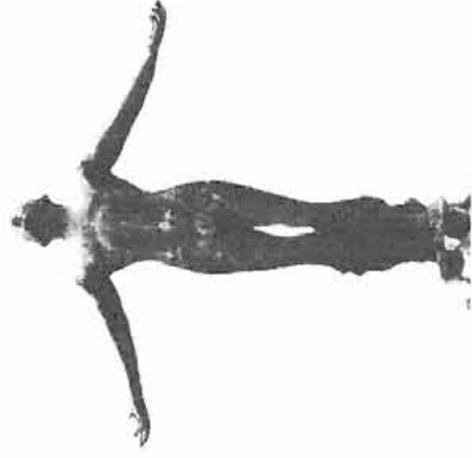


**TRADE ON HUMAN TERMS:
MAKATAO PA BA?**

**Diliman
Governance
Forum**



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2008**

Trade on Human Terms: Makatao pa ba?

14th Diliman Governance Forum

Trade on Human Terms: Makatao Pa Ba?

A Launch and Roundtable Discussion
on Making Trade Work for the Poor

17 August 2006
UP National College of
Public Administration and Governance
Assembly Hall

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UP School of Economics
Fair Trade Alliance
National Economic and Development Authority
Social Watch Philippines
Human Development Network
and United Nations Development Programme

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Makatao Pa Ba?**

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**National College of Public Administration and Governance
University of the Philippines
March 2008**

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FOREWORD

The Diliman Governance Forum (DGF) is a continuing effort of the National College of Public Administration and Governance (NCPAG), University of the Philippines (UP) to initiate collective action for public administration reforms and better governance. Spinning off from the Policy Issues Forum conducted by the College in the past, the DGF has tackled various policy concerns, such as, reengineering government, fiscal crisis, geo-informatics, electoral reforms and youth leaders of the past and present. The 14th in a series was held on 17 August 2006 from 8 a.m. to 5 p.m. at the NCPAG Assembly Hall, Diliman, Quezon City. Its thematic focus is on "Trade on Human Terms: Makatao Pa Ba?" It is a launch of the 2006 Asia-Pacific Human Development Report and a Roundtable discussion on "Making Trade Work for the Poor".

Trade, not aid, has been used by many "miracle" economies in the world, particularly those in the Asia-Pacific region, to spur economic growth, reduce income poverty and promote the well-being of the people. Many have used trade to multiply their exports and accelerate progress in combating the other aspects of deprivation, including education, health and gender equality.

Yet at the same time, trade has contributed to increased inequalities, not only between countries but also within national borders, among different areas, sectors and households. In addition, many of the region's open economies – particularly the East Asian success stories – are creating far fewer jobs, especially for youth and women, and experiencing "jobless growth." This has profound implications because employment represents the main channel for the effects of trade on human development.

Co-organized by the University of the Philippines (UP) National College of Public Administration and Governance (NCPAG), School of Economics (SE), Fair Trade Alliance (FTA), the National Economic and Development Authority (NEDA), Human Development Network (HDN), Social Watch (SW) and the UNDP under the Fostering Democratic Governance (FDG) Portfolio, the one-day launch and round table discussion (LRTD) generally aims to raise awareness on the issues and concerns related to international trade and generate recommendations and support to make trade more pro-human development.

Specifically, the LRTD aims to

- Present the major findings of the 2006 Asia-Pacific Human Development Report (HDR)

- Elicit discussions on and appreciation of the issues, lessons and implications of international trade on poverty reduction and sustainable human development, particularly as this relates to Philippine experiences
- Map future directions, advocacies and policy recommendations to 'manage' trade towards helping the Filipino poor and marginalized cope, adjust and catch up.

This working paper contains the highlights of the launch and roundtable discussions on making trade work for the poor with focus on the agriculture, manufacturing and services sectors. Specifically, it includes the presentation of Dr. Manuel Montes of the UNDP Regional Office, and the reactions from the leaders and experts from the civil society, business and government organizations. It also contains discussions on specific industries and the recommendations of the participants on the next steps to address the challenges and issues related to international trade and human development.

We hope that this Working Paper could help raise our level of understanding of this important governance issue and inform us of advocacies and little steps we can take to make the processes and arrangement in international trade more beneficial to the disadvantaged sectors.

We would like to acknowledge with gratitude the efforts of our partners in co-sponsoring this DGF—the United Nations Development Programme (UNDP), National Economic and Development Authority (NEDA), Fair Trade Alliance (FTA), UP School of Economics (UPSE), Social Watch Philippines (SWP), Human Development Network, Inc (HDN)—and our team in organizing and completing this Working Paper.

MARIA FE V. MENDOZA
PGF Director

ALEX B. BRILLANTES, JR.
Dean, UP NCPAG

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OPENING REMARKS

Kyo Naka

*Deputy Resident Representative
United Nations Development Programme (UNDP)*

I speak in behalf of Ms. Nileema Noble. I am very much honored to welcome everyone to the launch of the 2006 Asia-Pacific Human Development Report (HDR), entitled Trade on Human Terms. The HDR is a UNDP flagship project. It aims to provide a venue for debates and dialogue for human development.

I would like to thank the UNDP partners for taking the lead to organize the forum. We acknowledge and thank the efforts of University of the Philippines National College of Public Administration and Governance (UP NCPAG) for hosting the event and subscribing it to the Diliman Governance Forum (DGF). Our thanks also go to UP School of Economics, Fair Trade Alliance (FTA), Social Watch Philippines (SWP), and National Economic and Development Administration (NEDA) for convening the multi-stakeholder dialogue on trade.

All are invited to reflect on the words of secretary general Kofi Annan on the 6th ministerial conference on the World Trade Organization (WTO) last December. "Trade can galvanize our efforts to achieve the Millennium Development Goals (MDGs). Trade liberalization that empowers the people will find great support. The trade policies that only enrich and entrench the elites will only continue to spark opposition."

The UN summit in New York raised the hopes that 2005 would be a year wherein significant progress would be made on the interrelated issues of aid, debt and trade. While much still remains to be done, advances have been observed on aid, debt and trade issues since then. The contribution of trade to MDG achievement has lagged.

The 2006 HDR report shows that the relationship between trade, human development and poverty has weakened. International trade has been the engine of most of the countries of the Asia Pacific region but some are being left behind because the region's rural poor has languished to stagnation in agriculture. Trade has caused widening disparities in the region; many economies are unable to create enough jobs for their growing populations especially for the women and youth. International trade policy had serious impacts on at least three major trade industries, where millions of the poor households in Asia and also the Philippines depend on for their livelihood, employment and income. These are agriculture, manufacturing and servicing sector. The report showed that many

governments in the region have neglected their agriculture sector and invested far less in rural development. In fact trade liberalization itself has undermined food production by allowing import to come in. Although this may benefit low-income consumers, this threatens the livelihood of the poor farmers and fishing communities with serious implications on their well-being. Almost half of the population of the Philippines can be found in the rural areas where agriculture is the primary and often, the only source of income for the rural people. Poverty is more severe and widespread in the rural areas, where almost 80% of the poor live. Overall, one out of three people in the Philippines is poor. The poorest of the poor are the indigenous people, small-scale subsistence farmers, those in the upland areas, fisher folks and some other categories.

The causes of poverty in the rural areas in the Philippines vary widely from island to island. These include decline in the over- all national growth, political instability, or physical restriction that has led to a decline in public services.

Micro-entrepreneurs face policy bias that favors large firms and capital-intensive industries. They also lack access to investment and credit and to complete market information and opportunity to develop their skills. In northern Mindanao for example, most rural poor have limited assets. Most are landless and some depend for their livelihood as tenant farmers or paid farm hands. Poor people living in the rural areas lack infrastructure services, thus the effects of poverty are even more acute.

Much of the agriculture in the Philippines is carried out on the subsistence level because of its highly seasonal nature, its vulnerability to price fluctuations, and the generally low prices for the local products. Agriculture cannot by itself make substantial difference in the level of employment, underemployment and poverty.

With the removal of state subsidies, post- harvest facilities and farm to market roads in the Philippines for example, have become inaccessible and expensive. These contribute to less productivity and production among poor farmers. Together with the lower tariffs and greater supply of smuggled agricultural products, local produce have become less competitive at the global arena and are priced higher at the retail level.

In the manufacturing sector, one of the most important components is the textile and clothing industry. Since the Multi Fiber Agreement (MFA) of 2004, the outcomes for some countries have been bad, with the exception of China and India. The Philippines for example, has suffered a decline in the volume of exports to the US and EU, since the post-MFA era. Subsequently, 10% of the predominantly women-laborers (340,000 factory workers, more or less) was reached. In addition, the introduction of mechanization to be more competitive in the global arena has resulted in the replacement of jobs traditionally held by

women and in the decline of their skills and knowledge. The impact of prices can be seen in the context of women and men working in casualized factories or in contracting arrangement with untenured jobs that has no access to the different social nets like social protection and insurance. The casualization of the labor force and other negative cost cutting-measures, including the use of unprotected human workers have indeed led to significant problems in access to social and health protections by the different types of workers in both local and global commodity supply chain. Additional problems have been caused by the manufacturing industry's never ending search for cheaper sources of labor and production, a trend that exacerbated the conditions of insecurity, vulnerability, exploitation of the labor-intensive industries in the region.

In the service sector, Asian countries like the Philippines have been taking advantage of the opportunity to boost trade over the last three decades. International trade has consequently become much more complex. Three forms of service have been shown in the report— either the seller moves (international labor migration), work moves (business outsourcing), or the buyer moves (international tourism). All three types have increased (in prevalence) significantly. An estimated 10% of the Philippine labor force has traveled abroad on short-term contracts. Migration abroad has caused some advantages, both economic and social, both for the individual migrants and the Philippines. However, it has also brought several severe disadvantages. Remittance inflows were seen to increase local income inequities. The Brain drain has caused worker shortage especially in the health sector. Ignorance of the poor has led to their exploitation and discrimination in their destination countries.

These findings are not news to most of us. We have witnessed a number of cases where trade has indeed induced disparities and sufferings among some of the disadvantaged sectors in the society. The report however provides us a framework which can be used to analyze trade not only in economic terms, but more so from the human development perspective.

"Makatao pa ba?" is indeed the time and reason to continuously reflect and address as we enter global markets where new opportunities abound and remain. Today offers the opportunity for the different sectors of society to collectively make a start and take an in- depth look at the types of national policies and programs needed to ensure that all Filipinos will realize the potential benefits of trade for human development. We are looking forward to a lively and interactive discussion among our policy makers, workers, academicians, businessmen and advocates from all sectors of the society. UNDP is one with you in ensuring that trade is on human terms and promotes a better life to one and all.

Maraming salamat po.

Dr. Sergio Cao
Chancellor, UP Diliman

I am proud to say that in this flagship campus of the UP system, we welcome free-spirited discussions on almost anything. You can be assured that we will always have our ears for your ideas and if needed, we would add our own so that we could learn from each other. Of course we in the university would love to listen to those who benefit but more especially to those who suffer the brunt of globalized trade because trade after all is not about growth statistics but human development as the report emphasizes.

I therefore encourage all the participants to speak up, analyze and work out strategies so we can help point towards the right direction towards a human development-oriented international trade. While coming up to the second floor of this building, I think I misread the title of this forum. I thought it read "Trade on Human Terms: Makatao ba?" and the true title is "Trade on Human Terms: Makatao Pa Ba?" This makes a whole lot of difference. I wish you all the best in this worthwhile endeavor.

FORUM OVERVIEW

Dr. Raul Fabella
Dean, UP School of Economics

I am to give an overview of the launch and roundtable discussion on trade. This is a regional endeavor and a regional endeavor of a global context. So I will rattle a few developments, which you know already. I am just putting them together for the purpose of discussion.

First of all, the Doha round is practically dead as of July this year. So one component of the "trade not aid" rhetoric is clearly dysfunctional. Kofi Annan expressed great hopes in Hong Kong. It was clearly under duress. The Millennium Development Goal is probably not sustainable with the time frame set down. At that time, despite the superhuman exertions of Bono, Jeffrey Sachs and Kofi Annan, there were virtually too many distractions in the world today. The war on terror, the inability of leaders to consider the plight of the poorest of the poor are just some of the examples.

With the crash of the Doha round, we would have to live with the status quo. The status quo by the way is not so bad for some countries in the world. It is not so bad for the OECD countries in the world that are holding on to their agriculture subsidy. It is not so bad for large developing countries that are holding on to their industrial barriers. It is not so bad for China and India who are doing great despite their having no success in development round negotiations. But it is clearly going to be difficult for other developing countries since the development rounds are supposed to make it a little bit easier for the liars.

There is also the end of the global textile quotas in 2004. This was clearly shaping and redrafting the export textiles map in favor of China and largely India. Bangladesh will be one of the countries to suffer. In this scenario, the bilateral trade agreements will be moving full steam for the developed countries that can choose their partners. And of course many countries will be left out. The unfolding scenario therefore will be going to be difficult for less developed countries especially since the oil price is high today.

To go back to the material to be launched today, I am struck by its title which is "making trade work for the poor." This is of course the local version of the title and I would like to dwell on it. This is already a revelation. In the past it can be read that trade is anti-poor. That trade is an imperialist tool. The way it is now translated is a little bit hopeful. It says that trade indeed can be made to work for the poor. Just the implied premise also reveals that currently it does not

work for the poor. The millions of people living in China (some 400 million of them) and India were lifted above the poverty line.

There are also pockets of absolute impoverishment, but is this the rule under trade? Did not trade underlie the current OECD status of Taiwan, Korea and the other tigers? It is at the very least a fallacy of composition. Perhaps a subtitle like this "making trade work for more people" is more appropriate.

In mainstream economics, technological progress and innovations work through what is known in the profession as "Schumpeterian creative destruction". Some will gain and some will lose. There is no free lunch. There is always an income redistribution of some sort or the other. We also have to talk about safety nets as well.

I will say something about a little of trade theory. The soft underbelly of neo-classical trade theory is that it weighs the sufferings of the losers in the same way that it weighs the gains of the winners. It also says that there are lump sum transfers that can make both the winners and losers as winners, with the state having a significant role. Most of the time the lump sum transfers cannot be enforced if the state does not have the capacity to bring that about. Thus, we accept as asymmetric that income and inequality will grow and rapidly grow in economies. Not all of course. One example is Taiwan between the 1960s and 1980s where huge chunks of people were brought out of poverty at the same time income inequality was observably accrued.

Finally, to point to an area which attracted my attention most and perhaps yours as well, the 8-point agenda. We know and I have heard that the Washington Consensus is dead. But I wonder what the alternative agenda will look like. I wonder how the other canon will look like. Perhaps this is a step in that direction. But I will tell you my observation that out of the eight actions and recommendations in the book, five come or are very close to the Washington Consensus. For example, the investment for competitiveness which when I read through is really like investment in infrastructure. Perhaps President Gloria Macapagal Arroyo's advisers read or heard about it so the SONA of 2006 is a tremendous buy in for infrastructure. The Washington Consensus counterpart is the re-ordering of public expenditures and prioritizing education and infrastructure.

Under combating joblessness, it turns out to be a market industry. It floated somewhat into heterodoxy because it does not say explicitly but it suggests flexibility of contracts. Does that mean lower labor union strengths? Does that mean tinkering with the minimum wage law? I do not know what that means but flexible contracts? Some of the labor unions here would be uneasy with that.

A refocus on agriculture. The rhetoric on Philippine agriculture is fast and furious. What do we do with this? Do we turn our backs on it? Do we push it forward? Do we go back to Masagana 99? What do we do with protections on rice and sugar? Do we continue or not?

The fifth is tax regime. We have the e-vat. We also have an impending fiscal surplus with the re-enactment of the budget from 2004. These are of course a prescription for lower government spending. In the Washington Consensus this comes under fiscal regimes and tax reforms.

There is also the part on creating stable exchange rates. Under the Washington Consensus it comes under "having competitive exchange rates". The Washington Consensus hit it right by way of all countries, except for mainland China. Mainland China is not going to give up its competitive exchange rate, the under-valued Yuan. That is of course yet another part of the global context. The Yuan is 7.8 Yuan to a dollar today. It was like that ten years ago and it seems to continue to be like that in the next medium term. There is no relief from the undervalued Yuan for the struggling third world countries.

There is of course multilateralism. The WTO I think is the one who supports multilateralism. But it also says that one has to cooperate with one's neighbors. I think that is regionalism. The problem is that in a global village, it is very difficult to say who your neighbors are. Is it the guy next door or the guy in Beirut? I think this is a worthy endeavor. It cannot be expected to be perfect but there is an attempt to try to combine the different experiences; to distill the experiences of the struggling different countries in the Pacific Rim. It is a worthy attempt to try to alleviate their plight. There will be of course disagreements, contrary ideas, but I hope they are all aired in the course of the discussions today.

Thank you.

PRESENTATION

Dr. Manuel “Butch” Montes
*Regional Programme Coordinator
Asia Trade and Investment Initiative
UNDP Regional Center, Colombo*

Introduction

Let me just give some introductory remarks about the 2006 Human Development Report. It is the first regional development report that the UNDP has put out. The region for UNDP is called Asia and the Pacific, so it spans from Vanuatu to Iran, from Mongolia to Maldives. Actually this is the region where our regional center operates in.

The UNDP has been very serious about human development as an alternative way to view development, a view that is a bit different from what Washington D.C. thinks in many ways. For example, there is an Arab Development Report and this was famous for three things. It was famous for calling for democracy. It was famous for calling for the empowerment of women. It was famous for calling for the building up of the educational systems in the Arab states. So in effect UNDP does undertake a rather different view about what development is all about. The term human development has a very expansive use. It is not just about economic development; it is also about the development of people's capabilities.

This is a report that is addressed to the whole audience and to the whole world in the same way that the Arab Report is supposed to be addressed to the whole world. Just to connect to the two previous speakers, when Kyo Naka talked about our views on this Report, he talked about the very strong emphasis on the impact to the poor. For example, you can be a very rich exporting country by making your people poorer. I happen to live now in Sri Lanka, where their three main industries are very dependent on women. These are the tea, export of overseas workers and the export of garments. To some extent, you can have a lot of growth in the country but it is not very clear and in fact this is what UNDP problematizes, whether poverty will actually decline if you succeed in exporting, if you succeed in trading more.

The other thing is that I am very pleased that Dean Fabella talked about the international system. The problem in the international system is that it is very unfair to many poor countries. This is actually covered in the Report and that the failure of the Doha round will increase the pressures for the kind of things that would be very difficult to control. The world trading system—the

multilateral system is like a set of traffic rules that controls the arbitrary and unfair restrictions on poor countries. Without the WTO, the rich countries will make it very difficult for the poor countries to use trade to overcome poverty.

I also have some discussions about the 8-point agenda. I will discuss the main topics only. I do not want to go through all of them. This is basically just a subset of what the whole Report covers. Generally, every report is aimed at both the specialists (to provoke research) and for the politicians because we in UNDP believe that good economics alone is not enough, good politics is also needed. Therefore it is written in such a way that it can be understood by a wider audience, and not just by the specialist.

The Global Trading Regime

The starting point is that trade is not an end in itself but a means to better the lives of everyone. We believe that a deeper integration in the international markets can boost economic growth and generate millions of jobs. Unlike Latin America, unlike Africa, and unlike many other countries, the Asia Pacific region has nothing to apologize for being a region of very successful globalizers. But the question we want to ask and based on the data that we looked at is whether the trading regime is balanced or equitable enough for it to reduce poverty and actually promote human development. To point to some studies that the gender people have made, in the case of Asia, some of the gender economic analysis shows that a lot of the economic competitiveness of Asia comes from the fact that women workers can be discriminated against in terms of lower wages and that is the basis for competitiveness. The question is that do you want to be competitive in this way? Or do you want to worry about human development? The second question is that are you going to have sustainable development if you are building your competitiveness on the backs of the poor. We believe that trade can enhance human development but it can also hinder it. Trade as Raul Fabella talked about creates winners and losers. The question is that is there compensation for the losers. It is very difficult to do that both politically and administratively. We have a very good audience for that since we are in a public administration school.

The problem we face is that why can we not use trade policies which do these a little bit automatically instead of figuring out a way to tax the winners and turning around to compensate the losers.

We know that since the 1980s, the Asia Pacific region is the fastest growing region in the world. And our growth rates had been twice that of the other regions. Manufacturing and tourism had very important impacts to these economies and much of these growth occurred during the steady trade liberalizations. Average tariffs had fallen significantly and the region's share in

world export and imports had increased steadily. I am talking about the region and what is very important is to see which of these regional ideas can be applied to the Philippines and which should not. The subsequent discussions should be more on the Philippines.

The Asian region is rather a successful region in terms of poverty reduction. The number of people living on less than US\$1 a day dropped by almost a quarter of a billion between 1990 and 2001. This is actually a historic achievement. In East Asia, there is high growth, there is a high growth on trade and there is a high increase on human development. We are talking about South Korea for example which increased its investment 20 times during the time that it was increasing its exports. In South Asia there was lower growth, lower improvements in human development but the sub-regions laid down the foundations for future growth. However in all countries there had been a rise in inequalities. This is a problem we are all worrying about. This rise in inequalities is accompanied by the fact that this region is home to the world's food insecure. Half of the regions in here are insecure and the number of the hungry increased in recent years. You have a very successful region but the number of hungry actually increased. Inequality has increased and there was a Gini coefficient calculation in this Report.

Women are particularly either the secret of economic competitiveness or they are part of what has been marginalized in this kind of growth. Women started time-poor in the very beginning. They are also money-poor. In effect, trade has also mobilized women into jobs that do not depend on their boyfriends; so that their incomes do not depend on their husbands. At the same time because they have a lot of other responsibilities, a lot of their competitiveness might not be sustainable in the long run if other forms of intervention are not put into place.

A little bit of how we think about this kind of paradigm. For us the relationship that exists between growth and human development is dynamic. Countries can choose a growth strategy first and then worry about human development later. They can also choose human development first then worry about growth later. Both are important because if you want to sustain export competitiveness, you have to have a very skilled labor force. You have to move up the technological ladder. In the case of Sri Lanka for example, they have a very long period where they emphasized human development in terms of higher education making sure everybody is employed. If you think about contrasting India and China, China has spent a long number of time to improve human development—human development in the local and rural areas. India is trying to say that if China can do it in export-oriented growth, why can we not do the same? Our own view is that the Indian basis is not the same because the prevailing average level of education capability in India is very much lower than when China has opened up to the international market. Therefore the kind of

growth rates you will see in India will not be as high as it is in China. The Chinese local enterprises can directly intervene and become part of the international market system.

