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1994

# GATT issues and Philippine agriculture

Aquaculture Department, Southeast Asian Fisheries Development Center

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Southeast Asian Fisheries Development Center, Aquaculture Department (1994). GATT issues and Philippine agriculture. Aqua Farm News, 12(6), 1-15.

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<http://hdl.handle.net/10862/2539>

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# AQUA FARM NEWS

ISSN 0116-6573

A publication of the SEAFDEC Aquaculture Department, Iloilo, Philippines

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Vol. XII No. 6

November-December 1994

## Global free trade

# **GATT ISSUES AND PHILIPPINE AGRICULTURE**



In this issue we veer away from the usual topics in the aquaculture industry and take a look at the hottest and most acrimonious issue gripping the world today - The General Agreement on Tariff and Trade (GATT).

It is important to have a working knowledge on these issues since it encompasses almost all sectors of business and industry, particularly the agriculture sector which includes aquaculture and fisheries exports.

As the world-at-large is bracing for the new world economic order, it is to our best advantage to keep abreast of these realities.

Unlike most other agricultural products, the fishery export sector stands to benefit from GATT since this would further expand and enhance the Philippines fishery product

standing in the world market.

This positive statement was made by Atty. Malcolm Sarmiento, general manager of the Philippine Fisheries Development Authority (PFDA), even as he said that even without the GATT, the trade balance in fisheries products exports against imports has been very positive for the past five years. Sarmiento said GATT implementation in January 1995 will widen Philippine fishery products as the participants to the GATT are expected to open up their markets to all types of products from GATT-member nations.

He said that the country has been importing only less than 10% of its fishery product requirements over the years as against what it exports at 15 to 20% a year of its production. Exports are mostly tuna, tiger prawn, octopus, and live grouper. While the import liberalization program

adopted by the Central Bank in the '80s provided for the lifting of quantitative restrictions on fishery products, importations have not been as significant as earlier projected.

Importations have been mostly on the canned fishery products which are competing evenly with local sardines and mackerels.

Sarmiento said local fishery production has been tapering off since the '80s mainly due to overfishing, illegal fishing, population growth as well as declining productivity of existing fishery resources.

Production has been growing at 2.6% a year as compared to the previous growth rate of 5% before the 1980s, Sarmiento said.

Along with declining growth in fishery production, prices have been rising and have since maintained their high levels because supply can not match demand, he added.

The market is expected to correct itself once the GATT takes effect because as more fishery products come in, this additional supply will help fill the demand for fishery products in the local market.

### Beginnings of GATT

As World War II was drawing to a close, experts from the free world's leading countries gathered at Bretton Woods, New Hampshire, USA to create a global economic order.

They established the World Bank and the International Monetary Fund and called for a

new body to supervise global commerce that eventually became known as the International Trade Organization. When it was time for the US Congress to approve the ITO, President Harry Truman, preoccupied with a plan for the US

health care reform, failed to lobby vigorously for the ITO. Protectionists torpedoed the proposal, and the GATT, the loose trade organization that has governed world commerce since then, was cobbled together as an interim replacement.

GATT has its regular meetings which is called "round." The most recent

was held in Uruguay, hence The Uruguay Round Agreement (UR). So far, the UR is the most extensive since it covers agriculture, services, clothing and garments, intellectual property rights, and investment measures.

The Philippines became a member of GATT in 1980 during the Tokyo round of negotiations. In April this year, the Philippines signed the UR treaty in Morocco. But to make it binding the Philippine Senate has to formally ratify it.

The agreement, which would massively change the world's trading regulations and slash tariffs is 22,000 pages in length and weighs 358 pounds. It must be transformed into legislation that will be at least 1,000 pages.

Perhaps the least known feature of this trade pact is that it will install a new layer of international regulation over world economy by the WTO or World Trade Organization. This new



ARNOLD ROTH - TIME

international organization, based in Geneva, will have the power to set, administer and enforce the global rules of trade for its 117 member countries. The WTO will be organized much like the General Assembly of the UN. However, unlike the UN, there is no security council, where the major nations have veto power.

Each country, regardless of the size of its population or economy, has one vote. Thus, the vote of the island nation of St. Kitts, for example, will have the same impact as the vote of the US.

WTO decisions will be made by the votes of 117 member countries. In addition to making and regulating the rules of global trade, the WTO will also be a global tribunal for trade disputes. The judges for these tribunals will be sitting trade officials from other nations or outside parties appointed by the WTO leadership. There are no conflict-of-interest standards for these judges.

