

President Ferdinand “Bongbong” Marcos Jr. may be facing a defining moment in his presidency: the fight against inflation. Whether he succeeds or fails in the fight against inflation will set the tone for the rest of his term, determine his legacy, and build or destroy the political capital he needs to achieve the rest of his objectives.

Inflation is the number one concern among Filipinos, repeated surveys reveal. It is mostly driven by food inflation, a “gut” issue if ever there is one. It determines whether Filipinos go hungry and shapes how they view the world.

On a macro-level, however, persistently high inflation could lead to a “doom loop”: high inflation leads to high interest rates, resulting in lower growth, lower government revenues, and less money for government spending, leading to lower growth.

We are already seeing the effects of high inflation and high interest rates: estimated GDP growth this year is expected to be around 5.5% per annum (pa), lower than the 6-7% pa the government is projecting for the next five years. This will likely lead to lower tax revenues, higher deficits, and bigger borrowings.

So far, the government is falling short in the fight against inflation. The Bangko Sentral ng Pilipinas (BSP) expects inflation to average between 5-6% pa this year, well above its target range of 2-4%. It has indicated that it's prepared to increase interest rates some more if necessary and this will lead to slower growth.

To fight inflation, the government has chosen to conduct political theater rather than addressing fundamentals. The rice price cap will just result in inedible rice being offered by retailers and a lower buying price for farmers. The public will also see through the “*moro-moro*” of demonizing so-called hoarders and smugglers as the reason for the high rice prices. The government has failed to put a single “hoarder” to jail.

PBBM's defining moment



INTROSPECTIVE CALIXTO V. CHIKIAMCO

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PHILIPPINE STAR / KJ ROSALES

There is one effective way to fight food inflation, but the administration has chosen not to do it: liberalize food importation, i.e., reduce the tariff on rice and abolish quantitative restrictions on corn, chicken, pork, vegetables, sugar, and fish.

The present system, wherein quantitative restrictions are imposed on these agricultural commodities and high tariffs are imposed whether in-quota and out-quota, just benefits the Department of Agriculture (DA) insiders and the syndicates able to manipulate supply due to these restrictions. Since supply is constricted through these quotas and high tariffs, Filipino consumers pay high prices for food.

At the very least, corn importation should be liberalized, and

tariffs reduced to 5%. Corn is the major ingredient in pork and chicken production. It accounts for about 60% of the cost of raising hogs and poultry. The high tariffs and import restrictions on corn are the reason why our chicken prices are almost double that of Thailand. The high cost of corn also incentivizes our hog producers to resort to swill feeding, enabling the African Swine Fever to spread among the hog population and decimating local pork production.

Vietnam recently reduced its tariff on corn from a low 4% to an even lower 2%. Why shouldn't we have the same low tariffs to reduce chicken and pork prices? Vietnam has smartly decided to move up the agricultural produc-

tion chain to chicken and pork production where the value added is higher.

The present Philippine tariff on corn is 35%, although this was modified to 5% for in-quota and 15% out-quota temporarily by EO 10, issued by President Rodrigo Duterte and extended for another year by President Marcos, Jr. until the end of this year. The problem is that the MAV (Minimum Access Volume) was set at a low 217,000 MT when the country's deficit is around 3 million to 5 million metric tons. What the government should do instead is abolish the MAV and allow free importation of corn at whatever volume.

The argument against liberalization has always been that protection helps our farmers. Has

it? Decades of protection haven't benefited our corn farmers, who remain one of the poorest groups in the country, together with fishermen and coconut farmers. Their average farm size is only half a hectare (yes, 5,000 square meters), which is just too small for increasing production commercially. No amount of protection will change this uneconomic production structure.

I'm also mystified as to why President Bongbong Marcos listens to these noisy so-called farmer leaders calling for more protection when they are clearly not the average Filipino farmer, and why he has to resort to political theater in trying to resolve inflation and the food crisis. He isn't running for re-election un-

less he's governing with a different agenda in mind.

He should learn instead from former President Duterte, who listened to his economic managers and pushed through the Rice Tariffication Law despite opposition from these noisy farmer leaders and leftist organizations. The result was stable rice prices for a significant period. The stable rice prices were a contributing factor to the high popularity rating enjoyed by former President Duterte.