Many countries in the Asia Pacific region are engaged in trade issues and often, this discussion is restricted to economic implications only. Countries in the region should consider trade in a wider perspective. There are four things we must worry about in trade. It says that trade should lead to empowerment. Trade should lead to increased political participation in policy making and we know that there are many examples in which just because a country has engaged in some trade agreements, Congress is not allowed to pass certain laws. Trade should also lead to an increase in productivity. Trade should lead to an increase in equity and the way UNDP thinks of equity is not an overnight objective. It is not an overnight aim. It is as long as equity is continuously increasing. There are trade policies in which you have already achieved a certain level of income equality, but when these are implemented, trade inequality increases. We think that that is a problem wherein we have to figure out ways so that whatever has been achieved in human development terms at a particular time does not cause a regression. This is very optimistic but you should set standards about what you want to evaluate in trade policies. Finally trade should lead to increase in sustainability. This should not just be about environmental sustainability but also sustainability of political and social institutions.

Globalization has led to a rapid expansion in international trade. This has been one of the engines of growth in the Asia Pacific region. Actually this region has been opening up to trade faster than any other region in the world and for many years the annual import growth rate has surpassed that of exports. This means that there are questions about financing the fast growth rate of their imports compared to their export growth rates. China has been a very important driving force. By 2004, China has displaced Japan as the region's biggest exporter. Other export successes are Malaysia and Thailand. Coming up fast is Vietnam. In effect the question for a country like the Philippines is that why are these countries more successful? When I started teaching economics in UP in 1991, the Thais are like US\$300 per capita lower than us. Right now, they are double the per capita income. I do not see any difference between us and the Thais, but maybe one way that we in the School of Economics would explain it is that they liberalized faster. I do not think that is true. Import liberalization is a very important part of trade policy but it is not the only part of trade policy. In fact one of our problems with the Washington Consensus is that it is oriented on telling the government what to do. It tells the government that it should get out of the economic sphere which the Thais never did in a very important way. Whereas we think that we should have an economic development strategy that tells not just what the government should do, but also tells the private sector what to do and sets standards for the private sector on how it should carry out its investment and behave in a market-oriented economy.

One of the problems that this Report tries to make a big deal of is the fact that there has been a lot of growth, and in the last few years, if you compare the 1980s and the 1990s, the employment growth has not been as fast as the growth rate in the whole economy. In the 1980s, the Chinese were growing at 4.3% per year. Their economy was growing at 9.4% per year and if you strike the balance, the employment elasticity of growth is 0.6. In the 1990s, the Chinese growth rate was 10.1% per year, so it is not like in the 1980s, but they were still growing at 10.1%, and therefore their employment elasticity of growth has gone down to 0.1. There is a tremendous decline in the ability to absorb employment. The reason why we make a big deal out of it is that in order to remove poverty, employment generation is very important. This has been the trend and the standard way in which industrialized countries now have managed to grow. There are some computations in the Report on what the reasons are.

There is a sectoral composition of output towards those that absorb less employment. Part of this is because of the very important export orientation. Secondly and most importantly, there is an increase in capital intensiveness especially the most export-oriented industries. If you want to become competitive internationally, you must be able to produce competitively. To produce competitively, it almost requires that you manage to invest a lot in capital equipments. There is no simple answer to this problem and the reason why we are a bit coy about this is because there is no simple answer to it. One of the underlying causes of it is the fact that almost all successful countries and some unsuccessful countries now think of their markets as markets outside the country. There has been very little attention to building the domestic market and building domestic incomes and making sure that the domestic market is the main market for the country. There is a very good formulation of it— "the world market begins at home". A lot of the countries that has managed to become competitive have learned to do it by becoming competitive at home and by making sure that the incomes of their people serve as very important markets for their own products.

I would be talking now on the 8-point agenda.

Investing in Competitiveness. Investment in agricultural infrastructures. In fact what is quite different here is that whereas the Washington Consensus looks at the macro-economic balances—making sure your deficit is low, make sure your inflation is low, etc., this is now telling that government investments, public investments is an important complement to private investments. The private sector has a very difficult time investing just by trying to get the prices right. One of the formulas to get the prices right is to show the world prices and the world prices serve as the basis on how they invest. They invest based on the world prices. That is a sustainable investment because those prices have theoretically the right signals. The problem practically is that in some countries, if the underlying infrastructure is not strong enough, the private sector cannot be competitive. The government has a very important role to play,

much beyond what the Washington Consensus has talked about. We also want to say that the government should adopt strategic trade policies.

Under investing in competitiveness, we must invest in technology and certain developments. In many countries that have managed themselves, a lot of these are on reverse engineering. Part of the problem with the patent regime internationally is that in many cases reverse engineering has become illegal. But the government and the private sector should improve the capability of the domestic sector by investing in technology. We have investment in infrastructures. We believe there should be a continuous investment in human capital.

The next thing I want to add here is the following: you have to build a strong domestic private sector. Many countries now have taken the stance that they do not need the domestic private sector, and all they need is enough attractiveness to foreign investments. When the latter come in, they bring their investment with them, and then you can employ your people. But the view that I take is that unless you have a supportive domestic private sector, and you continue to build on education (and these are countries like Ghana, Jamaica and the Philippines), you do not have a domestic sector that will absorb your higher productivity and therefore your people will have to work abroad. You really cannot locate your productivity increase in your government because, yes, you can have a computerization of the government (processes) and it will become (less labor-based) productive. But the productivity and competitiveness lie in the people and it can only be located in a domestic private sector. If you do not want to develop a domestic private sector, your people will have to find jobs overseas. This helps your balance of payment shortfalls, but it does not mean that there is no domestic productivity that is being embedded in the national economy.

Adopting Strategic Trade Policies. The state should look at strategic industries that have long term potential in the international market. There is always a long discussion of issues here about corruption, but some countries have actually set ways in setting up benchmarks to make sure that these kinds of interventions work out. Egypt had a hard time removing import substitution on cars. They managed finally to do it. After 5 or 6 years, they now have better cars in Cairo.

The problem with not having an industrial policy is the following. If you only allow imports to come in, it will now become a political question on which countries should be liberalized first. But instead, if you have an industrial policy wherein you have progressively put up benchmarks which have been decided by the private and public sector and which will indicate whether you are improving your capability to be competitive, that is better. Having an actual benchmark on which to compare industries you really want to develop is a better way for government to handle the industrial issue than counting the number of tariff lines you have removed under quantitative restrictions.

Going back to agriculture. Here we do not just talk about land but also the fisheries sector. In many countries, agriculture is still a very important issue and the trend that we have seen is that investment in agriculture has declined in many countries. This was caused by trying to make sure that tax rates go down; and when the tax rates have gone down, and then government deficits will have to go down and when these have gone down, the government capability to invest in agriculture would have also gone down. The other thing we need to point out is the fact that many Asian countries have now become large food importers. Part of this is because the countries have been growing very fast. They then require higher imports but this can also be caused by inadequate investment in agricultural productivity.

This one is a very important point. Countries are continuing to face unfair protectionism in global agricultural markets. The poor countries are supposed to be competitive in agriculture but the rich countries are subsidizing their domestic agricultures. Not only that, they are also subsidizing their exports to the poorer countries. This undermines the livelihood of the poor living in the rural areas. It is very important for us to look in terms of food security, that investment in agriculture is actually promoted and that livelihood is protected in the rural areas.

Combating Jobless Growth. Farms and firms have been encouraged to mechanize and adopt a more capital-intensive technology with relatively lower interest rates. There have now been a lot of subsidies to capital including foreign capital. If foreign capital comes in, they actually have tax breaks thus encouraging the use of capital-intensive equipment. We also have a lot of infrastructure projects that are very capital intensive which might have been planned differently for them to absorb more labor. Government needs to ensure realistic interest rates that should reflect the real prices of capital. They should also phase out fiscal incentives to capital investments as this may encourage enterprises to not take on new workers. Another reason why enterprises do not take new labor is that practices are too rigid. Enterprises can offer more employment on a more flexible contract and government can assist by providing support to help workers get insurance and social security as well as by having active labor market policies to encourage free training and re-deployment. That is a very difficult issue. If you provide insurance, if you provide health and educational support, you can actually afford in some sense to reduce the rigid feature of the labor market. The government should do a lot of these things in order to improve the quality and productivity of the labor market. Unless they do that, then we can understand why workers will require a certain level of minimum wage in order for them to provide their own expenditures for the health and education of their own children. A lot of people are not classified as poor, just above the poverty line. But the moment they have a health card they go below the poverty line. If you have a health system that provides the workers the capability to survive, that health crisis will have to get that income from manufacturing jobs.

We know that China and India have been rather doing well. Pakistan is also doing well. So far Bangladesh and Cambodia are surviving. I think the Philippines is still surviving. Here we are looking at the whole region. Nepal and Laos have been able to get into the textile and clothing market because of quotas. In Nepal, in the earlier years, 50,000 jobs were lost because they were all based on quotas. The EU has now re-imposed quotas on Chinese exports and some of these Nepalese firms are coming back to produce the same kind of exports. The international trading regime is not actually a free-market. It is based on a lot of rules. If you sign on a new trade agreement, there are a lot of rules called rules of origin. How many percent of your product must be produced at home in order for you to get the tariff preferences? There are a lot of these things and I think the international trade regime should loosen up. This is the basis where you can expect the US government now that the Doha round has collapsed to sign up countries under bilateral agreements in order to protect their own markets. We are looking at this in a worldwide basis, the textiles and clothing quota. The US has an AGOA (Agricultural Growth Opportunity Act) with the African countries. Under this, it allows countries to export garments to the United States as long as they source their textile from the US or their own domestic market. They cannot source from China. One of the reasons why the Asian countries have remained competitive is because we have textile industries from China where you can get your textiles. The Africans cannot buy their textiles from China in order to make their garments. They have to buy their textiles from the US which are already expensive. Secondly, they have to be shipped in Africa, then shipped back again to the US. This makes them less competitive. The US also has an agreement with the Caribbean countries (CBI). These have also the same rules of origin. This is called the "Yarns plus rules", meaning they have to source their intermediate inputs from the US. This makes them uncompetitive. These are the countries that are losing market shares. In effect, competitiveness also means figuring out ways to integrate your domestic industry as much as possible, and making sure your sources are not stymied by these rules of origin so that you can remain competitive internationally.

Countries that want to survive in a post-quota regime must remain competitive. Textiles and clothing industries are very important because historically, these had been the industries the currently industrialized countries now depended on in order to increase their productivity.

The next is about call centers. India has been a very successful call center area. The Philippines has been very important for call centers. These are services that are selling services across borders in which people are not actually moving. In here they use the technology of making phone calls. But the other importance of selling services across countries (this is another example of the unfairness of the international system) has to do with temporary labor migration. The rich countries do not like to negotiate rules on the movement of natural persons that would provide some protection for people to move temporarily in order to obtain jobs and incomes overseas. One of the negotiating stances of

the poorer countries is to have a way in which capital is able to move, goods can move, and labor can also move in such a way that it is organized and that income can be brought home to poorer countries.

There is the question of short-term economic migration. The Philippines is good at it. In many of the discussions internationally, we are asked to share to other countries what kind of diplomatic treaties the Philippines has put on place in order to protect its workers on a bilateral basis. So many other countries are finding ways to have some kind of protection.

Policy directions for short-term migrations affect both the sending and receiving countries. Source countries can provide for training for the recruits, information and financial loans, and embassy support. Destination countries can prioritize visas, mutual agreements and can monitor employers. This is one of the suggestions that we have. In Asia, migration is not just from south to north. There are also cases of south-to-south and north-to-north migrations.

Special interest of the region. Asia Pacific is home to more than 40% of the world's least developed countries, with 14 countries as LDC. The Philippines is not an LDC. This was stated in the Report because LDCs are a source of poverty and UNDP wants to emphasize the fact that LDCs should be given the chance to develop themselves and participate in the international trading system.

The poorest countries require a fairer treatment in the global trading regime and a redirected aid in trade in a wider range of exports in order to promote better lives for all. There is a current discussion on aid for trade. In 1980 when Ronald Reagan came into power, he said that there should be aid not trade and now the whole world is looking back at aid for trade. This stems from the fact that even if you give poorer countries access to markets, they are incapable of supplying those markets unless a minimum level of development actually occurs. There are some discussions in providing aid in order to increase the supply capability of some countries. My view in this is that you have to develop in order to be able to trade. In some cases you might want to trade more in order to develop but the first requirement is you must first develop. To say that aid only for trade is a misnomer. It should be aid for development so that countries can participate not just internationally but also for them to develop their own domestic income.

The Remaining Agenda

Asia Pacific has performed spectacularly on trade and have made progress in human development. But recent trends are disturbing. There are marginalized countries, there are rising inequalities, there is jobless growth. These in effect are the kinds of recommendations we want to set forth in terms of alternative development policies.

For example, maintain tariffs in food imports so as to protect poor producers. Developing countries should insist on their right to protect special products. Governments should prepare social safety nets for consumers as well as invest in rural development. Set realistic exchange rates that reflect the real prices of capital. Have an alternative tax regime in place before embarking on liberalization so that taxes do not hurt the poor. In addition, exchange rates too must be realistic. I was with Williamson about two years ago. He is the one who wrote the first ten points of the Washington Consensus. He said that one of the problems of the ten points is that it was all about making the fiscal deficit small enough, making sure you do not protect too much against imports. He did not find a number for volatility which is a problem in Latin America. The Latin Americans accepted the ten points because it was directed to them. The Latin Americans as well as the Turks accepted it completely but they then went to a period of a lot of volatility and this is the reason why their growth did not happen. What is meant with stable and real exchange rates is that you do not want sudden fluctuations to happen. You make sure that your exchange rate is stable. You make sure that you maintain credibility as far as your macro-economic balances are concerned. Finally, keep in mind that multilateral deals can produce more durable human development outcomes. Rather than seek bilateral agreements outside the region, look to other countries in the Asia Pacific. Other options can include pooling the Asia Pacific's massive foreign exchange reserves.

The countries in the Asia Pacific are renowned for the speed at which they have developed economically. Now they find themselves at another frontier: trying to combine accelerated trade-driven economic growth with equally rapid poverty reduction. More broadly, trading on human development terms. This in many ways is a more complex and difficult task. Just as before, they need to work out their own solutions.

REACTIONS

Dir. Serafin Juliano
Chief of Staff

Department of Trade and Industry (DTI)

We all appreciate the effort of describing the facts and identifying problems; but we all agree that we should all together put more effort in formulating solutions.

We all appreciate the worry, but we all agree that we should focus on hope and faith for and in ourselves, and for and in this great, resilient and talented Filipino people.

DTI will now comment on the key recommendations of the UNDP Report within the context of its programs and strategic imperatives.

UNDP Key Recommendations:

a) Invest for competitiveness

Comment: Government is organizing the Competitiveness Summit where the private sector will lead the execution of programs on people (training), management (corporate and public governance), infrastructure, financing, and energy and transaction costs.

b) Adopt strategic trade and industrial policies

Comment: This is the guiding principle behind government's tariff reform program. I would like to emphasize one critical idea about tariff management. Each time we raise the tariff rates of any product or service, we ask the Filipino consumer to pay a higher price.

c) Refocus on agriculture, emphasizing investment in rural development

Comment: These are the objectives of the North Luzon Agricultural Quadrangle, the Metro Luzon Urban Beltway, Central Philippines and Mindanao infrastructure programs, and the Cyber Corridor. These programs enable our agricultural products to reach their consumer base at affordable prices.

d) Combat jobless growth by recalibrating interest rates and phasing out fiscal incentives

Comment: These are the fundamental considerations of the rationalization of incentives program and road mapping of BOI, DTI and PEZA, and the skills development of the government.

e) Prepare a new tax regime ensuring equitableness

Comment: These are the intentions of the E-VAT Law, E-VAT exemptions, NOLCO provisions to sustain profitability, and the Incentives Bill.

f) Maintain stable exchange rates

Comment: These, among other key fiscal objectives, are basis of the bonds floatation and money supply policies of the BSP.

g) Persist with multilateralism

Comment: Despite the breakdown of Doha at this time, we continue to engage in regional and bilateral negotiations precisely to strengthen the Doha Round. The philosophy is: "As the WTO encounters challenges in achieving consensus among its members, bilateral and bi-regional agreements will result in gradual broadening of consensus in the WTO."

h) Promote regional cooperation

The Philippines now chairs the ASEAN and will continue to move forward the ASEAN-Priority Integration Program.

In all these initiatives, we are driven by the 10 principles on employee welfare from the International Labor Organization (ILO):

1. Harassment
2. Health and Safety
3. Hours worked
4. Freedom of Association
5. Forced Labor
6. Child Labor
7. Compensation and Benefits
8. Laws and Regulation
9. Time and Environment
10. Discrimination

At this point, I would like to comment on garments and textile. The garments and textile sector in the Philippines is not surviving. It is growing. (Refer to the NSO data for end-June in exports given in Tables 1 and 2).

The tables also show that domestic companies are growing. The reason for this is that the sector is de-regulated with the lifting of the quota. In addition, the industry has continuing positive performance in moving up the value chain.

But as we accomplish this, we continue to have problems.

Moving up the value chain means remodeling the business, the companies, and the organizations that run it. In the process, we experience layoffs and factory shutdowns.

Table 1. Textile Product Export Sales
Based on the Merchandise Export Performance Report of
the National Statistics Office (NSO)
Figures in US Dollars
June 2006

	Year-to-Date			Monthly		
	Jan to Jun-06*	Jan to Jun-05	Growth Rate	Jun-06*	Jun-05	Growth Rate
Garments	1,245,705,723	1,050,250,784	18.61%	232,130,000	187,759,000	23.63%
Textile Yarns/Fabrics	115,401,553	127,734,462	-9.66%	19,117,000	20,862,000	-7.48%
Subtotal Garments and Textile	1,361,482,095	1,177,985,246	15.55%	251,247,000	208,421,000	20.55%
Travel Goods and Handbags	19,374,819	11,616,315	66.79%	2,630,000	2,314,000	13.66%
Total Textile Products	1,380,482,095	1,189,601,561	16.05%	253,877,000	210,735,000	20.47%
Total Philippine Exports	22,736,830,220	19,471,324,551	16.77%	4,049,967,000	3,358,547,000	20.59%

* June 2006 figures are preliminary as reported by NSO

Table 2. Volume of Production Index

Products	2005	% Growth 2005/2004	2004	% Growth 2004/2003	2003	% Growth 2003/2002
Footwear and Wearing Apparel	91.4	-1.1%	92.4	-2.9%	95.2	1.3%
Textile	179.4	15.8%	154.9	6.8%	145.1	21.1%
Textile Products	166.8	14.6%	145.6	9.1%	133.4	15.9%
Cordage, Ropes, and Twines	331.9	24.1%	267.5	-6.8%	286.9	62.4%

Our measurements though, show that we still attain net gain. More factories are opening up compared to the number of factories shutting down. There is marginally more employment compared to layoffs.

The challenge is that the new factories do not revive the old ones. The layoffs that take place are not absorbed by the new jobs generated. The reason is that there is a change in the skill and mindset of the labor needed, and a

change in the strategic imperatives and management competencies of the new business models.

That change has to do with forging partnerships rather than creating divisions. The difference is partnering together rather than emphasizing workers' rights and management's duties.

Failure to agree quickly means transfer of investment and employment, both foreign and domestic investors, to another country.

Government's focus is to minimize workers' layoff, while enabling an environment for businesses to prosper.

Finally, I would like to make an appeal. Help your government. Support government workers. There are many capable, dedicated, professional, and selfless individuals in government. And we are losing them. We are losing them because they are frustrated. And they are frustrated because no one appreciates their work.

Mr. Crisanto S. Frianeza
Secretary-General
Philippine Chamber of Commerce and Industry

I thank the organizers for this wonderful and worthwhile forum and for inviting us and the DTI to take part in this affair. This study became more appropriate when they found out about the results of the World Competitive List Yearbook. The Philippines ranked 49 out of 61 in 2006 and it has been that way for the last 3-4 years. This is a signal for us to start an aggressive intervention in partnership with government and all stakeholders. We are happy to note that the government has placed greater urgency in improving our country's competitiveness. In a globalized economy, competitiveness of enterprises, organizations, and businesses is no longer a luxury but a matter of survival. We in the business sector are willing to help the government craft an action agenda for national competitiveness particularly on economic performance and business efficiency. We also need to ensure funding for implementation programs and also on health particularly on reproductive health to help us manage our population and improve the quality of Philippine human capital.

We laud the 8-point agenda of the UNDP. Let me just comment on these one by one in a very short manner.

Invest for competitiveness. I think this is a no-brainer, but the problem is that we have begun to sit down with the government and the stakeholders, we identified the six problems based on the survey and this would be the basis for the roadmap which will be discussed in the National Competitiveness Survey sometime late this month. One of the problems found why we ranked 49. We somehow lumped them out into 6 groups particularly people, management, infrastructure, transaction cost, financing and energy.

Part of investing in competitiveness is also investing in tertiary education. For this, we are trying to somehow be aggressive with the launching of the Philippine Business for Education. This will be a CEO-led initiative to focus on the problem of Philippine education. I think this move is timely and critical considering the current state of Philippine education, where particularly it has one of the lowest budget allocation in real terms.

Adopt strategic trade industrial policies by not opening up strategic industries too early and by introducing properly sequenced tariff barriers with a clear time frame. We are working again with government on this. When the Philippines pursued a unilateral tariff reduction, some sort of a mini disaster followed. The Philippines imposes one of the lowest tariff rates on imports. The country's estimated applied tariffs of 2005 are estimated at 8% for agricultural products and 4.3% for industrial products. In comparison Thailand's applied

tariff rates for agricultural products are 29 % for agricultural products and 14.2% for industrial products. China and India also have higher tariff rates than those in the Philippines. The government lowered its most favored nation tariff rates by an average of 5.61% in 2003. One thing with this issue of early or too soon in opening up or lowering these tariffs is the issue of consultation. I think the DTI is getting brick-bracks from some sectors about not consulting but I do not think that is the problem. I think this is about the government and the business sector working together in fine-tuning a process of consultation. In fact, what we did in the Chamber of Commerce is to set up an independent office for international trade negotiations. We set up a group called Universal Access for Competitiveness and Trade. This is implementing a consultation program on all our industry associating members and local chamber members. Based on this consultation program, we identified 22 sectors that we need to study carefully before opening up. These include corn, feeds and livestock; fruits and vegetables; coconut, coconut oil and other by-products; rice, sugar, root crops and dairy; forest and wood products; fishery and fishery products; mines and mining, textiles, transport equipment and parts, wholesale and retail trades, finance and education, medical and health services, tourism and ICT-based business opportunities. The lull of the negotiations will give the stakeholders more time to assess the readiness of these industries for trade liberalization.

Furthermore, this will give an opportunity to the PCCI to have more time to study these industries. This activity of consultation is a big help to the industries for them to assess their competitiveness and also would be a great help to the renegotiating stance of the government.

Refocus on agriculture. Again we will push for a comprehensive irrigation plan for the country to ensure an inventory of water sources available, accessible and well accounted for. We are dealing with the specifics as far as the business sector is concerned. And of course on the formulation and implementation of a comprehensive and viable food security program that will further develop the agro- industrial supply chain particularly rice and corn production, milk and dairy production. Research and development and technology transfer were particularly focused on the dairy production. We import 98% of our dairy needs so we are working with foreign partners right now so that we will come up with a scheme similar to that one in India (the Village Milk production scheme) to give our farmers more livelihood opportunities.