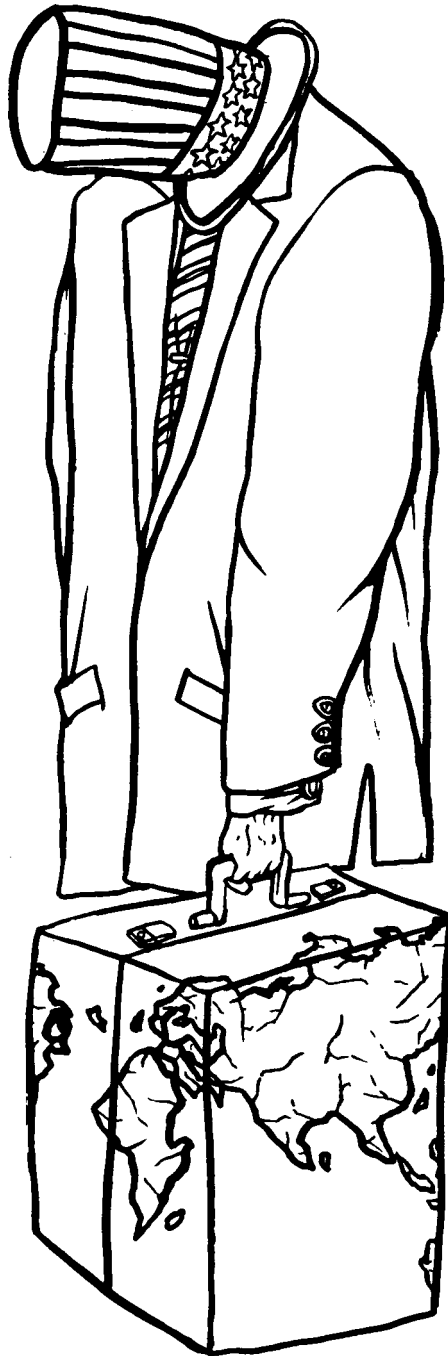
The real significance of the WTO dispute tribunals is that any member nation is empowered to challenge any law of a country - national or local - as an impediment to international trade. For example, if the WTO tribunal finds US laws (federal, state or local) to be in conflict, they will be required to change them or pay fines.

WTO rulings are final. If for example, the US loses in these Geneva tribunals, it will have three choices - change US laws, pay fines to other nations, or suffer WTO trade sanctions and lose their trade rights.

**Features of the GATT on Agriculture**

By signing the Uruguay Round agreement on agriculture, GATT members have committed themselves to increasing access to their markets for agricultural commodities, and to reducing export subsidies and internal support to agriculture over the period of the agreement: 1995-2001 for developed countries and 1995-2006 for developing countries.

When the GATT was enforced in 1948, the vivid memory of food shortages during and after the Second World War led to an insistence by its leading members that agriculture should be accorded special treatment. Agriculture was seen as too important for countries to be dependent on access to international markets. Agriculture's special status was reinforced in



Benjy Lontoc-Today

**PROJECTED WINNERS AND LOSERS UNDER GATT REGIME: (Agriculture)**

<u>WINNERS</u>	<u>RISKY</u>	<u>UNCERTAIN</u>
SEAWEEDS	CORN	RICE
PRAWN & SHRIMPS	SUGAR	POTATO
TUNA		GARLIC
COFFEE		
PINEAPPLE		ONION
BEEF		
BANANA	PORK	DAIRY PRODUCTS
COCONUTS	POULTRY	COTTON
MANGOES		CASSAVA
CASHEW/PILI NUTS		BLACK PEPPER
ASPARAGUS		ABACA
PAPAYA		TOBACCO
DURIAN		
CUTFLOWER		

1955 by the special waiver accorded to the US allowing it to impose quantitative restrictions on agricultural imports in support of its domestic agricultural policies. This set an important precedent for other developed countries, thus providing the basis for the Capital Adjustment Policy (CAP) of the European Union.

Agriculture was therefore effectively taken out of the GATT. In the seven rounds of negotiations since 1948 up to the Uruguay Round, domestic policy objectives in agriculture were used to keep agriculture off the agenda, and trade restrictions prohibited for other goods were allowed to remain.

This situation changed with the start of the Uruguay Round in 1986, largely reflecting the changing circumstances in the US. US dominance as the world's largest trading power has declined, making it more dependent on world export markets. Consequently, its sensitivity to restrictions in international competition, such as those emanating from the CAP, has increased. The US therefore joined forces with the Cairns Group of agricultural exporting nations (Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Uruguay) to put agriculture into the agenda for the Uruguay Round. At the same time, budgetary pressures were increasing the need to reduce farm support in Europe, increasing the political impetus for an agreement to end the 'beggar us all' export subsidy competition with the US in major markets.

A stated objective of the Uruguay Round was to achieve greater liberalization of trade in agriculture, and bring measures affecting import access and export competition under strengthened and more operationally effective rules and disciplines. The negotiations have focused on the 'decoupling' of agricultural support from quantities produced, and the 'recoupling' of domestic prices with international prices.

Agriculture, however, proved to be a major stumbling block to the whole Round, because of the fundamental contradiction between the US's desire for more open markets and Europe's primary interest in reducing the fiscal cost of agricultural support. This largely reflected the different self-perceptions of the two parties as low- and high-cost producers, respectively. This

contradiction was a major factor underlying the three-year deadlock in the Uruguay Round negotiations.

The GATT Uruguay Round Agreement on Agriculture features five main areas of commitment. These are:

**1. The conversion of all quantitative restrictions imposed on agricultural products into tariffs**

Quantitative restrictions are measures such as import licensing requirements, quotas, and bans, imposed by a government to deny entry or restrict the amount of agricultural products imported from other countries. Under the GATT UR, all these restrictions will be lifted by member countries. In lieu of these quantitative restrictions, GATT member countries will be allowed to impose tariff rates equivalent to the level of protection enjoyed prior to the removal of the restrictions.

If there are member countries wishing to export an agricultural product, a GATT member country will, under the minimum access provision of the Agreement, allow the importation of the commodity in 1995 at volumes equal to 3% of its consumption during the base period of 1986-1988. This rate will increase to 5% of annual consumption by 2004. The tariff rates for products being imported under the minimum access provision shall be set lower than the computed rate equivalents.

To compensate agricultural producers who may be duly disadvantaged from the lifting of these quantitative restrictions, the Agreement has a special safeguard position.

In the event that a surge in imports occurs as a result of the removal of quantitative restrictions, a member country will be allowed to increase tariffs by up to one-third of the applicable tariff.

