall capability of industry and agriculture to survive, grow and expand in a harsh and uneven environment through the development of appropriate and forward-looking infrastructure, monetary, fiscal, RND and institutional support measures to developing the full potentials of the home market, 85 million na po ang Pilipino, in sustaining and creating decent jobs and livelihood through the promotion of a vibrant, community-based, economic activities and strong agro-industrial and inter-regional linkages; identifying, preserving and developing strategic industries such as those involving the food security of the nation and the basis for the future development of new industries; identifying, preserving and developing global niches for the economy, ibig sabihin, we support both domestic and export industries; apply without hesitation yon mga corrective measures to level the economic playing fields such as the adoption of timely and necessary countermeasures against dumping, unfair trading practices of other nations, smuggling, economic plunder, and so on.

Marami pa ho ditong binabangit what is an activist government, pero sinasabi rin po rito na napakahalaga ng papel ng science, ng RND, infrastructure development, cooperation at tangkilikan at mahalagang pagtuunan ang deepening the industrial structures, upgrading the SMEs, small and medium enterprises, para sila ay hindi lamang competitive sa local but also globally rin.

Agricultural modernization is meaningless kung walang transformation ng kaisipan din ng ating mga magsasaka. So hindi lamang dapat ma-focus doon sa physical aspect at iyong food security ay isang bagay na hindi natin pwedeng i-barter. Ito ay question of national security at dahil kapag walang food security magkakagulo ang ating bayan.

Then finally, kinakailangan magkaroon ng orderly, just and dignified settlement sa ating utang panlabas sapagkat masyado tayong nababaon dito and if necessary we have to dump or junk onerous and unjust loans including yong mga ni-review ng Malacanang, yong spurious IPP contracts.

Now some urgent measures. Marami pong measures pero tatlo yong na-single out.

Number one, we take from the presentation of our good Vice President, first, we need a breathing spell from the suffocating liberalization commitments by our our policymaker with the WTO, AFTA, IMF. We call on the government to defer for five years of our tariff

and other liberalization commitments to these institutions based on the tariff rates of the year 2001. Siguro naman po ay very reasonable yan. Itong period of deferment na ito is consistent with the universally-recognized principle ng mga developing countries under the WTO. Nire-recognize na iba-iba ang level of development and therefore they are entitled to special and differential treatment, yung SDT. Habang nagse-strengthen tayo, nagpe-prepare tayo, there should be a no-nonsense drive against smuggling and a greater government resolve to check the unfair dumping of foreign goods into the Philippine economy.

In addition, sinusupportahan po natin yung panawagan ng ating pangalawang Pangulo na mag-impose ang government ng 10% surcharge against all imports except on raw materials and machines needed by the local industry for expansion.

Ikalawa, in the line of the looming global recession, magkakaroon po ng giyera sa Iraq, tataas ang presyo ng langis, we support the call to look inward and look the potentials of the population of 85 million as a solid market. Malaki pong market yan kaya lang hindi po ma-realize yong advantages nito sapagkat in an open economy with local industry and agriculture being swamped by dumped and smuggled products, yong potential natin ay nawawalan ng saysay. Hence, kinakailangan gamitin itong promotion ng domestic market driven growth ay kinakailangan sabayan ng campaign against smuggling, prevent unfair dumping, promote the growth of local industry and agriculture including, sinabi ni Ted Mendoza, yong good health and then develop a culture of patronizing Philippine-made products. This is the time to promote the Buy Pilipino movement and create a Pilipino job movement simultaneous with the campaign for local industry and agriculture to upgrade their operations and exert efforts to produce cheaper but quality products and services.

Finally, yung third, yong low level of foreign investments given the reality in the market, talagang wala tayong maasahan na dadagsa and ating foreign investment. This is the time we do not only look inward but we also look at the Pilipino as source of investment. I-mobilize ang buong bansa. I-mobilized yong mga successful Pilipinos abroad. Magbalikan sila, successful scientists... I-mobilize ang savings, katulad nga ng ginagawa ng ating Vice President, savings ng mga OFW. They remit about 8 billion dollars a year. Ma-capitalize mo lang ang 10% of that, napakalaking bagay na po. Hindi kayang habulin yan ng foreign investment. Kung makita ng foreign investment na tayo mismo nag-i-invest, darating at darating ang mga foreign investments na iyan.

So what is really needed is to mobilize the entire population in support of a common vision of development where every concerned Filipino has a genuine stake to uphold and a role to play.

And then we close by, we call for a government of national unity. We share that call but it should not be a government based on the issue of charter change but based on urgent social and economic reforms. We need to inculcate the values of industry, integrity and nationalism among our people, especially among the youth. We have to revive the sense of economic nationalism and we have to straighten economic nationalism as a fundamental principle of the Constitution, ito po ay kanina lang

dinagdag, and safeguard it against amendments of any disguise. So, whether mag-cha-cha o hindi, what is important, what is fundamental is, nananatili itong economic nationalism as a major principle guiding this nation.

Above all, we need to unite, drawing on our past struggles for nationhood and the example of our heroes, in building up a nationalist economy and to have this nationalist economy, my friends, I think we have to launch a nationalist movement. Yan po ang ating declaration of unity. Marami pong salamat.

*Ka Bobby Tañada:*

Maraming salamat, Dean Ofreneo. Meron po bang tutol dito sa ating unity declaration na ito. Kung wala po, wala naman po akong nakikitang nagtataas ng kamay. Yes, Usec. Ordonez.

*Ernie Ordoñez:*

Ayaw ko po yung Kastila, pwede tanggalin na yong Kastila. Ikalawa, napakaganda, congratulations, napakaganda po ng ginawa nya. For action yon po ang number. Sabi po niya, you cannot improve unless you measure. We want to measure the number of smuggling calls I get from you, that is collect 02850279, if you do not call any smuggling sources, i will consider myself a complete failure and the alliance will not be as strong.

Yan po, I just want to say that this is so good that I think we should have a full page advertisement, summary so that everybody will wake up because if this does not hit the full page advertisement, the beautiful thoughts of the beautiful people here will be lost to the country. So I recommend we get money for a full page advertisement.

*Ka Bobby Tañada:*

Salamat, so....

*Participant:*

Isama po natin ang kooperatiba.

*Ka Bobby Tañada:*

Opo, kasama po sila.

*Participant:*

Kasama po sila sa saving mobilization, kasama po sila sa trade internally, isama po natin sila categorically. Kasi ang reklamo po nila, napupwera sila sa SONA, they are not even mentioned in SONA, so kung puede isama natin sila.

*Ka Bobby Tañada:*

Okay, tama. Angel...

**Angel Mendoza:**

Ang minumungkahi ko po na lahat ng mga resolutions presented sa floor ay i-adopt ng body en toto. Lyon po ang aking resolusyon. Pwede po ba yon?

*Participants:*

Okay.

*Ka Bobby Tañada:*

Okay, meron po bang ... Yes, from the cement industry.

**Rene Visaya, Philippine Cement Corporation:**

Magandang hapon po. Nalulugod kami at nandito po ang ating dating USec. Ordonez ng DA before that DTI din po at si Former Sec. Concepcion ng DTI also. Doon po sa smuggling campaign ni USec. Ordonez, minumungkahi rin po namin na sana, dahil galing din po naman siya DTI, isama na rin po niya yong mga industrial product natin di lamang agriculture. Salamat po.

*Ka Bobby Tañada:*

Okay, yes ... Meilou.

**Atty. Meilou Sereno:**

I applaud the drafter of that statement. Napakaganda ho. Again, it is very intelligent. May I just request a small refinement? The past history of economic nationalism is loaded with the concept of anti-foreign investments. Now, the strategy, on the other hand, of the statement is to attract the foreign investment by showing that there is enough domestic demand, which is a very intelligent way of handling it. Is there a way of trying to unload the baggage, the problem of anti foreign investment from the term of economic nationalism?

*Ka Bobby Tañada:*

We are not against foreign investment. We welcome foreign investment. We only would like the right policy on how to treat the foreign investments coming in. So it is with that understanding, we know we lack capital; it is in that framework, I think there is not anyone here who will say that he or she is against foreign investment.

*Atty. Meilou Sereno:*

Oo nga ho e. Ang fear ko nga ho is because of the history of the term, economic nationalism. Can we try to find a better way of capturing the sense of the statement? Because if it is pick up and the wrong signals are used, are focudes on, without going through the statement, which is a very balanced statement, baka magkamali ho ng understanding. Yon lang, actually, it is just a concern.

*Ka Bobby Tañada:*

Okay, let that be duly noted.

Yes, Raul.

*Raul Segovia:*

One on the problem of the correct word to use, I think create the committee on euphemism. Number two, on any resolution that embodies request for government for representation, please never forget the consumer, the biggest social sector ...

*Ka Bobby Tañada:*

That's right. That is very good. We should never forget that. Okay meron pa po bang tututol. Okay ...

*Participant:*

Isang bagsak!

*Ka Bobby Tañada:*

Isang bagsak! So, aprobado na po yong ating unity declaration. Marami pong salamat. Bago ko po hingan ang ating Kagalang-galang na Vice President Tito Guingona for his closing remarks, may i just thank the Vice President, our resource persons, Dean Ofreneo, Dean Magallona, our discussants, and of course our facilitators, our secretariat and staff. Kung wala po kayong lahat hindi po magiging matagumpay ang ating kumperensyang ito. Sa tingin ko maliwanag na naabot natin ang ating layunin na makabuo ng isang Nationalist Agenda for our development. Hindi po lang yan malalagay sa papel, isasagawa po natin yan, isasakatuparan natin.

### Press Conference

**How will the Office of the Vice President carry out these proposals? How will you bring these to government for these to be executed or carried out, sir?**

*VP Teofisto Guingona:*

This set of recommendations will naturally be conveyed to the government and to the appropriate agencies. But in addition, there will be a monitoring or a follow-through. We will not just submit recommendations and then forget about them. There has to be a follow-through. As a matter of fact, the consensus here was to participate actively, if possible, at all levels, from the local to the national economic council of government, from the private sector. So, we will follow-through with all the recommendations taking off from the President's decision to freeze the tariffs. She herself has asked for a review and therefore the sectors concerned - industry, agriculture, education, and others, would have to sit down and review or take part in the review process regarding the tariff schedules - product by product, line by line, classification by classification.

**Please reiterate the recommendations and urgent reform that you are pushing for to address the global and economic crisis that the country is faced with right now?**

*VP Teofisto Guingona:*

I will rather give that to the head of the Fair Trade Alliance.

**My question would be a brief background on the Fair Trade Alliance. How did you all come together, when was it launched?**

*Ka Bobby Tañada:*

It was launched sometime the later part of the year 2001. We came together because representatives from industry and business, representatives from the labor sector, representatives from the agricultural sector brought the problems that they were encountering, that they were facing. So, we called for a Conference. We also invited members from civil society, from the academe, and from other sector of our society.

From that time, we analyzed and assessed what were really the causes of these problems that we were facing. After such analysis and assessments, we found out that it was matter of survival for all of these sectors to come together



and join forces to be able to more effectively address these economic problems. So, doon po nag-umpisa yun. Simula po ng mabuo yung Fair Trade Alliance, marami nang mga activities ang nailunsad, mga fora, symposia, pinalalim pa ang ating pag-unawa, pag-intindi, sa mga problemang itong kinakaharap ng sector ng industriya, sector ng agrikultura, hanay ng mga manggagawa, hanay ng magsasaka at mangingisda. Sa ganun ay mas napatibay namin, napalakas ang aming hanay, ang aming pagkakaisa. Ngayon, sa tulong ni Vice President ay nailunsad naming itong komperensyang ito at ginawa naming maabot hindi lang ang aming mga miyembro kunti mga iba pa at higit pang mapalalim, ang aming pag-unawa, pagintindi sa crisis na kinakaharap ng ating ekonomiya, ng ating bansa. Yung pagkilala namin na isang pangunahing dahilan kung bakit nandiyan tayo sa crisis na yan ngayon ay yung hindi pagkilala, pagpapahalaga kung ano yung nasa ating Konstitusyon na, na maliwanag namang iniuutos na ang ating bubuuing ekonomiya ay isang ekonomiya na self-reliant and independent and effectively controlled by Filipinos. Kaya itong kahapon at ngayon nakita natin ang hangarin, ang pagnanais ng mga bumuo ng Fair Trade Alliance ay hindi lang maitaguyod kundi maisakatuparan iyang vision na nasa ating Konstitusyon na.

Ngayon yung recommendations nandyan na yun sa mga hawak ninyong declaration. Ang unang-una ay yung pagbabago ng patakaran. This existing policies which we have seen to have failed, they have not worked for us, they are even working against us, the evidence is there for all of us to see. Even the president has said, the days of unbridled globalization are over. She has said that we should take full advantage of the exceptions under AFTA-CEPT and WTO. We are now waiting; we are now hopeful that what she said would be translated into concrete actions. Best evidence of these would be a change, an amendment of the vision of these failed policies that we have up to now. So yung pagbabago ng policy, paghinto ng patuloy na pagbaba ng ating mga taripa. Di lang yun, yung doon sa kailangang bigyan ng suporta at tulong ng ating pamahalaan na mga industriya, ating mga magsasaka, mangingisda, itaas yung level ng tariffs na yan na hindi naman lalabas sa ating commitments under WTO at AFTA. Pero hindi lang yung tariff reduction policy ang dapat baguhin, kailangan may kasabay pa riyang mga konkretong kilos na nakalagay sa unity declaration.

**Can I shift the issue to another matter? Vice President Guingona and Senator Tanada, can we just have your reaction about the failure of the People's Consultative Assembly to push its impeachment complaint against the President in Congress?**

*Ka Bobby Tañada:*

Nabasa ko rin yon sa pahayagan ngayong umaga. Hindi naman ako nagulat. Siguro kulang ang konsultasyon sa bawat isa sa kanila.

I already said yesterday that I don't think it will prosper, in answer to your question. The president herself is not perceived as pressuring anyone because she has delivered the message that one of the policies that she wants to carry out is the policy against graft and corruption.

*VP Teofisto Guingona:*

I would like to stress that this Conference of the Fair Trade Alliance is a program of action by the people themselves, by those concerned. We are all affected here, industry, agriculture, service, even the media as consumers on how to build a strong economy. Where? Here in the Philippines. Specifically where? Local and national levels. We do not just want protection or support because reality tells us that we do not have the funds like other nations that give export subsidy to farmers or tariff rate protection. You know it was pointed out here that in developed rich countries, their tariffs can go as high as 300%. The Philippines, highest is 80 %. In the rich developed countries, the United State extends export subsidy of 21 billion a year, Japan, 30 billion, European Union, 60 billion, the Philippines, zero dollar. We cannot even adequately support the NFA. So these are the inequalities and the response is to view governance but by looking at the responses here, through self-reliance. We would like to build the Philippine economy because we have a market, as pointed out, of 80 million people. All we need to do is to catalyze certain industries and agriculture so that the people can have adequate purchasing power. When they have adequate purchasing power, then the volume of money changes will be faster and the economy will build. For example, if we really go for housing, it will multiply it affects about 60 industries and therefore the benefit of the people. We would like to generate more jobs, more finance and more massive education to farmers and fishermen.

The recommendation of the Conference to strengthen the economic nationalism or rather nationalism for the Philippine economy is a fundamental principle of the Constitution. It is relevant to the current moves in Congress now having a debate between the House and the Senate on whether through a constituent assembly or constitutional convention. We would like to stress that it is inimical to the interest of the nation if one of the proposed amendments is to eliminate in the constitution the safeguard of the economic provisions in that constitution.

*Ka Bobby Tañada:*

May I just add, we have seen that our industry and our agriculture are not that ready yet even after 8 years from the ratification of WTO. So, we are asking our government to give that assistance, that support, that protection needed by our local industries, our agriculture. But the protection that is being sought is no longer the same as what had been given in the past. This time it is a protection that is time-bound and performance-bound.

Di tulad noong unang panahon, kaya siguro maraming nag-iisip na naging dahilan yan din kaya hindi umunlad ang ating industriya ay walang limit as to time at walang condition as to performance. Ngayon naman ay hinihingi ng ating mga industriya, ng ating mga negosyante ay hindi katulad ng proteksyon noong nakaraan. Handa sila na maging time-bound iyan at maging performance-bound, kaya nga lang sa ngayon ay talagang hindi level ang playing field. So we need this time for our industry and agriculture to become competitive.

Mr. Vice President. I remember one time when it was reported in the newspaper that you were appointed as the economic czar for Mindanao. You vehemently denied it. You said you will never accept any cabinet position again in this administration. Suppose in this particular case, the President invites you again to join the cabinet so you can effectively implement the recommendations you made this morning, the so-called declaration, "Rebuilding the economy, rebuilding our future", are you willing to reconsider what you said before that you will never accept any cabinet position in this administration?

*VP Teofisto Guingona:*

The time that I respectfully declined the czar of Mindanao is first because I am not a Russian and czar refers to a Russian which is a generic term for the head of state or the emperor. You know Mindanao is a multi-headed place with many complications there although I really wanted to serve Mindanao. If there is a position now that is offered, in view the fact that we have specific recommendations in response to global challenges and we have a stand on fair trade, we have a stand on the welfare of the 8 billion Filipinos overseas brothers and sisters, we have a stand on the seafarers' welfare, we have stand on building steel industry, we have stand on developing local products and linking them with the Philippine economy, the nation and offer is meaningful and sincere, even without joining the Cabinet, I may consider.

**In what capacity then?**

*VP Teofisto Guingona:*

In the same capacity that I am now pursuing the several programs that we initiated during my tenure as Secretary of Foreign Affairs. Nandiyan sa akin ngayon yang OFWs, nandiyan yong seafarers, nandiyan yong housing, nandiyan yong National Steel rehabilitation. These are all embodied in AO no. 45. If in addition to the findings of this body, the president will expand it and add to AO No. 45, I will willingly accept. Hindi ako umuurong, sulong palagi.

**I will go to another topic. About this World Trade Organization, is your group advocating that the Philippines separate or denounce the World Trade Organization?**

*VP Teofisto Guingona:*

No, we are not denouncing the World Trade Organization as an organization we are pointing out the flaws that leads to the inequality. Because as Joseph Stiglitz, one of the most respected economic professors of Columbia and Nobel Prize winners stated, the rules of the games were principally made by the rich, industrialized, developed countries for the benefit of the rich, industrialized, countries. So there is disparity, even in tariff rates, in export subsidy, in capacity of the farmer from Iowa and the farmer from Saranggani, Mindanao. There is big disparity. Just as I said there is disparity between the La Salle football team and the Brazil football team.

There must be some level playing field, an opportunity for us, a breathing space of say 5 years, and we build ourselves to become stronger. We integrate the economy of the Philippines and we adjust to become a really competitive nation. Then we can really face the WTO.

As a matter of fact, it is vital that we ask for adjustments in the Philippine position in the WTO. We are asking for special and differential treatment as lead by India taking into account our national interest in consultation with the affected sectors. With this, we can a preparation for our recommended position in the Cancun Ministerial Meeting which will take place on September this year. That is the WTO. Nagkakaroon ng DOHA declaration. There will be negotiations, negotiation are now taking place and I hope that we can have a part now through the Fair Trade Alliance to have a voice not only in the negotiations, so that we have now this policy of readiness and the propositions to present in the Cancun meeting.

**My last question, I remember that when you were still a senator, the effectivity of the WTO in our country was discussed. Several senators, I think it was even the President, sponsored several measure that will make our farmers competitive even if foreign goods come into our country with lower tariffs. What happened to those things? You were very active in that debate. I remember correctly because I sometimes watch the debate in the Senate but surely these measures will make our farmers competitive and their products will be able to compete with foreign goods.**

*VP Teofisto Guingona:*

I dont know which debates you are referring to because the debates in the WTO were held in 1994. They started in September and I was no longer in the Senate. I think I will refer you to Senator Tañada who was one of the main oppositors the WTO.

*Ka Bobby Tañada:*

Totoo ho yon. Noong tinalakay at pinagdebatehan yang WTO, kung sasang-ayon ang Senado diyan o hindi, wala na doon ho si Vice President Tito Guingona. Out of 23 senators at that time, only five voted against the ratification of the Senate of this treaty. Si Senator Tolentino, Senator Coseteng, Senator Maceda, Senator Sotto at ang inyong lingkod po.

So yong sa safeguards na sinasabi nila na mailalagay in place ay hindi naman po natupad yon. Mismong si Senador John Osmena nga ang nagsabi na naging ilusyon lang pala ang binabanggit na safeguards na yan.

**In view of this economic nationalism that you are advocating, how would country now deal with various official development assistance that we get from foreign countries? Should we now reduce ODA or do we still maintain these?**

*Ka Bobby Tañada:*

I don't really think that there will be any serious problem or problems that would be created by virtue of our adopting this economic nationalism as a philosophy in our economic development. Alam naman natin yang ODA na yan ang nakikinabang ay hindi lang iyon nabibigyan ng ODA na yan, na may kasama rin naming pautang, kundi mismo ang bansang pinanggagalingan ng ODA na yan. So hindi ko nakikita na magiging isang sagabal itong ating pag-adopt nitong principle na ito ng economic nationalism.

*VP Teofisto Guingona:*

In addition to what Sen. Tanada said, you know the rich developed countries have a moral obligation, I think this was mentioned in several portions of the WTO deliberations to have build the developing nation and the least developed nation especially in human capacity building efforts.

For example, if Japan will lend us money to have massive education for our farmers so that we could plant okra or some other high value crops, some of which we can export to Japan, it would be a two-way benefit. It will benefit us, it will benefit them. It will not in any way affect the relationship between the developed and developing nation. Economic nationalism is after all for what is meant for national interest and that is natural.

Lumabas din dito sa komperensyang ito yung mga bansa katulad ng China, Japan at saka yong ibang newly-industrialized countries katulad ng Thailand at Malaysia pati na rin ang India, bago nakarating sila kung saan naroroon sila ngayon ay dahil yong economic nationalism ay sinunod din nila bilang isang pilisopiya para sa kanilang pag-unlad, sa pag-unlad ng kanilang ekonomiya.

**In line po doon sa short term and long term objectives ng grupo, ano po yong nakikita natin suceses or measures of successes? I would like also to ask kung ano ba yong nakikita nating major challenges for advancing yong objectives o yong misyon ng grupo?**

*Ka Bobby Tañada:*

Yong short term, gusto sana naming makita yong pagbabago ng direksyon na ating tinatahak, as far as our economic development is concerned. So yong pagbabago ng patakaran na nakita natin na di nakatulong sa pagpapaunlad ng ating ekonomiya. Yong paghinto ng pagbababa halimbawa ng mga taripa. Pagbigay ng tulong at suporta na kailangan ng mga specific industries, katulad ng steel industry. Meron nang mga handang magpatakbo ulit niyan, steel industry na yan sa Iligan, ang hinihintay lamang ay tariff protection. Bakit hindi makuha ng ating pamahalaan na ibigay ang tariff proteksyon na yan. Sabi naman nila ay gusto nilang makapagbigay ng trabaho sa ating mamamayan. Ang daming trabaho ang kaagad-agad mabibigyan kung ang National Steel na yan ay mabibigyan ng tulong at suporta ng ating gobyerno. Nandiyan pa yong ibang industriya, semento, petrochem, shoe industry, rubber, ceramic tile

industry, paper industry, nandyan yong ating mga magsasaka na nahhirapan dahil nga diyan sa lubusang pagpasok ng mga imported cheap vegetables, smuggling pa. Kaagad-agad, mabigyan sila ng konkretong suporta sa pamamagitan ng pagtaas din ng taripa na sinisingil dyan sa mga imported na agricultural o vegetable products na yan.

Pero sa long term, iyong vision nga na makita natin iyong pag-unlad ng ating ekonomiya, ang nakikinabang dyan, yong gains and benefits of this kind of development that we are pushing will be shared equitably by all Filipinos hindi lang ng iilan.

### **Iyon pong major challenges na nakikita ninyo?**

*Ka Bobby Tañada:*

Well, major challenges yong pagkumbinsi sa mga namumuna sa atin ngayon, kay President GMA, sa kanyang mga economic advisers and technocrats na mukhang hindi naririnig ng husto yong sinabi na ni President Arroyo na itong 'days of unbridled globalization is over'. Hindi narinig yun utos niya na hindi lang rebyuhin kundi to take full advantage the exception windows under the WTO and AFTA. So makumbinsi yong mga namumuno sa atin, iyong national at local na baguhin ang mga ganyang pag-iisip, orientasyon at patakaran. Subalit hindi lang yan. Kailangan din ang ating mga sariling industriyalista, negosyante, magsasaka, mangingisda at manggagawa, mga mamamayan, tayong lahat ay magkaroon ng pagbabago sa ating pag-iisip at oryentasyon. Sa tingin naming, ang mabilis na makakapagpatupad niyan ay yong pagpapalakas muli ng ating diwa ng nasyonalismo.

Okay, if there are no further questions, we would like to thank you for the questions and to conveying the results of the Unity Action Program of the Fair Trade Alliance. Mabuhay ang Pilipino!

## List of Participants

Day One, January 22, 2003

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20	Manuel	Arias	NAFLU
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30	Oscar	Barrera	KATAPAT / PHILEXPORT
31	Alex	Barrientos	PALEA
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33	Lowell	Bautista	UP Law Center - ILS
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45	Pete	Cabungcal	AGLO
46	Rody	Cada	KASAPI
47	Dong	Calmada	PEACE
48	Gerry	Canja	SIGLO
49	Joy	Cantos	PSN
50	Ito	Carlos	FPI
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52	Racquel	Castillo	Education Network
53	Vicente	Castro	Phil. Sugar Millers Assoc.
54	Joseph	Catahan	Miascor Workers' Union - NLU
55	Robert	Ceralvo	Coalition of Global Filipino
56	Genesis	Changilan	farmer
57	Emmanuel	Ching	FTA
58	Niza	Concepcion	Phil. Coalition for ICC
59	Jose	Concepcion	<b>BBC</b>
60	Leticia	Constantino	Fdtn for Nationalist Studies
61	Emerson	Cuyo	PHILEXPORT
62	Randy	Dacanay	PRRM
63	Narciso	Dalumpines	KAPISANAN Tokyo
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66	Ed	de Guzman	ABC 5
67	Mike	de Jesus	Manila Standard
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86	Tony	Garcia	Chemphil
87	Chino	Gaston	RPN 9
88	Flor	Gatbayat	Office of Rep. Teves
89	Joel	Gaudia	Samahan ng Magsasapatos
90	Jerry	Go	DWAD - AM
91	Zenni	Gonzales	Secretariat
92	Ephraim	Guerrero	FFW
93	Catherine	Guevarra	PHILEXPORT
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102	Hoyt	Lacuesta	OVP
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106	Liza	Leong	PHILEXPORT
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115	Teddy	Lopez	Bagong Bandila
116	Bernie	Lopez	Businessworld
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119	Bonifacio	Macaranas	UP SOLAIR

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127	Raymund	Malinias	Mt. Province
128	Gov.	Mandanas	LGU (Batangas)
129	Rey	Marcaral	RMN News
130	Romeo	Martin	Samahan ng Magsasapatos
131	Ronald	Mascariñas	Bounty Agro Ventures Inc.
132	Sonny	Melencio	BMP
133	Mars	Mendoza	FTA
134	Angel	Mendoza	FTA
135	Faustino	Mendoza	NEPA
136	Vangie	Mendoza	UNORKA
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138	Cristy	Merto	PHILEXPORT
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141	Jeremy	Nishimori	ECPG
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143	Carmelita	Nuqui	DAWN - PMRW
144	Rene	Ofreneo	FTA
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146	Floro Roy	Oliveros	SDC - Bagong Bandila
147	Angel	Ong	DLSU
148	Ernesto	Ordoñez	Agriwatch
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150	Junar	O'toole	FTA Secretariat
151	Robert	Padilla	NAMAWU
152	Rino	Paez	Commission of Filipinos Overseas (DFA)
153	Timmy	Pakipac	Mt. Province
154	Mary Ann	Palma	UP Insti of Intl. Legal Studies
155	Ruben	Palomino	Office of Joson
156	Arnold	Pardo	NAFLU
157	Josephine	Parilla	PATAMABA
158	Butch	Peña	AGLO
159	Emeterio	Perez	Philippine Graphic
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161	Rosalinda	Pineda-Ofreneo	PATAMABA

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163	Tony	Policarpio	NLU - LMLC
164	Steve	Quiambao	PEACE
165	Lito	Rallstan	ADLO
166	Ronnie	Ramos	Balita
167	Sam	Raras	OVP
168	Ernie	Recuerdo	OVP
169	Leonard	Reyes	FTA Secretariat
170	Ed	Reyes	Saniblakas Foundation
171	Jessie	Ricablanca	Miascor Workers' Union - NLU
172	Juanito	Ricaforte	NAMAWU
173	Pat	Rodolfo	CFO
174	Lea	Romana	FPI
175	Andy	Rosales	AGAM / QCASCD
176	Sixto	Roxas	Office of the Vice President
177	Vic	Sabiniano	Samahan ng Magsasapatos
178	Lee	Salvador	Net 25
179	Isabelo	Samonte	AOS
180	Pepito	Samson	Municipality of Bocaue
181	Erick	San Juan	News Asia
182	Nathaniel	Santiago	Bayan Muna
183	Max	Santos	Samahan ng Magsasapatos
184	Raul	Segovia	CACP
185	Jong	Sereno	APMP
186	Lourdes	Sereno	UP Law
187	Gani	Serrano	PRRM
188	Jorge	Sibal	UP SOLAIR
189	Alex	Soto	UNORKA
190	Phillip	Suzara	KASAPI
191	Eduardo	Tagle	
192	Arbee	Talastas	SP member, Mt. Province
193	Willie	Tan	Samahan ng Magsasapatos
194	Arnold	Tenorio	Manila Times
195	Nolan	Tiongco	Peace for Development
196	Dennis Paul	Toledo	KKMI / Y-ARISE!
197	Larry	Tolentino	Office of Councilor Inton
198	Sherrie Ann	Torres	ABC 5
199	Art	Torres	Manila Bulletin
200	Star	Torres	TODAY
201	Francis	Treñas	Sugar Alliance of the Phils.
202	Jose	Umali	NUBE
203	Salvio	Valenzuela, Jr.	PHILEXPORT

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205	Reuel	Velarde	Philnet - RDI
206	Jose	Villanueva	TODAY
207	Renato	Visaya	Philcemcor
208	Cecille	Visto	Businessworld
209	Lucy	Vitamog	Pinyahan E/S ACT
210	Esther	Yalung	PMDG - RPM
211	Lino	Yokingco	Magkape Tayo
212	Tino	Yokingco	Phil. Institute of Technology
213	Aileen	Zosa	OVP
214	Botchok		Net 25

Day Two, January 23, 2003

	Name		Organization / Affiliation
1	Armando	Abellano	OVP
2	Mike	Aeral	Office of Rep. Ocampo
3	Adelfo Cyrus	Alanis	Office of Rep. Ocampo
4	Benjamin	Alar	FSM - NCL
5	Gilda	Alcantara	OVP
6	Anabelle	Amaga-Vitacion	Philnet - RDI
7	Liezl	Aplando	PhilNet - Youth PUP Chapter
8	Mauro	Arce	FPI
9	Vic	Arsenal	PATAMABA
10	Oscar	Barrera	KATAPAT / PHILEXPORT
11	Benji	Basquiñas	NAMAWU
12	Lowell	Bautista	UP Law Center - ILS
13	Jun	Bocala	KAABAY
14	Florangel	Braid	LP / CWP / AIJC
15	Nadia	Buluran	Net 25
16	Thuts	Cabardo	ABC 5
17	Napoleon	Cabello	Columbian Chemicals Phils.
18	Pete	Cabungcal	AGLO
19	Joel Marc	Cairo	
20	Dong	Calmada	PEACE
21	Ronron	Calunsod	Manila Shimbun
22	Lili	Camare	GH
23	Gerry	Canja	SIGLO
24	Vicente	Castro	Phil. Sugar Millers Assoc.
25	Jose	Concepcion	BBC

	Name		Organization / Affiliation
26	Nenita	D	
27	Narciso	Dalumpines	KAPISANAN Tokyo
28	Winnie	Dayego	OVP
29	Ed	de Guzman	ABC 5
30	Leody	de Guzman	BMP
31	Freddie	de Leon	PRIA
32	Mark Anthony	Delumen	FPI
33	Girle	Destura	Sandata - Bagong Bandila
34	Dave	Diwa	NLU - LMLC
35	Samuel	Eslava	UCC / LUCWU / PCWC
36	Saec	Farro	FTA
37	Paolo	Florenda	OVP
38	Dojoe	Flores	PRRM
39	Bong	Fornal	PABI - Tyson
40	Anne	Galardo	DWBR
41	Chito	Gascon	Dep Ed
42	Joel	Gaudia	Samahan ng Magsasapatos
43	Ernie	Generoso	Imbestigador / DWBR 104.5
44	Patricia	Gisbert	ADMU
45	Iris	Gonzales	Businessworld
46	Catherine	Guevarra	PHILEXPORT
47	Teofisto	Guingona	Vice President
48	Lourdes	Gula	PATAMABA
49	Bayani	Hipol	PMDG - RPM
50	Primar	Jardeleza	PATAMABA
51	Antonio	Josue	PALEA
52	Jovie	Labajo	KASAPI
53	Hoyt	Lacuesta	OVP
54	Hoyt	Lacuesta	OVP
55	Roger	Lalfoforo	AKMA
56	Rolando	Larracas	LGU (Boac, Mdque)
57	Henry	Leung	APMP
58	Bobbit	Librojo	Social Democratic Caucus
59	Remedios	Limare	Pinyahan E/S ACT
60	Bernadette	Lingi	AKO PL / LURTF
61	Juan	Lopega	NAMAWU
62	Bonifacio	Macaranas	UP SOLAIR
63	Catherine	Maceda	CFO
64	Roberto	Madla	LGU (Boac, Mdque)
65	Myke	Magalang	LGU (Boac, Mdque)
66	Merlin	Magallona	OVP
67	Beckie	Malay	PRRM

	Name		Organization / Affiliation
68	Jun	Mapando	Net 25
69	Romeo	Martin	Samahan ng Magsasapatos
70	Mars	Mendoza	FTA
71	Angel	Mendoza	FTA
72	Rene	Ofreneo	FTA
73	Ed	Olaguer	
74	Ernesto	Ordoñez	Agriwatch
75	Sergio	Ortiz - Luis Jr.	PHILEXPORT
76	Junar	O'Toole	FTA
77	Rino	Paez	Commission of Filipinos Overseas (DFA)
78	Josephine	Parilla	PATAMABA
79	Butch	Peña	AGLO
80	Mer	Pineda	DWAD AM
81	Rosalinda	Pineda-Ofreneo	PATAMABA
82	Sam	Raras	OVP
83	Ernie	Recuerdo	OVP
84	Tita	Reverente	STOP CAAC
85	Leonard	Reyes	PRRM
86	Ma. Corazon	Rodolfo	CFO
87	Sixto	Roxas	OVP
88	Lee	Salvador	Net 25
89	Daniel	Santiago	
90	Rudy	Santos	NIPS
91	Lino	Santos	Magkape Tayo
92	Raul	Segovia	CACP
93	Lorna	Segovia	CACP
94	Jong	Sereno	APMP
95	Lourdes	Sereno	UP Law
96	Jun	Soriano	CWS
97	Willie	Tan	Samahan ng Magsasapatos
98	Sonia	Tañada	PRRM
99	Bobby	Tañada	FTA
100	Nolan	Tiongco	Peace for Development
101	Dennis Paul	Toledo	KKMI / Y-ARISE!
102	Larry	Tolentino	Office of Councilor Inton
103	Sherrie Ann	Torres	ABC 5
104	Renato	Visaya	Philcemcor
105	Lucy	Vitamog	General Roxas E/S ACT
106	Esther	Yalung	PMDG - RPM
107	Aileen	Zosa	BCDA
108	Tess		TODAY

**Nationalism and Unbridled Globalisation**

Senator Wigberto Tañada, Lead Convenor, FTA  
Welcome Remarks delivered during the  
National Conference on a Nation in Crisis: Agenda for Survival  
Club Filipino, January 22 to 23, 2003

Last January 10, the President made a well-publicized stand against unbridled globalization punctuated by an order freezing Philippine liberalization commitments under WTO and AFTA to the so-called 'minimums'.

