The Japan-Philippines Economic Partnership Agreement (JPEPA): At What Cost?

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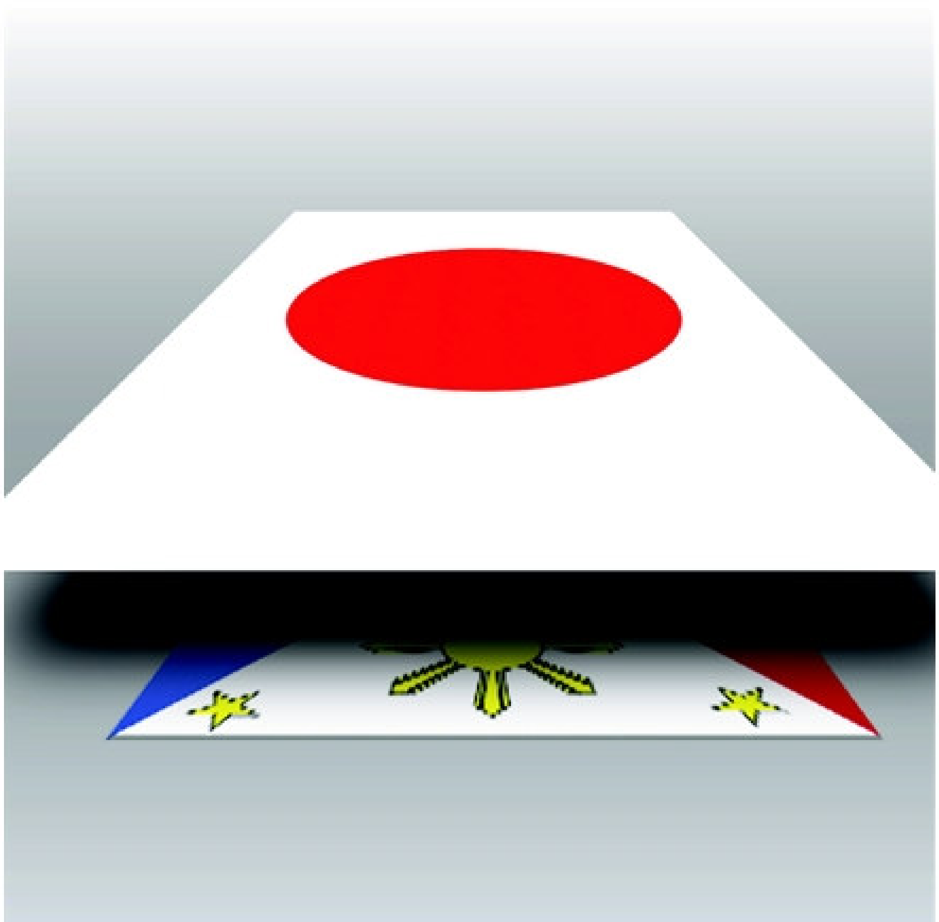

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EXECUTIVE SUMMARY

The Japan-Philippine Economic Partnership Agreement (JPEPA) signed several months ago by the heads of states of both countries needs to be ratified by the Philippine Senate before it can be fully enforced and implemented. Shrouded in secrecy during its negotiations, the agreement is now being foisted upon the Filipino people as a new-age free trade treaty that will usher in tremendous economic benefits for the country, expanding market access for Philippine agriculture exports, allowing Filipino nurses and caregivers gainful employment in Japan and boosting the flow of foreign direct investments in the country.

But like other post-WTO free trade agreements, JPEPA is a comprehensive bilateral free trade agreement that includes not only trade in goods and services but also areas like investments, competition, and government procurement --the so-called new issues in the WTO that have been excluded from the Doha Round of negotiations because of their very sensitive nature. The proliferation of such agreements is seen as an alternative track for developed countries to maintain and expand their economic and trade interests in the developing world, in the wake of the collapse of the multilateral trade negotiations.

Based on current patterns and structure of Philippine-Japan bilateral trade, there is little doubt that the Japanese transnational corporations, not the Filipino people will gain enormously from the bargain. The Philippines has always been on the losing end of its bilateral trade with Japan, incurring an annual trade deficit of almost US$1 billion for the last 10 years, which largely accounts for the country's over-all trade deficit. This stems from an inherently unfair trade relations with Japan which consigns the Philippines to an exporter of cheap, low value-added industrial manufactures and of a few high-value cash crops and at the same time an importer of high value and high-tech industrial goods such as electrical, electronic and auto parts and equipments from Japan. Moreover, the existing trade arrangements, wherein the Japanese transnational corporations establish their labor-intensive manufacturing processes in the country through domestic affiliates which in turn export back the semi-processed goods to Japan is largely an intra-firm trade. The same is true in agriculture, where the Japanese transnational corporations invest capital in export crop production, for example in banana plantations, and export the food items through their own market channels in Japan.

This type of bilateral trade however has not grown substantially over the last two decades, exhibiting smaller spurts in growth in recent years. In fact, agriculture exports in terms of value have not grown over the last six years, even registering a slight negative growth, which validates the claim of many Philippine exporters that access to Japan's highly protected and discriminating agriculture market is very much limited if not nil.

Instead of improving, JPEPA will likely entrench the existing unfair bilateral economic and trade relations with Japan. The treaty is patently skewed in favor of the economically stronger party, Japan while it openly undermines the sovereignty of the weaker party, the

Philippines, and erodes the country's political and policy space needed to pursue its own industrial and economic development.

Instead of leading the country to economic progress, the treaty may likely lead the country to the path of de-industrialization, higher unemployment and persistent development crisis. The promised market access for agriculture exports and increased incomes for farmers and producers may not materialize due to the limited tariff elimination offered by Japanese, besides the continued existence of stringent food safety and quarantine regulations in Japan, which have not been subjected to new disciplines under JPEPA.

Worse, the treaty subverts Philippine economic sovereignty by allowing Japanese investors equal opportunity as the Filipino nationals and companies and as other third-party investors in all areas of the national and local economy except in a very small number of sectors and activities where the Philippine government expressed existing legal restrictions. Furthermore, JPEPA's investment provisions prohibit the Philippine government from exacting obligations or requirements from Japanese investors from pre-establishment up to the post-establishment of their investments. Certainly, these provisions openly challenge and undermine existing national laws and regulations designed to control and direct foreign direct investments (FDI)s alongside the country's defined development priorities and objectives. However, the greater danger is that JPEPA preempts the Philippine government from enacting laws and policies that maybe necessary for economic and social development, when these contradict or violate the provisions of the treaty.

JPEPA's impact on the agriculture sector may be much more significant, considering that agriculture remains a major source of livelihood for a greater proportion of the country's population. The tariff elimination commitment by the Philippine government may unduly disadvantage the small farmers and artisanal fishers whose livelihoods are dependent on products that will receive duty free status upon the enforcement of JPEPA, such as tuna, squid, shrimps and other important marine products. Meanwhile, these products will not be accorded the same duty free status by Japan upon JPEPA's implementation, thereby demolishing at the onset the touted benefits for the small fishers. Small-scale enterprises and food processors may likewise face unfair competition with the reduction and final elimination of tariffs on processed food and agricultural products, thereby dampening local production and processing and constricting local economy development.

JPEPA's full-scale investment liberalization will readily demolish the small-scale manufacturing firms and fledgling industries such as those engaged in processing of traditional food, marine and fish products and vegetables as well textile and clothing, footwear, semi-precious stones, etc. on the one hand. On the other hand, the treaty's investment provisions will likely entrench social inequities by further deepening foreign control over the country's productive agricultural lands, marine and fishery resources as well as its rich mineral resources.

While the existing investment laws in the country have effectively circumvented the Constitutional provisions limiting foreign equity participation in economic activities and ownership and control of the country's patrimony, JPEPA offers a way out of these restrictions by encouraging the parties to the agreement to change or amend laws that do not comply with the agreement. In agriculture, the Comprehensive Agrarian Reform Program (CARP), which has been notified as a legal restriction to Japanese investments and is being proposed for extension beyond 2008 may likely be redesigned along the investment liberalization requirement of JPEPA. Thus, JPEPA may not only erode the country's current agrarian reform program, it may likely encourage land reform reversal and the consolidation of farmlands in the hands of agri-business corporations as well as the Japanese transnationals.

Finally, JPEPA as a bilateral free trade agreement may create a domino effect for the proliferation of other bilateral free trade agreements in the country, with far-reaching implications on the livelihoods and survival of small-scale farmers, independent producers and small enterprises.

For the many farmers, fishers, indigenous peoples and other economically vulnerable sectors in the rural areas, JPEPA is synonymous to loss of traditional livelihoods; displacement from their land, ancestral domains and fishing grounds as JPEPA will encourage intrusions of Japanese investors in these areas. The treaty also means increased food insecurity and hunger as export-oriented crop production is further entrenched. To the many sprouting small and medium-scale enterprises, Japanese investments and duty-free goods pose unfair competition that could decimate their small businesses.

This paper concludes that the country will be better off if the Philippine Senate does not ratify the treaty. It further suggests that the Philippine Senate should instead impose upon the Executive the need to be transparent and consultative in any trade negotiations with other governments in order to ensure that fundamental issues like national sovereignty, industrial and economic development, people's social and economic rights and environmental protection are not sidestepped nor undermined, in exchange for short-term trade benefits for a few.

The Japan-Philippines Economic Partnership Agreement (JPEPA): At What Cost?[1]

Arze G. Glipo[2]

Introduction

Several months after President Macapagal Arroyo and Japanese Prime Minister Junichiro Koizumi signed the Japan-Philippines Economic Partnership Agreement in September 2006 in Helsinki, the controversial treaty is now up for ratification at the Philippine Senate. Amidst rising opposition to the trade deal from different quarters, the Philippine government remains optimistic that it will be signed even under an opposition-dominated Senate.

However, the JPEPA continues to draw flak from various sectors, particularly those that maybe adversely affected by the full trade and investment liberalization envisaged under this agreement. Moreover, the lack of transparency and sufficient studies to substantiate Philippine position in the negotiations have become an increasing concern for many that have yet to be addressed by the framers of this deal.

As a whole, the JPEPA presents an unfair deal for the Filipinos as it promotes and protects primarily the trade and economic interests of Japanese corporations while openly undermining the social, political and economic rights of the Filipino people.

This paper looks into these concerns, specifically on the impact and implications of JPEPA on agriculture, rural livelihoods, and food security. Given agriculture's significant contribution to the national economy, which accounts for about 20%-22% of the country's GDP and more than a third of the country's labor force, any likely negative impact on the sector may have a welfare-reducing effect on a great proportion of the country's population.

The first part of the paper presents an overview of the agreement and identifies relevant elements and provisions. The second part tackles the contributing political and economic factors that led to the signing of the JPEPA. It also presents the realities of Philippine-Japan bilateral trade relations vis-à-vis Japan's relations with ASEAN countries and the rest of the world. The third tries to debunk the myth spread by the government that JPEPA will result to enormous economic and social benefits for the country and argues that on the contrary the Philippines will suffer from loss of policy space, decline in revenues and the weakening of its legal and institutional mechanisms designed to protect social and economic rights of the people as well as those intended to protect the national patrimony and the environment from corporate plunder. The fourth section delves into the potential impacts of the agreement on rural livelihoods, food security and rural development and presents case studies of sectors that may adversely be affected by full liberalization. The last part provides the conclusion and recommendations.

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Overview of the Agreement

If ratified by the Philippine Senate, the JPEPA will be the country's second bilateral free trade agreement after the Parity Agreement that was concluded right after World War II between the United States and Philippines.

JPEPA is a comprehensive bilateral free trade agreement entered into by Japan and the Philippines to remove trade barriers between them. The treaty contains 16 agreements that harmonize the rules and procedures of both countries in the following: trade in goods and services, rules of origin, customs procedures, paperless trading, mutual recognition, investments, movement of natural persons, intellectual property rights, government procurement, competition, improvement of business environment, cooperation and dispute avoidance and settlement.

In the trade in goods, both parties agreed to harmonize its trading process through the elimination of tariff and non-tariff barriers. The agreement also provides for rules of origin to enable the parties to determine and certify originating goods that will be accorded with preferential tariff treatments. It likewise commits both countries to harmonize and simplify customs procedures utilizing information and communication technology.

In services, sectors such as outsourcing, air transport, health-related and social services, tourism and travel related services, maritime transport, telecommunication and banking are to be liberalized.

In the investments sector, JPEPA aims to promote and protect the investments of a party in the other party by providing such mechanisms like national treatment, Most Favored Nation (MFN) treatment and performance requirement prohibitions. The definition of investments has been likewise broadened to include intellectual property rights (IPR).

The agreement also provided the framework and rules for the cross-border movement of natural persons particularly of professionals. Through this agreement, qualified Filipino nurses, care givers, professionals and other skilled workers will be given entry into the Japanese labor market.

JPEPA also covered government procurement in line with the controversial General Agreement on Trade in Services (GATS) provisions and principles of the World Trade Organization (WTO). It aims to increase transparency of government procurement laws, regulation and procedures. Although both agreed in principle to liberalizing government procurement, no substantial agreements were concluded and the issue was placed under study before further negotiations take place.

