
WORKING GROUP 8 CASE STUDY – PHILIPPINES

A Case Study of the Philippines Task Force on the WTO Agreement on Agriculture Renegotiations (TF-WAAR)

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Background

The GATT-Uruguay Round established for the first time a comprehensive set of rules covering international trade in agricultural products. The Philippines was an active participant in the protracted negotiations and an eventual signatory to the final agreement which was adopted in Marrakech, Morocco in 2004. In the negotiations on agricultural trade rules, the Philippines was represented by Geneva-based negotiators and capital-based officials and consultants working under the direction of the Department of Agriculture (DA).

Prior to the Uruguay Round, several agricultural sectors and crops enjoyed trade protection through quantitative import restrictions, relatively high tariffs, and other non-trade barriers. In turn, Philippine agriculture was suffering from low or stagnant yields and productivity, cost uncompetitiveness, and general unpreparedness for open competition in the world market. Hence, there was a clear need for Philippine negotiators to calibrate the country's liberalization commitments with the capacity of its agricultural sector to engage in open trade with foreign competitors.

This situation should have stimulated a close interaction between the government negotiators and the affected private sector groups, particularly the small farmers who comprise the bulk of the agriculture-based population. Unfortunately, very limited, if any, consultations were conducted during the course of the Uruguay Round negotiations. When the negotiations were suddenly revived after a brief standoff, the haste to rapidly hammer out an agreement also left little time for government officials to consult and validate data with the private sector.

This resulted in serious overstatements of the country's tariff rate quota commitments for chicken and pork, comparatively low tariff equivalents for products that previously enjoyed QR protection, and a general tariff reduction commitment that was more progressive than required and relatively more generous than that proffered by many other countries.

These oversights and excessive commitments of government negotiators, which could be traced to some extent to their failure or unwillingness to consult with the private sector during the negotiations, have been widely blamed for the country's deteriorating trade performance during the Uruguay Round implementation period. Although exports and imports may have been influenced by many other factors, data nevertheless shows a ballooning of the country's agricultural trade deficit to a current average level of about US\$1 billion per year from a slightly positive trade balance at the start of UR implementation in 1995.

Government has likewise been criticized for prematurely exposing small farmers to open competition without accurately evaluating its ability to provide budgetary support, assistance and safeguards, and despite repeated assurances that the trade agreement would be beneficial for agriculture as a whole and would be complemented by adequately funded competitiveness-enhancing programs.

The Task Force on the WTO Agreement on Agriculture Renegotiations (TF-WAAR)

The public backlash that arose from the errors and excessive commitments made during the Uruguay Round negotiations led officials from the Department of Agriculture to rethink their strategy and institutional set-up in preparing for subsequent negotiations in the WTO, and later on, also in negotiations under various regional and bilateral trade agreements. Private sector groups, including farmer organizations and NGOs, also become more vocal and aggressive in pushing for changes in how the government conducted these negotiations, demanding that affected sectors be involved in crafting positions and strategies.

These developments coincided with the onset of a new Round to follow the UR, starting with the failed ministerial meeting in Seattle in December 1999 and the subsequent adoption of the Doha Development Agenda in November 2001.

As a result, the Department of Agriculture, through its division handling trade negotiations, decided to establish a permanent committee composed of representatives from key agricultural sectors and NGOs that would regularly provide advice to the Department and its negotiators on issues being discussed in, and proposals submitted to, the WTO.

This led to the creation of what was called the Task Force on the WTO Agreement on Agriculture Renegotiations, or TF-WAAR. At present, this task force is composed of about 20 representatives from the rice, corn, chicken, hog, sugar, vegetable, coconut, coffee, agribusiness and processing, and related sectors, some NGOs, and selected officials from relevant government agencies who are invited as needed.

Although originally convened as an ad-hoc task force, the TF-WAAR has evolved into a consultative body with which Department officials regularly interact and dialogue with on WTO matters. (A similar body has since been established for other trade negotiations, particularly those involving FTAs, with the eventual aim of setting up a fully functional consultative body within the Department for trade negotiations in general.)

In addition to the TF-WAAR main committee, the Department established a smaller Core Group consisting of selected private sector representatives that would meet more regularly and analyze proposals and issues in more detail in between regular TF-WAAR meetings. This was deemed necessary to provide the Department with a more focused, intensive and dependable source of inputs, since there were practical difficulties in convening and ensuring the constant participation of private sector representatives in the main committee meetings of the TF-WAAR.

The Core Group presently involves three private sector representatives with specific assignments and fields of expertise relating to the three pillars of the agricultural trade negotiations (market access, domestic support and export competition). These Core Group members interacted regularly with the Department's capital and Geneva-based negotiators and helped the Department develop detailed negotiating positions and strategies, simulate the effect of proposed modalities and disciplines on domestic sectors, and generate feedback and information from their contacts both locally and abroad.

The outputs of the Core Group, as refined through interactions with the government negotiators, were in turn presented to the TF-WAAR main committee for validation and endorsement, and subsequently incorporated into the negotiating position of the country's official negotiators in the WTO.

This set-up worked smoothly in the run up to the WTO ministerial meeting in Hong Kong in December 2005, and government officials were considerably more relaxed and confident in the

negotiations given the much clearer mandates and support they had secured from the private sector. In turn, selected private sector representatives were included as members of the official government delegation, enabling them to observe the proceedings first hand and engage government officials in real-time discussions on developments and emerging issues.

Although much more has to be negotiated to complete the Doha Round, the preliminary achievements in Hong Kong, particularly in the areas of special products (SPs) and the special safeguard mechanism (SSM) on which the TF-WAAR and Core Group spent countless discussions and workshops, have provided clear evidence of the effectiveness and utility of the participative and interactive approach adopted by the Department of Agriculture.

