

WTO,
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Globalization — and WTO — critics have said the WTO's consensus system needs to be replaced by a new negotiating model that meets 21st century problems including climate change, environmental destruction, low labor standards, human rights and corruption. They are also calling for bilateral and plurilateral deals to level the playing field.

"The WTO is concerned because the issue of trade and commerce has been politically tainted," Philippine Chamber of Commerce and Industry President George T. Barcelon said by telephone before the WTO event. "Once it's tainted, it will hold back actions that should come into play in the free market. The Philippines is having difficulty already in the supply chain especially during the coronavirus disease 2019 (COVID-19) pandemic. After that, some countries added another layer by weaponizing trade."

This has especially affected the agriculture sector, which is heavily dependent on imported inputs such as fertilizer that comes from Russia, Belarus and Ukraine, where there is a war, he added.

"I am all for re-globalization, as long as the WTO can get people to follow the rules."

In the report, the WTO noted that with security considerations becoming an increasingly influential factor in trade policy, some countries might reshuffle trade relationships due to tensions, but taking this too far would be counterproductive.

"The long-term evidence suggests that trade has contributed positively to peace among nations," according to the report. "With regard to economic security, recent experiences with the COVID-19 pandemic, extreme weather events and the war in Ukraine have demonstrated how deep and diversified international markets help countries cope with unanticipated shortages by securing supplies from alternative sources," it added.

Global trade flows have been resilient throughout past shocks, the WTO said, adding that trade costs keep falling as digital technologies facilitate international transactions and economies continue to sign integration deals.

The 164-member trade group admitted that there have been longstanding issues on its agenda, particularly agriculture, which accounts for a big employment pie in many member countries.

For one, trade costs in agriculture exceed those in manufacturing by 50%, penalizing poorer segments in society that rely on this sector.

WARNING SIGNS

Still, the WTO said it is already making a difference here — recent research found that its Trade Facilitation Agreement has had disproportionately positive effects on agricultural trade since it took effect in 2017, with least developed countries posting a 17% increase in agricultural exports as a result.

"Trade can be a powerful magnifying force of domestic competitiveness reforms, but in the absence of such domestic reforms, its role is limited," Mr. Ossa separately told *BusinessWorld* in an e-mailed reply to questions. "That said, much remains to be done in the area of agricultural trade policy reforms."

Trade costs in agriculture are 46% higher than in manufacturing, holding back agricultural exports around the globe, he said, citing the 2023 Global Trade Report. "While not all of this reflects policy barriers, it points to substantial unfinished business in multilateral trade negotiations."

Mr. Ossa said de-globalization has not happened yet, noting that China remains the biggest trading partner for many economies including the Philippines.

He does not expect this to change soon. He noted that bilateral trade between China and the US reached a record \$690.6 billion (P39 trillion) in 2022.

Mr. Ossa said trade was remarkably resilient during the COVID-19 pandemic, bouncing back to pre-pandemic levels less than a year after the first wave of lockdowns.



NORMAN P. AQUINO

WORLD TRADE ORGANIZATION (WTO) Director-General Ngozi Okonjo-Iweala speaks about the need for a global free trade order to address 21st century problems including poverty and climate change at the WTO headquarters in Geneva in this photo taken on Sept. 12.

Trade in digitally delivered services remained strong all along, growing at an average annual rate of 8.1% between 2005 and 2022, outpacing goods (5.6%) and other services (4.2%).

"But the warning signs must be taken seriously," he said. "In the report, we looked at trade within and between hypothetical geopolitical 'blocs' constructed based on voting patterns in the United Nations General Assembly," he said.

Goods trade flows between these "blocs" have grown by as much as 6% more slowly than within these "blocs" since the onset of the war in Ukraine, indicating a shift toward friend-shoring, Mr. Ossa said.

"We also report an increasing level of trade concerns being raised about unilateral policies of trading partners at the WTO and the International Monetary Fund has reported a fragmentation of investment flows," he said.

"All of this will eventually be reflected in reduced trade growth unless countries re-embrace multilateralism or re-globalization," he added.

The WTO's next trade forecast will come out in early October, "and it will be interesting to see what direction trade has taken since the spring."

"Globalization never really went away, but in recent years it has been under serious scrutiny — partly due to international overdependence on China's manufacturing prowess and the disruption in oil and gas trade due to Russia's invasion of Ukraine," said Arthur E. Appleton, a partner at Appleton Luff — International Lawyers and adjunct professor at the Johns Hopkins University School of Advanced International Studies.

Because of China's actions in the South China Sea and its aggressive rhetoric toward Taiwan, Western countries are making efforts to onshore manufacturing and shorten supply chains, he said in an e-mailed reply to questions.