**2. Reduction of tariffs on agricultural products**

Tariffs are taxes imposed by a government on imported products, either to raise revenues or to protect domestic industries from competition posed by imports, or both. Under the Agreement, all member countries are required

to "bind" or set a minimum limit on tariffs to be imposed on all aggie products. Developing member countries will then reduce these limits by a minimum of 10% for each tariff line and by a simple average of 24% for all tariff lines within ten years starting in 1995. On the other hand, developed member countries will reduce these limits by a minimum of 15% for each tariff line and by an average of 36% for all tariff lines within a six-year time frame starting in 1995.

**3. Reduction of domestic subsidies**

Domestic subsidies are measures implemented by a country to reduce the costs of production or increase the net revenues received by agricultural producers in its domestic market, thereby encouraging the production of these commodities beyond what is economically efficient.

Under the Agreement, a GATT member country will measure the domestic subsidies paid to its agricultural commodities to encourage production. These subsidies, which as a whole is called the aggregate measure of support (AMS), will be quantified by assigning a monetary value to all production support provided by a member country to agricultural commodities. Developing member countries will reduce their respective AMS by 13% over a period of 10 years starting in 1995. Developed member countries, on the other hand, will reduce their AMS by 20% over a period of six years, also starting in 1995.

However, if a particular AMS of a developing member country falls below 10% of the total value of production of the commodity for which the support is provided, this country will not be required to reduce this AMS. A developed member country will not be required to reduce a particular AMS if this AMS does not exceed 5% of the total value of production of the commodity provided the support. This is what is referred to in the Agreement as the *de minimis* provision.

Moreover, measures to encourage investments in agriculture and to subsidize production inputs critical to the development of agriculture in developing member countries are exempted from AMS reduction provided these are not direct payments to producers and processors. These



investments should be in research on pest and disease control, training, extension and advisory services, inspection services, marketing and promotion, and infrastructure services.

#### **4. Reduction of export subsidies**

Export subsidies are payments made by the government to its domestic producers to permit them to reduce their cost of production, thus enabling them to compete more effectively in world trade. Prevalent in developed countries, these subsidies are provided to encourage the export of farm products which are domestically produced in large amounts as a result of the domestic production support.

A GATT member country will likewise assign monetary value on all export subsidies it provides to specific agricultural products. A developing member country will reduce the number of agricultural products receiving export subsidies by 14% over a ten-year period starting in 1995. It will also reduce the total amount spent on export subsidies by 24% over the same period. A developed member country, on the other hand, will reduce the number of agricultural products receiving export subsidies by 21% over a six-year period starting in 1995. It will also reduce the total amount spent on such subsidies by 36% over the same six-year period.

#### **5. Harmonization of Sanitary and Phytosanitary measures**

Sanitary and phytosanitary measures necessary to protect human, animal, or plant life or health will be harmonized among GATT member countries. These measures will be based on relevant international standards, guidelines or recommendations developed by international organizations, including the Codex Alimentarius Commission, the International Office of Epizootics, and other such organizations operating within the framework of the International Plant Protection Convention.

### **HOW WOULD THE PHILIPPINES BENEFIT FROM THE GATT UR AGREEMENT ON AGRICULTURE?**

The GATT Secretariat in Geneva estimates an expansion in world trade by an average of 12% or an increase of roughly \$745 billion (in 1992 dollars) in the year 2005. Of this estimated increase in world trade, approximately 20% will accrue to raw and processed agricultural products. Preliminary estimates indicate that the GATT Secretariat-projected expansion in world trade as a result of the GATT UR Agreement on Agriculture will translate into the following net benefits for the Philippines.

#### **1. Increase in annual net trade earnings from agricultural products by approximately 3.4 billion pesos.**

By adhering to the GATT UR Agreement, the country stands to enjoy an annual increase of 11 billion pesos in the value of its agribusiness exports. However, based on historical trend, agribusiness imports will also increase but to a lesser degree. According to estimates, our annual aggie imports will increase by 7.6 billion pesos. Together, these projected imports and exports indicate that the GATT UR Agreement, will make the country a net exporter of agribusiness products, earning a trade surplus of some 3.4 billion pesos annually.

#### **2. Annual increase in agricultural gross value added (GVA) by 60 billion pesos**

Agricultural gross value added (GVA) will increase by about 60 billion pesos annually.

#### **3. Additional 500,000 jobs generated annually**

About half a million jobs will be generated annually due to GATT-induced expansion in agribusiness activities. These new jobs will account for almost half of the annual job requirements of the country.

It should be emphasized that these benefits are the minimum that the Philippines can receive with the ratification of the GATT UR Agreement. If the country provides the appropriate infrastructure and implements the necessary

policy reforms that would further enhance the competitiveness of its agribusiness exports, the country has the potential to significantly increase its estimated income and employment benefits from GATT.

In ratifying the GATT UR Agreement on Agriculture, certain infrastructure and policy reforms need to be immediately implemented to improve the prevailing marketing and investment climate in the agribusiness sector. These measures are necessary to tap the full potentials of the agribusiness sector in expanding its export base and in assisting affected agribusiness sectors adjust to the decline in trade protection brought about by the Agreement. Specifically, these complementary measures include:

- Provide a more efficient rural market infrastructure system
- Strengthen research and development on, and extension of, appropriate production and post harvest technologies
- Provide more reliable and relevant market information
- Support the development of the cooperative movement
- Provide better irrigation and drainage systems
- Increase access to postharvest handling and processing facilities
- Ensure a policy environment more supportive of agricultural development in general and of agricultural exports in particular.