In the aspect of trade facilitation, the agreement also covered issues to improve business and investment environment in both countries by providing a clause on competition to promote and protect fair competition between countries. Both agreed to enact laws that will promote competition by strengthening cooperation and curtailing unfair practices that weaken competition and affect small business. Both parties also adhered to improving the business environment by setting-up framework for consultations to ensure efficient and timely resolution of issues affecting Japanese and Filipino enterprises in both countries.

The protection of intellectual property rights was also included in the accord. Both countries mutually formulated guidelines to enhance and protect IPRs especially on patenting, copyrights, industrial designs and trademarks.

Both parties also agreed to pursue cooperation in 10 areas that include human resource development, financial services, information and communication technology, energy and environment, science and technology, trade and investment promotions, small and medium enterprise development, tourism, transportation and road development.

Dispute avoidance and settlement mechanisms were also established in the agreement to address disputes that may arise in the interpretation and implementation of the agreements.

JPEPA, thus, covers both trade and non-trade concerns and steps further ahead of other trade agreements by deliberately including domestic policies that parties should undertake in order to conform to the agreement.

The Emergence of JPEPA: Looking at the Regional Context

Japan, as a leading global economic power, has strategic interests in maintaining an economic stronghold in the whole of Southeast Asia. From among the vanquished in World War II, Japan rose to become the second largest industrial power, gradually establishing its dominance in the region and gaining foothold in other areas as well.

Pushed by the phenomenal growth of Japan's economy as well as the rising domestic wages and incomes of the Japanese people in the '80s up to the early '90s, Japan's so-called comparative advantage in manufacturing was greatly eroded which led to the emergence of a new era of regional integration and, as such, increased intra-regional trade. This process was largely driven by the efforts of Japanese industrial conglomerates to relocate their labor-intensive production processes to countries in the region with cheap labor as well as very open and liberalized investment regimes. Facilitated by advances in information technology and the falling costs of transportation and communications, Japanese business easily transferred their factories to East Asian countries. (Baldwin, 2007) The export-oriented strategy and economic liberalization policy adopted by the developing countries in East Asia since the structural adjustment period of the 80's complemented Japan's economic strategy in the region.

Thus, with huge inflows of foreign direct investments complemented by massive official development assistance to these countries, Japan was able to organize production networks or bases in East Asia which are linked to the main manufacturing headquarters in Japan. The region, thus, became an important source and supplier not only of raw materials and primary commodities but a base for Japan's extended factories churning out intermediate goods, components and parts that are re-exported to Japan or other third countries for final processing.

Based on these relations, Japan's bilateral trade with the developing countries in East Asia has thrived in the last two or more decades. This convenient arrangement seemed to have greatly enhanced Japan's economic foothold in the region as well as its global industrial competitiveness. Thus, the region's significance to Japan would be reflected in its increasing aid which reached to US$10 billion in the early '90s although it substantially declined after the Asian financial crisis, reflecting Japan's own economic woes on the home front.

The opening up of China to the international market and the market reforms it introduced in the 90's further enhanced and accelerated the process of integration taking place in the region. Because of its comparative advantage in labor-intensive production, China attracted the huge foreign direct investments that before flowed to Southeast Asia. On top of this, China's membership in the WTO stimulated trade with the region and the rest of the world, and eventually led to China's dramatic economic turn-around by the beginning of the decade. In a short period of time, China emerged as a rising industrial power in the region, threatening the leadership role of Japan in the region.

China's initiative to strike out a free trade deal with ASEAN in 2003 set the alarm bells for Japan. (Rodriguez, 2004) In response, Japan hastened its initiatives to forge bilateral and regional free trade deals with ASEAN as a whole and with individual members. It must be noted that Japan had not entered into any regional or bilateral trade agreements with other countries until it signed an economic partnership agreement with Singapore in January 2002.

Against the backdrop of a rising China in the region that could potentially upstage its dominant economic foothold, Japan has been increasingly pressured to negotiate bilateral free trade deals with its ASEAN partners like Thailand, Malaysia, the Philippines and Indonesia.

While strongly supporting the WTO-led multilateral trade regime, Japan saw the strategy of bilateral trade deals as a complementary and even faster way to secure and safeguard its economic interests in the region. This was revealed in a study conducted by the Philippine Institute for Development Studies (PIDS) which looked into the reasons why Japan would like to engage in a bilateral free trade deal with the Philippines. The paper quoted a study released by one of the commissions created by the Prime Minister of Japan tasked to draft Japan's national vision beyond the 21st century. The Japanese commission recommended that "*free trade agreements (FTAs) offer Japan a means of strengthening partnerships in areas not covered by the WTO and achieving liberalization beyond levels attainable under the WTO.*" (Yu-Jose, 2004)

Japan- Philippines Bilateral Ties

Japan's bilateral ties with the Philippines fit within Japan's global trade and economic agenda. It maintains its relationships with the Philippines through development assistance and trade and investment linkages.

Trade Patterns

To date, Japan is the second largest trading partner of the Philippines next to the US. Trade statistics for the past six years however show minimal growth in bilateral trade between the Philippines and Japan. The average growth of Philippine exports to Japan tapered down to 6.6% in 2000-2006 from 15.8% during the years 1995-2000. Meanwhile, imports from Japan grew annually at an average of only 1.6% during the same period 2000-2006. (See Tables 1 and 2)

Table 1. Comparative Annual Average Value of Trade with Japan, Philippines, 1995-2000 (FOB Value in US $)

YEAR	TRADE VALUE (FOB in US $)			ANNUAL GROWTH RATE (%)	
	Exports to Japan	Imports from Japan	Trade Balance	Exports to Japan	Imports from Japan
1995	2,746,892,820	6,304,714,240	-3,557,821,420		
1996	3,671,211,412	7,249,527,850	-3,578,316,438	33.65	14.99
1997	4,194,416,485	7,414,353,034	-3,219,936,549	14.25	2.27
1998	4,234,199,358	6,029,918,354	-1,795,718,996	0.95	-18.67
1999	4,663,576,295	6,136,038,212	-1,472,461,917	10.14	1.76
2000	5,608,683,378	6,511,278,551	-902,595,173	20.27	6.12
Average	4,186,496,625	6,607,638,374	**-2,421,141,749**	**15.85**	**1.29**

Source: Department of Trade and Industry, 2007

Table 2. Comparative Annual Average Value of Trade with Japan, Philippines, 2000-2006, (FOB Value in US $)

YEAR	TRADE VALUE (FOB in US $)			ANNUAL GROWTH RATE (%)	
	Exports	Imports	Trade Balance	Exports to Japan	Imports from Japan
2000	5,608,683,378	6,511,278,551	-902,595,173		
2001	5,057,397,934	6,633,103,284	-1,575,705,350	-9.83	1.87
2002	5,295,453,657	7,550,913,029	-2,255,459,372	4.71	13.84
2003	5,768,938,179	7,860,754,950	-2,091,816,771	8.94	4.10
2004	7,983,389,733	7,673,875,140	309,514,593	38.39	- 2.38
2005	7,206,100,322	8,071,082,245	-864,981,923	-9.74	5.18
2006	7,740,541,907	7,003,544,419	736,997,488	7.42	-13.23
Average	6,380,072,159	7,329,221,660	**-949,149,501**	**6.65**	**1.56**

Source: Department of Trade and Industry, 2007

For the same period, 2000-2006, the annual value of Philippine exports to Japan reached only an average value of US$6.4 billion as against US $ 7.3 billion imports, registering an average trade deficit of almost US $1 billion annually. (See Table 2) The trade deficit with Japan would account for the bulk of the Philippines' over-all trade deficit.

The structure and composition of Philippine trade with Japan would show that the bulk of traded items with Japan are industrial manufactured goods. The share of these goods to the total value of imports from Japan reached a high of 94.94% while their share of the total value of exports is at 77% for the period 2000-2006. (See Table 3 below)

Table 3. Commodity Share to Total Exports and Imports to and from Japan, Philippines, 2000-2006, (FOB Value in US $)

GROUP	IMPORTS FROM JAPAN		EXPORTS TO JAPAN	
	Annual Average Value	% Share to Total	Annual Average Value	% Share to Total
TOTAL	7,329,221,660	100.00	6,380,072,159	100.00
Consumer manufactures	91,386,316	1.25	346,447,988	5.43
Food & food preparations	8,209,722	0.11	386,103,016	6.05
Processed foods	4,728,071	0.06	41,819,003	0.66
Fresh foods	371,297	0.01	237,277,986	3.72
Marine products	3,110,354	0.04	107,006,027	1.68
Fresh/Chilled/Frozen Fish	1,042,243	0.01	3,688,666	0.06
Tuna	1,728,651	0.02	19,249,033	0.30
Crustaceans	58,119	0.00	71,900,998	1.13
Mollusk	39,402	0.00	7,777,544	0.12
Milkfish			93,885	0.00
Fish Fillet	171,557	0.00	1,313,673	0.02
Other Fishes (Processed)	69,619	0.00	2,055,513	0.03
Resource-based products	178,663,119	2.44	373,674,887	5.86
Coconut products			31,569,161	0.49
Mineral products	18,653,078	0.25	197,067,467	3.09
Forest products	2,773,311	0.04	9,674,884	0.15
Seaweeds	27,281	0.00	571,874	0.01
Carrageenan	79,256	0.00	555,036	0.01
Cutflowers/Ornamental plants	3,560	0.00	899,838	0.01
Fertilizer	11,195	0.00	79,932	0.00
Industrial manufactures	6,958,229,947	94.94	4,913,451,451	77.01
Electronics	2,751,868,056	37.55	4,046,116,602	63.42
Machineries/Transport equipment/Apparatus and parts	1,254,253,197	17.11	580,627,440	9.10
Chemicals	409,736,125	5.59	64,850,374	1.02
Fertilizers Manufactured	20,765,574	0.28	10,231	0.00
Special transactions	92,732,555	1.27	360,394,817	5.65

Source: Department of Trade and Industry, 2007

This reveals that much of the imported industrial manufactures from Japan are parts of electronic machineries, mechanical appliances and auto parts that are processed or assembled in the country which are then re-exported to Japan for further processing. On the other hand, the exported industrial manufactures include the same set of commodities like electronics, machineries, transport equipment and parts, metal manufactures, construction materials, chemicals, and others. Meanwhile, food and food preparations accounted for only 6.5% of the total value of exports to Japan and a miniscule 0.11% of the total value of imports from Japan. Interestingly, the share of resource-based products, particularly minerals, account for a larger share of Philippine exports, at 5.86%, revealing an increased trend in mineral extraction or mining activities to supply the industrial needs of Japan.

Comparing the country's value of bilateral trade with Japan to its over-all trade with the rest of the world, Philippine exports to Japan accounted for only 16.57% of the total value of Philippine exports while its imports from Japan accounted for 17.68% of its total value of imports. (See Table 4)

Table 4. Average Share of Exports and Imports to Japan to over-all Trade, Philippines, 2000-2006, (FOB Value in US $)

GROUP	EXPORTS			IMPORTS		
	Total RP Exports ROW	RP Exports to Japan	% Share to Total RP Exports	Total RP Imports, rest of the world (ROW)	RP Imports from Japan	% Share to Total RP Imports
TOTAL	38,511,491,281	6,380,072,159	**16.57**	41,463,571,604	7,329,221,660	**17.68**
Consumer manufactures	3,811,353,898	346,447,988	9.09	1,540,785,785	91,386,316	5.93
Food & food preparations	1,515,537,036	386,103,016	25.48	2,363,497,758	8,209,722	0.35
Processed foods	693,429,816	41,819,003	6.03	1,473,044,171	4,728,071	0.32
Fresh foods	429,929,535	237,277,986	55.19	839,783,129	371,297	0.04
Marine products	392,177,684	107,006,027	27.29	50,670,458	3,110,354	6.14
Fresh/Chilled/Frozen Fish	13,057,848	3,688,666	28.25	18,313,073	1,042,243	5.69
Tuna	135,024,582	19,249,033	14.26	21,311,940	1,728,651	8.11
Crustaceans	157,614,005	71,900,998	45.62	2,193,847	58,119	2.65
Mollusk	49,167,766	7,777,544	15.82	5,177,528	39,402	0.76
Milkfish	2,495,413	93,885	3.76	8,839		0.00
Fish Fillet	6,669,275	1,313,673	19.70	2,482,224	171,557	6.91
Other Fishes (Processed)	8,768,945	2,055,513	23.44	891,342	69,619	7.81
Resource-based products	2,478,159,322	373,674,887	15.08	7,413,024,795	178,663,119	2.41
Coconut products	513,366,567	31,569,161	6.15	6,821,386		0.00
Mineral products	400,981,342	197,067,467	49.15	489,625,573	18,653,078	3.81
Forest products	31,407,816	9,674,884	30.80	213,771,810	2,773,311	1.30
Seaweeds	33,665,755	571,874	1.70	3,768,048	27,281	0.72
Carrageenan	43,635,140	555,036	1.27	5,062,986	79,256	1.57
Cutflowers/ornamentals	2,313,035	899,838	38.90	485,168	3,560	0.73
Fertilizers	535,913	79,932	14.92	17,495,742	11,195	0.06
Industrial manufactures	29,018,378,563	4,913,451,451	16.93	29,477,380,811	6,958,229,947	23.61
Electronics	25,721,240,579	4,046,116,602	15.73	10,109,803,026	2,751,868,056	27.22
Machineries/Transport	1,931,396,735	580,627,440	30.06	3,317,538,447	1,254,253,197	37.81

Equipment/Apparatus						
Chemicals	396,097,722	64,850,374	16.37	2,261,450,201	409,736,125	18.12
Fertilizers Manufactured	61,059,567	10,231	0.02	193,654,582	20,765,574	10.72
Special Transactions	1,688,062,461	360,394,817	21.35	668,882,456	92,732,555	13.86

Source: Department of Trade and Industry, 2007

The Philippines, on the other hand, is the source of 1.6% of Japan's total imports and the market for 1.5 % of Japan's total exports. However Phil-Japan bilateral trade seems to be much smaller and weaker compared to Japan's other dealings in the region. For example, Japan's imports from other countries like Malaysia's 2.9%, Indonesia's 4.1%, Thailand's 3.0% and China's 20.6% are much higher than the Philippines' share. See Table 5.