Combat jobless growth. Well, the PCCI is an association of 20 thousand small and medium enterprises (SMEs). It calls for the passage of a bill on harmonizing and rationalizing the grants and administration of fiscal and non-fiscal incentives. Our problem really is that 98% of all enterprises in the Philippines are considered small and medium enterprises. We only have 2-3% of the so-called big boys and what we are trying to do here is to help government set up or improve an SME guarantee fund that will be managed by the PCCI.

The initial discussions focused on a 500 million peso guarantee fund to be managed by the chamber. There will be a creation of an SME development center where we will work with government and training institutions. Of course we will push for a stronger and well-funded business guarantee for corporation and of course work towards setting up pilot SME research and development centers all over the country. Recent studies and statistics reveal that billions of revenues are foregone due to the unabated granting of fiscal incentives to many business activities. We also need to rationalize incentives across sectors and industries based on a long-term strategy on the sunrise industries. I was telling about this survey a while ago and that the results of this survey will serve as the basis for the roadmap. We will not say that we have the plan for this competitiveness because we want to take it a little slow, sit down and talk about specific areas of concern and then come up with a long term or medium term strategic roadmap.

Preparation of a new tax regime, that the new taxes are equitable and that they will protect the poor. The business community lauds the program of the government to "run after tax- evaders" or RATE program and the run- after smugglers. These programs should be able to generate the necessary revenues for the government. As for the tax regime, PCCI supported the implementation of the VAT so that the government can gain additional revenues. However, we also call for selective repeal of the law particularly on the 70% input cap on VAT. PCCI reiterates the position to lower the corporate income tax, bring it back to the 32% level from the existing 35%.

On multilateralism and bilateralism. We have no issues on multilateralism and bilateralism. We are working on it, with our membership in the ASEAN particularly our membership in the ASEAN Chamber of Commerce. On bilateralism, we are taking it with an open mind. I think there are some disadvantages, but there may be a lot more advantages in the long run.

Indeed, there are so many challenges and areas to cover and in this regard, we will be at the forefront in organizing a summit on competitiveness in September as a prelude to the 32nd business conference in October. This summit shall be aligned to the sunrise industries. We shall highlight tourism, business process outsourcing, IT, mining, logistics, telecommunications, transportation and construction. Part and parcel of the critical paths to a strong economic growth is investment promotions. While we may not have enough funds to fuel the growth of these industries, we can turn to our trade and investment allies for further investments or expansions especially for the critical sunrise industries I just mentioned. Part of the marketing challenge in selling the country as the vital investment hub is to ensure a stable political climate and a stable implementation of laws and procedures. We have stated time and again that our country is in a state of transition. We have been very fortunate that our country had been very resilient despite negative developments both in external and internal

environments. However as the notion goes, any track to a stable economic growth remains arbitrary unless we put our political bottlenecks in a predictable form, if not to an end. We enjoin the politicians to minimize their politicking and focus more on managing our country.

I guess the only lesson that we businessmen have learned in all the crises over these years is that we are more resilient than we thought we would be. Over the years we have mastered the art of doing business in a fretful yet forward-looking manner. Politics is part of the adjustment that we have to integrate in our business plans and feasibility models, yet in the end we know our bottom line is that, it is business as usual.

Professor Leonor Magtolis- Briones
Co-convenor, Social Watch Philippines
Professor, UP NCPAG

Before I proceed, I cannot help myself but react immediately to the statement that it is time for us in so far as workers and factories are concerned to stop talking about rights and for management to start doing their duties so we can move forward or else we stay at the bottom of the heap. Along with most of you who are here, I am sure that you will agree with me that the reason our country is perceived to be undemocratic and full of terror is because we do not practice human rights and because we do not do our duties. It is not true to say that we are at the bottom of the heap just because we are insisting on human rights and/or because we are insisting on duties. The reason why we are at the bottom is because we do not respect human rights; because we do not do our duties.

Social Watch, along with the many other organizations, follows the United Nations principles of human rights, justice and peace as the bases of what we all do, including trade.

We can have partnerships. We believe in partnerships. We can have partnerships even as we demand our rights and we can also demand that those in positions of power; those who hold the reins of power should do their duties. It is not incompatible.

Social Watch is a network of civil society organizations that is advocating and campaigning for this country as well as for the other countries in the United Nations family to comply or to fulfill the promises in so far as the delivery of the Millennium Development Goals is concerned. All of us here in this audience are obviously an educated audience. We are all familiar with the Millennium Development Goals ranging from poverty alleviation down to coming to global agreements on important issues.

We have always commented that while goals 1-6 which are poverty, health, education, and women, etc. have always been associated as the deliverables of the countries and the states, and the developing countries. Goal number 8 is largely the responsibility of the global community as well as the developed countries because this covers the areas of trade, and it also covers the areas of debt. It is also interesting to note the goals assigned to the developing countries and to the states— all have goals; all have fixed targets. We are supposed to reach these targets by 2015, but goal number 8, which is on debt and trade, has no time-line. And there are no clear goals. And so while countries are excruciated and monitored for not fulfilling or exceeding the first seven targets, it is not possible at this time to measure performance on the matter of debt and trade.

First on the theme. The theme is quite straightforward. But I have some problem on the Tagalog part, "Makatao Pa Ba?" If translated in English literally this would mean, "Is it still on human terms?", but that is assuming that trade has always been in human terms. All of us know that historically, trade has never considered human terms. Historically, it has been the basis for conquest. It has been the basis not only of exports of raw materials, of markets, goods and services, but even the forcible abduction of people just like in the case of Africa, and now, the overflow of people coming from the developing countries to the more advanced countries in search of jobs, and supposedly and hopefully a better life. So maybe from the point of view of the Social Watch and the other civil society organizations (CSOs), our question is "makatao ba?" and not "makatao pa ba?"

One of our speakers a while ago commented that the Doha round is dead. Well in this country many things are dead. The impeachment attempt is dead. The other day, we were visiting in Congress and they were saying that the impeachment is already dead. The 2006 budget is already dead because the 2005 budget is already re-enacted. So I say why do we not have necrological services? We should have brought flowers. The occasion this morning is not an occasion for necrological services, rather, it is an occasion for hope because we have to have hope. There is no choice but to have hope. We have hope because we have a Report that tells us, and shows us the situation of the least developed countries. We have also a report that talks about duties and of rights. We have a report that tells us what is happening in the Philippines at present. We have a report, which we can use as a tool for our advocacy. We have a report, which can tell us, and perhaps light some of the darker aspects on what we think are happening in our country.

What strikes me in the Report of Dr. Montes and this I have repeated in my other opportunities to speak is that we are claiming we have had very good growth; we are claiming that we are improving with all the very good numbers in there. In goal number 1, we are saying with confidence that we will achieve the Millennium Development Goal (MDG) of reduction of poverty by 50% in 2015, but at the same time, statistics shows that hunger is rising. Official statistics show that more than 50% of our people get less than their required nutritional requirement in a day. Statistics shows from the National Food and Research Institute and also from other surveys show that interestingly, hunger is rising in Mindanao, which is a source of the richest resources and the most diverse cultures; and it is also rising in Metro Manila which is a very sensitive area. We look at trade not only in the numbers of how much somebody has exported but also how it has affected the quality of life of our people.

We agree with the findings that the Philippines so far as in some aspects of trade is concerned that we are among the losers, even as we envy India and China. The report also puts attention on the role of governments in so far as

even we, are a private enterprise driven economy. The role of government is creating enabling policies, and also protecting the helpless, protecting the vulnerable members of the society.

I will touch very briefly on the 8 point programme or recommendations of the UNDP, since these have already been discussed by the preceding speakers.

There is a question on **investing in competitiveness** and this is in developing human capital. This is a favorite of Social Watch. We have always pointed out that in the Philippines, we are not investing enough in MDGs. The Philippines signed on to the MDGs in the year 2000, and this is now 2006. In all State-of-the-Nation addresses (SONAs) and Budget Reports, however, which are the true test of the commitment of any government to a policy decision— putting your money to where your mouth is— there is no mention of the MDGs. That is a fact.

We have always pointed out in the book authored by my students here in the graduate school of Public Administration, that there is under-investment in human capital. The report urges us to invest in technical education, to invest in tertiary education and so on to prepare ourselves for competitiveness.

The goal of the MDG is actually very humble. Just to give children the chance to reach Fourth Grade. I always tease my friends in NEDA, "are we trying to turn ourselves into a nation of fourth-graders and claim that we have achieved the MDGs?" But if we only have fourth graders, where will we get our philosophers, our idealists, our painters, musicians, artists, who create not only money but also help shape the soul of the country? We have pointed out in the book that we have a very clear shortfall if we follow the 2006 budget. We will have a shortfall of 14 billion pesos just to invest in more classrooms, books and so on. And if we will re-enact as we are now re-enacting the 2005 budget then we are going to have a shortfall of the 2005 budget of 13 billion pesos, in spite of the addition of 8 billion in the supplemental budget. We are still under-investing in education and we are in danger of not turning this country into a country of fourth graders as per the MDGs.

Another observation in the UNDP report is that in investing in competitiveness, we must know when to liberalize. Many of us here and I see them in the audience are veterans of the big debate. The huge debate on whether we should join the WTO. We cannot reverse globalization, we cannot stop foreign capital from coming in, but we must be ready for it. The example of China as shown in the report, that they have prepared themselves first before joining the WTO, is quite instructive.

The recommendation of the UN that we must **refocus on agriculture** is also very welcome. It was already mentioned and I will not repeat them. The numbers have been given by Kyo Naka, that most of the poor whom we are trying to help are actually in the agricultural sector—the landless rural poor, poor fisher folk and so on. But what do we have? We have a program on the mega-regions which will be concentrated on the mega cities. On the regions which are already moving forward with the assumption that the laggards will just follow. We are going to invest over trillions of pesos in these mega-regions who will absorb jobs and will bring over the wealth of the agricultural sector. But what is there for agriculture in the notion of mega-regions? We are going to build dams and railroads and whatever else we want to build?

The recommendation of **jobless growth** is a point well taken. I recall that ten years ago, the United Nations in its HDR already called attention to this. The most telling image of jobless growth in the Philippines is the fact that even when we (the government) tried to repatriate 30,000 people in Lebanon to get them out of harms way, many refused to leave. They would rather face the bombs of Israel than face the prospect of no jobs and unemployment here in the Philippines. This persistence in staying abroad facing danger is a very telling condemnation of our system.

New tax regimes. I have some conversations with my economist friends who look at the Value Added Tax (VAT) as a way out of the deficit of the national government and its fiscal crisis. At the time that the VAT was adopted, the Department of Finance and also the School of Economics (UP) endorsed a program of eight proposals to improve tax collection and increase revenues. But VAT had to be selected. But VAT in the time of hunger, in a time of joblessness, in a time of rising poverty. VAT as well as the excise tax on gasoline. Well, we say that the poor do not have cars. But the poor ride jeepneys. They ride tricycles. We are told that the poor are spared because prices of the products from their natural state are spared from the VAT. So I challenge the Filipinos here. Are you going to eat palay in its natural state? Are you prepared to eat eggplant in its natural state? Are you prepared to plant in little pots you have in order to eat foods in its natural state?

On the matter of the budget, as a teacher of public finance, I have always believed that even if there are so many speeches and we never run out of speeches, you just open the government television and there are so many speeches and speeches and speeches. There are many policy declarations and very inspiring words as well as very beautiful figures, but the best test of commitment, whether it is to trade or to human development is when money is made available. Provision is made for it in the budget. I have mentioned a while ago that we are operating the government, and its services are operating under the re-enactment of the 2005 budget. And so to recompensate for the shortfall, a bill for a supplemental budget has also been filed in the amount of P47 billion.

Now let us go through these items and find out whether it has some resonance for trade on human terms; whether it has some resonance on MDGs. The Department of Education will get P8.5 billion but as I have pointed out, the shortfall even with the P8.5 billion is P13 billion. So it is not enough. Another fortunate future recipient of the supplemental budget is the Department of Interior and Local Government, but this is not for the local governments per se. It is for the Bureau of Fire Protection, so perhaps maybe we are anticipating more fires. It is also for the Bureau of Jail Management and Penology to recruit more jail guards. Are we anticipating more prisoners? We are going to build more jails. Are our jails as crowded as our schoolhouses? Also increases in the salaries of the members of the National Police Commission and increase in the allowances of the cadets in the Philippine Public Safety College which trains our policemen. This is all of P1.4 billion. P1.4 billion for the firemen, for the jail guards, for the building of more prisons and P500,000 for feeding school children for the Department of Social Welfare and Development (DSWD). And then since we are so happy with the performance of the Commission of Elections (COMELEC), P1.5 billion is allocated for COMELEC. But I think the first thing the COMELEC should learn, what we should teach them is how to add. There is the miscellaneous and personal benefits fund amounting to P4.9 billion for the retirement of our generals. I think we have a "general problem". P1.8 billion for premium subsidy for indigents—insurance for indigents. All of you here, I think except the students have health insurance. But for the indigents, they will be given free health insurance. But how do you classify indigents? So far, because insurance cards were distributed last 2004 during the elections, we have to give them now P1.8 billion so they can distribute more insurance cards so they can vote for Cha-Cha (Charter Change). The main consideration for you to be classified as an indigent is for you to attend Barangay hearings and sign the petition. Pension and gratuity fund for the members of the sector in uniform. And all of these add to P47 billion. So I was always asking myself, is there anything for health? There is already a shortfall. I have said this many times. More than 50% of the health services related to MDGs is borne by the donor community. Is there anything in the supplemental budget for health? There is none at all. It is only for education and it is not even enough. The rest is for the building of more jails. I hope they can accommodate all of us.

Finally, on the **role of government**. The Report itself recommends policy directions for governments who not only want to enhance trade but also to protect those who are negatively affected. On trade policy, we appreciate all the hard work that DTI has been putting into improving our trade relations with other countries, and reminding us to stop talking about rights and duties. In spite of their hard work, trade policies must be harmonious with other policies of the government. You might have a wonderful trade policy but if your fiscal policy does not take into consideration the human aspects of development, then we will have a problem. You might have a good trade policy but if your tax policy is not harmonious with the other policies of the government then the revenue and

other policies would only make the poor the bearers of the burden. And this is where the government should come in because it is supposed to harmonize, to make sure that we are going towards the same goal, and that we are marching to the same beat of drums.

Finally, there was also an admonition and advice from the previous speaker that the politicians should stop politicking. I think we should also add another advice, that the executive should stop interfering in the legislature, giving orders, giving only to those who follow and obey the government line. The executive should really hue to the constitutional principle of balance. I am not the most ardent supporter of politicians, whether they are in congress or senate, but right now, we have a budget process which is really centered on the executive and something must be done. It is not only politicians who should stop politicking, but the executive should also stop politicking. Please do away with the envelopes.

Finally, I think as I said, I started with a note of hope. This is a time for hope. We are given a weapon, we are given a tool. We are given data. We should look at them in terms of what we want for this country. I hope that when we have another forum, because there are always a lot of fora here in our college, we would not anymore be talking about hunger. We would not be talking about babies dying or mothers dying— we have one of the highest levels of maternal mortality in Asia. We would no longer be talking of just being happy with fourth grade children. Rather we would already be talking of time to sing, time to make friends, and time to love.

Prof. Josefa "Gigi" Francisco
Miriam College-Women and Gender Institute (WAGI)

"What are we really doing about gender and trade?"

Thank you for this opportunity to interact with you in today's conversations. I would like to specifically focus my interventions on the central concern of the regional HDR which is "how can we make trade work for the poor", or as the Aide Memoire for this activity states "to elicit discussions on and appreciation of the implications of issues, lessons and implications of international trade on poverty reduction and sustainable human development, particularly as it relates to Philippine experiences." I will of course speak from a consideration of how we can raise the level of gender in the discussions on various aspects of this broad concern.

As always the Human Development Report prepares the ground for flagging issues beyond the conventional scope of most economic studies, in this case on trade and poverty. It is up to others to take these forward. This is true in regard to gender, among others. The regional HDR reflects a certain degree of sensitivity toward gender analysis in as much as there is an effort to integrate some gender-differentiated data or to flag concerns about poor women's increased burdens. Gender as a variable is taken seriously in employment but how seriously, varies across the papers. Gender is given some consideration in presenting empirical trends but completely disappears from the recommendations part which I must say, even if these have not been elaborated with regard to their link to gender, may be worthwhile and challenging if taken seriously by governments and economic planners. Discussions on the implication of trade and trade-related policies on health and education raises the visibility of what feminist economists refer to as the social reproduction side of the economy but then again can merit from being pushed up front. Thus the regional HDR may be seen positively as a glass with water that is "half-full" or disappointingly as "almost empty," in relation to gender analysis. Whatever one's feeling about it, the regional report presents a realistic and 'doable' base from which fundamental shifts may take place in trade thinking and policy options but with which we can also appreciate another fact, which is that there is much work to be done in pushing up front gender analysis or feminist economics even progressive heterodox economic thinking!

Thus from this disadvantaged position, I want to raise some questions here and there that hopefully may be picked up for discussions in the working groups. Going by the pragmatic approach of UNDP and recognizing that we are in a venue where people speak of actual governance policies and programs, I will

focus my provocation to areas where I believe some steps may be thought of and taken.

1. I want to begin with poverty because lest we forget, this is the real goal while trade, which has preoccupied us in the last ten years, is but the means. How much gender analysis has the Philippine government really put into its poverty analysis?

How do the core gender or Gender and Development (GAD) statistics that have been put together by an interagency task force inform poverty incidence analyses and program responses?

How does the GAD Monitoring Indicators for ODA in the Philippines link back to addressing gender issues in poverty whether directly or indirectly? What are the inter-linkages between these and the MDG indicators? Are there efforts to establish connections between these and the trade liberalization environment beyond simply inserting a paragraph or two which states in general terms that gender trends are taking place within a period of trade adjustments or shifts linked to trade?

2. The gender budget. While there is commendable technical work on gender budgeting in the Philippines, I wonder whether there is enough thinking being put on how this is linked to the broader environment spawned by trade liberalization.

Certainly the gender budget initiative strongly responds to the issue of access to services and programs that are deemed to directly benefit women and their concerns in particular social reproductive burdens. However as the UNDP regional report has shown, the broader macroeconomic environment or more specifically how this is managed, certainly has major implication on where public funds will be sourced and on what public expenditure items need to be emphasized.

3. On remittances. Seventy percent of the Filipino migrant workers are women (2004 statistics). Remittances from feminized migrant work have not only functioned as a household survival strategy but have also become a national survival strategy for the Philippines that has become increasingly dependent on migrant remittances as one of the foremost sources of convertible currency given its dismal trade performance record (Peralta, IGTN-Asia forthcoming). In an effort to ensure that remittances positively contribute to long-term growth and not just to short-term BOP showing of the country, there are discussions everywhere on how to utilize remittances for financing enterprises and investing in human resources. Given the lack of a clear agro-industrial program that could inform what strategic enterprises and human

resources need to be supported, I doubt if these discussions would go far. One also needs to take into account the impact on educational aspiration of the kind of low-skilled jobs that a majority of our Filipinos are employed in abroad. Even respectable universities, I heard, have of late been entertaining ideas of offering short-term certificate courses in health care and similar pre-college diplomas as way of responding to decreasing enrolment in the traditional courses. A question that needs to be asked as well, in light of the war in Lebanon, is what kind of government support is there for migrant workers particularly when one talks about their own human development needs in times of extreme risks?

4. A final provocation I would like to raise is on informal sector work and link it with SMEs. Gender specialists are also engaged in the advocacy on the protection of informal sector workers the majority of whom are assumed to be women. There is an estimate by Gene Illo that a significant percentage of our GDP is actually produced by informal sector workers. The core gender statistics matrix project has also included informal sector work as an indicator but also acknowledges that data remains a challenge. How much of informal sector work do we know? What are the kinds of work that are emerging within this sector? An on-going study by Floro and Beneria in collaboration with the Women and Gender Institute is revealing that in some cases such as the Philippines, the urban poor may be largely caught in various types of unproductive and redundant work for their daily survival and in an environment where uncertainties in traditional and irregular contractual jobs have increased. Much of the work engaged in is not linked even indirectly to any local industry. Here, I want to plug PCCI's reference to their program of promoting small and medium enterprises. There are no more SMEs in some places. Once again, such evidences and experiences prompt us to begin factoring in our equation the broader macro-economic environment, in this case trade liberalization policies, that is the focus of today's discussion.

Dr. Rene Ofreneo
Professor, UP SOLAIR
Executive Director, Fair Trade Alliance

Introduction

Good morning. I would like to point some things being discussed by the Fair Trade Alliance. The truth is that it is very difficult to react on the book made by the UNDP as well as to the observations shared to us by Butch because many of the points there are the same points raised by the FTA in its engagement with our policy makers in the DTI, Department of Agriculture (DA), NEDA and of course Malacañang.

In particular, I think Dr. Montes made a very good point, charity begins at home. You know it is very difficult to tap the export market, but we have a very huge market locally, totaling 85 million Filipinos. This market, we are just giving it away through "ukay-ukays" which we can find all over the place. "May ukay-ukay ng damit", cars, surpluses and almost everything. This huge domestic market can be a vehicle for growth and employment creation.

Second, I am very happy that he mentioned Thailand because the FTA has been benchmarking with Thailand. In the early 80's we were ahead of Thailand per capita wise; today they are ahead of us by twice. Well, what happened in the interim? We learned from Ambassador Manuel Teehankee from Geneva that the tariffs of Thai industry and Thai agriculture are three times higher than that of the Philippines and yet the exports of Thailand are much stronger than our exports. This tells us that to a certain extent we have become a victim of simplification by some economists because some economists are saying that to succeed in trade; you have to liberalize, reduce tariffs and some things like that. That is not true. We now have learned that the export boom of China in the 1990s happened at about an average tariff of about 30%. In our case we reduced our tariffs, so I think in the case of the industries it is almost 5 to 6%. They call this at the WTO the "nuisance range".

I made a small PowerPoint presentation in response to the 8-point agenda. We will run quickly into these because we are running out of time.

1. Since a lot of our participants here are from the trade movement, let me recount that in the first half of the 1990s many are singing paeans to globalization particularly the World Bank (WB). The 1995 WB World Development Report was saying that the world is on the threshold of a new golden age for the global labor market. What the WB was saying then was that the workers all over the world including Asia would be the main beneficiaries of globalization. Today, you cannot find any trade union group

supporting globalization. Not in Asia, Europe or Latin America because globalization has made jobs flexible, inequality more pronounced and job security is no more. What we are witnessing in many countries is a race to the bottom. I am afraid that even the WB is not even referring to this report because this is so embarrassing. They gave so many positive projections that never happened.