The previously acrimonious and adversarial approach of many private sector groups towards the Department with respect to the trade negotiations has also perceptibly given way to a more constructive and broadminded willingness to work together, discuss issues more amicably, and try to come up with common positions before the formal negotiations.

Lessons Learned

Although it sounds commonsensical that governments should consult with affected sectors, the experience with TF-WAAR shows that several factors have to be in place in order to make such a consultative system work effectively.

First of all, government officials must acknowledge and be convinced of the need for such a consultative and interactive system of preparing for, and participating in, trade negotiations. This attitudinal shift is necessary to erase lingering perceptions among government officials that the private sector will only push for their parochial interests, have little to contribute, and will only create additional problems and headaches for the negotiators.

In turn, only when the private sector feels that the government sincerely needs and wants their involvement will they be willing to invest their time, effort and resources to constructively participate in the process. Government will then have to place their trust in the private sector representatives, particularly when involving them in discussions over sensitive matters, granting them access to internal confidential communications and documents, and giving them off-the-record comments and assessments of developments.

Secondly, the consultative mechanism must be formalized, institutionalized and fully synchronized with the government's internal structure for handling the negotiations. Ad-hoc, informal and emergency meetings may be helpful, but a protracted negotiating process such as that in the WTO and in FTAs needs a clear structure linked up with the negotiating system and a more-or-less permanent membership that is involved in the whole process of negotiations.

This is all the more important given the complexity of the issues and modalities being discussed in these trade negotiations, such that meaningful participation can only be achieved through an accumulation of information acquired at each step of the negotiating process.

Thirdly, the private sector must complement the government's willingness to consult by being ready to invest their time, effort and resources to the activity. They must make the effort to read and study documents, learn the issues and intricacies of various proposals, and gauge the impact of these proposals on their respective sectors and the agricultural sector in the country as a whole. They should be ready to match the trust and confidence entrusted to them by the government by handling confidential information judiciously and discreetly.

They should also institute a parallel participative and interactive process within their own organizations, so that the information they receive at the national level filters down to as many affected and interested groups and persons as possible.

Fourthly, preparation is critical for any negotiating initiative to succeed. Government negotiators, in tandem with the private sector, must meticulously do their homework in preparing for formal negotiations and meetings. Proposals should be evaluated, impacts should be simulated, problems should be anticipated, and positions should be crafted well in advance of formal meetings where decision-making is usually ministerial in nature.

This requires the active, regular and sustained involvement of the private sector and their constant interaction with negotiators and public officials throughout the negotiation process. When the formal meetings are held, government negotiators should already have a firm and clear idea of their negotiating positions and strategies and the confidence that they have the support of their private sector constituencies.

Fifth, the government, with the assistance of the private sector, must make adequate and appropriate investments in acquiring and organizing data and information relevant to the negotiations, including the appropriate hardware, software and personnel to handle and manipulate such information. In many cases, proposals cannot be evaluated, and simulations cannot be executed, because basic data which is needed for the analyses is either missing or unavailable. This makes it difficult, if not dangerous, for negotiators to make commitments and proposals.

Although the task of gathering the information and setting up the data systems is initially daunting, it would prove to be a very cost-effective effort since much of the data will be of use in practically all subsequent trade negotiations, whether multilateral or not. Additionally, quantitative analyses of options will make it easier to resolve internal sectoral conflicts and disagreements, and help government officials arrive at a fairer negotiating position that is also most acceptable to all sectors concerned.

Finally, there is clearly a need to bring the consultative and interactive process to a higher level in order to exert meaningful influence in the negotiations. By itself, the Philippines is a very minor player in the WTO, and no amount of persuasive and well-crafted argumentation will advance its interests if it acts alone in the negotiations. Hence, it is very important that the country's negotiators build and join alliances within the WTO and other negotiating fora with countries who have common interests and concerns.

In the WTO for example, the Philippines has been an active member of the G33 and G20, and maintains its linkages with the Cairns Group. The inputs from the TF-WAAR have been instrumental in giving the country's negotiators heightened credibility and confidence within these negotiating blocs while at the same time expanding the impact of the TF-WAAR's efforts beyond the country's own negotiating system.

To some extent, this alliance-building process within the WTO has been complemented by parallel interaction between TF-WAAR members and their private sector counterparts in other countries. Some of the farmer organizations, NGOs and agribusiness associations and firms represented in the TF-WAAR are affiliated to international organizations which are also involved or interested in the trade negotiations.

This gives an opportunity for private sector groups to bring their concerns and proposals to the international arena, utilizing the information and ideas they gather from the TF-WAAR meetings. Feedback from such interaction with peers from other countries can in turn be shared during TF-

WAAR meetings so that a comprehensive assessment of country and sectoral positions regarding trade issues can be made.

Conclusion

The consultative and interactive system adopted by the Philippine Department of Agriculture in the course of the Doha Round negotiations has indeed been beneficial and instructive to both the government and the private sector alike.

As mentioned earlier, the TF-WAAR has made it possible for the government to craft more credible negotiating positions and strategies that are fully supported by its constituents. The private sector in turn has used the opportunity to ventilate its concerns and proposals in a more constructive manner and at the same time understand more clearly the effects and implications of trade agreements on their individual sectors and the agricultural sector in the country as a whole. There is indeed much to gain, and little to lose, from involving the private sector in the process of trade negotiations.

As the negotiations proceed and new trade agreements are put on the line, the need for more active, intensive and broader private sector participation will increase. The government itself, with its limited resources and personnel, will more than ever need the assistance of the private sector in evaluating emerging proposals and estimating their impact on domestic sectors. The private sector must rise to the occasion, accepting both the responsibility and the challenge to help the government achieve what is best for the country.

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