EXPANDING ON A POSSIBLE WORLD :

AN ALTERNATIVE FRAMEWORK ON TRADE AND DEVELOPMENT FOR THE PHILIPPINES

BY ELPIDIO PERIA

A JOINT PUBLICATION OF ASIADHRRA AND AFA

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INTRODUCTION

Since its inception 12 years ago, the World Trade Organization (WTO) (along with the current global trade system that it promotes) has miserably failed to deliver on its rosy predictions of economic growth and decreased poverty to the developing world. Even the most rabid proponents of neo-liberalism have conceded the fact that both the economic and social conditions for the majority of the people have deteriorated, including those from the developed countries. Loss of livelihoods, food insecurity, hunger and inequality between and within a specific country have worsened.

The number of people going hungry and those being afflicted by poverty-related diseases are increasing. Small women producers and traders are greatly affected by imbalanced and unjust trade rules. This condition is expected to worsen further with the conclusion of WTO-type regional and bilateral free trade agreements. On the other hand, populist governments are winning national elections in Latin America and Europe, with the campaign promise of promoting economic sovereignty and protecting national interests.

What is missing so far in the current international and national trade advocacies is the set of concrete demand and vision of an alternative trade and economic policies to counter the neo-liberal pitch of economic liberalization as the only path to real development.

This Research seeks to :

1. Come up with a set of proposals for an alternative approach to the dominant trade and development framework beyond the WTO and the ASEAN Framework at the national level and, if possible, at the regional level focusing on agriculture and rural development;
2. Contribute to the current advocacies of NGOs and peoples' organizations for an alternative perspective to trade that will satisfy the economic and development interests of the greater majority of peoples and nations, particularly the rural people (small farmers, rural women, fishers and indigenous peoples);
3. Contribute to the current discourse and exchanges among the various stakeholders in crafting multilateral, regional and bilateral trade rules in the context of economic justice, food sovereignty, rural livelihoods, workers' rights, social reproduction, human rights, sustainable development, gender equality and women's empowerment and fair trade principles.

THE NEED FOR AN ALTERNATIVE FRAMEWORK

There is an emerging consensus that the current push for globalization of trade rules did not achieve its lofty goals of increasing the incomes of the poor and has instead resulted in their further marginalization. As a consequence of this and amplified by the current impasse in WTO negotiations under the Doha Development Round, there is an increasing call for a rethinking of the existing rules of the international trading system and its supporting mechanisms.

The Failed WTO Model and the Doha Round Collapse

The current round of negotiations in the WTO, the Doha Development Round, appears to be headed for collapse. Recently, some ninety civil society organizations have written their Trade Ministers for them to declare the Doha round of WTO dead (Raja, 2007). Even a well-known US newspaper, the Washington

Post, hinted in 2006, that the suspension of the WTO negotiations in July 2006, might result in the discussions never resuming at all, leading to a splintering of groups into regional trading blocs and the erosion of respect for the WTO authority to settle trade disputes and resulting in tit-for-tat trade wars that could disrupt the world economy (Blustein, 2006).

With the latest break of discussions this August, the mood in Geneva is uncertain as the negotiating atmosphere has been badly damaged by the strong negative reaction by most developing-country groupings to the NAMA draft. The month of September is widely believed to be crucial in which the Doha negotiations will finally "make or break" (Khor, 2007).

After more than a decade of the WTO, growth and the rate of poverty reduction have slowed in most parts of the world since implementation of the WTO's policy package – a model imposed a decade earlier on many developing countries by the International Monetary Fund and World Bank. In Africa, per capita income – which is an economy's total output divided by its population– grew around 40 percent from 1960 to 1980 – but actually shrank more than 10 percent from 1980 to 1998. In Latin America, from 1960 to 1980, average per capita income grew by 82 percent – that's over 4 percent per year per person. However, during the era in which governments in the region began implementing policies of corporate globalization, from 1980 to 2000, income per person grew only 9 percent – less than one half of one percent per person per year. Now its down to 5%. (Wallach and James, 2006)

The number of people living in poverty has also increased in South Asia, while growth rates and the rate of reduction in poverty have slowed in most parts of the world – especially when one excludes China, where huge reductions in poverty have been accomplished, but not by following WTO-approved policies (China became a WTO member only in 2001). Indeed, the economic policies that China employed to obtain its dramatic growth and poverty reduction are a veritable smorgasbord of WTO violations: high tariffs to keep out imports and significant subsidies and government intervention to promote exports; an absence of intellectual property protection; government-owned, operated and subsidized energy, transportation and manufacturing sectors; tightly regulated foreign investment with numerous performance requirements regarding domestic content and technology transfer; government-controlled finance and banking systems subsidizing billions in non-performing debt; and government-controlled, subsidized and protected agriculture. Many of these same policies are those employed by the now-wealthy countries during their period of development (Ibid.)

It's not as if the status quo is working for most people in the rich countries either. During the WTO era, the U.S. trade deficit has risen to historic levels – from $130 billion (in today's dollars) in 1994 (the year before the WTO went into effect) to more than $717 billion in 2005. The U.S. trade deficit is approaching 6 percent of national income – a figure widely agreed to be unsustainable, putting the United States and global economy at risk. Soaring U.S. imports during the WTO decade have contributed to the loss of nearly one in six U.S. manufacturing jobs. U.S. real median wages have scarcely risen above their 1970 level, while productivity has soared 82 percent over the same period, resulting in declining or stagnant standards of living for the nearly 70 percent of the U.S. population that does not have a college degree (Ibid.).

The Doha Round was dubbed a "Development Round." However, the actual texts reveal an agenda aimed at expanding the scope of the existing WTO regime. Given the record of the WTO decade, proponents of the Doha Round agenda sought to change the debate away from the WTO's performance and onto prospective future gains. While initial projections by the World Bank were $832 billion, more recent World Bank studies based on revised analysis found extremely limited possible gains from a "Doha Round" overall. The most likely Doha scenario the World Bank reviewed would yield benefits of only $54 billion to the world by 2015, with developing countries receiving a meager 16 percent of those gains. These projections amount to a miniscule 0.14 percent of projected developing country GDP by that year, or about 0.23 percent of world GDP. Put another way, it is a little less than one cent per person per day to the developing world, or about four cents per person per day to the world as a whole(Ibid.).

Worse, the new research revealed that under the "likely" Doha scenario, the Middle East, Bangladesh, much of Africa and (notably) Mexico would actually face net losses. These studies also showed that the alleged gains that are projected to accrue to Brazil and India would be largely concentrated in those countries' agribusiness and manufacturing industries respectively, while subsistence farmers – a much, much larger percentage of those populations – would see tiny gains or net losses (Ibid.).

There are several key problems with the studies, however, in that they project gains from agriculture and goods liberalization without taking into account many costs of Doha implementation. First of all, the economic models used in the studies "assume full employment." That means they capture alleged savings on consumer food prices as gains, but fail to show a loss if millions of subsistence farmers, who represent nearly half of the developing world, lose their livelihoods. In addition, they fail to include the increased costs that consumers worldwide pay for medicines due to pharmaceutical monopolies, which some economists estimate outweigh the projected gains, even for the few developing country "winners." And finally, the models fail to adequately take into account the loss in tariff revenue for developing countries, which the United Nations Conference on Trade and Development estimated would be 2 to 4 times the projected gains for developing countries from the Doha WTO expansion. These flaws have rarely been mentioned in media reports touting alleged "gains" for the poor (Ibid.).