Has our President seen the light? Is this the beginning of the long-awaited reversal of the long-enthroned policy of opening up, liberalizing and privatizing the Philippine economy in the name of global competition? Tatahak na nga ba ang ating bansa sa panibagong direksyon? Sa direksyon kontra sa liberalization at globalisasyon?

The truth is that the policy pronouncement made by the President comes relatively late in the day. Late in the sense that more than 90% of our tariff lines are already under the 0 to 5% tariff regime. Late in the sense that many of our industries, including agriculture, have already suffered serious reverses and losses with a large number irreparably shut down, permanently. It is precisely the unbridled, reckless and aimless globalization and liberalization of the economy in the 1980s and in the 1990s that has brought untold misery to our people, has stunted our growth as a nation and has precipitated a never-ending cycle of recessions in the country.

Nonetheless it is never too late to amend, adjust or reverse a flawed economic policy. Moreover, we are facing existing and new threats in the regional and global economic firmaments, AFTA liberalization schedule, the WTO industrial liberalization schedule, the proposal to lower the tariffs for the Philippine agriculture, the continuing WTO efforts to open up our service industries, and so on.

In addition, we still do not have a readiness program in place. A program on how to deal with and tackle the challenges arising in a globalized and liberalized economic order such as the trade juggernaut that is the People's Republic of China.

I raised this 'readiness' issue some ten years ago, in 1994, during the Senate debates on the Philippine membership in the WTO. The proponents of the WTO ratification and the NEDA economists evaded this 'readiness' issue by saying that a safety net program for both industry and agriculture, especially for the workers and the farmers, would be in place.

Well, nasaan po ang safety nets program na iyan na sinasabi nila nitong nakaraang sampung taon? Dumaan ang Asian financial crisis dulot ng globalisasyon, may safety net bang nagsalba sa mga industriya at trabahong Pilipinong bumagsak? May safety net ba

sa bigas, mais, gulay, manukan, babuyan at iba pang kabuhayan sa kanayunan na nagbabagsakan?

This is why we are earnestly anticipating how the President's economic advisers and technocrats will translate her pronouncement against unbridled globalization into a concrete program of 'doables' in the shortest time possible, for time is running out.

Napakahabang panahon na na naghihirap at patuloy na naghihirap ang ating sambayanan. We need recovery and growth now and we want this recovery and growth to be equitably shared by everyone.

This is why we are holding this National Conference today, 'A Nation in Crisis: Agenda for Survival'.

We are in crisis and we shall continue to be in crisis as long as we are not changing the economic policy regime.

But what is our development agenda?

Ours is a different one. We want to draw up a development agenda based on the general principle of economic nationalism.

Sa kumperensiya pong ito ay hindi na tayo magpapaligoy-ligoy. Ang hinahanap nating agenda para sa pagbabago at panibagong pagpapalakas ng ating ekonomiya ay nakasalalay sa pilosopiya ng economic nationalism o makabansang pangkabuhayan.

What is the meaning of economic nationalism?

It means, first of all, giving substance to the Constitutional mandate to have an economy effectively controlled by the Filipinos. This means recovering our economic sovereignty, our right to chart and determine our own economic destiny. We have long lost our economic sovereignty when our past leaders allowed this country to sink deeper and deeper into indebtedness, especially with the IMF and the World Bank, and to rely more on their poisonous policy prescriptions based on the economic orthodoxy of the so-called Washington Consensus.

Secondly, economic nationalism means building up our capacity as a nation to grow and develop as one. We have a large population and a fairly large land and sea territory which can sustain a vibrant economy. We have a talented people capable of creating world-class products and services, if only their skills are developed and harnessed. The problem is that our neo-liberal economic technocrats with the strong backing from the economists from the IMF and the World Bank have simplified the policy choices to us. Just open up your economy, let the ensuing liberalization make your industry efficient and wait for foreign investments to flow in and create jobs for everybody.

Of course, we all know what happened under three decades of the neo-liberal economic development paradigm. The promise of a jobful growth never materialized. Poverty and unemployment have worsened. And because there was no reversal of the neo-liberal economic policy regime, the economy kept deteriorating even after EDSA 1 and now EDSA II.

Thirdly, economic nationalism means we have to rekindle the spirit of solidarity, of helping one another. Paano mabubuhay ang industriya at agrikulturang Pilipino kung hindi natin susuportahan ang mga ito? At papaano talaga ang mga industriya at agrikulturang ito kung ang mga may hawak nito ay walang commitment sa mga consumer na Pilipino at walang pagnanasa na mapabuti ang kanilang mga produkto hanggang sa mahigitan ang mga produkto at serbisyo ng ibang bansa sa kalidad at sa presyo? At papaano bubuti ang industriyang Pilipino at agrikultura kung wala ang pag-aaruga, pagtangkilik at suporta mismo ng ating pamahalaan? Tayo lang mga Pilipino ang makakatulong sa sarili natin.

Is economic nationalism passé especially under globalization?

Just look around us here in Asia. If China has not been practicing economic nationalism, it will not be where it is now. If Japan and Asian NICs did not practice economic nationalism, they will not be where they are today. If Malaysia, India and Thailand are not practicing economic nationalism, they would not have surpassed the Philippines as they did in the 1980s.

Our task today is to draw up a nationalist development agenda and help develop a road map on how this country can go back to the path of recovery, growth and development. We have identified at least six areas where a nationalist agenda must be fleshed out - industrialization, agricultural development, the service sector, education and culture, national governance and local governance.

The idea is to go beyond rhetorics. We need not preach to the converted and discuss over and over the roots of our national misfortunes which we already know are traceable to the abandonment of the principle of nationalism by our policy makers especially in the area of economic policy formulation.

We need to know the practical relevance and workability of the nationalist solution in addressing the major economic ills facing the country under globalization. Your presence here means the nationalists are prepared to roll their sleeves and draw up a real development agenda guided by the spirit of nationalism.

May I close by personally thanking all of you for giving time to this Conference despite the very short notice and some limitations in the preparation of this Conference.

You will understand that given the context of the times and the nature and the urgency of the topics that we have outlined that we cannot postpone this Conference. Time is not a luxury we have.

**FREE THE NATION !**

Keynote Speech of Vice President Teofisto T. Gungona  
During the National Conference on "A Nation in Crisis: Agenda for Survival"  
Held at the Club Filipino, Greenhills on 22 January 2003

<INTRODUCTION AND GREETINGS>

I WISH TO CONGRATULATE AND THANK THE FAIR TRADE ALLIANCE (FTA) FOR THIS JOINT UNDERTAKING WITH THE OFFICE OF THE VICE PRESIDENT. THANK YOU TO ALL OF YOU HERE – FELLOW FILIPINOS WHO FIGHT FOR THE FILIPINOS.....

THE PHILIPPINES FOR THE FILIPINOS! WE FIGHT FOR INDEPENDENCE, FOR SOVEREIGNTY – BOTH ECONOMIC AND POLITICAL, AND FOR DEVELOPMENT.

THE GLOBAL ECONOMY IS HARSH, FREE TRADE IS SURVIVAL OF THE FITTEST. BUT WE DO NOT FIGHT GLOBALIZATION. WE FIGHT FOR THE NATION, FOR THE FILIPINO IN A GLOBAL ECONOMY. NOW, MORE THAN EVER, THE FILIPINO SHOULD BE A NATIONALIST. NOTHING WRONG WITH NATIONALISM IN THIS DAY AND AGE. IT IS MORE RELEVANT, MORE NECESSARY – TO SURVIVE, TO DEVELOP SUSTAINABLY.

OTHER COUNTRIES – DEVELOPED AND RICH – DISTORT FREE TRADE. THAT IS WHY FREE TRADE IS A DISMAL FAILURE. WE EXPECTED BENEFITS FROM TRADE LIBERALIZATION BUT IT HAS NOT DELIVERED. THE RESULT: MORE POVERTY. RICH BECAME RICHER, POOR BECAME POORER.

FOR EXAMPLE, MANUFACTURED GOODS. THE WORLD DEVELOPMENT REPORT STATES THAT MANUFACTURES ACCOUNT FOR THREE-QUARTERS OF DEVELOPING COUNTRY EXPORTS. BUT TARIFFS ON OUR EXPORTS TO DEVELOPED COUNTRIES ARE, ON AVERAGE, FOUR TIMES THE TARIFFS ON EXPORTS OF DEVELOPED COUNTRIES TO US. FOR EXAMPLE, RUBBER SHOES. DEVELOPING COUNTRIES LIKE THE PHILIPPINES WILL IMPOSE 0% - 5% TARIFF ON THESE SHOES, WHETHER THESE COME FROM BANGKOK OR U.S. A DEVELOPED NATION IMPOSES 20% TARIFF ON THE SAME SHOES WHEN IMPORTED FROM ANY COUNTRY. WHILE DEVELOPED COUNTRIES PROTECTED THEIR INDUSTRIES, WE LIBERALIZED. IN FACT, THE PHILIPPINES UNILATERALLY REDUCED TARIFFS AND ELIMINATED NON-TARIFF BARRIERS. THIS PRESSURE TO LOWER TARIFFS STARTED IN THE 1980s, IN COMPLIANCE WITH IMF AND WORLD BANK CONDITIONALITIES IN EXCHANGE FOR STAND-BY FACILITIES AND LOANS.

TARIFFS OF RICH NATIONS ARE NOT ONLY HIGHER FOR DEVELOPING COUNTRY EXPORTS, THEY ALSO ESCALATE WITH THE LEVEL OF PROCESSING. FOR EXAMPLE, IN JAPAN AND THE EUROPEAN UNION, FULLY PROCESSED FOOD PRODUCTS FACE TARIFFS TWICE AS HIGH AS THOSE ON PRODUCTS IN THE FIRST STAGE OF PROCESSING. FOR EXAMPLE, WOVEN COTTON FABRIC FACES A 16% TARIFF IN CANADA. THE TARIFF BECOMES HIGHER AT 22% IF

THE COTTON FABRIC IS PROCESSED INTO COTTON SHIRTS. THE RATIO IS EVEN HIGHER, WITH TARIFFS ON FULLY PROCESSED FOOD PRODUCTS 12 TIMES THOSE ON PRODUCTS IN THE FIRST STAGE. IN THE FACE OF THIS UNFAIR TRADE, HOW CAN POOR COUNTRIES INDUSTRIALIZE AND COMPETE?

IT IS WORSE IN AGRICULTURE. DEVELOPED COUNTRIES CONTINUE TO PROTECT ITS FARMERS – NOT ONLY THRU TARIFFS BUT ALSO THRU EXPORT SUBSIDIES. TARIFFS THAT DEVELOPED COUNTRIES IMPOSE ON AGRI PRODUCTS FROM DEVELOPING COUNTRIES ARE ALMOST FIVE TIMES THOSE ON MANUFACTURES. EXAMPLES ARE MEAT, SUGAR AND DAIRY PRODUCTS. TARIFFS ON VEGETABLES LIKE SWEET CORN, OKRA AND CARROTS IMPOSED BY DEVELOPED COUNTRIES RANGE FROM 16% TO 22%. ON THE OTHER HAND, AFTA COMMITS 0% – 5% TARIFFS FOR THESE AGRI PRODUCTS.

THERE IS NO LEVEL PLAYING FIELD. AGRICULTURAL PROTECTION AND SUBSIDIES IN RICH NATIONS DID NOT DECLINE AS EXPECTED. INSTEAD, THESE HAVE RISEN TO 66% OF THE VALUE OF PRODUCTION OR EQUIVALENT TO \$1 BILLION PER DAY IN 1999. ESTIMATED COSTS/LOSSES ON POOR COUNTRIES OF THESE DISTORTED PROTECTION AND SUBSIDIES STAND AT \$19.8 BILLION! THIS IS A SERIOUS SETBACK TO FARMERS AND INDUSTRIES IN POOR COUNTRIES. <EXAMPLE OF A FOOTBALL TEAM>

WHEREAS, POOR DEVELOPING COUNTRIES CAN NOT AFFORD TO SUBSIDIZE THEIR AGRICULTURAL EXPORTS, CAN NOT AFFORD TO FUND MARKETING, CHEAP CREDIT, NOT EVEN INFRASTRUCTURE.

AS FILIPINOS, WHAT DO WE DO TO SURVIVE? TO ENHANCE OUR COMPETITIVENESS IN THE FACE OF DISTORTIONS? WE DEMAND FAIR TRADE, NOT EXCHANGES IN THE GUISE OF FREE TRADE.

1. FIRST, BUILD ON WHAT THE PRESIDENT PRONOUNCED. THRESH OUT WHAT OUR MINIMUM LEVELS OF COMMITMENTS ARE. SHE HAS FROZEN TARIFFS. SHE HAS ASKED FOR A REVIEW. IN ADDITION, WE ASK FOR DEFERMENT FOR FIVE (5) YEARS. GIVE SPECIFICS. IT IS OUR DUTY TO TAKE PART, TO DO THIS SO THAT OUR FARMERS AND INDUSTRIES WILL BE PREPARED FOR GLOBALIZATION. MAP OUT OUR PLANS IN THIS FORUM THAT WE ARE UNDERTAKING. IDENTIFY WHAT GOVERNMENT SHOULD DO, WHAT WE SHOULD UNDERTAKE TO GET READY.
2. STAMP OUT SMUGGLING. OF RICE, OF VEGETABLES, OF CDs, OF COMPUTERS, OF MEAT, ETC. THESE KILL OUR FARMERS, OUR INDUSTRIES, OUR WORKERS. THESE SMUGGLERS ARE COMMITTING ECONOMIC SABOTAGE! IN NUEVA ECIJA, ONION PRODUCTION IS DYING BECAUSE OF SMUGGLING. IN BAGUIO AND BENGUET, VEGETABLE GROWERS ARE IN PERDITION DUE TO INORDINATE IMPORTATION. THERE EXISTS A BILL IN CONGRESS PUNISHING SMUGGLING AS AN ACT OF ECONOMIC SABOTAGE. I PROPOSE A TASK FORCE CONSISTING OF PRIVATE AND PUBLIC SECTOR TO GO AFTER SMUGGLED GOODS AND SMUGGLERS. THIS TASK FORCE SHOULD INCLUDE LAWYER-VOLUNTEERS TO FILE CASES. PRIVATE SECTOR MUST HELP -- THRU SURVEILLANCE, INFORMATION, EVEN MONITORING OF THE MARKET. WITHIN THE NEXT 5

YEARS, THERE MUST BE SPECIAL COURTS TO EXPEDITE HEARINGS AND DECISIONS ON SMUGGLING CASES.

3. ANOTHER TASK FORCE TO FILE CASES WITH INTERNATIONAL BODIES FOR COUNTERVAILING MEASURES AND UNFAIR TRADE PRACTICES. WE NEED TO PURSUE THESE INVESTIGATIONS AND CASES. THESE ARE PROVIDED IN TRADE RULES. TO START, GOVERNMENT AUTHORITIES SHOULD HELP INDUSTRIES AND AGRICULTURE PROVE AND PURSUE THESE CASES, NOT PREVENT THEM.
4. WE NEED BOLD MEASURES. WE NEED AT LEAST FIVE (5) YEARS TO PREPARE. WHY NOT DEFER FOR FIVE YEARS THE IMPLEMENTATION OF AFTA AND UNILATERAL REDUCTION OF TARIFFS. SLAP A 10% SURCHARGE ON IMPORTS TO RAISE REVENUES FOR COMPETITIVENESS PROGRAMS. MALAYSIA DID THIS IN THEIR DESIRE TO DEVELOP THEIR OWN CAR INDUSTRY. IN THE MEANTIME, FOCUS ON WHAT WE NEED TO DO – SET POLICIES AND PROGRAMS, REFORM POWER, BUILD INFRASTRUCTURE AND TRANSPORT, STRENGTHEN CREDIT AND MARKETING, BUILD UP INFORMATION, GET IRRIGATION GOING, MORE WAREHOUSES AND POST-HARVEST FACILITIES, EDUCATE OUR FARMERS AND WORKERS, ACQUIRE TECHNOLOGY TO MODERNIZE.
5. STARTING WITH THE CANCUN MEETING THIS YEAR AND IN ALL GLOBAL FORUMS AND ORGANIZATIONS, WORK FOR A VOICE FOR POOR PEOPLE. WE NEED THESE ORGANIZATIONS TO RESPOND TO THE NEEDS OF POOR COUNTRIES. BAND TOGETHER WITH POOR NATIONS TO HAVE AN EFFECTIVE VOICE.

INTERNATIONAL INSTITUTIONS SHOULD ALSO MAKE INFORMATION AVAILABLE, ENSURE A SEAT AT THE TABLE FOR ALL DEVELOPING AND POOR NATIONS, AND STRENGTHEN CAPACITY TO ANALYZE ISSUES AND EFFECTIVELY COMMUNICATE THEIR INTERESTS. FOR EXAMPLE, POOR COUNTRIES ARE AT A SIGNIFICANT DISADVANTAGE IN WTO NEGOTIATIONS ON SUCH ISSUES AS LABOR, ENVIRONMENT AND INTELLECTUAL PROPERTY RIGHTS. THIS IS BECAUSE NEGOTIATING IN THE WTO IS A CONTINUOUS PROCESS, INVOLVING AS MANY AS 45 MEETINGS OR MORE A WEEK. POOR COUNTRIES LACK THE EXPERTISE TO PARTICIPATE IN TECHNICAL TRADE DEBATES. IT HAS BEEN ESTIMATED THAT ALMOST 60% OF DEVELOPING COUNTRY MEMBERS OF THE WTO ARE HANDICAPPED IN THEIR PARTICIPATION. POOR NATIONS MUST BAND TOGETHER TO SHARE RESOURCES FOR BETTER NEGOTIATIONS, BETTER POSITIONS.

6. SPEAK OUT AND LET OTHER POOR COUNTRIES SPEAK OUT --- ON EXPERIENCES OF POOR PEOPLE WHO WILL BE AFFECTED BY GLOBAL ACTIONS. WE ALSO NEED INFORMATION TECHNOLOGY TO BRIDGE THE POOR TO THE GLOBAL DECISION-MAKERS.
7. BUT FIRST OF ALL, OUR LOCAL FARMERS AND INDUSTRIALISTS AND BUSINESSMEN SHOULD SPEAK OUT. IF WE ARE NOT READY, THEN SAY SO. IF WE NEED SOMETHING, ADVOCATE, CRUSADE! WE WILL BE HERE TO FIGHT FOR NATIONAL INTEREST, TO HELP, TO BUILD FROM A CREEPING SENSE OF HELPLESSNESS.

8. INVOKE THE PROVISION OF SPECIAL AND DIFFERENTIAL TREATMENT (S&D) UNDER WTO AND CONSTANTLY SEEK TO PROVIDE SPECIFIC PROVISIONS THAT WILL CLARIFY AND OPERATIONALIZE **REAL S&D**. S&D PROVISION UNDER WTO IS CAPTURED IN PARAGRAPH 5 OF THE ENABLING CLAUSE WHICH STATES "THE DEVELOPED COUNTRIES DO NOT EXPECT RECIPROCITY FOR COMMITMENTS MADE BY THEM IN TRADE NEGOTIATIONS TO REDUCE OR REMOVE TARIFFS AND OTHER BARRIERS TO TRADE OF DEVELOPING COUNTRIES, I.E., THE DEVELOPED COUNTRIES DO NOT EXPECT THE DEVELOPING COUNTRIES, IN THE COURSE OF THE NEGOTIATIONS, TO MAKE CONTRIBUTIONS WHICH ARE INCONSISTENT WITH THEIR INDIVIDUAL DEVELOPMENT, FINANCIAL AND TRADE NEEDS. DEVELOPED CONTRACTING PARTIES SHALL THEREFORE NOT SEEK, NEITHER LESS DEVELOPED CONTRACTING PARTIES BE REQUIRED TO MAKE, CONCESSIONS THAT ARE INCONSISTENT WITH THE LATTER'S DEVELOPMENT, FINANCIAL AND TRADE NEEDS."

THIS WAS FURTHER STRENGTHENED IN THE DOHA DECLARATION WHICH STATES : "WE REAFFIRM THAT PROVISIONS FOR SPECIAL AND DIFFERENTIAL TREATMENT ARE AN INTEGRAL PART OF THE WTO AGREEMENTS.....WE THEREFORE AGREE THAT ALL SPECIAL AND DIFFERENTIAL TREATMENT PROVISIONS SHALL BE REVIEWED WITH A VIEW TO STRENGTHENING THEM AND MAKING THEM MORE PRECISE, EFFECTIVE AND OPERATIONAL..."

WE ONLY HAVE OURSELVES TO HELP OURSELVES. LET US FREE THE NATION FROM THE BONDAGE OF POVERTY AND UNFAIR TRADE. A NATION FOR THE FILIPINOS. WE OWE IT TO THE FILIPINO....NOW MORE THAN EVER.

<p><b>SAAN TAYO PATUTUNGO?</b></p> <p>Rene E. Ofreneo, Ph. D. </p>	<p><b>Situation in 2000</b> (October 12, IMF's policy dialogue with NEDA-PIDS experts)</p> <p> <b>QUESTION:</b> Fundamentals are OK (export growth, trade surplus, low inflation, low interest) but why High unemployment (13.9% April 2000) and high underemployment (25.1%), and why the budget deficit</p>
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<p><b>Situation in 2002</b></p> <p> <b>QUESTION:</b> Fundamentals are OK (export growth, trade surplus, low inflation, low interest) but why High unemployment (13.9% April 2002) and high underemployment, and why the budget deficit (P210B?)</p>	<p><b>Unemployment and Underemployment in Three Decades of Neo-Liberal Economics</b></p> <table border="1"> <thead> <tr> <th>Period</th> <th>Unemployment</th> <th>Under-Employment</th> </tr> </thead> <tbody> <tr> <td>70-75</td> <td>5.35</td> <td>11.76</td> </tr> <tr> <td>75-80</td> <td>5.40</td> <td>12.68</td> </tr> <tr> <td>80-85</td> <td>9.93</td> <td>24.88</td> </tr> <tr> <td>85-90</td> <td>10.46</td> <td>21.88</td> </tr> <tr> <td>90-95</td> <td>8.57</td> <td>21.02</td> </tr> <tr> <td>95-98</td> <td>8.31</td> <td>20.93</td> </tr> </tbody> </table>	Period	Unemployment	Under-Employment	70-75	5.35	11.76	75-80	5.40	12.68	80-85	9.93	24.88	85-90	10.46	21.88	90-95	8.57	21.02	95-98	8.31	20.93
Period	Unemployment	Under-Employment																				
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95-98	8.31	20.93																				

### Unemployment and Underemployment in Three Decades of Neo-Liberal Economics

Period	Unemployment	Under-Employment
1999	9.8	22.1
2000	11.2	21.7
2001	10.8	16.9
2002 (July)	11.2 (4M)	17.1 (5M)

NOTE: Share of industrial sector employment -- 14-17 per cent since the 1960s to the present (mfg., 10-12)

### Questions, questions, questions

If fundamentals are OK,  
 Why unemployment growing?  
 Why underemployment unchanged?  
 Why poverty deepening?  
 Why budget deficit escalating?

### Some Answers

Despite an open regime, investments not coming in  
 Flood of imports drowning out local industry and agriculture  
 Very few winners, many losers under globalization  
 RP dependent on borrowings

### Major Developments in 2001-02

- ↳ *Narrow growth (telecom, call center)*
- ↳ *Crisis of domestic industry and agri under globalization (drowning in imports)*
- ↳ *Services (informalization) and Overseas labor market expanding (2,800 OFWs daily)*
- ↳ *Endless borrowing to cover deficits*
- ↳ *Declining tax intake due to tariff reduction, smuggling, collapse of taxable industries*
- ↳ *Layoffs, decreased incomes*

**Major Policy Thrusts in 2001-02**

- ↳ MTPDP – more of the same liberalization
- ↳ Infra spending through borrowing
- ↳ Holiday economics
- ↳ So-called shift in December 2002  
 -- from macro to micro  
 from demand to supply

SITUATION aggravated by political divisions, terror politics, war in Mindanao

**PROSPECTS FOR 2003-04**

- ↳ RP's credit rating going down -- Fitch's, Standard and Poor, Moody's
- ↳ More import flooding under AFTA, WTO (plus China challenge)
- ↳ Debt crisis resurfacing (might precipitate a financial crisis); debt almost equal the GDP
- ↳ Global environment difficult (recession, Gulf war)
- ↳ Crises of unmet expectations
- ↳ 747 wont fly (unrealistic assumptions)

**GMA's 8-Pt Program**

- 1. strengthen SMEs
- 2. jumpstart housing
- 3. reduce cargo costs from Mindanao to Luzon
- 4. decongest Metro Manila
- 5. mark up PCCG's fiscal contribution
- 6. make Makati and reclamation area tourism areas
- 7. stimulate private sector investment in agriculture
- 8. address budget deficit

OK -- BUT DO THEY ADDRESS problems of collapsing industry and agriculture under globalization? Lack of depth and breadth of the agro-industrial structure?

**Challenges for NGOs and Cause-Oriented Groups**

- / Re-visioning development
- / Re-thinking privatization
- / Strategizing RP's position under globalization -- AFTA, WTO, GATS, AoA, TRIMS, Cancun
- / What to do with an eroded industrial sector
- / What to do with a devastated agricultural sector
- / What to do with a growing informal sector
- / What to do with the disadvantaged and the non-tradables

WHAT ARE ALTERNATIVE PROPOSALS IN BUILDING UP A STRONG REPUBLIC?



**Overall Challenge –**

how to mobilize the nation behind a development program the people can truly identify with and start the difficult process of transforming an economy debased and fragmented by three decades of narrow neo-liberal economics

### **Structural Adjustment Program after Structural Adjustment Program, But Why Still No Development in the Philippines?**

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#### **Abstract**

Since the debt crisis of the 1980s, Philippine economic performance has been an outlier in East Asia, in spite of reform policies that generally have conformed to worldwide norms of trade liberalization and deregulation. In the 20-year period since 1980, the proportion of GDP attributed to manufacturing has declined from 24 to 22 percent. Dependence on commodity exports has declined, and the Philippines' export structure is now less diversified than it was 20 years ago. Market-oriented economic reforms are incomplete, as they are in many other countries, but the Philippines's poor economic performance is mostly a result of macroeconomic instability and low domestic savings, not inadequate reforms. Reform efforts have contributed to political instability, and macroeconomic instability has stifled investment. A model of macroeconomic shortages in domestic, external, and public savings is presented to illustrate the continuing constraints to Philippine economic growth and development.

## 1. Introduction

In 1999, the Philippine economy regained the per capita GNP it had achieved 20 years earlier, the 1980 value of around \$12,500 (measured in 1985 pesos). Macroeconomic volatility, political instability, and a protracted, conflict-ridden effort of economic liberalization characterized the intervening 20 years, and they continue to be the biggest challenges facing the Philippines in 2002. It is natural to ask:

1. How do these three factors interact?
2. What is their impact on Philippine economic performance?
3. What lessons, applicable at a more analytical level and relevant to the design of development policy in general, can be drawn from the Philippine experience?

Interest in asking the third question is prompted by the country's extended experiment at economic liberalization, which was intended to reposition Philippine development policy away from the inefficiencies attributed to the import substitution period. The Philippines was one of the first two countries to undertake a "structural adjustment program" in 1980, when the World Bank changed its focus on funding brick-and-mortar projects and introduced loans to support policy reforms. Many countries in Africa and Latin America subsequently had the same experience and began structural reforms.

One position is that there are no lessons, at least in the purview of economics, to be learned from this drawn-out effort. Under this view, economic liberalization is an uncompleted task, and the long sought-after policy millennium will arrive sooner the greater the political determination exerted in the liberalization effort. For those who hold this view, 1980 is a suitable starting point because it happens to be the year after the publication of Bautista et al. (1979), a study that provided the analytical basis of the first World Bank structural adjustment program<sup>1</sup>. If there can be a grand theory associated with this long-running intellectual enterprise, it is that low productivity (inefficiency) lies behind Philippine underdevelopment. Low productivity, in turn, is explained by the industrial protectionist regime erected in the era of import substitution in the 1950s, which the Philippines has not managed to shake off.<sup>2</sup>

1. Major examples of such analyses include Hooley (1985), Dohner and Intal (1989), and Medalla et al. (1995/96).

Power and Sicat (1971) provided the earliest comprehensive studies of the Philippine protectionist regime.

Numerous other papers are in the same vein.

2. From the mid-1980s, ideas of "government failure" as the mirror image of market failure began to embellish this intellectual current. Fabella (1989) is a sterling example. See also Montes (1992)].

We note that this dominant view of development policy is relatively independent of theories about investment, something deemed quite important in the older development literature. For the economic reform school, the private sector takes pride of place in investment decisions, yet theories about private sector investment are left unspoken, other than the presumed responsiveness of such investment to the "right prices." Ironically, the older, Keynesian-inspired development literature had a different view of the private sector: the investment decision often precedes the savings action, and without prospects for stable growth, investment is less likely to occur.

In our assessment, the usual identification of protectionism and various forms of economic inefficiency as the primary causes for the absence of sustained growth in the Philippines is wrong. We believe that the correct way to view Philippine economic history is through the prism of the three-gap model (savings gap, foreign-exchange gap, and fiscal gap). The fundamental problem in Philippine development is its anemic domestic private investment and low savings rate, which makes the economy overly dependent on the inherently unstable flow of foreign capital. The tragedy is that whenever foreign capital inflow drops, the government of the day invariably implements orthodox IMF-style structural adjustment policies to handle the resulting balance of payments difficulties. The brunt of the tight credit policy is borne chiefly by the domestically anchored industrial tradable sector, hence preventing any sustained expansion of export-oriented enterprises and import-competing enterprises. The accompanying trade liberalization has an immediate negative impact on the sheltered import-competing industries and hence stops them from maturing into competitive industries. If the decline in output from the credit contraction and trade liberalization were to deepen the pessimism of the foreign fund managers, then capital inflow would decrease further. If this prompts a bigger dosage of the IMF medicine, output would decline further.