In Asia, globalization has been facilitated by the dominance of neo-liberal orthodox thinking referred to as Washington Consensus, modified by these neo-liberals plus institutional reforms and of course the collapse of socialism. I will not go into these details but let me point out that after 1997-1998, there is a massive realization that not all is well under globalization. During this time, we experienced the Asian financial crisis which wiped out millions of jobs overnight. This is caused partly by the liberalization and globalization of the financial sector. Only after the crisis did they talk about putting up certain rules on the financial sector. In 1999 as a result of this, I think we should give credit to the UNDP because they came up with a report, the first official report of that kind saying that globalization has tremendous capacity to do extraordinary harm as well as good.

2. In some countries, they pitted some sector against another sector or industries. In some countries that is unthinkable because in some countries they promote coherent and sustained development of all sectors of the economy. What we do is that we sometimes pit an industry with another industry. I think this is an indication that we do not have a fighting industrial roadmap.
3. We have to restore focus on agriculture? Yes, but we need an integrated approach. A group of advocates seated at the back and the group of Fred Serrano of the DA labored very hard on the special products, special safeguard mechanisms for agriculture, and so much intellectual effort has been poured into this. I think those ideas are very useful and should be adopted by the government when they do road mapping in agriculture. The very crazy idea of developing a 2 million hectare of agri-business farm to create jobs is simply thin air because no area in agriculture in our country today is unoccupied. Most are occupied. The issue really is how to transform small farmers into competitive farmers. We have also to finish this land reform program and switch on to an integrated agrarian reform program.
4. Combat jobless growth. On this point, let me just take issue with UNDP because the main point raised in the report is that there is a lack of labor flexibility. In the Philippines in particular, labor flexibility is so widespread. This is indicated by the fact that only 500,000 workers out of a labor force of 37 million is covered by collective bargaining agreements (CBAs), compliance with the minimum wage is only about 25%, and under the labor code and existing labor jurisprudence, employers have full freedom to re-structure,

outsource, to spin off departments or entire branches of corporations, in other words, flexibility is not really an issue. The issue really is that we do not have sustainable jobs because we do not have sustainable industries. We do not have sustainable industries because there is something wrong with the way we have crafted our agro-industrial program.

5. On tax regime. I think we have to recalibrate tariffs upward within the bounds set by the WTO, especially in agriculture where there is still a space to raise tariffs but we are not doing so. We also have to punish smugglers who do not pay taxes at all. Can you imagine a Pajero costing only \$350 being imported through Subic and they are not paying taxes. I think it is so unfair to producers. What we have is a very uneven playing field against local producers, in favor of importers and producers from other countries, and so, we are creating jobs elsewhere.
6. Stabilize exchange rates. Yes.
7. Persist with multilateralism. Yes, but we have to insist on genuine and balanced development and this is where apparently the talks have bogged down in Geneva.
8. Cooperate with neighbors. The focus we believe is that in regional and bilateral cooperation, the aim is to forge normal but mutually beneficial economic ties. I believe there is no law stopping us from doing so. Why should we be forced to go into a bilateral trade agreement that could endanger certain domestic industries? In the case of AFTA, the ASEAN Free Trade Agreement, I think there is a bit of exaggeration taking place here. If you examine the statistics, extra-ASEAN trade is going much faster than intra-ASEAN trade. And Form D, the one being used by importers and exporters within the ASEAN to avail the preferential tariffs, accounts for less than 5% of total intra-ASEAN trade. Moreover, within the ASEAN, Singapore accounts for more than 40% of intra-ASEAN trade. Sometimes, we even import canned juices, and this is very bad. In fact Singapore has concluded bilateral free trade with Australia, US and with Chile. That means they import their agricultural products and they use their ASEAN position to export agricultural products to the Philippines and to other ASEAN countries. I think this is a simple case of trade opportunism because ASEAN is not behaving like the European Union (EU) as one economic community.

There are also some exaggerations in the case of garments, because some garment producers are dreaming that a bilateral trade agreement with the US will give them access. This defeats what Director Juliano mentioned that again you will be relying on captive markets without investing on your competitiveness and productivity. Moreover, we have learned that in the case of Mexico, by entering into a bilateral agreement, e.g. with the North American

Free Trade Agreement (NAFTA), their garments and exports even went down because there is a problem with complying with very strict rules such as the rules of origin. The latter as we found out is a very long process and it is a nightmare complying with all these requirements.

Conclusion

To conclude, let me just say that the challenge really is that we have to manage globalization, regional and global integration better through coherence in the social and economic arena and based on the human development framework. We hope UNDP will continue to be an ally in this struggle.

Rejoinder of Dr. Manuel Montes

The comments are extremely valuable to us because they represent the genuine reactions from a national point of view of a regional report. The regional report as I said in the beginning applies to many different kinds of situations and what we have tried to do is give an abstract to distill the key ideas that came from the report.

One point is about the textile and clothing industry. It is well that it is still growing. We believe that the country should not give up on this industry. It is very important for the private sector and the government to work together to sustain this industry. There are quite a few up and coming competitive countries, so the Philippines has to pursue a very specific intervention in this industry. I cannot help but relate the story that every time you visit Bangkok, there is always a fashion show that you can see on the TV. The reason why they are probably doing this is that they want to move up the value chain by becoming more engaged in having a reputation as a designing place.

Secondly, the point about the lack of gender analysis in this report is well taken. This is something that has really to be built up and incorporated. This is a criticism and this should be able to stand by itself. Part of it is the kind of limitations of the people directly involved in it, so I ask the international gender and trade people to work harder and to produce more material that can be referred to.

Prof. Briones' points are also well taken. They mostly involve in relating to what are the domestic problems in the Philippines, but she went to it in the eight points. The same holds true for the PCCI. I did not know that they have very big efforts in small and medium enterprises, which is very encouraging because we are not really interested in trade per se. We are not interested in expanding trade. We do not want to busy ourselves in measuring whether trade has expanded. We are more interested in reducing poverty. Reducing poverty means increasing safe employment, sustainable employment, and building up small and medium enterprises is quite important.

Looking at Dr. Ofreneo's remarks and objections to our position about labor flexibility, let me explain. Some of these have to do with the big chunk of manufacturing industries in India. In India there are still quite a number of laws. For example, closing down enterprises is very difficult. So, some of these might apply more directly in India. For me, there should be a larger role of government in making sure that labor markets operate properly, meaning worker's educational and health needs are taken cared of. They do not have to depend on the ability of the workers to bargain for living wages and wages that will permit them to live meaningful lives.

In general, I would like to thank the panel and the audience for giving me the chance to talk, and also for the comments. Rest assured that your comments will be sent to the regional bureau because I myself have to make a report myself, being an employee of UNDP. What I have to do is to make a summary and I will include all your comments and suggestions. I do hope that the report has done a small service of provoking discussion for the Philippines in some policy issues that the Philippines is facing in trade and industrial development.

Thank you very much.

BREAKOUT SESSION ON AGRICULTURE

Ms. Jessica Reyes-Cantos
National coordinator
Rice Watch and Action Network

I have seven points that I would like to share with you.

Increasing trade deficit among agriculture-dominant economies

First, it is very alarming and obvious that there is an increasing trade deficit among agriculture dominant economies. Most of the economies in Asia are agricultural, yet they are becoming net food importers from a period where they are net food exporters. They are becoming food importers. What is even more alarming is the deterioration of the terms of trade. This means that you have to produce more of a product in order to be able to import a farm implement. That is the simplest definition of the deterioration of the terms of trade. For example, in the 1960s we have to produce 1 million metric tons of bananas to import one tractor. Now, we have to produce 5 million metric tons just to import one tractor. I would imagine that the trade deficit the report talks about is the volume, but the terms of trade looks at the prices.

Recognition that there are products, though not globally competitive, which are critical to food and livelihood security and rural development

What I am happy about the report is that it recognizes that there are products though not globally competitive, which are critical to food and livelihood security and rural development. Aside from that, the report also is openly supporting and endorsing those that we call special products and special safeguard measures in the World Trade Organization (WTO) and bilateral regional trading arrangements. The Philippines, Indonesia, and the G-33 were victorious because they were able to push for the Special Products (SPs) and Special Safeguard Mechanism (SSMs). The SPs say that food products that are important to the locals and marginalized sectors have to be protected. Rice, corn, poultry and livestock have to be protected, these are the products produced by rural folks, though not globally competitive, have to be protected since a lot of those in the rural areas are dependent on that sector. There must be a more flexible treatment of them and must not be subjected to tariff reductions.

The victory in the WTO must be consistent in the regional context. Trade policies must be consistent. Neighboring countries in the region must have trade policies that are parallel to those of the other neighboring countries.

The SSMS on the other hand states that when there are import surges, you can automatically raise the tariffs on the agricultural products that are critical to food security and livelihood. With the suspension of the talks on the WTO, we are entering more bilateral talks or regional trading agreements.

Identifying possible products within the Association of Southeast Asian Nations (ASEAN) region which, when taken cumulatively, could be a potential bargaining tool for other countries wishing to enter our markets through the ASEAN

With the recent events, it can be observed that people are thirsting for an alternative to the WTO. Regional tie-ups are being sought for as an alternative. Identifying possible products which when taken cumulatively could be a potential bargaining tool for other countries wishing to enter our markets through ASEAN.

Looking at Singapore, it is being used by non-ASEAN trading countries in order for them to penetrate ASEAN markets at lower tariff rates. We have to rethink of the trade opportunities that the ASEAN meetings offer with regard to how to utilize the region. We look at the products that we can group together making it formidable and use it to bargain with other non-ASEAN countries. When the ASEAN countries combine their fisheries sector outputs, it adds up to 60% of the total global production. If 60% of fish production comes from ASEAN, how come we are not able to take advantage of that so that we can take in cheaper farm or fisheries equipment?

Streamlining and strengthening the role of the National Food Administration (NFA)

We know for a fact that agriculture is a major loser when it comes to international trade. We must be able to situate where the state may come in and put itself into action. The NFA plays a very important role in ensuring food and livelihood security. We have to streamline and strengthen its role because its mandates are conflicting. On the one hand, it wants to ensure price stability. Ensuring this price stability comes with an impulsion of importing cheaper agricultural products. On the other hand, there are rice farmers whose lives depend on how much people are willing to pay for their outputs. NFA intervenes so that these small farmers are not taken advantage of by rice traders. In intervening, they need funding. They buy products at a higher price from farmers and sell these at cheaper prices to consumers. NFA then ends up as a losing

proposition. The actions of NFA are a social cost that the state should recognize. There must also be a better way of doing these things.

The Role of Food Aid in Dumping

Public Law 480 is not actually an aid but a grant/arrangement with the US. If we look deeper, it may be considered as disguised dumping. The surplus products of American farmers are brought to Philippine markets. The compulsion again of the Department of Agriculture (DA) to allow such things to happen is that they make money out of this, from the sales of these products. The DA sells these products in the local markets, and they are able to use the money to augment their funds for operations. US statistics show that they sell rice at 38% of the cost of production. When importation of these products becomes bigger, there is a looming danger of killing our own rice farmers. This presence of food, which is locally available, disrupts prices in the local markets. The DA approves of this aid because they get money from the sales.

Another example is the Mindanao World Food Program. It is a United Nations (UN) Program that targets the MILF/MNLF-infested areas. How is this being done? Rice and cereal may be dumped in markets where there is sufficient supply. This then endangers the livelihood of local farmers. Caution must also be exercised in bringing in genetically modified rice and other products. Sometimes, it is better for institutions such as the UN to give cash instead of food and/or food products.

Disabusing our minds that if a product is not locally available, you can actually liberalize its entry – the case of the fisheries sector

There is this misconception by government that if you cannot produce a product locally, it is alright to bring it in. They say that it is okay for capital goods because we really do not have the capacity to produce them locally. But looking at the situation ten years down the line, are they then saying that they do not intend to develop the capital goods sector?

In the fisheries sector, just because we do not produce Norwegian salmon, we allow it to come in at zero tariff. They say that it is okay because salmon is only for the rich people, so we are not killing any fisherfolk. In the end, this import competes with local fish products. It might inadvertently kill the small fisherfolk by allowing these products to come in at zero tariff. As the DTI chief of staff said, it is all about consumer preferences, but in the end, they might really be compromising these sectors.

Final caveat: Markets do not change existing property relations. If anything, it only validates it.

Trade is usually associated with markets. The freer the trading system is, the better for markets to work. A paper presented by Dr. Montes and other economists, when he was still part of the School of Economics says that markets do not change existing property rights. It just validates it. If we allow free trade to come in without changing the structure—no land reform or changes in the trading arrangements—the market will just show that those who benefit are those that control the properties. This is a classic case in Vietnam. Vietnam now has dramatically improved its poverty situation. They really instituted land reforms. They were able to use these reforms to improve their lives. Looking at Thailand, they are a big rice exporter, but the farmers are deep in debt. You may trade all you want but if you do not do anything internally, trade will not work for the benefit of the poor.

Atty. Bong Inciong
United Broilers Raisers Association

In order for us to have and be able to manage trade for development, [ideas basically coming from the poultry industry], there is a need for us Filipinos to have a large and healthy dose of colonial mentality. By colonial mentality it is meant that we must do and follow the examples being set by the west. Just like what they are doing, we must pay lip-service to free-trade, yet we must also protect our industries and our people. The US, especially, claims that it is a champion of free trade, at times imposing liberal trade policies to countries like ours. Yet, if we look at their agricultural sector, it is very much protected by high tariff rates. We must follow what the Americans are doing. We must really protect our local producers.

Critique on the 8 point agenda

About the 8-point agenda presented by the United Nations, all I can say about it is that the report seems schizophrenic. In the abstract it says that the Asia Pacific region should embrace free trade because the development of countries like China, South Korea, and Japan is free trade induced. It is schizophrenic in the sense because the recommendations stated there are not what they seem. Those policies presented are not free-trade precepts, rather, [if you believe in what I say] they are close to being against it. What the United Nations (UN) should have done is to make a book entitled "The Things You Do Before You Embrace Free-Trade". This is so because that is really what the report is all about. It outlines or recommends what should be done by developing countries before they enter into free trade.

Looking at the case of China, it can be noted that it did not follow the advice of western economists. They adopted things that they think are vital or beneficial to their own interests. They could not adopt the shock therapies recommended by western economists. They then adopted or followed a gradualist approach. They are protective of their industries, and when they thought that their products could already compete with other non-Chinese products, they opened up their market. They did open, but it must be noted that they did so slowly. They followed Deng Xiaoping's statement that "you cross a river by feeling the stones; you do not leap to the other sides". That is what happened to us. We jumped. Ten years ago, we entered in the WTO thus, there is unilateral reduction in tariffs, supposedly for the benefit of consumers. What happened to us is that the consumers lost their jobs, so no matter how many cheap goods there are; they do not have the money to buy.

You really have to admire the Chinese. Normally in our MPSAs, the locators there can sell 30% of the produce locally. The Chinese got the concession of their investors. All the products of their MPSAs should be exported so that their products will not compete with their local industries.

To add, we must be wary of entering into bilateral agreements. We have entered into a lot of agreements with other nations with us coming out to be at the losing end. Most of the times, the same bilateral agreements we have entered into can be said to have exploited us.

We must also increase our tariffs, but we must not rely solely on them. We have a very low tariff system. It is not high like those of western countries. Our 30% tariffs are low compared to theirs. Even if they lower their tariffs by 75%, ours still is very minuscule. What happened ten years ago, free trade became like a religion. Once you lower or remove your tariffs, you are in heaven already. You will fare okay when it comes to trading. I hope we could avoid these things in the future.

It is also a must that our government provides some protection for our agricultural industry. What is lacking in our agricultural industry are investments. The government must realize that for it to be able to protect the agricultural sector, it must invest in it. It must follow the examples of the developing countries then. The same developing agricultural countries have invested in their agricultural sector. To sum it up, the best protection for our agricultural sector is to invest in it.

Shifting to high value products

Other so-called experts would also say that we should forget about rice and corn and focus on those products with high value. This must not always be the case. In fact it can be said to be wrong because no product is inherently of high value. It all depends on the supply. An example would be the mango sector. It is supposed to be of high value, but at some points it becomes of low value especially during its season. So why would you then tell rice farmers to grow mangoes. First of all, we are an agricultural country. If we disregard these two essential products, there are a lot of farmers who will be affected. I have high hopes for the corn sector. If the supply is increased by the farmers, them being able to harvest twice in a year, the poultry problems, the hog problems could be addressed. Corn is a source for the feeds. The government must be the one to handle the post harvest of the corn sector. The problem with this is that there is a need to invest for such facilities at the level of P150 million for every 5,000 hectares. The government is not interested in investing here.

Secondly, there are physical limitations to immediately shifting into products of high value. Our land and climate for example may not always be

suited for planting such agricultural products. What the government should be doing is protecting our rice and corn products.

Reasons for entering the WTO

The government should change the way it looks at things. Just like how we entered into WTO. Before, the argument for entering into the WTO is that we need to liberalize trade for the benefit of consumers, because for a long time, Philippine industries and agriculture have been protected. That is the historical perspective. That is not true. I have studied the laws. From 1909, the Payne-Aldridge Act before the Second World War showed that we have free trade. When the 1935 Constitution was amended, we had the Parity Act. We gave the Americans the rights of Filipino citizens. We also had the Bell Trade Act which is a free trade agreement. The idea of import and exchange control, which the experts from the School of Economics would use to counter my arguments, is not even a Philippine idea. It came from the second Bell mission from America. That period of exchange and import control, which also benefited the Americans, ended before the first Macapagal president. During the Marcos time, tariffs were very high, but it was minuscule compared to that of other countries that have quantitative restrictions. As early as the 1970s we were already liberalizing.

If now, we think of reducing our tariffs again, considering that it is already very low, we are going to have problems. With that, I end my discussion. Thank you.

Atty. Gil Delos Reyes
Former Agrarian Reform Undersecretary
International Expert on Trade and Human Rights

Problems and Issues on Agrarian Reform and its Effects on Agriculture

Today, I will be focusing on land tenure. When we talk of agricultural policies in the Philippines, no matter how good the members of the Department of Agrarian Reform (DAR) are in negotiating whatever we needed to negotiate in the WTO or any bilateral agreements, at the end of the day, what we are doing inside of our country is what will make or break agriculture. One of the things I want to call people's attention to is the fact that there is a prevailing orthodoxy right now thinking that agrarian reform program will stop in 2008 because that is what is provided in Republic Act (RA) 8532. Well one, I think it is an erroneous reading of the RA 8532. All it really does is to stop the funding allocation from the Marcos wealth.

I am doing some projects for DAR right now and based on the findings we are getting, we are getting the feedback that we are still having a balance of about 700,000 hectares. It may go up to around a million hectares depending on the Comprehensive Agrarian Reform Program (CARP) scope inventory that the DAR is undertaking right now. In fact instead of decreasing, this balance is increasing. The question we want to ask is that why is the balance of land going up instead of going down? The answer is simple. It is because the agrarian reform program is a token program. Why is it so? Every year, the government gives money for 70,000 hectares, and it expects DAR to produce a thousand hectares. What happens in the field is that the implementer tries to distribute the land, which is the easiest to do. And what is that? It is government land and Voluntary Land Transfer Direct Payment Scheme (VLTDPs). What happens? The tracts of land which are hard to acquire keeps getting shunted back and declared as problematic. Why? Because there is resistance by landowners, what happens is that the land, which should have been distributed from the very beginning is not being distributed. Now that time is coming, DAR turns around and says, "Sorry, we still have a one million balance". Why did that happen? Can you blame DAR? In a sense, yes, we can blame DAR. Can we blame the policy? In some sense we can blame the policy because for the longest time DAR is simply known as a hundred-thousand-hectare agency. The field implementers in order to fulfill the tasks given to them by the secretary, undersecretary, the regional director down to the Municipal Agrarian Reform Officer (MARO) distribute lands that are the easiest to distribute. Most of the time, they distribute government-owned lands that is why there are always new-found-lands. Well, you may think that the Philippines is growing bigger and bigger, when in fact it is not. There is always an increase in the number of lands that are easier to distribute.

What this brought about—because it is looked at as a hundred-thousand-agency, is that the package of support services at the time of acquisition did not happen. There seems to be a lot of blaming going on, on who should be providing which support services. Would it be DA, DAR, the Local Government Unit (LGU) or the LGU where the extensive services have been devolved? To me, it is beyond that. It is not a matter of who should be doing what. The bottom line is that it has become a token program because when we look at it as distributing a hundred hectares; we did not prepare nor did we prepare the farmers to become productive. Fine, it is always comfortable for me not to look back because I had been a part of it. But the question to ask ourselves right now is what are we going to do about it?

My understanding is that there are a lot of rationalization plans going on in the DAR. I think the DA went through the rationalization plans. Perhaps I am hoping that one of the rationalization plans that will be made is on how we should address the problem. How can we make a land reform program that is not only measured by the number of hectares distributed?

We have somebody here from the Foreign-Assisted Programs Office (FAPSO). The FAPSO has done a great job in mobilizing foreign assistance projects. One of them is from the UNDP. If we ask ourselves, what kind of support services do we really have for the beneficiaries? If you look at the flowchart of the land acquisition process in the DAR, you will not find anything there that will need the intervention of the support services group or the Program Beneficiaries Development Bureau. The only intervention, the only time the beneficiaries talk to them is only for purposes of identification. Do you want to be a beneficiary or not?

The ratings for the Assessment on the Level of Development of Agrarian Reform Communities (ALDA) as they call it in DAR determines what your level of organization is, what is your level of accomplishments. This happens many months after the land has been distributed. What happens between the time of distribution and the time when they get the ALDA rating and the time that they can possibly get and be the beneficiary of the foreign assisted project? I think it is about time, that we have to redesign more projects for the agrarian reform beneficiaries.

Second is that we all know that agrarian reform needs political will. The best manifestation of that is the presence of funds. In 2008, I think there will be a lot of hearings on whether or not the CARP will survive 2008. If you remember what I told you earlier, the last 700,000 or 1 million hectare to be distributed under the agrarian reform program are the most problematic lands left in the country to distribute. When you say problematic what does this mean? Well, this means that the likes of Atty. Bong and I are most commonly involved in—the contentious issue whether the land is going to be distributed or not. Secondly,

the valuation of a lot of these lands is going to be very very high. That is what we are seeing now in Negros. That is what we are seeing in now in Samar-Leyte region. That is a very contentious program and we do not have the funds for the program, so I am guessing that it will not succeed.