Problems and Impact of Existing Trade for Rural Peoples

In the arena of agricultural trade, there are two increasing concerns, one, barriers against market access remain strong, especially in the developed countries, which limits the export opportunities for developing countries' agricultural products, and two, despite the continued protectionism in the rich countries, the developing countries have increasingly liberalized their agricultural imports, and opened themselves to the risk of cheaper imports competing with and sometimes displacing the products of local farmers (Raman, 2004).

In Sri Lanka, protests were held in August 1999, first by potato farmers and then by chili and onion producers who were later joined by then chicken farmers who were up in arms against cheap and ruinous imports coming from India and Holland. These local farmers are unable to produce food cheaper than their foreign counterparts and are demanding protection through higher import duties and lower local taxes and reduced tariffs on imported inputs (Ibid.).

In the Philippines, a case study for IFAD on the impact of liberalization on a vegetable producing locality in Atok, Benguet, in the vegetable-producing region in the Northern part of the Philippines has been devastating. First, the importation is so voluminous as to surpass the total production of local producers. Then, this has resulted in steep declines in prices resulting in decreased incomes and sustained losses of farmers. Furthermore, because of the drop in the prices of vegetables, the respondents say that on many occasions they were forced to dump their carrots and potatoes along the highway, or they just left their crops to rot in their vegetable farms. The practice of allowing crops to rot on the field or to dump them along the highway en route to the market is common during periods of low prices, as transporting them to the market would mean more losses. (Tauli-Corpuz, 2006) But the consequence of this steep economic decline is the resulting food insecurity and reduced expenditures for health and schooling of the households. (Ibid.)

In the poultry sector, still in the Philippines, the results of trade liberalization are also devastating. In a case study of a poultry producing town in Alaminos, Lagua, the reduced demand for chicken which resulted from the rise in imports of chicken, led to a reduction of the number of contract growers by as much as 60%, with a proportionate reduction in the number of contract workers. In some cases, loading was delayed and the workers had to wait for a longer period between the renewal of contracts. As salaries are very low, there is no mad scramble for the jobs at poultry farms (Ibid.)

Another consequence is the deepening of the dynamic in which the poultry industry becomes more concentrated. There is increased domination by the big integrator concerns, which increasingly control not only the production of poultry, but also the supply of poultry feed, which constitutes the main cost of production. As a result, the contract growers and the small backyard producers are increasingly marginalized. (Ibid.)

Efforts to Correct Market Failure

With the failure of the neoliberal framework in improving the livelihood of majority of the world's poor, the institutionalist political economy (IPE) framework has arisen to question the basic assumptions of the neoliberal concept of the free market, arguing that no market is ever free and that the market itself, even as it wishes to be free from political intervention, is itself a political construct. In this emerging IPE framework, the concept of market failure is even a questionable concept (Chang, 2001). Nonetheless, various governments, tied to the various conditionalities of the IMF and the World Bank, have been forced to take steps to correct these market failures, which has led to further problems and misery for the marginalized.

Developing an Alternative – What it is an Alternative For; What Makes It an Alternative

The alternative trade framework that will be explored in this paper is an attempt to identify another choice or substitute to the current neoliberal model exemplified by the WTO. This alternative however seeks to build on what is already present and is an attempt at synthesizing all the lessons that will be identified based on existing non-mainstream trade models that will be reviewed in the following section of the paper.

As an alternative framework, it presupposes that it is an approach that is currently different from what being done in the mainstream, though elements of it may be based on existing trade models. It may not eventually be seen as an entirely new paradigm in the sense that it is an original totally new concept. Rather, it is more a reassertion or reiteration of basic principles and existing practices that even though not in the mainstream, have served as basis for a set of development thinking and related principles that have evolved through time.

REVIEW OF SOME ALTERNATIVE TRADE MODELS

Before embarking on an effort to develop models of alternative trade and development framework that will go beyond that provided by the WTO, it might be worthwhile to examine what models there are that may have been tried out before or are just starting out that have existed before and during the hegemony of the WTO.

South-South Trading Experiences in Asia/Latin America and Caribbean

South-South Trade, in general

Institutional structures and mechanisms to promote trade among developing countries were first established in the late 1950s and early 1960s and have, since then, continued to multiply and evolve. The countries of Latin America and the Caribbean led the way in the 1960s and were soon followed by Asia and Africa in the 1970s (South Centre, 1996).

The establishment of the Non-Aligned Movement, the United Nations Commission on Trade and Development (UNCTAD) and the Group of 77 in the 1960s, put South-South cooperation on a global scale in the international agenda, buoyed by the early success of the Organization of Petroleum Exporting Countries (OPEC) in the 1970s (Moen, 1992).

The original rationale for South-South trade cooperation was the conviction of the leaders of the developing countries then that they have to pursue a policy of rapid industrialization if they have to overcome their economic backwardness and this they tried to achieve with an import substitution industrialization policy (South Centre, 1996).

However, with the limitations of the size of domestic markets, these industries were not able the reap the benefits of economies of scale and the costs of production of these goods remained high and limited progress was made in improving the quality of these goods. Efforts to overcome the constraints posed by the small size of domestic markets gave a strong impetus to South-South cooperation in trade. Initially, efforts were directed towards integrating the highly protected markets of neighboring countries. Opening up domestic markets at the sub-regional or regional level was thought to have the potential of providing a basis for an efficient region-based import substitution industrialization. The assumption that regional cooperation efforts, and in particular, the creation of trade preference areas would lead to industrial development and economic growth influenced the creation of subregional and regional cooperation and integration groups in Latin America, Asia and Africa in the 1970s (Ibid.).

The contraction of the global economy in the early 1980s, in the 1979-1983 period, led industrial countries to a policy of deflationary policies that led to a contraction of the demand on the primary commodity exports of developing countries which resulted in the fall of their prices. These deflationary policies were accompanied with tight monetary policies that led to high international interest rates which made it difficult for developing countries to service their debts, leading to the debt crisis of the 80s. The import compression adopted by the developing countries as s result of reduced export earnings and capital inflows led to the decline of South-South trade as the priority of many countries now has been to export to the developed countries of the North. In Latin America and the Caribbean, the decline of intra-regional trade was around 37% while in Asia and Africa, intra-regional trade stagnated in the first half of the 1980s (Ibid.).

With the beginnings of global economic recovery in the mid-1980s and the stabilization of the economies of the South, the decline in intra-regional South-South trade was reversed. In the period 1985-1990, intra-regional trade increased in the Americas by 75%, in Africa by 60% and in Asia, by 50%. In the 1990s, the increase has continued, with a 50% increase in Latin America, 14% in Asia and 9% in Africa in the period 1990-1992 (Ibid.).

South-south trade is now 11 percent of global world trade (UNCTAD, 2005), though OECD figures show it only at 6 percent (Kowalski and Shepherd, 2006). It has been increasing at more than ten percent per annum since the early 1990s, more than twice the rate of expansion of world trade and at US$ 640 billion in 2001, it already represents close to 40 percent of all trade by developing nations (Agatiello, 2005) . The figures reached more than 1 trillion in 2003, representing close to one-half of all developing country trade (Agatiello, 2006).

In Latin America and the Caribbean, South-South merchandise exports reached 49% in 2003, with 27% within the region and 21% to other countries in the South. This figure excludes Mexico where 93% of its exports go to the North. A significant amount of these exports are manufactures, around three-fourths, more than one-half of the region's trade with industrial countries (excluding Mexico), and more than one-half of inter-regional trade, especially with developing Asia (Ibid.).

Comparing South-South trade in Asia with that of the Latin America and the Caribbean (Andean community, Mercosur, CACM and Caricom), it appears that there is still a lot of work that needs to be done on non-tariff barriers, perforations of common external tariffs (CETs), an underdeveloped infrastructure and design shortcomings of the very integration institutions that should lead the way for macroeconomic convergence, reciprocity and enhanced cooperation (ibid).