This paper is organized as follows. Section 2 outlines the common elements in the numerous balance of payments crises in the Philippines since 1949. Section 3 presents the three-gap model interpretation of Philippine macroeconomic history. Section 4 discusses the political economy explanation for the economic malaise in the Philippines. We offer some final observations in section 5.

## **2. Macroeconomic and policy instability**

The most unmistakable feature of Philippine economic history is its periodic punctuation by balance of payments crises. Major crises that took place in 1949, 1960, 1970, 1983–85, 1991, and 1998 are indicated in figure 2, which shows the growth rates of GDP from 1949 to 2001. The recession-recovery cycles grew more intense and more frequent (with shorter periods) after the liberalization efforts of the 1980s. Before the 1980s the Philippine economy experienced slowdowns during the balance of payments crises, but not negative growth rates.

The Philippines fell behind its East Asian neighbors in the 1980s. The impacts of the crisis and depression years of 1983–85 pushed the Philippines back 12 years in terms of GNP per capita. GDP fell by almost 8 percent in 1984 and 1985 (figures 1 and 2). The recovery from 1986 to

1990 was short-lived, and the economy fell again in 1991—93. Another short-lived recovery occurred from 1994 to 1997, before the East Asian crisis began in late 1997. Although there was a modest recovery in 1999—2000, the series of crisis–recovery cycles in the 1980s and 1990s reduced GDP per capita levels to those experienced more than two decades ago.

Figure 1: Per Capita GDP and Per Capita GNP: 1949-2000

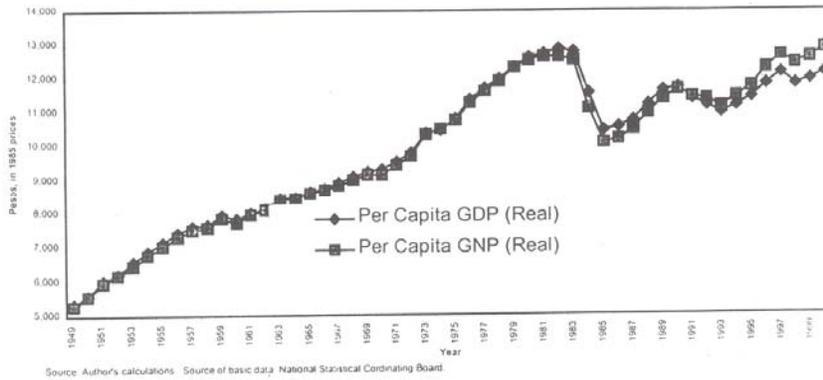
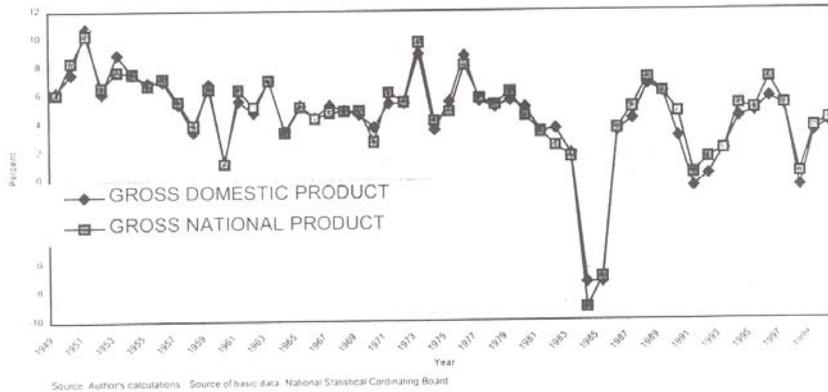


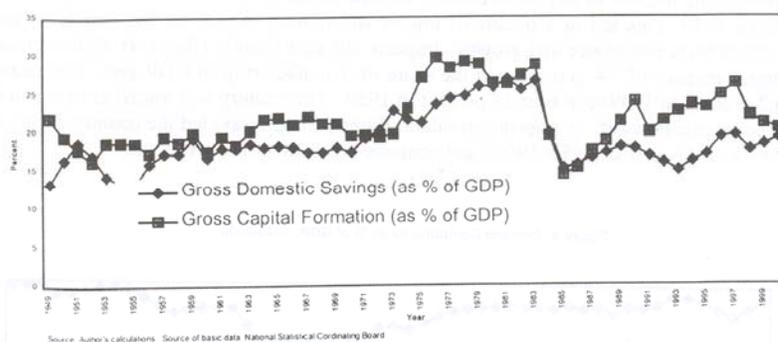
Figure 2: GDP and GNP Growth Rates



All Philippine crises have been of the classic Krugman (“first generation”) variety, triggered by foreign-exchange shortages resulting from a loss of confidence in the Philippine economy, attributable to external shocks, or both. These cycles are best understood as structural savings investment gaps and trade deficits requiring external financing, an issue which has received

limited attention in domestic policy discussions (Montes and Lim, 1996). Foreign financing eases this constraint and permits rapid growth and external debt build-up, setting the stage for the next crisis. Figure 3 depicts the pattern of gross capital formation and gross domestic savings as a percentage of GDP. Figure 4 shows the components of demand.

Figure 3: Gross Savings and Gross Investments (as % of GDP)



Insufficient attention to the structural savings-investment and import-export gaps during a trade liberalization program requires a fervent faith that key prices, such as the foreign-exchange rate, will not stray too far from levels that protect the economy and its domestic industries from an import surge. In the context of these structural constraints, constricting growth in response to an economic crisis is a standard response, but the adverse social impact and effect on private investment of such a policy can be long-lived. Compared with the downturns in the Philippines before the 1980s, the most recent crises have been deeper, the time between the crises has shortened, and the recovery in growth after these crises has been shallower. These trends suggest that the structural constraints have become tighter after the 1980s. It is ironic that in the 1990s when the private supply of external finance boomed globally, Philippine investment remained moribund. As the lone Asian participant in the world debt crisis of the 1980s, the Philippines traded the lost decade of the 1980s for the lost opportunity of the 1990s with only a lackluster payoff from its liberalization effort.

A brief survey of the country's major recession-recovery cycles suggests that each crisis has been accompanied by political instability, the loss of business confidence, and a standard stabilization response.

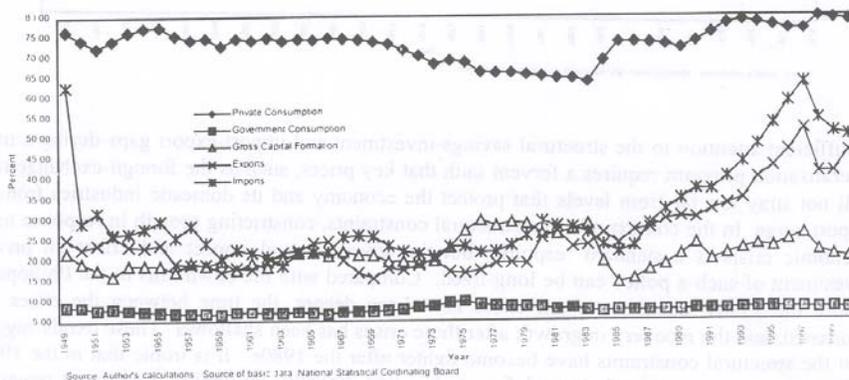
### 2.1 1949–59: The import substitution era

The seeds for the problems of the Philippines were sown at the end of World War II. The pre-World War II peso-dollar parity was retained, largely to shield U.S. owners of Philippine assets

from capital losses. A three-year binge in imports for manufactured goods during the postwar reconstruction in 1946–49 depleted the foreign-exchange reserves. This foreign-exchange crisis occurred during the Communist-inspired Huk rebellion, which was led by forces that had resisted Japanese occupation during World War II and now seriously threatened the elite, pro-U.S. government, many of whose members had collaborated with the Japanese.

In response to the balance of payments crisis, a foreign-exchange and import control system was instituted in 1949. This led to a decade of import substitution, which for the first eight years brought about high confidence and growth. Imports fell significantly (figure 4). GDP increased at an annual average of 7.4 percent, and the share of manufacturing in GDP grew significantly from 16.2 percent in 1949 to almost 25 percent in 1959. The country was touted as being on the verge of economic take-off. A popular president, Ramon Magsaysay, led the country during the crucial years of this period, 1953–1956,<sup>3</sup> and contained the Communist rebellion.

Figure 4: Demand Components as % of GDP: 1949-2000



The manufacturing sectors were mostly in the assembly and packaging stages and relied on imported inputs. Toward the end of 1950s, another foreign-exchange crisis loomed as foreign-exchange earnings were unable to sustain the large import demand. Because there were no backward linkages to establish a strong intermediate sector (steel, petrochemical complex, textiles, etc.) and no industrial export promotion, the foreign-exchange crisis was inevitable. The foreign-exchange crisis occurred in less than a decade, giving little time for the infant industries to mature.

<sup>3</sup> He perished unexpectedly in a plane crash.

Attempts to alleviate the growth slowdown from 1958 by relaxing the control regime through a multiple exchange rate system only exacerbated the drawdown on exchange reserves. The economic crisis became a political crisis when the opposition charged the government officials with corruption and illegal wealth obtained by the power to dispense import licenses and the capture of the rationed foreign exchange. In 1960, a severe slowdown occurred: the GDP growth rate fell below 2 percent and GDP per capita fell into negative territory for the first time in postwar history (figures 1 and 2).

## 2.2 1962–69: The end of import substitution and high spending

In 1962, the opposition won the national elections under a free trade banner, instituted limited trade liberalization, and devalued the peso by 100 percent (from 2 pesos per U.S. dollar to 4 pesos per U.S. dollar). For the first time, the government obtained standby credit from the IMF, a tutelage unbroken to this day, except for about seven months in 1981 when negotiations over a successor program broke down in the face of another looming exchange crisis.

The growth of the manufacturing sector slowed down between 1960 to 1965, and its share of GDP remained constant at slightly below 25 percent (figure 5 and 6). The average economic growth rate from 1962 to 1969 was 5 percent. To offset the growth slowdown, the government boosted the construction sector, a non-tradable goods sector, between 1963 and 1967, as an implicit substitute for an industrial strategy. (This is reflected in higher capital formation during these years; see figure 4). This policy was an implicit substitute to industrial strategy. The effect was some acceleration of manufacturing in 1966–68 and worsening current account deficits throughout the 1960s. From 1965, these deficits were funded by the new government led by Ferdinand Marcos through foreign debt from multilateral institutions (the World Bank and Asian Development Bank). As debt service accumulated, another exchange-crisis loomed.

The tumultuous year of 1969 was marked by student demonstrations and perceived election fraud. In early 1970, immediately after the reelection of Ferdinand Marcos, the peso was devalued (from 4 pesos per U.S. dollar to 7 pesos per dollar) as a response to the foreign-exchange crisis. Austerity measures were instituted under another IMF program. GNP growth in 1970 was 2.7 percent.

## 2.2 1971–80: High debt-driven growth of the martial law years

The unpopular devaluation in 1970 occurred during continuing student unrest and Maoist rebellion. The bombing of an opposition party rally in August 1971 led to more disorder and to the declaration of martial law in September 1972. As in many Latin American countries during this period, political repression was accompanied by strong business confidence. The first years of martial law saw accelerated manufacturing growth, as the sector's share of GDP went up to 28 percent of GDP in the 1973–75 period (figures 5 and 6).

Fig. 5: Share of Economic Sector, as % of GDP, 1949-2000

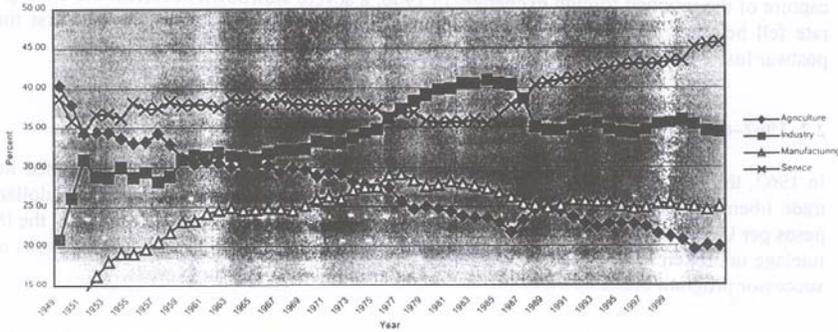
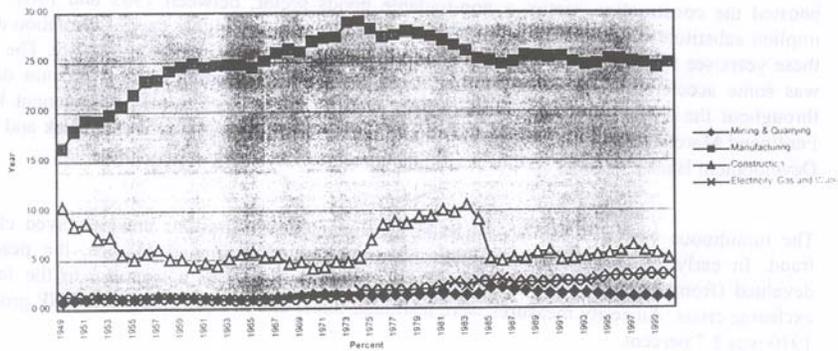


Fig. 6: Components of Industrial Sector, as % of GDP, 1949-2000



The (martial law) government turned once again to the nontradeable sector of construction to sustain economic growth rates, funding the program with foreign loans. Construction reached 10 percent of GDP in the mid-1980s (figure 6), and gross capital formation was close to 30 percent during 1976–79 (figure 3). This debt-driven development strategy enabled GDP to grow at an average annual rate of 5.9 percent during the 1971–80 period. Needless to say, much of this growth was sustainable for a decade as a result of the strong business support and confidence given to the regime.

#### 2.4 1981–85: Economic slowdown and collapse

The share of manufacturing in GDP began what would eventually become a permanent tapering off following the second oil price shock in 1979 and the onset of high world interest rates. As opposition to the martial law experiment escalated, the government sought to undertake countercyclical policies, funded by foreign borrowing, to maintain domestic demand to offset the adverse effects of the worsening international environment. In 1981, the government committed to one of the first structural adjustment programs in the world, that emphasized trade and financial liberalization. Government largesse, however, was extended to the enterprises of the political supporters of Ferdinand Marcos in order to shelter them from the ravages of the liberalization program. In July 1983, the peso depreciated by 10 percent, and the liberalization program was withdrawn.

The assassination of an opposition leader raised doubts about continued U.S. support for the Marcos regime and led to an increase in capital flight. In October 1983, a moratorium on external debt payments was declared. A classic IMF program of tight liquidity and credit constriction was implemented. Difficulty in obtaining working capital led to closures of firms and work stoppages in key industries. GDP growth plummeted to -7.6 percent in 1984 and 1985. Investments fell short of the amount needed to meet depreciation needs.

#### 2.5 1986–93: The Aquino years

In February 1986, following a violence-ridden presidential election, the Marcos government fell from power. The new government of Corazon Aquino implemented trade and financial liberalization, with support from the IMF and the World Bank. Import restrictions were lifted in May 1986 (and another round in 1988), and tax reforms and large-scale privatization of state-owned enterprises were completed (Lim and Montes 2000).<sup>4</sup> Trade liberalization for manufactured goods was especially difficult, and Aquino faced tough opposition from both business and labor. The GDP growth rate averaged 5.6 percent from 1987 to 1989 under the new government.

There were significant increases in public investment (to refurbish public infrastructure), which led to a runup of fiscal deficits that had its equivalent in large and growing trade account deficits. A series of military coups, starting in 1987, undermined business confidence. Uncertainties in the international environment resulting from the Gulf War undermined business investment further. GDP fell 0.6 percent in 1991. Recovery became even more problematical with the onset of power shortages. The power crisis lasted until the first half of 1993.

<sup>4</sup> See the appendix in Beckaert and Harvey (1998) [AU: not in refs?] for a list of major political and economic events in several countries, including the Philippines. [Delete this footnote and delete the Beckaert and Harvey footnote?]

### 2.6 1993 onward: More liberalization under Ramos; the Asian crisis

A new administration under Fidel Ramos intensified the liberalization program, from the lifting of import restrictions to genuine reductions in tariffs. The program was in line with international commitments to the ASEAN Free Trade Area (AFTA), the World Trade Organization (WTO), and the Asia-Pacific Economic Cooperation (APEC). Full capital account liberalization was achieved in the last quarter of 1993. The liberalization measures of the Ramos government occurred with much economic confidence and bullishness, as indicated by the skyrocketing of the stock market during 1993–97. The new optimism seemed to be justified by what was perceived as better economic management. With the capital account liberalization, foreign capital inflow reached its highest level in 1996, at approximately 5 percent of GDP. The economy's average growth rate for 1994–97 was 4.9 percent. This time, recovery did not bring about high inflation as it did in the 1980s, partly because of the steady appreciation of the real exchange rate until the onset of the Asian crisis.

As with previous growth spurts, however, current account deficits increased and the savings-investment gap widened to unprecedented levels (figure 3). Booming exports could not keep pace with explosive import growth. The sharp rise in import intensity (imports/GDP ratio) was obviously a natural response to the quick pace of tariff reduction, combined with a sharply appreciating currency (in real terms) that made imports and tradables particularly cheap. Figure 5 that the 1980s and 1990s were marked by a big rise in the share of the service sectors. Services became the dominant economic sector in the economy, whereas the share of agriculture was falling and the share of industry was stagnant. Trade liberalization and overvaluation made nontradables more attractive than the tradables during the growth periods (1987 to 1990, 1994 to 1997). The service sector was a reliable absorber of employment and output as the frequency of recessions and losses of confidence increased.

The runup in short-term debts and portfolio investments caused the Philippines to succumb to the Asian financial crisis in 1997, three years after the capital account liberalization (Montes 1999).

### 3. Downward industrial and savings ratchets

The impacts on long-term development of the events described in the historical survey of section 2 can be summed up by the following statistics, using the years 1980 and 2000 as convenient endpoints:

1. Industry as a proportion of GDP declined from about 40 percent in 1980 to slightly less than 35 percent in 2000, and manufacturing declined from 27 percent of output to 25 percent (figure 5). There is some evidence of a pickup in the "non-traditional" tradables sector from the low base of the 1990s (figure 7), and its contribution to an eventual manufacturing recovery rests on whether this sector (mainly electronics) can increase its domestic value-added content.
2. The share of services increased from about 36 percent in 1980 to 46 percent in 2000 (figure 5). The proportion from service trade has remained constant throughout this period, whereas

the “private services” sector, which includes both low-skilled work and professional services, increased from 5 percent to 9 percent (figure 8).

- Dependence on commodity exports has declined, and Philippine exports are less diversified in 2000 than in 1980. Figure 9 indicates that whereas the share of the electronics and semiconductor sector in the export structure has increased, the proportion of labor-intensive exports in total exports has been declining.

This section develops the contention that crises and macroeconomic-based interpretations, rather than protectionism and maintenance of inefficiency (i.e., the dominant economic discourse internally and in interactions with the donor community) go a long way in explaining these trends.

Fig. 7: Components of Manufacturing Sector, as % of GDP, 1967-2000

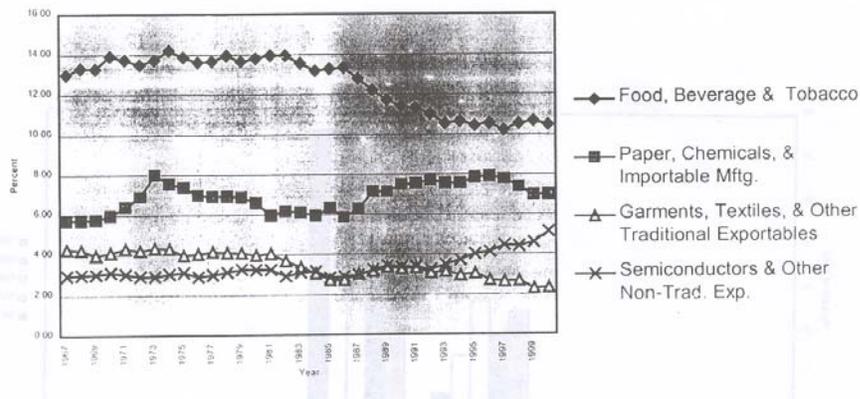


Fig. 8: Components of Service Sector, as % of GDP, 1967-2000

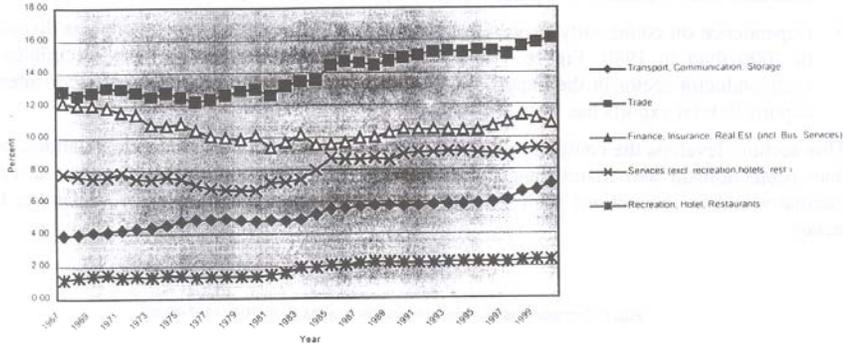
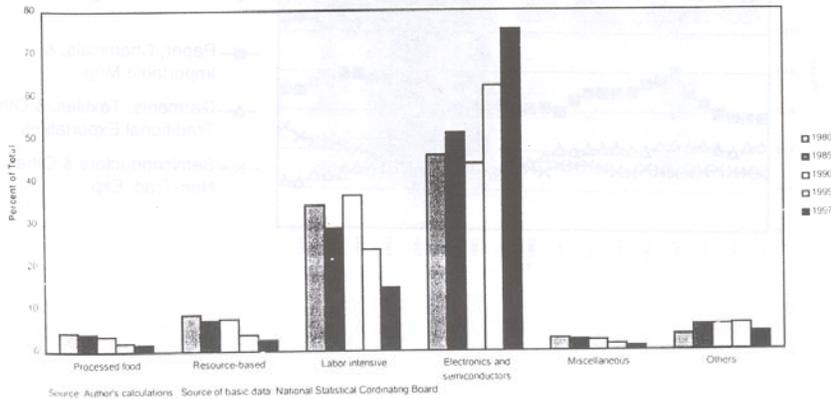


Figure 9: Shares of Exports



### 3.1 Industry ratchets downward

Decomposition analyses of sectoral shifts in employment since 1980 suggest that the most resilient sectors have been the service sectors, particularly wholesale and retail trade; government, community, and social services; and transportation, storage, and communications (Lim and Montes 2000, 172). These nontradable sectors, being less dependent on imported inputs and financial credit, have been less ravaged by the downturns throughout the balance of payments crises.

Among the tradable sectors, one can distinguish between those that are “domestically anchored,” such as food processing, because they have the potential of increasing domestic value-added through a natural comparative advantage, and those of the “bonded warehouse” variety, such as semiconductor exports, in which the principal domestic input through the medium-term is labor. Because the operations of bonded warehouse industries are denominated in foreign currency (except for labor) and because of their access to foreign credit, their tradables have not been adversely affected by the national crises; instead, their output-employment cycles have conformed to international cycles. The decreasing diversity in the structure of Philippine exports is related to its success in attracting foreign investment, principally in the semiconductor export sector.

The frequent crises since 1980 have been devastating to the country’s domestically anchored tradable sectors,<sup>5</sup> whereas they have left most of the nontradable sectors (except for construction) unscathed. Unlike nontradable sectors, domestically anchored tradable sectors must rely on the formal economy, particularly for credit and imported inputs. Constriction of these two inputs has been uniformly critical for economic adjustment.

The recovery phases have not been very kind to these domestically anchored tradable sectors either. Since 1946, periods of growth recovery have always been accompanied by real exchange rate appreciation. The trade liberalization and tariff reductions of the 1980s, combined with currency overvaluation, have made tradable goods cheap and have shifted relative prices in favor of nontradables (Lim and Montes 2000). After the capital account liberalization efforts of 1989–92, currency overvaluation was increased by portfolio capital inflows (Montes 1999).

The actual levels of output and employment showed a weak, if not negative, impact in sectors that had been expected to respond positively to the import liberalization program. Some authors attribute these unexpected results to the incomplete and politically sequenced character of the reform (including policy inconsistencies, such as exchange rate overvaluation) or to the fact that it is too early for valid evaluation, that is, the “long run” has not yet come to pass. Clearly, however, weak investment responses were evident in those sectors that had been expected to benefit from the reforms. In fact, many sectors experienced investment declines, compared with the period before liberalization, even those sectors in which the Philippines had a natural comparative advantage.

Since 1957, productivity increases did not accompany recovery-growth phases; instead, recovery was characterized by capacity utilization and increased inputs, through a revival of imports. At the start of growth periods, the economy was typically awash with dollars after coming from a recession, which allowed it to raise import levels. Initial high confidence led to increased flows of foreign funds to finance the increasing import needs. Bust periods, on the other hand, were

<sup>5</sup> In the case of the 1985 adjustment program, Montes (1987) argues that the adjustment policies themselves,

notably the credit constriction, undermined the country’s ability to export.

characterized by foreign-exchange shortages that curtailed imports of raw materials and capital goods. Rising import needs or foreign debt payments outpaced foreign financial inflows, or net foreign inflows dropped as a result of losses of confidence caused by internal or external factors. (See De Dios 1998.) Paradoxically this improved the external position of the Philippines during the recession periods and placed the country in a good position for the next input-intensive recovery phase.

The periods between growth interruptions have shortened and this may be attributable to structural adjustments made after the 1983 crisis. These reforms, though extensive, appear to have been insufficient to address other structural problems, such as the inevitable trade and current account deficits that emerge during growth periods, the low domestic savings rate, and the weak tax collection efforts (De Dios 1998). The recession-recovery cycles have persisted, and have become more dangerous than before, with shorter cycle lengths.

### 3.2 Savings ratchets downward

A second key pattern is the manner in which each crisis has reduced the share of domestic savings and has increased the share of consumption. This pattern is clearly seen in figure 3, in which gross domestic savings declined steeply in the mid-1980s, fell again in 1991–93, and again in 1998. The savings rates of the late 1980s and 1990s are comparable to those seen in the late 1950s. Figure 4 depicts the opposite effect of these crises on the share of consumption in the 1980s and 1990s. Each recession left in its wake a higher share of consumption and a lower share of savings. The most recent consumption share is hovering around an unprecedentedly high 80 percent, leaving little room for savings.

Each reduction in the savings rate has increased the country's dependence on foreign inflows, a source of financing that has not been very stable. The most recent and investment-savings gap (and the largest in terms of GDP share), which occurred in the mid-1990s (figure 3), was associated with a reasonable, but not roaring, recovery. Before the 1980s, growth rates on the order of 7 percent, a level that was touched only once in the 1990s, were routine; thus the unavoidable inference is that for each percentage gain in GDP growth, the country has become more dependent on foreign financing. Growth, subsequent to structural adjustment, not only has a higher import content, but the financing of investment also has a greater external component (compare imports to exports and imports to gross capital formation from 1997 on with previous periods in figure 4).

After the gravest economic crisis of 1984–85, the decisions undertaken by the Aquino government to manage the Philippine external debt have proven to be fateful. A proper analysis of Philippine monetary policy needs to grapple with the effects that the debt strategy had on the domestic capability to generate resources to finance investment. These effects are (1) the impact on the domestic savings rate, (2) the impact on financial intermediation, and (3) the impact on private sector investment.

The most dramatic ratcheting up of consumption (and ratcheting down of savings) came with the 1984–85 crisis. The new Aquino government completed the nationalization of all the external debt inherited from the Marcos regime and complied with negotiated debt servicing schedules. This had the immediate impact of raising the proportion of public expenditure devoted to debt service from less than 5 percent in 1981 to 27 percent in 1988. More importantly, the government's domestic borrowing requirements ballooned in 1986, even as it was cutting back most other expenditures (table 1). The public sector, never an export-earner, collected the funds from the domestic market to service the external debt. Nominal domestic interest rates, measured by the government's 91-day treasury bill rate, reached 15 percent in 1986 (when inflation was nil), and in subsequent years real interest rates stayed at 6 percent or higher. In the years before the Brady bond restructuring, it became more profitable for the private sector to liquidate physical assets (either through sale or by pledging these as collateral for loans) and to use the proceeds to purchase treasury bills at favorable rates of return, rather than to devote resources to maintain existing plant and equipment or carry out new capital investment to respond to the new market opportunities implicitly created by the economic reform program.

