The Impact of Trade Liberalization on Labor in the Philippines: A summary report

Too Much Loss for So Little Gain

This research paper tracks the effects of structural adjustment on labor and employment in terms specifically of job security, wages, working conditions, the organization of labor, and conditions affecting women.

The researchers reviewed and analyzed trade liberalization policies and laws adopted by the government especially in the early 90s after the ratification of the General Agreement on Trade and Tariff (GATT). They also scrutinized labor laws put in place through legislation, executive orders, and jurisprudence to find out how these have been influenced by trade liberalization policies.

The researchers also conducted a field survey of workers particularly in garments, sugar and cement industries to establish the effects of liberalization on these industries on workers in general and women workers in particular. A particular point of research interest was the changes wrought by liberalization on conditions and roles of women in workplace and households. The survey was supplemented by focus group discussions and key informant interviews.

The field survey involved 124 respondents coming from 8 factories and 4 plantations. Of these:

- 54 (44%) are males, while 70 (56%) are females.
- 45 (36%) are garment workers
- 25 (20%) are food processing workers
- 48 (39%) are farm workers
- 1 (1%) is a sugar mill worker
- Among the garments workers, 40 are sewers, 2 revisers, 2 supervisors, and 1 assistant supervisor.
- Of the 49 sugar workers, 1 is a sugar mill worker 48 are farm workers.
- Of the 45 food processing workers surveyed, 16 are machine operators, 1 is a fish filler; 1 weight taker; 2 forklift operators; 1 production crew; 2 production lead men; and, 1 engineering supervisor.

The profile of survey respondents in terms of wages follows:

- Among the garments workers: 13% received P4, 000.00 on a monthly basis; 47% received P3, 000.00 every 15 days; 38% received P1, 000.00 on a weekly basis; and 2% received P258.00 on a daily basis.

- Among the sugar workers: only 2% received a daily wage of P276.40; 49% received P300.00 every 15 days; and 49% received P400.00 every 15 days.

- Among the food processing workers: 4% received P13, 000.00 on a monthly basis; 4% received P500.00 on a weekly basis; 71% received wages within the range of P289.00-

P500.00 on a daily basis; 17% received wages within the range of P600.00 to P800.00 on a daily basis.

In terms of benefits:

- Only 38% of the respondents received 13th Month Pay
- Only 37% of the respondents received Holiday Pay
- Only 37% of the respondents received Overtime Pay
- Only 37% of the respondents received Night Differential Pay
- Only 36% of the respondents received Service Incentive Pay

In terms of the provision of basic needs and working conditions:

- 100% of the respondents said they were accorded a day of rest
- 100% of the respondents said they were accorded breaks for meals
- All the women respondents said no separate restrooms were provided for the women.
- 59% of the respondents said they were given their own lockers
- 28% of the respondents said they were provided adequate ventilation and lighting.

In terms of changes in hours of work/ adjustments in pay, the survey was able to establish that:

- Among the garments workers: 100% said there were times when work hours were shortened because of lack of materials for production. They also said that there were days of added working hours because of increased volume of production.

- Among the food processing workers: 100% said there were times when work hours were shortened because of surplus stocks. They also said there were days of added working hours because of increased volume of production.

In terms of working conditions and shifts in the roles at home of women workers:

- Wages: 43% of women respondents said they received equal pay for the same work as the male workers; 57% responded that they did not receive equal pay.

- Benefits: 48% of women respondents said they received the same benefits as the male workers; 52% of the women respondents said they did not receive the same benefits

- Facilities: 57% of women respondents said they were provided with facilities specifically for the use of women; 43% said they were not provided with such facilities

- Sexual harassment: None of the women respondents have experienced sexual harassment; however 38% of the women respondents said they knew of actual cases of sexual harassment at work, while 62% said that they had not heard of any case of sexual harassment at work

- Household budget: 100% of the women respondents said they were responsible for the household budget at home; 19% said the combined income in the family was enough to meet the household needs; 81% said that the combined income in the family was not enough to meet their household needs.

- Means to augment income to meet the household budget: 11% of the women respondents said that they did laundry work for other people; 7% said they sold various items on retail; 82% said they borrowed money from others

- When asked if their husbands help in looking for means to augment income to meet household budget: 5% of the women respondents said yes; 95% said no.

- When asked who helps them in doing household work: 24% said their husbands helped them; 76% said their brother or sister helped them.