South-South trade needs to expand in product coverage and volume in order that developing countries would increase their share in world trade. But the question that needs to be asked is whether the South-South trade framework is a mere reiteration of the neoliberal trade model but initiated by developing countries. This can be glimpsed from a review of the GSTP, one of the mechanisms envisaged to promote South-South trade.

The GSTP of UNCTAD

The Global System of Trade Preferences (GSTP) for developing countries is one mechanism established by developing countries to promote South-South trade. Established by the Group 77 of the developing countries in 1982 with a Secretariat located in the UNCTAD, it worked out the techniques and modalities of negotiations on the exchange of tariff concessions among developing countries. All this process culminated in the "Agreement on GSTP among the Developing Countries" on 13 April 1988. 40 countries were the original members, followed later by 4 countries, making the total number of the participating countries to 44. The total number of products covered by the tariff schedules of all the participating countries in this first round and those of the 4 countries joining the agreement later were 1547, of which only one country, Yugoslavia, accounted for as many as 757 products. The simple average margin of preference was about 33 percent (Das, 2004).

It has several benefits for the developing countries over reducing the tariffs in the WTO framework. First, since the benefit is extended to only the developing countries, their exporters get special advantage over those of the developed countries who do not get this benefit. The exporters of the developing countries will face less competition to that extent. Secondly, the producers in the importing developing countries are less exposed to the risk of competition from imports, as the imports from the developed countries will not get this benefit. Thirdly, the importing developing countries will face less tariff loss because of the same reason. Fourthly, there may be an incidental, but important, benefit in as much as it may encourage investment in the developing countries, since the production in these countries will have enhanced market access in other developing countries. (Ibid.)

Further, tariff concessions among the developing countries under a programme like GSTP is permitted under the Enabling Clause of the GATT (a GATT decision of 28.11.1979, with the formal title of: "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries"). Thus it does not require a waiver in the WTO (Ibid.).

The second round of negotiation was carried out during 1990-98. 24 countries participated in making concessions. The total number of products covered by the tariff schedules of the individual participants was about 900. The simple average margin of preference was about 28 percent. The results of the second round have not been ratified so far and thus they are not yet operative (Ibid.).

Obviously the programme has not got enthusiastic response from the participating developing countries. The number of countries joining the programme is small, the number of countries agreeing to give concessions is smaller. The product coverage is low(Ibid.).

Clearly the developing countries have not given adequate importance to the programme so far. They have been too occupied with the negotiations in the GATT/WTO framework and thus have devoted only marginal attention to the GSTP framework. Also there is a feeling among some developing countries that GSTP has a limited relevance since the prospect of enhancement of their trade with other developing countries is limited. They foresee much higher benefit in expanding market access in the developed countries. That may be so in some cases; but it should not detract from the importance of expanding their market access in the developing countries. And for that, the appropriate instrument is the GSTP, as explained above. Further, the intra-developing countries' trade may have a robust potential for future (Ibid.).

A third round, making tabula rasa of the second round concessions as if they had not existed, was launched in June 2004 at UNCTAD XI in Sao Paulo but no new tariff concessions have been exchanged as of yet. The success of the third round depends on a significant linear tariff cut among a bigger basket of participants, particularly China and other G-77 members, like Saudi Arabia, the Gulf States and much of sub-Saharan Africa as well as substantial tariff reductions with wide product coverage. UNCTAD estimates that if developing countries reduced mutual average tariffs by 50 percent during the third GSTP round, an additional US$15.5 billion in trade would be generated (Agatiello, 2006).

Assessment

South-South trade, as currently practiced, is ultimately, based still on a neoliberal trading framework, as it relies on market access on which to work its beneficial effects on countries practicing it, such as increasing the terms of trade, lowering of tariffs and removal of non-tariff barriers among its members, among other trade preferences that are also found in the GATT or the WTO. In fact, the growth of South-South trade of late can be attributed to trade liberalization as well as the ability of much of Asia to flexibly respond to world demand, such as the establishment of intra-regional supply chains since the 1980s and inter-regional ones since the late 1990s (Agatiello, 2006).

In spite of this shortcoming, the present model of South-South trade would be preferable compared to the neoliberal framework underpinning international trade under WTO rules as it collectively strengthens the consolidation of the economic gains within the developing countries themselves.

The enhancement of the present South-South trade framework will depend on a set of principles and practices that will govern this kind of South-South trade - to the extent that it does not force countries to undertake economic measures that will displace a large segment of the population, it is an option worth exploring.

It is predicted that South-South trade, investment and technology sharing will continue to play an important role in developing country trade, especially in Asia-Pacific. However, discipline within its ranks will be hard to maintain as major developing countries undergo mounting pressures to assume fuller systemic commitments (in the WTO), not only in the case of middle-income countries but also including the graduation of borderline LDCs. Moreover, the most important development would ultimately be the change of status of China and India, away from the developing country lot and assuming the benefits and leadership responsibilities of the core, like joining the Group of Eight (G-8), the Organization for Economic Cooperation and Development (OECD) and having a bigger role in the International Monetary Fund (IMF). This means that any long-term strategy counting on concessions from China and India, especially in the case of middle income countries, may not go very far (Agatiello, 2006).

Europe and the Fair Trade Movement

Marlike Kocken (2003) narrates the beginnings of the Fair Trade Movement in Europe when Oxfam Great Britain started to sell handicrafts made by Chinese refugees in the late 1950s and in 1964 it set up the first

Fair Trade Organization. There were also parallel initiatives in the Netherlands and in 1967, the importing organization Fair Trade Organisatie was established.

At the same time, Dutch third world groups began to sell cane sugar from the Third World countries and by 1969, the first Third World Shop was started selling handicrafts. In the 1970s and 1980s, fair marketing organizations that will give advice to disadvantaged producers were set up in Asia, Africa and Latin America. These southern fair trade organizations linked up with organizations in the North based on partnership, dialogue, transparency, and respect. The goal was greater equity in international trade.

At the beginning, these fair trade organizations sold only handicrafts from the South, mainly through the contacts with missionaries, then in 1973, Fair Trade Organisatie in the Netherlands imported the first "fairly traded" coffee from the farmers of Guatemala. Now, thirty years later, it has become a concept than more than 25-50% of the turn-over of Northern Fair Trade organizations come from this product. After coffee came tea, cocoa, sugar, tea, wine, fruit juices, nuts, spices, rice, etc. These products has also enabled the opening of new distribution channels such as institutional markets, supermarkets and bio shops.

In the 1980s, a priest associated with smallholder coffee farmers in Mexico and collaborating with a Dutch Church-based NGO conceived of a way to reach a broader public through the concept of a Fair Trade label, and in 1988, the label "Max Havelaar" was begun in the Netherlands.

The idea of labeling spread through the entire movement and in 1997, the worldwide association Fairtrade Labelling Organization was established. This organization is the one responsible for setting international Fairtrade standards, for certifying production and auditing trade according to these standards and for the labeling of these products. The range of labeled products, which in 2003 numbered up to seven, has since been expanded.

Assessment

While the rate of growth in fair trade markets is significant, over-all market penetration by fair trade products is relatively insignificant. For example, the relative proportion of total world trade for any single commodity in the Fair Trade scheme is no greater than 0.2%, (bananas, for the year 2000). The volume of fair trade sugar is a mere 0.0019% of global sales. The total value of certified sustainable coffee sold in 2000 is reported to have been $ 565 million, or roughly 1% of the global coffee market. It is also worth noting that the vast majority of fair trade sales occur in just three countries : Switzerland, Germany and the UK. Unless efforts are made to increase its presence in other countries, or to promote the spread of fair trade through public and private procurement policies, the growth of fair trade sales may be limited (Rotherham, undated).