Table 1: Trends in key macroeconomic indicators in the Philippines, 1970–2000

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
GDP growth rate	3.76	5.43	5.45	8.92	3.56	5.56	8.81	5.60	5.17	5.64
GNP growth rate	2.74	6.21	5.55	9.75	4.21	4.85	8.11	5.80	5.34	6.24
GNP per capita (1985 pesos)	9,142	9,438	9,700	10,356	10,501	10,761	11,276	11,617	11,913	12,321
Growth rate of GNP per capita	-0.21	3.24	2.78	6.76	1.40	2.48	4.78	3.03	2.55	3.42
Unemployment rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CPI inflation rate	23.83	21.74	8.93	16.39	33.80	7.37	8.82	9.91	7.38	17.56
Exchange rate (average)	5.90	6.43	6.68	6.76	6.79	7.25	7.44	7.40	7.37	7.38
Fiscal balance (% of GDP)	0.14	-0.37	-1.96	-1.17	0.45	-1.19	-1.74	-1.82	-1.22	-0.16
Goods: exports (% of GDP)	14.82	14.58	13.52	17.49	18.38	14.30	13.84	15.13	14.20	15.61
Goods: imports (% of GDP)	15.18	15.23	15.00	14.91	21.45	21.86	19.98	18.80	19.62	20.83
Current account balance (% of GDP)	-0.67	-0.03	0.06	4.42	-1.42	-5.83	-6.08	-3.62	-4.53	-5.07
Trade balance (% of GDP)	-0.36	-0.63	-1.49	2.57	-3.07	-7.56	-6.14	-3.67	-5.42	-5.23
Gross capital formation (% of GDP)	15.80	16.37	15.69	15.77	18.49	23.63	24.91	23.61	23.80	25.89
Gross domestic savings (% of GDP)	21.93	20.36	19.43	24.76	23.52	23.89	25.87	24.19	24.09	24.18
Net foreign investments (% of GDP)	-0.08	-0.25	0.50	0.03	0.61	0.69	1.01	0.42	0.02	-0.33
Short-term debt (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	11.85	16.01	18.03
Long-term debt (% of GDP)	22.57	20.89	21.56	17.43	15.47	18.14	22.17	24.91	25.92	24.27
Public and publicly guaranteed	7.96	8.31	9.86	7.70	7.19	9.23	12.21	14.51	17.25	17.24
Private non-guaranteed	14.61	12.58	11.70	9.73	8.28	8.92	9.96	10.39	8.67	7.03
Use of IMF credit (% of GDP)	0.00	0.00	0.00	0.00	0.00	1.22	2.22	2.53	2.73	2.76
Long-term debt and IMF credit (% of GDP)	22.57	20.89	21.56	17.43	15.47	19.36	24.39	27.44	28.64	27.03
Total external debt (% of GDP)	22.57	20.89	21.56	17.43	15.47	19.36	24.39	39.29	44.66	45.05
Net portfolio investments (% of GDP)	-0.04	-0.03	0.01	-0.10	0.29	-0.17	-0.09	0.06	0.04	0.05
Net other investments (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.58	9.65	11.27

*Note:* n.a. = not available.  
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Table 1. *Continued*

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
GDP growth rate	5.15	3.42	3.62	1.87	-7.32	-7.31	3.42	4.31	6.75	6.21
GNP growth rate	4.51	3.41	2.43	1.65	-9.11	-6.96	3.64	5.15	7.21	6.21
GNP per capita (1985 pesos)	12,535	12,643	12,633	12,526	11,110	10,086	10,205	10,476	10,971	11,385
Growth rate of GNP per Capita	1.74	0.86	-0.08	-0.85	-11.31	-9.21	1.18	2.65	4.73	3.77
Unemployment rate	n.a.	8.7	9.4	7.9	10.6	11.1	11.1	9.1	8.3	8.4
CPI inflation rate	18.18	13.19	9.22	5.33	46.41	23.05	-0.23	3.05	12.30	11.36
Exchange rate (average)	7.51	7.90	8.54	11.11	16.70	18.61	20.39	20.57	21.10	21.74
Fiscal balance (% of GDP)	-1.39	-4.32	-4.54	-2.02	-1.90	-1.95	-5.03	-2.45	-2.91	-2.11
Goods: exports (% of GDP)	17.84	16.05	13.52	15.07	17.16	15.06	16.21	17.23	18.67	18.37
Goods: imports (% of GDP)	23.82	22.29	20.64	22.54	19.33	16.63	16.89	20.29	21.54	24.47
Current account balance (% of GDP)	-5.91	-5.88	-8.65	-8.34	-4.12	-0.12	3.19	-1.34	-1.03	-3.42
Trade balance (% of GDP)	-5.98	-6.24	-7.12	-7.47	-2.16	-1.57	-0.68	-3.06	-2.86	-6.10
Gross capital formation (% of GDP)	27.25	27.73	27.52	29.86	23.07	16.47	16.05	16.51	17.79	20.82
Gross domestic savings (% of GDP)	26.59	26.78	25.28	27.36	22.94	18.81	19.05	20.97	21.05	20.30
Net foreign investments (% of GDP)	0.48	0.04	0.32	0.03	0.04	0.43	0.92	2.47	1.32	1.20
Short-term debt (% of GDP)	23.29	26.71	30.87	28.36	30.12	29.79	18.02	11.44	10.20	9.29
Long-term debt (% of GDP)	27.17	28.70	32.54	41.24	44.61	53.07	72.17	74.49	63.28	55.25
Public and publicly guaranteed	19.61	20.95	23.85	31.83	35.98	44.61	64.49	68.96	59.02	52.46
Private non-guaranteed	7.56	7.75	8.69	9.41	8.63	8.46	7.68	5.52	4.25	2.79
Use of IMF credit (% of GDP)	3.22	3.18	2.69	3.30	2.82	3.80	4.24	3.80	2.89	2.76
Long-term debt and IMF credit (% of GDP)	30.39	31.87	35.23	44.53	47.43	56.87	76.41	78.28	66.16	58.02
Total external debt (% of GDP)	53.68	58.59	66.10	72.90	77.54	86.66	94.43	89.72	76.37	67.30
Net portfolio investments (% of GDP)	0.02	0.02	0.00	0.02	0.00	0.09	0.04	0.07	0.14	0.72
Net other investments (% of GDP)	10.98	9.17	9.53	-2.16	1.83	1.01	0.02	-0.02	-1.10	1.20

Note: n.a. = not available.  
(Continued on next page)

Table 1. Continued

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
GDP growth rate	3.04	-0.58	0.34	2.12	4.39	4.76	5.76	5.19	-0.59	3.32	3.95
GNP growth rate	4.78	0.46	1.55	2.12	5.25	4.96	7.16	5.25	0.40	3.66	4.21
GNP per capita (1985 pesos)	11,661	11,456	11,382	11,151	11,456	11,743	12,298	12,657	12,432	12,615	12,871
Growth rate GNP per Capita	2.43	-1.76	-0.64	-2.02	2.73	2.50	4.73	2.92	-1.78	1.47	2.03
Unemployment rate	8.1	9	8.6	8.9	8.4	8.4	7.4	7.9	9.6	9.6	10.1
CPI inflation rate	13.11	18.52	8.56	6.88	8.43	7.99	9.00	5.87	9.71	6.71	4.37
Exchange rate (average)	24.31	27.48	25.51	27.12	26.42	25.71	26.22	29.47	40.89	39.09	44.19
Fiscal balance (% of GDP)	-3.45	-2.11	-1.18	-1.48	1.07	0.58	0.29	0.06	-1.87	-3.73	-4.10
Goods: exports (% of GDP)	18.47	19.46	18.54	20.92	21.04	23.54	24.80	30.64	45.04	44.63	49.60
Goods: imports (% of GDP)	27.55	26.53	27.41	32.37	33.29	35.60	38.49	44.15	45.08	38.16	40.41
Current account balance (% of GDP)	-6.08	-2.28	-1.89	-5.55	-4.60	-2.67	-4.77	-5.28	2.36	9.98	12.43
Trade balance (% of GDP)	-9.07	-7.07	-8.86	-11.44	-12.25	-12.07	-13.69	-13.51	-0.04	6.47	9.20
Gross capital formation (% of GDP)	23.12	20.04	20.92	23.77	23.63	22.20	23.42	24.42	21.04	18.97	17.84
Gross domestic savings (% of GDP)	18.69	16.64	14.94	13.76	14.84	14.54	14.60	14.21	12.83	14.93	17.01
Net foreign investments (% of GDP)	1.20	0.43	1.59	2.01	1.46	1.61	1.32	2.43	1.86	2.11	na
Short-term debt (% of GDP)	9.99	10.89	9.92	9.26	8.92	7.12	9.62	14.32	10.97	7.49	7.91
Long-term debt (% of GDP)	56.97	58.17	50.30	54.61	50.92	42.93	38.35	40.12	59.61	57.99	58.63
Public and publicly guaranteed	54.26	55.17	48.36	50.55	46.33	38.17	32.43	31.82	43.00	43.79	na
Private non- guaranteed	2.71	3.00	1.94	4.06	4.60	4.76	5.92	8.30	16.60	14.20	na
Use of IMF credit (% of GDP)	2.06	2.39	2.08	2.23	1.66	0.98	0.49	1.04	2.40	2.38	2.70
Long-term debt and IMF credit (% of GDP)	59.02	60.57	52.38	56.84	52.58	43.91	38.84	41.16	62.01	60.37	61.33
Total external debt (% of GDP)	69.02	71.45	62.30	66.10	61.50	51.04	48.46	55.48	72.98	67.86	69.24
Net portfolio investments (% of GDP)	-0.11	0.31	0.51	3.40	2.39	5.46	5.96	0.74	0.42	7.01	na
Net other investments (% of GDP)	3.56	5.00	5.55	4.52	5.56	4.10	9.80	4.82	-3.56	6.46	na

Source: National Statistical Coordination Board.

Interruptions in growth have resulted from the Philippines' continuing dependence on the unsustainable inflow of foreign capital (or capital flight during crisis periods). This was the case in the balance of payment crises in 1949, the late 1950s and early 1960s, 1970, 1983-85, 1991, and 1998. Recessions are the temporary solution to this dependence on unstable foreign capital because they reduce the savings-investments gaps and the trade deficits. No doubt belt-tightening and output contraction have been prescribed for the Philippines as periodic solutions to its "profligate" use of foreign currency, but these increasingly frequent recessions are the main manifestations of the Philippines' lack of economic development.

The arguments in sections 2 and 3 permit us to propose answers to the first two questions we posed in section 1. Macroeconomic volatility and political instability are mutually aggravating factors, and these factors have remained unaltered even after economic reforms began in the 1980s. External events, such as the world debt crisis in the 1980s and the Asian economic crisis of 1997-98, have contributed to macroeconomic instability, and political business cycles have also played a key role in the Philippine's economic performance (e.g., the boosting of construction during the recovery phase).

Economic liberalization has long been a part of the political debate—since the 1962 economic crisis. We believe that the more comprehensive economic reform programs of the 1980s have aggravated macroeconomic volatility. The observed increased dependence on external finance in the most recent period has made the foreign-exchange constraint, already binding before the 1980s, even more decisive. What has been reinforced is the unhealthy cycle of foreign exchange constraining output, and constrained output in turn constricting domestic savings, which in turn magnifies the role of external finance.

### 3.3 A structural model

To illustrate these ideas formally, we present a "three-gap" model of structural deficits in the style of Bacha (1989) and Rattso (1988). Such a model allows for the analysis of the relative importance of deficits in domestic savings, fiscal balances, and foreign-exchange constraints with respect to how these deficits affect medium-term growth. There is some degree of hostility to the modeling of these structural deficits, because the structural equations are unmediated by price variables. One example of a fully parameterized model for the Philippines is that used in Montes, Lim, and Quisumbing (1993).

**The savings gap** The savings-investment equation is from the national income identity:

$$I = (Y - C_p - C_g) + (M - X), \quad (1)$$

where  $I$  is fixed capital formation,  $Y$  is the gross domestic product, and  $C_p$  and  $C_g$  are private and government expenditures, respectively.  $M$  and  $X$  are imports and exports, respectively, of goods and nonfactor services. It is assumed that

$$C_p + C_g = cY, \quad (2)$$

where  $c$  is society's marginal propensity to consume. In addition, the excess of imports over exports is equal to capital inflow from abroad ( $F$ ),<sup>6</sup> less the net factor service payment (composed mainly of interest payments) to the rest of the world ( $J$ ). That is,

$$M - X = F - J, \quad (3)$$

Combining (1), (2), and (3) generates the savings-investment equation:

$$IS = (1 - c)Y + (F - J). \quad (4)$$

The sources of investments are internal savings and foreign transfers (Bacha 1989, 4). The right-hand side of equation (4) can be further decomposed as

$$IS = S_p + (T - G) + (F - J), \quad (5)$$

where  $S_p$  is private savings and  $(T - G)$  is the budget surplus in the current account. If we divide both sides of the equation by  $Y$ , we derive:

$$is = s + f = (1 - c) + f \quad (4')$$

and

$$is = sp + sg + f, \quad (5')$$

where the lower case letters denote the variables as fractions of  $Y$ ,

$$s_g = (T - G)/Y \text{ and}$$

$$f = (F - J)/Y.$$

**The foreign-exchange gap** The foreign-exchange gap starts with equation (3). Imports can be broken down as follows:

$$M = M_k + M_f + M_o, \quad (6)$$

<sup>6</sup> We shall follow Bacha's (1989)] approach of netting out foreign reserves accumulation from  $F$ .

where  $M_k$  is capital good imports,  $M_r$  is imports of raw materials and intermediate inputs, and  $M_o$  is consumer and other imports.

We also assume that  $M_k = m_k I$ , where  $m_k$  is the import coefficient of capital investment and

$$M_r = m_r (C_p + C_g + I + X), \quad (7)$$

where  $m_r$  is the import coefficient for raw material inputs into domestic production.

Putting equations (3), (6), (7), and (8) together yields the foreign-exchange equation:

$$IE = (1/m_r + m_k)[(1 - m_r)X - m_r(C_p + C_g) - M_o + (F - J)], \quad (9)$$

Dividing both sides by  $Y$  yields:

$$ie = (1/m_r + m_k) [(1 - m_r)x - m_r(c_p + c_g) - m_o + f], \quad (9')$$

where the lower-case letters again denote the division by  $Y$ . Since  $m_r + m_k$  is most likely less than 1, the foreign-exchange equation will yield a steeper slope than the savings-investment equation in the foreign finance-investment space,  $(F - J) - IE$ , or equivalently in the  $f - i$  space.

**The fiscal gap** The fiscal balance can be stated as:

$$T + NT + GB + \mu (F - J) = C_g + I_g + D_g + O, \quad (10)$$

where  $T$  is tax revenue;  $NT$  is non-tax revenue, excluding grants and aid from abroad;  $GB$  is government domestic borrowing;  $\mu (F - J)$  is the amount of net foreign transfers that go to the government;  $C_g$  is government consumption, not including interest payment for foreign debt;  $I_g$  is government investment;  $D_g$  is principal and interest payments on government domestic debt; and  $O$  is other items, specifically, nonbudgetary items and increases in cash balance.

The left-hand side of (10) gives the government revenue and government borrowings net of foreign interest payments, and the right hand-side gives the expenditures of the government, including debt service. The coefficient  $\mu$  is the proportion of  $(F - J)$  that goes to the government and  $(1 - \mu)$  is the proportion that goes to the private sector.

It is assumed, as in Rattso (1988) and Montes (1989), that private investment ( $I_p$ ) benefits from an “animal spirits” parameter  $a$  and reacts positively to both government investment ( $I_g$ ) and capacity utilization ( $u$ ). The coefficient  $b$  represents the “crowding in” effect of government investment, net of the traditional negative “crowding out” effect as higher  $I_g$  increases domestic borrowing by the government. The variable  $b$  is assumed to be positive and less than 1.<sup>7</sup>

$$I_p = a + b I_g + c u. \quad (11)$$

Since

$$I = I_p + I_g, \quad (12)$$

$$I = a + (1+b) I_g + c u \quad (13)$$

or

$$I_g = [I - a - c u] / [1 + b]. \quad (14)$$

Substituting (14) into (10) yields

$$IT = (1+b) [(T + NT - C_g) + (GB - D_g) - O] + a + cu + \mu (1+b) (F - J). \quad (15)$$

The fiscal equation can thus be written as:

$$IT = e + \mu (1+b) (F - J), \quad (16)$$

where  $e$  captures all the terms on the right-hand side except the last. Once again, dividing both sides by  $Y$  yields:

$$it = e' + \mu (1+b)f, \quad (16')$$

where  $e'$  is  $e$  divided by  $Y$ .

**A three-gap explanation for low savings and investment rates** Equations (4'), (9') and (16') can be drawn on the  $i$  and  $f$  space, in which higher levels of foreign financing are associated with higher investment rates. Figure 10 depicts the typical fiscal, savings, and foreign-exchange gaps during times of crises. The  $ie$  and  $it$  have slopes larger than  $is$ . The slope of  $ie$  is steeper than that of  $it$ , that is,  $1/(m_k + m_c) > \mu (1+b) > 1$  (see Lim 1990).

Figure 10 is drawn with the foreign-exchange constraint binding, so that reversals in exchange availability, as happened during the crises of 1983–85, 1991–93, and 1997–2000, would generate a balance of payments crisis. Crises usually begin with a contraction of net capital inflows ( $f$ ) because of capital flight, foreign credit stoppage, or elevated debt service. In figure 10, the

<sup>7</sup> Stylized data on the Philippines seem to indicate that  $b$  is between 0.5 and 0.6.

equilibrium moves from point A to point B. Stabilization policies supervised by the IMF that are designed to reduce aggregate demand (via monetary contractions, devaluations, and fiscal tightness) can erode confidence further and lead to more net capital outflows (net IMF loan inflows). This is shown in the movement from B to C in figure 10 along the  $ie$  curve.

<figure 10 near here>

The movements from A to B to C create “gaps” in terms of surpluses in the savings ( $is$ ) and fiscal ( $it$ ) schedules and provide room for recovery when the foreign-exchange constraints are eased. However, starting from the 1983–85 crisis, which was particularly deep in terms of output, downwards shifts in all three constraints, and especially in the  $ie$  curve itself, reduce savings and constrict growth. The Engel and Duesenberry effects suggest that in response to a drastic contraction in  $Y$ , people attempt to maintain their subsistence and/or relative income positions, and increase their consumption share. This is tantamount to an increase in the coefficient  $c$ , with implications for a shift downward in the  $is$  and  $ie$  schedules, and perhaps a move to point D in figure 10. Based on the parameters of the model, a downward rotation in  $ie$  would also be caused by any increased import content of growth, as might be induced by an import liberalization program that did not generate sufficient export response in the medium term.

The strain on the fiscal finances imposed by the chosen debt strategy of the mid-1980s would have also caused a downward movement of the  $it$  curve. Moreover, cutbacks in government investment would have reduced private investment (and private savings by the corporate sector), if the hypothesized crowding-in parameter  $b$  remained constant. Disorderly import liberalization (perhaps made disorderly by successful political lobbying), coupled with determined government pronouncements to abjure all forms of industrial policy, can reduce private responsiveness to government investment even further and actually reduce the coefficient  $b$ . This would be consistent with a downward rotation of the  $it$  schedule at any lower investment rate value. The shortening of periods between crisis, so that the memories of recent crisis are persistent, can reduce the “animal spirits” coefficient  $a$  and shift the  $it$  schedule downward.

A downward shift of the  $ie$  curve is consistent with greater volatility in foreign-exchange financing. In figure 10, the movement from point C to point D in investment, from a pre-crisis position  $i$  to  $i'''$ , is a ratcheted fall in the investment and savings shares. The series of sharp declines in  $i$  and  $s$  in the series of recessions in the 1980s and 1990s explain why investment and savings rates are exceedingly low for the Philippines compared with those of its more successful East Asian neighbors.

#### 4. Political economy and all that

The paradox of the lack of success in the Philippine's economic development, despite two decades of structural adjustment and economic reform, is normally resolved by pointing to

obstacles arising from “political economy.” The Philippines is seen as a “soft state” that is unable to resist demands from particular business interests and thus fails to undertake economic reform in a comprehensive fashion (see Fabella 2000). Shortfalls in the reform process are thought to explain the country’s lack of success in overcoming its foreign-exchange constraint.

Discussions of more effective forms of industrial policy or development policy beyond deregulation and liberalization are rare in the professional literature, and references to this literature are couched in terms of the inappropriateness of such a strategy being undertaken by a state captured by private interests (see Bautista and Tecson 2001). Philippine thinking on economic development remains relatively unscathed by ideas of increasing returns, or “new trade economics” and its subsequent elaboration in the field of industrial organization. Industrial policy might work in Korea or Taiwan, but would be inappropriate in the Philippines, according to this line of argument.

It is also often surmised that better income distribution can lead to support for better remedies, such as avoiding real exchange rate appreciation during an import liberalization program. Conceptually, is it possible to properly define “better policies” independently of the social capacity of the state, the capacity and nature of the economy’s private sector (on whose response the current development strategy hinges), and the external political and economic constraints facing the country? If the Philippine state is too “soft” to resist special interests, is it then necessarily strong enough to liberalize in the proper sequence and without exchange rate appreciation? Can the private sector, whether domestic or foreign, be relied upon to respond to the “right prices” and, without subsidies and government assistance, to serve as the key actor of Philippine development?

Our alternative first-order explanation relies on the depth of the 1983–85 crisis (worsened as it was by the policy response at the time) and the increased frequency of macroeconomic crises that followed it. The state intervention –(soft state) hypothesis is at best a distraction, and, at worse, inimical to the search for more sensible and politically feasible policies to improve Philippine development. This approach regards liberalization and deregulation as the single answer, which means it has inaccurately defined or unduly redefined the problem. Instead, we believe that the liberalization effort played a part in worsening macroeconomic imbalances and exacerbating investor uncertainty, and that more attention should be placed on macroeconomic constraints. Although a liberalized economy is extremely desirable for efficiency reasons, steady growth and investment need to be addressed first, and this requires an understanding of the role and the responsibilities of the state.

Since the late 1950s, state intervention and liberalization have been issues of political debate in the Philippines and have also been the most popularly understood explanations of Philippine macroeconomic crises. This has made it easier for successive Philippine governments to adopt Washington-consensus approaches to market liberalization, even though, as in other countries, actual implementation has been incomplete. At the level of rhetoric, these approaches to liberalization have also proven to be politically convenient because they seem to insinuate that, over the medium term, markets alone will provide the technologies, skills, infrastructure, and

governance structures needed for development. The structural regularities behind these crises, for instance, Philippine import dependence and dependence on foreign savings, reflect the lack of backward linkages and the lack of productivity and technological improvements over time.

Stabilization programs primarily have proven to be a set of drastic and temporary demand-reduction strategies and structural adjustment programs, including reductions in quotas, tariffs, and instances of deregulation or privatization. It is the impact of these efforts that is important, such as increases in agricultural productivity (investing in rural infrastructure, and giving proper economic incentives through property rights changes and conglomeration economies), enhanced technological expertise (promoting human capital and skills formation, improving quality of education), and improved industrial infrastructure (building railway lines, shipping centers, harbors, airports, etc.). All these measures were not linked to macroeconomic development strategies, and therefore were haphazardly implemented.

Providing skills and technologies often requires picking winners, particularly among products with clearly identifiable overseas markets (call these “exports”). Identifying the skills and technologies needed in the information technology sector, or in jewelry design, or for electronics production, are some examples of focusing on markets that can ease the foreign-exchange constraint and improve the structural coefficients of the foreign-exchange constrained model. Traditional economists and international public bureaucrats from the donor community have almost always looked upon such proposals as incitements to commit a mortal sin.

In addition, economic confidence is a very important variable that may be critical for strong social institutions and governance structures. The East Asian “miracle” economies have been examples of confidence-building growth and economic development. Only a few periods of extended economic growth in the Philippines have been characterized by strong confidence and perceived effectiveness in governance.

Managing conflict and building social cohesion have not been strong points of Philippine governments,<sup>8</sup> which is why every crisis is accompanied by political infighting, discontinuity in policies, a lack of social consensus, and often a breakdown in the rule of law. Building strong markets also requires strong social institutions and governance, including good judicial and law enforcement structures and effective regulatory bodies, particularly as the international community is now more aware of market failures, moral hazard, and asymmetric information.

Recent theories that associate market failure with principal-agent incentive problems propose first- and second-best solutions to these. These considerations, however, do identify who is going to implement these solutions, what institutions, coordination, and consistency of policies

8 In the period before 1992, when U.S. military facilities were based in the Philippines, these tasks had been complicated by the role of the U.S. as an actor in domestic politics.

are needed, and how to get social cohesion and consensus with respect to the solutions and among its implementers. These are macroeconomic problems of immense proportions, which the Philippines must solve to even think of catching up with its neighbors.

The pivotal external debt episode of the mid-1980s illustrates these simple-minded considerations. Economic logic dictates that the uncertainty over the costs of debt service, coupled with the high interest rate regime, will induce uncertainty over asset values, balance sheet values, and the rate of return on productive assets. The macroeconomic stance of servicing the debt undermined the will to invest and to maintain productive assets. The uncertainty induced by the program to reform the industrial protection regime as part of the crisis response, operating within the same type of political debate as in the late 1950s, also caused an undermining of private investment.

##### 5. On the importance of being sensible

Economists of all persuasions share the view that investment is necessary for growth and structural change. However, the dominant economics paradigm emphasizes a crime-and-punishment<sup>9</sup> view of economic crises, in contrast to more heterodox approaches that suggest that the impact of economic crises on investment (and perhaps the liberalization process itself) be the subject of analysis. Avoiding or at least moderating crises is in the Keynesian tradition, a tradition which originally had motivated the establishment of the Bretton Woods institutions, based on lessons learned in the 1930s. Beyond this tradition are propositions about the role of government in investment, over and above the role of sustaining effective demand.

The good news is that in late 2001 the Philippine economy is caught in the doldrums for reasons principally related to business confidence; this means that the economy is not running up large external deficits<sup>10</sup> and heading toward another economic crisis. The bad news is that a more salutary international economy is receding, and the Philippine state has lost most of its tools to intervene in the development process.

Given the apparent failure of the dominant paradigm in a country where data can actually be gathered, Philippine development thinkers ought to seize the opportunity and undertake path-breaking research. The fear is that a reconsideration of the record will only uncover political

9 One advantage is that the "punitive view" of economic crises has popularized economic policy discussions to the point that those trained in other social sciences are now able to appreciate arguments in favor of market-oriented reform (e.g., see Magno 1996).

10 There has been significant backsliding on fiscal deficits from the near balance achieved immediately before the Asian financial crisis, and this has been implicated in the loss of business confidence.

artifacts not useful for an economics career. We believe, however, there are sufficiently rich analytical tools to make such efforts valuable. An enhanced understanding is needed of the actual impact of crisis management and liberalization policies on private sector behavior, and any crime-and-punishment considerations should be suspended.

While waiting for the results of such research, analysts and policymakers should identify policies that work (i.e., measures that do not undermine growth, demonstrably as opposed to hypothetically secure increases in employment, and enhance business confidence), even if these strategies seem to be more regulatory or interventionist. Such policies would have to be cost-effective and generate foreign exchange because resources in the Philippines are extremely limited, as they were for resource-challenged developing countries in earlier times.

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ECONOMIC NATIONALISM AND THE  
NATIONAL TREATMENT CLAUSE: THE  
CASE OF THE PHILIPPINE CONSTITUTION  
VS. THE WTO AGREEMENT

By

*Merlin M. Magallona*

It will not do justice to the long-term interests of the Filipino nation to present the wide-ranging impact of the Agreement Establishing the World Trade Organization (WTO) on Philippine civil and political life in terms solely of commodity trade. For the Uruguay Round of Multilateral Trade Negotiations, which resulted in that Agreement, are not limited to regulation of trade in goods as was the case with the General Agreement of Tariffs and Trade (GATT) of 1947. Precisely, a notable feature of the Uruguay Round consisted of entirely new areas of international legal regulation to be enforced by a new world body, the World Trade Organization. The Agreement on Trade-Related Investment Measures (TRIMS) establishes significant aspects of an international regime on foreign investments. The Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) governs intellectual property, which used to be within the traditional coverage of national jurisdiction. The General Agreement on Trade in Services (GATS) institutes international standards for the practice of professions across national borders, as well as regulate banking and other financial services, insurance, telecommunications, transport, construction, tourism, and a much broader field of other services. Philippine professions which will be subject to international regulation under GATS include accounting and auditing, medicine, law, management, engineering, and architecture. The impact on national culture will be considerable, generated by unimpeded transborder dataflow and information systems, in particular of satellite television, movies, videos and other cultural goods.

The intrusion of multilateral decision-making into strategic and vital areas of Philippine policy is by no means limited to economic matters. It reaches into social and political relations in our society, which will expectedly pass into the jurisdiction of the WTO.

A question of deep-going implications on our future as a people is raised by the fact that under the WTO Agreement the Philippines is governed by the national treatment principle with respect to the treatment of certain categories of foreign investments and intellectual property rights, as well as in regard to the practice of profession, banking and financial services, insurance and a broader spectrum of other services. This means that in these matters the Philippines is under obligation to treat foreigners as having the same relevant rights as Filipino citizens, as defined by the WTO Agreement. In our history, the parity rights in favor of American investors, which the US government forced upon our Constitution became an explosive controversy. Now we are presented with parity rights in favor of all foreigners as defined by the WTO

agreement, covering a much more extensive field of rights and privileges. In particular, national treatment in favor of foreign investors will strike directly on interests decisive on the future course of the national economy, in the sense that this will accelerate the speed of developments towards a new century when foreseeably the Philippine economy will lose its national character.

Consequently, under the WTO Agreement, national treatment of foreign interests holds the inevitable prospect of superseding economic nationalism as a fundamental premise of the Philippine economy, as outlined below. Considering that the Constitution is founded on economic nationalism, then the operations of global capital under the aegis of the WTO Agreement are on the way to sweeping away the very rationale of the Philippine nation-state in our fundamental law.

On the whole, the WTO Agreement will have the effect of shifting the fundamental premises of our national life, on two points:

Firstly, the shift from economic nationalism to national treatment of relevant foreign interests; and

Secondly, the transfer of decision-making from national supranational authorities, in matters vital to our economic, social and political life.

The first undermines the fundamental premises of the Constitution based on economic nationalism. The second entails a serious restriction of self-determination through the enactment of laws in policy areas covered by the Agreement.

Altogether the two shifts will spell the transformation of the Philippines from a national economy to globalized economy. How foreign capital will assume decisive power without responsibility is pointed out by Sinco in the context of the parity rights question in the 1940s, as follows:

To give aliens the right to exploit the natural resources is to create a condition of inequality between them and the citizen. The alien will become a privileged individual. For he does not have all the duties and obligations of a citizen. The citizen has more obligations and responsibilities. The government may not compel an alien to render military or civil service to the country. He is not bound to pay taxes for his income or business abroad .... The country may not expect from him unstinted devotion and undivided loyalty. His loyalty is first and foremost to his own motherland. Thus to give aliens exactly the same rights as citizens, particularly in respect to natural resources, is to place the alien on a superior position over the citizen.<sup>1</sup>

The situation involved in the national treatment principle under the WTO Agreement is far more serious than what was contemplated by Sinco in the context of

<sup>1</sup> Vicente G. Sinco, *Alien Sovereignty in the Philippine Republic* (Manila, 1947), p. 27.

parity rights issue of the 1940s. The WTO national treatment clause covers more sectors and activities in the Philippine economy.

As the US government forced the amendment of the Philippine Constitution to establish national treatment for US investors, predictably the WTO Agreement will generate tremendous pressure on the Philippines to eliminate constitutional obstacles that impede the application of the WTO national treatment principle.

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## PART I

Economic Nationalism in the  
Constitutional System1. *Economic Nationalism  
as a Foundation Principle*

Integral to the membership in the Philippine polity are economic rights which are essential to the life's support of the people not only in their individual selves but as a nation. Priority, or even exclusivity, in access to the country's natural resources is a safeguard accorded to citizens by the fundamental law as a means of economic security as well as the material basis for their economic well-being and social progress. Thus, economic nationalism is established as one of the fundamental principles of Philippine constitutional law.<sup>2</sup> Described by the Philippine Supreme Court as "a primary objective of the Constitution,<sup>3</sup> nationalist protectionism underlies its provisions relating to "public ownership of natural resources and the limitation of their exploitation to Filipino citizens or Filipino-controlled corporations or associations; nationalization [i.e., Filipinization] of public utilities; and prohibition against landholdings by aliens."<sup>4</sup> These provisions show that the Constitution was, according to the Supreme Court, framed in "an intense spirit of nationalism".<sup>5</sup>

To Sinco, among the premises of the Constitution is the principle that "land and other natural resources of the Philippines constitute the exclusive heritage of the Filipino nation.<sup>6</sup> The Filipinization safeguards of the Constitution express "the anxiety of the Filipino people over alien control of the nation's economic life.<sup>7</sup> This reflects the underlying philosophy in the proceedings of the 1934 Constitutional Convention's Committee on Nationalization and Preservation of Lands and Other Natural Resources, which affirms that –

land, minerals, forests, and other natural resources constitute the exclusive heritage of the Filipino nation. They should, therefore, be preserved for those under the sovereignty of that nation and for their posterity.<sup>8</sup>

The purpose of the Filipinization safeguards in the Constitution, according to the Supreme Court in *Krivenko v. Register of Deeds*, is –

to establish a permanent and fundamental policy for the conservation and utilization of all natural resources of the nation.<sup>9</sup>

<sup>2</sup> V. Sinco, *Philippine Political Law*, 1962, p. 445; M. J. Gamboa, *An Introduction to Philippine Law*, 1969, pp. 396-399).

<sup>3</sup> See *Ichong v. Hernandez*, 101 Phil. 115.

<sup>4</sup> Gamboa, *op.cit.*, p. 397.

<sup>5</sup> *Gold Creek Mining Co. v. Rodriguez*, 66 Phil. 259, 270.

<sup>6</sup> Sinco, *op.cit.*, p. 445.

<sup>7</sup> V. Sinco, *Philippine Constitutional Law*, 1960, p. 20.

<sup>8</sup> As quoted in *Krivenko v. Register of Deeds*, 79 Phil. 461.

The proceedings of the Constitutional Convention of 1934 are instructive on the rationale of the protectionist principles of the fundamental law. The framers of the 1935 Constitution, were of the conviction that, as summarized by Aruego:

...the natural resources, particularly the mineral resources which constituted a great source of wealth, belonged not only to the present generation then but also to the succeeding generations and consequently should be conserved for them. They expressed the fear that, if the freehold system was adopted, some of the mineral lands after they had become private property through the grant of a patent might eventually get into the ownership or control of foreigners to the prejudice of Filipino posterity.<sup>10</sup>

The place of economic nationalism in our Constitutional system in relation to the durable interests of the nation is interpreted by a constitutional law authority (Vicente Sinco) in the following tenor, which the Supreme Court quoted with approval in *Republic v. Quasha*:<sup>11</sup>

It should be emphatically stated that the provisions of our Constitution which limit to Filipinos the rights to develop the natural resources and to operate the public utilities is one of the bulwarks of our national integrity. The Filipino people decided to include it in our Constitution in order that it may have the stability and permanency that its importance requires. It is written in our Constitution so that it may neither be the subject or barter nor be impaired in the give and take of politics. With our natural resources, our sources of power and energy, the material basis of the nation's existence, in the hands of aliens over whom the Philippine Government does not have complete control, the Filipinos may soon find themselves deprived of their patrimony and living as it were, in a house that no longer belongs to them.

Even as the Parity Amendment in favor of US citizens and corporations in the exploitation of Philippine natural resources, constituted an imposed exception to the Constitutional principle of economic nationalism – a case of national treatment accorded to US investors – still the Supreme Court construed it so strictly as to uphold the nationalist objectives of the fundamental law. Thus, in *Republic v. Quasha*, it declares:

That Filipinos should be placed under the so-called Parity in a more disadvantageous position than United States citizens in the disposition, exploitation, development and utilization of the public lands, forests, mines, oils and other natural resources of their own country is certainly rank injustice and inequity that warrants a most strict interpretation of the

<sup>9</sup> 79 Phil. 461.

<sup>10</sup> The Framing of the Philippine Constitution, vol. 2, 1939, p. 603.

<sup>11</sup> 46 SCRA 160, 170.

“Parity Amendment”, in order that the dishonorable inferiority in which Filipinos find themselves at present in the land of their ancestors should not be prolonged than is absolutely necessary.<sup>12</sup>

Little did the Supreme Court anticipate that as we move towards the new century, the nation will be confronted with the prospect of a wholesale ascendancy of Parity, this time for all foreign investors in the national treatment clause of the WTO Agreement, a grim possibility that might carry us to a revision of the present Constitution of economic nationalism, to be replaced by a new regime which Sinco called an “alien sovereignty in the Philippine Republic,” in which parity rights for foreign investors will be the rule, and economic nationalism reduced to a meaningless exception.