Table 5. Annual Average Value ('000 US $) of Exports and Imports of Different Trading Partners of Japan and Percent Share, 2004-2006

TRADE PARTNER	ANNUAL AVERAGE		Balance	% SHARE	
	Exports	Imports		Exports	Imports
Total	404,109,747	344,654,199	59,455,549	100	100
Asia	193,829,277	152,603,453	41,225,824	48.0	44.3
East Asia	186,818,096	145,208,786	41,609,310	46.2	42.1
ASEAN	49,748,436	49,131,528	616,908	12.3	14.3
Asian NIEs	96,597,029	34,431,811	62,165,218	23.9	10.0
ASEAN4	34,664,498	39,862,461	-5,197,963	8.6	11.6
P.R. China	***55,556,569***	***70,914,514***	***-15,357,945***	***13.7***	***20.6***
Hong Kong	23,947,497	1,048,002	22,899,495	5.9	0.3
Taiwan	28,703,467	12,338,134	16,365,333	7.1	3.6
Republic of Korea	31,507,124	16,457,122	15,050,002	7.8	4.8
Singapore	12,438,941	4,588,552	7,850,389	3.1	1.3
Thailand	***14,391,233***	***10,327,942***	***4,063,291***	***3.6***	***3.0***
Malaysia	**8,591,818**	**9,861,830**	**-1,270,012**	**2.1**	**2.9**
Indonesia	***5,480,794***	***14,273,081***	***-8,792,287***	***1.4***	***4.1***
Philippines	***6,200,653***	***5,399,607***	***801,046***	***1.5***	***1.6***
U.S.A.	90,829,922	43,501,857	47,328,064	22.5	12.6
Canada	5,866,973	6,007,020	-140,046	1.5	1.7
NAFTA	102,636,561	52,006,559	50,630,002	25.4	15.1
Central South America	17,407,592	11,384,434	6,023,158	4.3	3.3
Europe	65,101,957	43,813,637	21,288,321	16.1	12.7
European Union25	60,923,958	39,208,680	21,715,278	15.1	11.4
European Union15	57,292,311	38,190,160	19,102,151	14.2	11.1
Middle East	11,219,141	57,297,805	-46,078,664	2.8	16.6
Africa	5,705,587	7,320,546	-1,614,959	1.4	2.1
APEC	304,660,925	227,206,262	77,454,663	75.4	65.9

Source: Japan External Trade Organization (JETRO), 2007

In agriculture trade, the value of Philippine agriculture exports to Japan accounts for 20% of the country's total agriculture exports from 1996-2005, while agriculture imports from Japan accounts for 2% of the total. (See Table 6) Among the top 10 agricultural exports to Japan are coconut oil, fresh bananas, pineapple and pineapple products, mango, shrimps and prawns, tuna, seaweeds and carageenan. Japan imports around 80 percent of its bananas, 98% of its pineapples and 61 percent of its mangoes from the Philippines.

Table 6. Comparative Trade in Agriculture with Japan, Philippines, 1996-2005

YEAR	VALUE OF AGRICULTURE EXPORTS AND IMPORTS (FOB IN US$)				% SHARE of JAPAN to TOTAL RP Agri X&M		ANNUAL GROWTH RATES	
	Exports to Japan	Total RP Exports	Imports from Japan	Total RP Imports	% Share of Exports	% Share of Imports	Exports to Japan	Imports from Japan
1996	460,724,862	2,306,609,064	45,563,647	2,922,430,497	19.97	1.56		
1997	433,598,232	2,337,465,260	74,335,052	3,103,022,537	18.55	2.4	-5.89	63.15
1998	420,082,394	2,226,386,651	60,185,726	2,896,089,047	18.87	2.08	-3.12	-19.03
1999	422,399,845	1,760,343,953	58,772,027	2,881,282,091	24	2.04	0.55	-2.35
2000	452,576,623	1,982,724,750	61,522,873	2,777,307,202	22.83	2.22	7.14	4.68
Average ('96-'00)	***437,876,391***	***2,122,705,936***	***60,075,865***	***2,916,026,275***	***20.84***	***2.06***	***-0.33***	***11.61***
2001	406,165,324	1,916,785,032	54,547,380	2,926,162,380	21.19	1.86	-10.25	-11.34
2002	405,466,344	1,979,085,405	63,445,738	3,107,146,852	20.49	2.04	-0.17	16.31
2003	397,964,939	2,311,023,441	63,108,684	2,975,970,939	17.22	2.12	-1.85	-0.53
2004	437,270,477	2,506,696,357	61,676,556	3,333,781,445	17.44	1.85	9.88	-2.27
2005	424,342,457	2,691,192,260	70,749,601	3,598,227,845	15.77	1.97	-2.96	14.71
Average ('01-'05)	***414,241,908***	***2,280,956,499***	***62,705,592***	***3,188,257,892***	***18.42***	***1.97***	***-1.07***	***3.38***
AVERAGE ('96-'05)	**426,059,150**	**2,201,831,217**	**61,390,728**	**3,052,142,084**	**19.63**	**2.01**	**-0.74**	**7.04**

Source: FAO Country Stat Philippines, 2007

Among the country's top agriculture imports from Japan are inputs like vegetable seeds, mineral/chemical fertilizer, weed killer and fungicides and agriculture machineries, which account for the bulk of the country's total agriculture imports from Japan. This, however, reflects the backward state of Philippine agriculture technology today which in turn contributes to the country's persistently low agriculture productivity. (See Table 7) The country also imports from Japan rice, soybean oil, cake meal, wheat and meslin, milk and cream products, tobacco, meat of bovine animals, food preparations for infant use, non-alcoholic palm oil (crude and refined), fruits which include apple, orange, mandarin, pear and quince and processed or prepared vegetables. All together, these food items account for only 12% of total imports from Japan during the years 2000-2005. (See Table 7)

A noticeable trend during the last few years is the steady growth of agriculture imports. Agriculture inputs exhibited an average growth rate of 2% annually, while imports of processed foods grew by 26.8% during the said period.

Table 7. Average Value and Share of Agricultural Imports from Japan by Commodity Group, 2000-2005, (FOB Value in US $)

COMMODITY GROUP	Average 2000-2005	
	Value	% Share to Total Japan Imports
FOOD AND LIVE ANIMALS	7,589,259	12.0
Live animals	7,499	0.0
Meat and meat preparations	70,254	0.1
Dairy products and bird's eggs	440,146	0.7
Fish and fish preparations	3,016,895	4.7
Cereal and cereal preparations	577,828	0.9
Vegetables and fruits	303,334	0.5
Sugar and sugar preparations	186,651	0.3
Coffee, tea, cocoa, spices	754,319	1.2
Feeding stuff for animals	559,777	0.9
Miscellaneous edible products and preparations	1,672,557	2.7
TOBACCO AND TOBACCO MANUFACTURES	2,110,602	3.4
CRUDE MATERIALS	9,634,844	15.4
Oil seeds and oleaginous fruits	10,301	0.0
Crude rubber	9,397,142	15.0
Crude fertilizer	11,998	0.0
Crude animal and vegetable materials	215,404	0.3
ANIMAL AND VEGETABLE OILS AND FATS	288,851	0.5
Animal and vegetable oils and fats	192,360	0.3
Fixed vegetable oils and fats	96,491	0.2
FERTILIZER MANUFACTURED	20,513,770	33.1
AGRICULTURAL CHEMICALS	16,637,753	26.4
AGRICULTURAL MACHINERY	5,733,393	9.3
TOTAL AGRICULTURAL IMPORTS	62,508,472	100.0
Agricultural Imports from Japan/ Total RP Agricultural Imports	**2.01**	

Source of basic data: FAO Country Stat Philippines, 2007

But while agriculture trade earnings with Japan has consistently generated a trade surplus, annual agriculture export growth rate for the past decade has been on the decline. From 1996-2005, the average growth rate of the value of Philippine exports to Japan posted a negative 0.74. On the other hand, agriculture imports grew steadily at an annual average rate of 7%. This tends to bolster the claim of many that the Philippines actually failed to access fully the heavily protected agriculture market of Japan. Meanwhile, the country has been facing a steady stream of agriculture imports owing to its dependence on imported inputs that are needed mainly to run capital-intensive corporate farms like the banana plantations supplying food to the Japanese market. (See table 6)

Clearly, over-all bilateral trade between Japan and the Philippines has been largely skewed in favor of Japan, with the former supplying high value industrial commodities and the latter exporting low value-added commodity exports. This pattern of trade not only fueled increasing trade deficits for the Philippines, with disastrous implications on the country's financial conditions, but helped entrench greater import dependence of the economy, with long-term implications on the country's capacity to achieve technological and industrial progress, and as such, curtail its ability to eradicate rising unemployment as well as lingering poverty problems.

Such highly asymmetric relations supported and fed into Japan's global agenda of strengthening and expanding its international production networks. Within this system, Japanese firms tend to be in command of the global supply chain characterized by a few Japanese industrial firms controlling the high-end technology and producing the high-tech parts in Japan complemented by many factories or assembly plants operated by Japanese firms and their domestic affiliates in neighboring Third World countries, which process the parts and export them back to Japan or to third markets. Because the manufacturing process involved is import-intensive, the Philippines logically experiences recurring trade deficit with Japan. Moreover, the value-added created by this type of labor-intensive manufacturing process is even much smaller than what the country earns from its agricultural exports to Japan. According to a study made by PIDS, industry leaders estimated the electronics value-added to be roughly equivalent to only 15% of export earnings. (Tan, 2003)

Foreign Direct Investments (FDIs)

Since the past years, Japan remained the largest source of FDI in the country. In 2003, its cumulative flows reached US$ 22.13 billion. From 2000-2006, cumulative net FDI inflows from Japan totaled US$1.1 billion, accounting for about 23% of the country's total net FDI inflows. (See Table 8) However, in comparison with other ASEAN countries, the Philippines ranked fifth as destination of Japan FDIs from 1995-1999 and fourth from 2000-2004. (See Tables 9 and 10)

Table 8. Share of Japan to Total Net FDI in the Philippines, 2000-2006, (Value in Million US $)

Year	Net FDI Japan	Total RP Net FDI, ROW	% Share of Japan's FDI to Total RP Net FDI	Japan FDI Growth Rate	RP FDI Growth Rate
2000	107.35	2,240.0	4.79		
2001	133.84	195.0	68.64	24.68	-91.29
2002	738.39	1,542.0	47.89	451.70	690.77
2003	40.28	491.0	8.20	-94.54	-68.16
2004	43.59	688.0	6.34	8.22	40.12
2005	60.64	1,132.0	5.36	39.11	64.53
2006 P/	54.60	2,345.0	2.33	-9.96	107.16
Total	**1178.69**	**8,633.0**			
Average	**168.3843**	**1048.00**	**23.53**	**69.87**	**123.85**

P/ Preliminary Data
BOP Net FDI flows refers to non-resident placements less non-resident withdrawals + reinvested earnings + net inter-company loans
Source: Bangko Sentral ng Pilipinas, 2007

Japan is also the biggest investor in the Philippine Economic Zones. Japanese transnational corporations (TNCs), numbering around 140 out of 416 transnational corporations, remain in the top 1,000 corporations in the country.