### **POLICY REFORMS NEEDED TO ENABLE THE COUNTRY TO TAKE FULL ADVANTAGE OF THE GATT UR AGREEMENT ON AGRICULTURE**

1. Provide adequate public investments to support the agriculture sector.
2. Make exchange rate reflect the true value of the peso.
3. Encourage the flow of credit from institutional sources to the rural areas.
4. Provide better access to more and lower-priced farm machinery, transport facilities and their spare parts, as well as a greater variety of packaging materials.
5. Reform transport policies and eliminate

monopolies and other regulations creating inefficiencies in shopping services and port management.

### **WHAT WOULD THE PHILIPPINES HAVE TO DO TO IMPLEMENT ITS COMMITMENT UNDER THE GATT AGREEMENT ON AGRICULTURE?**

To comply with the Agreement, the country has to do the following:

#### **1. Remove all quantitative restrictions imposed on agricultural products**

The Philippines is required to remove all restrictions on all aggie products except rice. In lieu of these restrictions, higher tariff rates equivalent to at least double the final rates in 1995 under Executive Order 470 will be imposed.

For critical aggie products, the increase will be more substantial and reach the maximum allowable limit of 100% under Philippine Tariffs and Customs Code. For example, tariffs on corn imports will be increased from 20 to 100%.

In recognition of food security concerns, developing member countries like the Philippines have been allowed the flexibility of retaining quantitative restrictions for staples. The Philippines chose to avail itself of this privilege; hence import restrictions on rice will remain in place for the next ten years.

However, in exchange for this privilege, the country will be required to allow the importation of rice equivalent to 1% of our domestic consumption or about 59,000 metric tons (MT) in 1995. This level of importation will increase to 4% our domestic consumption or about 239,000 MT in 2005. The Philippines reserves the right to allow the National Food Authority to exclusively import such quantities of rice for its buffer stocking operations.

#### **2. On the reduction of Tariffs on Agricultural Products**

For agricultural products whose quantitative restrictions will be lifted, the Philippines will find or set maximum limits on tariffs at a minimum of twice the existing tariff rates. For critical



agricultural commodities like corn and livestock and poultry products the bound tariff rate is 100%. Those bound tariff rates will be reduced to levels equivalent to at least ten percentage points higher than the existing rates within ten years starting in 1995.

In the case of corn whose tariff rate stands at 20%, the initial bound rate is 100%. This rate will be reduced to 50% by 2005. On the other hand, the initial bound rate for meat of swine, whose present tariff rate is at 20%, will be 100%. This will be reduced to 40% by 2005.

For agricultural products which do not enjoy protection through quantitative restrictions, the initial bound rates will be ten percentage points higher than existing tariff rates.

These bound rates will then be reduced by the minimum requirement of 10% by the year 2005.

For selected agricultural commodities whose tariffs are currently bound under the GATT Tokyo Round of negotiations, the initial bound rates will be maintained at their existing levels. These rates will then be reduced to the minimum requirement of 10% by the year 2005.

These reduction in bound rates will enable the Philippines to comply with the requirement of reducing tariff rates by an average of 24% for all tariff lines within the ten- year period between 1995-2005.

**3. On the reduction of domestic subsidies**

The Philippines currently provides domestic subsidies to its rice, corn, coconut, and sugar sectors. These subsidies take the form of production support measures such as fertilizers, certified seed, and planting material subsidies, as well as price support mechanisms. The computer aggregate measure of support (AMS) for any of these sectors fall below the *de minimis* level for developing countries of 10% of the total value of production. In fact, the rice sector which is heavily subsidized in the Philippines, merely receives an AMS of roughly 5% of its value of production. As such, the Philippines is not obligated to reduce its budgetary outlays for domestic support to any of these sectors.

**4. Reduction of export subsidies**

The Philippines does not provide export subsidies and, therefore, does not have to comply with this reduction commitment.

**5. On harmonization of sanitary and phytosanitary regulations**

Regulations imposed for sanitary and phytosanitary purposes will remain. These regulations will be harmonized with those of the rest of the world.

**MYTHS & FACTS ABOUT THE GATT UR AGREEMENT**

The acrimonious debate on the final act (ratification) on the GATT UR Agreement is getting hotter than ever - on a global scale. The arguments are littered with fragments of truth and shards of half-truths, myths and outright lies. Optimists claim the trade accord is one good thing that has happened, particularly to agriculture to get it moving, and their numbers appear to be



Rogers-Pittsburgh Post-Gazette

growing. Pessimists, however, insist it will exacerbate our poverty. Below are some common myths which send chills down the spine on every GATT fearing Filipino and the corresponding fact about the myth.