The fair trade network's increasingly non-statist and pro-corporate orientation makes it compatible with neoliberal reforms, which in part accounts for its marketing success over the past decade. While analysts are correct to point out that fair trade offers an important symbolic challenge to commodity fetishism, the relationship between producer and consumer remains mediated by the market, and the network remains ultimately confined by the imperatives of capitalism, which have limited and threaten to erode its cooperative values.

The power of the capitalist market to wear down fair trade's alternative project was anticipated by Barratt Brown, and it was for this reason that his vision for fair trade entailed strong national and international market regulation and the development of a parallel trading system that would ultimately present itself as a distinct alternative to the existing global trading system. In moving away from the vision promoted by Barratt Brown, the network has also moved away from its alternative project and toward the moderate vision of fair trade offered by the shaped-advantage group : providing some capability enhancement to a limited number of Southern partners while the fair trade price, message and market share remain significantly constrained by the imperatives of capitalism. Yet this assessment does not fully reflect the broader political aims of fair trade organizations, which raises concerns about the potential disparity between what fair traders aspire to accomplish and what the network seems ultimately capable of attaining. As it stands, rather than presenting a radical challenge to conventional trade, the network appears ready to be assisting certain groups to enter the global capitalist market on better terms (Fridell, 2006)

Africa

The West African Economic and Monetary Union, or WAEMU, composed of Benin, Burkina Faso, Cote d' Ivoire, Guinea Bissau, Mali, Niger, , Senegal and Togo was established in 1963 to consolidate the common currency used in the former French colonies. In the 1990s, the drastic economic situation faced by these countries encouraged them to reinforce their solidarity in a deeper economic integration (Coulibaly and Fontagne, 2002).

A study was made of the intra-regional trading between these five landlocked countries (Benin, Cote d' Ivoire, Guinea Bissau, Senegal and Togo) and three coastal countries (Burkina Faso, Mali and Niger) where roads, at around 90%, is the main transportation infrastructure used. The road network of the Union is 146, 352 km long and only 14% of them is paved, on the average, among its member countries (Ibid.).

The study has shown that there is an untapped South-South trade potential in the region in spite of their remoteness, economic size and landlocked nature. It found out that if the roads between these countries were paved, the countries would trade 2.87 time more than what is observed. It also showed that transit distance proved to be an impediment to trade, indicating that the internal geography of the transit countries matters (Ibid.).

Assessment

The African alternative trading experience cited points to the importance of considering geography as a key factor in the design of an alternative trading framework. The alternative trading framework should take into account the relative distances and spatial orientation of countries that will trade with each other and this is a factor that may either contribute to the success or non-achievement of any alternative trading initiative that may be developed.

Philippine Experiences

The Philippines has been enjoying an upsurge of its exports from 2002 to 2004 where it has experienced an average of 7.2% annual growth, after declining in 2001 (Export Development Council and Department of Trade and Industry, 2005).

In the period 2002-2004, there was a significant shift of manufacturing from the US to China and this has played a role in increasing the exports from RP to China by US$ 1.3 B and a decline in exports to the US by US$ 1.2 B. Most of the gains in exports to China were attributed to the electronics and garments sectors. Japan recovered in 2004 resulting in increased imports from the Philippines. Increased economic activities in China and Japan pulled up the entire ASEAN region, including the Philippines. Meanwhile the US and the EU markets instituted stricter import regimes with the introduction of the US Bio-terrorism act, the enactment of the international Ship and Port Facility security code and various sanitary and phyto-sanitary standards (Ibid.).

The product and market diversification strategies in the past three years by the government helped RP exports in addressing and maximizing these market trends. The revenue stream movers include food, motor vehicle parts, home furnishings, gift wares and holiday decors expanding the export based, further setting the stage for further diversification (Ibid.).

Barter Trade

Based on historical accounts, the Philippines engaged in barter trade before the arrival of the Spanish even though it was discontinued later. Eventually, this was revived in the early 80s through the Southern

Philippines Development Authority (SPDA), an agency established by President Marcos to jump-start the development of Mindanao to enable it from the ravages of war in the period prior and at the height of Martial Law.

Eventually, with the establishment of the Autonomous Region for Muslim Mindanao, barter trade was given further impetus. Now it is considered a key mechanism within which to increase trade within the Brunei-Indonesia-Malaysia-Philippines-East Asia Growth Area (BIMP-EAGA).

A smaller inter-country trading scheme is currently being tried out among the municipalities of Jose Abad Santos Glan and Sarangani Cooperation Triangle (JAGS-CT) in Southern Mindanao, and the Regency of Sangihe in North Sulawesi, Indonesia region by establishing a regular Glan-Sarangani-Marure-Tahuna shipping linkage and establishing barter trade centers in the respective ports of the local government units of the Philippines and Indonesia (MEDCO, undated).

This trade among companies and traders in the Southern part of the Philippines has a potential, highlighted by the experience of RDL Pharmaceuticals Laboratory in Davao City which sends various skin products to Sabah and Sulawesi, Indonesia by barter. For example, a Tawi-tawi based trader loads around 2,000 t0 3,000 cartons of papaya soap per boat and this is sent to Malaysia, which sells very well there (NEWSBREAK, 2006).

Assessment

The experiences of Philippine national agencies with a regional orientation, from the Southern Philippines Development Authority to the Mindanao Economic Development Council (MEDCO) as well as the local government units in Southern Philippines, in Mindanao, which initiated this type of trading arrangement need to be systematically documented, reviewed and analyzed for the various lessons that these collective experiences may provide to the development of an alternative trading framework. Given its historical context, barter trading schemes may have the potential of enhancing not only the economic but also cultural ties, among regions that are close to each other, not only in the South in Mindanao, but also in the ties among the regions in the North of the Philippines to its nearest neighbors. In this review, it is also important to determine whether these barter trade initiatives comply with existing laws in the Philippines which does not fall into smuggling.

Local Fair Trade Schemes

Fair trade organizations has been in existence in the Philippines since the 1970s but in a recent national workshop, the practitioners and advocates of fair trade in the Philippines see the need to expand the "fair trade circle" to include other formations that may have similar advocacies. Arnel Astillero of Advocate of Philippine Fair Trade (APFTI) sees concerns regarding markets standards and practices as hindrance to attracting practitioners and eventual members of the movement (Cabilo, 2006).

Assessment

Given the long history as well as the numerous formations and social movements in the Philippines that have taken on the fair-trade scheme, these various groups should be made to come together in order that they themselves will make a decision whether to converge as a grouping to assist in the development of an alternative trading framework. This convergence of movements may be necessary in order for the various fair trade schemes attain economies of scale that will have a larger impact that what they possibly can attain working on their own.

PROPOSED FRAMEWORK FOR ALTERNATIVE TRADE

Principles and Elements of Alternative Trade

Principles of Alternative Trade

Key principles based in international law

The idea of policy space (South Centre, 2005) might be worth considering in developing a set of general principles for alternative trade. This concept is a fusion of the following three international law principles:

a. the principle of sovereign equality of states – where the binding nature and application of international rules and disciplines are dependent on the free and equal exercise of national sovereignty and self-determination by states;
b. the right to development and
c. the principle of special treatment for developing countries – so as to be responsive and accommodating to the developing countries' specific needs and circumstances rather than be based on "one size fits all" approach that, all too often has characterized international rule-making for international economic relations for two decades

While these principles might be considered statist, it is a good starting point for determining how states should approach their international obligations in the context of restrictions imposed by various international commitments established either by the IMF and World Bank conditionalities.
Once this concept of policy space is emphasized, another set of principles must be established which ensures the primacy of human rights in the determination of the economic policies of the State.
Another principle that must be institutionalized in the framework is the establishment of binding

principles that will hold liable transnational corporations for any acts of economic advantage to itself that will result in either defective products or poor delivery of services. The UNCTAD has tried establishing before a set of voluntary Code of Conduct for transnational corporations.