- When asked what they did with the task of attending to their children while they were at work: 40% said they brought the children to work; 60% said they left their children with a neighbor.

After analyzing the above data surfaced in the survey and validated in the focus group discussions and key informant interviews, the research team arrived at the following conclusions:

A. Impact on labor

Structural adjustment and trade liberalization has generally worked against labor. Rather than provide employment, it has led to the decline of major Philippine industries and the loss of jobs for millions of workers. It has created conditions for flexible working arrangements like "labor-only" contracting that have deprived the workers of protection and guarantees of their rights.

1. Employment during the process of trade liberalization

During the 10-year period covering the trade liberalization process from 1980 to 2000, employment increased by an average of only five million. In 1980, the total number of employed persons was 16.434 million. In 1990, there was an increase of 5.769 million. From 1990 to 2000, employed persons increased by another 5.995 million. These 5-million increases indicate that only 500,000 jobs were generated per year. This is way below what the economy must generate of over a million jobs per year to absorb an average 700,000 new entrants in the labor force on top of the existing jobless individuals.

The periods during which employment grew fastest were in 1995, 1996, and 1999. Employment leaped by 1.365 million to 26.090 million in 1994 from 24.725 million in 1995. It increased again in 1996 to 27.419 million, by 1.329 million

The Asian crisis reduced employment growth drastically in 1997 and 1998. During those years, employment grew by just 112,000 in 1997 to 27.531 million from 27.419 million in 1996. Growth was a little higher at 325,000 in 1998, bouncing by a rate that went beyond the million mark or 1.636 million to reach 29.492 million workers in 1999. But, in 2000, the total number of employed persons declined again, by 1.314 million, from 29.492 million to 28.198, on account of the lingering effects of the Asian crisis.

	Total # Employed Persons
1980	16.434 Million
1990	22.203 Million
1991	22.586 Million
1992	23.898 Million
1993	24.504 Million
1994	24.725 Million
1995	26.090 Million
1996	27.419 Million
1997	27.531 Million
1998	27.856 Million
1999	29.095 Million
2000	28.198 Million

The industry groups that mainly contributed to the dramatic increase in employment in 1995 were: construction, wholesale and retail trade, transportation and communication, community, social and personal services, and agriculture.[1] The rise in share of employment of these industry groups was consistent with the inflow of investments into real estate, financial institutions, wholesale and retail trade, and private services during that period. But in 1999, the contribution of these same groups were much lower.[2]

Considering data indicating: a declining share of agriculture in employment throughout the 1990's, and the incremental and marginal increases in the share of manufacturing even during the relatively higher employment years of 1995, 1996, and 1999, it is apparent that the liberalized trade climate did not have any significant impact on the creation of jobs. Rather, with the increased competition from cheaper imports, local industries were forced to shut down, streamline or cost-cut, thus adding to the level of unemployment and underemployment.

The Asian crisis only aggravated the situation of declining employment as fluctuating currency, de-capitalization and tight monetary policies, high interest rates ravaged the local industries.

2. *Sectoral employment in relation to exports and imports*

Joseph Lim's study [1997] of sectoral employment as it relates to output movements in the economic sectors and labor productivity reveals some interesting insights.[3] Development of labor productivity, defined as gross value added as a ratio to labor employment, is studied in relation to the open-ness or closed-ness of an economic sector to exports and imports.

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[1] Although agriculture still registered the higher share in employment, the number of employed persons through the past years has been declining. In 1996, apart from these industry groups, manufacturing added to the aggregate employment figure.

[2] See Annex B for Table on Employed Persons by Major Industry Groups 1991-1999

[3] Lim, Joseph "Macro Labor Statistics and Sectoral Employment", Employment, Human Capital and Job Security:Recent Perspectives On the Philippine Labor Market, Edited by Emmanuel Esguerra, Kazuhisa Ito

Classifying the economic sectors as open or closed with respect to exports and imports, Lim based his criteria on the 1988 input-output table: if more than 15% of the gross output is exported then the sector is said to be open to exports; if more than 15% of the gross output is imported then the sector is said to be open to imports; if both exports and imports are less than 15% of gross output then the sector is said to be a closed sector.