"Hopefully this is a temporary phenomenon. Despite globalization's retreat, it remains important, particularly for the Philippines which is beginning to benefit from its various comparative advantages and continued integration into global supply chains," Mr. Appleton said.

"The Philippines needs globalization to continue the development of its goods sector, and its increasingly important service sector. The rule-based trading system which is the backbone of globalization provides security to the Philippine business community and for Philippine economic development," he added.

Mr. Appleton said it is in the Philippines' economic interest to continue its integration into global supply chains despite challenges particularly in agriculture.

On the other hand, he said the WTO is stymied by its reliance on the consensus system.

"Getting 164 members to agree on anything is very difficult," he said. "The WTO is also hampered by the US decision to block appellate body appointments. Without an effective dispute settlement system, it is more difficult to apply the rule of law when international trade disputes arise."

Mr. Appleton said WTO members are likely to consider additional plurilateral alternatives to avoid blockages caused by the consensus system, and they need to resolve the dispute settlement impasse.

Crop production falls 0.9% by volume in second quarter



PHILIPPINE STAR/KIROSALTES

CROP OUTPUT in the second quarter fell 0.9% year on year to 17.88 million metric tons (MT), the Philippine Statistics Authority (PSA) said.

In a report, the PSA said leading the decline were corn, sugarcane, rubber, and sweet potato.

Corn production fell 0.8% to 1.47 million MT, while sugarcane output dropped 11.3% to 2.83 million MT. Rubber volumes fell 8.5% to 112.59 thousand MT, and

sweet potato output declined 7.5% to 151.65 thousand MT.

Fisheries output declined 11.5% during the quarter to 1.08 million MT, led by skipjack (*gulyasan*), which recorded a 49.2% decline in output. Milkfish (*bangus*) production fell 19.1%, while that of seaweed dropped 4.9%. Output of fimbriated sardines (*tamban*) fell 42.2%, and that of yellowfin tuna declined 23.2%.

Meanwhile, livestock and poultry production rose 0.6% and 1.5%, respectively for the quarter.

Livestock production hit 540.46 thousand MT, led by hogs, which recorded a rise of 1% year on year to 422.72 thousand MT.

Poultry production rose 1.5% to 680.5 thousand MT, led by chicken.

"Chicken output, with a 70.2% share of total volume of poultry production, grew 3.2%," the PSA added. — **Adrian H. Halili**

Road operators still considering toll relief for farm goods haulers

TOLL ROAD operators are still considering a Department of Finance (DoF) proposal to exempt trucks carrying agricultural products from paying the adjusted tolls, the Toll Regulatory Board (TRB) said.

"We have endorsed the proposal to toll operators and concessionaires and at this time all of them are studying how to possibly implement the exemption," TRB Spokesperson Julius G. Corpuz told *BusinessWorld* by phone on Monday.

The DoF wants to exempt produce trucks from paying the adjusted toll fees as an inflation containment measure. The DoF said trucks would still have to pay the old toll without the recent adjustments.

The government has broadly tried to dampen food price pressures by, among other things, imposing a nationwide price ceiling on rice. The ceiling is set at P41 per kilogram for regular milled rice and P45 per kilo for well-milled rice.

The DoF has also proposed to temporarily reduce tariffs on rice imports to zero.

One of the toll operators' top concerns is how to identify trucks carrying agricultural goods, Mr. Corpuz said, adding that the Class 3 category covers trucks carrying all types of goods.

"The other part of it is what kind of agricultural goods are going to be exempted. These are being reviewed by the toll

operators and concessionaires," he added.

Mr. Corpuz said there is no definite timetable for the toll road operators to review the proposal.

BusinessWorld solicited comment from toll road operators but they had not replied at the deadline.

In August, inflation rate accelerated to 5.3% from 4.7% in July mainly driven by rising pump prices and food costs.

Former Agriculture Undersecretary Fermin D. Adriano said the DoF's plan to exempt trucks from the toll hike will help mitigate high food prices.

"I support DoF position... (which will keep logistics costs down). Ultimately consumers

pay for those costs through high food prices," Mr. Adriano said in a Viber message on Tuesday.

Samahang Industriya ng Agrikultura (SINAG) said it supports the DoF plan.

"We have long proposed to have a green lane for vehicles exclusively carrying agriculture products to cut on logistics costs across commodities," SINAG Executive Director Jayson H. Cainglet said in a Viber message.

However, Mr. Cainglet said that the government should also go after smugglers and hoarders, who were blamed when the government sought to justify its price controls. — **Ashley Erika O. Jose**

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