Principles of Alternatives Trade based on slow trade-sound farming framework

1. **Multi-functionality** – agriculture is not an isolated activity; it is embedded in social and natural webs. Seen in this light, the multi-functionality of agriculture refelcts the larger truth that there is more than one source for the well-being of society; real wealth is based on the availability of both commercial good s and common goods.
2. **Environmental integrity** – fundamental orientation of commercial agriculture which gives primordial attention to maximum yeild per hectates must change. What counts is not jst output for the market , but the continuing environmental health of ecosystem near and afar. Environmental sustainability calls for greater attention to the complex interplay of the webs of life that inhabit agro-ecological systems. It implies moving away from an attitude of control and dominance over nature to a spirit of stewardship that is grounded in a respect for nature.
3. **Extra-territorial responsibilities** – it is the core of global responsibility not to do harm to others. When money, people and goods flow seamleassly across frontiers, the concept of responsibility also assume a cross-border character. Insofar as the sphere of actions has become transna, the sphere of responsibility cannot remain strictly national,insulated as such by events occuring outside state borders.
4. **Economic Subsidiarity** – economic exchanges should be preferably carried out at the local and national level, while excahnges on the global level should have only a subsidiary fuction.Priority is accorded to the development of the local economy related to the principle of democracy since citizens will have more direct control of the market and related economic activities affecting them.

Elements of the Alternative Framework

In group discussions undertaken for the further elaboration of the alternative framework, it was discussed that the other supporting components that relate to the further articulation of the alternative framework, like items such as the development of a domestic market, including the assessment of the current arrangements in international finance that facilitate international trade, as well as the accompanying labor issues attached therein, might well be considered at the later stages in the development of the framework.

At this conceptual stage however, it is important to identify another set of elements, which are understood to be the various components by which the alternative trading framework may be implemented by the concerned civil society groups in the Philippine setting, which will consist of the following:

Lessons from alternative trade models

The following might be useful inputs that may be taken into account from the various trade models examined:

a. the alternative trading framework to be developed should enhance South-South cooperation, including its implementation at the sub-regional level, i.e., at the level of the South-east Asian countries or even at the smaller yet doable Malaysia-Philippines-Indonesia context; South-south trading is important in a way that it reaffirms and strengthens the political, social and historical links of these countries and updates them in order that they may be able to become cohesive in confronting the challenges of the current neoliberal trading framework;
b. while there may be no escaping at the moment the existing neoliberal framework of the present South-South trading schemes, what is important for now is the revitalization of these South-South trading ties in order that developing countries can learn and build trust and get into the habit of cooperating with each other. When a certain level of maturation of such South-south trading relationships are attained, it

may be important by then to sit down with these trading partners to consider the joint implementation of key initiatives that will serve as the building blocks of an alternative trading framework;

c. given that the fair trade schemes may have attained a limited set of political objectives, it may be important to assess the other requirements by which the fair trade schemes was thought to be a real alternative, including the possibility of establishing at the national level a fair trade network that subscribes to a minimum set of principles that are a preparation towards developing a working alternative to the existing neoliberal trading framework;
d. it is also important to develop parallel international trading structures and supporting principles that will sustain the viability of a national fair-trade scheme;
e. in the Philippine context, it is important to consider geography as a key factor that will enhance the possibilities of success of any alternative trading framework; with this in mind, it may also be important to start implementing the alternative trading framework, with a few countries at first, such as the Malaysia-Philippines-Indonesia context and to gradually build on them expanding to other trading partners;
f. the barter trading schemes undertaken so far need to be further studied, and its close association with illicit trading schemes such as smuggling need to be clarified, in order that it may become a key component of the alternative trading scheme.

Identifying the process of disengagement in WTO and exploring the extent of adjustments needed

a. Withdrawal from the WTO

The Philippines had earlier thought about withdrawing from the WTO, during the time of then Secretary Mar Roxas, who made a statement on 15 March 2002, that the country was considering withdrawing from the WTO over what he claims is the trade body's discrimination between its developed and developing country members. He also cited the decision by the US to impose tariffs of up to 30 percent on imported steel and the EU's preference to import tuna from Africa and the Caribbean over the Philippines (ICTSD Bridges, 2002).

The WTO Agreement actually allows the withdrawal of a member country and provides for an orderly manner in which it is done, in Article 50 of the said Agreement.

Though easier said than done, the decision on whether to actually withdraw from the current multilateral agreement must be preceded by a comprehensive analysis of the gains as well as the losses that will result from such withdrawal. This will also entail a series of consultations with the affected businesses and sectors in order that they may be prepared to face the potential adverse consequences of such a policy, with either a short-term and long-term plans that are well-funded and with clear administrative mechanisms.

b. Rethinking Industrial Policy

The current industrial policy which mainly consists of relying on the key product areas where the Philippines has a comparative advantage over other countries, should be subjected to a review with the aim of identifying the adjustments necessary to be able to adapt to a situation where the Philippines is outside the WTO. These adjustment costs must be identified, including the manner in which the burden will be carried out and shared across the various sectors of the economy.

Reviewing Other International/Regional Institutions Other Than WTO

a. Revitalization of UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 by the United Nations General Assembly with a mandate to “promote international trade, especially with a view to accelerating economic development…” and to “formulate principles and policies on international trade and related problems of economic development.” It was also tasked to “initiate action for the negotiation and adoption of multilateral legal instruments in the field of trade.” (Boutros-Ghali, 2006)

In its forty years of existence, the UNCTAD prompted the IMF to expand its compensatory financing facility, keeping alive the issue of creating additional liquidity in the IMF, by linking it to the provision of additional resources for development. It stimulated discussion in the World Bank on Supplementary Financing which had far-reaching implications for the strategy the Bank subsequently adopted for supporting development in developing countries. Its decisions also helped operationalize the ODA target, while its work on external debt led to the creation of the Paris Club and measures to alleviate the debt burden. (Ibid.)

A concerted effort however by the developed countries in the 80s deprived the United Nations of its Charter functions in the economic field and whittled down UNCTAD's authority and competence, which continues to this day (Ibid.).

With the erosion of credibility of the WTO, it might be to the interests of the developing countries to restore the UNCTAD to its original functions, after all, the reason why developed countries marginalized it in the first place is that in UNCTAD and in other UN bodies, the developing countries, being more numerous than the developed countries, have more say in their decision-making processes.

The crucial role for UNCTAD at this point is the resumption of its role in negotiating trade agreements which is a part of its original mandate, particularly the negotiation of rules on development issues which may include competition policy, investment issues, conduct of transnational corporations and transfer of technology. As regards negotiation of legal instruments, UNCTAD may explore the possibility of negotiating market regulating agreements on some commodities which are subject to severe and frequent price fluctuations as well as declines in prices (Ibid.).

b. Reorientation of the ASEAN

There is actually an opportunity to reshape the way the ASEAN is run, as it is currently undergoing discussions in establishing its Charter, 40 years after it has already existed in the international arena and has established a long history of collaboration among its members.

While the initiative to transform the laissez faire philosophy of the ASEAN's economic pillars may take some time, it might be worthwhile to consider adopting slight changes in some small areas at first, like achieving success in collaboration in another area that will have an impact in the economic sphere.