2. *The Present Constitution Strengthens Economic Nationalism*

Retaining the nationalist orientation of the 1935 Constitution, the present fundamental law covers more grounds under its protectionist policy. It has eliminated the concept of the service contract introduced by the martial law Constitution and restored the original strength of the Filipinization safeguards against alien exploitation and utilization of the country’s natural resources.<sup>13</sup>

The broader coverage of economic nationalism under the 1987 Constitution consists of the following features:

1. Section 7, Article II declares as a State Policy the pursuit of an independent foreign policy in which “national sovereignty, territorial integrity, national interest, and the right to self-determination” shall be the paramount consideration in relations with other States. This should subserve the Constitutional objective set in another State Policy under Section 19, Article II, namely, that “the State shall develop a self-reliant and independent national economy effectively controlled by Filipinos”. This implies that, for the first time in our constitutional history, foreign policy becomes explicitly instrumental, geared to a specific goal in developing an economy based on nationalism.

2. Within this Constitutional policy framework, various provisions assume a definite pattern, each serving as a component of a national economy of nationalist character:

(a) The mandate of Section 2, Article XII places the exploration, development, and utilization of natural resources under the full control and supervision of the State, and in undertaking those activities, the State is restricted to deal only with “Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens.”

<sup>12</sup> Emphasis is the Court’s.

<sup>13</sup> See Merlin M. Magallona, “Service Contracts in Philippine Natural Resources”, 9 *World Bulletin* 2 (Sept.-Oct. 1993).

(i) Legislative power takes a more comprehensive direction along economic nationalism when in Section 10, Article XII, the Constitution prescribes under certain conditions that Congress shall —

(1) “reserve to citizens of the Philippines or to corporations or associations at least sixty per centum of whose capital is owned by such citizens, or such higher percentage as Congress may prescribe, in certain areas of investments”; and

(2) “enact measures that will encourage the formation and operation of enterprises whose capital is wholly owned by Filipinos.”

This mandate receives a reinforcing complement in an equally comprehensive requirement in the same Constitutional provision to the effect that —

In the grant of rights, privileges, and concessions covering the national economy and patrimony, the State shall give preference to qualified Filipinos.

(j) Congress has the primary responsibility to take positive measures to carry out the directive of Section 12, Article XII that —

The State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods, and adopt measures that help make them competitive.

(k) Section 7, Article XIII affords special protection to our subsistence fishermen. What deserves emphasis in the present context is the fact that the protection is based on nationalist consideration. It provides, thus:

The State shall protect the rights of subsistence fishermen, especially of local communities, the preferential use of the communal marine and fishing resources, both inland and offshore....The protection shall extend to offshore fishing grounds of subsistence fishermen against foreign intrusion.

Philippine jurisprudence provides a safeguard mechanism to insure strict compliance with the Constitutional principle of economic nationalism. Commonwealth Act No. 108, known as the Anti-Dummy Law, enforces the Filipinization requirements of the Constitution by subjecting to criminal prosecution any Filipino citizen or foreign national “who allows his name or citizenship to be used for the purpose of evading” any constitutional or legal provision which requires “Philippine or any other specific citizenship as a requisite for the exercise or enjoyment of a right, franchise or privilege.”

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In particular, criminal liability attaches to any of the following acts under the Anti-Dummy Law:

- (1) permitting or allowing the use, exploitation or enjoyment of such right, franchise, privilege, property or business by a person or corporation not possessing the requisites prescribed by the Constitution or the law;
- (2) leasing, transferring or conveying such right, franchise, privilege, or property or business by a person or corporation not qualified under the Constitution or the laws; and
- (3) permitting or allowing in any manner such person or corporation "to intervene in the management, operation, administration or control" of such right, privilege, property or business "whether as an officer, employee or laborer therein, with or without compensation."

Expectedly, the trends to be generated by the national treatment clause of the WTO Agreement have the prospects of eliminating nationalism as the economic basis of the Constitution and thus the abolition of the dummy, or if WTO of the GATT principles will be enthroned in the fundamental law through the next wave of the Constitutional amendments or revision, we may see the imminent constitutionalization of economic rights of aliens.

The language and intent of the fundamental law is plain and unmistakable, and it should be a source of public amazement that its central message is disregarded amidst the controversies over the WTO Agreement. Perhaps, the Constitution has become the hardest document to read because it speaks the language of economic nationalism and thus it becomes an impediment to the undisguised ascendancy of global capital as the prime-mover of the nation's economic development, with the consequence that the country's traditional political leadership has developed a sense of shame towards nationalism in the conduct of international trade and finance.

## PART II

**The War Against Economic Nationalism:  
WTO Regime of National Treatment  
for Foreign Investors**

1. *Assault on the Constitution*

The Constitution has been under attack on account of economic nationalism as a principle of conservation and development of the national patrimony. With the ascendancy of global capital, the pressure has increased all the more to do away with the Filipinization safeguards, in particular with respect to ownership of lands. Through the decisive leverage of multilateral financial institutions, the central role of global capital in the formulation of economic-development strategies has placed the country's political leadership in the hands of those whose thinking coincide with the intellectual outlook and material interests of foreign capital—which altogether finds consolidation in the programs applied on the Philippines by the IMF and the World Bank in the last 45 years.

Foremost is the special interest of the World Bank Group in the elimination of constitutional restrictions on land ownership as a measure to attract foreign investments.<sup>15</sup> Japanese investors have articulated the need to own land for factory sites, through the Philippine-Japan Economic Cooperation Committee.<sup>16</sup> The Japan Chamber of Commerce and Industry has called for recognition of the right to own real estate on the part of its member companies. Japanese business leaders consider the 60-40 capital equity requirement in favor of Filipino partners as “disincentive” to foreign investors. Foreign business groups have collectively taken a stand for changes in these nationalist policies.<sup>17</sup> US diplomatic pressures have been made on the same issues.<sup>18</sup>

It should be recalled that just before the May 1992 elections, the Special Envoy of US President Bush, Elliott Richardson, identified the same constitutional restriction as an obstacle to increased foreign investments in the Philippines. He advised former Senate President Jovito Salonga that this restriction be removed by appropriate constitutional amendment. Referring to relevant limitations under the 1987 Constitution, US Ambassador Frank Wisner called upon the new administration following the May 1992 elections to seek the elimination of impediments to land ownership presumably in the interest of foreign investors.<sup>19</sup>

On February 18, 1992, at a conference in London, the transnational mining companies assessed the Philippine situation in the light of their demand for liberal terms in the exploitation of mineral resources. The views presented by Tony Robbins, exploration manager of Western Mining Corporation, are most relevant to our theme. He

<sup>15</sup> *Philippine Daily Inquirer*, 1 March 1992.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Phil. Daily Inquirer*, 13 Aug. 1992.

<sup>18</sup> *Phil. Daily Inquirer*, 17 May 1992.

<sup>19</sup> *Phil. Daily Inquirer*, 17 May 1992.

described the Philippines as “a window of opportunities which no longer exists in many parts of the world,” but he presented the constitutional restriction on foreign capital to forty percent of capital ownership as a serious problem which, according to him, appeared to “a strong body of responsible opinion in the country” as detrimental to resources development of the Philippines. Robbins expressed the hope that a change in policy could be ushered in by the new government following the May 1992 national election.<sup>20</sup> Curiously enough, the administration installed by that election ushered in a mining law allowing a corporation with 100 percent foreign equity to enjoy in mining operations.

2. *IMF-World Bank Sovereignty:  
Local Leaders Join the Attack*

Until the advent of the Asian financial crisis, the drive of the Government to achieve “NIC-hood” had become the vehicle for a more thorough dismantling of economic nationalism as obstacle to foreign investments. Spearheaded by the IMF and the World Bank through financial inducement and coercion, and the campaign involves a revamp for the legal system for the purpose of removing long-standing policies based on economic nationalism. The 45-year-old General Banking Act, which bans the entry of foreign banks, has been revised by a law “liberalizing the entry and scope of operations of foreign banks.” One of the reforms included in the IMF’s conditionalities attached to a three-year economic program,<sup>21</sup> the new banking law paves the way for the entry of 10 foreign banks in the initial phase of implementation.<sup>22</sup> Congress circumvented the constitutional policy prohibiting foreigners from owning lands by enacting Republic Act No. 7652 which grants the right of long-term lease on private lands to foreigners “for the establishment of industrial estates, factories, [and] assembly or processing plants”; the lease is permitted “for a period [not] exceeding fifty (50) years, renewable for a period not more than twenty-five (25) years.” By distorting the restrictive service-contract clause in Section 2, Article XII of the Constitution, Congress passed a new Mining Code which allows corporations with 100 per cent foreign equity to engage in mining operations. Against the opposition of three major Filipino producers and manufacturers associations, a new Foreign Investment Act was passed by Congress, liberalizing rules on foreign ownership by allowing 100 percent foreign equity in various industries. The new investment law opens “strategic industries” to investors with 100 percent foreign equity. Complying with changes required by the IMF and the World Bank, the Government adopted a full liberalization of foreign exchange regulations, ending “an era of over 40 years of foreign exchange control in the Philippines.” The Senate had ratified the World-Bank sponsored Multilateral Investment Guarantee Agreement (MIGA) which in effect makes the Philippines an “insurance company”, charged with the obligation to insure the safety of foreign investments within its territory from political risks, such as civil disturbances and expropriation. Under the MIGA, the Philippines is inhibited from passing a law which will have the “effect of depriving a guaranteed foreign investor of his ownership or control of, or substantial benefit from, his investment.”

<sup>20</sup> *People’s Daily World*, New York, April 11, 1992.

<sup>21</sup> *Phil. Daily Inquirer*, 12 May 1994.

<sup>22</sup> *Phil. Daily Inquirer*, 19 May 1994.

3. *Final Overthrow of Economic Nationalism: Towards Constitutionalizing WTO Rule*

In the last five years, public consciousness has been induced to recognize the need for changes in the Constitution, curiously enough at the time the demands of global capital for the elimination of constitutional restrictions to foreign investments have intensified. Public support for constitutional changes may be enticed by non-controversial proposals for amendment, but the intention is to pave the way for broader changes. Is economic nationalism the real target for constitutional revision? Are we facing the prospect of the WTO principles, including its national treatment clause, on the way to being enthroned in a new Philippine Constitution for the 21<sup>st</sup> century?

There is an urgent need for us to transcend the deceptive presentation of the issues raised by the WTO Agreement. We will increasingly realize that the stand we take now will determine the kind of fundamental law by which we can control our national destiny. The real choice is not between 30% or 50% tariff duty on garments or tomatoes; it is between a Constitution of economic nationalism or a constitution of WTO principles.

### PART III

#### National Treatment Under the WTO Agreement

1. *National Treatment Under GATT 1994*

The national treatment clause, as provided in Article III of the General Agreement on Tariff and Trade of 30 October 1947,<sup>23</sup> reads in part, as follows:

1. The contracting parties recognize that internal taxes and other internal charges, and laws, regulations and requirements affecting the internal sale, offering for sale, purchase, transportation, distribution or use of products, and internal quantitative regulations requiring them mixture, processing or use of products in specified amounts or proportions, should not be applied to imported or domestic products so as to afford protection to domestic production.

2. The products of the territory of any contracting party imported into the territory of any other contracting party shall not be subject, directly or indirectly, to internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like domestic products. Moreover, no contracting party shall otherwise apply internal taxes or other internal charges to imported or domestic products in a manner contrary to the principles set forth in paragraph 1.

<sup>23</sup> Articles III, GATT 1947, as amended by the Protocol Modifying Part II and Article XXVI of GATT, 14 September 1948, 62 UNTS 80,82-84.

\* \* \*

4. The products of the territory of any contracting party imported into the territory of any other contracting party shall be accorded treatment no less favorable than that accorded to like products of national origin in respect of all laws, regulations and requirements affecting their internal sale, offering to sale, purchase, transportation, distribution or use. The provisions of this paragraph shall not prevent the application of differential internal transportation charges which are based exclusively on the economic operation of the means of transport and not on the nationality of the product.

In a general interpretative note to its Annex 1A, the WTO Agreement makes it clear that GATT 1994 consists of, among other instruments,

The provisions in the General Agreement on Tariffs and Trade dated 30 October 1947...as rectified, amended or otherwise modified...before the entry into force of the Agreement Establishing the World Trade Organization are hereby made an integral part of this Annex.

As part of GATT 1994, GATT 1947 together with its national treatment clause becomes an integral part of the WTO Agreement. Thus, national treatment is an operative principle as well under the GATT 1994.

National treatment under paragraphs 1 and 2 of Article III of GATT, as given above, is limited in its application to the imposition of taxes or "internal charges of any kind" within Philippine territory. It precludes taxation of imported goods except on equal terms as those imposed on products made in the Philippines, or "like products of national origin."<sup>24</sup> In paragraph 1, the Philippines as party to the GATT recognizes that taxation "should not be applied to imported or domestic products so as to afford protection of domestic production." Its intent is to prevent discrimination against imports by means of internal taxes, with the result that under the GATT national treatment clause domestic or Filipino-owned industries cannot be protected by internal taxation as against foreign-made products imported into the country. In competing with imports from any origin, domestic goods produced by Filipino labor and capital cannot be favored by Congress through the enactment of tax laws. If coupled with tariff reduction, this means that locally manufactured goods which suffer from the reduction of customs duty cannot be saved by increase of internal taxes imposed to offset such tariff reduction, because, precisely the "final and most important reason for national treatment is to prevent internal taxes from being used to wipe out the effects of reduction in the customs duty."<sup>25</sup>

<sup>24</sup> Article II(2) of the WTO Agreement provides: "The Agreements and associated legal instruments included in Annex 1, 2 and 3...are integral parts of this Agreement, binding on all Members."

<sup>25</sup> G.P. Verbit, *Trade Agreement for Developing Countries* (New York: Columbia University Press, 1969), p. 111.

In national treatment under Article III(1) and (2) of GATT the power to tax is controlled by GATT regulation; in particular, taxation is eliminated as a policy instrument to carry out economic protectionism for Filipino producers as against foreign competition. With the creation of the WTO, this control is given effective jurisdiction through enforcement mechanism and dispute settlement procedures.

National treatment expands its coverage under paragraph 4 of Article III of GATT. It must now be applied to provide equal treatment to imported products "in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution, or use." Hence, in virtually all aspects of treatment under Philippine law, the Philippine Government cannot give protection to domestic production to the disadvantage of imported products. In all matters covered by the GATT national treatment clause in Article III imported products are given equal treatment as domestic products. As a consequence, Congress is prevented to enact laws even if intended to give statutory implementation to the protectionist provisions of the Constitution, which favor domestic products as against foreign-made goods in matters pertaining to their sale, offering for sale, transportation, distribution or use within Philippine territory. The national treatment principle contravenes the intent of the Constitution which requires "preferential use of Filipino labor, domestic materials and locally produced goods" in Section 12, Article XII.

## 2. *National Treatment under GATS*

The expansive coverage of national treatment under Article III of GATT 1947 applies only to trade in *goods*. However, under the General Agreement on Trade in Services (GATS), national treatment is extended to a new area of international trade regulations called "services." Taking into account the text of (GATS) as well as its *travaux preparatoire* "services" regulated by GATS primarily include the following service sectors: banking, financial services, insurance, tourism, transport, telecommunications and professional services. The coverage of GATS is by no means limited to these mainstream services.

In the reality of international trade, services consist of innumerable cross-border activities, among which are advertising, market research, news-gathering and reporting agencies, radio and television broadcasting, hotel and restaurant services, public utility services, shipping, car rental services, data-processing and transmission, motion-picture production and distribution, entertainment and recreational services, management and business consultancy, education, health services, publishing, library services, research services, wholesale and retail; trade, manpower search or employment agencies, travel services, investment analysis, brokerage services, foreign exchange and securities dealing, real estate services, and fashion design.<sup>26</sup> The term "professional services" refers to the professions, in particular accounting and auditing, engineering, architecture, law and medicine.

<sup>26</sup> J.H. Dunning, *Transnational Corporations and the Growth of Services: Some Conceptual and Theoretical Issues* (New York: UN, 1989, UNCTC Current Studies, Series A), pp. 1-5,27-42; UNCTC, *Foreign Direct Investment and Transnational Corporation in Services* (New York, UN, ST/CTC/94), pp. 4-5

This goes to show that “services” as a category of international trade is an expanding constellation. Moreover, under GATS “supply of service” by a foreign service-supplier includes “the production, distribution, marketing, sale and delivery of service.”<sup>27</sup>

A category of services is defined in terms of their strategic importance to the national economy and security. Among these are communications, transportation, banking and finance. Services of significant socio-cultural impact are education, publishing, mass media, and advertising.

In principle, all services come within the purview of GATS and therefore are covered in principle by the national treatment principle. The operative provision on national treatment is Article XVIII(1), which states:

In all sectors inscribed in its schedule, and subject to any conditions and qualifications set out therein, each Member shall accord to services and service suppliers of any other Member, in respect of all measures affecting the supply of services, treatment no less favorable than it accords to its own like services and service suppliers.

Pursuant to Article XX of GATS, the Philippines is required to set out in a Schedule of Specific Commitments the industrial sectors in which it will give market access to foreign service suppliers. The Schedule is binding on the Philippines as an integral part of GATS.<sup>28</sup> It is only with respect to the sectors included in the Schedule that the Philippines undertakes commitments to be governed by GATS.<sup>29</sup> The Schedule specifies, among others, the terms, limitations and conditions on market access and the conditions and qualifications on national treatment.<sup>30</sup>

In other words, GATS comes into operation only on the basis of the sectors specified in the Schedule. In particular, national treatment applies only to the services which the Philippines includes in the Schedule, and its application is subject to the conditions and qualifications contained in the Schedule.

In the Schedule which the Philippines has annexed to GATS, it specified the following services in regard to which it undertakes *initial* commitments:

- (1) Transport services, which cover maritime transport services, rail transport services, road transport services, and auxiliary service common to all modes of transport.

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<sup>27</sup> Art. XXVIII(6).

<sup>28</sup> GATS, Art. XX(3), in relation to Art. XX(1).

<sup>29</sup> Art. XX(1).

<sup>30</sup> *Ibid.*

(2) Communication services, which include courier services and telecommunications services.

(3) Financial and banking services which include commercial banking, financial advisory services, factoring, financial leasing, money broking and foreign exchange broking, credit card services, securities dealership or brokerage, services of stock transfer agent and life, pension and education plans services.

(4) Insurance and reinsurance services, including life, health and accident insurance; general non-life insurance covering fire, marine, casualty insurance, and suretyship; and insurance auxiliary services.

(5) Tourism services, including hotel and specialty restaurant services, travel agencies, and professional congress organizing.

When the GATS entered into force with respect to the Philippines as a party to the WTO Agreement, the national treatment principle began to apply to the Philippines with respect to the services in its Schedule as shown in the list above. This means that as to those services, the Philippines is under duty to treat foreign service suppliers in the same terms as Filipino services and service suppliers in its own territory, subject to the terms and conditions in that Schedule.

The commitments of the Philippines under the present Schedule is just the beginning of a continuous process of liberalizing all its services sectors, which entails opening more sectors, liberalizing more transactions, and extending more market access for foreign service suppliers, to be included in the Schedule of Specific Commitments. The Philippines is governed by the following provisions of Article XIX of GATS:

(1) "...Members shall enter into successive rounds of negotiations, beginning not later than five years from the date of entry into force of the Agreement Establishing the WTO and periodically thereafter, with a view to achieving a progressively higher level of liberalization."<sup>31</sup>

(2) "Such negotiations shall be directed to the reduction or elimination of the adverse effects on trade in services of measures as a means of providing effective market access."<sup>32</sup>

(3) "For each round, negotiating guidelines and procedures shall be established."<sup>33</sup>

(4) "The process of progressive liberalization shall be advanced in each such round through bilateral, plurilateral or multilateral negotiations

<sup>31</sup> Article XIX(1)

<sup>32</sup> *Ibid.*

<sup>33</sup> Art. XIX(2).

directed towards increasing the general level of specific commitments undertaken by Members under this Agreement.”<sup>34</sup>

Although the Philippines is to be benefited by the rule in Article XIX(2) that the “process of [progressive] liberalization shall take place with due respect for national policy objectives”, it must be emphasized that the rounds of negotiations will involve precisely a change of policy since the impediments to market access or limits to national treatment are contained in national policies, laws, or regulations. This is clearly implied by Article XIX(2) quoted above. While it is true that market access is subject to the conditions and limitations set forth in the Schedule of Specific Commitments, these conditions and limitations themselves are subject to future negotiations, “with the view to achieving a progressively higher level of liberalization”, as prescribed in Article XIX(1) of GATS.

The Government has already identified the changes to be effected in our laws in order to accommodate the results of the Uruguay Round negotiations.<sup>35</sup> Philippine membership in the WTO will effectuate the most comprehensive replacement of present laws and a wholesale introduction of new corpus of rules, without the participation of the *entire Congress* which under our Constitution possesses the plenary power of making laws. In this regard, since the whole of Congress is the seat of popular representation in our political system, the concurrence of the WTO Agreement by only one of House of Congress marks a diminution of our republican form of government. It is an attack on the central concept in the Constitution which declares that “The Philippines is a democratic and republican State.”

Not only that. There are already attempts to align the Constitution itself to GATS. The Government, according to a publication of the Department of Trade and Industry, has made a commitment in the Uruguay Round negotiations that the Philippines will “explore the possibility of passing legislation to...introduce certain exceptions to nationality requirements in the Constitution relating to the practice of licensed profession, including consultancy services.”<sup>36</sup> The commitment includes the intent to “declassify value-added telecommunications services from the public utilities category”, apparently with the intention to take it out from the coverage of the Filipinization requirement of the Constitution on public utilities in Section 12 of Article XII.

A study on the far-reaching implications of national treatment under GATS must take into account the fact that its application is complemented by the operation of the most-favored-nation principle which requires the Philippines to give to all the Members of WTO equal treatment as to the terms, limitations and conditions specified in its Schedule. A grant of market access in services to one WTO Member means a grant to all Members on equal terms.

<sup>34</sup> Art. XIX(4).

<sup>35</sup> Bureau of International Trade Relations, Department of Trade and Industry, *The GATT, The Uruguay Round and the Philippines* (23 June 1994), pp. 14, 25, 33-35.

<sup>36</sup> *Id.*, p. 20.

3. *National Treatment in the TRIPS Agreement*

The national treatment clause of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) reads in part:

Each Member shall accord to the nationals of other Members treatment no less favorable than that it accords to its own nationals with regard to the protection of intellectual property....<sup>37</sup>

Generally, this will require the Philippines to give to the nationals of all the Members of WTO protection of their Intellectual Property Rights (IPR) in the same measure that the Philippines so provides for its citizens. The combined operation of national treatment and the most-favored-national treatment<sup>38</sup> will place the Philippines under duty to accord equal protection to the nationals of all WTO Members. Any right, privilege, advantage, or immunity which the Philippines grants to a national of any other Member shall be deemed as extended to nationals of all Members "immediately and unconditionally."<sup>39</sup>

However, national treatment as controlled by the TRIPS Agreement further expands its operation. Firstly, under this Agreement IPR protection includes "matters affecting the acquisition, scope, maintenance, and enforcement of intellectual property rights."<sup>40</sup> Secondly, protection in this context covers all types of IPR, such as patents, copyrights, trademark, trade secrets, industrial designs, and layout-design of integrated circuits, and thus covers those which are not within the purview of present Philippine law on IPR. Thirdly, in addition to establishing minimum universal and adequate standards and principles on IPR, it provides effective means of endorsing IPR in addition to those provided by Philippine laws. Fourthly, the scope of things patentable is considerably widened. Any invention, whether product or process is open to patentability. Under the TRIPS Agreement, virtually the entire agricultural and industrial sectors will be covered by IPR protection including micro-organisms, plant varieties, non-biological and micro-biological processes.

Hence, the scope of IPR protection to which the Philippines commits itself under the national treatment principle embraces protection under Philippine law, plus protection as expanded by the TRIPS Agreement. Moreover, the Philippines is charged with obligations provided in other IPR international agreements of which it is *not* a party. In which case, national treatment of the TRIPS Agreement will automatically operate with respect to protection rights which are concomitant to those obligations. Accordingly, the much broader coverage of national treatment corresponds to the enlarged IPR protection under the TRIPS Agreement.

<sup>37</sup> TRIPS Agreement, Art. 3(1).

<sup>38</sup> TRIPS Agreement, Art. 4.

<sup>39</sup> *Ibid.*

<sup>40</sup> See explanatory note to Art. 3 of TRIPS Agreement.

In some respects peculiar to the foreign patent holders, national treatment as provided in the TRIPS Agreement will in actual practice spell more protection for the foreign patent holders than Filipino citizens. On account of the patent protection a foreign national in the Philippines will be accorded the exclusive right to import the product or process covered by his patent, since under the TRIP Agreement he has the exclusive right not only to use or sell the product produced by the patented process, but also to import it. For the reason that *importing* such a product is considered “working” the patent under the TRIM Agreement, a foreigner therefore is not required to actually “work” his patent in the Philippines; whereas, a Filipino patent holder has to really “work” his patent in the Philippines as required by our patent law since he is not in the peculiar position to *import* the product arising from his patented process.

4. *National Treatment in the TRIMS Agreement*

The national treatment clause under the Agreement on Trade-Related Investment Measures (TRIMS) states in Article 2(1):

Without prejudice to other rights and obligations under the GATT 1994, no Member shall apply any TRIM that is inconsistent with the provisions of Article III or Article XI of the GATT 1994.

Note that the TRIMS Agreement merely applies the national treatment clause of Article III of the GATT 1947, above, to the regime of TRIMS.

Trade-related investment measures or TRIMS have been described by two UNCTAD senior trade policy advisers as –

...measures adopted by host-country governments to attract and regulate foreign direct investment in their territories. They are mainly of two kinds. The first kind consists of a series of incentives designed to attract investment, such as fiscal incentives, loans, tax rebates, provisions of services of preferential terms, etc. The second kind, a series of requirement or conditions, is designed to encourage the use of the investment according to national priorities. They can take the form of local content requirements, manufacturing requirements, export performance requirements, technology transfer or licensing requirements, etc. The use of these two kinds of measures may constitute the terms and conditions for the entry into the host country.<sup>41</sup>

If national treatment under Article III of GATT 1947 (or GATT 1994) is applied to TRIMS, then the resulting situation is that whatever TRIMS Philippine internal laws or regulations provide for domestic production the same treatment has to be accorded to foreign-manufactured goods imported into the country. Hence, national treatment

<sup>41</sup> H. Puri and D. Bondad, TRIMS, Development Aspects and the General Agreement, in UNCTAD *Uruguay Round Further Papers on Selected Issues* (New York, UN, 1990), p. 57.

implies that the investment regulations cannot be applied in preferential treatment to the disadvantage of imports. It does not permit a Philippine law or regulation to have the effect of restricting the operations of a corporation or an enterprise such that domestic products are protected to the prejudice of imported products.

The Annex to the TRIMS Agreement contains an Illustrative List of TRIMS which are inconsistent with the national treatment principle and therefore impermissible. It provides in paragraph 1:

TRIMS that are inconsistent with the obligation of national treatment...include those which are mandatory or enforceable under domestic law or under administrative rulings, or compliance with which is necessary to obtain an advantage, and which requires:

- (a) the purchase or use by an enterprise of products of domestic origin or from any domestic source, whether specified in terms of particular products, in terms of volume or value of products, or in terms of a proportion of volume or value of its local production; or
- (b) that an enterprise's purchase or use of imported products be limited to an amount related to the volume or value of local products that it exports.

Whereas the Constitution enjoins, through appropriate law or regulation, "the preferential use of Filipino labor, domestic, materials and locally produced goods" in Section 12 of Article XII, the Illustrative List of the Annex to the TRIM Agreement, on the other hand, prohibits "the purchase or use by an enterprise of products of domestic origin or from any domestic source."

As a complement to national treatment, the TRIM Agreement does not allow quantitative restriction in the importation of products used in local production, or in the export of locally produced goods by an enterprise. The prohibition covers:

- (a) the importation by an enterprise of products used in or related to its local production, generally or to an amount related to the volume or value of local production that it exports;
- (b) the importation by an enterprise of products used in or related to its local production by restricting its access to foreign exchange to an amount related to the foreign exchange inflows attributable to the enterprise; or
- (c) the exportation or sale for export by an enterprise of products, whether specified in the terms of particular products, in terms of volume or value of products, or in terms of a proportion of volume or value of its local production.<sup>42</sup>

<sup>42</sup> TRIMS Agreement, Annex, paragraph 2.

The effect of these rules is to give full freedom of action to foreign investors or companies, in particular with respect to transborder flow of its products and to access of foreign exchange in the Philippines. Firstly, they are assured to be competitive with Filipino enterprises; national treatment will insure them to compete with Filipino firms on the same terms and conditions.

Secondly, foreign firms will be accorded freedom of action in dealing with their parent or affiliated companies located in other countries; no restriction will be imposed on the flow of imports and exports between them. This is particularly suited to the new structure of international trade which has become a function of foreign direct investments, in which affiliated firms located in different countries but belonging to the same transnational corporate group, such as Toyota, IBM, Siemens, or Levi, deal with one another in the manufacture of internationalized products, the integral processes of production being farmed out to various affiliated companies or sub-contractors in different countries. Understandably, in this context national borders increasingly become obstacles to the integration of those integrated production processes. The prohibition against quantitative restriction in the Annex to the TRIMS Agreement, as quoted, above is intended to minimize or eliminate restriction to *intra-firm* transactions across national borders.

On the whole, the national treatment in the WTO Agreement thus discussed is designed to overcome the protectionist policies of countries like the Philippines and to enforce equal treatment between Filipino industries and foreign-manufacture products within Philippine territorial jurisdiction, thus removing discrimination. In contrast, the Constitution defines economic rights and preferential privileges for the exclusive protection or discriminatory treatment in favor of Filipino citizens. The problem of the WTO Agreement is to make foreign product or business competitive in the Philippines by insuring equal terms and conditions *vis-a-vis* Filipino citizens or business. In contraposition, the burden of the Constitution is to make Filipino interests competitive in their own country by assuring them protection against foreign interests, which is the essence of the concept of *citizenship* under the Constitution.

## PART IV

**Congressional Power vs. Presidential Treaty- Making:  
Erosion of Republicanism and Usurpation  
of Legislative Authority**

1. *WTO Agreement and the Tariff Clause  
of the Constitution*

It is only on very specific ground that the President's authority to participate in multilateral negotiations under the Uruguay Round and to conclude the WTO Agreement can be justified under the Tariff Clause of the Constitution. This Clause provides as follows:

The Congress may, by law, authorize the President to *fix* within specified limits, and subject to such limitations and restrictions as it may impose, *tariff rates, import and export quotas, tonnage and wharfage doses, and other duties or imposts* within the framework of the national development program of the Government.<sup>43</sup>

Congressional authority under this provision is now granted to the President by the Tariff and Customs Code, in particular Sections 401 and 402. Section 401, as amended by Presidential Decree No. 1690, empowers the President –

- (1) to increase, reduce or remove existing protective rates of import duty....The existing rates may be increased or decreased to any level, in one or several stages but in no case shall the increased rate of import duty be higher than a maximum of one hundred (100%) per cent ad valorem;
- (2) to establish import quota or to ban imports of any commodity, as may be necessary; and
- (3) to impose an additional duty on all not exceeding ten (10%) per cent ad valorem whenever necessary.

It is reasonable to interpret the Constitution to the effect that in all matters pertaining to tariffs, there is only one particular item in which Congress is authorized to delegate to the President, namely, the power to *fix tariff rates* in the manner set out in the Tariff Clause of the Constitution and as thus provided in the Tariff and Customs Code. In all tariff matters or questions other than the fixing of tariff rates, the authority belongs to Congress as part of its plenary legislative powers. This is implied from Section 24, Article VI of the Constitution, which states thus:

<sup>43</sup> Art. VI, Sec. 28(2). Emphasis added.

All appropriation, revenue or *tariff bills*, bills authorizing increase of the public debt, bills of local application, and private bills shall originate exclusively in the House of Representatives, but the Senate may propose or concur with amendments.<sup>44</sup>

Interpreted together, Section 24, Article VI and the Tariff Clause convey the sense of the Constitution that *all matters which have to do with tariffs are retained within the powers of Congress* to be considered *by it as embodied in tariff bills* and subject to the procedure required in Section 24, Article VI, *with the sole exception of fixing of tariff rates*, which the Tariff Clause authorizes to be delegated by statutory law to the President.

Outside of the strict and narrow coverage of the Tariff Clause all tariff matters which are retained by the plenary powers of Congress are required to be considered by it as *tariff bills, not tariff treaty or international agreement on tariffs*. In other words, it is required by the Constitution that they be enacted *by the entire legislative body*, not by the Senate alone, as would be the case in the concurrence of a tariff treaty or international agreement on tariffs under Section 21, Article VII of the Constitution.<sup>45</sup>

When we go through the entire cosmos of rules provided in the GATT agreements, in particular the WTO Agreement and the GATT 1994, *they will inevitably have the effect of virtually covering (or usurping) the entire territory of tariff regulation in the Philippines*. The result is that there may be nothing left for Congress to deal with in terms of *tariff bills* under Section 24, Article VI.

A massive usurpation of Congressional power over tariffs is involved in Article XVI(4) of the WTO Agreement, which reads:

Each Member shall ensure the conformity of its laws, regulations and administrative procedures with its obligations as provided in the annexed Agreements.