Table 9. Japan's Foreign Direct Investment to ASEAN Member Countries, 1995-1999, (Value in Million US$)

ASEAN MEMBER	1995		1996		1997		1998		1999		AVERAGE	
	Value	% Share	Value	% Share	Value	% Share	Value	% Share	Value	% Share	**Value**	**% Share**
Brunei	15	0	-	-	-	-	-	-	2	0	**na**	**na**
Myanmar	23	0	10	0	4	0	2	0	10	0	**9.8**	**0**
Cambodia	-	0	-	-	-	-	-	-	-	0	**na**	**na**
Indonesia	1,605	29	2,414	38	2,514	32	1,116	27	959	23	**1721.6**	**29.8**
Laos	-	0	-	-	-	-	-	-	-	0	**na**	**na**
Malaysia	575	10	572	9	791	10	521	13	527	13	**597.2**	**11.0**
Philippines	717	13	559	9	524	7	381	9	637	16	**563.6**	**10.8**
Singapore	1,185	21	1,115	17	1,824	23	655	16	1,038	25	**1163.4**	**20.4**
Thailand	1,240	22	1,403	22	1,867	24	1,405	34	837	20	**1350.4**	**24.4**
Vietnam	200	4	319	5	311	4	51	1	99	2	**196.0**	**3.2**
Total	5,560	100	6,391	100	7,835	100	4,131	100	4,109	100	**5605.2**	**100.0**

Note: FDI value is based on reports and notifications (gross), disinvestment not included
Source: Japan External Trade Organization (JETRO), 2007

Table 10. Japan's Foreign Direct Investment to ASEAN Member Countries, 2000-2004, (Value in Million US$)

ASEAN MEMBER	2000		2001		2002		2003		2004		AVERAGE	
	Value	% Share	Value	% share	Value	% share	Value	% share	Value	% share	**Value**	**% Share**
Brunei	-	0	-	-	-	-	-	-	-	-	**na**	**na**
Myanmar	10	0	-	-	-	-	-	-	-	-	**na**	**na**
Cambodia	-	0	-	-	-	-	-	-	-	-	**na**	**na**
Indonesia	420	17	627	17	529	23	648	28	311	11	**507**	**19.2**
Laos	-	0	-	-	-	-	-	-	-	-	**na**	**na**
Malaysia	232	9	257	7	80	3	463	20	125	5	**231.4**	**8.8**
Philippines	465	18	791	21	410	18	196	8	317	11	**435.8**	**15.2**
Singapore	457	18	1,147	30	752	32	322	14	715	26	**678.6**	**24**
Thailand	932	37	884	23	504	22	629	27	1,184	43	**826.6**	**30.4**
Vietnam	21	1	78	2	60	3	70	3	109	4	**67.6**	**2.6**
Total	2,537	100	3,783	100	2,336	100	2,327	100	2,761	100	**2748.8**	**100**

Note: FDI value is based on reports and notifications (gross), disinvestment not included
Source: Japan External Trade Organization (JETRO), 2007

Official Development Assistance (ODA)

Japan remains the largest source of Official Development Assistance (ODA) in the country, with aid amounting to US$ 372 million in 2002. It is to be noted though, that there has been increasing criticisms of Japanese ODA, which many see as a mechanism to expand trade and investment opportunities for Japanese corporations and a strategy to impose policy conditionalities on recipient countries.

Given the nature and the direction of existing trade and investments ties between Philippines and Japan, the latter is obviously in the most advantageous and dominant position. The terms of trade are unequivocally in favor of Japan, giving it a trade surplus out of its exports of high value commodities to the Philippines and with many of its investments highly placed in strategic areas and sectors complementing and enhancing its global competitiveness in the industrial sector.

Japan's main agenda then in forging a bilateral free trade deal with the Philippines would be to safeguard and expand these economic interests which are intricately linked to its global as well as its regional economic and political agenda. Given that bilateral trade with Japan is dominated by Japanese industrial conglomerates and transnational corporations, it is highly probable then that the envisioned benefits of JPEPA will accrue mainly to these corporations.

Debunking the myth: JPEPA is a highly unequal treaty that undermines Philippine sovereignty and development

Days into the opening of the 14th Philippine Congress, the Philippine government launched a high profile information campaign on what the country expects to gain from the accord. The government cited JPEPA as the most significant bilateral economic agreement of the country in the last 50 years owing to the enormous gains that the country will receive from boosting and expanding trade and investments with the world's second largest economy.

The Philippine government exuberantly projected that from the first day of implementation of JPEPA, the country's exports will soar up, as 95% of all Philippine exports to Japan will immediately face zero tariffs. The Department of Trade and Industry went on to cite the positive benefits for Filipino farmers, fishers and food processors in terms of increased market access for some leading Philippine agriculture exports to Japan like banana, pineapple, shrimp, tuna, chicken, sugar, etc. It then bolstered its argument by citing studies made by PIDS and Japanese research institutions that over-all, the country's real GDP will increase by 1.73% to 3.03%, owing to trade expansion and increased inflows of foreign direct investments leading to capital accumulation as well as productivity gains. (Yap, et.al. 2006) Increased economic growth in turn will lead to employment generation and, thus, will greatly contribute to poverty reduction.

Uncannily, these are the same rosy projections painted by the Philippine government when it ratified the General Agreements on Tariffs and Trade (GATT), the precursor of WTO in 1994. The government boasted then of creating 700,000 jobs in agriculture annually. Yet five years into the WTO, it came out with an assessment that it was too much in a hurry to eliminate its remaining non-tariff protection and reduce its tariffs, but only after the country was disastrously flooded with cheap food imports, resulting in huge trade deficits reaching to as high as US$ 1.12 billion in agriculture and US$ 6.2 billion in overall trade, bringing the country to a new unwanted status of a net food importer.

Will JPEPA, like the GATT, deliver the promises of economic benefits? Or just like the neo-liberal trade rules enforced by the WTO, will JPEPA create more miseries for the rural poor? Or can it be worse for the Filipino people, since JPEPA ushers in full trade liberalization or what they call a WTO-plus trading regime?

Just like GATT and the ensuing bilateral free trade agreements in the wake of the stalled multilateral trade negotiations, JPEPA follows the absolute logic of free trade that only through greater export promotion and expansion can countries' economies fully take off. However, many developing countries' painful experience under more than two decades of trade liberalization has already demolished such claim. In fact, many countries that adopted indiscriminate trade liberalization since the structural adjustment program of the 80's have experienced stagnating and, even worse, declining economic growth over the last two decades. Those countries, which have heavily relied on the export of their primary goods where their supposed comparative advantage lies, have ironically suffered from declining export earnings as typified by some commodity-dependent countries in Latin America, Africa and Asia. (Glipo, 2006) The experience of Mexico under the North America Free Trade Agreement (NAFTA) -- a free trade agreement between the US, Canada and Mexico, provided a classic example of how free trade eliminated the livelihoods of 1.3 million Mexican farmers as a result of Mexico's duty free importation of US subsidized corn. (Calrsen, 2005)

The JPEPA structure does not depart much from current models of free trade agreements such as the US Free Trade Agreements (USFTAs). It also contains many of the elements characterizing the USFTA, such as the full coverage of agriculture products except in sensitive areas, the broad definition of investments covering IPRs, giving national treatment or MFN to bilateral partners, waiver of certain performance requirements for investors, use of the negative list approach in services, etc. Many of these provisions have been shown in recent studies to have debilitating impacts on a country's national development and sovereignty, as they openly compel a party to the agreement to change or reverse their domestic policies and regulations as well as re-orient their development priorities. (See for example, M. Pascual, 2006, L.Carlsen, 2005) These concerns are the very reason why many developing countries continue to resist the inclusion of these so-called new issues, particularly WTO-plus provisions on IPR, investments, competition, and government procurement in the current Doha Round of negotiations.

JPEPA's ambitious coverage of all trade and non-trade issues will certainly encroach into Philippine development policies that could have deleterious social, economic and ecological impacts. Given this, JPEPA's much-touted economic gains may, after all, be a grand deception, again to get people's acquiescence into the agreement. The following points bolster this argument:

JPEPA's Gains in Agriculture are Illusory

Trumpeted as one of the major gainers under the agreement, Philippine agriculture exports are seen to rise dramatically with the expected expansion of market access in Japan. The expected commodity earners are the traditional agriculture exports to Japan like banana, pineapple, tuna and other marine products as well as new products like fresh vegetables and other horticultural crops. The reduction and subsequent elimination of tariffs on Philippine agriculture exports to Japan will supposedly lead to higher earnings for farmers and fishers.

However, there maybe little truth to these claims owing to the following conditions: 1) the complex system of sanitary and phyto-sanitary measures employed by Japan remains as non-tariff barriers to exports from the Philippines; and 2) Japan's tariff elimination schedule under JPEPA maintains prohibitive rates, thereby limiting market access opportunities for Philippine products.

Existence of Non-Tariff Barriers

Despite the fact that about 80% of Philippine exports to Japan already face zero tariffs and more than 50% of agriculture exports face tariffs between 0-10%, Philippine agriculture exports to Japan have not grown dramatically over the years (Manzano, 2004) (See Table 6) The laggard performance of Philippine agriculture exports to Japan can be attributed to the very stringent and circuitous import procedures as well as the maze of food safety and sanitation standards imposed by Japanese importing authorities.

See Box 2 for a list of Japanese regulation on food safety, plant quarantine and others for each imported commodity. The complex system of sanitary and phyto-sanitary measures adopted by Japan has in practice served as non-tariff barriers to developing countries' exports, including that from the Philippines.

The market access difficulties faced by Philippine exporters have been detailed in some studies commissioned by the PIDS in preparation for JPEPA. (Bello, Sumalde, Vega, 2004) Other studies revealed that trade in fresh and processed food in Japan is largely an intra-firm trade -- companies granted access opportunities in Japan's highly protected markets are mostly subsidiaries or partners of Japanese multinationals from the supplying country. (Wilkinson 2004)

Some of the regulations and administrative procedures required by Japan's importing authorities are listed in the boxes below.

Box 1. Japan's Laws and Regulations for Importation

LAWS/ REGULATIONS	DESCRIPTION
Plant Protection Law	Import of plants such as fruits and vegetables are subject to inspection as provided by Plant Inspection Law at the Plant Quarantine Station of the Ministry of Agricultural, Forestry and Fisheries. Importers are required to submit several forms or proof of

	quarantine before shipment is cleared. In case pests are found, the product is fumigated or destroyed or returned. Prior consultations are recommended with the nearest Plant Quarantine Station, since imports of some specific plants or from specific countries are prohibited.
The Domestic Animal Infectious Diseases Control Law	Import of animals such as domestic animals or their processed products are also subject to inspection. Prior consultation is also recommended with the nearest Animal Quarantine Station.
Food Sanitation Law	Agricultural products, agricultural processed products, fishery products, and livestock products are subject to inspection. The importer is required to submit Food Import Information to the Ministry of Health for examination. It prohibits chemical substances residuals, such as agricultural chemicals, antibiotic, or post-harvest agricultural chemicals in agricultural and fishery products. In addition to this, quarantine, observation and investigation of past import history is done using computer databases.
Quarantine law	The Quarantine station shall fulfill their duties of inspection as provided by Food Sanitation Law, and also inspection on the imported agricultural and fishery products from countries or territories with prevalent diseases like cholera.
Others	Rules on labeling require importers to use labels for their produce.

Source: Handbook for Agricultural and Fishery Products Import Regulations, 2005

Box 2. Japan's Import Regulations for Specific Agricultural and Fishery Products

Products with their Harmonized System Number	REGULATIONS/LAWS
02-01 to 02-10 & 16-01 to 16-02 Meat and Prepared Products	1. Domestic Animal Infectious Diseases Control Law 2. Food Sanitation Law
03-01 to 03-07 & 16-02 to 16-05 Fishery and Prepared Products	1. Food Sanitation Law 2. Quarantine Law
04-01 to 04-10 Dairy Products	1. Domestic Animal Infectious Diseases Control Law 2. The Wild Life Protection and Hunting Law 3. Food Sanitation Law
06-01 to 06-04, 12-10 to 12-14, & 13-01 to 02 Plants, Resins, and Vegetable Juices	1. Plant Protection Law 2. Poisonous and Deleterious Substances Control law 3. Pharmaceutical Affairs Law 4. Food Sanitation Law 5. Domestic Animal Infectious Diseases Control Law 6. Liquor Tax Law 7. Cannabis Control Law 8. Opium Law
07-01 to 07-14, 08-01 to 08-14, & 20-01 to 20-09 Vegetable, Fruits and Prepared Products	1. Plant Protection Law 2. Pharmaceutical Affairs Law 3. Food Sanitation Law
10-01 to 10-08, 11-01 to 11-09, & 19-01 to 19-05 Cereals and Prepared Products	1. Plant Protection Law 2. Food Sanitation Law 3. Staple Food Law
17-01 to 17-03, 18-01 to 18-05 Sugars, Cocoa, and Prepared Products	1. Plant Protection Law 2. Pharmaceutical Affairs Law 3. Food Sanitation Law 4. Sugar Price Stabilization Law

Source: JETRO Handbook for Agricultural and Fishery Products Import Regulations, 2005

To conclude, even if Japan eliminates all of its tariffs on Philippine food exports, there may not be much to gain for the sector, given the high barriers existing in the Japanese market. Moreover, JPEPA does not explicitly provide discipline to existing sanitary and phyto-sanitary measures employed by each party, but gives recognition to the WTO framework on Sanitary and Phyto-Sanitary (SPS) Measures. In practice, however, developed countries use the WTO Agreement on SPS extensively to discriminate export products from developing countries. (Glipo, 2006)

Nevertheless, granting that JPEPA will lead to increased market access for Philippine agriculture exports, this strategy is still detrimental to the country's over-all development since the growth of the export-oriented agriculture sector in the country has actually retarded and undermined domestic food production resulting in the country's increasing reliance on food imports and to increased food insecurity. It has also exacerbated land consolidation, resulting to more intense social conflicts, and facilitated the collapse of small-scale farming systems that would have otherwise ensured a more sustainable and equitable agriculture development in the countryside.