Land Ownership and Productivity

The next point I want to make is that there should be a rethinking of ownership of land and productivity. The classic thinking is that for the land to be productive there should be consolidated ownership. That is the old way of doing things. You have a hacienda, a large corporate farm controlling and owning the land. I think right now, after DAR has distributed or reclaimed 3.7 million hectares, with an average size of 1.2 million, a balance of 1 million and total arable land of what, 8 million hectares nationwide? When we talk about agriculture, we are looking essentially at land sizes of 1.2 hectares. The question we have to face now is that, is agricultural productivity equal to consolidated land ownership? The question we ask ourselves is that whatever interventions we have in the agricultural policy? How do we contend with the fact that we have average land sizes of 1.2 hectares? I have not always been shy to say that the DA is agrarian reform blind and that DAR is productivity blind. Unfortunately, the only thing that separates them is a common wall. If you bore a hole in that wall, you will possibly get a merged policy of some sort. If you go down in the field, this is what you will find out. DAR is productivity blind and DA is agrarian reform blind. They are making policies as if agrarian reform does not exist and DAR is making policies as if there is nothing happening in the agricultural policies being determined by the DA. In fact if you look at the Medium Term Philippine Development Plan (MTDP), where is the 100 thousand hectares? It is not in agriculture; it is in the equity portion of the MTDP. The report that you will find before you today, in fact I am happy that it did talk about land reform, asked about market assisted land reform. This has been a big issue in implementing the agrarian reform program. One question that we should be asking ourselves is that if we are saying that we are questioning the idea that consolidated land ownership is not necessarily equal to productivity, what happens now to market assisted land reform? There are a lot of experiments that were taken by DAR. I am not aware of the studies that have been made to validate this, but the question we should ask ourselves is that to what extent do we have the leeway in terms of private arrangements between the beneficiary and the land owner? Especially in the light of the fact that if we look at the value- added in agriculture, it really comes from processing. The question we might want to look at is that if consolidation happened in processing and not in production, how would it look like?

There are a lot of things we have to unlearn about agriculture because as I have said before, agrarian reform is a 19th century solution to a 16th century problem applied to a 21st century post- 1994 scenario. You then have a major

problem. Right now like I have said, it seems to be an issue that is being swept under the rug and I think it is coming to fore in 2007.

Conclusion

For my last point, the study made eight prescriptions and recommendations for agencies. One thing, which I think, was not mentioned is the issue on the approaches to development. The HDR of 2006 is very clear on the rights-based approaches to human development. This morning while I was reading the newspaper, the first thing that caught my attention was a statement made by General Razon. He said that Amnesty International shows that the Philippine government particularly the military and the police force is engaged in human rights violation. The general then commented, what about the CPP-NPA (Communist Party of the Philippines-New People's Army)? This illustrates the ignorance on what it means to have human rights principles. The basic issue is that the state should protect the lives of its citizens. Extrajudicial killings done by any group, the CPP-NPA specifically, assuming they really do it, will never be an excuse for the state to also engage in extrajudicial killings. One part of the report that needs to be highlighted is the fact that you cannot even begin to think that you can carry out these 8 recommendations if you do not have an atmosphere that actually allows the stakeholder to be able to demand from the government what they need, to be able to ask and state what they want without the climate of fear.

AGRICULTURE SECTOR WORKSHOP OUTPUT

Major Issues/ Challenges	Recommendations	Agenda for Action			Agency/ Organization Responsible
		Within 2006	Next 3 yrs	Next 5 yrs	
1. Weak institutional capability of government agencies and departments concerned	<ul style="list-style-type: none"> - Check rationalization plan of the government - Streamline and strengthen the role of the NFA - Make policies work by conducting genuine participatory consultations with all sectors concerned and ensure appropriate representation of women - Provide trainings - Technology transfer 				
2. No organized data base information that will guide agriculture trading	<ul style="list-style-type: none"> - Provide education to farmers and how they can make thing work to their advantage - Be careful in entering into bilateral agreements - Government engagement in trade; invest in agriculture - Disabusing our minds that if a product is not locally available, its entry can be liberalized - Identify possible products within ASEAN region which when taken cumulatively, could be a potential bargaining tool 				
3. Liberalization without concrete development framework	<ul style="list-style-type: none"> - Policies relating to issues such as occupational safety and health to farmers, should be implemented - Government needs to change how it views things - Look into present policy incoherence - Develop Research and Development (R.&D) 				
4. Agricultural policies in the Philippines					

5. Agricultural protection	<ul style="list-style-type: none"> - Do not decrease agriculture tariffs and in some cases, increase them closer to bound levels. 				
6. Agricultural Budget	<ul style="list-style-type: none"> - DA and farmer/ fisher groups should formulate and more specially monitor the budget 				
7. Poor Agrarian reform	<ul style="list-style-type: none"> - Re-think the program and take stock of what we have really done and stop feeding the public wrong perception - Provide support services - Prepare the farmer beneficiary and the environment for development and not stop to mere distribution of lands - Train farmers and look into their well being as well 				
8. Less student engagement in agriculture	<ul style="list-style-type: none"> - Programs to make agriculture productive in order to entice students to take agriculture related courses - Provide employment 				
9. Low productivity	<ul style="list-style-type: none"> - Strengthen extension services - Develop R&D 				

BREAKOUT SESSION ON MANUFACTURING SECTOR

Prof. Jorge V. Sibal

Dean

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**The State, Problems and Prospects of Pro-human Development Trade
in the Manufacturing and Garment Sector**

The state and problems of the Philippine manufacturing and garments sectors of the industry is reflected in the summary of Chapter 2 of the Asia-Pacific Human Development Report 2006 on "Trade and Human Development, The Asia-Pacific Experience" (p. 48):

"The share of manufacturing output and export of high tech, skill intensive products rose, while that of labor-intensive products declined ... Industries shifted towards greater capital intensity. Employment growth rate plummeted even in the presence of faster growth in output.

There was 'jobless growth' both in agriculture and manufacturing. The overall unemployment rate increased, and labor market conditions probably deteriorated for unskilled workers. The rising gaps between urban and rural income, between capital and labor income and between the incomes of skilled and unskilled workers have led to sharp increases in inequality.

The failure of employment to rise and the growing income disparities imply that the 'trickle down' effect of fast trade and income growth on human development and poverty reduction is limited."

Globalization and Industrial Development

The Philippine industrial sector has not performed well in the last three decades even after it has joined WTO in the last 10 years. With the lowering of tariffs, many small to medium sized manufacturing and agricultural enterprises closed down (Table 1) due to lack of preparations, safety nets and unfair playing field where smuggled goods abound in the market. Investments in long-term industrial projects were not encouraged and investors shifted to import or trading business for easier profits.

Since 1980, the share of manufacturing continued to decline (Table 2) unlike in other Asian countries (Chart 1). The manufacturing to employment

Table 1. Number of Establishments Resorting to Permanent Closure/ Retrenchment Due to Economic Reasons and Number of Workers Displaced (2000-2003)

	2000	2001	2002	2003
Establishments reporting a:	2,258	2,589	3,403	3,262
Closure	494	617	762	577
Reduction of workforce	1,788	2,276	2,702	2,710
Workers displaced	67,624	71,864	80,091	87,977
Closure	21,367	25,468	25,240	24,638
Reduction of workforce	46,257	46,396	54,851	43,339

a) Details may not add up due to multiple reporting
Source of Data: Department of Labor and Employment and published in Birdtalk, July 5, 2004

Table 2. Percent Share of Agriculture, Manufacturing, Other Industries and Services to Gross Domestic Production (GDP), 1967, 1970, 1980, 1990, 2000

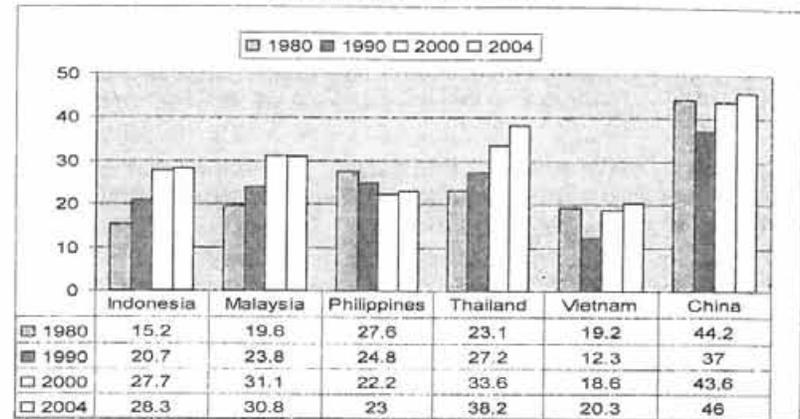
Sector	1967	1970	1980	1990	2000
Agriculture	33.3%	27.8%	23.5%	22.4%	20.0%
Industry					
Manufacturing	18.3	22.5	27.6	25.6	24.8
Other Industries	5.2	7.1	12.9	10.0	9.6
Services	43.2	42.6	36.0	42.0	45.6

Source of Data: National Statistics Coordination Board, Philippine Statistical Yearbook. Other industries include mining and quarrying, construction, electricity, gas and water

ratio over the last two decades has not changed to about 4%. In 2005, employment in industry grew only at 0.05% due to the slack in manufacturing and construction (Labstat Updates 2006).

Agriculture's contribution to GDP continued to decline from 33.3% in 1967 to 20.0% in 2000. The service sector increased significantly from 36% in 1980 to 45.6% in 2000. Hence, the Philippine growth pattern was characterized by the increase in services with agricultural and industrial sectors declining.¹ As of 2000, more than half of the country's employed labor force which used to be in agriculture was absorbed by the service sector. Please refer to the Table 3 and Chart 2.

Chart 1. Share of Manufacturing to Total Outputs (1980-2004) Select Asian Economies



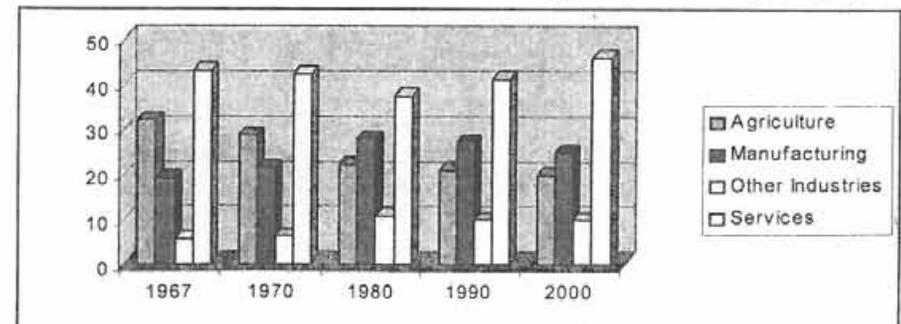
Source: ADB Key Indicators 2001, 2003, 2005.
Note: For China, manufacturing also includes mining, electricity, gas and water.

Table 3. Labor Absorption of Agriculture, Manufacturing and Services (in percentage)

Sector	1971	1981	1991	2000
Agriculture	50.4	51.4	45.2	37.0
Manufacturing	12.0	10.5	11.0	10.3
Services	37.6	38.1	43.8	52.7
Totals	100.0	100.0	100.0	100.0

Reference: Philippine Statistical Yearbook, National Statistics Coordination Board

Chart 2. Percent Share of Agriculture, Manufacturing, Other Industries and Services to Gross Domestic Production, 1967, 1970, 1980, 1990, 2000

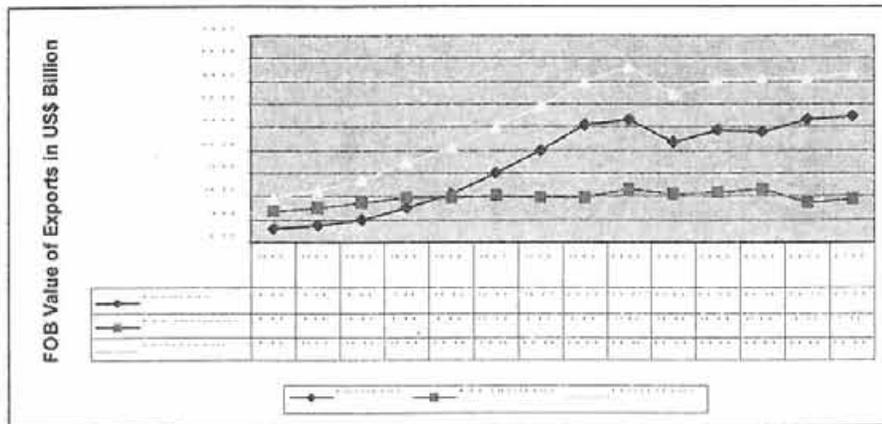


These trends continue up to the present. Employment in 2005 grew by 2.2%. This was driven by the services sector at 2.8% and supported by agriculture at 2.2% (Labstat Updates 2006).

The country's export sector grew rapidly from 1980 and was led by the electronics and garments sectors. Both industries were spurred by global supply chain demands of multinational retailers and producers as a result of increased trade liberalization. These enterprises especially electronics are import dependent. They have to increase their domestic value content (or climb the value chain) in order to sustain industrial growth (Ofreneo, 2002; Lim and Montes, 2004).

Lately, garments have gone down when quotas were phased out in 2004 and are losing to China and other cheaper garments producers³. Electronics enterprises have slowed down in 2000 and some electronics companies have transferred part, if not whole, of their operations to China and Vietnam where power, infrastructure and labor are cheaper.

Chart 3. Electronics vs. Non-electronics exports 1992-2005

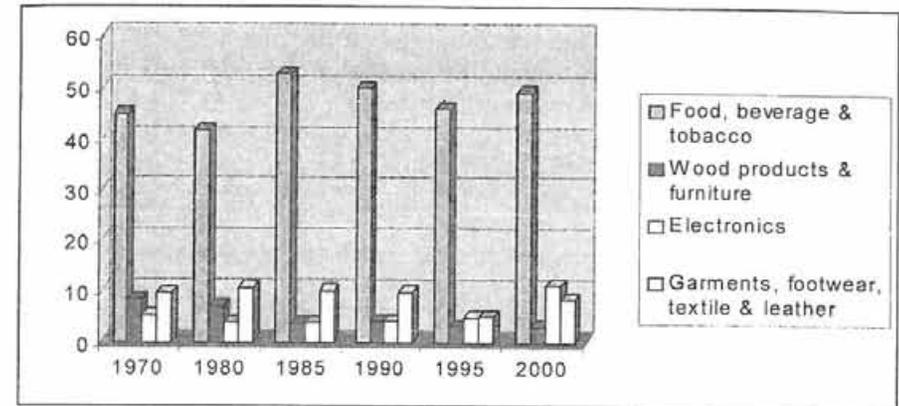


Source: Bureau of Export Trade Promotion

The share of manufactured exports increased from 60% in 1985 to 90% in 2000 despite the overall decline of manufacturing and other industries (Villamil and Hernandez, 2005). This growth in the export sector is not enough to compensate for the setbacks of other enterprises which have been neglected and even discriminated by the lowering of tariffs for imports coming from countries which impose higher tariffs such as China and Thailand. In fact, the average applied tariffs of Thailand for industry and agriculture are three times those of the Philippines.

As shown in Chart 4, the contribution of electronics to the manufacturing value added increased from a low 4.4% in 1970 to 11.6% in 2000. Food, beverages and tobacco, garments, textiles and other traditional industries declined moderately. Wood products and furniture declined from 7.8% in 1970 to 2.4% in 2000. In the textile industry which had 300 firms in the 1970s, only five integrated firms are still operating.

Chart 4. Structure of Manufacturing Output, 1970-2000
(% of Total Manufacturing Value Added)



Source: Hill (2003).

Domestic producers are faced with higher cost of doing business in the country due to high power cost, inadequate infrastructure, government red tapes and corruption, and shaky peace and order situation while being exposed to a liberalized and globalized domestic market. In 1999, several drug and pharmaceutical multinationals transferred their manufacturing operations to Thailand and Indonesia and shifted to importation and distribution business. The Fair Trade Alliance on September 11, 2001 reported the negative effect of these factors on the following industries—steel, rubber and tire, shoe, tiles, coal, medicines, cement, batteries and agricultural crops like sugar, corn, vegetables and rice.

Jobless Growth

A consolation to the weakening industry and agriculture sectors in the country is the modest economic growth of 6% in 2004. This was described by the World Bank (2005) as the fastest in 16 years. Among the factors that

contributed to this growth were: 1) the electronics industry and offshore business process services estimated at \$3.8 Billion in 2006; 2) inflow of earnings of overseas Filipino workers (OFWs) amounting to \$11.6 Billion in 2005ⁱⁱ; and 3) gross international reserves of \$20.58 Billion in 2006^v.

It was only in electronics and garments where employment increased from 1975 to 1994. The percent share of electronics to the total manufacturing employment increased from 4.2% in 1975 to 12.2% in 1994. Garments share increased from 6.4% in 1975 to 16.3% in 1994. All other industries' share in employment declined slightly with the exception of textile^v and wood products whose employment shares declined by 50% from 14.2% to 7.1% and 10.6% to 5.4%, respectively.

ADB economist Felipe noted that the Philippine growth rate was driven by domestic demand and consumer spending unlike the Asian NICs where exports led the economic growth. According to the Economist.com (2005), the economy failed to "grow fast enough to provide jobs for them".^{vi}

More than 8 million Filipinos (about 10% of the population, of which 3 million were permanent residents) work abroad in land and sea-based jobs and remitted earnings equal to 8.8% of the gross national product (GNP) in 2003 or 10.5% of the GDP. This was augmented by local employment from offshore business processing jobs which is expected to generate more than \$2 billion in 2006.^{vii}

With a \$10.7 billion OFW earnings in 2005 remitted through the banking system and an undetermined amount through informal channels, the country's consumption-led economic growth spurred urban growth in real estate, shopping malls and other services. It has at the same time contributed to the strengthening of the currency against the US dollar.^{viii}

Majority of big enterprises benefited from increased consumer spending brought about by the increased earnings of OFWs, and employment in offshore business process services and non-traditional exports. San Miguel Corporation, Manila Electric Company, Bayan Telecommunications Inc., United Laboratories, SM Investments, and Jollibee Foods Corporation were among those that expanded operations locally and abroad, particularly in other Asian countries.

The small and micro enterprises that account for 99% of enterprises and 65% of local employment are constantly threatened by cheap imports that include those smuggled in the country. According to the Federation of Filipino Industries (FPI), the government loses ₱174 billion revenues a year from smuggling. The medium and big enterprises were adversely affected by external factors since many of their inputs like raw materials, electricity and parts were dependent on imports.

There are several problems caused by trade liberalization. Among them are:

1. The increase in unemployment and underemployment (Table 4) which exacerbates the problems of deficit fiscal spending, low delivery of social services, poor infrastructure, armed communist insurgents and Muslim separatists in the poorest areas of the country and political instability.

Table 4. Unemployment and Underemployment (5 year averages) 1975-2004

	Unemployment (%)	Underemployment (%)
1975-1980	5.40	12.68
1981-1985	9.93	24.88
1985-1990	10.48	21.88
1991-1994	9.50	20.00
1995-1999	9.32	20.82
2000-2004	11.40	18.10
2004	11.00 (6.5- ILO)	17.50
2005	11.30 (7.3- ILO)	16.10

• 1998 figures based on NSO April-round statistics; 2004 based on BLES statistics

2. The shift of employment from industry and agriculture to the services (majority in the low tech informal sector) (Table 5) contributed to the country's overall low productivity performance which increased only at 1% per year on the average in contrast to the 4.4% average of neighboring countries (China, Indonesia, Korea, Malaysia, Singapore, Taiwan and Thailand) or 1.4% for all developing countries. For four decades, output per worker in the Philippines increased only by 50% while other East Asian countries increased by 450%.
3. The increasing income inequality among classes and among regions (Sibal 2002). A 2004 ADB study noted that 40% of Filipinos are living on \$2 or less a day^x. The 2005 last quarter survey of the Social Weather Station (SWS) reported that the poverty situation worsened since it started surveying in mid-1998, with 17% of the "poor without anything to eat at least once over a 3-month period^x". This is because

Table 5. Employment by Class of Workers 2003-2005 (Annual Averages) (in thousands except rates)

INDUSTRY	Total Employed Persons			Growth Rate (%)		
	2003	2004	2005	2003	2004	2005
Year	2003	2004	2005	2003	2004	2005
All Employed Persons	30,635	31,613	32,313	1.9	3.2	2.2
> Wage and salary workers	15,354	16,472	16,316	0.2	7.3	(0.9)
> Own-account workers	11,517	11,614	12,104	3.8	0.8	4.2
> Unpaid family workers	3,756	3,527	3,894	(23.0)	(6.3)	10.4

Source of Basic Data: NSO, Labor Force Survey, *Labstat Update*, January 2006, DOLE-BLES

of the failure to develop the agro-industrial base and not enough jobs were created to absorb the unemployed and the new entrants in the labor force (Tables 6 and 7). There was no trickle down effect to the poor.

Table 6. Addition to the Labor Force vs. Job Creation (1000s) (1996-2004)

Year	Addition to the Labor Force	Job Creation	Addition to Unemployment
1996	1,353	1,510	157
1997	621	530	(91)
1998	700	196	(504)
1999	(295)	(170)	(442)
2000	152	(290)	(442)
2001	1,903	1,704	(199)
2002	1,122	906	(216)
2003	635	566	(69)
2004	1,289	976	(313)
1996-2004	7,480	5,928	(1,552)

Source: Soriano, Rene (2005)

Table 7. Employment Generated by Sector and Number of Unemployed

Sector	Number	Percentage
Agriculture	6,039,000	41.0%
Services	5,501,000	37.3
Industry	3,196,000	21.7
[Includes manufacturing]	[1,142,000]	[7.7]
Total	14,736,000	100.0%
New Labor Entrants	17,705,000	
Unemployment	2,567,000	

Source: Felipe & Lanzona (2005)

The Economist (2005) noted the great disparities in ownership of assets, in income, in levels of technology in production and in the geographical concentration of activity. The National Capital Region (NCR) produced one-third of GDP. Being the richest region, income per head was nine times that in the poorest region in 2001. Disparity is evident between the richest and poorest households. In 2000, the richest 10% of the population had an income 23 times that of the poorest 10%. Those living in poverty were estimated at 39.4% of the population in the same year, with the rate in rural areas placed at 46.9%, whereas the poverty rate in the NCR was only 12.7%.

The World Bank however, reported a different trend and cited the decline of the incidence of poverty between 2000 and 2003. The number of poor declined from 25.4 million in 2000 to 23.5 million in 2003, or from 33% to 30.4% of the population. It however placed certain precaution on its report (World Bank Report 2005).

Virola^x (2006) observed the following based on statistics from the United Nations, Food and Agriculture Organization (FAO) and Philippine Statistical System (PSS):

1. On food availability, the Philippines was ahead of Thailand, Vietnam, Lao PDR and Cambodia in 1990-1992. By 2000-2002, Vietnam and Thailand caught up with the Philippines and Lao PDR is getting close.
2. The country's incidence of undernourishment was higher than the whole Asia and the Pacific.

3. The Philippines has shown modest improvement in addressing poverty and hunger but the Asian neighbors have succeeded at faster rates and overtaken the country's record.