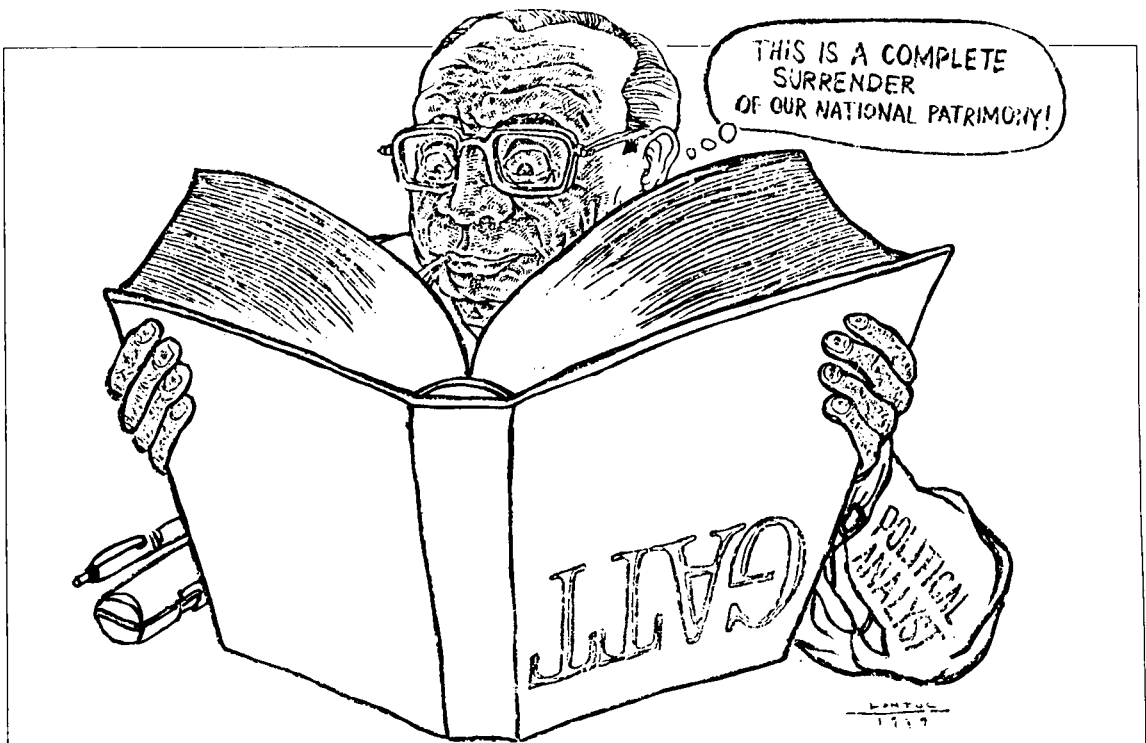
**MYTH:** *The GATTUR Agreement is a US-scheme designed to perpetuate its imperialist/capitalist interest to the detriment of Third World countries like the Philippines.*

**FACT:** Nothing can be farther from the truth. How can it be an American scheme when even in the US, the Anti-GATT-WTO forces includes the left and the right? The likes of ex presidential candidate Ross Perot, consumer advocate Ralph Nader, ultra-conservative Senator Jesse Helms and environment activists such as Greenpeace USA and the Sierra Club are at their most vociferous self against GATT/WTO. They view WTO as a threat to US sovereignty. A major objection from the US opponents is that WTO would accord the US only one vote, placing it at par with 116 other members. They couldn't imagine obscure nations like St. Kitts would have the same voting power in the WTO

as the US. Other US opponents contend that the WTO would threaten American interests far more than the UN, where, as one of the five permanent members on the Security Council, the US can veto any measure. American critics also complain that the EU, Japan and Canada have drawn up a list of more than 100 US laws that they intend to challenge in the WTO as constraining trade. One is a California statute that requires warning labels on all products that might cause birth defects or cancer. Others that could end up before a WTO tribunal involve US nutritional labeling requirements and minimum fuel efficiency standards for automobiles. Environmentalists are particularly unhappy with a challenge to a US law designed to protect dolphins.

The fact is the GATT treaty is multilateral in nature, having been a product of a long and tedious process of negotiations, bickerings and compromises among GATT participants. So it is wrong to pit the South against the North in the GATT debate. It is an accord negotiated and signed by both developed and developing countries.

US



Benjy Lontoc-Today

**MYTH:** *The GATT Agreement will worsen the "dumping" of imported fish and fish products in the country to the detriment of small, marginal fisherfolks.*

**FACT:** The Philippines made no concessions and commitments on fish and other fishery products. But the country has obtained trade concessions from our trading partners on tuna, shrimps, and prawns. So the fear of dumping is misplaced. Prices of "galunggong" are still high and there seems to be no indication prices of fish and fishery products are going down.

**MYTH:** *The GATT UR may imperil food security and sustainable agriculture*

**FACT:** With or without GATT, the greatest threat to the country's food security is the current policy and expenditure biases against agriculture. This has been established in so many studies. So far, the debate on GATT UR Agreement has crystallized the need to address the plight of the rural sector. Policy makers are now talking of "safety nets," "efficiency enhancement measures," and "short term adjustment measures" that are evolving into concrete programs, policy reforms and real billions-of-pesos worth of investments in rural infrastructures and support services.

All these measures are expected to enhance the country's capability to realize its comparative advantage. The GATT UR Agreement and the current pre-occupation among policy makers to institute important policy reform measures and provide rural infrastructure and support services will enable the country to increase food productivity and at the same time allow imports to augment domestic production to meet the demands of the growing population.

**MYTH:** *Besides policy reforms, the government's proposed "safety nets" or "competitiveness enhancing measures" generally focus on providing rural infrastructure and support services. However, they do not address the country's structural problems," i.e., poverty and inequality.*

**FACT:** The wisdom of providing adequate rural infrastructure and support services as "safety nets" vis-a-vis GATT UR implementation is confirmed in a latest study on "poverty and inequality" by Balicasan and Bacawag (1994). Every-

body blames inequitable distribution of wealth and income as the cause of much poverty, particularly in the countryside. The conventional solution has been land and tenancy reforms. Land redistribution increases rural incomes, the study notes, but "these (income) increases are not likely to substantially alter the picture of aggregate poverty and inequality" in rural areas.

Same thing with tenancy reforms. "Recent empirical and theoretical studies suggest that tenancy by itself is not an important correlate of poverty and inequality as expected. The variation in incomes within tenure classes (reflecting the effect of farm size, yield, cropping intensity, land quality, and access to technology and markets) has been found to be much greater than the variation between classes."