Japan's Tariff Elimination Schedule under JPEPA Retains Prohibitive Rates

Unfortunately, even the tariff elimination scheduled by Japan offers very little prospects for increasing market access of Philippine agriculture exports. A smaller percentage of agriculture tariff lines, compared with industrial tariff lines, will face zero tariffs upon day one of JPEPA's enforcement. And most of these products are those that are not extensively exported by the Philippines to Japan. Meanwhile, Philippines' leading export items like bananas, pineapple, tuna and other fresh foods are placed either under restricted categories or imposed with prohibitive tariffs rates even by the end of the agreement's implementation. Moreover, tariff reduction for some important marine products will have to be negotiated. For processed products like sugar, Japan opted to postpone negotiations only after the fifth year of implementation of the agreement. (See Table 11)

Table 11. Custom Duties under JPEPA: Japan Schedule for Tariff Elimination of Selected Agricultural Products

PRODUCT	TARIFF Base Rate (%)	CATEGORY
Avocados Mangoes Bananas, dried Guavas, mangoes and mangosteens, dried Fresh asparagus Lobster, shrimps and prawns, live, fresh, chilled or frozen Other crustaceans		A (eliminated upon entry into force)
Yellow fin tunas Skipjack or stripe-bellied bonito	1-3	B5 B5
Pineapples, dried Taros Bananas (1st April to 30th September)	6-10	B10 B7 B10

Others: Juice of any other fruit: not more than 10% by weight of sucrose	16-20	B15
Banana (1st October to 31st March) Juice of any other fruit: not more than 10% by weight of sucrose	21-25	B10 B10
Juice of any other fruit: Others other juice of any fruit: others	26-30	B15 B15
Albacore or longfinned tunas Bigeye tunas Bluefin tunas Southern bluefin tunas Cane Sugar: Sugar Centrifugal	26-30	R (1) R (1) R (1) R (1) R (16)
Pineapples, fresh		Q (7)
Trout (Salmo trutta, Oncorhynchus) Pacific salmon Sardines Of Sardinops spp. Mackerel Tunas, skipjack and bonito (Sarda spp.): in air tight containers Leguminous vegetables		X

"A" - eliminated as from the date of entry into force of Agreement
"B(n)" - eliminated in n + 1 equal annual installments from the base rate to free, as from the date of entry into force of the Agreement
"Q" - shall be as provided for in the terms and conditions set out in the note indicated in Column 5 in the Schedule of Japan
"R(n)" - shall be subject to negotiations provided for in the terms and conditions set out in the note ("n") indicated in Column 5 in each Party's Schedule
"X" - shall be excluded from any commitment of reduction or elimination of customs duties and commitment of negotiation

Source of Data: Japan Schedule and Philippine Schedule from Annex 1 of JPEPA

To illustrate further, based on the table above, tariffs on fresh banana, which is the country's leading export to Japan, will only be reduced from 20% to 18% in ten years and applicable only to bananas exported during winter while those exported during summer will have a tariff reduction from 10% to 8% in 10 years. Only the small bananas will have zero tariffs by the end of the eleventh year of implementation.

Similarly, pineapple exports to Japan are excluded from tariff elimination. Only the small varieties, weighing less than 900 grams as a whole, will undergo tariff reduction with a tariff rate quota of 1,000 metric tons introduced on the first year increasing to a miniscule of 1,800 metric tons for the 5th year.

Meanwhile, yellow-fin tuna, which is also a top export to Japan, received very little market access improvement as its tariffs will be eliminated only at the end of the 6th year from a base rate of 3.5%. For chicken meat, Japan introduced a tariff rate quota of merely 3,000 metric tons for the 1st year increasing to 7,000 metric tons for the 5th year with an in-quota rate of 8.5%.

Furthermore, Japan excluded almost 200 agriculture tariff lines from tariff elimination. These products include some commodities important to the Philippines (in terms of exports) like sardines, mackerel, some species of tuna, pacific salmon, seaweeds and algae, dairy products, tomato paste and puree and many more. In contrast, the Philippines excluded only six product lines -- five are rice products and the other one is salt.

Japan's stingy tariff schedule should have awakened the Philippine government authorities to the fact that the former is not yet ready to compromise its long-held policy of food security and agriculture protectionism. Coupled with Japan's existing non-tariff barriers, the offered tariff reduction of Japan may not improve existing market access difficulties presently encountered by Filipino exporters to Japan.

JPEPA Leads to Loss of National Policy Space and Sovereignty

Besides the promise of increased agriculture market access, the Philippine government also sets its sights on the projected heavy foreign direct investment inflows and the market access for the country's nurses and caregivers as a result of JPEPA's implementation. With JPEPA, government boasts of attracting a total of PhP 559 billion of Japanese investments from 2007-2016, generating employment of 35,477 and a revenue of PhP4.72 billion. (DTI, 2006) These projected enormous benefits, not to mention the technology spill-over and multiplier effects of investments, will bring the country to a new age of economic progress and development, according to government.

Many continue to doubt such benefits, since existing trade realities point otherwise. What seems to be more imminent is the country's loss of sovereignty, or its ability to chart its own development and industrial policy owing to tariff elimination and the full-scale investment liberalization under JPEPA.

JPEPA's Tariff Elimination Leads to Irreversible Loss of National Policy Space

At the onset, the Philippines is projected to lose a minimum of PhP 4.5 billion revenues from the elimination of tariffs, not to mention the foregone revenues resulting from tax holidays and other tax incentives that will be enjoyed by Japanese investors.

But more than the lost revenues, the country will suffer from an irreparable loss of its remaining policy space arising from the elimination of tariffs, which is a crucial policy tool to protect domestic producers and farmers. While the revenues are important as they enable government to provide better services and infrastructures, much of the collected tariffs, particularly under the Agriculture Competitive Enhancement Fund (ACEF), failed to reach the small farmers and artisanal fishers and thus, any tariff losses may not actually be felt by farmers Thus, the bigger threat of tariff elimination is actually on the loss of policy space that may substantially weaken government's ability to remedy problems related to import surges. Developing countries' experience on import surges due to sudden withdrawal of tariffs varies from the decimation of fledgling industries to the loss and dislocation of traditional livelihoods of small-scale farmers and artisanal fishers.

While about 50% of Japanese imported goods already enjoy zero tariffs in the Philippines even without JPEPA, many of the country's tariff lines are still within the 1-3% and 6-10% tariff rate brackets. Such a system has actually given some form of protection to smaller enterprises subjected to unfair competition especially from subsidy-cheapened products of developed countries.

Upon JPEPA's entry into force, tariffs on 66% of the total tariff lines committed by the Philippines will be eliminated. Only 32% of total tariff lines will undergo a staged reduction and final elimination on the 11th year. And only six tariff lines were excluded. (See Table 12)

Table 12. Philippine Tariff Elimination Schedule under JPEPA

CATEGORY	NO. OF TARIFF	% TARIFF LINES
Eliminated upon entry into force	3,947	66.12
Staged	1,899	31.81
With Notes	117	1.96
Exclusion	6	0.1

Source: Tariff Commission, 2007

In agriculture, immediate tariff elimination will cover at least 30% of total agriculture tariff lines once JPEPA takes into effect. Products that provide important sources of livelihoods to numerous small fishers, gatherers and fishworkers such as long-finned tuna, yellow-fin tuna, lobsters, shrimps, crabs, cuttlefish, etc. are included. Applied tariffs on temperate vegetable crops like carrots, turnips, and cucumber, pegged at an average of 7%, will be eliminated within 10 year, while the most sensitive crops with existing tariffs at the range of 10%-30% like corn, poultry and livestock, onions, garlic, cabbages, sweet potatoes will be reduced to zero within 10 years from the ratification of the agreement. For processed foods and marine products, the Philippine government offered elimination of tariffs, from base rates of 7%, which are much lower compared to the base rates imposed by Japan. (See Table 13)

Deep tariff cutting for semi-processed goods is not often advisable particularly if a country wants to promote more high-value creating economic activities.

In contrast to the Philippines' more aggressive approach to tariff elimination, Japan endeavored to prolong its tariff elimination and excluded more than 600 tariff lines, many of which are in agriculture and food products. (See Table 14)

Table 13. Custom Duties under JPEPA: Philippine Schedule for its Top Agricultural Imports from Japan

PRODUCT	TARIFF Base Rate (%)	CATEGORY
Agriculture Machineries Animal or vegetable fertilizers, whether or not mixed together or chemically treated; fertilizers produced by the mixing or chemical treatment of animal or vegetable products. Crude Rubber and Synthetic Rubber Salmon Yellow-fin tunas (Thunnus albacares) Wheat starch Apples Feed additives Wool grease and fatty substances		A (eliminated upon entry into force)
Other Fertilizers Agricultural Chemicals Cheese and Curd	1-3	B5 B5 B10
Agricultural, horticultural or forestry machinery for soil b preparation or cultivation; lawn or sports-ground rollers. Skipjack or stripe-bellied bonito Other Tuna Species Mackerel Sardines	4-5	B5 B10 B10 B10 B10
Wheat or meslin flour Oranges Chocolate and other food preparations containing cocoa. Soya bean oil Tobacco and Tobacco products including cigarettes Seasonings and sauces preparations	6-10	B10 B10 B10 B10 B10 B10
Meat and Meat Preparations	30-40	B10
Rice Salt		X

See Notes on Table 11

Source: Philippine Schedule from Annex 1 of JPEPA

Table 14. Japan Tariff Elimination Schedule under JPEPA

CATEGORY	NO. OF TARIFF	% TARIFF LINES
Eliminated upon entry into force	7,476	80.17
Staged	882	9.46
With Notes	651	3.39
Exclusion	651	6.98

Source: Tariff Commission, 2007

JPEPA creates a domino effect encouraging more destructive bilateral FTAs to proliferate

In practice, developing countries' tariffs have been reduced substantially from the bound MFN rates as a result of their duty free commitments under regional and bilateral free trade agreements. This greatly reduces their policy space to use available remedies to curb sudden influx of imports or sudden change in the world price. Moreover, free trade agreements such as JPEPA encourage the proliferation of similar preferential trading arrangements particularly as some countries would definitely be excluded and would want to seek similar preferences to offset any negative impact on them of the agreement.

Hence, even if Japan does not export food and agriculture products in large volumes to the Philippines and, thus, would not pose immediate threat to local agriculture producers unlike the US or the EU who are large ago-exporting countries, the tariff elimination in JPEPA will create the policy environment for the granting of similar preferential rates under future bilateral FTAs with other trading partners. It may not be far off that JPEPA will set the tone and framework for future FTA negotiations in agriculture. Thus, the current tariff elimination schedule committed by the Philippines, with just two products exempted, may extremely limit its negotiating position not only in bilateral but in multilateral trade negotiations.

To cite a case, during the renegotiations for the Philippine rice quantitative restrictions (QRs) in the WTO, the Philippine negotiators agreed to maintain the QR only up to the year 2010, when all tariffs under the ASEAN Free Trade Agreement (AFTA) have been reduced to zero. The government officials did not see the need to continue imposing QR beyond 2010 since it would be forced anyway to meet its duty free obligations in all products including rice by that time. In this case, the preferential rates under AFTA became the barometer for similar tariff elimination even for non-AFTA covered products.

In contrast to the Philippines' ambitious tariff elimination schedule, some developing countries that entered into FTAs opted to exclude more product lines. For example, under the Chile-Korea FTA, Chile exempted 54 of its tariff lines while Korea exempted 21 of its tariff lines. Under JPEPA, Japan itself exempted more than 600 of its tariff lines.

Since Philippine agriculture, no doubt, contributes significantly to the growth of our economy providing livelihood and subsistence to as much as more than 50% of the country's population, and has strong backward and forward linkages to the larger non-farm economy, it remains a sound policy for the Philippine government to retain its ability to enforce either import protection or promotion on the sector as a whole or on specific food crops, whenever food security or employment concerns warrant such.

JPEPA's investment liberalization seriously undermines national laws and legislations protecting the people's social, economic and political rights

JPEPA seeks the complete liberalization of investments as a means to remove any remaining restrictions or impediments to Japanese transnational business in the Philippines. While the multilateral round of negotiations in the WTO failed to incorporate investments because of the resistance posed by many developing countries to this new issue, the Philippines plunged ahead by acceding to JPEPA. Investment liberalization is the most important feature of JPEPA as it encompasses almost every trade and non-trade aspect of the existing bilateral relations between Japan and the Philippines. JPEPA's investment provisions grant comprehensive investment promotion and protection to Japanese investors that openly contradict or undermine existing laws which give priority to Philippine nationals in investments as well as in other economic activities.