In entering into negotiations and in concluding agreements with respect to this provision of the WTO Agreement, the President has consented that *the entire system of legislation and rule-making of the Philippines with respect to matters within the scope of the WTO Agreement be regulated* by the WTO. The above-quoted provision constitutes a *regulation as to how Philippine laws, rules and regulations should be made and interpreted in particular with respect to tariffs*. Under the Constitution, this power decidedly belongs to Congress and insofar as this power is exercised on matters outside Section 28(2), Article VI, Congress cannot even delegate it to the President.

<sup>44</sup> Emphasis added.

<sup>45</sup> This provision reads: "No treaty or international agreement shall be valid and effective unless concurred in by at least two-thirds of all the Members of the Senate."

The following provisions of the Agreement on Implementation of Article VII of GATT 1994 are samples of rules pertaining to *tariffs* which are outside the *delegated power of the President under Tariff Clause of the Constitution*:

1. No Member may require or compel any person not resident in its territory to produce for examination, or to allow access to, any account or other record for the purposes of determining a computed value...<sup>46</sup>
2. *In framing its legislation* each Members shall provide for the inclusion in or the exclusion from customs value, in whole or in part, of the following:
  - (a) the cost of transport of the imported goods to the port or place of destinations;
  - (b) loading, unloading and handling charges associated with the transport of the imported goods to the port or place of importation; and
  - (c) the cost of insurance.<sup>47</sup>
3. The *legislation* of each Member shall provide in regard to a determination of customs value for the right of appeal, without penalty, by the importer or any other person liable for the payment of the duty.<sup>48</sup>

The first provision listed above regulates the very conduct of the Philippine State in defining certain acts of persons within its jurisdiction. The second and third provisions regulate the manner by which the Philippine Republic will exercise its legislative power.

Certainly, while it is conceded that these rules pertain to the tariff system of the Philippines, or its administration, their objects of regulation are outside the contemplation of the Tariff Clause of the Constitution and are definitely and exclusively within the purview of the powers of the *entire* Congress.

Attention should focus on the fact that in the three sample provisions of GATT 1994 given above, the *President has concluded an agreement which determines how or by what manner Congress should exercise its legislative powers*.

Of the same import are the rules under paragraphs 1 and 2, Article III of GATT 1947, which are incorporated into GATT 1994; they prohibit the exercise of the power to tax "to afford protection to domestic production."<sup>49</sup> Since the power to tax, as expressed

<sup>46</sup> Art. 6.

<sup>47</sup> Art. 8(2).

<sup>48</sup> Art. 11(1).

<sup>49</sup> See *supra*, pp. 12-14.

in *revenue bills*, belongs to Congressional authority and must “originate exclusively in the House of Representatives” by the mandate of Section 24, Article VI of the Constitution, the GATT provisions in question have the effect of the President contracting away a power which does not belong to him and, thus, usurping Congressional authority in concluding the WTO Agreement.

By no means are the sample provisions given above exhaustive. The WTO Agreement abounds in rules of the same nature, pertinent to this point. But the provisions thus mentioned should suffice to show a brazen violation of the separation of powers doctrine, which is a foundation principle of the Philippine constitutional order.

### Concluding Remarks

Over all, the President’s treaty-making power on matters within the coverage of the WTO Agreement *intrude into vast areas of internal legislation* and the resulting treaty rules cover very broad areas of policy which has the effect of his *treaty-making authority supplanting legislative powers of the entire Congress*.

This time, the President’s treaty-making power is not limited to the country’s *external relations*. They are exercised in matters which spread throughout civil and economic relations of *domestic jurisdiction*.

In the country’s history, there has never been instance where the major dimensions of Philippine *internal life* are so extensively subject to rules of an international agreement resulting from the exercise of the President’s powers and concurred in only by one House of Congress, and without the exercise of legislative authority vested by the people in the *entire Congress*. The exclusion of the House of Representative from decision-making in all matters which are traditionally known to pertain to the internal life of the people is a denigration of the most representative institution in our system of government. It is at war with republican democracy on which the Philippine State is founded. The foundation principle is established in Section 1, Article II of the Constitution that “The Philippines is a democratic and republican State.”

In the light of Philippine membership in the WTO no amendments by Congress with the view to moderate or alter the adverse consequences of WTO Agreement will change the treaty rules and principles which bind the Philippines. Such enactments will not affect the rights and obligations of the other States Parties to the WTO Agreement in relation to the Philippines. Philippine laws, including the Constitution, cannot extend their jurisdictional reach to govern the relations with other States. Despite statutory enactments to the contrary, therefore, the rights of other WTO members with respect to the Philippines will remain unaffected. Whatever may be the effects of those amendatory enactments within Philippine territorial jurisdiction, the Philippines will continue to be bound by its obligations under the WTO Agreement, reinforced by the general norm of

international law now codified in Article 26 of the Vienna Convention on the Law of Treaties,<sup>50</sup> which states that:

A Party [to a treaty] may not invoke the provisions of its internal law as a justification for its failure to perform a treaty.

All this leaves us to face the problem as to whether under the regime of the WTO Agreement, the fulcrum of political power in the Philippines may have shifted from the duly constituted *national* organs of constitutional authority to a *supranational* power. If so, then, the dismantling of the Philippine Nation-State founded on the economic protection of its own citizens may have entered a new phase.

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<sup>50</sup> The Philippines is a party to this Convention, and so are the majority of the other WTO members.

## Workshop Results

### *Workshop Group 1: Nationalist Industrialization*

Discussants: Mr. Meneleo J. Carlos, Federation of Philippine Industries  
Ms. Joy Chavez - Malaluan, FOCUS on the Global South  
Ms. Cristina Morales, Action for Economic Reform  
Mr. Jose Concepcion, Bishops'-Businessmen's Conference

Facilitator: Mr. Mario Sereno, Association of Petrochemical Manufacturers of the Phils.

### Guide Questions:

- ✦ How can Philippine industry recover and a sound industrial base be cemented given the mistakes of the past and the realities of the present, including the reality of a globalized and liberalized Philippine economic order?
- ✦ How do we strategize Philippine position in the globalizing world economy, especially in relation to AFTA and WTO?
- ✦ Is economic protectionism still an option, or are there other options for us?
- ✦ Is leap-frogging in industrial development possible?
- ✦ What is the overall role of economic nationalism in industrial development?

### Workshop Results:

- The nationalist agenda should address maximum employment and serve the needs of 80 million Filipinos
  - ✓ provide goods and services at affordable cost to allow an increase in disposable income
- The monetary policies have been designed for the interest of other countries rather than our own. We must preserve jobs, preserve industries. Monetary policies should serve our own needs. We should stop unfair trade.
- We have the laws that should protect our local industries but we need to strengthen / implement them.
- We have to review our tariffs and trade policies. We have to renegotiate unilateral concessions carefully and selectively.
- We have to institute anti-trust measures to ensure fair trade. Provide limited tariff protection plus monitor the industries given this protection
- Industries are suffering because of insufficient infrastructures available right now.

- We have to review and refine our BOT Law.
- We have to patronize indigenous local sources. Stop export oriented thought.
- We have to re-educate and to train people to change.
- We should provide and monitor security on opening of more economic zones which becomes venues for smuggling.
- We need to have long-range targets, proper planning, comprehensive and rational development blueprint for specific products and industries and before formulating strategies, government must consult affected industries.
- We have to make the Philippines agriculturally and globally competitive.
- We have to reduce the cost of business here in the Philippines.
- Lastly, be a nationalistic. But we have to make concrete steps. We should patronize our locally produced product.

#### ***Workshop Group 2: Nationalist Agricultural Development***

Discussants: Mr. Ted Mendoza, UP Los Baños  
 Mr. Manny Ching, businessman  
 Sec. Luis Lorenzo III, Department of Agriculture  
 Facilitator: Mr. Dong Calmado, PEACE Foundation

#### Guide Questions:

- ✘ How can Philippine agriculture recover and a sound agricultural base be cemented given the mistakes of the past and the realities of the present, including the reality of a globalized and liberalized Philippine economic order?
- ✘ How do we strategize Philippine position in the globalizing world economy, especially in relation to AFTA and WTO?
- ✘ Is the vision of a progressive and job-full countryside possible in a situation where most of our agricultural crops today are collapsing under globalization?
- ✘ Can Philippine agriculture still be saved and transformed? How?
- ✘ What is the overall role of economic nationalism in agricultural development?

#### Workshop Results:

At the policy level:

- A need for vision and strategy.

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- ✓ transform agricultural systems (from monocrop / plantation-based to diversified or mixed farming)
  - ✓ give focus to farmers and fishers as the genuine beneficiaries of agricultural development based on consumer needs
  - ✓ develop short-term and long-term plans
- Need to modernize and enhance science and technology by tapping our own technologies and ST capacities.
- Need to fully implement the CARP law.
- Need to engage the Department of Agriculture; encourage participation specifically in policy-making of the LGUs, civil society groups specially the national NGOs.
- Need to Reform the tariff system from structure to policy

In terms of advocacy work for the FTA:

- Push the advocacy on tariff reform (CSOs must do their homework and have figures to support their calls)
- Anti-smuggling efforts for FTA need to be active, vigilant and expansive; need to localize the FTA.
- Patronize our local products
- Work towards cultural transformation (paradigm shifting, change in mindset from cynicism, negativism)

### ***Workshop Group 3: Nationalist Education and Culture***

Discussants: Mr. Raul Segovia, Citizen's Alliance for Consumer Protection  
Ms. Leticia Constantino, National Movement for Civil Liberties  
Dr. Vivencio Jose, UP College Arts and Letters

Facilitator: Prof. Jorge Sibal, UP SOLAIR

#### Guide Questions:

- \* How could the sense of nationalism that once pervaded the hearts and minds of the founders of our nation be revived, deepened and instilled to counter a globalist culture which worships on the altar of free trade?
- \* What is the meaning and practice of nationalist education today?
- \* How will it cope or blend or deal with the realities of globalization?

- ✘ Can the culture of industry and industrialism, supplanted by a trading mentality nurtured by neo-liberal economics, be revived and developed to help launch the nation once again on the path of industrialization?

Workshop results:

- Our educational system, even in terms of agricultural education, should be scientific and nationalist
  - ✓ We need to make our workers more productive and creative.
  - ✓ We need engineers, scientist and technologist who will steer industrialization.
- What caused the digression of our educational system?
  - ✓ Our educational system is colonial in nature.
  - ✓ Our educational system creates the market for foreign products from cheap labor for foreign factories.
  - ✓ What we teach in economics are the theories on economic globalization, foreign investments, individualism and too much consumerism.
- What do we need?
  - ✓ We need a reverse engineering of our education.
  - ✓ We need nationalist training modules for teachers, deans, principals and school owners.
  - ✓ We need to use popular methods / technology to reach the broadest mass.
  - ✓ We need a change in thinking and consciousness – we have to believe that we can industrialize, we can do it with the support of the people, communities and the government.
  - ✓ Our educational system should be able to enlighten the entire population, not just some sectors where our foremost concern is the interest of the majority and that which is sustainable.

Therefore,

- We resolve to give direction to nationalist education by crafting an inspiring vision of an economy and a society we desire.
- We resolve to make Fair Trade Alliance a strong organization so that our views will be heard and respected.

- We resolve also to develop an educational system founded on nationalism and moved by the spirit of global excellence for national development.
- We resolve to translate the WTO provisions into layman's language that will enable us to overcome the negative effects for the economy.
- We resolve to implement the FLAG law.
- Lastly, we resolve to establish or reconstitute our group into the FTA Education Committee composed of the members of workshop three and jointly chaired by our three resource persons.

Our work does not stop here. It continues until we have changed our educational system.

#### ***Workshop Group 4: Nationalist Government and Globalization***

Discussants: Dr. Sixto Roxas, economist  
Ms. Aileen Zosa, Bases Conversion Development Authority  
Facilitator: Ms. Rebecca Malay, Philippine Rural Reconstruction Movement (PRRM)

#### Guide Questions:

- ✦ What is the vision of a Nationalist Government – its mission purpose, its development thrusts should a nationalist government be elected and the reform measures it is going to undertake to reverse the decline of the economy?
- ✦ What can a nationalist government do in dealing with the ill effects of globalization such as the collapse of local industry and agriculture? joblessness and jobless growth?
- ✦ Can a nationalist government succeed in uniting the people behind a nationalist development agenda?
- ✦ How do we deal with the so-called economic fundamentals, in particular issues related to the budget, debt and so on?
- ✦ How should we strategize Philippine position in the globalizing world economy, especially in relation to AFTA and WTO?
- ✦ What is the overall role of economic nationalism on governance issues?

#### Workshop results:

- Government should protect and support labor in terms of socio-economic fund or emergency fund for displaced workers due to trade liberalization.
- ✓ Strengthen workers organizations especially on the labor management councils, for them not to raise issue against each other but to raise issues on the improvement of production, processes and efficiency.

- ✓ Strengthen coordination and cooperation between workers and entrepreneurs and recognize that a growing segment of our labor are contractual and have no protection.
- There should be a policy that industries still struggling should be rescued and so with the jobs in those industries
- Localize to develop. "Think globally and act locally"
- Local governments and civil society should be partners in development.
- A nationalist government should not allowed the economy to be disadvantaged by WTO rules. It should protect and support its people.
- Philippinize products. Introduce indigenous design in Philippine products.
- Disperse industries and economic activities to the regions.
- Simply reverse what are being done now.
- Rationalize public spending, structure public expenses.
- Get industry representative on the negotiating table on trade agreement plus labor.
- Enforce immediate safeguard measures.
- Debt relief and debt moratorium should still be pursued.
- There should be policy where import should balance export in trade with each country.
- There should be a graduated, calibrated liberalization, ala China.
- There should be a continuing program for learning, innovation and technology acquisition.
- Go back to the basic.

***Workshop Group 5: Local Governance and Nationalism***

Discussants: Rep. Apolinario Lozada, Jr, 5<sup>th</sup> District, Negros Occidental  
Mr. Vic Luna, Office of the Vice President

Facilitator: Mr. Bong Antonio, Local Government Academy

Guide Questions:

- \* What is the role of the local governments in promoting economic nationalism and uniting the local populace behind a nationalist development agenda?
- \* Can a nationalist development agenda be developed at the local level?
- \* How can a nationalist local government deal more decisively with the ill effects of globalization such as dumping of foreign goods, which is killing local industries and jobs?
- \* On the other hand, can a nationalist local government show the way out of the crisis?
- \* Can the local government strategize its position in the globalizing world economy, especially in relation to AFTA and WTO?
- \* What is the overall role of economic nationalism on governance issues?

Workshop Results:

- It is important to maximize local governments.
  - ✓ We need to be able to influence them to be innovative, incorporate the nationalist agenda in their planning system, budgeting system and in the prioritization of their economic projects and programs.
  - ✓ Influence local government officials to use their powers to make the local situation and rules conducive for local entrepreneurs such as the promotion and advocacy for patronage of local products.
- Maximize local special bodies, especially the umbrella council, the local development council towards greater participation of our basic sectors, civil society and business sector.
- Enhancement of the participation, complementation and integration of local government units. Develop effective linking or bayanihan where products of smaller LGUs are patronized by bigger LGUs.
- The local government units, as well as the public, should have and insist on the 'political will'.
- Local government units must see to it that programs for their respective communities are sustainable and are in line with nationalist agenda. Participation of organized people's organizations and the business community from the start of the planning process, from formulation of vision to allocation of funds for projects, is vital.
- Encourage entrepreneurship spirit at the local level. LGUs should support local entrepreneurs by enacting entrepreneur-friendly local legislations, removing bureaucratic red tape such as in the processing of permits and giving fiscal and non-fiscal incentives.
- Improve economic management of the local government officials.

- Recommend the suspension of Philippine participation in the WTO with the clear perception and knowledge on what to do during the suspension. For 15 years. For the first five years would be spent on the restructuring economic policies. The second five years would be spent marketing strategies as well as extensive selling of local products and finally the last phase would be spent for the further improvement of products to be certain that they are globally competitive.
- We need to go back to basics, the spirit of bayanihan, do away with wasteful habits by cutting down ones consumption.
- Identify techniques that work best for the local government. Document best practices and other successful initiatives of local government units and replicate and popularize them among other local government units.
  - ✓ Initiate a recognition scheme such that if a local government unit implements effectively projects in line with the economic nationalist agenda, they be recognized. Influence other award-giving bodies to include economic nationalism as a criteria for selection.
- Accountability, transparency and good governance are very important.
- From globalization, we go to glocalization.

#### ***Workshop Group 6: Nationalism and a Globalizing Services Sector***

Discussants: Atty. Merlin Magallona, UP College of Law  
 Mr. Jose Umali, National Union of Bank Employees  
 Prof. Maria Lourdes Sereno, UP College of Law

Facilitator: Prof. Bonifacio Macaranas, UP Solair

#### Guide Questions:

- ✗ What should be the role of the service sector, the biggest employer today, in a nationalist development program?
- ✗ What are the likely effects of the WTO's General Agreement on Trade in Services (GATS) on the service sector industries such as banking, insurance, education, health, etc.?
- ✗ How should nationalists define their position vis-à-vis GATS (For example, there are provisions of GATS which contradict the Philippine Constitution, e.g., practice of the profession, foreign ownership in media and others)?
- ✗ Is the service sector the hope of the country for a brighter future or is a mere catch basin for those unable to find jobs in the industrial and agricultural sectors?
- ✗ How do we strategize the Philippine service sector in a globalizing world economy, especially in relation to AFTA and WTO?

#### Workshop Results:

- The General Agreement on Trade in Services as the legal document was not responsible for the liberalization of the banking sector. What was the responsible for the liberalization of the banking sector was a decision reached in the early 90s by our economic managers concurred in by Congress to liberalize banking sector.
- The exploitation of our workers abroad is not the effect of GATS. It may well be the result of the fact that we don't enough jobs here. It also is a result of the fact that it is easier to travel and find jobs abroad. It is a phenomenon created by all kinds of factors not directly by GATS.
- The social costs of continuing migration is huge.
- The continuous globalization phenomenon put the marginalized sector more and more at risk and they don't know it.
- Problems continue to arise from the pressure to negotiate, make offers and requests and government officials' misunderstanding of our commitments.
- The possibility of maximizing economic benefits may be possible through the GATS mandated negotiations especially for those who are very good in providing services. We would just need to know how to play the game.
- ✓ Example, for capital-intensive industry where we may never have the money to build infrastructure, maybe we can open.
- ✓ We should increase the importance of Filipino inputs in the national and global economy. We need to position ourselves.
- It can also be the vehicle to take a more active proactive approach to ensuring people's and workers rights.
  - ✓ Every time we talk about cross border services, we should insist that the right to have movement of natural persons should be included. If they push for cross border services, we insist that they should not raise movement of natural persons as completely as a question of sovereign rights arising from the right of each state to impose strict immigration laws on its own.
  - ✓ Let us talk to more countries and let make sure that more countries included the right to movement of natural persons in their position papers.
- It can only be used to maximize economic opportunities for Filipinos and the continuing avenue of improvement of Filipino capabilities.
  - ✓ Let us try to scan the map of the world. Let us expand our demands list. If we believe that we should be allowed to practice on-line, we push for the US to allow practice of on-line services for medical professionals, nursing professionals, scientists, engineers, architects.

## Strategies

### Process-based:

- We should organize the largest sector of our economy, services. The FTA can help organize and launch an information campaign on what are the possibilities for the services field.
- Hold regular dialogues with agencies in government responsible for the negotiations in Geneva services sector such as NEDA which coordinates, DOTC for transportation and the telecommunications sector, Bangko Sentral with the DOF for the financial sector and PRC for the professional sector.
- Put in place a system of accountability. Ensure all consultations are documented and demand to know how inputs into the negotiating position of the Philippine Government are processed. Have the negotiators report on developments.
- Gather information about the services possibilities that are opportunities for us and those that are threats.
- Let us implement domestic regulations on rendering of services strictly.

### Content:

- Prioritize the services that we believe we are competitive in which will constitute our offer list. We should also have a very intelligent request list.
- Let the PRC get its act together as well as all the other bodies that are involved in the services sector. Develop a culture of self-regulation. Let the services sector understand that they must face a market that demands that they comply with best international practices.

**RESOLUTION OF THE FAIR TRADE ALLIANCE (FTA)  
CALLING FOR POLICY REFORMS IN THE  
GOVERNMENT'S TARIFF REFORM PROGRAM**

**WHEREAS**, Article XII, Sec. 1 of the Constitution states that the goals of the national economy are a more equitable distribution of opportunities, income, and wealth, a sustained increase in the amount of goods and services produced by the nation for the benefit of the people, and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged;

**WHEREAS**, as a member of the World Trade Organization ("WTO"), the Philippines has merely committed to binding 3,544 Most Favored Nation (MFN) tariff lines to a ceiling level of ten percentage points (10%) above the 1995 applied rates;

**WHEREAS**, under the WTO, except for 66 tariff lines or 0.01 percent of our 5,640 tariff lines, the Philippines has not committed to reduce its Most-Favored-Nation ("MFN") tariff rates;

**WHEREAS**, the National Government has undertaken a Tariff Reform Program ("TRP") which endeavors to achieve a uniform tariff rate of 5% by the year 2004;

**WHEREAS**, the TRP was originally undertaken to make the tariff structure responsive to the needs of the economy, taking into account changing patterns in trade and advancements in technology, with the goal of making the basic structure of industries more efficient and competitive internationally;

**WHEREAS**, the reduction of tariffs under the TRP has resulted in the flooding of the Philippine market with imports from foreign countries;

**WHEREAS**, instead of creating a tariff structure responsive to the needs of the economy, the TRP has instead contributed to the demise of local industries, causing substantial losses, downsizing, and even closure and massive layoffs in many instances;

**WHEREAS**, Executive Order ("E.O.") No. 334, series of 2001, prescribes the tariff of 1% to 5% on all tariff lines except for 55 sensitive agricultural products by 01 January 2004;

**WHEREAS**, the latest round of tariff adjustments will in essence obliterate whatever bargaining leverage the Philippines may have had, and diminish the efficacy of any and all trade remedies available to it under the WTO and the ASEAN Free Trade Area ("AFTA");

**WHEREAS**, there is a timely need to review the soundness of the Tariff Reform Program in view of the foregoing compelling reasons;

**NOW THEREFORE, BE IT RESOLVED** that the Fair Trade Alliance (“FTA”) call on all sectors of Philippine society to unite for tariff policy reform under the TRP.

**MOREOVER, BE IT RESOLVED** that the FTA urge the President, Her Excellency Gloria Macapagal-Arroyo, to:

- (a) immediately repeal E.O. 334;
- (b) stop making any commitment to any of the new issues under the World Trade Organization such as the trade-facilitation issues and competition policy as well as resist any pressure by the developed countries for the opening up of the service sector and the downward liberalization of agricultural tariffs, at least until a full-blown multi-sectoral national review of the overall impact of past trade liberalization measures on the economy and employment has been made and until a clear program of survival and growth for all affected sectors has been drawn;
- (c) create a multi-sectoral committee to draw up a comprehensive program of industrial and agricultural development and modernization for the Philippines to be headed by a Cabinet Secretary and composed of representatives from industry, labor, peasantry and other productive sectors of society;
- (d) create a Trade Representative Office to review trade and tariff policies with the end in view of reforming the TRP within the framework of a national industrialization program and towards the creation of a economically strong and independent Philippine Republic. The Trade Representative Office will also consult local industries and agricultural producers, labor and farmers, insure market access abroad and review and negotiate international trade commitments; and
- (e) Strengthen safety nets by revising the implementing rules and regulations of the various safety net laws in order to provide reasonable standards and to confirm the power of the DTI and DA Secretaries to reverse the erroneous recommendations of the Tariff Commission.

**RESOLUTION OF THE FAIR TRADE ALLIANCE (FTA)  
CALLING FOR POLICY REFORM IN THE  
PHILIPPINES' COMMITMENTS  
UNDER THE AFTA-CEPT**

**WHEREAS**, the ASEAN Free Trade Area ("AFTA") was created with the end in view of contributing to the overall economic development of ASEAN member states;

**WHEREAS**, one of the foundational principles of AFTA is the principle of mutual benefit contained in Article 1, paragraph 2 of the Framework Agreement on Enhancing Economic Cooperation;

**WHEREAS**, the AFTA has been implemented through a tariff reduction schedule under the AFTA Common Effective Preferential Tariff ("AFTA-CEPT") Scheme;

**WHEREAS**, the Philippines has implemented its commitments under the AFTA-CEPT Scheme with final CEPT tariff rates of 0%-5% taking effect for all of its products on 01 January 2003 except for 66 sensitive agricultural products;

**WHEREAS**, the foregoing notwithstanding, ASEAN member countries, including the Philippines, are working towards the reduction of tariff rates to 0% on at least 60% of the products under the CEPT Inclusion List or 3,300 lines, with the subsequent elimination of import duties on all products;

**WHEREAS**, economic cooperation and uniform tariff rates notwithstanding, substantial differences still exist among ASEAN member countries in terms of AFTA tariff lines as well as labor and social standards, which make for an uneven playing field and unfair competition;

**WHEREAS**, Philippine agricultural and industrial producers are placed at a disadvantage vis-à-vis their ASEAN counterparts as the sectors which provide inputs to them are not competitive such as relatively higher power costs, lending rates, transport and shipping costs etc.;

**WHEREAS**, there is a drift towards entering into bilateral relations with the United States of America ("U.S.A."), China and Japan, which are superior in terms of economic, financial and political bargaining power;

**WHEREAS**, ASEAN member countries are seriously considering inviting China and Japan to become members of AFTA;

**WHEREAS**, there is a compelling need for ASEAN member countries, most especially the Philippines, to review their respective commitments under the AFTA-CEPT and the above-mentioned proposed courses of action in view of the potentially

devastating effects on their local industries and labor as well as on the ASEAN region as a whole;

**NOW THEREFORE, BE IT RESOLVED** that the Fair Trade Alliance ("FTA") call on all sectors of Philippine society to oppose the further reduction of AFTA-CEPT tariffs on Philippine products to 0%.

**BE IT RESOLVED, FURTHER** that the FTA call on the Philippine government to strengthen safety nets by revising the implementing rules and regulations of the various safety net laws in order to provide reasonable standards and to confirm the power of the DTI and DA Secretaries to reverse the erroneous recommendations of the Tariff Commission and to strictly implement safety net legislation such as Republic Act ("R.A.") No. 8800 or the Safeguard Measures Act, R.A. 8751 or the Countervailing Duty Act and R.A. 8752 or the Anti-Dumping Duty Act, and to give due course to all just claims brought thereunder.

**BE IT RESOLVED, FURTHER**, that the FTA call on the Philippine government to prosecute on behalf of Philippine industry all just claims brought under Article 6 of the AFTA-CEPT Agreement.

**BE IT RESOLVED, FURTHER**, that the FTA call for the harmonization of AFTA tariff lines as well as the harmonization of labor and social standards across all AFTA member countries, towards the creation of a truly level playing field for all.

**BE IT RESOLVED, FURTHER**, that the FTA exhort all ASEAN member countries, particularly the Philippines, to re-examine the drive towards bilateral trade relations with the U.S.A., China and Japan inasmuch as such unequal trade relations would only lead to the slashing of tariffs with no mechanism to discipline such countries.

**BE IT RESOLVED, FINALLY**, that the FTA call on ASEAN, as a collective body, to closely re-examine proposals to include China and Japan in AFTA.

**UNITY DECLARATION****NATIONAL CONFERENCE:****"A Nation in Crisis: Agenda for Survival"**

January 22-23, 2003  
Club Filipino, Greenhills, San Juan

**Rebuilding the Economy,  
Rebuilding Our Future!**

The tasks facing the nation are awesome.

Ours is a devastated economy, with industries that are in various stages of collapse, an agriculture that is barely able to cover the food and survival requirements of those who till the land, a stock market which is the worst performing in Asia, a currency devalued so many times over, and a treasury which depends mainly on borrowings, external and internal. Nearly six decades after independence, over one third of our work force either cannot find jobs or are stuck in precarious forms of livelihood. More than 3,000 Filipinos leave the country every day, in search of pastures they cannot find in their own homeland. Many of them are women who become victims of trafficking and prostitution, or who wind up in vulnerable occupations such as domestic service where they care for the children of foreign employers while leaving their own in uncertainty and insecurity. Around five million of our children are unable to go to school and are forced to work on the streets, in the backyard shops, in dinghy establishments, in the denuded hillsides, in the eroded mining areas, in polluted fishing waters and in whatever crannies where they can find some food or other means to put body and soul together.

And yet, once upon a time, in the 1960s, our economy was considered one of the most promising in Asia. Industrial experts from Korea, Taiwan and other Asian countries used to visit the country to find out how close we were to producing another Asian car, after the earlier success of Japan. Agricultural experts from Thailand, Vietnam and other Asian countries used to visit the country to find out the latest techniques in greening the countryside and ensuring food sufficiency for their growing populations.

Today, our economy is but a shadow of its past. Our very own economic technocrats -- guided by a simplistic ideology of reducing economic policy choices to questions of either going export-oriented or not, of either adopting a labor-intensive or capital-intensive approach, and of either relying on foreign investments or going it alone -- have succeeded in vitiating the vibrancy of the industrial process of the 1950s and the 1960s, confusing the nation on the industrial directions it should take in the 1960s onwards and, worst, killing the emerging culture of industrialism while initiating a program of dependence on foreign borrowings and kowtowing to foreign economic dictation.

Three decades of neo-liberal economic orthodoxy have stunted our growth as a nation and have allowed the original Asian NICs (South Korea, Taiwan, Singapore and Hong Kong), the new Asian NICs (Malaysia, Thailand and Indonesia for a while), and China and India to overtake and leave us behind in the industrialization process. Today, the war-devastated Vietnam and other South Asian countries are on the way to surpassing us.

Today, the nation is drowning in a sea of imports, which are killing whatever remains of our agriculture and our industry, big and small. Today, our industrial and agricultural producers are asked to be globally competitive, price- and quality-wise, even if they suffer serious handicaps – poor and expensive infrastructures, inaccessible formal credit, high cost of power and utilities, unfriendly bureaucracy, unstable currency, and a generally difficult economic environment. To make matters worse, our very own trading partners do not hesitate to dump their excess products in our market while protecting their own industries and agriculture through subsidies, arbitrary tariff impositions, and numerous non-tariff barriers. Trade has never been so unfair, as those who preach free trade are the very first to violate its rules. And our own technocrats have made it worse by arbitrarily and unilaterally liberalizing our markets ahead of other countries. The case of Australia taking advantage of our liberalized markets and still closing theirs to our own products illustrates the real nature of trade under globalization.

To complicate matters, more liberalization schedules – in agriculture, services, domestic market and so on – are in the WTO and AFTA agenda, and still our government has not drawn up a clear development strategy to deal with the challenges of globalization, has not put in place a readiness program to ensure the survival and growth of industry and agriculture, and has not mobilized the people behind such a strategy. Instead, what is being foisted on the nation is a nebulous 747 Plan, which seeks to apply at the industry level the failed free-trade neo-liberal framework adopted by the erstwhile macro-economic planners.

To further complicate things, we have a divided country, brought about, among others, by the failure of our leaders to unite the people behind a nationalist vision of development anchored on an economy effectively controlled by Filipinos. Separatist tendencies and various forms of insurgency are raging because the country's poor economic performance is providing them a rich breeding ground.

But worst of all, a palpable sense of defeatism is taking hold on an increasing number of our frustrated people. Many want to leave the country and seize the opportunity to board the first plane that will take them out, out of a land which has failed to provide them job and income opportunities, and their children the promise of a secure and better future.

Shall we remain silent and passive amid all these adversities? Shall we resign ourselves to this sad state of affairs? Shall we turn our back on our homeland?

No, we shall not keep silent. No, we shall not be passive. We are Filipinos who believe in the future of the Philippines. We are Filipinos who have not lost hope in our country and people.

With unity and patriotism, we Filipinos can rebuild our economy, rebuild our society, rebuild our future. With our collective industry, creativity and solidarity, we can be among the most developed countries in Asia and the world.

### *Redirecting the direction of the economy*

But first things first.

We need to work for a new policy direction for the economy.

But which way? Should the Philippines go back to the era of industrial protection which bred the import-substituting industries that developed in the 1950s and 1960s, which, ironically are the ones collapsing today under the policy of economic liberalization and deregulation? Or should we continue with the present program of aimless liberalization and globalization?

The answer is not an easy one, as the Philippine experience with industrial protectionism was highly uneven – double-digit industrial growth in the 1950s but declining industrial growth in the 1960s, and high import dependence and, therefore, recurrence of balance of payments crises. On the other hand, the Philippine experience with economic liberalization and deregulation has been catastrophic – continuing import dependence, higher level of indebtedness, collapse of local industry and agriculture, limited domestic linkages of a limited export sector, and poverty and unemployment all over the archipelago.