General Strategies on the Problems of Industry

The UNDP Asia-Pacific Human Development Report of 2006 listed in Chapter 7 an Eight-Point Agenda in helping solve the problems of industry. These are summarized as follows:

1. Invest for competitiveness.
 - Align basic infrastructure with national needs to gain competitiveness in both the local and global markets.
 - Focus human development on healthy, well-educated, skilled and flexible workforce.
 - Increase investments in R & D that will address the needs of the poor people through public-private partnership.
2. Adopt strategic trade policies.
 - Undertake industry targeting through selective time-bound protection and enhance local competition to prevent local monopolies and crony capitalism.
3. Restore a focus on agriculture.
 - Restore national food security by protecting and assisting the farmer.
4. Combat jobless growth.
 - Focus on labor-intensive industries and scale the value chain (forward and backward linkages).
 - Allow enterprises to choose the lowest cost option for production but not biased against labor. (Lower cost of doing business- power, infrastructure, government bureaucracy, peace and order, cost of living, etc.)
 - Allow labor flexibility arrangements.
 - Strengthen state support to workers through health insurance, social security, retraining and redeployment.
5. Prepare a new tax regime.
 - Focus on new progressive taxes that will not hurt the poor. (This should be instituted before import liberalization. Much of the income taxes are levied on the wage and salaried workers in the formal sector.)

6. Maintain stable exchange rates.
 - Maintain realistic exchange rate [by 'managing/floating'] that will balance the producers and exporters' interests.
7. Persist with multilateralism.
 - Tie-up trade agreements with human development goals with preference to multilateral trade relations.
8. Cooperate with neighbors.
 - Focus more on regional trade pacts such as the ASEAN Free Trade Agreement.
 - Promote regional cooperation to accumulate foreign exchange reserves to protect the region from another Asian financial crisis.

Another set of recommended strategies were presented by the Fair Trade Alliance (FTA). The FTA is a multi-sectoral group of entrepreneurs, trade unions, non-government organizations and other peoples' organizations like farmers, youth, consumers, women, religious, informal workers, environmental advocates, etc. It presented a national road map encompassed in the Fair Trade's 5-Point Economic Program (or the Nationalist Development Agenda) as follows:

1. Adopt a coherent, balanced and pro-Filipino development compass.
 - a. Junk the neo-liberal paradigm.
 - Develop both the export and domestic markets.
 - Rely on the contributions of both foreign and domestic investment.
 - Preserve and strengthen local industry and jobs amidst global and regional integration.
 - Promote greater value addition and employment in existing capacities through more value-adding and networking activities that give greater depth and breadth to the agro-industrial structure.
 - Depend less on foreign borrowings and advice.
 - Strengthen national sovereignty and independence.
 - Promote global and regional integration in a calibrated and nuanced way and is sensitive to the level of development of existing industries and the development needs of the country.
 - b. Foster coherence in trade and development policies and define the national interest in each trade agreement.

2. Rebuild the nation's fences.
 - a. Recalibrate tariffs for locally-produced industrial and agricultural goods. These should be adjusted upward to their maximum WTO binding rates.
 - b. Fortify the walls against smuggling.
 - c. Strengthen the safety net laws and the rules against unfair trade practices.
 - d. Promote genuine, not ruinous competition in a free economy.
3. Build up the nation's productive capacity.
 - a. Resolve the fiscal and debt crisis now, but not at the expense of domestic industry.
 - b. Mobilize domestic investments for recovery, jobs and incomes.
 - c. Rebuild the nation's industrial base.
 - d. Rebuild the nation's agricultural base.
 - e. Strategize the development of the service sector.
 - f. Scale the value chain.
4. Unleash the people's productive capacity.
5. Develop a culture of industrialism, tangkilikan (patronage of locally-produced products), excellence and economic nationalism.

Sustaining and Developing the Agro-Industrial Base

A final note on the FTA's Nationalist Development Agenda in sustaining and developing Philippine industry is quoted below:

"To sustain growth, an economy can not stand still. It must continue improving. The agro-industrial structure must develop its breadth, depth and sophistication which lead to economic dynamism and continuous growth.

We need to grow from industry to industry. We need to scale the chain, downstream or upstream or sidestream, in order to create values and jobs. We need to develop industrial capacity at deepening levels of sophistication. A good illustration of this is China. China joined the electronics assembly business only 20 years ago and yet is now already into its own original parts manufacture, production of basic materials (wafer fabrication), application of electronics into Chinese goods and doing R & D in electronics. In contrast, the Philippines, which started in electronics assembly 30 years ago is now still in the assembly work.

In the case of the call center and BPOs, why can the Philippines not adopt what the Indians have been doing - scaling up the IT and ICT-enabled services. From data encoding to customer service, the Indians have been offering all kinds of business solutions, including legal back-ups in insurance cases, and producing all kinds of IT programs and sub-programs. This propensity of the Indians to scale the chain has spread to its domestic industry and agriculture, which are undergoing a major modernization lift due to the application of IT.

The lack of agro-industrial linkages for many crops is a very good illustration of our failure to scale up the chain and create the necessary technology to produce more values and jobs. In turn, this leads to a shallow and weak agro-industrial base.

Hence, we are proposing that a strategic industry-government partnership be forged solely on the issue of promoting these necessary linkages and value creations. DTI, DA, DOST, CHED and TESDA should be involved in this enterprise. Further, we should focus more on product development and move away from the use of cheap labor and subcontracting." (FTA 2006)

Endnotes:

¹Structural changes in the economy (or growth of industry and the decline in agriculture share to GDP) are also measures of economic development. The transformation of an economy from agricultural to industrial is an indication of a successful economic development.

²The garments industry today is partly alive simply because the United States has retained restrictions on the imports of Chinese-sewn garments and textiles. But how long will this continue? (FT A 2006)

³Remo, Michelle, "UN urges freer flow of workers", Philippine Daily Inquirer, April 12, 2006, p. B6. Remo cited economist George Manzano's report to the UN that the OFWs' remittances contributed 13.7% to the GDP. Other countries that benefited from overseas remittances in 2005 were India, \$21.7 Billion and China, \$21.3 Billion.

⁴How long shall we be able to retain the electronics assembly industry? And the call center industry? In the electronics industry, we have seen the relocation of some companies to Vietnam and China. In the case of the call center industry, how shall we be able to retain this industry once a new generation of IT-savvy

and English speaking Chinese, Vietnamese and other foreign graduates in developing countries join the global labor force? (FTA 2006)

^vThe textile industry was booming in the 1970s and 1980s and partly modernizing in response to an expanding market. The industry collapsed in the 1990s due to widespread smuggling of textiles, yarns, threads and other materials imported largely through the bonded warehousing facilities of some garments exporters. The collapse was further aided by government neglect, which did not bother to take a second look at the precarious situation of the textile industry and which did not have any ambition of developing an integrated textile-garments industry (FTA 2006).

^{vi}The Economist (2005), "In Search of Elusive Domestic Demand", Bangkok: *economist.com*, October 13, 2005, http://www.economist.com/PrinterFriendly.cfm?story_id=5025883, (opened 1.11.06-jvs)

^{vii}Domingo, Ronnel, "Outsource industry seen growing", *Philippine Daily Inquirer*, February 17, 2006, p. B6

^{viii}Dumlao, Doris, "OFW remittances surge 16.5% to P977 M", *Philippine Daily Inquirer*, March 16, 2006, p. B1

^{ix}Asian Development Bank (2004) study on the economic status of the country under the Arroyo administration (www.adb.org)

^xCabacungan Jr., Gil (2005), "Number of hungry Pinoys hits new high, says survey", *Philippine Daily Inquirer*, Jan. 7, 2005, pp. A1 & A4

^{xi}Dr. Romulo Virola is the secretary general of the National Statistical Coordination Board (NSCB), chairman of the Statistical Research and Training Center (SRTC) and past present of the Philippine Statistical Association.

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Mr. Meneleo Carlos
Chairperson
Federation of Philippine Industries

When trade enriches the rich and impoverishes the poor it means that there is no healthy balance in the economy. This afternoon I would like to present my comments on Chapter Seven of the Trade for Human Development: An Eight-Point Agenda of the Asia Pacific Human Development Report 2006.

I believe that the global market represents a global resource for progress. Like other countries, the Philippines need to tap the outside market to really grow. And we should seek being competitive if we are to play in the global market. However, trade liberalization in our country has been very disappointing. Factories of multinational companies, instead of relocating here, have been moving out. The soap and detergent factories and electronics industries are some examples of these factories. This movement of industries should have sent a message to our leaders. There is something wrong with the way we are globalizing.

Invest for Competitiveness

We should invest more in particular areas if only to develop our competitiveness. We should invest in our transport systems; build more roads and railways. We should build schools and training facilities, and support advanced education and training. We should promote private research and development (R&D) because it is market driven, and the results are directly introduced in the market. We should also promote R&D in the universities and take advantage of their linkages with the private sector through their consulting services. We should promote private R&D because government R&D has not been able to produce the expected results.

Adopt Strategic Trade Policies

In adopting a strategic trade policy, we should know and capitalize on the strengths of our industries and liberalize mainly in areas where we are strong. On the other hand, we must protect and strengthen our weak industries by putting up tariffs, investing more capital, and developing technological know-how. We must remove tariffs on imported raw materials and, at the same time, apply tariffs on finished goods in order to support our local industries. More importantly, we must continue to eliminate bureaucratic pathologies and corruption because these weaken our global competitiveness.

Restore Focus on Agriculture

Restoring our focus on agriculture, fisheries and forestry is the single most important element that we should pay attention to. These industries provide livelihood for the poor people and the marginalized. Restoring our focus means providing the marginalized people with the basic capital resources. We must provide farmers with land, and we should open up our seas to fishermen so they can have access to the basic resources if we want to improve their well-being. I believe this is the only way we can provide the poor with the needed capital. The government has natural resources yet these are not being used with efficacy. These efforts coupled with rural electrification and communication will greatly improve the lives of many marginalized Filipinos.

We should maintain tariff support for these products and protect the local producers. We want the poor to be able to produce forest, marine and, agricultural products. If imports are necessary, then mechanisms such as tariff protection to benefit small but not big traders should be in place.

Combat Jobless Growth

We should liberalize the utilization of our land and marine resources, most especially for the poor. By doing so, we will provide a lot of Filipinos with jobs thus addressing in part poverty in the country. At present a lot of Filipinos are migrating abroad to find jobs. To support that activity the government must provide education and training. There is no doubt that Filipinos will have to migrate abroad, because there are really no jobs available for them, and I do not blame them. That is why we have to provide them with education and training and craft a program where they will learn and bring home what they have learned abroad. Our OFWs (Overseas Filipino Workers) do not go abroad permanently since they just go there to work. We should also provide better diplomatic support for our overseas workers, and also extend health insurance and social security to them. Right now health benefits and social security are only for corporate employees but I am glad that PhilHealth and SSS are already beginning to look at this.

Improve Tax Collection

Our government only collects 16% to 17% of our GDP while Thailand and Malaysia collect about 25%. Poor tax collection efficiency is one of the causes of budget deficit. There is something wrong with our tax regime. Our government should raise more revenues not by collecting more from tax payers and increasing the value added tax (VAT) but by persecuting tax evaders. We should revert to our old VAT and income tax rates system. We should rationalize

tax incentives but we must also continue to prosecute tax evasion cases and punish illegitimate practices. The bottom line is: tax evasion in our country disadvantages the legitimate tax payers.

We must also resolve two pertinent issues to improve our tax regime problems: (1) stop the worsening situation of smuggling and (2) protect local producers from the influx of fake, substandard goods and unfair trade practices. We must also strengthen our regulatory measures to protect consumers from substandard products.

Maintain Stable Exchange Rates

Our present exchange rates are fairly stable, yet the peso is really undervalued. The exchange rates are being managed discreetly to prevent disturbing fluctuations, yet the high exchange rates continue to punish the poor.

Persist with Multilateralism

I agree with the report that there is danger in entering into bilateral trade agreements with developed countries. I think when we band together as ASEAN (Association of Southeast Asian Nations), we become stronger in terms of our negotiating power. There is strength in numbers after all.

Cooperate with Neighbors

We should continue to strengthen our ASEAN relations in preparation for the resumption of the trade talks with the developed countries.

Mr. Dave Diwa

National Confederation of Labor

My task is to point out issues just like what Mr. Meneleo "Mr. Manufacturer" Carlos did, and point out the facts just like what Dean Sibal did, and to invite you to come to a discussion.

I have make three broad outlines in my presentation.

Number one: I would like to invite you to focus on the report itself because that is the main purpose of this forum. I would really want to impress upon all of us the framework that is being used. The primary focus of the entire report is a proposal to have a development strategy that links trade and poverty alleviation. So the question is: can it be done? I think the Asia Pacific Development Report is an incomplete one. Many things have yet to be done from which certain concrete policy directions can be crafted and perhaps adopted by industries or stakeholders, and the government. So it is incomplete in itself.

Number two: I think the report is a repetition and recapitulation of all the issues that have been going on for the last couple of years. The report itself is not feasible, particularly the funding aspect especially if the report is meant to address some big problems in the Asia Pacific Region. I think, as what happened in Africa and the Latin America with the United Nations, when there is no concrete provision for funding of programs, nothing will materialize.

Number three: I think to the extent that the report is founded on a neo-liberal view of the world of trade, nothing much can be expected from it. The problems identified are spawned by globalization and coming up with solutions that are part of the globalization process will not solve the problems of inequality, efficiency, and poverty.

Having said that, I think the report is part of the UN System – part of the global framework that is being done throughout the world on how precisely life on earth can be made more livable. So we have global institutions like the World Bank, the IMF, the GATT and the WTO. We also have the ILO at a certain point. I think the UNDP report is part of that entire process. Other global institutions would focus on the finance side, while other global institutions would focus on the trade negotiation side. This particular plank of the UNDP seeks to address some dimensions that are being left out so I would suppose that the poverty alleviation program is linked to the millennium development goals being undertaken by UNDP.

Why is the report on Asia and the Pacific? The answer is quite simple. The report has presented us a number of statistics and the main point is that if

we have about six billion people in the world today, two billion of that are coming from Asia and the Pacific. China and India alone are huge countries. Cambodia, Vietnam, Sri Lanka, Pakistan, the Philippines, and other South Pacific countries represent the so-called areas where reinvestment is going on and where more people are working. So the focus of the European Union will really be towards this region – the parts of the world that are not benefiting from globalization. Now, trade will be an important strategy for all of these countries to grow and to develop. For instance, in the Philippines, trade represents the way its economy will grow. Compared to China which has a trade vis-à-vis GDP moving towards 30%, the Philippines' is pegged at 15% and still getting lower.

What is the relevance of the report to manufacturing? The link is that trade involves the transport of manufactured items. But as Prof. Sibal pointed out earlier, the Philippines is not in a very good situation as far as manufacturing is concerned, particularly in the textile and clothing industry. I think textile and clothing will be the biggest industry in the coming years. However, this industry is pronounced dead in the Philippines. And if we continue to go into trade and manufacturing in this manner, the situation of this industry will remain the same. The textile and clothing industry will be the main industry in Cambodia and Vietnam; and it is now the industry in China. In another five years China will move into the electronics industry; inevitably, its textile and clothing industry will be transferred to another country. We used to be number one in the textile and clothing industry in the 1950's. Perhaps if we put our act together, we will regain the industry in our country.

We at the labor sector do not believe that our country is now reindustrializing. There is no such thing as reindustrialization because we never really industrialized in the degree that industrialized countries have industrialized. In fact what we had is non-industrialization. I think we really have to change our paradigm. We must have a self-reliant economic development strategy combined with trade so we can still take advantage of our local market.

OPEN FORUM

On the effects of imported surplus products and smuggled goods on the manufacturing sector

Cheap imported products have penetrated the local market. The local manufacturing industries such as garments and clothing are at the losing end. Prof. Sibal noted that while consumers are able to buy cheaper clothes, shoes, and bags at the "ukay-ukay," it is the informal workers in the local clothing, shoe, and leather industries, however, that are losing profits and, worst, their jobs. In addition, the continuous proliferation of smuggled goods is detrimental to the growth of the manufacturing sector. The influx of cheap imported surplus products, which compete with local products in the market, is a result of an unregulated liberalization and low tariff rates imposed on imports.

On the implementation of tariff rates to make local manufacturers more competitive

The tariff rates set by the government has become detrimental to increase the competitiveness of the manufacturing sector in the country vis-à-vis other Asian countries. Mr. Vincent Castillo of the Cement Manufacturing Association of the Philippines pointed out that the inappropriately low tariff rate and the rising costs of fuel and coal is making the overall costs of production in the Philippines higher compared to countries such as Malaysia. There is an immediate need to identify strategic industries subjected to high costs and to protect them by recalibrating the tariff rate. Mr. Castillo shared that local manufacturers have met with the policy-making government agencies. Unfortunately, tariff rates remain unresponsive to the economic situation.

On the financial system and high interest rates of bank borrowings

The manufacturing sector relies mostly on borrowings for financing its operations. Unfortunately, the current interest rates applied to bank borrowings are higher compared to other Asian countries due to the cartels in the Philippine financial system. This problem prevents manufacturers from expanding their operations for the last decade.

On the government's foresight in developing the Philippine economy and its policies regarding Call Centers and OFWs

here is an unprecedented growth in the services sector, particularly with the increase in the number of Call Centers being established and the throng of Filipino workers working abroad. In this context, several questions were raised such as: Were NEDA and other government agencies able to project the

probability of these industries at the onset? Were the policy makers and decision makers of our country informed of such projections? Has the government been responsive to the changes in the economy (e.g., setting up policies and guidelines to protect Filipino workers). These questions must be answered by the concerned government agencies. These agencies must conduct industry targeting and anticipate the effects of these new industries on the economy.

On building local capacity and training for the informal sector and women

There is a need to upgrade the skills of the informal sector and women. These additional training and education will help develop their skills in a competitive economic environment. To accomplish this task, there must be networking between stakeholders and the concerned government agencies. There must also be a continuous effort on the part of the government to pursue an education and training program for the informal sector in the next five years.

MANUFACTURING SECTOR WORKSHOP OUTPUT

Major Issues/Challenges	Recommendations	Agenda for Action/ Next Step(s)			Agency/ Organization Responsible
1. Scaling up the value chain	Backward and forward linking (technopark, academe, local industries, & technology agencies doing R&D for more competitive Filipino products)	2006	3 yrs	5 yrs	UP & other state colleges and universities (SCUs) later, DOST, DTI, Private Sector
		Tap the Gokongwei fund	Build infrastructure within the university (Commonwealth)	Come up with innovative products and processes	
		Focus on networking of multi-stakeholders	Upgrade skills of workers	Placement of workers & creation of permanent laboratories for trainings (not classroom type)	
2. Need for more education & skills training, especially for informal sector	Increase trainings for traditional skills for workers Train women	2006	3 yrs	5 yrs	TESDA (already conducting trainings at present), DTI, DOLE, SCUs, private sector, etc.
		Create training regulations	Upgrade skills of workers	Placement of workers & creation of permanent laboratories for trainings (not classroom type)	
		Rebuild infrastructure	Upgrade skills of workers	Scale up enterprises	
3. High cost of doing business (fuel, energy, etc.)	Identify strategic industries subjected to high costs and protect them by immediately recalibrating the tariff rate	2006	3 yrs	5 yrs	OP, Tariff commission, NEDA, DTI, DOF, legislative branch, BOI, NGOs, UNDP, FTA, NAPC
		Increase tariff rate	Review rates and adjust (lower) based on costs	Review rates and adjust (lower) based on costs	
		Consider alternative technologies that can lower the cost of power/energy/ fuel	Continue efforts	Continue efforts	
4. Industrial integration	Strengthen price monitoring	2006	3 yrs	5 yrs	Rationalize MFN tariffs and adjust CEPT tariffs (EO)
		Strengthen price monitoring	Continue efforts	Continue efforts	
		Rationalize MFN tariffs and adjust CEPT tariffs (EO)	Craft and implement the development programs of the sectors	Craft liberalization schedule of the sectors	

BREAKOUT SESSION ON SERVICES

Dir. Josefino Torres
Institute of Labor Studies
Department of Labor and Employment

**“The State, Problems and Prospects of Pro-Human
Development Trade in the Services Sector”**

A. The Philippine Employment Situation

Labor Force. In the last five years, the country's labor force grew at an annual average rate of 3.0%. From 32.809 million in 2001, labor force went up to 35.862 million in 2005, representing an increase in the labor force participation rate (LFPR) by 0.4 percentage points, that is, from 67.1% to 67.5%. Annually, around 800 thousand new entrants join the labor force.

Employment. In terms of sectoral employment, the services sector (47.7%) continued to generate the largest share followed by the agriculture (36.6%) and industry sectors (15.7%), respectively. From 46.6% in 2001, employment in the services sector went up to 48.5% in 2005. Agricultural employment, on the other hand, tapered to 36% in 2005 from 37.2% in 2001. Meanwhile, industrial employment continued to stagnate as its share to total employment decelerated to 15.5% in 2005 from 16.2% in 2001.

Unemployment. The unemployment rate in the Philippines over the period of 2001-2004 averaged at around 11.4%. The incidence of unemployment in the country is prevalent among young workers (i.e., 20-24, 25-34, 15-19 years old) and among those who are relatively skilled or educated (i.e., high school graduates and college undergraduates and graduates).

Overseas Employment. The Philippines is a major source of human resources of the global labor market. In the last five years, the number of Filipino workers deployed abroad averaged at 900,000. In 2005, total deployment nearly breached the 1 million mark as it reached 981,677. Almost 75 percent of the total deployed overseas workers are land based workers while the rest are sea-based workers. Large concentration of OFWs can be found in Saudi Arabia, United Arab Emirates, Japan, Hong Kong and Taiwan. The Philippines is also a major provider of seafarers supplying nearly one-third of the world's requirements.

B. Services Sector Contribution to GDP

The services sector of the economy is comprised of transportation, communication and storage, trade finance, real estate, private services and government services sectors. As of 2005, nearly 50 percent (48%) of the country's Gross Domestic Product is accounted by the services sector. Meanwhile, export on non-factor services which include transportation and communication, travel and insurance constitutes 5.6% of the total GDP (as of 2nd Qtr.2005).

C. The Philippine Commitments on Trade in Services

Upon accession to WTO in 1995, the Philippine government made commitments under four sectors, namely: financial services (commercial banking, securities and insurance), communication (courier and value added telecommunications), transport (maritime, road, rail, and air and auxiliary services to all modes of transportation); and tourism.

Opportunities. GATS offers a host of potential opportunities for a developing country like the Philippines especially in terms of employment and incomes. Given our comparative advantage in human resources, we foresee opportunities for our workers in the global labor market despite stiff competition from other labor surplus countries. Some years back, a group of well-known technocrats identified certain service industries where the Philippines can globally compete, and these are in areas of education, medical and tourism services. Meanwhile, improvements in the standard of living among our people are also projected to occur as more employment opportunities are created, and as multiplier effects reach other sectors of the economy.

Threats. Realizing the full potential gains poses by our accession to GATS requires coping with the seemingly insurmountable challenges/threats that constantly loom in the periphery. One is coping with its negative transitional effects particularly displacement of workers as inefficient companies succumbed to the pressure of competition. Second, the entry of foreign service providers in certain sectors that are deemed by some sectors as inimical to our national interest. Third, specific legal provisions (e.g., employment of professionals, labor market test) in our Constitution and other relevant laws that contradict the basic principles of GATS. Fourth, the social and economic exclusion of the vulnerable groups of workers since GATS caters only to highly-skilled workers. Fifth, the issue of "brain drain or replacement" due to massive exodus of skilled workers like "experienced" nurses and medical doctors to developed countries, among others.