The following are the main features of the investment liberalization under JPEPA:

1. The definition of investments was broadened to include any kind of assets, rights, money claims and claims under contracts, intellectual property rights, concessions, licenses, land and property rights, profits, dividends, etc;
2. National treatment is granted to investors of the parties, which means they are accorded the same treatment as the nationals of that party, in the establishment, acquisition, expansion, operation, management, use, maintenance, sale liquidation and disposition of their investments;
3. Most favored nation treatment is also accorded to investors from the other party, which means they will get the same treatment, privilege and protection as that accorded by any party to a third party;
4. Prohibition of performance requirements. This prohibits any party to the agreement to impose performance requirements on investors from the other party as a condition to allow them to invest and operate. (Art. 93, JPEPA) It thus eliminates pre-establishment and performance conditions imposed for example by the Philippine government under its existing laws like requiring foreign companies to export a percentage of their goods and services, domestic content, use of locally produced goods, employment of nationals, technology transfer, contribution to research and development, etc.
5. Neither party shall expropriate or nationalize investments in its territory, or take "any measure equivalent to expropriation or nationalization" of investments made by investors of the other party, except for public purpose, on a nondiscriminatory basis and upon the payment of adequate and effective compensation.
6. Ensure free transfer or repatriation of capital, profits, sales, loan payments, personnel earnings and other such payments (e.g. compensation).
7. An investor-state disputes settlement mechanism is established whereby an investor of one party can seek disputes settlement concerning an alleged breach of an obligation of the party, which causes loss or damage to the investor or its investment.

Many of these provisions openly undermine Philippine national policy-making by imposing such conditions which may undo existing foreign investment regulatory measures intended to meet the country's developmental goals such as allowing foreign direct investments in less developed areas, requiring percentage of produced goods to be exported in order to protect domestic producers, requiring foreign firms to promote technology transfer, etc.

JPEPA also adopts a negative list approach in investment liberalization which fully opens investments in all areas, except in those that the Philippine government indicated existing legal impediments. Exceptions to the above provisions on national treatment, MFN and performance requirements (Art. 94, JPEPA) are allowed only in areas or sectors where the Philippine government notified the existence of such restrictions, as provided for in Annex 7 of the agreement. A total of 16 sectors were listed where Philippine existing laws and executive orders do not conform to the three provisions (Arts. 89, 90 and 93). (See Table 15)

However, most of these refer only to the 40% constitutional limit imposed upon foreign equity and as applied mostly to the manufacturing sector in the following sub-sectors: 1) ownership of private land; 2) participation in small and medium-scale domestic enterprises; 3) cooperatives; and 4) rice milling, processing and retailing. This may mean that Japanese investments in manufacturing outside of these four areas may receive national and MFN treatment and may not subscribe to existing performance requirements.

In effect, JPEPA opens up the entire manufacturing sector to full ownership by Japanese investors. It allows Japanese corporations the greatest freedom to take advantage not only of the country's cheap labor but also of its rich natural resources, without obliging them to meet any standards or conditions and even much worse, without requiring them to pay taxes for a certain period of time under existing Philippine investment laws.

Table 15. Existing Measures Regulating Foreign Investments in the Philippines

SECTOR/ SUBSECTOR	MEASURE	DESCRIPTION
Manufacturing/ Private Land Ownership	RP Constitution, Article XII	Corporations, associations or partnerships with maximum 40 percent foreign equity can own private land.
Manufacturing/Small and Medium-Sized Domestic Market Enterprises	RP Constitution, Article XII Foreign Investment Act of 1991 (RA No. 7042, as amended by RA No. 8179, Sections 3,6,7& 9)	Foreign equity restricted to a maximum of 40% Foreign equity is allowed up to 100 percent if an enterprise exports at least 60 percent of its total production output.
Manufacturing/Export Requirement	Omnibus Investment Code of 1987 (EO No. 226, Article 32) Special Economic Zone Act of 1995 (RA No. 7916, Section 23)	An Enterprise with more than 40% foreign equity must export at least 70% of its total production output Business organization registered under PEZA shall be required to export 100 percent of its production unless a lower percentage is prescribed by PEZA.
Manufacturing/Export Requirement	Bases Conversion and Development Act of 1992 (RA 7227)	Business organization registered with BCDA shall be required to export 100 percent of its production unless a lower percentage is prescribed by BCDA and SMBA.
Manufacturing/Divestment Requirement	Omnibus Investment Code of 1987 (EO No. 226, Article 32)	Enterprises registered under IPP (except those exporting 100% of total production output) to which BOI incentives are granted must attain status of Philippine National within 30 years from the date of registration.
Manufacturing/Culture, production, milling, processing, trading excepting retailing, of rice	Authorizing Aliens as well as Corporations, Partnerships Owned in whole or in part by Foreigners to engage in rice	

and corn and acquiring, by barter, purchase or otherwise, rice and corn and by-products thereof.	and corn industry, and for other purposes (PD No. 194, Section 5)	Foreign equity is allowed up to 40%
Small-Scale Mining	People's Small-Scale Mining Act of 1999 (RA No. 7076)	Only citizens of the Philippines or corporations at least 60% of whose capital is owned by citizens of the Philippines are allowed for the extraction or removal of minerals or ore-bearing materials
Mining other than Small-Scale Mining	RP Constitution, Article XII Philippine Mining Act of 1995 (RA No. 7942)	Foreign equity is allowed up to 40% for projects covered by Mineral Production Sharing Agreement (MPSA), Co-Production Agreement (CPA) or Joint Venture Agreement (JVA). Foreign equity is allowed up to 100 percent for projects covered by the Financial or Technical Assistance Agreement (FTAA) with the President of the Philippines.
Establishment of Industrial Estates, factories, assembly or processing plants, agro-industrial enterprises, land development for industrial or commercial use, tourism, and other similar priority productive endeavors.	Investors' Lease Act (Republic Act No. 7652), Sections 3 and 4	Any foreign investor investing in the Philippines shall be allowed to lease private lands subject to the following conditions: (a) No lease contract shall be for a period exceeding 50 years, renewable once for a period of not more than 25 years; and (b) Foreign investors shall commence the operation of the investment projects within 3 years from the date of the approval of lease contract and continue to operate during the periods of lease contract.
Ownership of all lands of the public domain and natural resources other than those covered by other sectors.	Constitution of the Republic of the Philippines, Article XII	All lands of the public domain and natural resources other than those covered by other sectors are owned by the State. With the exception of agricultural lands, all lands of public domain and other natural resources shall not be alienated. The exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co-production, joint venture, or production-sharing agreements with citizens of the Philippines, or corporations or associations at least 60 percent of whose capital is owned by such citizens.
Domestic Shipping	Domestic Shipping Development Act of 2004 (Republic Act No. 9295)	No foreign vessel shall be allowed to transport passengers or cargo between ports or places within the Philippine territorial waters, except upon the grant of a Special Permit by the Maritime Industry Authority (MARINA) when no domestic vessel is available or suitable to provide the needed shipping service and public interest warrants the same.
Fisheries, Utilization of Marine Resource	The Constitution of the Republic of the Philippines, Article XII	1. No foreign participation is allowed for small-scale utilization of marine resources in archipelagic waters, territorial sea and exclusive economic zones. 2. For deep-sea fishing, corporations, associations or partnerships with maximum 40 percent foreign equity can enter into co-production, joint venture or production sharing agreement with the Philippine Government.

Agriculture: Lease of Public Lands (agricultural and foreshore lands)	The Constitution of the Republic of the Philippines, Article XII	For corporations, associations or partnerships with maximum of 40percent foreign equity, lease of agricultural and foreshore lands covering an area not exceeding 1,000 hectares is allowed for a period of 25 years, renewable for another 25 years, or a maximum of 50 years.
Forestry: Lease of Public Lands (forest and timber lands)	The Constitution of the Republic of the Philippines, Article XII	For corporations, associations or partnerships with maximum of 40 percent foreign equity, lease of forest or timber lands is allowed for a period of 25 years, renewable another 25 years.

Source: JPEPA Annex 7

A closer examination of the above measures and laws reveals that the investment regime in the Philippines has actually long been liberalized. Numerous laws and executive orders were enacted to circumscribe the many regulations and restrictions imposed upon foreign direct investments, particularly by the Philippine Constitution. In fact, over the last two decades, the Philippines has offered huge incentives to foreign investors which include not only 100% equity in domestic firms but other incentives like income tax holidays; unrestricted repatriation of profits, dividends, and royalties, duty-free importation of inputs and raw materials, etc. Hence, JPEPA would look like merely re-enforcing the investment liberalization that the Philippines took in the past years.

But the greater danger lies in the way JPEPA eliminates the remaining national policy space that enables government to grant favor or incentives to domestic companies based on its own national development strategy and to enforce regulations to restrict foreign investments when they impact upon broader social and development concerns like social equity, labor rights, environment, public health, etc. Furthermore, JPEPA disallows the Philippine government to impose new legislations that may provide remedy to sectors that will be affected by undue liberalization or to apply new restrictive measures to re-regulate Japanese investments. JPEPA explicitly states that any new restrictive measure passed after the JPEPA comes into force, cannot be implemented unless agreed upon by both parties.

Clearly, the country with the weaker institutional capacity and mechanisms to provide safety nets will be unduly disadvantaged, particularly to the detriment of the economically vulnerable sectors like the small business and enterprises, small farmers, independent growers, artisanal fishers and indigenous peoples.

Indeed under JPEPA, the Philippines would be placed in a far disadvantaged position considering the huge inequality and gap between Japan which is a highly developed country with enormous advantages in technology and capital and a third world developing country like the Philippines. By opening up all its investment areas to Japanese capital, the Philippines may ultimately lose any remaining opportunity to build its own industrial base. Even the much-vaunted technology spill-over to be brought in by Japanese investments may not happen, because under JPEPA's prohibition of performance requirements Japanese investors will not be obliged to transfer technology nor to "contribute to achieve a given level or value of research and development." (Art.93)

JPEPA is Detrimental to National Development

By severely narrowing down the national policy space that allows the Philippine government to determine how best to place, direct and use its FDIs in accordance with the country's development and industrial priorities, JPEPA will have far-reaching implications on the country's economic and industrial development.

Meanwhile, the Philippine government's stance in such an onerous bargain as well as its failure to notify existing regulations or restrictions to sectors that are strategic to its industrial development and progress such as iron and steel, oil, petro-chemicals, drug manufacturing and transportation reflects its lack of a serious agenda to promote genuine modernization and industrialization and thus lift the people from abysmal poverty. (JPEPA, Annex 7 1B)

In fact, the government seems to have accepted the early demise of the iron and steel industry by notifying early in the negotiations the termination or phase-out of the Iron and Steel Industry Act Sections 5, 6, and 7 (Annex 7 Part 1 b) which do not conform to the national treatment granted to Japanese investors. Moreover, it did not also notify future measures or restrictions in the manufacturing sector except for guns, ammunitions, and dangerous drugs manufacturing (JPEPA, Annex 7 2B), which could seriously restrict its future plans or initiatives to promote or advance fledgling industries that may, in the future will, be strategic to national development.

In agriculture, despite the restrictions notified by the Philippine government regarding the acquisition and lease of private and public agricultural lands, there are worrisome concerns that JPEPA would actually lead to land consolidation in the hands of Japanese agri-business and their domestic affiliates while undermining the rights of the small farmers and indigenous peoples.

The Philippine government notifies the Comprehensive Agrarian Reform Program (CARP) as an existing and future restriction for lands covered by CARP. As such, the extension of CARP may actually be influenced by the need to comply with the investment liberalization regime being required by JPEPA.

Under JPEPA's investment rules, new restrictive measures that maybe passed after JPEPA comes into force, should be harmonized with JPEPA to conform with provisions on national treatment and others. There is an increased danger then that JPEPA may create the environment for national laws like CARP to be eroded and re-designed to comply with the market liberalization of JPEPA. This may further worsen dispossession of peasants and land ownership concentration. The present design of the administration-sponsored CARP extension bill in the House of Representatives seems to be already along this intent as it seeks the use or transformation of farmlands as collateral in banking or financial transactions. This, of course, is one way of facilitating transfer of land ownership from the CARP beneficiary to the banks and to the agri-business firms.

Notwithstanding this issue, JPEPA will likely entrench iniquitous land ownership structures and patterns in the country. JPEPA will further enhance foreign and elite control and ownership of productive lands, fishery, mineral resources, etc. as the Philippine government reiterates its adherence to existing measures such as the following:

1) Lease of private lands for commercial, tourism, industrial, agro-industrial use and similar ventures by foreign corporations without limit to the size of land and for a maximum of 50 years.
2) Corporations with a maximum of 40% foreign equity can lease public lands or enter into co-production, joint ventures and other such agreements for the use and exploitation of such land and natural resources.
3) Lease of forest or timber lands is allowed for a maximum of 50 years;
4) Deep-sea fishing is allowed for companies with 40% foreign equity limit through co-production, joint venture of production sharing agreement with the Philippine government.

Hence, JPEPA does not only spell doom for the industry, it likewise provides the stage for corporate take-over of agricultural lands in the country, consigning the majority, particularly the poor farmers and workers, to economic deprivation. The Philippine government, by acceding to the treaty betrays its ruinous pro-corporate stance as well as its lack of a long-term economic vision that will lift the country out of cyclic poverty and underdevelopment.

Unlike Japan which notified many existing and future restrictions to Filipino investments in its strategic sectors, reflecting how it positions itself strategically, the Philippine government seems consigned to maintaining the import-dependent and export-oriented status of the economy, the sustainability of which has already been put to a big question. Indeed, without a solid industrial base and without genuine democratization or asset reforms, the country cannot escape its boom-bust economic performance and perennial massive unemployment problem as well as the recurring social ills it faces.