There's a possibility that the situation will get worse before it gets better. Oil prices have surged to \$92 per barrel due to the oil production cut announced by Saudi Arabia and Russia. Fertilizer prices and other petroleum-based inputs will surely follow. Sugar prices are surging, and local production is expected to drop with the onset of El Niño or the dry weather phenomenon. That means higher prices for everything from cookies to banana-cue.

If the DA miscalculates on its estimates of the amount of local harvest, and reserves from imports aren't enough by the end of the year with traders being scared by the rice price cap and threats of prosecution, a full-blown rice crisis can erupt by the first quarter of next year, according to agricultural economist Dr. Fermin Adriano.

Moreover, while wheat and barley are substitutes for corn, the Ukraine war has caused the prices of wheat to gyrate since Russia ended the deal to allow Ukraine to export food. Pork and poultry producers can expect cost increases across the board.

Indeed, a perfect storm is brewing. The times call for tough decisions, not political gimmickry. How President Bongbong Marcos handles inflation and the food crisis will be the defining moment of his presidency. ■

CALIXTO V. CHIKIAMCO is a member of the board of IDEA (Institute for Development and Economic Analysis).
totvchiki@yahoo.com



Fighting for our coral reefs

There were gushing descriptions and awesome pictures of bountiful marine life in the *National Geographic* magazine of May 12, 2022, that featured the coral reefs in the Philippines. Tubbataha Reefs, a national park and UNESCO World Heritage site in the center of the Sulu Sea, has been slowly revived after it was all but destroyed by blast fishing in the 1960s. But how can coral reefs be preserved at a time not just of increasing exploitation but also of human-driven changes in the very ocean itself, the magazine asks? Warming seas, acidifying seas, rising seas — these are the darker shadows that fall across the world's coral reefs. The most diverse ecosystem in the ocean — a planetary feature for 240 million years — will start to disappear. “It is projected that by 2050 more than 90% of the global Coral Triangle's reefs will be critically threatened by climate impacts,” the magazine warns.

All the gushing turns to dread for the severely exploited and damaged coral reefs. The West Philippine Sea has an estimated 4,640 km² or 464,000 hectares of coral reef (based on the CARE-CaDRES Report 2019). The Philippines is believed to have the third largest reef area and the most diverse coral reefs in the world.

Why are coral reefs important? The US National Oceanic and Atmospheric Administration (NOAA) tells us that coral reefs are some of the most diverse ecosystems in the world. Because of the diversity of life found in the habitats created by corals, reefs are often called the “rainforests of the sea.” About 25% of the ocean's fish depend on healthy coral reefs. Reef ecosystems can support more than 7,000 species of fish, invertebrates, plants, sea turtles, birds, and marine mammals.

CORPORATE WATCH AMELIA HC YLAGAN

“The Philippines is one of the world's 18 mega-biodiverse countries — the archipelago contains two-thirds of the earth's biodiversity and between 70% and 80% of the world's plant and animal species. It is home to 505 coral species and 915 reef fish species. The country is the world's third most coral-rich area after Indonesia and Australia” according to the Convention on Biological Diversity (*bworlondonline.com*, June 29, 2018).

A square meter of a healthy coral reef produces one to five kilograms of white sand per year, making reefs an even more vital component of coastal tourism. And since coral reefs are natural wave breakers, they protect coastal communities from tidal waves, strong currents, and storm surges (*philchm.ph*). They protect coastlines from storms and erosion, provide jobs for local communities, and offer opportunities for recreation. They are also a source of food and new medicines. Over half a billion people depend on reefs for food, income, and protection. Fishing, diving, and snorkeling on and near reefs add hundreds of millions of dollars to local businesses. The net economic value of the world's coral reefs is estimated to be nearly tens of billions of US dollars per year. These ecosystems are culturally important to indigenous people around the world (*noaa.gov*).

The Philippines is aware of the threats to its coral reef ecosystem, but more to protect its fisheries, the National Geographic article candidly says. If the corals die, fish will have no sanctuary wherein to spawn.