D. Some Recommendations

In view of these challenges, our policymakers have come up with some measures or interventions aimed at protecting the interests of the poor and at the same time, ensuring that the poor gets a sizeable chunk of the pie.

1. **Labor market test.** Subjecting foreign nationals who wish to work in the country to labor market test as provided in Article 40 of the Labor Code. The labor market test is a requirement under the Philippine Labor Code which stipulates that a non-resident alien may be granted an employment permit "after a determination of the non-availability of a person in the Philippines who is competent, able, and willing, at the time of application, to perform the services for which the alien is desired," (The Labor Code of the Philippines, Art. 40). If the applicant satisfies this requirement, he/she will be issued an Alien Employment Permit.¹ This intervention was imposed given the large incidence of unemployed in the country.
2. **Mutual recognition agreement (MRA).**² These are bilateral or multilateral arrangements concerned with the process and conditions of accepting and recognizing qualifications of foreign professionals in terms of education, experience, licensing or certification, obtained in their home territory for licensing, certification and practice in a host territory. The Philippines has been an active advocate for MRAs given the gap in our basic education and to enjoin countries to recognize the educational qualifications of our workers. But aside from that, we are also pushing for MRAs that recognize or give premium to the work experience, trainings and competencies of our workers.
3. **Bilateral labor agreements (BLAs).** Aside from concessions we are trying to get from the multi-regional and bilateral free trade agreements which we are negotiating, we are also forging bilateral labor agreements. BLAs are valuable means of addressing migration for employment issues, and which are not directly discussed in free trade agreements. So far, these have been proven an effective way of managing migratory flows and in obtaining fair employment terms and conditions for our migrant workers. Our BLAs negotiators have been negotiating for an expansion of coverage so as to include social protection to migrants and their families, equal treatment with their local counterparts in terms of working conditions, and skills enrichment. To date, we have 10 labor agreements, 11 social security agreements and 38 credentials/certificates signed with the destination countries.
4. **Skills training in mission-critical skills and ladderization.** Ideally, trade in services should effect a complementation of human resources across countries and regions rather than an imbalance. The Philippines is recognized as a major player in the global supply chain of human resources.

In particular, we supply nearly one third of the world's requirements for seafarers. But recently, there were alleged reports that some of our sectors particularly health and aviation sectors have been experiencing severe brain drain due to massive exodus of our "experienced" medical and health professionals notably nurses and doctors to other countries, as well as severe drain in our pilots and aircraft mechanics who are pirated by international airline companies. Alongside with these is the need to address the skills requirements of the local industries such as the agribusiness, cyber-services, hotel and restaurant and mining sectors. The severity of this problem has already reached what is called mission-critical by the sectors' stakeholders. During the National Manpower Summit held early this year, several initiatives were put forward to address these gaps. Some of these include: 1) conduct of intensive career advocacy programs among elementary and high school students; 2) scholarships to students who will take up courses that address the supply of critical skills or that are deemed highly employable; 3) setting up of advisory bodies that will provide information to colleges and universities on the specific skills requirements of certain industries; 4) prescribing a six month notice for people with critical skills and are predisposed to leave the country for overseas employment, to mention some

Recently, we have started implementing the ladderized education system (LES) in 75 learning institutions to ease up the transition students from schools to jobs. A radical alternative method of education, the LES is a form of learning that combines technical and vocational (tech-voc) courses that are creditable for a collegiate degree. Under the system, the tech-voc and college degree components are harmonized, allowing an individual to progress between tech-voc courses and college degree programs.

There are also lots of opportunities for entrepreneurship. We are strengthening our entrepreneurial training and micro-finance services to encourage more workpreneurs particularly among women workers and OFWs.

E. The Philippine Position

Overall, we advocate for a pro-human development approach in trade negotiations. This means that while we remain faithful to the shared vision of facilitating the participation of developing countries in the international trade in services, we believe that it should be governed by the following principles:

- respect for national policy and current level of development of individual members;

- flexibility of developing countries in line with their levels of economic development (i.e., to open fewer sectors, liberalize fewer type of transactions, and more market access to developed countries);
- support to the approval of rules on domestic regulations and modalities for emergency safeguards measures

In buttressing the Philippine position, an important prerequisite is the adoption of what is known as standard setting at the international level with the full participation of developing countries. A broad criterion for this should include (but not limited to): transparency, openness, impartiality, effectiveness and relevance, and the development dimension, among others.

Meanwhile, in reformulating the country's *level of ambition* when it comes to trade in services negotiations, it is imperative to:

1. Advocate for a wider sense of global community among all stakeholders.
2. Ensure that liberalization services sector is balanced and fair, and better-managed by the government such that people who are considered poor, illiterate, unskilled and those regarded as indigenous peoples would also benefit from such.
3. Ensure that the opportunities derived from services liberalization is translated into jobs and incomes. As such, trade policies should be framed in the context of creating decent employment.
4. Review and reformulate agreements that respect and empower local communities.

Endnotes:

¹ In 1987, the DOLE conducted a consultation workshop with various sectors regarding this requirement of the Labor Code. The proposed amendment to Article 40 of the Labor Code was presented in the workshop for comments. As regards the proposed amendment to Article 40, we forward the following amendment to paragraph 2, to read:

"The issuance of an employment permit shall be based on the non-availability of a qualified and willing Filipino national except in any of the following cases:

- a) when the expertise of the non-resident alien is needed;
- b) when the employment involves a transfer of technology;
- c) where the employment is in pursuance of an alien's investment or a joint venture agreement whether in government or private projects;

- d) when the services of foreign professionals are secured by agencies, organizations or individuals whether public or private, to practice their professions in the Philippines under reciprocity and other international agreements; and in other analogous cases.

² These guidelines are not binding but are intended to ease the negotiations on mutual recognition of professional qualifications. The right of professionals to practice in another country is not extended automatically by MRAs. What MRAs are supposed to do is to establish procedures that would assess how the differences between qualification systems of countries can be bridged, and consider the mechanisms for the recognition of home country requirements in the host country.

Mr. Jose P. Umali, Jr.

National President of the National Union of Bank Employees (NUBE) and General Secretary of the Union Network International – Philippine Liaison Council

On the Asia-Pacific Human Development Report

Firstly, I would like to give a brief introduction of the organization I represent. The Union Network International-Philippine Liaison Council (UNI-PLC) is the coordinating council of the Philippine affiliates of the Union Network International which is the biggest global union of federations in the services sector. Our affiliated unions and federations are from the finance sector (banking and insurance), telecommunications, commerce, postal service, private medical/health service, and printing and graphical sector. UNI-PLC advocacy focuses on the promotion of the welfare of service sector workers basically through the strengthening of trade union rights. We are also increasingly concerned about improving the living and working conditions of informal sector workers and migrant workers. We are deeply involved in trade issues, particularly trade in services. As such, we are closely monitoring developments in the recent negotiations for further services trade liberalization through the General Agreement on Trade in Services (GATS) and have been pushing for a more transparency in the GATS negotiations and for more pro-worker, pro-Filipino Philippine negotiating framework in these talks.

The Asia-Pacific Human Development correctly points out that trade in services in the region had increased "significantly" in three of its manifestations: labor migration, cross-border outsourcing or off shoring, and tourism. Aside from this, the Union Network International-Asia Pacific Regional Organization (UNI-Apro) has noted increases in cross-border commercial, telecommunications and financial services.

These developments impact directly upon service workers in Asia. For example, the entry of transnational retail giants in countries like Thailand had resulted in the closure of many small local retail establishments. Increased mobility of capital within the region as well as intense competition within the financial services sector had resulted in several mergers and acquisitions that cost the jobs of many bank employees and threatened the job security of many more. In response, service sector unions have seen the importance of cross-border solidarity that goes beyond the usual "statements of support". Cross-border union actions are now more concrete. For example, the UNI-Apro has initiated the formation of the ASEAN Bank Union Council. Unions of employees of both the Hongkong Shanghai Bank (HSBC) and the Standard Chartered Bank (SCB) in several Asia-Pacific countries have put together the HSBC Trade Union

Network for the Asia-Pacific and the SCB Trade Union Network for the Asia-Pacific. Both networks have already conducted social dialogues with the Asia-Pacific management of both banks and are working towards a Framework Agreement with these banks.

The APHDR noted increased labor migration from and within the Asia-Pacific region as workers in "labor-surplus" economies move to "labor-deficit" economies. More significantly for us, the Report observed that "the largest single source (of migrants) has been the Philippines. Filipino workers of varying skill levels have traveled all over the world, though they have tended to cluster in specific destinations... An estimated 10 per cent of the Philippine labour force...now work overseas."

Remittances of OFWs is estimated at around US\$8 billion. Additionally, as the Report noted, OFWs returning to the Philippines bring home "valuable work experience, enhanced skills and useful networks". Of course, as the Report stated, this comes at a cost: vulnerability of OFWs to exploitation, deleterious social effects on families, increasing local inequalities, and brain drain. A recent forum at the UP School of Labor and Industrial Relations noted the outflow of what is known as "mission critical" workers: skilled, technical and professional workers needed by Philippine industries and businesses.

Wishing to contribute efforts to promote the welfare of overseas Filipino workers, the UNI-PLC will be embarking on a joint project with its counterpart in Malaysia, the UNI-Malaysian Liaison Council (MLC) to set up help desks in Malaysia for Filipino migrant workers there. This is one more concrete example of cross-border union cooperation. This type of arrangement is already in place for Indonesian migrant workers in Malaysia where the UNI-MLC has set up help desks in conjunction with our Indonesian counterparts, ASPEK-Indonesia.

Cross-border outsourcing was also highlighted in the Report as one of growing importance in the aspect of trade in services. Undeniably, the Philippines has benefited from this phenomenon. It is heartening to note that the Report considered both the negative and the positive aspects of outsourcing and recommended as a domestic strategy the "creation of an environment conducive to outsourcing while integrating it with the rest of the economy, so as to capture the associated developmental benefits". Further, it said that "some of the negative social, cultural and occupational outcomes of off-shoring can be mitigated if governments focus on core labor standards, human resource management practices and domestic labor laws." This is precisely the advocacy of the UNI-PLC: promoting trade union rights within the call center and business processing outsourcing industry in the Philippines.

The Report gives no assessment and recommendation regarding the liberalization of public services. The general tone of the Report as regards trade

in services is to advocate for more liberalization. The UNI-PLC views further liberalization in trade in services with caution. Especially, the UNI-PLC is wary of further opening public services as advocated by powerful global interests. There had been attempts to expand trade in services liberalization within the framework of the GATS.

In the GATS negotiations, the UNI-PLC proposes that the Philippine government adopts a negotiating position that takes into consideration the welfare of the workers in the service sector, the protection of the national patrimony, and the protection of Philippine consumers and the general public. In particular, the UNI-PLC advocates that the Philippine government adopts the following as its framework for the negotiations:

1. **Democratic decision-making procedures should not be circumvented as a result of the country's GATS commitments.** Legislative and consultation procedures must be applied in determining domestically-initiated liberalization proposals. Such must not be by-passed as a result of GATS commitments. Philippine constitutional protection of the national patrimony should not be circumvented.
2. **The government should avoid making further market opening offers in the field of public services and other services of general interest without prior consultation.** The privatization and liberalization of public services sector should be a result of democratic debate and decision-making; it should not be preempted by negotiations and deals made at the WTO.
3. **The government should endeavor to link GATS and WTO agreements with key international human rights covenants.** GATS-related measures must always be compatible with measures to defend and promote trade union and human rights including the core labor standards identified by the global union movement and the International Labor Organization (ILO).
4. **GATS and GATS-related negotiations and measures should not put at risks public services and other services of vital interest.** Implementation of Philippine offers of market access should not hinder the achievement and preservation of universal and equal access to quality public services and other services. This includes universal access to postal and telecommunications services, accessible and affordable water and electric power supply, accessible and affordable educational and health services.
5. **GATS-induced liberalization and privatization measures should not impact negatively upon the service sector and the services workers.** As a primary engine of the country's economic growth, the service sector deserves favorable consideration since any GATS commitment that results

in the contraction of the domestic services sector will hurt domestic service providers and the workers within the services sector. Moreover, GATS-induced measures must not derail the government's commitment of generating employment.

6. **GATS commitments must not jeopardize the country's measures to protect cultural diversity and cultural identity of WTO member countries.** In particular, market opening of media and related services must not run counter to Philippine constitutional provision barring foreign ownership of Philippine media corporations.
7. **The Philippine governments should make as few market-opening commitments as possible, regardless of the services concerned.** This does not mean that the Philippine government will not study further liberalization proposals or will not allow foreign investment in domestic services. What this only means is that the Philippine government should offer for market access those that have already been opened. The government should endeavor to have the country's existing levels of liberalization locked in and made WTO-enforceable. Further liberalization commitments should be carefully studied because GATS makes liberalization virtually irreversible and links liberalization to the WTO's sanctions-based dispute settlement (enforcement) procedures.

In other words, trade in services should be compatible with the country's national interest and the promotion of the welfare of its citizens balanced by sensitivity to the needs of the global community and respect for internationally accepted standards of trade union and human rights including political, economic and social rights.

Ms. Mercy Fabros
Women's March Against Poverty and Globalization

To start with I would like to take issue with the UNDP report on the following points:

First, the report has a premise, they are taking globalization as a given, that is one. Then they look at trade as given that there is an unequal relation between nations. It was also given in the report that there are winners and losers. The report presented advantages and disadvantages. Trade and services (issues) as tackled in the report of UNDP include migration, BPO and tourism. And yet a very big industry in trade and services is prostitution or human trafficking. The report is silent on the issue of prostitution and trafficking. Only one sentence was used in the report, and it was called "impact on women on the possibility of abuse or sexual exploitation". This shows that there is a still a need to conduct further studies on the effects of trade on women, particularly on prostitution. These are my issues on the chapter dedicated to services.

Now let us expand our lenses. As I was reading the report, I could not make the connection between the statistics and the purported opportunities they bring and the sense that we are only trying to make the most out of the little spaces that come our way. Presenting a picture of a developing economy that has a global advantage seemingly in service trade, I also find that sense of desperation where we are constrained to make stop gap intervention for the situation that calls for more long term strategic action. We need to situate these interesting statistics with the conditions on the ground that push us to make this constrained decision and interventions. I found the report packaging opportunities as a muted language. Migration is viewed as a respond to international labor imbalances where flows of workers move from areas with labor surplus to areas with labor deficit. Outsourcing and migration essentially operate in the same manner. But we have to ask, are these flows actually addressing imbalances or are these enterprises capitalizing on global disparities?

I look at the statistic as a reflection of a crisis, of a failed economy, damage control and trying to come up with adjustments and trade reforms. This phenomenon of trade and services is silent about the conditions by which we enter the arena of migration and outsourcing. It seems to be glossing over typical gaps that pushed many of our workers, men and women, to make decisions to migrate or to accept low value outsource work that fall beneath their capacities and qualifications. We must enter these arenas with our eyes wide open as we try to harness more strategic benefits from the so-called opportunities or as we try to develop our own alternatives.

Let me give you some features and facets of outsourcing because we have here Kanlungan to give some features and facets of migration. As I earlier mentioned this service and trade is really a reflection of a failed economy and a crisis in unemployment. So let me share with you some features and facets of our job deficit situation. Of course we know very well that there is a jobless growth and severe unemployment in our country. As of January 2005, the labor force survey indicated an unemployment of 11.3%, 4 million Filipinos out of work, the youth comprise almost one half of the total unemployment at 44.1% or 1.7 million unemployed youth. Unemployment by educational attainment, majority of the unemployed in 2005 are high school graduates (29.2%), college undergraduates make up 16.8% of the unemployed (676,000); and there are 668,000 or 16.6% college graduates out of work. Now if you remember last year, GMA promised to deliver 6-10 million jobs up to 2010, with the domestic economy growing by at least 7%. By 2010 our government is projecting total job generation for 2004 to 2010 reaching 9.7-11.5 million, averaging 1.4-1.6 million new jobs each year.

Last year and this year, we have barely reached 900,000 (jobs). Services in outsourcing or the BPO sector expected to create the most jobs that GMA has promised at 5.8-7 million which will account for about 60% of total job generation. Information and communication technology including call centers is projected to deliver for GMA around 8 million jobs per year. This trade in services as I have said do not respond to our domestic demand and it is not a domestic entity. Movement of jobs is of course brought about by particular global configuration in labor and wages. There is a perennial pursuit of cost efficiency, labor cost and wage differential. Labor costs constitute almost 80% of overhead costs and most companies that stick to cut down on expenditures have to cut down on labor cost. In the Philippines, labor costs are just one-fourth to one-fifth of comparable quality workers in developed economies. In a way, we are witnessing a global osmosis of jobs from centers with high wage concentration to low wage high supplying locales. The jobs that trade in services, fills in, is really job transfusion. No other business has been hungrier for workers than BPO because of its short gestation period. In the Philippines, the industry estimate shows there is a minimum hiring of 3,000 agents a month. Reportedly the biggest source of jobs for office is white collar workers. The brain drain and brain wane phenomenon characterizes trade in services. Our university graduates and professionals are thrust into jobs that do not maximize their capacities. In the west, call center work is considered temporary, no-brainer. They are also called the mock jobs. Our professionals are either leaving, sanctioned out of the labor market or working at routine temporary jobs perform by semi-skilled workers in developed countries. It is said that call center agents are well compensated— income wise. Assuming that they are compensated income-wise, there is still very little room for improvement in skills and upward mobility contrary to what the report has mentioned. There is a paradox of growth and stagnation in terms of IT in place. Industry is growing but our professionals are stunted.

Now in terms of the feminization of work in the services sector, I think for the longest time when we take a glance at gender, trade and growth, we tend to see that trade liberalization creates employment that benefits women or import competition diminishes gender discrimination in labor market. While it is true that there have been a general process of feminization of the labor force, feminist focus is not simply on trade but on the link between trade and the spheres of production and reproduction. We need to examine how women's increased participation in employment impact on the reproductive economy. How the benefits of increased command over income are weighed against whether the responsibility of women for the burden of unpaid work within the households and community is lessened in relation to that of men. Apart from the feminization of labor, what is important to note is the feminization of the conditions of work, meaning informalization, casualization and the general disempowerment of workers vis-à-vis capital and this applies for all workers in the world economy. Trade in services is also characterized especially in BPO by high turnover rates and low retention rate. 40-60% of agents leave within 3 months to one year. That precisely is the reason why it is called the "in between state". Fast circulations of workers render the industry in a state of perpetual hiring. Why so high? Customer service is a high stress job. Globalized customer service reflects social relations in a highly divided world. Agents have to deal with irate customers who they do not even see face to face, and are in different locations worldwide.

The industry while it is interesting is still a small portion of a huge pie. It represents only a portion of the entire employment terrain. Some of the features and facets that I have mentioned in relation to jobs deficit situation show that deficit is not only reflected in the rising numbers of the unemployed. The jobs deficit and the state of joblessness in the Philippines can also be gleaned from the conditions of employment. Jobs deficit is also manifest in the kind of jobs available and the circulation of workers in the labor market. The current state of trade and services is really a manifestation of a failed economy of our country.

Recommendations

What then do we do, to reform or to create an alternative trade? One crucial intervention to ensure that trade and service takes on pro-poor development track is to remove conditions that pit workers against workers and nations against nations. Did developing economies bid lower to compete for highly mobile accounts? Will the conditions and quality of work make workers suffer? Who feel constrained to endure this in order to secure their jobs and income in this kind of trade and services? Some become better off at the expense of others. Improving conditions for the poor and marginalized require international and regional solidarity especially among the workers to correct a global trade situation. Trades and services offer a great challenge to workers around the world. The most important task, probably for the workers, is that they should

organize themselves and for the traditional trade unions to open up in order to carry out common action. We can probably also constitute effective transnational trade union structures in order to confront transnational employers. These trade union structures should have the capacity to negotiate and at the same time have a mandate to organize common actions beyond national borders. I think we can also look at cooperative advantage instead of comparative advantage. We need to develop a job quality index which measures the kind of impact jobs offer to workers in terms of income adequacy, adequate hours of work, employment security index, income regularity or variability and access to non wage benefits. I think, the situation calls for non economic intervention in the realm of democratization and governance.

Finally, we should look forward to a more strategic vision where we determine our own opportunities based on our actual conditions rather than simply responding to whatever opening that comes our way and lurching on it as if it is the only resort. We have to veer away from that concept "making do with what you have" and coping. We just live on what is given to us. They even change and modify the terms. Are our graduates mere telephone operators? Just answering phone calls? Will we allow them to continue in such conditions? I think we need to construct an alternative economic model where there is solidarity amongst workers the world over.

SERVICES SECTOR WORKSHOP OUTPUT

Major Issues/ Challenges	Recommendations	Agenda for Action/ Next Step(s)	Agency/ Organization Responsible
		2006	
		3 yrs	
		5 yrs	
1. Liberalization of public sector services makes them less accessible for the poor, has also resulted in the displacement of several workers 2. Deteriorating health services 3. Lack of protection for overseas workers (deregulation of overseas employment), unscrupulous recruitment processes 4. Women invariably doing unskilled work, trafficking of women and children, 5. Exodus of nurses, doctors, teachers 6. Unemployment and underemployment 7. Lack of jobs, employment is limited to skilled and trained professionals (call centers cannot absorb everyone)	Consultation of concerned sectors to create alternative solutions Discounts in private hospitals Monitoring of recruitment activities and prompt action against offenders Training and education for women to qualify them skilled labor Safeguard OWWA funds (ensure they are used by OFWs) Salary upgrade for medical professionals to induce them to stay Invite more businessmen to invest Set up community based labor placement assistance Observance of labor code practices Increase trainings for traditional skills for workers Train women		OWWA, POEA, DOLE, DSWD, DOH, DFA

OPEN FORUM

Ka Ernie Ordoñez of Alyansa Agrikultura

How will you (the organizers) put all the recommendations into actions? We do not want to be DOMs (dead of meetings). How can you be made accountable for our recommendations? I want to know the follow up actions so we can be able to help you.

Dean Brillantes:

As pointed out earlier, this UNDP launching and roundtable discussion will also be a tool for advocacy. The debate is obviously not over. I think a lot of this will come out as suggestion points which will be considered by the major stakeholders in the government and non-government organizations.

This is some kind of a tool for advocacy. The whole idea is for us to push this as a form of advocacy in whatever level we are. These will be addressed by the concerned agencies of government. The DTI was here, and so were the other government agencies present. There was a debate this morning with DTI about what strategies to follow. I think in this forum which is housed in an academic setting, it is part of our job to initiate discourses among stakeholders in order to arrive at ways to address the problem.

One major statement pointed out by Prof. Briones is that we can talk about everything—from MDGs to the strategies, but if this does not go into the budget, we can just go home. This forum really is a tool for advocacy and for us to be able to see and hear recommendations on what programs or projects are really worth funding for development.