It stresses that "very promising areas for poverty alleviation are in infrastructure development and human capital formation." Providing infrastructure in infrastructure-deprived regions reduces poverty without aggravating inequality.

In a simulation increasing the level of educational attainment of the population to at least a high school course will reduce aggregate poverty incidence by eleven percentage points.

The study concludes: "Policy makers need not form new agencies or go far in search of new models to effectively alleviate poverty, reduce inequality and promote balanced urban-rural growth. Much can be achieved by simply improving performance in traditional areas of development management: the financing and public sector coordination of investments in social and physical infrastructure, promotion of rules ensuring incentive compatibility in government and in the private sector, maintenance of macroeconomic stability and pursuit of peace and order, among others.

**MYTH:** *With the removal of quantitative restrictions (QRs) on agricultural imports and its replacement with tariffs, agriculture surpluses from the West will "flood" the domestic market.*

**FACT:** There will be no flood, for three reasons: (1) Rice is exempted from trade liberalization for the next 10 years during the effectivity of the agreement, (2) the maximum ceiling of tariffs on most agricultural commodities have been raised to 100% which should provide am-

ple protection for our farmers, and (3) developed countries will lower their tariffs on imported products and reduce their domestic price support and export subsidies extended to their farmers. These twin concessions will have the effect of bestowing our exports greater access to their markets while at the same time increasing the cost of their products because of the reduction in subsidies.

**MYTH:** *It is naive for the government to expect that the country's export will automatically expand because of tariffs reductions in developed country's markets as provided under the GATT UR Agreement*

**FACT:** The country's exports as percentage of GNP have been increasing at respectable rates since the 1980s at a time when some developed countries were mounting protectionist barriers to exports from developing countries. Hence, trade experts agree that a liberal and transparent trading system under the framework of the World Trade Organization (WTO) coupled with appropriate policy reforms (e.g., adequate infrastructure, competitive exchange rate, etc.) in the domestic front, could provide the much-needed boost to the country's export performance. The private sector, particularly entrepreneurs and exporters who are at the forefront of foreign trade, can accurately gauge whether we can expand trade as a result of the GATT UR Agreement. In most consultations nationwide, these sectors say "We can." That is why they are supportive of GATT's ratification. They are aware of the vast opportunities offered by a more open, rules-based international trading system.

**MYTH:** *GATT's Agreement on Intellectual Property Rights (IPR) will cause:*

(1) *increase on the cost of books because of payment of royalties in view of the strengthening of IPR;*

(2) *prices of pharmaceutical products will shoot up;*

(3) *our indigenous genetic stock will be raided by transnational corporations (TNCs) which will patent them in order to capture profits emanating from their use or application; and*

(4) *the IPR will allow patenting of life forms, including animal and human life forms.*

**FACT:** That's a gross misrepresentation of GATT's IPR provision.

(1) Reprinting of books is allowed provided that (a) three years have elapsed after the world's original publication; and (b) presentation of a proof of failure to acquire voluntary license to publish. The latter can be obtained by the simple expedient act of having an unanswered registered letter from the publisher within a 60-day period

Moreover, GATT's IPR does not bestow exclusive reprinting right to a single publisher. Anybody can publish the work as long as they pay the corresponding royalty of 3-5% of the books selling price. In turn, this rate conforms to P.D. #285, the original law allowing reprinting of imported textbooks. The effect of this non-exclusive reprinting right is to lower the prices of books because of competition among publishers.

Copyright covers only the expression of an idea and not the idea itself. For example, when a foreign author discusses the law of gravity, it is not the law of gravity which is copyrighted but rather, the way it was explained.