Mechanisms

Achieving this framework would require both statist and non-statist approaches some of which would involve the following mechanisms that may be undertaken by the government or its agencies or by civil society groups themselves :

1. enhancement of South-South cooperation by establishing better mechanisms to facilitate dispute settlement and registration problems must be addressed (ESCWA, 2004), seminars and delegate exchanges must also be encouraged;
2. developing strategies to enhance geographic proximity is also important (Ibid.) such as the enhancement of trade by establishing direct flights from the countries involved in trading;
3. specific cooperations that put emphasis on developing country experiences in tackling water supply and sanitation, health, scientific cooperation and tourism (Ibid.)

Another mechanism that must be utilized by civil society groups engaged in alternative trade is penetration of international markets through various entry strategies of which the actual trading itself is just one mode, classified as an export entry. There are actually other entry strategies in international markets which are just as effective as exports and they can either be classified as contractual entry modes (which includes licensing, franchising, technical agreements, service contracts, management contracts, construction/turnkey contracts, contract manufacture, co-production agreements, etc.) and investment entry modes (by establishing sole ventures either by new establishment in the country of entry or by acquisition of an existing firm and by joint ventures) (Root, 1987).

Putting Food Sovereignty and Farmers' Rights in the Proper Perspective

Food sovereignty relates to the respect and exercise of rights by peoples and nation states to determine the food and agriculture policies that are suited to their specific economic, social, cultural and political circumstances and are explicitly oriented towards achieving national development goals and policies. It encompasses a set of principles and policies that present an alternative to and directly challenges the dominant neo-liberal trade dogma of the WTO and the international financial institutions (Glipo and Pascual, 2005)

While useful as a slogan, the broad scope of the concept of food sovereignty makes its translation into specific actionable policies difficult from a typical farmers' organization, to a local government unit to the level of a state. The concept needs further fine-tuning for it to be made a clear obligation on the part of States which can be demanded by its citizens.

Food sovereignty, based on the experiences of the practitioners who have done it in the South Asia region, should be implemented at the community level, at the initiation stage. These food-sovereign communities, once there are several of them having been established, may be linked together in a web of supporting relationships, in order to build a wider network which may only serve to sustain and enhance these types of communities.

Another concept which has been around for quite some time but has mainly been used in discussions in the arena of plant genetic resources conservation is the concept of Farmers' Rights, which has been made a key international law principle of the International Treaty on Plant Genetic Resources for Food and Agriculture (ITPGRFA). This international law principle however has been watered down as it is subject to implementation by nation-states who are signatories to the ITPGRFA.

POSSIBLE APPROACHES IN REALIZING THE ALTERNATIVE FRAMEWORK

Recognition and Precedence of Other International Principles Over Trade Rules

Currently, the WTO trumps all other international agreements. The WTO must be scaled back so that the human rights, environmental, labor and other multilaterally agreed public interest standards already enshrined in various international treaties can serve as a floor of conduct for corporations seeking the benefits of global trade rules. For instance, the International Labor Organization provides core labor standards; there are more than 200 multilateral environmental treaties covering toxics, air pollution, biodiversity and waste dumping; and the World Health Organization and the U.N. Charter on Human Rights provide many standards on access to medicine and food security (Wallach and James, 2006).

Primacy of Political Approaches

Chang (2001) emphasized that the market, as viewed under the institutionalist political economy (IPE) framework, is a fundamentally political construct, as it is defined by a range of formal and informal institutions that embody certain rights and obligations, whose legitimacy and contestability, is ultimately determined in the realm of politics.

With this insight, the important first task of the developing countries and its peoples in confronting the dominant neoliberal framework is political.

This is important like in the case of GSTP. The primary need of course is that the developing countries should appreciate the economic and political need for further developing their mutual links. The instrument of GSTP can be just an initial link, leading further to production and financial links among the developing countries for their mutual benefit.

To move the process of the GSTP forward, it is important for the developing countries to be convinced that it is more beneficial for them in achieving the objective of expanding their trade with the other developing countries. To examine this point, they should take a set of products of mutual trade interest among them and estimate the effects of reduction of tariffs in the GSTP framework. The effects should be estimated both in terms of expanded market access in the developing countries and the risks to the domestic production. Similar estimate should be made for an alternative situation of the same tariff concessions in the WTO framework, where the benefits are available also to the developed countries. Of course, a commonsense approach indicates that the former will be more beneficial for the expansion of South-South trade and, at the same time, it will expose the domestic production to lesser dangers. But a quantitative estimates of the differential benefits and risks will probably be more convincing.

Once the developing countries are convinced about the benefits, they should work towards new negotiations on an ambitious scale that can give them quick results and benefits. For example, instead of the request-offer approach of negotiations on the basis of individual tariff lines, they may adopt the method of across the board concessions and/or sectoral concessions.

Sustainable Development over Trade

Reed (2002) enumerated three environmental principles that should guide the development of an alternative. The first involves the equitable distribution of environmental goods and services and the distribution of environmental costs which should figure prominently in economic planning and the development of national growth strategies. Second, the costs of environmental irreversibilities must be central to all economic and social planning. Environmental planning and mitigation cannot wait until some ordained level of national income has been reached. Third, is the precautionary principle, which means that no sectoral investments and societal priorities should be established around economic and technical behavior that may harm public health and the ecological integrity of a nation.

In a briefing paper, Pfahl, Lovera and Bizzarri (2005) suggested several mechanisms that will serve as an alternative to the WTO's Dispute Settlement Body (DSB) for solving trade and environment disputes which includes :

- good offices, mediation, or conciliation;
- the Permanent Court of Arbitration;
- the International Court of Justice;
- the International Court of Arbitration and Conciliation and
- a joint compliance and dispute mechanism for multiple multilateral environmental agreements (MEAs).

As for resolving the WTO-MEA relationship, it was suggested that the International Court of Justice as well as the International Law Commission are the more suitable bodies given their environmental and legal expertise, the transparency of their process, and independence from trade interests.

Of course, pro-WTO quarters will assert that all of these options are not effective as they would not result in binding commitments nor backed by sanctions in cases of non-compliance.

Perhaps in the next Summit on Sustainable Development, the binding nature of sustainable development principles may need to be reviewed to make them effective principles over trade rules.

Enforcing Liability of Transnational Corporations

Transnational corporations constitute the bulk of international trade. If alternative trade is to flourish, this trade among transnational corporations must be placed in proper perspective and binding international codes of conduct established to regulate their behavior and ensure they are made liable in case they engage in practices that harm the consumer and the policy environment by which they are being monitored and regulated.

Before any multilateral effort to regulate corporate behavior is initiated,much work remains to be done to raise public awareness and to mobilize public pressure for political action.

Three elements of a legally binding global framework for corporate responsibility and accountability are critical:

1. a mechanism for the stricter enforcement of anti-trust law at national and international level;
2. the establishment of global commodity boards that impose fair trade standards along commodity chains and hold transnational corporations accountable;
3. and the implementation of a set of measures to regionalize trade. promote and protect sustainable rural economies.

Three multilateral institutions for the regulation of corporations

- UNCTAD or FAO should establish a publicly accessible data bank containing information on the size and scope of large agribusinesses, as well as information on mergers, acquisitions and joint ventures in the food system;
- A multilateral 'Anti-trust Body' should be established to scrutinize mergers and acquisitions, and prevent corporations from abusing their market power (e.g. in the control of market prices, or building of cartels);
- 'Development Contract Boards' should be set up to supervise trans-border contracts that would guarantee fair and equitable distribution of benefits among the various actors in transnational production chains.