As the experience of Japan and the Asian tigers show, the issue is not whether the country shall go protectionist or outward looking. The fundamental issue is the overall framework by which Philippine industry and agriculture can develop in a mutually-reinforcing manner, create jobs and value added, reduce dependence on imports by deepening the agro-industrial structure (through R & D and continuous technological innovations), foster necessary linkages between the regions and the various economic sectors, expand the export market while maintaining the domestic market in the hands of the locals, and distributing the gains of economic growth through appropriate institutional arrangements and capability-building programs. In short, the issue is how an integrated and advanced economy can develop around the real needs of the people for jobs, incomes and better living conditions under their own direction.

As to globalization, the issue revolves around the terms of Philippine incorporation in the world market? How can Filipinos negotiate and insist on fair trading arrangements which can give the country better returns and reinforce, not subvert, its existing industries and enterprises? In short, this means our economic policy makers and trade negotiators

should always keep in mind the state of Philippine industry and agriculture and how the interests of the two can be advanced.

To realize such a reorientation of the economy, we need a pro-Filipino and pro-active government.

***The role of a pro-Filipino and pro-active government in the economy***

What then should be the exact role of a pro-Filipino and pro-active government in the economy?

First and foremost, a pro-Filipino and pro-active government is one that should be able to assert and enhance our national interests in the global and regional trading arenas as well as anticipate threats and develop opportunities to local industry and agriculture. A pro-Filipino and pro-active government should not be tied to the free-trade neo-liberal economic dogma that the role of the government is to minimize its role in the economy and allow the free flow of capital and goods in a liberalized, deregulated and privatized market. In an asymmetrical, uneven, underdeveloped and globally unprepared economy, this free-trade neo-liberal recipe is an invitation to disaster. On the other hand, a pro-Filipino and pro-active government should be focused on:

- enhancing the overall capability of industry and agriculture to survive, grow and expand in a harsh and uneven economic environment through the development of appropriate and forward-looking infrastructure, monetary, fiscal, R & D and institutional support measures;
  - developing the full potentials of the home market in sustaining and creating decent jobs and sustainable enterprises through the promotion of vibrant community-based economic activities and strong agro-industrial and inter-regional linkages;
  - identifying, preserving and developing strategic industries such as those involving the food security of the nation and the base for the future development of new industries;
  - identifying, preserving and developing global niches for the economy; and
  - applying without any hesitation corrective measures to level the economic playing field such as the adoption of timely and necessary counter-measures against dumping, unfair trading practices of other nations, smuggling, economic plunder and so on.

Based on the foregoing, a pro-Filipino and pro-active government should be able to clarify and strategize the terms of Philippine incorporation in the WTO-led trading structure and negotiate for a just and fair trading arrangement, mindful of the overall

state of preparedness of local industry and agriculture. An old but continuing challenge is how to steer Philippine industry and agriculture in the turbulent and uncharted seas of global competition. Past and present economic technocrats have done a poor, lazy and un-Filipino job by adopting, unilaterally, a one-sided, accelerated and simplistic program of economic deregulation to promote the global integration of the economy without putting in place the necessary readiness program and safety nets for the vulnerable sectors and, worst of all, without sufficiently informing and consulting the affected industries and sectors. They have failed to recognize that global competitiveness means helping local industry and agriculture develop strong muscles so that they can withstand foreign competition and eventually excel in certain fields. The point is that global competitiveness means maximizing gains and minimizing losses. Global positioning means transforming the present pattern of jobless growth into a job-full one.

A pro-Filipino and pro-active government should exert maximum efforts to develop the depth and breadth as well as sustain the modernization and dynamism of the agro-industrial structure. This means promoting more and continuous value-adding economic activities and greater complementation between and among industries and between and among the regions. This means the major economic sectors – industry, agriculture, services, export sector -- should be developed in an integrated, complementary, value-adding manner. Such requires R & D, strategic positioning or niching, industry-led skills formation, infrastructure development and supporting institutions to promote linkages, cooperation and a buy-Filipino mentality to replace the colonial one.

Developing the depth and breadth of the agro-industrial structure requires R & D, technological innovations and human resources development, which the educational and training system should be able to support. The Department of Science and Technology (DOST) should play a more strategic role in agro-industrial targeting and capability building. Eventually, a pro-Filipino and pro-active government would be able to mobilize the various state agencies and the citizenry in support of its nationalist agro-industrial vision. It should also be able to give special attention to:

- the upgrading of SMEs, micro enterprises and cooperatives. They are the country's leading catch basin and job generator. Like the big enterprises, they are affected by globalization in many ways. What these enterprises need is greater access not only to credit but also to new management and marketing techniques to upgrade their operations and insure their survival and growth in a highly competitive market.
- agricultural modernization. The thrust to develop the countryside is meaningless if the HRD requirements of the farming population will not be upgraded, specifically in relation to the use of new varieties, mastery of the market, etc. We also need to put an end to the slow-motion implementation of land reform, as this is a major disincentive to agricultural investments. And yes, we need more integrators in agriculture as problems in the countryside, like in other sectors, require a holistic and integrated approach.

- food security is a question not only of production but also of national security. To achieve food security, the government should review and recall the neo-liberal policy of agricultural deregulation in favor of a pro-active and multi-pronged program of developing a diversified agro-food system based on our tropical climate and which is responsive to the energy, protein and food requirements of our people. This means achieving self-sufficiency not only in the staple cereals (rice and corn) but also in fishery products and other essential food items. In fact, the country's 200 million hectares of coastal and marine areas, if developed, can be a major generator of jobs and source of growth. Protein malnutrition is an irony in a country so rich in aquamarine resources. Hence, food security means greater government allocations on HRD, R & D and infrastructure development not only for the staple crops but also for the aquamarine resources of the country.

Finally, a pro-Filipino and pro-active government must be able to negotiate for a more orderly, just and dignified settlement of the debt problem. After decades of debt payments, the Philippines remains under the tighter and tighter embrace of the IMF-World Bank, whose policy conditionalities often lead to a vicious cycle of low growth and greater indebtedness. The country can only get out of this cycle if a nationalist government will assert the sovereign right of the nation to determine its future and negotiate over the terms of servicing based on a development framework which gives priorities to growth, job creation and national dignity. The government should also not hesitate to junk or dump onerous and unjust loans, including the spurious IPP contracts. Its budgetary priorities should be anchored on providing basic services and needed infrastructures for development.

### ***Urgent reforms***

Given the present global and national economic crisis, what can be done immediately in support of the vision of a nationalist economy and nationalist governance?

There are many but three major tasks stand out:

First, we need a breathing spell from the suffocating liberalization commitments made by the government economic policy makers to the WTO, AFTA and IMF. We call on the government to review and set aside the tariff acceleration commitments unilaterally made by the economic technocrats, increase the tariffs for products below the Philippine bound rates to the WTO, and defer for five years our tariff and other liberalization commitments to these institutions based on the tariff rates in the year 2001, or even earlier. As to the tariff deferment, this is consistent with the universally recognized principle that developing countries, given their level of development, can avail themselves of *special-and-differential-treatment* privileges in order to prepare their economies to the challenges of global competition. Such a five-year deferment, backed up by the necessary modernization and pro-people adjustment program, should be enough to prepare the country for a more fully liberalized and globalized scenario for the ASEAN and global economies. However, there should also be a no-nonsense drive against smuggling and a greater government resolve to check the unfair dumping of

foreign goods into the Philippine economy. In addition and in support of the move to ease the national budgetary stress, we ask the government to impose a 10 per cent surcharge against all imports except on raw materials and machines needed by local industry.

Second, in the light of the looming global recession, we support the call to look inward and into the potentials of a population of 85 million as a market. This is a huge market. However, it is not enough to declare holiday economics to fuel growth and engineer a turnaround of the economy based on domestic demand. In an open economy with local industries and agriculture being swamped by dumped and smuggled products, the potentials of the domestic market are rendered meaningless, especially if the mass of our people have no purchasing power because they have no jobs or sources of income. Hence, the success of a domestic-market-driven growth depends on the capacity of the government to check smuggling, prevent unfair dumping, promote the growth of local industry and agriculture and develop a culture of patronizing Philippine-made products. This is, therefore, the time to promote the buy-Filipino movement and create-a-Filipino-job movement simultaneous with the campaign for local industry and agriculture to upgrade their operations and exert efforts to produce cheaper but higher quality products and services.

Finally, with the low level of foreign investments coming in despite the liberalized investment regime, the country should exert greater efforts in mobilizing local capital, in mobilizing the resources of its own people. A starting point will be an aggressive campaign for patriotic-minded Filipinos – Filipino industrialists and businessmen who have brought out their capital out of exasperation with past government failures, successful Filipinos overseas, returning migrant workers and so on – to invest in job-creating economic projects in the Philippines. Foreign investments will naturally gravitate to the country once they see the flow of Filipino investments. There should also be a way of encouraging overseas Filipino workers to invest part of their savings on productive undertakings for their own future security. The role of the government is to provide the enabling environment to make such decisions easier for them.

Overall, what is really needed at all times is to mobilize the entire populace in support of a common vision of development where every concerned Filipino has a genuine stake to uphold and a role to play. All Filipinos who care for their homeland – men and women, entrepreneurs and workers here and abroad, in both the formal and informal economy, farmers, fisherfolk, indigenous peoples, students, teachers, artists and professionals -- should be able to join hands and work together towards a better and secure future.

***On building a government of national unity  
and launching a broad movement for reform***

Hence, we share the call for a government of national unity – but one that is solidly based on urgent social and economic reforms and consultation with the productive sectors of society. Amid the present economic crisis and the looming possibility of a

Middle East war, the government must by necessity be built upon the unity of both traditional and non-traditional political and social forces representing the broadest sectors of Philippine society and who are united on a minimum program of reform and stabilization such as the one outlined above.

To succeed, we need to inculcate the values of industry, integrity and nationalism among our people, especially among the youth who have been bombarded day in and day out with the values of transnational brand-conscious consumerism.

We need to revive the sense of economic nationalism and exert efforts to apply it in whatever station of life we are in. We have to strengthen economic nationalism as a fundamental principle of the Constitution and safeguard it against amendments of any disguise.

Above all, we need to unite, drawing from our past struggles for nationhood and the examples of our heroes, in support of the building of a nationalist economy and a movement which will help put this vision into reality and restore the Filipino sense of nationhood, pride and dignity.

## Print Media Coverage

Philippine Star  
February 7, 2003

# Local execs promote economic nationalism

Local government executives have realized that the promotion of economic nationalism should start at the grassroots level, with local government units as the basic unit of government.

This is the agreement reached by the workshop group on local governance and nationalism during the

forum organized by the Fair Trade Alliance.

"The role of local government in promoting economic nationalism should be emphasized to unite the local populace behind a nationalist development agenda," said Rep. Franklin Lozada, Jr. one of the resource persons of the forum.

The group agreed on the following roles of local government units, local chief executives

in particular, in promoting economic nationalism:

1. Promote entrepreneurship programs by implementing livelihood projects.
2. Promote exports by introducing training, product development and market access.
3. Streamline business permits and licenses.
4. Strengthen Local Development Councils by proper

representation of concerned sectors.

5. Provide fiscal and non-fiscal incentives.
6. Implement the automatic release of LCUs internal revenue allotment.

"Every act of a local chief executive should be accompanied with his political will. If political will not prevail, the people's will should influence the

implementation of these reforms," added Lozada.

To uphold economic nationalism, a bold measure to suspend membership to the World Trade Organization for 15 years was recommended. To be effective, it is proposed that the 15-year period should be broken down in three stages.

The first five years should be devoted to restructuring indus-

tries to equip them for foreign competition. In the second five years, Philippines should start extensive selling promotion and market access campaigns. Finally, the last five years should see the implementation of product development programs to help assure the strong presence of Philippine products in identified markets.

—Philexport News and Features

## Govt, business urged to develop domestic mart

THE Philippines, with its 80 million population, is a market in itself and government must provide the necessary programs to develop and strengthen this market.

Meneleo Carlos, chairman of the Federation of Philippine Industries (FPI), noted that the country's population requires not only basic needs such as food, clothing, good health services and shelter but also facilities and opportunities for education, recreation and livelihood programs. This opens a lot of potentials for increased job creation and employment but only if the local market can be provided with the purchasing power to attract such investments.

"We have to preserve jobs and industry and provide good services at affordable prices. But because there are a lot of inefficiencies in our trading system, our disposable income has weakened," he said.

Carlos made his presentation recently during the conference entitled *A Nation in Crisis: An Agenda for Survival* organized by the Fair Trade Alliance. The event was participated in by some of the country's leading manufacturers, labor and business groups, and members of nationalist movements.

The chairman of the networking committee on materials supply chain at the Export Development Council (EDC), Carlos cited poor infrastructure and high cost of transportation in the country as some source of these inefficiencies. According to him, farmers in region one, for example, are able to produce vegetables at prices that are competitive with those coming from China and Vietnam. However, the landed cost in Manila or other areas outside of the region becomes at least 50 percent more

because of red tape and high transport and handling costs.

As a result, consumers are encouraged to buy imported but cheaper-priced vegetables to the detriment of the livelihood opportunities of our farmers. This cycle, he added, is viciously duplicated and experienced by other sectors in the country, partly explaining the growth of imports and the closure of many domestic factories in the last two years.

He called on government to use its resources efficiently to address these problems and improve the lives of Filipinos. One of his proposed solutions is the immediate implementation of e-commerce in government operations, particularly in areas which could help lower the cost of doing business in the country.

It is also important for government to develop a mechanism for training and retraining people to equip them for the changes that will take place with the introduction and use of technology, he said.

There is also a need to review loopholes of the build-operate-transfer (BOT) law and stop smuggling, dumping and other unfair trade practices.

To boost domestic industries, Carlos also urged government to pull back the tariff commitments that the country volunteered under the WTO and AFTA agreements until local industries are ready to face foreign competition.

"This is a good time to seriously start working on these programs now that the economy is experiencing single-digit inflation and interest rates. We should be able to keep this momentum for the benefit of our children," he said. *Ma. Flordeliza Leong, Philexport News and Features*

Today  
January 29, 2003

## Proposed 10% import surcharge may not sit well with trade partners

A proposal to impose a 10% surcharge of certain imports could protect certain industries but a trade expert warned this could subject the country to retaliation.

Trade lawyer Jeremy Gardula of PricewaterhouseCoopers said calls issued by Vice-President Teofisto Guingona, Jr. and umbrella group Fair Trade Alliance (FTA) to review tariff commitments and imposition of other bold measures are good subjects of debate on Philippine economic policy but government officials should not resort to costly stopgap measures.

He said "too much is at stake" and, at the end, sticking to what the country agreed upon under the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement (AFTA) would be more prudent. "Imposition of a 10% surcharge on imported products is interesting ... particularly imposing it with our existing (tariff) commitments. There is no dispute that this will protect local business, but to what end?"

Mr. Gardula said, "Even if the Philippines did indeed rush into some of its trade commitments, then similarly the Philippines

should avoid the mistake of reacting excessively by automatically rushing out of it," he added.

For his part, Raul T. Concepcion of the Federation of Philippine Industries said Mr. Guingona's proposal may be implemented on a per-industry basis.

"You have to determine whether the industry, in the end, is final competitive. At the same time, the problems of dumping and misdeclaration of imports," he said.

Last week, Mr. Guingona and FTA called for a five-year suspension of the implementation of the country's AFTA

commitments. He said the period is enough to allow farmers and industries to prepare for globalization.

"It is all well and good for certain sectors of our society to call for unilateral withdrawal from our international commitments, but what would they do if other countries decide to do the same to the Philippines?" Mr. Gardula noted.

Instead of providing continued protection to local industries, he said the government should instead work with players to identify markets, fighting for access to such markets and develop niches. — **Cecille S. Vistro**

## Commitments to WTO violate RP Constitution

By IRIS CECILIA C. GONZALES  
*Reporter*

Commitments made by the Philippine government to the World Trade Organization (WTO) agreement may have violated the Constitution as these affect the country's national sovereignty.

Merlin M. Magallona, a constitutionalist and law expert, said in a paper the country may have sacrificed its national sovereignty in agreeing to such commitments.

In his paper entitled "Economic Nationalism and the National Treatment Clause: The Case of the Philippine Constitution versus the WTO Agreement," Mr. Magallona said commitments to the WTO are not limited to economic matters but also extend to the social and political aspects of the Philippine society.

"The intrusion of multilateral decision making into strategic and vital areas of Philippines policy is by no means limited to economic matters. It reaches into social and political relations in our society, which will expectedly pass into the jurisdiction of the WTO," Mr. Magallona said.

The law expert, a former Foreign Affairs undersecretary, said WTO agreements have deep implications on the country's future because some WTO rules go against the constitutional provisions limiting land ownership to Filipinos.

"The Philippines is under obligation to treat foreigners as having the same relevant rights as Filipino citizens, as defined by the WTO agreement," Mr. Magallona further said.

He added if the government does not do something about this, this will strike directly on the country's economy in the long run.

"In particular, national treatment in favor of foreign investors will strike directly on interests decisive on the future course of the national economy, in the sense that this will accelerate the speed of developments towards a new century when foreseeably the Philippine economy will lose its national character," Mr. Magallona explained.

He said aliens should not be given the right to exploit the country's natural resources as this would create a condition of inequality.

Businessworld  
January 28, 2003



**More to the Point**  
**Florangel Rosario-Braid**

**'An activist and  
 nationalist government'**

**A***NATION in Crisis: Agenda for Survival* was the topic of the two-day National Conference convened by the Fair Trade Alliance of the Philippines, a movement of some 27 progressive groups. Former Senator Wigberto Tañada was convenor with Meneleo J. Carlos as co-convenor for industry, Ernesto Arellano for labor and Manuel Quiambao for agriculture, for a progressive national economy – the Fair Trade Alliance of the Philippines. Going through their background documents, proposed declaration and workshop proceedings, an objective observer would easily agree that the vision, road map and course of action needed to survive in our era of globalization are all there. What puzzles me up to this date is how we can be so blind as to ignore a formula for survival such as the one presented in this forum. One reason perhaps is that there was not enough time to translate these suggested reforms into more popular formats. Many of these concepts which are based on “middle-of-the-road” and “win-win” or balanced development strategies are not easily understood and therefore require creative packaging and a more intensive media campaign. The best partner which can provide both the forum for debate would be the media of communication. Too, perhaps many of the members of the coalition are perceived to be left leaning. Another possible reason could be what the organizers describe as a “simplistic ideology of reducing choices to questions of either one or the other (going export-oriented or

not, or adopting a labor-intensive or capital-intensive approach).” Workshop groups tackled questions relating to six areas, namely, nationalist industrialization, nationalist agricultural development, nationalist education and culture, nationalist government and globalization, local governance and nationalism, and nationalism and a globalizing services sector.

Given some of these problems which the Coalition noted – our “drowning in a sea of imports which are killing our agriculture and industry; more liberalization schedules in these critical sectors which are in the WTO and AFTA agenda; having a divided country and a palpable sense of defeatism,” how do we address the problems? I am sure your answer and mine and that of the Coalition would be to say that it is not so easy to decide on a specific course of action. It is not a question of one or the other for as the Conference organizers noted, our experience with industrial protectionism was catastrophic.... On the other hand, our experience with economic liberalization and deregulation proved to even more catastrophic, they added. Thus the fundamental issue is the need for an overall framework by which “industry and agriculture can develop in a mutually reinforcing manner, create jobs, reduce dependence on imports, foster linkages, expand the export market while maintaining the domestic market.” The issue on globalization is that of negotiating on fair trading arrangements

*(Cont'd on page G-33)*

Manila Times  
 January 26, 2003

## FTA seeks better market for RP products

■ By **JOSE VILLANUEVA**  
Reporter

GLOBALIZATION advocates and protectionist hawks may be divided over the issue of free trade, but both agree on one thing: The Philippines needs better representation abroad to extract better terms from its international trade commitments and ensure better market access for its products.

At their national convention on Wednesday, the Fair Trade Alliance laid out a proposal to create a trade representative office directly under the Office of the President that would formulate a new trade policy and ensure better market access for Philippine products.

Separately, a similar proposal was broached by Australia-New Zealand Chamber of Commerce president Peter Wallace, who suggested a Philippine trade attaché

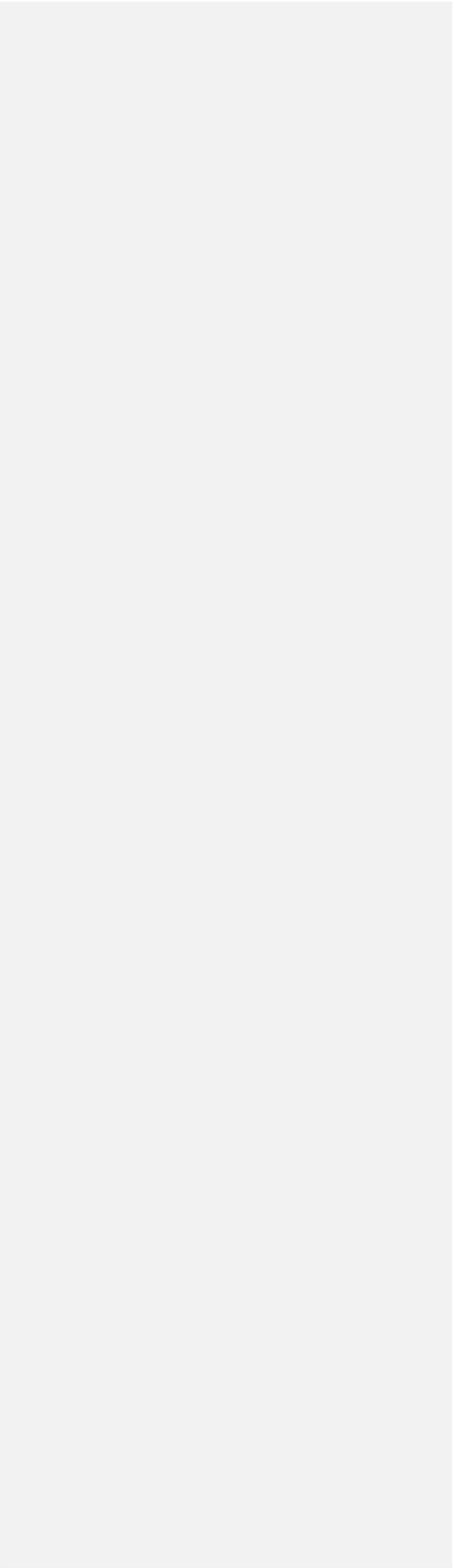
position be created similar to AusTrade that could help make market access for Philippine products much easier.

"The best area is helping people make a shift to competitive areas, helping companies that, for example, don't know to export or make a good product export and find markets overseas," Wallace said in an interview, responding to criticism about globalization.

The calls for a Philippine trade representative comes amid last year's controversial decision by the United States and the European Union to provide Andean countries preferential tariff rates on tuna to wean them off the illegal drug trade.

It also comes amid proposals from some protectionist hawks to reverse the Philippines' free trade commitments for at least five years to give farmers and industries some time to prepare to compete globally.

Today  
January 25, 2003



# BUSINESSSTIMES

The Manila Times

THURSDAY, JANUARY 25, 2003

B 1

Smuggling: 'biggest problem'

## Neri slams tariff relief proposal

ARNOLD S. TENORIO, SENIOR REPORTER

NATIONAL Economic and Development Authority Director-General and Socioeconomic Planning Secretary Romulo L. Neri yesterday thumbed down a proposal to suspend international trade concessions for the next five years.

On the sidelines of a meeting of the Knowledge Management Association of the Philippines last Thursday night, Neri told reporters that it would be difficult to suspend the country's commitments under either the Asian Free Trade Area and the World Trade Organization, as doing so would open the door to retaliation by the country's trading partners. "Raising tariffs is not a one-way street," he said, adding that protection for one sector would hurt other sectors of society.

Neri said President Macapagal-Arroyo's directive

to review the country's tariff commitments should be viewed more along the lines of preserving jobs in the downstream sectors and ensuring the efficiency of upstream industries. Any long-term industrial policy the government would pursue should take these into consideration, he said.

Instead of fiddling too much with the country's tariff structure, the planning secretary said everyone should focus on reducing smuggling, which is supposedly more harmful to businesses than low tariffs.

CONTINUED ON B2

Manila Times  
January 25, 2003

## Neri slams tariff relief proposal

FROM B1

"The biggest problem is smuggling, which is three to five times worse than low tariffs," he said, adding that a 15- to 20-percent differential posed by high tariff walls would only encourage smuggling.

In this regard, Neri reiterated President Macapagal-Arroyo's call for the closure of customs bonded warehouses used as fronts for smuggling. Their closure would help level the playing field for manufacturers who have been suffering losses due to the unfair competition posed by non-duty paying smuggled items.

The NEDA director general said even businessmen belonging to the Federation of Philippine Industries (FPI) admitted in two successive dialogues they held with him that smuggling was a far bigger problem than low tariffs.

Along with smuggling, high power rates is another disincentive to doing business, Neri said.

The Fair Trade Alliance (FTA), a loose coalition of local industries, trade unions and non-government organizations, the other day called for the suspension of tariff commitments made under both the Asean Free Trade Area and the World Trade Organization. The FPI is a con-

venor of the FTA.

In a unity statement, the FTA last Thursday urged government to suspend tariff concessions so local industries would be afforded a "breathing spell from the suffocating liberalization commitments made by government economic policy makers." In asking for a respite from trade liberalization, the group proposed pegging tariffs to their 2001 levels.

The FTA said suspending the country's international trade commitments "is consistent with the universally recognized principle that developing countries, given their level of development, are entitled to avail of special and differential treatment privileges in order to prepare their economies to the challenges of global competition."

Provided businesses modernize, the five-year deferment would allow the country to prepare for a more liberalized regime provided for under both the AFTA and the WTO, the group said.

In any case, the FTA said smuggling, apart from unfair dumping of foreign products, should be eliminated. To bolster government revenues, the group further proposed the imposition of a 10-percent surcharge on imports other than the production inputs of local industries.

# Rebuilding the economy, rebuilding our future

*Following is an abridged version of the Unity Declaration adopted in the recent Conference on A Nation in Crisis: Agenda for Survival organized by the Office of Vice President Teofisto Guingona Jr. and the Fair Trade Alliance.*

*Continued*

**W**E need to work for a new policy direction for the economy.

Which way? Our stand is that we need to adopt a new policy framework, a policy framework which allows Philippine industry and agriculture to develop in a mutually reinforcing manner, create jobs and value added, reduce dependence on imports by deepening the agro-industrial structure through R & D and continuous technological innovations, foster necessary linkages between the regions and the various economic sectors, expand the export market while maintaining the domestic market in the hands of the locals, and distributing the gains of economic growth through appropriate institutional arrangements and capability-building programs.

As to globalization, the real issue revolves around the terms of Philippine incorporation in the world market. This means negotiating for fair trading arrangements which can give the country better returns and which can reinforce, not subvert, existing industries and enterprises.

How can this reorientation of the economy be achieved?

We need a pro-Filipino and proactive government. A pro-Filipino and proactive government is one that should be able to assert and enhance our national interests in the global and regional trading arenas as well as anticipate threats and develop opportunities to local industry and agriculture. A pro-Filipino and

proactive government is not tied to the free-trade neoliberal economic dogma which says that the role of the government is to minimize its role in the economy and allow the free flow of capital and goods in a liberalized, deregulated and privatized market. In an asymmetrical, uneven, underdeveloped and globally unprepared economy, this free-trade neoliberal recipe is an invitation to disaster.

A pro-Filipino and proactive government should be focused on

- enhancing the overall capability of industry and agriculture to survive, grow and expand in a harsh and uneven economic environment through the development of appropriate and forward-looking infrastructure, monetary, fiscal, R&D and institutional support measures;
- developing the full potentials of the home market in sustaining and creating decent jobs and sustainable enterprises through the promotion of vibrant community-based economic activities and strong agro-industrial and interregional linkages;

- identifying, preserving and developing strategic industries such as those involving the food security of the nation and the base for the future development of new industries;

- identifying, preserving and developing global niches for the economy; and

- applying without any hesitation corrective measures to level the economic playing field such as the adoption of timely and necessary countermeasures against dumping, unfair trading practices of other nations, smuggling, economic plunder and so on.

Today  
February 26, 2003

A pro-Filipino and proactive government should be able to exert maximum efforts to develop the depth and breadth as well as sustain the modernization and dynamism of the agroindustrial structure. This means promoting more and continuous value-adding economic activities and greater complementation between and among industries and between and among the regions. This means the major economic sectors—industry, agriculture, services, export sector—should be developed in an integrated, complementary, value-adding manner. Such requires R & D, strategic positioning or niching, industry-led skills formation, infrastructure development and supporting institutions to promote linkages, cooperation and a buy-Filipino mentality to replace the colonial one.

A pro-Filipino and proactive government should give special attention to the upgrading of SMEs, microenterprises and cooperatives—for what these enterprises need is greater access not only to credit but also to new management and marketing techniques to upgrade their operations and ensure their survival and growth in a highly competitive market.

A pro-Filipino and proactive government should hasten agricultural modernization by investing on education and human resources development for the farming population, putting an end to the slow-motion implementation of land reform and adopting an integrated, not a piecemeal, approach in dealing with problems in the countryside. The government should review and recall the neoliberal policy of agricultural deregulation in favor of a proactive and multipronged program of developing a diversified agro-food system based on our tropical climate and which is responsive to the energy, protein and food requirements of our people.

Finally, a pro-Filipino and proactive government must be able to negotiate for a more orderly, just and dignified settlement of the debt problem. After decades of debt payments, the Philippines remains under the tighter and tighter embrace of the IMF-World Bank, whose policy conditionalities often lead to a vicious circle of low growth and greater indebtedness.

*To be continued*

## Rebuilding the economy, rebuilding our future

*Following is an abridged version of the Unity Declaration adopted in the recent Conference on A Nation in Crisis: Agenda for Survival organized by the Office of Vice President Teofisto Guingona Jr. and the Fair Trade Alliance.*

### Conclusion

**I**N the meantime and given the present global and national economic crisis, we call on the government to adopt the following urgent reforms:

First, we need a breathing spell from the suffocating liberalization commitments made by the government economic policymakers to the WTO, AFTA and IMF. We call on the government to review and set aside the tariff acceleration commitments unilaterally made by the economic technocrats, increase the tariffs for products below the Philippine bound rates to the WTO, and defer for five years our tariff and other liberalization commitments to these institu-

tions based on the tariff rates in the year 2001, or even earlier. A tariff defilement is consistent with the universally recognized principle that developing countries can avail themselves of special-and-differential-treatment privileges in order to prepare their economies to the challenges of global competition. There should also be a no-nonsense drive against smuggling and the unfair dumping of foreign goods into the Philippine economy. In addition and in support of the move to ease the national budgetary stress, we ask the government to impose a 10-percent surcharge against all imports except on raw materials and machines needed by local industry.

Second, in the light of the looming global recession, we support the call to look inward and into the potentials of a population of 85 million as a market. However, the success of a domestic market-driven growth depends on the capacity of the government to check smuggling, prevent unfair dumping,

promote the growth of local industry and agriculture and develop a culture of patronizing Philippine-made products. This is, therefore, the time to promote the buy-Filipino movement and create-a-Filipino-job movement simultaneous with the campaign for local industry and agriculture to upgrade their operations and exert efforts to produce cheaper but higher quality products and services.

Finally, with the low level of foreign investments coming in despite the liberalized investment regime, the country should exert greater efforts in mobilizing local capital, in mobilizing the resources of its own people. A starting point will be an aggressive campaign for patriotic-minded Filipinos—Filipino industrialists and businessmen who have brought out their capital out of exasperation with past government failures, successful Filipinos overseas, returning migrant workers and so on—to invest in job-creating economic projects in the

situation with the productive sectors of society. Amid the present economic crisis and the looming possibility of a Middle East war, the government must by necessity be built upon the unity of both traditional and nontraditional political and social forces representing the broadest sectors of Philippine society and who are united on a minimum program of reform and stabilization such as the one outlined above.

We need to revive the sense of economic nationalism and exert efforts to apply it in whatever station of life we are in. We have to strengthen economic nationalism as a fundamental principle of the Constitution and safeguard it against amendments of any disguise. Above all, we need to unite, drawing from our past struggles for nationhood and the examples of our heroes, in support of the building of a nationalist economy and a movement which will help put this vision into reality and restore the Filipino sense of nationhood, pride and dignity.

Philippines. Foreign investments will naturally gravitate to the country once they see the flow of Filipino investments. There should also be a way of encouraging overseas Filipino workers to invest part of their savings on productive undertakings for their own future security.

Overall, what is really needed at all times is to mobilize the entire populace in support of a common vision of development where every concerned Filipino has a genuine stake to uphold and a role to play. All Filipinos who care for their homeland—men and women, entrepreneurs and workers here and abroad, in both the formal and informal economy, farmers, fisherfolk, indigenous peoples, students, teachers, artists and professionals—should be able to join hands and work together toward a better and secure future.

This is why we share the call for a government of national unity—but one that is solidly based on urgent social and economic reforms and con-

# New Agenda for Survival

By Fred Reyes

Through the auspices of Vice President Teofisto T. Guingona and the Fair Trade Alliance led by former Sen. Wigberto Tañada, the National Conference in "A Nation in Crisis, Agenda for Survival," recently forged out a declaration aimed at rebuilding our economy and future.