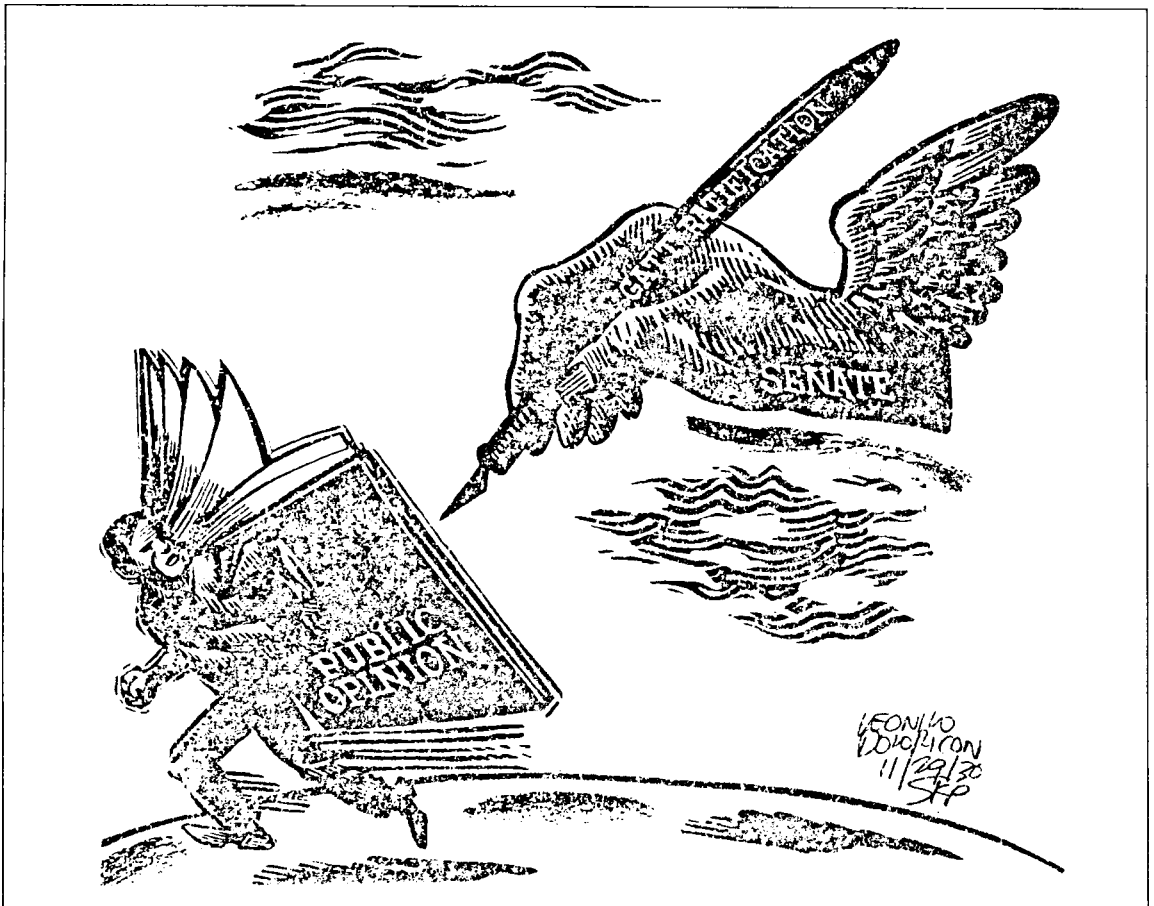
(2) The pharmaceutical law has long been in existence since 1947. It has nothing to do with GATT except to uphold it. More importantly, our Bureau of Patents says that only 5% of pharmaceutical products available in the market have existing patents on them. How can there be monopoly profits?

But assuming a "miracle drug" to cure AIDS has been developed at an outrageous price, still, one can argue that its price is negligible compared to the lives that it can save and the billions of savings generated from expensive programs meant to take care of AIDS patients.

(3) TNC's raiding of our genetic stock can happen with or without GATT. Thus, it is up to our government to protect and maintain our indigenous stock and their biodiversity. We can pass laws to achieve this and create the necessary body for this job, and those will still be deemed in compliance with GATT.

It is also fallacious to argue that TNC's will control the supply of seeds in the country by virtue of holding patents to them. Most plant breeding institutions in the country are public in nature such as IRRI, PHILRICE, UPLB Institute





Leonilo Doloricon-Manila Times

of Plant Breeding and DA's Bureau of Plant Industry. Thus, if there is going to be any patenting undertaken, most will be done by these public breeding institutions and not the TNC's.

With local public breeding institutions having the patents to most crop varieties, Filipino scientists will be properly compensated for their efforts. And given the right incentives, they will be able to compete with TNC's. Subsequently, with increased competition, local farmers will benefit most as they can avail themselves of more quality seeds at lower prices.

It's up to us to implement appropriate mechanisms that would protect and sustain the country's biodiversity. It is suggested that a body led by DOST be created to collect, classify, store, and protect our indigenous species and varieties.

(4) This is not true. GATT's IPR only provides for the patenting of microorganisms and plant varieties. In both instances, we have already acceded to this even before the implementation of GATT.

The Philippines is a participant to both the Union for the Protection of Varieties (UPOV) held in 1978 and 1991. In fact, GATT's IPR accords us an alternative other than outright patenting of plants by adopting the so-called "effective *sui generis*" protection of these varieties. "*Sui generis*" means "locally developed" and thus, if our tradition and laws provide plant varieties are the properties of public research institutions, we will still be considered complying with GATT's provisions on IPR.

Likewise, we are a signatory to the 1982 Budapest Convention on the Patenting of Micro-

organisms. Thus, whatever GATT's IPR stipulates on this area is something that we had agreed to long before the GATT negotiations took place in 1986.

Microorganisms are used to produce vaccines, food, and other products useful to mankind. They are part of nature. It is not, however, the microorganisms per se which are being patented, but rather, their application or modification so that they could be of use to man.

**MYTH:** *GATT-WTO is a supersovereign, secret and anti-democratic body that will undermine the sovereign rights of member countries, particularly Third World countries like the Philippines. It should be rejected.*

**FACT:** There is no sell-out of sovereignty. It will not override national legislatures or national legislation. The Philippine Congress will always have the right to act on the best interest of the country. Should GATT provisions prove inconsistent with our best interest, we can renegotiate. We also have the free choice to withdraw from GATT-WTO.

The WTO is no mystery to anyone. The terms have been on the table and in the public domain for more than a year. If it is a secret, it is the worst-kept secret of all time. All important issues in the WTO will be decided by consensus (i.e., with no motion dissenting). Every decision will follow thorough discussion. Voting will be a rarity.

This is a deal that brings security. Security for businessmen who needs stable markets in which to invest or trade. Security for consumers in the form of lower prices and more choice in the shops. Security and relief for taxpayers because the WTO deal is the equivalent of an international tax cut. And security in the most basic sense, by bolstering world peace and order.

Without the WTO, the prospect would be increased tensions and far more inward-looking, protectionist trading blocs seeking to outprotect one another.