Milo Tanchuling, Freedom from Debt Coalition (FDC)

It can be seen based on the recommendations of the three groups that the recommendations are sectoral in nature. What is missing is what everyone is talking of: a roadmap where the competitiveness of each sector is looked at as one nation. What is the national trade competitive edge of the Philippines? Secondly, we have talked about those that we have experienced in trade. Maybe this is the time for us to articulate and ask what are the impact and what is our assessment. Does the government have an appraisal assessment? What are the possibilities of opening these up to the public? Perhaps we can also take into consideration the budget appropriated for the different sectors vis a vis our very big budget deficit.

Ka Jojo Labay, Farmers Sector Council

The mining industry affects trade and the plight of the poor Filipinos. Included in this is the issue on agriculture, manufacturing and services and the environment. I suggest that we also include these in our recommendations and proposed plans so that those affected by the mining industry especially the farmers can also benefit.

Dr. Prospero de Vera of UP NCPAG

I mentioned in the agriculture sector panel that the review of the experts on the AFMA has already been completed. It has been submitted three weeks ago. The AFMA has a provision of automatic review after three years of implementation by a group of experts recommended by congress and appointed by the president. To my recollection this is the only major law in the past couple of years where an independent panel actually made a review of the law. The law is already there and this must be included in the agenda. It must be presented in a forum like this. The stakeholders will get a copy of the law, react to it and demand accountability because a lot of the agricultural issues we are discussing are contained in the review including questions of productivity, competitiveness, budget, institutional arrangement, etc. These should be included in the agenda. Instead of re-inventing the wheel and analyzing the problem again, some of the issues there have been analyzed exhaustively.

Representative from the Embassy of Canada

I would like to say a word of encouragement on the issue of transparency especially when it comes to the issue of trade policies. Fifteen years ago when I joined the Canadian government, we also had this corporate culture that information has to be guarded but as we evolved overtime, we began to get inputs from the private sector and from the civil society. Now, every time we go into trade negotiations, our position is published on the internet for all Canadians to see. What I am telling is that it is possible. We have better products because of the different inputs from civil society that we get. Transparency has not harmed us. I encourage you all to raise your expectations on what you can get from government.

Dr. Ebinezer Florano

We have questions here. For the manufacturing sector, is there a possibility for the workers to have housing near the work site? There is also a question on the right to access to information. And also the issue on Japan- Philippines economic

agreement. Also as professor de Vera has stated or suggested, we must also include the AFMA in our agricultural sector.

Mr. Serrano:

To answer the housing provisions on the manufacturing sector. I think that is the decision to be made by the investor, the proponent of the project in industrial enterprises. I do know that there are factories that provide some housing assistance to their employees. But this is more prevalent in far areas, in provinces. In Metro Manila that is less of a reality simply because we have lesser space here. But the human face of business and industry remains strong and that this concern for employees needs to be shared by government. As far as entrepreneurs are concerned, a happy and motivated workforce will make the enterprise more successful.

DEAN Sibai:

My observation based on the report was that the workshop confirmed the findings of UNDP. I think there were no oppositions as to their findings.

Some of the findings over- all, liberalization has resulted to more disadvantages rather than advantages in the case of the Philippines. There were more failures than gains. Particularly on the workshop on manufacturing, the winners were not even planned, they were somehow accidental. What was planned was not achieved. The reason why we went into liberalization is that we want to empower the poor; we want the gains of trade to trickle down where it should trickle down. Apparently the reverse has been the result. When it came to the actual workshop on what are the things to be done, it was actually the government who planned all these things, all the promises that we will have more advantages than disadvantages, which happened to be, in reality, the reverse. The workshop was tailored, perhaps, in such a way that the government be excluded from the planning because it was only for one year, 3 years and 5 years. The government must be concerned with planning for the long term. What will happen to the Philippines in the future? The output pertains to doables. When we talk about these, most of the actors involved were mainly the private sector, the NGOS and the academe. If you will notice, if there is government involved, they only come in on the third year, once the plans have already been conceptualized and somehow implemented by the other actors. If you include them from the very start, according to the industry people, what the industries want, the government does not want. This is the reason why the industries reached its present state. Instead of increasing, it has continuously declined.

Jessica Cantos:

We are pushing for the creation of a trade representative office principally responsible in crafting a cohesive trade policy that is based on a transparent and consultative mechanism. Something that maximizes not only the inter-agency resources we have but also the experiences of the stakeholders. The access to information bill we are pushing for will really be helpful and complimentary to the trade representative office bill.

With regard to the budget, there is an NGO and progressive legislators' initiative that is being done. They have subdivided themselves into seven areas: agriculture, environment, general macro-economic framework, financing. It is being anchored by Social Watch Philippines. In Congress, it is being pushed by the minority Representatives. The budget process is a very difficult altogether. We are talking about trillions of pesos but a lot of it, 10% only is there for congressional powers to play around. Doing cost effective spending not just at the national government level but also at the level of the local governments to the extent that IRA forms a very large part of the budget. We should also demand transparency on the spending of local government units.

The issue of transparency cuts across all sectors. How many of you have seen the budgets of local government units posted on the web? I think only Naga City does it, but the others do not do it. Even Marikina, the model city does not do it. People should start demanding transparency in the local government budget because there is a lot that can be seen here. Can you imagine that at the Sangguniang Panlalawigan, the board members have nice buildings and nice cars but the province has very poor farm to market roads and poor irrigations. The kind of spending they do on the IRA is despicable. They go to study tours, they go to Manila spending money, and they visit congress. I think it is not just the national government we should watch. We should also exact transparency in local governments. We should exploit the areas given to us in the local government code which we have not exploited.

SYNTHESIS

Dr. Alex B. Brillantes, Jr.
Dean
UP NCPAG

Today is a day well spent. This was really a group effort to organize this. This is a very important launch. We are supposed to launch this "Trade on Human Terms". I must recognize the help of UNDP. We have Dr. Buendia of UNDP, as well as Dir. Jun Fernandez of NEDA. We occupy what we call a tripartite. We have the GOP of Dir. Fernandez from NEDA, Dr. Buendia of UNDP, and me from NCPAG. Part of our advocacy is fostering democratic governance (FDG). Part of this advocacy is sponsoring or co-sponsoring forums such as this, which is ably managed by my colleague, Dr. Fe Mendoza and her team. You will agree with me that this is a very excellent forum.

I think that if there is anything that we as Filipinos should recognize is to a certain extent, a general failure of implementation. As I was listening to the discussions this morning, it reminded me so much of my undergraduate days in school. It reminded me of the debates back in the 60s and 70s. What we were talking about then was what development paradigm we should follow. There was a whole debate. Some said to participate in the economic order, invest, stages to growth, etc. We have been talking of those things since the 1970s, and yet today we still hear that similar path in China. They continue to invest but there is still very high inequity in there. Is that the path that we will follow? In the 70s we have the alternative development path. I know many of you know about dependency theory, Marxian theory. These are as relevant today as they were before because when you talk about growth, you talk about the costs of development. For whom is development? That is a major concern not only for students of public administration but also of economics. I think that is what we tried to answer in this forum. I think we cannot provide the significant answers today. But today's forum provides an area to ask the right questions. Asking the right questions is the most important thing.

Dr. Montes talked about the 8-point agenda. We have heard these before. Combating jobless growth, invest in competitiveness, new tax regimes, cooperate with neighbors. Like cooperate with neighbors. As we begin to cooperate with neighbors, we begin to realize that it is not exactly cooperation but competition with our neighbors. Somebody said that we must be as solid as the EU, but then, we are competing.

Among the major issues we discussed are first, what is the impact of globalization? It came up in several forums. This came out in the manufacturing session as pointed out by my colleague, Dean Sibal. What is the impact of globalization? We talk about it from a very abstract to a very real example. What happens in the *ukay-ukay*? As pointed out by Dean Sibal, we may get cheap clothes, but who are we really helping here? It is not the consumer who really benefits but the producers who make use of our raw materials. These are just implications of the *ukay-ukay*. I talked to some farmers in Benguet asking them of the impact of globalization. They say that they cannot continue to grow vegetables because they are flooded with vegetables that are imported. Is this then a negative impact of globalization? Should we let them compete? I think when we look at these cases, we should look at the people who are directly affected—the farmers and fisher folks. This is one reason why trade should be for people. When we talk about being pro-people, we should think of the poor people, the poor farmers who are affected.

Second, trade could be anti-poor. What are the costs of trade? In the Philippines, we export manpower. But what is the social cost in terms of families, etc? Also, as pointed out by Dr. Florano, there is also cost on the environment.

Many of the things that came out here are governance concerns. That is our major point of interest here in the College of Public Administration. At the end of the day, it is not just economic growth that should be considered. This is now being acknowledged by the World Bank, ADB and the other multilaterals. We should also look at governance concerns. Corruption is also a factor. We should have equity. People must be considered. These are things that were articulated as early as the 70s. It is nice that these are already emerging. When you look at the multilateral organizations, governance now really matters, so they are already bringing in people from other disciplines like sociology, political science etc, because they are already beginning to see that not only economics matters. This emerges as a major lesson or message from the Report.

In the different break-out session reports, agriculture talked about different concerns. They talked about institutional weaknesses and capabilities, need for database, and budget allocation. These are really basic but nothing seems to be done. Manufacturing talked about the importance of capacity building, education, regulation and the role of governments. In services we talked about liberalization and the protection of overseas workers. These became extremely apparent with the very contemporary issue of bringing home our workers from Lebanon. What is going on here? Is there really protection?

All of these cut across a major concern of public administration which is the restoration of faith in our government. I heard a very good anecdote in one of the breakout sessions this afternoon. It says that the reason why call centers are very successful right now is because government has not yet gone into

them. When government comes in watch what happens. What we are saying is that we should try to listen to the question behind the question. Is government the problem? Maybe it is the problem. It is the obstacle.

What development paradigm do we follow? We have been talking about this for a very long time now. When is the Philippines ever going to take off? We are carrying a very heavy baggage. That is poor governance. What therefore are the major questions? We will never take off if we have bad governance. Hence the importance of talking about transparency, participation and accountability.

One question we asked earlier is what development strategy did the Philippines follow? It was a revelation. I call our strategy an accidental or reactive strategy. Why? Because two major pillars in our strategy is the OCW and the call centers. As pointed out by Dean Sibal earlier, it was not even in our consciousness. We were planning of going into steel and manufacturing, but then we were hit blind-sided by the importance of the OCWs. What happened was that it almost became a development strategy that was imposed on us. It became a strategy that is reactive. It became a development strategy that we have been reacting simply despite the many bright people we have in our country. Are we losing our competitiveness? I think that is a very important question.

Earlier we have discussed that we are merely into assembly. We have not even assembled our own laptops. We have been assembling for a very long time. Are only for assembling? These are very hard questions we must ask ourselves. We may have been overtaken by what is happening in Lebanon, we have been enamored with the remittances of OCWs, we are enamored by the call center industry.

As somebody once said the world is flat. That is Friedman speaking. There is some truism in that because when we talk about trade on human terms, it must always be somehow talked about in the context of globalization. Globalization for whom? Globalization for us.

Dr. Butch Montes talked about these from the UNDP perspective. This is really a tool for advocacy. Trade he said should be sustainable, empowering, equitable and leads to production: SEEP—sustainable, equitable, empowering, productive. This is a tall order. Can we achieve it? That is the challenge for us. We should go back to the basic. At the end of the day we ask, development for whom? Development for the people. Whatever your discipline, public administration, labor, economics, trade, it is the human person that really matters.

It is a good thing that you all stayed on so that we can put a circle into this forum. Rest assured that the proceedings of this forum will be made available

to you. You can download it as well as in our previous governance fora, from the UP NCPAG website.

As the dean of the college, let me extend to you our appreciation for your attending and participating in this forum. This also goes to our partners for their support. Thank you very much.

CLOSING REMARKS

Dir. Antonio Fernandez, Jr.
National Economic and Development Authority

This event that unfolded today, trade, human development and poverty reduction, is very close to our hearts and minds. Indeed this forum and roundtable discussion will become more significant if all sectors of society are well represented. We have not only shared our ideas and concerns when it comes to trade and development, but we have also strengthened our partnership in achieving what is best for the Filipino people.

In this 21st century, we are coping with the challenges and opportunities of globalization. Many countries are in the process of reinvention, innovation, privatization and regulatory reforms. I think these reforms being undertaken should serve the needs of the people, particularly the poor. Serving the people's needs should be more, transparent, participative and responsive in a way.

To achieve our people centered development, we must—not only the government, but also with your help—formulate policy agenda or implement project interventions that would result to balance of work and welfare, growth and distribution, and social harmony and cohesion. This was emphasized by Dean Brillantes that we in the GOP-UNDP Fostering Democratic Governance Portfolio believe that participatory and transparent governance is the most important element or ingredient in really attaining our development goals. Especially those that had been committed by us in our participation in the UN endeavor. I am referring to the Millennium Summit Declaration which emphasized all calls for respect for human rights, promotion of democracy and as well as good governance.

As we formally close this forum, the question that comes our mind is where do we go from here? One cannot answer this alone. We all need to harmonize our initiatives and work as one. This is a challenge not only for the government but also for the basic sectors of civil society, the academe, our partners from donor agencies and also the private sector. All of us have one objective in mind and that is to make our trade and industry sector productive and asset forming. To have an end goal of having a piece for human development. However, if good governance is not put in place, there will be no human development in effect. We have to have good governance and transparency, accountability and participation of all actors especially those who are major stakeholders in this effort.

We are following some processes. We plan, we design programs, we budget resources, we implement, monitor and assess also the implementation of plans. All of these processes are geared towards a goal. Those processes will have to be improved. Our planning processes are evolving but there are still problems and weaknesses. That is part of this portfolio, to come up with different engagements in sectors and make changes in our systems and procedures. As contained in our documents, we have three major strategic reform areas: public administration reforms (and part of our concern is on trade and corporate governance), political and judicial reforms. All of these reform areas are important if we want to have a good trading and industry as it relates to human development.

In behalf of the lead convenors and organizers of this forum: UNDP, UP NCPAG, FTA and NEDA, we would like to extend our outmost appreciation for your participation in this endeavor and we hope that the information and knowledge that we have acquired in this forum will be turned into positive actions for the betterment of our own people.

Maraming salamat po at mabuhay tayong lahat.

THE SPEAKERS



DR. RAUL V. FABELLA is Dean of the School of Economics of the University of the Philippines Diliman. Dean Fabella is Academician of the National Academy of Science and Technology since 1995. He was conferred this most prestigious title of elite academicians "in recognition of his pioneering works on novel analytic constructs which turn out to be useful for problems in economics." In 1993, he was honored with the National Social Science Award by the Philippine Social Science Council. Dean Fabella has written several books, monographs, and journal articles on various economic topics, e.g., international trade, economic crisis, debt management, labor and employment, etc. He obtained his Ph.D. in Economics from Yale University in 1982.



DR. MANUEL F. MONTES joined the UNDP Regional Centre in Colombo in March 2005. Dr. Montes' previous posts were: Programme Officer for International Economic Policy at the Ford Foundation in New York, Senior Fellow and Coordinator for Economics Studies at the East West Centre in Honolulu, and Associate Professor of Economics at the University of the Philippines School of Economics. He has been a Visiting Scholar at the Institute for Developing Economies in Tokyo, at the United Nations University/World Institute for Development Economics Research (UNU/IWDER) in Helsinki, and at the Institute for Southeast Asian Studies (ISEAS) in Singapore in 1997-98. Apart from journal articles, his most recent publication is *Poverty and Well Being in Asia during the Transition* (Palgrave Macmillan, 2003). He holds a Ph.D. in Economics from Stanford University.



DIR. SERAFIN N. JULIANO is Executive Director of the Garments and Textiles Export Board of the Department of Trade and Industry. Currently, he serves as the Chief of Staff of the DTI.



MR. CRISANTO FRIANEZA is the Secretary General of the Philippine Chamber of Commerce and Industry



PROF. LEONOR M. BRIONES teaches at the National College of Public Administration and Governance of the University of the Philippines Diliman (U.P.NCPAG). Prof. Briones was National Treasurer of the Philippines and concurrent Presidential Adviser for Social Development during the Estrada Administration; former Vice President for Finance and Administration of the University of the Philippines System; Secretary to the Commission on Audit; and President of the Freedom from Debt Coalition. She has received numerous awards like the *Presidential Lingkod Bayan* Award by the Civil Service Commission for her exemplary work performance, *Outstanding Professional Award in Public Administration* from the U.P. Alumni Association, and *Alumni Achievement Award for Government Service* from U.P.NCPAG. An expert on public fiscal

administration, she is a well-sought speaker in the Philippines and abroad. In 2005, Prof. Briones made the country proud when she was chosen by the United Nations General Assembly to represent civil society, and speak at the *2005 Millennium Plus Five Summit* in September 2005. As CoConvenor of Social Watch Philippines, a network that monitors the implementation of government commitments to social development, she has been actively involved in UN-sponsored national, regional, and international discussions on the Millennium Development Goals in the country. She is also CoCoordinator of the Global Call for Action against Poverty, and member of the Executive Committee of the GOPUNDP Country Programme Action Plan 20052009 as civil society representative.



PROF. JOSEFA FRANCISCO is a fulltime faculty member of the International Studies Department of Miriam College, and Executive Director of its Women and Gender Institute. Aside from teaching, Prof. Francisco busies herself with her NGO commitments. At present, she is Asia Coordinator of the International Gender & Trade Network; and Southeast Asia Coordinator of the Development Alternatives with Women for the New Era. A prolific researcher, Prof. Francisco has authored several women and gender-related articles or books, the most recent of which are: *South East Asian Women in Politics and Decision Making: Ten Years After Beijing* (2005), *Literacy Packet on Trade Intensification in Asia: What it means to women's work* (2001), and *Political Restructuring and Social Transformation: Feminist Critical Essays in Southeast Asia* (2001).



DR. RENE E. OFRENEO is Executive Director of the Fair Trade Alliance (FTA), one of the coorganizers of the launch and roundtable discussion. Dr. Ofreneo first introduced the Fair Trade Alliance (FTA), and was organized as a response to the devastation that has visited the Philippine industry and agriculture as a result of the country's "onesided" liberalization program. He also teaches at the School of Labor and Industrial Relations of the University of the Philippines Diliman (U.P.SOLAIR), and Director of its Center for Labor Justice. He was Dean of U.P.SOLAIR for several terms. He has authored several books dealing with labor issues, among others.

BREAKOUT SESSION SPEAKERS

AGRICULTURE SECTOR



MS. JESSICA REYES CANTOS is the Executive Director of Rice Watch and Action Network (R1).



ATTY. BONG INCIONG is with the United Broiler Raisers Association, an association of medium and small-scale poultry raisers.



ATTY. GIL DE LOS REYES served as the Undersecretary for Policy, Planning, and Legal Affairs of the Department of Agrarian Reform (DAR). Prior to his government service, he was engaged in private law practice for ten years. He is the principal in the law firm of De Los Reyes and Associates. His field of expertise is corporate law, land use law, intellectual property law, and international trade law. Atty. de los Reyes serves as a consultant to various government agencies, multilateral organizations, and nongovernment organizations. He is a graduate of the University of the Philippines, where he earned his Bachelor of Science in Business Administration (1983) and a Bachelor of Laws (1990). In 2003, he was awarded a US State Department Humphrey Fellowship with residence at the University of Minnesota. His field of study was international trade law and human rights.

MANUFACTURING SECTOR



DEAN JORGE V. SIBAL teaches at the School of Labor and Industrial Relations of the University of the Philippines Diliman. Dean Sibal has rendered technical assistance to international organizations on labor issues. He was National Expert of the Tokyo-based Asian Productivity Organization (20022003 and 20052006); Contract Researcher of the Geneva-based International Labor Organization (ILO) (20052006); and Social Compliance Associate of the Employers' Confederation of the Philippines, ILO and Verite (2003). At present, he is President of the mother chapter of Pilipino Muna Movement, Inc.



MR. MENELEO J. CARLOS has been a Director of Vacphil since 1969. He currently heads the diversified group of companies of Resins Incorporated and is Director of several established corporations which include Ayala Corporation and the Riverbanks Development Corporation. Mr. Carlos attended the Ateneo de Manila during his early school years and holds a degree in Chemical Engineering from Cornell University, Ithaca, New York. His wide and valuable experience in the fields of Process Engineering, Plant Designs and Development Research on Synthetic Resins have earned him recognition

and awards from various civic and government organizations advocating and promoting technology efficiencies, energy management and improvement in the quality of life for his countrymen.



MR. DAVE DIWA is the president of the National Labor Union (NLU).

SERVICES SECTOR



DIR. JOSEFINO I. TORRES is the Director of the Institute for Labor Studies of the Department of Labor and Employment (DOLE).



MR. JUN UMALI is the Secretary-General of the Union Network International-Philippine Liaison Council (UNI-PLC).



MS. MERCY FABROS is the convenor of the Women's March Against Poverty and Globalization. She is also with Women Health Philippines, a national network of about a thousand individuals, and seven nongovernment organizations committed to promote the Filipino woman's right to health and reproductive freedom.

PHOTO DOCUMENTATION



The forum was formally opened by Mr. Kyo Naka, Deputy Resident Representative of the UNDP and Chancellor Sergio Cao of the UP-Diliman. Dean Raul Fabella of the UP School of Economics gave a brief overview of the launch and roundtable discussion.





Dr. Maria Fe V. Mendoza introduced the resource person.

Dr. Alex B. Brillantes, Jr., Dean of UP-NCPAG, giving the synthesis of the Forum

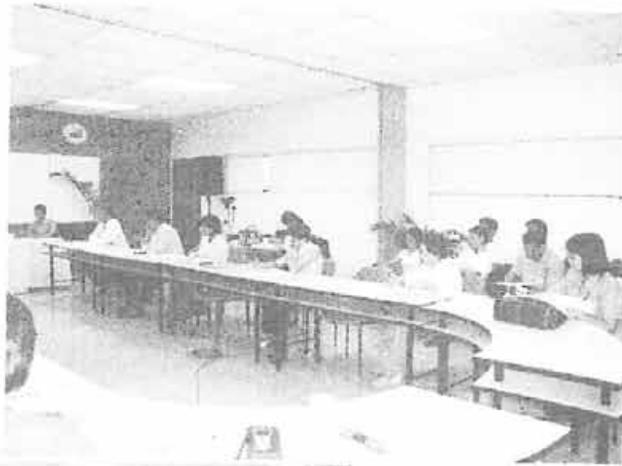


The resource person, Dr. Manuel Montes presenting the 2006 Human Development Report.



The five panel discussants: clockwise, Dr. Rene Ofreneo, Prof. Leonor Briones, Dir. Serafin Juliano, Prof. Gigi Francisco and Mr. Crisanto Frianeza.





There were three breakout sessions in the second part of the forum, the agriculture, manufacturing and services sector sessions.



The open forum facilitated for a lively exchange of ideas on the next steps on how to make trade work for the poor. The workshop outputs of the different sectors were also presented and members of the audience gave their remarks on the outputs.