Among the three major tasks recommended by the Conferences of the national conference were:

1. A breathing spell from the suffocating liberalization commitments made by government policy makers to the World Trade Agreement (WTO), ASEAN Free Trade Agreement (AFTA), and the International Monetary Fund (IMF). There's an urgent need to defer for five years our tariff and liberalization commit-

ment to these institutions based on tariff rates in the year 2001.

2. To look inward at the potentials of a population of 85 million as a market. The success of this domestic market driven growth depends on our capacity to check smuggling, prevent dumping, promote the growth of local industry and agriculture and develop a culture of patronizing Philippine made products.

3. The country should focus greater efforts at mobilizing local capital, using the resources of its own people.

Vice President Guingona, who expressed satisfaction on the two-day National Conference attended by people from all sectors, said the declaration made was practically the voice of the people.

He said that a consensus was reached on what to do about globalization, free trade and how to build the future of the country.

He said the declaration would be conveyed to the government and its appropriate agencies and would be followed up by monitoring where everybody could participate from local to national councils of government.

On the other hand, Tañada said that the present economic malaise was due to the failure of our economic policy makers to adopt economic nationalism as the guiding philosophy in crafting our economic plans and in steering the growth of industry, agriculture and the markets for Philippine goods and services.

Bandila  
January 2003

# Fair trade vs free trade

## Argument over globalization overlooks solutions to deep structural problems

■ By JOSE LUIS VILLANUEVA  
Reporter

**A**S the backlash against "unbridled globalization" continues to stir debate in international and domestic circles about the pros and cons of free trade, business advocates are pushing for bold measures to strengthen industries and farmers so they could be better prepared to meet the challenge of the globalized economy.

The calls come amid the new economic measures that President Arroyo unveiled on January 10, which are part of her administration's plan to steer the ailing economy back to health. With the Philippines stuck in an economic slump for nearly six years since the Asian crisis, and no recovery yet in sight, Mrs. Arroyo has decided to put the brakes on the Philippines' free trade commitments to the World Trade Organization (WTO) and ASEAN to help improve the tax collections and build the competitiveness of businesses.

With 18 months left in Mrs. Arroyo's term of office to pass vital economic measures before elections kick in, business groups have been coming forward with proposals about how to tackle the big globalization question: "What should we do to make ourselves competitive in the global area?" Just days after Mrs. Arroyo's policy speech, Ayala Corp. chief executive Jaime Augusto Zobel de Ayala keynoted the Financial Executives Institute's 35th anniversary, where he called for a stronger "global engagement" to make the Philippines more competitive. He said that cross-border flows of trade, capital, tourism and labor would continue to intensify be the driving force of economic growth "regardless of whether globalization is 'in' or 'out'."

A week later, on January 23, the multi-sectoral Fair Trade Alliance (FTA), filed a joint declaration at its January national convention calling for a five-year breathing spell on free-trade commitments to give businesses and farmers a chance to strengthen themselves.

If Mrs. Arroyo's new trade policy has rekindled debates about globalization between protectionist hawks and globalization advocates, it's only because so much lies at stake. As part of its commitments to the ASEAN Free Trade Area, the Philippines is set to bring down practically all of its tariff lines to a 0-5 percent range for ASEAN member-states, save for a slew of agriculture goods.

More significantly, it's poised to provide

a similar arrangement next year to countries outside ASEAN under the government's tariff reform program, one of the last acts of now-deposed President Joseph Estrada. (One popular misconception is that the Philippines committed to reduce tariffs under the WTO, when it merely set ceiling rates).

"The truth is that the policy pronouncement made by the President comes relatively late in the day—late in the sense that more than 90 percent of our tariff lines are already under the 0-5-percent tariff regime," says former senator Wigberto Tañada, lead convener of the Fair Trade Alliance.

Manufacturers say that could only make a recovery in factory activity even more difficult. Federation of Philippine Industries president Meneleo Carlos says with AFTA fully in place, manufacturers will be pressured with tighter operating margins because competition will be more intense. Several industries, such as petrochemicals, steel, cement, sugar, tire and rubber, and footwear have fallen under hard times since the economic slump set-in, but they've had a harder time recovering because the liberalized economic environment made them more vulnerable to their inherent structural weaknesses and poor competitiveness.

"Many of these industries simply fell victim to our political past," says a senior Department of Trade and Industry (DTI)

**"The truth is that the policy pronouncement made by the President comes relatively late in the day—late in the sense that more than 90 percent of our tariff lines are already under the 0-5-percent tariff regime," says former senator Wigberto Tañada, lead convener of the Fair Trade Alliance. Yet he concedes: "It is never too late to amend, adjust, and reverse a flawed economic policy."**

official. "These sectors are now suffering the consequences of the dictatorship era."

Twenty years of crony capitalism and controlled businesses discouraged the strengthening of a manufacturing base and technology upgrade, since control of industries were placed squarely under the hands of political patrons and under one price. In the process, that tight industry structure encouraged players to shift to importing.

"In the Marcos years, the petrochemical industry never put up a naphtha cracker plant since they were weaving profits by getting imported plastics to be used for



resins. Instead of cracking naphtha, people were importing resins," he says. "That business model was overlaid by the dictatorship and people were reaping more profits from it."

What's made matters worse for industries now is capital flight. The Philippine economy, which got a late start after the coup attempts during the Aquino administration, took off under Fidel Ramos, investments-wise, according to his drum-beaters. But they blame "corruption and cronyism" during Estrada's term for scaring off millions in dollars worth of investments that would have allowed these industries to modernize themselves and become more competitive.

The Philippines was one of the only countries in Asia left relatively unscathed by the Asian crisis. But the debacle caused by the unscheduled regime change between the Estrada and Arroyo administrations set back the economy very seriously, including industries. The economy may have posted the fastest growth rates in the Asian region for the past two years, but most investments have been skipping the Philippines because of its shaky political and peace and order environment, slow action in cleaning up its

banking sectors, and the propensity of its courts to reverse business contracts.

Corporate profits in Thailand, for instance, has grown by between 20 and 25 percent compared to the Philippines' 10 to 15 percent, according to ATR Kim-Eng Securities' Andrew Long, which has drew in foreign capital to fund expansion, create more jobs, and upgrade technology.

"The rest of the world was not waiting. The rest of our neighbors were not waiting," the DTI official says. Mrs. Arroyo is now reviewing the country's unilateral tariff reduction program and is likewise slowing the program pace for AFTA and WTO, moving to take full exemption windows allowed on tariff cuts, such as for the petrochemical industry.

## 'Globalized' poverty moves much faster than trade

IS the world really making progress in reducing global poverty? The latest estimates from the World Bank shows that the average proportion of people living in developing countries on less than \$1-a-day fell from 32 percent to 25 percent between 1990 and 1999—the era where countries rushed headlong into globalization.

Extending that trend 16 years down the line, that indicates that the world is on track to reaching its goal of halving poverty incidence by 2015. But looking more closely at global poverty trends, experts say the \$1-a-day gauge "cannot be taken at face value."

Dr. Jan Vandemoortele, a socioeconomic development advisor for the United Nations Development Program, says that gauge underestimates the extent of global poverty and overestimates the progress made in reducing income poverty since benchmarks continually change overtime. As economies develop, new basic goods and services get added that were never in the basket of basic necessities like piped water, electricity, urban transport and essential drugs. At the beginning of the 20th century, for instance, the poverty line for a family of six in York, England, was 26 shillings a week. "It would be inappropriate to use the same poverty line-adjusted for inflation and family size—to estimate current levels of poverty in the United Kingdom," Vandemoortele says in a paper at the recent international conference on governance hosted by the UP National College of Public Administration.

By that same token, Vandemoortele says poverty lines differ across countries depending on their standard of living. In 1990, the United States and Indonesia both reported similar levels of income poverty, but their cases were obviously very different, based on their respective standards of living. "As countries become

wealthier, societies gradually a higher level of minimum economic well-being," he says. That's led Vandemoortele to conclude that the \$1-a-day norm has misguided people into thinking that good progress is being made towards halving poverty and that the best way to reduce poverty even further is to concentrate on aggregate growth, decade-center.

The snail's pace in which global poverty reduction has proceeded, which many say has worsened with the destabilizing shocks from the 1997 Asian financial contagion and the Latin American economic crisis, has provided the biggest ammunition to advocates against unbridled globalization. "Countries cannot expect to integrate into the global economy without equipping their people with basic capabilities," Vandemoortele points out.

Amid new debates over globalization in international and domestic circles, globalization critics argue that "a social shock absorber" must be put in place to protect developing countries from the destabilizing effects of globalization. Conventional wisdom is that globalization fosters greater economic competition that enlarges domestic markets, fosters technological progress, and creates jobs, improving skills and livelihoods in the process. But since the 1997 Asian crisis, support towards globalization has become more qualified while criticism has become more strident and more pronounced, as evidenced by the violent riots that marked the World Trade Organization Summit in 2000 and in Bologna the following year.

In the Philippines, industries that were once the bastion of the economy have seen the influx of cheaper imported goods undermine their competitiveness, which has already been made difficult by the weak economic environment there and the rest of the world. "It is precisely

the unbridled, reckless, and aimless globalization and liberalization of the economy in the 1980's and 1990's that has brought untold misery to our people, has stunted our growth as a nation, and has precipitated a never-ending cycle of recessions in the country," says former senator Wigberto Tañada, lead convener of the Fair Trade Alliance.

Friday last week the alliance battled for a temporary rollback of tariff walls to strengthen industries and farmers. The battle cry among globalization critics is, equity does matter for poverty reduction and that growth will not automatically translate into less poverty. They say that means providing universal coverage for basic social services. The UN's 20/20 initiative in the early 1990's called for 20 percent of national budgets in developing countries and 20 percent of donor aid poured into basic social services. But in practice, few countries spend close to that amount, while overall official development assistance to social services has ranged between 10 to 12 percent.

Most of the multilateral aid that has been poured into developing countries is in the form of technical assistance and strengthening of safety nets. "Indonesia's and Thailand's under investment in basic services contributed to their vulnerability to the financial crisis," Vandemoortele says. But he says the cost of provided universal coverage for social services is "affordable" and "technically feasible." The global shortfall in public spending to ensure universal coverage of a minimum of social services runs to \$80 billion a year, by his estimates, which is only one percent of global annual income.

That safety nets have tended to be narrow is because under the Washington Consensus, countries adopted user fees for

social services and narrow targeting for select areas, in the interest of efficiency and to reduce wastage, but judging from the economic turmoil the past few years, the results have been limited. And there was no unemployment insurance in place to cover dislocated workers that lost their jobs under corporate failures. "A social shock absorber should not be dismissed on the basis of nonaffordability. User fees, narrow targeting, and safety nets cannot be the mainstay for ensuring universal coverage of basic social services. They are likely to yield savings that are 'penny-wise' but 'pound-foolish,'" Vandemoortele says.

The danger in having inadequate safety nets is that, as the world becomes even more globalized, the chances of more economic jolts happening, that could affect the marginalized or raise the ranks of the unemployed, will increase. "Under the current situation, financial crises can happen again. Technological advances have made national frontiers more porous," says Medardo Abad Jr., assistant director for the ASEAN secretariat in Jakarta. "At the same time, capacities of developing countries in institutional safeguards for minimizing the risks of globalization of finance remain weak." Indeed, most countries with a social security system in place lack true universal coverage of social services. In the Asia-Pacific, only 23 countries provided income security for injured workers; two extended old-age, invalidity and death benefits; 14 gave maternity and sickness benefits; six gave unemployment benefits; and four gave family allowances. In the Philippines, the comprehensive and integrated delivery of social services program only benefits 10 percent of the poor that benefit from government intervention.

*J. L. Villanueva*



**BUSINESSMEN** have long been crying against the effects of, among others smuggling and dumping.

"It is never too late to amend, adjust, and reverse a flawed economic policy," says Tañada.

To protectionist hawks, the problem and the solution to them are one and the same: trade liberalization, which they say has put manufacturers, small businesses and farmers, at the mercy of predatory pricing from cheaper imported goods and unfair trade practices like dumping. The FTA says these need more time to prepare for globalization, so that the government can resolve some of the deep structural problems of the economy like high-power, transport and financing costs; weak safety nets on unfair trade practices; anti-smuggling measures; and an inefficient bureaucracy.

While the FTA has toned down the rhetoric on a complete reversal of free-trade policy in favor of temporary shields, some of its staunchest globalization critics like Tañada think it should be junked until there are appropriate safety nets in place for both workers and farmers. "It is precisely the unbridled, reckless, and aimless globalization and liberalization of the economy in the 1980's and 1990's that has brought untold misery to our people, has stunted our growth as a nation, and has precipitated a never-ending cycle of recessions in the country," he says.

Critics point out, though, that raising tariff barriers doesn't provide a fast or simple solution to making local industries more globally competitive, even as the economic slump gives the biggest argument for a temporary reprieve. That's because the rest of the developing world is pushing forward with globalization policies, which is raising the stakes even higher. Countries that are already competitive globally are going ahead with long-term planning, rather than those that are playing catch-up.

China, for instance, is taking advantage of its entry to WTO by committing to abandon its "outdated, protectionist ways," Zobel points out, while Singapore, considered one of the most competitive in the world, is looking to further enhance its competitiveness in the value chain. "These are but two examples of the current thinking across progressive countries in the world. And to a man they are all worrying about the viability of it all—that what you have today may not be there tomorrow," Zobel says.

While they share diverging views about free trade, globalization advocates and protectionist hawks both agree that the deep structural problems in the economy must be addressed to make businesses more competitive.

The biggest drawbacks foreign investors

and local businessmen have cited about the Philippines are its perennial problems with infrastructure, which has made running businesses inefficient and rather expensive compared to other countries in Asia, which are more industrialized. "It costs more to ship from San Francisco to Manila than it is from Davao to Manila," says industrialist Enrique Zobel.

While electricity subsidies charged to consumers were suspended last July and moved the Philippines from second to sixth place in terms of power costs in Asia, electricity is still expensive. And it will remain so until Congress finally gets the privatization of the National Power Corp. (NAPOCOR) on stream by approving the franchise to run NAPOCOR's power transmission operation.

Government inefficiency has to be resolved as well by cutting through reams of red tape. "When Mrs. Arroyo announced last year that she had cut government approvals from 87 to 42 that was good news. But why couldn't she say she'd cut it down to four? Why do you still need 42 approvals from government to get a project started," asks Australia-New Zealand Chamber of Commerce president Peter Wallace.

What the government should do in the meantime while addressing structural problems that breed poor competitiveness is still under debate, though. Critics of protectionism argue that rolling back tariff walls and reversing globalization policy is already too late in the game, and would only make the Philippines a pariah in the global community. It would also create a negative backlash that would cause even more foreign investments to dodge the Philippines for other countries in Asia that are still trading forward with globalization. But they also think the solution to making industries more competitive in the global arena is for the government to provide more of its resources and leverage its global ties to provide technical assistance to small businesses, entrepreneurs and farmers—help in how to make better, more quality products and help in finding export markets to get Philippine products out in the world.

"There is no question that globalization has done harm, particularly to small businesses, but the more enterprising and efficient of them have shifted," Wallace says. "They've managed to be more competitive, have gotten into exports, or moved into other products," Wallace adds. "Certainly, there will be some companies that claim they can't be competitive, but withdrawing is not possible."

The DTI official says the Philippines may have lost valuable ground in the Asian crisis and the Estrada debacle, but he points

out that, like it or not, withdrawing from globalization will only undermine the Philippines' competitiveness even further and make investment that is badly needed to upgrade technology and grow markets even harder to come by. "The only solution is to take the bull by the horns and embrace a global engagement," he says.

Zobel says the Philippines has to come up with ways to add greater value to its products and services because huge countries like China and India are undermining its chief source of competitive advantage: chief labor costs. China and India for example, provide more than a billion workers who are willing to work for little more than \$1 a day.

Wallace said free trade has become more necessary, especially considering that most consumers in the Philippines are poor. Rice imported from Thailand, for instance, is slapped a 60-percent tariff, that has kept poorer consumers from more affordable rice. He argued for greater technical assistance and support by the government.

He claims the agriculture industry in Australia has become very efficient because farmers were forced to compete after the government dismantled subsidies and protection.

"The International Research Institute (IRI) here in the Philippines is a very good organization and throughout Asia, farmers have benefited from it—except for Filipinos," Wallace says. "The government must address the reasons why that has happened and fix them. There's no difference between a Filipino farmer and a Thai farmer. Both have the same weather, so they must find out what makes a Thai farmer more efficient."

Combating smuggling and dumping that is robbing local businesses and governments of revenue and breeds substandard products for consumers. This is where Makati Business Club executive director Guillermo Luz says. Luz thinks smuggling of cigarettes, clothing and second-hand vehicles pose far greater competition to the local industry rather than legal imports—especially considering that these are the biggest and most strategic industries for the Philippines. Tobacco companies like La Suerte and Fortune Tobacco are both among the top 25 companies in terms of revenue. The garments industry is the second-biggest export industry. And the automotive industry has been investing in a lot of factory and technology upgrades, expanding their supply chain network in the country, and using the Philippines as a strategic export site for ASEAN.

## Rebuilding the Economy, Rebuilding our Future!

*Declaration adopted by the National Conference on "A Nation in Crisis: Agenda for Survival"*

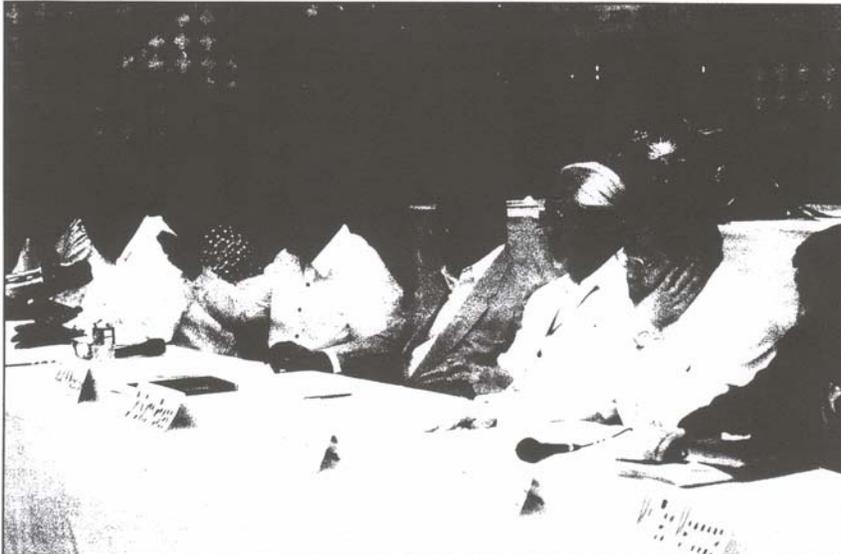
The tasks facing the nation are awesome.

Ours is a devastated economy, with industries that are in various stages of collapse, an agriculture that is barely able to cover the food and survival requirements of those who till the land, a stock market which is the worst performing in Asia, a cur-

rial experts from Korea, Taiwan and other Asian countries used to visit the country to find out how close we were to producing another Asian car, after the earlier success of Japan. Agricultural experts from Thailand, Vietnam and other Asian countries used to visit the country to find out the latest techniques in greening the

a nation and have allowed the original Asian NICs (South Korea, Taiwan, Singapore and Hong Kong), the new Asian NICs (Malaysia, Thailand and Indonesia for a while), and China and India to overtake and leave us behind in the industrialization process. Today, the war-devastated Vietnam and other South Asian countries

are the very first to violate its rules. And our own technocrats have made it worse by arbitrarily and unilaterally liberalizing our markets ahead of other countries. The case of Australia taking advantage of our liberalized markets and still closing theirs to our own products illustrates what real trade is under globalization.



*Brains behind the new nationalist declaration (from left): Former Sen. Tañada, Vice President Guingona, Prof. Merlin Magallona, Dr. Sixto Roxas, Jose Concepcion and Ernie Ordoñez.*

rency devalued so many times over and a treasury which depends mainly on borrowings, externally and internally. Nearly six decades after independence, over one third of our work force either cannot find jobs or are stuck in various precarious forms of livelihood. Almost 3,000 Filipinos leave the country every day, in search of pastures they cannot find in their own homeland. And around five million of our children are unable to go to school and are forced to work on the streets, in the backyard shops, in dingy establishments, in the denuded hillsides, in the receding mining areas, in dangerous fishing areas and in whatever crannies where they can find some food or means to put body and soul together.

And yet, once upon in the 1960s, our economy was considered one of the most promising in Asia. Indus-

tryside and ensuring food sufficiency for their growing populations.

Today, our economy is but a shadow of its past. Our very own economic technocrats - guided by a simplistic ideology of reducing economic policy choices to questions of either going export-oriented or not, of either adopting a labor-intensive or capital-intensive approach and of either relying on foreign investments or going it alone - have succeeded in subverting the vibrancy of the industrial process of the 1950s and the 1960s, confusing the nation on the industrial directions it should take in the 1990s onwards and, worst, killing the emerging culture of industrialism while initiating a program of dependence on foreign borrowings and foreign economic dictation. Three decades of neo-liberal economic orthodoxy have stunted our growth as

are threatening to surpass us.

Today, the nation is drowning in a sea of imports, which are killing whatever remains of our agriculture and our industry, big and small. Today, our industrial and agricultural procedures are asked to be globally competitive, price-and quality-wise, even if they suffer serious handicaps - poor and expensive infrastructures, inaccessible formal credit, high cost of power and utilities, unfriendly bureaucracy, unstable currency, and a generally difficult economic environment. To make matters worse, our very own trading partners do not hesitate to dump their excess products in our market while protecting their own industries and agriculture, through subsidies, arbitrary tariff impositions, and numerous non-tariff barriers. Trade has never been so unfair, as those who preach free trade

To complicate matters, more liberalization schedules - in agriculture, services, domestic market and so on - are in the WTO and AFTA agenda and still our government has not drawn up a clear development strategy to deal with the challenges of globalization, has not put in place a readiness program to ensure the survival and growth of industry and agriculture and has not mobilized the people behind such a development strategy and program. Instead, what is being foisted on the nation is a nebulous 747 Plan, which seeks to apply at the industry level the failed free-trade neo-liberal framework adopted by the macro-economic planners.

To further complicate things, we have a divided country, brought about, among others, by the failure

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of our leaders to unite the people behind a nationalist vision of development. Separatist tendencies and insurgency are raging because the country's poor economic performance is providing it a rich breeding ground.

But worst of all, a palpable sense of defeatism is taking hold on an increasing number of our frustrated people. Many want to leave the country and seize the opportunity to board the first plane that will take them out, out of a land which has failed to provide them job and income opportunities, and their children the promise of a secure and better future.

Shall we remain silent and passive amid all these developments? Shall we resign ourselves to this sad state of affairs? Shall we turn our back on our homeland?

No, we shall not keep silent. No, we shall not be passive. We are Filipinos who believe in the future of the Philippines. We are Filipinos who have not lost hope for the country.

With unity and patriotism, we Filipinos can rebuild our economy, rebuild our society, rebuild our future. With our collective industry, creativity and solidarity with one another, we can be among the most developed countries in Asia and the world.

**Redirecting the direction of the economy**

But first things first.

We need to fight for a new policy direction for the economy.

But which way? Should the Philippines go back to the era of industrial protection which bred the import-substituting industries that developed in the 1950s and 1960s, which, ironically, are the ones collapsing today under the policy of economic liberalization and deregulation? Or should we continue with the present program of aimless liberalization and globalization?

The answer is not an easy one, as the Philippine experience with industrial protectionism in the 1960s was catastrophic - import dependence, high national indebtedness, limited industrial growth, poor agricultural performance and deepening poverty and unemployment. On the other hand, the Philippine experience with economic liberalization and deregulation was even more catastrophic - continuing import dependence, higher indebtedness, collapse of local industry and agriculture, limited domestic linkages of a limited export sector, and poverty and unemployment all over the archipelago.

As the experience of Japan and the Asian tigers show, the issue is not whether one shall go protectionist or outward-looking. The fundamental issue is what is the overall framework by which Philippine industry and agriculture can develop in a mutually-reinforcing manner, create jobs and value added, reduce dependence on imports by deepening the agro-industrial structure (through R & D and continuous technological innovations), foster necessary link-

ages between the regions and the various economic sectors, expand the export market while maintaining the domestic market in the hands of the locals, and distributing the gains of economic growth through appropriate institutional arrangements and capability-building programs. In short, the issue is how an integrated and advanced economy can develop around the real needs of the people for jobs, incomes and demand for better life.

As to globalization, the issue is what are the terms of Philippine incorporation in the world market? How can one negotiate and insist on fair trading arrangements which can give the country better returns and reinforce, not subvert, its existing industries and enterprises? In short, this means our economic policy makers and trade negotiators should always keep in mind the state of Philippine industry and agriculture and how the interests of the two can be advanced.

To realize such a reorientation of the economy, we need an activist and nationalist government.

**The role of an activist and nationalist government in the economy**

What then is the exact role of an activist and nationalist government in the economy?

First and foremost, an activist, nationalist and forward-looking government is one that is able to assert and enhance our national interests in the global and regional trading arenas as well as anticipate threats and develop opportunities to local industry and agriculture. An activist and nationalist government is not tied to the free-trade neo-liberal economic dogma that the role of the government is to minimize its role in the economy and allow the free flow of capital and goods in a liberalized,

deregulated and privatized market. In an asymmetrical, uneven, underdeveloped and globally unprepared economy, this free-trade neo-liberal recipe is an invitation for disaster. On the other hand, an activist and nationalist government is focused on

- enhancing the overall capability in industry and agriculture to survive, grow and expand in a harsh and uneven economic environment through the development of appropriate and forward-looking infrastructure, monetary, fiscal, R & D and institutional support measures;

- developing the full potentials of the home market in sustaining and creating decent jobs and livelihoods through the promotion of vibrant community-based economic activities and strong agro-industrial and inter-regional linkages;

- identifying, preserving and developing strategic industries such as those involving the food security of the nation and the base for the future development of new industries;

- identifying, preserving and developing global niches for the economy; and

- applying without any hesitation corrective measures to level the economic playing field such as the adoption of timely and necessary counter-measures against dumping, unfair trading practices of other nations, smuggling, economic plunder and so on.

Based on the foregoing, an activist and nationalist government should be able to clarify and strategic the terms of Philippine global incorporation in the WTO-led trading arrangement and negotiate for a just and fair trading arrangement, mindful of the overall state of preparedness of local industry and agriculture. An old but continuing challenge is how to steer Philippine industry and agriculture in the turbulent and uncharted globalization seas. Past and

present economic technocrats have done a poor, lazy and un-Filipino job by adopting, unilaterally, a one-sided, accelerated and simplistic program of economic deregulation to promote the global integration of the economy without putting in place the necessary readiness program and safety nets for the vulnerable sectors and, worst of all, without sufficiency informing and consulting with the affected industries. They have failed to recognize that global competition means helping local industry and agriculture develop strong muscles so that they can withstand foreign competition and eventually excel in certain fields. The point is that global competition means maximizing gains and minimizing losses. Global positioning means transforming the present pattern of a jobless growth into a job-full one.

An activist and nationalist government should exert maximum efforts to develop the depth and breath as well as sustain the modernization and dynamism of the agro-industrial structure. This means promoting more and continuous value-adding economic activities and greater complementation between and among industries and between and among the regions. This means the major economic sectors - industry, agriculture, services, export sector - should be developed in an integrated, complementary, value-adding manner. Such requires R & D, strategic positioning or niching, industry-led skills formation, infrastructure development and supporting institutions to promote linkages, cooperation and *tangkilian*.

Developing the depth and breadth of the agro-industrial structure requires R & D, learning, innovations and human resources development. The educational and training system

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Our overall capability in agriculture must be enhanced.



Food security in improved aquaculture must be pursued.

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should be able to support the requirements of industry and agriculture for research, innovation and human resources development. DOST should play a more strategic role in agro-industrial targeting and capability building. Hence, an activist and nationalist government will naturally seek a general mobilization of the various government agencies in support of the agro-industrial vision of a nationalist government.

An activist and nationalist government should also be able to give special attention to

- the upgrading of SMEs and micro enterprises. They are the country's leading catch basin and job generator. Like the big enterprises, they are affected by globalization in many ways. What the SMEs need is greater access not only to credit but also to new management and marketing techniques to upgrade their operations and insure their survival and growth in a highly competitive market.

- agricultural modernization.

The thrust to develop the countryside is meaningless if the HRD requirements of the farming population will not be upgraded, specifically in relation to the use of new varieties, mastery of the market, etc. We also need to put an end to the slow-motion implementation of land reform as this is a major disincentive to agricultural investments. And yes, we need more integrators in agriculture as problems in the countryside, like in other sectors, require a holistic and integrated approach.

- food security in strategic agricultural items as this is not only a question of production but also a question of national security. To achieve food security, the government should actively lead in promot-

ing, nurturing and developing self-sufficiency in these crops. Trade liberalization in agriculture should be reviewed in the context of the requirements of food security.

Finally, an activist and nationalist government must be able to negotiate for a more orderly, just and dignified settlement of the debt problem. After decades of debt payments, the Philippines remains tighter and tighter under the embrace of the IMF-World Bank, whose policy conditionalities often lead to a vicious cycle of low growth and greater indebtedness. The country can only get out of this cycle if a nationalist government will assert the sovereign right of the nation to determine its future and negotiate over the terms of servicing based on a development framework which gives priorities to growth, job creation and national dignity. The government should also not hesitate to junk or dump onerous and unjust loans, including the spurious IPP contracts.

#### Urgent reforms

Given the present global and national economic crisis, what can be done immediately in support of the vision of a nationalist economy and nationalist governance?

There are many but three major tasks stand out:

First, we need a breathing spell from the suffocating liberalization commitments made by our government economic policy makers to the WTO, AFTA and IMF. We call on the government to defer for five years our tariff and other liberalization commitments to these institutions based on the tariff rates in the year 2001. This deferment is consistent with the universally-recognized principle that developing countries, given their level of develop-

ment, are entitled to avail of special and differential treatment privileges in order to prepare their economies to the challenges of global competition. Such a five-year deferment, if backed up by the necessary modernization and adjustment program supported by society's stakeholders, should be enough to prepare the country for a more fully liberalized and globalized scenario for the ASEAN and global economies. However, there should also be a no-nonsense drive against smuggling and a greater government resolve to check the unfair dumping of foreign goods into the Philippine economy. In addition and in support of the move to ease the national budgetary stress, we ask the government to impose a 10 per cent surcharge against all imports except on raw materials and machines needed by local industry.

Second, in the light of the looming global recession, we support the call to look inward and look at the potentials of a population of 85 million as a market. It is a huge market. However, holiday economics is not sufficient to engineer a turnaround of the economy based on domestic demand. In an open economy with local industries and agriculture being swamped by dumped and smuggled products, the potentials of the domestic market are rendered meaningless, especially if the mass of our people have no purchasing power because they have no jobs or sources of income. Hence, the success of a domestic-market-driven growth depends on the capacity of the government to check smuggling, prevent unfair dumping, promote the growth of local industry and agriculture and develop a culture of patronizing Philippine-made products. This is,

therefore, the time to promote the buy-Filipino movement and create a-Filipino-job movement simultaneous with the campaign for local industry and agriculture to upgrade their operations and exert efforts to produce cheaper but quality products and services.

Finally, with the low level of foreign investments coming in despite the liberalized investment regime, the country should focus greater efforts on mobilizing local capital, mobilizing the resources of its own people. A starting point will be an aggressive campaign for patriotic-minded Filipinos - Filipino industrialists and businessmen who have brought out their capital out of exasperation with past government failures, successful Filipinos overseas, returning migrant workers and so on - to invest in job-creating economic projects in the Philippines. Foreign investments will naturally gravitate to the country once they see the flow of Filipino investments. There should also be a way of encouraging overseas Filipino workers to invest part of their savings on productive undertakings for their own future security. The role of the government is to provide the enabling environment to make such decisions easier for them.

Overall, what is really needed at all times is to mobilize the entire populace in support of a common vision of development where every concerned Filipino has a genuine stake to uphold and a role to play.

#### On building a government of national unity based on urgent reforms and launching a broad movement for reform

Hence, we share the call for a government of national unity. But it should not be a government based on the issue of charter change but based on urgent social and economic reforms. Amid the present economic crisis and the looming possibility of a Middle East war, the government must of necessity be built upon the unity of both traditional and non-traditional political and social forces representing the broadest sectors of Philippine society and who are united on a minimum program of reform and stabilization such as the one outlined above.

To succeed, we need to inculcate the values of industry, integrity and nationalism among our people, especially among the youth who have been bombarded day in and day out with the values of transnational consumerism.

We need to revive the sense of economic nationalism and exert efforts to apply it in whatever station of life we are in.

Above all, we need to unite, drawing from our past struggles for nationhood and the examples of our heroes, in support of the building of a nationalist economy and a movement which will help put this vision into reality and restore the Filipino sense of nationhood, pride and dignity.