Labor over Trade

Deep domestic development requires growing wages and improved distribution of income. Together, these provide the foundation of a virtuous circle of growth in which rising wages encourage market development and market development promotes rising wages. Labor standards (prohibitions on discrimination, forced labor, exploitative child labor, and the rights of freedom of association and collective bargaining) and democracy are both key to this model. Democracy matters because it promotes freedom of association, and freedom of association and collective bargaining then generate improve income distribution and higher wages. (Palley, 2002)

The following argues for giving labor standards a priority over trade, but the question is how far will the International Labor Organization push this. With its tripartite (labor, management and government) structure in arriving at decisions, it might be a while before the ILO could come up with important principles that will emphasize the primacy of labor standards over trade rules. At present, however, labor standards is a tool used by developed countries to gain leverage in the markets of developing countries while developing countries are reluctant to enforce it to the fullest for fear that it will result in them being less competitive as compared with other developing countries.

Policy Space

A strategic and deliberative approach to globalization and trade liberalization should focus on the preservation of a wide range of policy choices and flexibility that can be used to adjust the pace and direction of economic development initiatives to the country's own economic development needs and priorities. Indeed, it is only when the preservation and expansion of national policy space for development is placed at the forefront of developing countries' negotiating positions that they truly enjoy and exercise their right to development. (South Centre, 2005)

In applying this concept of policy space, this means that developing countries should be selective and deliberate in choosing how and when, in which sectors and to what extent, their domestic economies should become integrated into the global economy in the areas of trade, finance and investments. Integration into the global economy can bring benefits to developing countries, but only if such integration is carefully undertaken on the basis of a pragmatic and realistic assessment of the potential impacts of such integration on national development policies, priorities and goals. (Ibid.)

In the Philippines, the career foreign service officers who likes to harp on the issue of policy space got exposed on the concept through their particular assignment to UNCTAD negotiations in Geneva. They are however, not senior level, perhaps reflecting the priority the country's foreign affairs people place on the issue.

Greater national policy space is needed:

- To protect small farming systems from import surges through border control policies, including tariffs, quotas, and price- and volume-triggered safeguard measures;
- To ensure the functioning of support policies,such as supply management or state trading enterprises, through selected border control measures;
- To allow for domestic regulation on food safety,food quality, and environmental security;
- To maintain a level-playing field between responsible domestic producers and importers through corresponding quality conditions on imports; and
- To implement guidelines for foreign corporations,including local content policies or conditions on foreign direct investment for increasing domestic value creation

However, it has to be admitted that the plea for more national policy space can become counter-productive in the context of authoritarian or corrupt governments.

Investing in multi-functionality

Ensuring the social and environmental multi-functionality of agriculture calls for domestic support. Insofar as this insight is taken seriously, the search for fair and environmental trade rules changes in focus. Attention will be directed towards the proper level and structure of domestic support rather than its elimination. Nevertheless, it goes without saying that the present systems of domestic support are woefully inadequate in promoting multi-functionality.

Against this background it is high time to redesign current domestic support schemes. A first step in this endeavor is to clearly distinguish between at least three different types of support.

The first type is market price support in which producer and consumer prices are influenced through a range of policies, such as guaranteed prices for certain produce, tariffs and levies on imports, or quotas, among others. Market price support has not only come under criticism because such 'dirigiste' measures are not compatible with the free trade paradigm; their essential shortcoming is that they provide incentives to over-produce, and hence contribute to dumping and a depression of prices in foreign markets. Introducing supply management schemes where possible is a viable solution: they stabilize prices, but without creating over-supply

A second type of domestic support consists of direct payments to farmers in which money is transferred from taxpayers to producers with out raising consumer prices. In the past, due to WTO requirements both supply management schemes as well as other market price support measures have been largely replaced by increasing amounts of direct payments. Yet suchpayments create problems of their own. As the increasingly concentrated agro-industry can indirectly use these subsidies by lowering offers for farm gate prices,this still provide incentives for increased production, as farmers may continue to produce even if they are not competitive. Therefore, direct payments must strictly be conditioned to improve sustainable production practices, create employment and reduce dumping practices.

A third category of domestic support consists of specific support measures for rural economies, such as research, extension, education, infrastructure, as well as rural development and agro-environmental programs. Oriented in the right direction, so as to foster environmentally benign small-scale and family farming, this category of support can combine policies and measures that create an 'enabling policy environment' for sustainable agriculture.101Considering that farmers should receive most of their income from their farming, and not from the government, a combination of ecologically and socially conditioned direct payments, supply management as well as an enabling policy framework should guide the reform of domestic support schemes.

Stabilizing prices to protect farming livelihoods

The predominant problem for agricultural producers around the world is the declining world market price for food staples. Family farmers everywhere, be they poor or prosperous, be they Southern or Northern, suffer from drastic price variations and all-time low prices that depress their income and threaten their livelihoods. Societies should in any case protect their farm sectors against import surges and they should promote support for sustainable family farming. However,these measures will not be enough to stabilize global price levels as long as other countries continue to over-supply the world market. Moreover, one of the main factors behind low farm gate prices is not over-production, but corporate power and control of the market. In what is called a buyers market, powerful processing or trading companies can set prices at their will, and hence continuously depress farm gate prices . International trade negotiations must address the problem of world price volatility and price decline as a matter of highest priority.

Steps towards a 'Multilateral Cooperative Framework for Balancing the World Market Supply':

1. Identify those countries with a significant influence on world market prices as participants of the scheme (e.g. Argentina, Australia, Brazil,Canada, EU, US etc.);
2. Agree on the crop-specific caps that would govern overall global production capacity (e.g. -3% of global wheat production) in order to raise worldmarket prices above a certain minimum level;
3. Determine country and crop-specific reduction targets (e.g. US -8%, EU -4% etc.), according to each country's share in global exports;
4. Implement monitoring and verification mechanisms to assist countries with compliance(e.g. independent third party verification); and

5. Ensure flexible review of the scheme over short periods for adjustment and improvement, and for improving implementation at the national level.

Setting standards for quality trade

In agriculture and many other economic sectors,the present-day economic system is anything but a least-cost system. In a true least-cost system, the losses inflicted upon common goods while producing commercial goods would be weighed against the gains made in the market. From this viewpoint, the objective of agriculture is not just to produce earnings but to contribute to the health for all, including both nutrition for people and regeneration of natural ecosystems. Food systems, therefore, are to be evaluated in terms of a common health framework that accounts for both the quality of food and the long-term health of communities and eco- systems. However, since the free play of market forces favors private gain over common goods, it is up to politics to rectify this imbalance. Public policy interventions are necessary to ensure framework conditions that align the pursuit of private gain with the protection of the biosphere and human rights. Moreover, trade reform has to create a level playing field in the social and environmental responsibility between farmers and businesses.

At present, deregulation unduly favors unsustainable farming practices and trading decisions,since corporations locate activities where social and environmental costs can be most easily externalized. Too often, the dismantling of protectionism has resulted in protection of the ruthless. For instance, sugar workers in Brazil toil while supermarket chains compete at low prices, moreover,the elimination of mangroves may optimize shrimp production for middle class dishes while creating environmental hazards, and finally, pesticides used in Pakistani cotton fields, while polluting soils and laborers is indeed the hidden price for easy shopping in the fashion stores of the world.

As long as production costs are not required to incorporate the cost of safeguarding common goods, free trade will continue to accelerate both the marginalization of the poor and the decline of the biosphere. It is only through minimum standards for securing the dignity of labor and the integrity of the global environment that a groundwork for a fairer and safer 21stcentury can be established. In the end, trading internationally must be understood as a privilege to be offset by internalizing social and environmental costs.