JPEPA is synonymous to de-industrialization, poverty and underdevelopment particularly for the rural areas where resources will be siphoned off. Moreover, it will only strengthen foreign and elite control and ownership of productive lands, fishery, and mineral resources in the country.

The Philippine Experience under Japanese FDIs

It would be instructive to look at the Philippine experience on Japanese FDIs, as this is one of the projected gains cited by the government under JPEPA.

Japan is the largest source of foreign direct investments in the Philippines. In 2004-2005 Japanese FDI reached US$487.26 million as compared to the US with US$ 377 million, Netherlands with $177million and Korea $127 million. Of the total approved FDI in 2006 of PhP165 billion or US$3.3.billion, about US$368 million came from Japan.

A large proportion of Japanese FDIs, about 85% go to the manufacturing sector while the rest is accounted for by financial, transport, communications, information technology, wholesale and retail trade and construction activities.

Japanese FDIs in the manufacturing sector are mainly found in the processing manufacturing, which cater to the labor-intensive production needs of Japanese transnational corporations. While these processing zones indeed create employment or raise wages, the workers benefiting from such investments are concentrated only in specific regions or areas, creating very little impact on the whole economy. It would partly explain why the manufacturing sector has failed to increase its share of the employed labor force over the years, despite noted increases in FDIs in the sector.

Meanwhile, Japanese FDIs in agriculture are mainly found in the traditional export crops like banana, pineapple and some other fruits and recently have been present in the food processing sector. As shown in Table16, there are about 44 agri-business firms listed by Board of Investment (BOI) as of July 2007 with varying shares of Japanese equity. They are engaged in fertilizer manufacturing, processing of fruits and vegetables, banana production, distribution and trade, processed marine products, salted agricultural products, cutflower production, coco peat and coco fiber, VHT treatment and other agro-processing activities. About 72% of these companies produce for the export market and only 24% are solely for the domestic market, the rest targets both domestic and export market.

In terms of employment and capitalization around 50% of the agri-business firms are considered small-scale with paid-in equity capital of less than P15 million and with less than 100 employees. About 35% are considered medium- to large- scale with total capitalization of more than P20 million to more than P150 million, and with employees of more than 100 up to 400.

The largest registered agri-business company is Upland Banana Corporation (UBC) with assets of more than P4 billion and with employees of more than 10,000. This company, formerly registered as AMJR, the long-time partner of SUMITOMO Fruit Company, engages in the production, distribution and trade of Cavendish bananas to Japan.

Clearly, the few Japanese foreign direct investments that go into agriculture, as with other FDIs, cater to the international market. Not to mention existing Japanese investments in the manufacturing sector, which earn very low value-added because of their import-intensive character, the agriculture-related Japanese FDIs have likewise very little link to the larger domestic economy. Many of these investments are into contract growing arrangements or co-production ventures with large Japanese and American food multinationals for products that are destined for the highly discriminating Japanese market. This is bolstered by some studies which find that only about 22 percent of the total sales of Japanese subsidiaries overseas were actually made in the host market.

The possible expansion then of Japanese FDIs in agriculture would likely signal increases in similarly export-oriented agriculture production in the country that, while they cater to and enhance Japanese palates, alas, they also are found to deprive local people of the productive resources to ensure their own food security.

Table 16. List of Some Japanese Projects or Investment Registered with BOI, (Agriculture, Food, and Fisheries), as of July 2007

Plant Location/ Production Site	Type of Product	Type of Operation	Project Cost ('000 pesos)	Commercial Operation	Employ-ment
Pampanga	Processed Fruits And Vegetables	Export & Domestic	72,933	Apr-04	311
Pampanga	Processed Fruits & Vegetables	Domestic	72,933	Apr-04	311
Nueva Ecija	Fresh Okra	Export & Domestic	4,880	Dec-93	44
Tandang Sora, Quezon City	Daphnia and Brachionus	Domestic	2,500	Jul-88	9
Libtong Meycauyan,	Processed Marine Products	Export	76,000	Mar-01	130
Butuan City	Processed Marine Products	Export	46,122	May-92	128
Manolo Fortich, Bukidnon	Cutflower	Export & Domestic	42,332	Jan-07	48
Guagua, Pampanga	Feeds	Export	3,923	Jul-91	83
Taguig Metro Manila	Vht Processed Fresh Mango	Export	160,000	Pre.Dev.	290
Taguig, Metro Manila	Processed Fruits (Vht)	Export	60,000	no date	252
Cubao, Quezon City	Processed Meat	Export	130	Dec-93	55
Coron, Palawan	Cultured Pearls	Export	9,938	Jan-95	54
Bacolod City	Processed Marine Products	Export	32,050	May-92	125
Canduman, Mandaue City	Prawns/Shrimp and other Marine Product	Export	62,221	Mar-89	202
Cagagancillo, Palawan	Trochus Niloticus	Export	14,023	no date	173
Campo Islam, Zamboanga City	Processed Marine Products	no data	no data	no data	no data
Navotas, Metro Manila	Deep-Sea Fishing Project	Export	5,536	Nov-93	94
Negros Occidental	Chilled, Processed And Frozen	Export	8,185	Nov-93	80
Camotes Island, Cebu	Pearl Culture Project	Export	25,320	Feb-00	56
Toril, Davao City	Salted Agricultural Products	Export	7,662	Jan-93	40
Bancal, Carmona	Organic Feeds	Domestic	21,200	no data	16
Marikina, Metro Manila	Hiratake Mushrooms	Export	3,000	Jun-88	no data
Panacan, Davao City	Processed Agricultural And Aquatic Products	Export	190,000	Jan-06	228
Talisayan, Zamboanga Del Sur	Carageenan Powder	Domestic	190,000	no data	no data
Naga, Cebu	Lugworm	Export	1,000	Aug-90	6
Tanauan, Leyte	Cochin Oil	Export	82,494	Oct-02	6
Guiguinto, Bulacan	Tanned Pig Skin	Export	3,665	Oct-89	55
Guiguinto, Bulacan	Tanned Cow Skin	Export	20,108	Feb-96	144

Toril, Davao City	Processed Ginger	Export	4,575	Jan-03	37
Taguig, Metro Manila	Frozen Mango Puree And Other	Export	27,211	Feb-93	39
Davao Del Sur	Coco Peat And Coco Fiber	Domestic	7,000	Mar-06	35
Lipa City, Batangas	F1 Hybrid Veg. Seeds	Domestic	8,869	Jan-88	no data
Tibungco, Davao City	Vht-Processed Fruits	Export	260,000	Jan-07	1,036
San Vicente And Culion, Palawan	Pearl Culture	Export	55,655	Aug-99	159
Tanay	Monkeys	Export	6,239	Aug-90	50
Cavite	Processed Marine Products	Export	12,660	Mar-91	150
FTI Complex, Taguig	Processed Food Products	Export	8,522	Oct-92	54
Lasang, Davao City	Cavendish Bananas	Export	no data	May-83	no data
Valenzuela, Metro Manila	Prawn Feeds	Export	no data	May-90	60
Catbalogan, Western Samar	Processor Of Aqua And Marine	Export	39,235	Apr-00	182
Davao, South Cotabato And North Cotabato	Fresh Cavendish Banana	Export	4,600,960	Jan-07	10,161
Cabuyao, Laguna	Food Crops	Export	12,750	Mar-97	53
Tarlac	Fresh Okra	Export	5,073	Nov-98	55
Palawan	Pearl Farming	Export	11,855	Apr-97	456

Source: Board of Investment (BOI), 2007

Table 17. Project Type of Japanese Investments Registered with BOI and Share of Agriculture, Food, and Fisheries Investments

TYPE OF OPERATION	% Total Investment
Export	71.5
Export and Domestic	4.3
Domestic	24.2
Total	100.0

Source of Data: Board of Investment (BOI), 2007

IMPACTS OF JPEPA ON FOOD SOVEREIGNTY, SOCIAL JUSTICE AND RURAL DEVELOPMENT

The rural people's ability to decide what kind of crops to plant, what system of production to adopt and what food to eat can be extremely compromised under a system where market forces tend to dominate and dictate agriculture production and trade patterns. In a highly integrated economy such as the Philippines, agriculture production has been increasingly oriented towards

the export market while agriculture trade has been largely dominated by a handful of domestic monopolies linked to global value chains.
Such a situation has stunted the growth of the major forces of production in the country, while expanding and consolidating control of a few corporations and landed elite on the means of production. Thus, Philippine agriculture today is dominated by numerous subsistence farmers engaged in small-scale food crop production with limited capital and employing backward technology on the one hand, and a few big agri-business firms controlling and owning large tracts of lands devoted to export crop production, using the most capital-intensive and highly advanced farming technologies on the other.

As the country relentlessly pursues trade liberalization under its WTO and free trade commitments, the small-scale farmers have been increasingly subjected to unfair competition leading many to bankruptcy and dislocation from their traditional livelihoods. This has dire consequences on livelihood and food security, as evidenced by the country's rising food importation over the years as well as the rising unemployment in the rural areas.

Meanwhile, trade and investment liberalization has facilitated the consolidation and expansion of the large corporate farms that are linked to global food supply chains. Driving this process are the transnational corporations that have dominant control over the entire food supply chain – from production and distribution of genes and seeds as well as chemical inputs, to agri-food production, post-harvest and trading, to primary processing and food processing and manufacturing and down to retailing. This entire chain is becoming increasingly concentrated with only a handful of firms controlling vital activities. Many of the production and trading decisions are done not at the local level where actual production takes place but at distant headquarters, which determine where maximum profits can be exacted using the cheapest inputs and labor.

Domestic policy in agriculture has been largely biased towards consolidating the large corporate farms and promoting expansion of trade in the export crop sector, to the detriment of the millions of poor farmers who lack access to credit, marketing and post-harvest support, infrastructure, irrigation and research and development.

Under JPEPA, the process of liberalizing agriculture and consolidating these agri-business monopolies will likely be entrenched, thus escalating the collapse of subsistence small-scale farming and worsening food insecurity at the household and at the national level. Trade and investment liberalization will encourage the shift of scarce resources like credit to go to lucrative export crops destined for the Japanese market and drive away investments into promoting domestic food crop production.

Moreover, with Japanese investments pouring into traditional export crops like bananas and pineapples and other horticultural products, there will be increased tendency towards the consolidation of lands into the hands of transnational and domestic agro-business firms, which may have disastrous impact not only on food security but on the people's access to, ownership of and use of their lands, water, seeds and other productive resources.

Finally, the liberalization of the import regime under JPEPA may dampen not only agriculture growth but rural development as cheaper imports, particularly agriculture inputs and processed foods may displace products of small and medium-scale enterprises that usually drive local economy development. Through the dynamic linkages of agriculture to the non-farm sector engaged in processing and manufacturing, higher values are created along the supply chain. Trade liberalization, which creates greater dependency on manufactured or finished imported commodities, may disrupt this linkage, stunting the growth of livelihood-creating opportunities in the rural areas.

The Case of the Banana Industry

The banana industry is a classic example of how Japanese foreign direct investments may have exacerbated not only food insecurity and hunger in some regions in the country, but also worsened poverty, land concentration and environmental crisis.

Driven by the rising demand for Philippine bananas in the international market, particularly from Japan, banana plantations have expanded exponentially in the last two decades. In fact, growth of Philippine banana production was noted to be faster than that of the global rate. According to a recent study done by the University of Mindanao, Philippine banana production has registered increasing growth rates over the years. It expanded by 26% during the period 1992-97 and grew much faster by 83% from 1997 to 2004. (Digal, 2005)

Compared to the top four banana exporters in the world, which recently experienced decreases in their banana exports, the Philippines has continually been registering higher export growth. While these top banana exporters supply more than 60% of the world's total banana exports, they only contributed less than 20% of the total area for banana production. The Philippines alone accounts for 8.6% of the total area for banana production. (Digal, 2005)

Japan is the major destination of Philippine banana exports, which accounts for 85% of the country's total exported volume of bananas.

Japanese foreign direct investments have figured prominently in the expansion of the Philippine banana industry. Big Japanese transnational companies like SUMITOMO through its subsidiary Sumitomo Fruits Corporation (Sumifro) have direct trading linkages with other foreign subsidiaries like the Standard Philippine Fruit Company (STANFILCO)-DOLE and Del Monte to export bananas to the Japanese market. They also invest heavily in banana production through local affiliates, like the AJMR, now registered as UBC.