As for rejection, we can't afford to do that. Employing the SMART trade model formulated by the United Nations Conference on Trade and Development (UNCTAD), Economist Dr. Fermin Adriano and his colleagues came out with the following results: in a scenario where GATT has

been rejected and assuming that our major trading partners have imposed a 5% to 10% tariff increase on our products, we will lose approximately 17.42% and 28.99% of our yearly exports. Translated into dollars, this means a loss of US\$1.78 billion for a 5% tariff increase and US\$2.96 billion for a 10% tariff raise.

In the case of deferment of the ratification of GATT, estimates show that in year 2 (the impact of a year's deferment will be felt in the second year of GATT), we will lose exports amounting to more than US\$1.7 billion. If we postpone our decision for another year, we will lose around US\$1.9 billion worth of exports. Those estimates are still on the conservative side for two reasons. One is that once our exporters lose their buyers for the first year, it might be difficult to regain them. Business is based on confidence, and reliability is a foremost criterion. Because we are not a GATT member, we cannot enjoy the tariff concessions given to our competitors such as Malaysia, Thailand, and Indonesia who are all GATT members. We will lose our buyers while senators are mulling whether or not to ratify the treaty. Once we lose our *sukis*, they're lost forever. And second, since our products will not enjoy tariff concessions, investors will prefer placing their money in countries which are GATT members. Most likely Malaysia, Indonesia, and Thailand. Adriano's research team predicts that if GATT is rejected, we will be confronted with an economic crisis similar to the dying years of the Marcos regime. The costs are staggering. The global community will push through with the GATT-WTO. It will not wait for us. And as the global trading community prepares to ride the waves of the new world trading order, the only question to us will be: Are you in or are you out?

#### GATT: IN BRIEF

#### GATT: PRO'S AND CON'S

The Uruguay Round of the General Agreement on Tariffs and Trade (GATT), the eight series of multilateral trade talks, is said to be the most ambitious of all.



It seeks to expand world trade through wider and deeper tariff cuts. It brings in new areas that were not touched by the previous rounds. The eighth round of talks started way back in 1986.

Highlights of the agreements and their implications for the Philippines follows:

#### **Reduction in taxes on imports**

**PRO:** One-third cut in tariffs for 83 per cent of the Philippines' export to the United States, Japan, and Europe over the next five to ten years. This means an additional \$2.2 billion to \$2.7 billion export receipts for the Philippines.

**CON:** The Philippines agreed to reduce tariffs on 66 product lines (42 agricultural and 24 textile and clothing products) over the next 10 years. The availability of cheaper imports will benefit consumers, but may drive non-competitive local industries out of business and result in greater unemployment.

#### **Removal of import restrictions on agricultural products**

**PRO:** Markets for Philippine agricultural exports will be further opened up. Ban on rice imports in Japan and South Korea will be lifted, while US quotas on sugar, dairy products and peanuts will be phased out. The Philippines stands to gain some P11 billion a year in exports of products such as sugar, fruits, coconut oil and soybeans.

**CON:** Long-standing import restrictions on a number of agricultural products will have to be lifted and replaced with tariffs. Products that will be affected include corn, coffee, onions, garlic, potatoes, cabbages, and meat products. Restrictions on rice imports will be lifted by the year 2005. Agricultural imports are estimated to go up by P7.6 billion a year.

#### **Removal of quotas on garment and textile imports**

**PRO:** Most textile tariffs in the US, the Philippines' prime export market, will be reduced by 25 per cent. This should expand demand for

garments and textile exports from the Philippines and other Asian countries.

**CON:** Long-assured of a market under the US quota system, Philippine garment and textile producers may lose out to more competitive exporters once the quota system is phased out. Local manufacturers need to retool and improve productivity.

#### **Stricter standards on intellectual property rights**

**PRO:** Stricter standards on intellectual property rights (IPR) will serve to increase the confidence of the international business community on the legal and enforcement structure in the Philippines, encouraging more of them to come and invest in the country.

**CON:** Filipinos' access to cheap reprints of foreign textbooks, as well as cheap copies of computer programs, will be curtailed. This could push up the cost of education and slow down the advance of computer literacy in the country.

#### **(5) Health, safety and environmental issues**

**PRO:** The Agreement on Sanitary and Phytosanitary Measures will help the Philippines overcome barriers against its exports of fruits, carrageenan, coconut products and others on grounds of health and safety.

**CON:** The adoption of a uniform international health and safety standards could lead to undue relaxation of pesticide residue standards. Environmentalists warn of health threats from the free entry of pesticide-laden agricultural products.

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## Epilogue

The Philippine Senate, on a vote of 18 to 5 ratified last Dec. 14 the country's membership in WTO. The Philippines joins the United States, Japan, and 40 other countries today as founding members of the WTO, which replaces the GATT as overseer of liberalized global trading.

Source: **Manila Standard, Jan. 1, 1995.**

## ANNOUNCEMENT

### Aquaculture Training Courses for 1995

Course	Date
Coastal Aquaculture	16 Jan.-15 Mar
Culture of Natural Food	07 Mar.-06 Apr.
Seaweed Culture	20 Mar.-11 Apr.
Fish Health Management	18 Apr.-29 May
Marine Fish Hatchery	06 June-25 July
Larviculture	02 Aug.-19 Sept.
Freshwater Aquaculture	04 Sept.-13 Oct.
Aquaculture Management	21 Aug.-20 Sept.
Fish Nutrition	24 Oct.-08 Dec.

For more information, contact: The Head, Training & Information Division, SEAFDEC/AQD, P.O. Box 256, Iloilo City 5000, or SEAFDEC/AQD, Tigbauan, Iloilo, Tel. Nos. 271-009, 270-379, 7-05-05, FAX (63-33) 27 1008, Cable: SEAFDEC Iloilo.