PHILIPPINE COAST GUARD/PHILSTAR GLOBAL

Since the 1970s, community-managed marine protected areas (MPAs) have been set up as reserves (no-fishing areas) so as not to disturb and damage the coral ecosystem. Municipalities have jurisdiction over their coastal waters out to 15 kilometers and local fishermen freely enjoy the spill-over fish from the MPAs. Most of the Philippines' more than 1,600 MPAs are small and locally managed, but enforcement is uneven according to the magazine's evaluation. More than a million fishermen depend on the country's coral reefs, but today 54% of the reefs are badly damaged (*oceaana.org*, May 22, 2017).

PHILIPPINES-CHINA TENSIONS

The Philippines-China tensions in April 1992 were sparked by illegal fishing and damaging the reef-sanctuaries in the Philippines' exclusive economic zone (EEZ). A Philippine Navy surveillance plane spotted eight Chinese fishing vessels anchored in the waters of the Scarborough Shoal. The Filipino inspection team that

boarded the fishing ships claimed that they discovered illegally collected corals, giant clams, and live sharks. They attempted to arrest the Chinese fishermen but were blocked by Chinese maritime surveillance ships — it was a standoff (*Philippine Daily Inquirer*, April 11, 2012).

Diplomatic protests were ignored by China and failed initial attempts at reciprocal fishing bans escalated with the stepped-up presence of Chinese fishing and patrol vessels in Scarborough Shoal. Chinese water cannons were focused on small Filipino fishing boats that slipped through the Chinese barriers, to fish for food more than for sale. And the Chinese continued to fish and poach coral in Scarborough Shoal.

On March 30, 2014, the Philippines submitted a case against China to the Permanent Court of Arbitration in The Hague over competing South China Sea claims, invoking the compulsory settlement of dispute clause under the Law of the Sea Convention.

China refused to participate in the arbitration, calling instead on bilateral negotiations to be used to resolve border disputes. Its refusal did not prevent the arbitral tribunal from proceeding with the case. On July 12, 2016, the Arbitral Tribunal in the South China Sea Arbitration (The Republic of the Philippines v. The People's Republic of China) issued a unanimous award largely favorable to the Philippines.

The Tribunal ruled: “China has, through the operation of its official vessels at Scarborough Shoal from May 2012 onwards, unlawfully prevented Filipino fishermen from engaging in traditional fishing at Scarborough Shoal.” (PCA Award, Section VII(C)(5)(c)(814), p. 318.)

“The award of the arbitration is illegal, null and void. It is nothing more than a piece of waste-paper,” Foreign Ministry spokesperson Zhao Lijian said in a press conference in Beijing on July 12 (*onenews.ph*, July 13, 2021). He was basically repeating what President Rodrigo Duterte said

about the Arbitral Award to the Philippines: “That paper, in reality between nations, that paper is nothing. Whoever is tough, the United States, the United Kingdom, they can do whatever they want. We won. When I came into office the ships were already in the West Philippine Sea, Chinese boats, we have nothing” (*Philstar.com*, May 6, 2021).

Earlier in 2019, President Duterte made confusing statements about allowing China to fish in our waters “because we (China and the Philippines) are friends.” Supreme Court Senior Associate Justice Antonio Carpio, one of the Philippines' leading experts on the West Philippine Sea who helped craft and submit Philippines vs. China to the Arbitral Tribunal, pointed out that Duterte was wrong: “The Philippine government cannot allow Chinese fishermen to fish in Philippine exclusive economic zone (EEZ) in the West Philippine Sea because it will violate the Constitution.” Justice Carpio quoted the Constitution, “The State shall protect the nation's marine wealth in its... exclusive economic zone, and reserve its use and enjoyment exclusively to Filipino citizens” (Rappler, June 25, 2019).

The Philippines has lost 3.6 million kilos of fish due to the presence of Chinese fishing vessels in the West Philippine Sea, according to estimates from food security advocacy group Tugon Kabuhayan (*bworlondonline.com*, May 3, 2021). China has the largest fishing fleet in the world, with about 220,000 huge steel-hulled trawlers as opposed to Filipino fishermen's wooden boats. In 2019, UP oceanographer Deo Onda estimated that the Philippines was losing around P33.1 billion annually from the damaged reef ecosystems in Panatag Shoal and the