In 2005, Sumitumo Fruits Corporation infused another P1 billion investment bringing to P6.5 billion the company's total investments in banana plantations since December 2004. Of this added investment, the company projects to develop a total of 5,800 hectares of land in T'boli, Calinan, Toril and North Cotabato for its banana plantation expansion. According to company officials, the project is expected to generate jobs for 12,000 residents in the plantation areas. (http://asia.news.yahoo.com)

Distinct from its direct investment in the AMJR Group, Sumifru also poured P200 million for the construction of new port facilities in Tibungco, Davao City which includes the setting up of container yard and cold storage facilities. (http://www.sunstar.com.ph/static/dav/2006)

AJMR as the local partner of Sumifru is owned and operated by Alberto M. Soriano. It covers 10 companies operating and cultivating 8,000 hectares of land in Davao del Norte and Agusan del Norte, of which 6,000 are devoted to banana plantations. AJMR is also the parent company of the Fresh Banana Agricultural Corporation (FBAC) in Compostela Valley which now runs the plantations of the STANFILCO-DOLE in the said province. (Galeos, 2007)

Sumitomo Fruit Corporation also partners with other leading foreign banana exporters like DOLE and Del Monte to facilitate the distribution and supply of banana to Sumitomo affiliates in the Japanese retail industry. These leading banana exporters together with the major banana growers like the Lapanday Group of Companies, Anflo Group of Companies, Dizon, and AMJR constitute the major players in the Philippine banana industry.

At present, banana plantations stand on 60,000 hectares of agricultural lands, mostly situated in the fertile agricultural and forest zones in Mindanao. The establishment of these plantations since the 1960's is replete with documented cases of land grabbing, evictions and displacement of tens of thousands of settler-farmers and entire communities of indigenous peoples.

With the implementation of the government's agrarian reform program in the mid-'80s onwards, the mode of acquisition and expansion of banana plantations has shifted to lease-back agreements with agrarian reform beneficiaries and contract growing arrangements with both small and big landowners who found a way out to escape the physical distribution of their lands.

The huge concentration of land that is now taking place in the banana-producing provinces and regions in Mindanao, despite government's program on agrarian reform, are seriously undermining the rights of smallholders, indigenous peoples, women and other vulnerable groups who depend on their land for their subsistence and livelihood. Many farmers and indigenous peoples who were displaced from their lands and promised work in the plantations have, to this day, remained jobless and landless while the few who were given work have to contend with the low wages and miserable working conditions in the banana farms. On top of these, banana firms have engaged in union-busting and contractualization, two of the worst forms of violation of workers' rights.

Meanwhile, the dramatic expansion of banana plantations had given way to other serious social and environmental issues. Of late, there has been an increasing incidence of chemical poisoning and outbreak of illnesses related to chemical exposure in communities inside and near banana plantations that are attributed by toxicologists and health workers to the pervasive use of chemical aerial spraying in these plantations. (IDIS, 2007) Hunger and malnutrition specifically among pre-school children have also been noted to rise alongside increasing productivity and outputs of banana-producing regions.

Likewise, the widespread expansion of banana plantations particularly in North Cotabato is seen as the culprit behind the massive deforestation of the province's mountainous districts. The banana-producing municipalities in the province like Makilala, which is home to Stanfilco-Dole plantations, is identified as one of those prone to landslide and flashfloods due to heavy deforestation.

While the government regulations do not allow planting of banana in sloping areas with more than 15 to 20 meters of elevation or altitude, many of the banana plantations in this municipality are found in elevation as high as 20 meters. There is also an increased possibility of water contamination and river poisoning in these areas due to heavy use of chemicals and pesticides by the banana firms. (http://www.mindanaotimes.com.ph)

The increasing market demand for bananas in the international market, particularly in Japan, will further fuel the dramatic expansion of banana plantations in Mindanao and elsewhere. The removal of restrictions to Japanese FDIs under JPEPA, notwithstanding the constitutional limit on the use and ownership of lands by foreign entities as well as the government's comprehensive agrarian reform program, will all the more entice Japanese investors in this area. More than providing the needed safeguards that will allow big Japanese investors like Sumitomo to take advantage of the lucrative international banana trading and engage in upstream and downstream activities, JPEPA creates the policy environment for the Philippine government to eventually do away with remaining restrictions to Japanese corporate participation in Philippine agriculture and economy.

Fishery Industry

The Philippine fishery industry provides an important source of livelihood to millions of artisanal fishers plying the country's municipal waters. It comprises of three sub-sectors: the municipal fishers found within in the 15-km municipal fishing zone and use simple tools, commercial fishers plying outside the zone both outside and within the country's territorial zones and aquaculture.

The tuna industry, which is one of the top agriculture export earners of the country, is a thriving industry. Its production has been growing annually at a dramatic rate, but much of the output is accounted for by the commercial fishers. Tuna exports in 2006 are valued at $135 million, while tuna imports are at $21.3 million with trade earnings amounting to $113.7 million. The trade surplus is accounted for by the high-grade tunas commanding higher values in the international market, while imports are primarily low value inputs to canneries.

The major tuna producers in Philippine waters are the handliners and purse-seiners. The handliners are considered municipal or artisanal fishers because they use small bancas and passive gear. The tuna boom in General Santos City attracted many poor fishers from Southern and Central Philippines. There are now estimated 30,000-40,000 handliner fishers. Purse-seiners account for the cannery-grade tuna catch and they provide jobs to more or less 15,000 fishworkers. Purse-seiners sell their catch to local canneries and to the domestic market. (Vera and Hipolito, www.icsf.net)

Lately local tuna producers, particularly the purse-seiners and their fishworkers have been complaining of the entry of imported tuna in the domestic market. In 2003, fresh/chilled/frozen tuna is among the top three fishery imports. From 2000-2006, average annual tuna imports from Japan account for 8% of the country's total average tuna imports. It registered a fivefold growth during the same period, revealing that tuna imports from Japan are growing at a much faster rate. (See Table 18)

Table 18. Philippines-Japan Trade, Tuna, 2000-2006 (FOB Value in US Dollars)

YEAR	VALUE		ANNUAL GROWTH RATES	
	Exports to Japan	Imports from Japan	Exports	Imports
2000	21,926,045	1,021,843		
2001	13,356,605	658,706	-39.08	-35.54
2002	20,703,798	3,741,714	55.01	468.04
2003	24,127,904	1,660,618	16.54	-55.62
2004	21,929,218	134,875	-9.11	-91.88
2005	13,912,863	4,060,415	-36.56	2910.50
2006	18,786,795	822,388	35.03	-79.75
Average	**19,249,033**	**1,728,651**	**3.64**	**519.29**

Source: Department of Trade and Industry (DTI), 2007

JPEPA may pose serious threats to the livelihoods of the small tuna producers and fishworkers, in the long run, as tuna is one of the products that will have duty free status upon day one of enforcement of JPEPA.

Small fishers like the handliners and fishworkers may be the ones to lose if and when imports of Japanese tuna suddenly increase. There are already rising incidences of cheap imported tuna that are intended for the canneries which have found their way to the domestic markets.

On top of such threats, the liberalization of investments will provide Japanese commercial fishing fleets the incentive to enter into partnerships with local commercial fleets, which could drive away or edge out the smaller operators, with much lesser capital and technological capacity.

Food Processing, Rural Industrialization and Small and Medium Enterprises (SMEs)

Meanwhile, the growing presence of Japanese investments in the small-scale food and agriculture processing firms may also pose greater threat to domestic SMEs. To some government quarters, SMEs provide the backbone to the national economy as they account for about 70% of the country's labor force.

As the recent data from BOI-registered foreign investments would show, about 50% of Japanese investments in agriculture have capitalization of less than P10-15 million and are found in some traditional food and agriculture processing activities like marine and fish product processing, vegetable processing, coco coir making, etc. While these investments may spur new economic activities or may generate additional employment, many of them, however are located in highly urbanized areas where many similar domestic enterprises may already be thriving.

Potential issues like possible displacement of existing domestic firms or investments engaged in similar ventures may arise. Similarly new Japanese investments may pose competition to local firms particularly in the acquisition of scarce labor or in accessing domestic credit as banks may prefer firms with relatively stable financial condition or those with foreign equity.

In terms of technology, Japanese investors would bring with them advanced technology in a particular field which, at the onset, may disadvantage local businesses that still rely on traditional technology.

Finally, Japanese investors may squeeze out domestic supply networks as they bring with them integrated upstream and downstream supply chains. The very stringent non-tariff measures employed by Japanese authorities actually allow only those firms linked to these production and distribution networks of Japanese food multinationals to access the Japanese market, as many studies show that trading in the Japanese food processing sector is largely an intra-firm trade. (Wilkinson, 2004)

The liberalization of the tariff regime may equally pose serious risks to domestic enterprises and businesses. The existing tariffs imposed by the Philippine government on agricultural imports from Japan are already pegged at 0-7%. Agriculture machineries have 1-5% tariff rate which will be reduced to zero upon enforcement of JPEPA. Manufactured fertilizers and chemicals face 1-3% tariff which will be reduced to zero on the 6th year. Meanwhile, processed foods or agriculture products like prepared fish, cooked vegetables, and essential oils are imposed an average of 5-7%%, which will be eliminated by the 11th year.

Further liberalization in this area may not only consign the country to technological backwardness and inefficiency, it might also displace smaller domestic firms engaged in producing imported substitutes. For example, with reduced or zero tariffs on canned sardines, noodles or soya sauce, Japanese imports may become cheaper as compared to similar goods produced in the country. This will have effect not only on the processing sector but on farm sector as well like the small farmers and artisanal fishers supplying the needed raw materials.

While transnational firms tend to dominate the food processing industry, particularly food processing for the export market, SMEs catering to the domestic market proliferate in the industry. Under an adverse tariff policy, it would be the smaller firms that will be the first to go. The case of the domestic shoe industry that was virtually wiped out by cheap shoe imports from China would be an example.

CONCLUSIONS AND RECOMMENDATIONS

JPEPA is a broad agreement. It does not only pertain to trade liberalization but also covers investment. It encroaches even into areas not covered by the WTO such as government procurement, competition policy and investments. In this sense, JPEPA goes beyond liberalization presently contemplated by the WTO.

The treaty liberalizes the whole economy by giving national treatment to nationals of both parties except in areas where restrictions are already in place at the signing of the treaty. Future restrictions can be put in place only upon the consent of the other signatory to the treaty. This is the most objectionable provision of the treaty. This provision is a sweeping blow to the sovereign right to determine policy and to craft legislation appropriate for the country's economic development. It preempts the Philippine government from enacting laws and policies that may be necessary for economic development when these are inconsistent with the treaty.

In paper, the provision appears to apply to both parties. But this is completely false in practice. Only Japanese corporations can take advantage of the provisions, as Filipino companies certainly do not have the capacity to compete in Japan. It is a full-scale surrender of economic sovereignty to Japanese multinational corporations (MNCs), perhaps unprecedented in history, because the treaty covers practically the whole economy except those that are specifically exempted in the treaty.

The treaty explicitly discards even the traditional tools available to government to accelerate industrialization such as requirements for research and technology transfer and use of local components.

Enhanced market access of Philippine products through the treaty is illusory. In the first place, Philippine products exported to Japan consist of a short list of agricultural products and electronic re-exports which, value-wise, is the bulk of exports. In the case of agricultural products, Japanese corporations control trading and in the case of re-exports, it is the case of one Japanese company buying its own products or subcontracting phases (mostly labor intensive phases) of production processes. Moreover, the Japanese food market is highly protected and has not been liberalized as per provision of the treaty.

The more important objection to the track of gaining market access for Philippine agricultural and food products is its impact on food security and rural development. Production for exports as in the case of bananas, pineapple and prawns and tuna (all leading exports to the Japanese market) has drawn resources away from food production for the domestic market, led to displacement of farmers from the land, and fishers from their fishing grounds.

The elimination of tariffs in both industrial and agricultural goods will narrow down the policy options of the government to protect its domestic industries and small farmers. The elimination of agricultural and fishery tariffs, particularly tuna, shrimps, squid and other important marine products, may decimate livelihoods of municipal fishers who belong to the country's poorest households. While in some agriculture sectors, Japan may not have the capacity to flood the country with their exports, the free trade regime imposed by JPEPA will create a domino effect for the proliferation of similar free trade agreements, undermining Philippine agriculture and small farmers in the long run.

The investment liberalization envisioned under JPEPA opens up the manufacturing sector to Japanese investments, threatening the stability and survival of smaller enterprises, including small-scale food processing ventures as well as fledgling industries, and thus leading to the country's de-industrialization and underdevelopment. Moreover, JPEPA entrenches social inequities by further strengthening foreign and elite control and ownership of productive lands, fishery, and mineral resources.

Despite government's notification of the Comprehensive Agrarian Reform Program (CARP) as a restrictive measure to Japanese investments, JPEPA's investment rules encourage the amendment and harmonization of existing laws and legislations to comply with the treaty. This may actually erode agrarian reform, leading to increased land re-concentration and displacement of farmers from their land. Furthermore, JPEPA may undermine existing legislations and regulations disciplining investments in areas that may have adverse impact on people's social rights, on biodiversity and on environment.

Among the Philippine government's primary objective in negotiating the JPEPA is to secure the deployment of nurses and care givers to Japan. It is important to note that an increase in deployment does not come automatically with the signing of the treaty. There are restrictions and qualifications nurses and care givers must come up to before they can work in Japan.

Overall, the treaty reinforces existing imbalances in the relation between the Philippines and Japan. The stronger party, Japan, has all to gain, while the weaker party loses over all.

The Philippine Senate should not ratify the treaty and, moreover, impose that the Executive should be transparent in its negotiations with other government unlike in the negotiations for the JPEPA wherein the Filipino people were kept completely in the dark until the treaty has been signed. ▪

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