National politics should foster the development of standard monitoring and verification schemes. The establishment of production process standards is crucial for minimizing clear-cutting, over-exploitation of water reserves,chemical pollution, or greenhouse gas emissions. The feasibility of monitoring and evaluating production processes has been clearly demonstrated by fair trade and organic agriculture initiatives, which are usually enforced by inspection and certification bodies. The 'IFOAM Norms' for organic agriculture, as one example, include a detailed set of general principles and standards with requirements for crop production and animal husbandry, including criteria for the evaluation and use of selected off-farm inputs, and standards for processing, handling, and labeling. Although IFOAM is considered as the global platform of the certified organic movement, the IFOAM Norms are but one set of standards among many others that have been developed by national or private organizations. Today in more than one hundred countries, farmers' organizations and consumer groups have developed their own sets of organic standards and certification rules – many of them consistent with IFOAM provisions, but specified and adapted to their respective environmental and social circumstances. Governments should support the independent development of such

'Qualified Market Access' and' Sustainable Rural Development Fund'

1. As a first step, countries would establish independent quality standards and certification systems at the domestic level. As a second step they would evolve these standards into mandatory requirements for domestic producers
2. Based on proven implementation of these mandatory requirements, countries could then gradually impose quality standards at the border and differentiate market access conditions between products that adhere to their sustainability standards, as opposed to products that are unsustainably produced;

3. Revenues from tariffs applied to harmful products in the North are channeled into an international 'Sustainable Rural Development Fund', which supports the transition towards sustainable farming practices and the implementation of qualified market access schemes in developing countries.

Meta-standards ont he process of standard-setting can ensure a set of common rules for a highly diverse world

'Meta-standards' and a 'Centre for Dispute Mediation in Conflicts Over Standards'

1. At the multilateral level, governments would agree to meta-standards that would govern the setting of process and production standards for sustainable agriculture;
2. Meta-standards would define specific elements of the process, including duration, terms of references for the balanced involvement of all affected stakeholders, publication of results,periodic assessment and review of standards,etc.;
3. A complaints resolution mechanism, such as a 'Center for Dispute Mediation in Conflicts Over Standards' would be established to settle standard-related disputes between countries;
4. With these meta-standards in place, governments would then be required to develop and enforce sustainability standards for process and production methods in agriculture at the national level, or require mandatory participation in standard schemes developed by local actors.

Appropriate Public Policy Space and Regulations

In the determination of policy in relation to trade and other related issues such as finance and investment, there should be available venues where the various sectors, not only the business sectors, will have their say.

The limitation that is apparent for the civil society groups to engage in debate about economic policy-making is their capacity to understand and relate the various concepts in this field to their day-to-day existence. There are groups that can cater to this need within the NGO sector but what may be required is for the government agency involved to provide the means within which this capacity can be built either by popularizing the issues involved or by helping the sectors themselves get educated on the issues involved.

Trade Rules from the Perspective of Small Players

The public policy space provided to the small players should enable the decision-makers to craft measures that will address the concerns of the small players in the economy. When this is regularly achieved, it can then be said that the country's trade rules are crafted and implemented from the perspective and interests of the smaller economic players.

Mechanisms for Participation in Trade Negotiations

Several groups have proposed the creation of the Philippine Trade Representative Office to harmonize and clarify the mandate of the government agency that should engage in trade negotiations while providing access to the various sectors to provide input to the decision-making on trade relations so that the concerns of each sector will be taken into account in the shaping of trade policy.

But setting up the office of the Philippine Trade Representative is just one approach and there are other ways where various sectoral groups can participate in trade negotiations such as the inclusion of key sectors in the trade delegations or enabling various sectors to input on a negotiating position of a country on a particular trade issue.

Defining Appropriate Relationships with Other Countries

In the matter of defining appropriate relationship with our trading partners, the foremost consideration should be that of the national interest identified after a long series of discussions and consultation with the affected sectors. It is only when the national interest is very clear and well-articulated that the country does not risk being entangled in another country's foreign policy interest out of special consideration for a "special relationship" that may sometimes no longer be relevant for the present time and considering the country's particular needs and priorities.

SUPPORTING INITIATIVES TO REALIZE THE ALTERNATIVE TRADE FRAMEWORK

Policy Measures Needed

Withdrawal resolution from WTO

The Philippine Senate will have to pass a resolution to withdraw its ratification of the WTO Agreement which it made on December 14, 1994. But as earlier discussed, this political act is only the culmination of a long process of analysis, consultation and preparation, in order that the effort will garner the appropriate political sectors, preferably from all segments of society, particularly the business sector.

Strengthening UNCTAD

The Philippines should work with G77 countries in pushing for the strengthening of the UNCTAD as a relevant institution in the UN system in matters of trade and development. It might be useful, particularly in the upcoming UNCTAD XII in Ghana, to push for a political decision among developing countries, for UNCTAD to put into operation the various provisions of its Charter relating to trade, particularly the part in allowing the developing countries to engage in trade in a manner that supports their growth requirements.

Review of Adjustment Costs

The adjustment costs of all these changes in order to attain the realization of an alternative trading framework must be identified and compared with the possible benefits, to be able to prepare the various industry sectors to a new way of doing trade with key countries. The process will not immediately happen, but will consists of gradual steps taken across an extended period of time.

The alternative framework sketched out in the preceding pages would not require an immediate overhaul of existing policy instruments on trade. Rather, what is needed is for government agencies to first reorient their thinking away from the neoliberal orthodoxy that appears to be the dominant thinking in economic policy-making establishments from the NEDA to the Department of Trade and Industry and support agencies today. This is a difficult task considering the alternative framework needs to be further thought out and there are very few people who are capable of articulating this alternative orientation.

If at all necessary, what may be crucial here is the adoption of a measure that henceforth, there should be considered in policy-making circles of government and even civil society groups, a variety of approaches in solving specific economic problems and the options towards solving such problems should not just be limited to options derived from a neo-liberal economic thinking. This pluralism of approaches might help break the dominance of neoliberal thinking in government circles and should pave the way for the consideration of other approaches to development and an example is from the lens of sustainable development (Reed, 2002), where the key policy foundations are :

1. Promoting multi-faceted investment in rural areas to strengthen productivity and improve management of environmental resources;
2. Reorienting neoliberal reforms to increase control and access of the rural poor to environmental assets;
3. Promoting domestic demand-driven growth that encourages diversification in rural areas

Other Necessary Policy support towards Alternative trade:

1. Agrarian Reform
2. Institutional Development of farmers' organizations
3. Strengthening Bargaining Power of Small Farmers – marketing associations, etc.
4. Regulation of International Trade
5. Strengthened instruments to curb dumping, overproduction, volatile prices, market concentration

As various perspectives are brought to bear on a problem of the state, organization or community, it will not be guaranteed that a spectacular result can be consistently attained, but at least it will be clear to the constituents that the best options were considered, and only those that will have clear benefits to all sectors are they taken into account.

Challenges to Civil Society Organizations

Philippine NGOs have consistently questioned the neoliberal framework in the Philippines but the question is whether they have been effective in putting their message across to the general public and the policy-makers. With the continued dominance of the neo-liberal thinking, from the media to the academe and to government policy-making units, it appears that the alternative contrarian view has not fully come out well-articulated, with resonance to the daily lives of people that can easily be translated to political action. This is their challenge, not to resort to the tried and true gimmick of sloganeering and the ease of single-issue advocacy, but to proceed using a common-sense approach and resorting to facts and figures whenever necessary to persuade and convince, but never to denigrate and belittle. In a democracy, the only alternative to the current dominant idea is the next best idea.

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