Agriculture, fishery & forestry	Closed sector
Mining & quarrying	Open sector for exports & imports
Food, beverage, tobacco	Closed sector
Textiles, wearing apparel & leather products	Open sector for exports & Imports
Wood & cork products, Furniture & fixtures	Open sector for exports
Paper, publications, rubber, chemical & non-metallic minerals	Open sector for imports
Basic fabricated metal products, machinery, equipment	Open sector for exports & imports
Construction	Closed sector
Electricity, gas & water	Closed sector
Transportation, storage, Communication	Closed sector
Trade	Closed sector
Financial Services	Open sector for exports & imports

Lim's findings indicate that the sectors most open to exports, i.e. industrial and manufacturing sectors, are those with increasing labor productivity. He adds, however, that in many cases, such as mining and quarrying, textile and garments, wood and cork and furniture and fixtures, these are also the sectors where output per capita is declining. This means that these are the sectors hard hit by international competition or environmental concerns where significant layoffs may have occurred. It is only in finance, which is an open sector, where output per capita and labor productivity are both increasing.[4]

Lim notes that in the industrial sector, there are many sectors open to exports—mining and quarrying; textile, garments and leather; wood, cork, furniture, fixtures—which are declining in terms of output per capita especially in the 1990s. Being open to foreign competition, their labor productivity has been either improving (mining and quarrying, textile, garment, leather) or constant (wood, cork, furniture, fixtures) during the same period. The net effect has been layoffs and a declining share of employment in these sectors vis-a-vis the working-age population.

[4] See Annex D, Table on Labor Productivity Defined as Gross Value Added as a Ratio to Labor Employed

Lim adds that segments of the industrial sector that are not too open to exports did not fare well in terms of labor productivity from the late 1980's onward. Food, beverage and tobacco posted a declining output per capita, with labor productivity falling even faster.

In the closed sectors, those which exhibited increasing labor productivity seem to be those sectors wherein some government intervention had been quite prominent. These were in electricity, gas and equipment, in reaction to the power crisis of the early 1990's; and in government services, in the wake of attempts to streamline the bureaucracy through the imposition of a freeze-hire policy.

3. *The rise in flexible labor arrangements*

"Labor market flexibility" is a term which emerged in the 1980s, during a period marked by increasing global competition and industrial restructuring in many nations. The concept of flexibility that is inherent in the term presupposes a capacity to reorganize the labor process in response to changes in the economic environment.[5]

The more commonly observed measures used by firms in the Philippines to promote employment flexibility include:

1) Substitution of temporary and casual labor for permanent workers;
2) Greater use of women, apprentices and migrant workers;
3) Subcontracting components of production previously manufactures within the firm's plant;
4) Subcontracting services (e.g. transport, packaging, maintenance, and security) which are performed in the physical location;
5) Resorting to the use of overtime or increasing the number of shifts in a day; and,
6) Use of pay systems based on piece rates and bonuses in place of those based on working time or length of service.

Flexible working arrangements is a cost reduction measure employed by firms in response to protective labor standards that increase labor cost. In an employment relationship, the worker agrees to place his labor power at the disposal of his/her employer in exchange for a wage for a period of time acceptable to both parties. This employer-employee relationship is actually transaction-cost reducing in an uncertain climate because it frees the employer from either having to negotiate a new contract for every situation that arises, or committing to specific actions, which he cannot possibly predict at the time of contract negotiation. But to the extent that employers feel restricted and their abilities to compete diminished by counter-veiling institutions to protect labor (e.g. wage floors, severance compensation) and legal guarantees on workers' rights to organize and bargain collectively, flexible arrangements provide a means by which employers circumvent the effects of protective labor standards without necessarily reducing employment.[6]

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[5] Esguerra, Emmanuel "Flexible Labor Arrangements in the Philippines: Trends, Theory, Implications; Employment, Human Capital & Job Security: Recent Perspectives on the Philippine Labor Market, Edited by Emmanuel Esguerra & Kazuhisa Ito, INSTITUTE OF DEVELOPING ECONOMIES, Tokyo, 1977

[6] Ibid.

Protective labor standards and other mandated employee non-wage benefits, more often than not, exclude non-regular workers from their coverage. As a result, firms resorting to flexible employment are able to escape the cost of compliance.

Pressure of competition from cheaper imports has forced many establishments to retrench, reorganize, downsize or "rightsize", to become competitive. "Labor market flexibility" is now a byword in business as business and employer's organizations continue to practice flexible working arrangements.

Into the 1990's, a number of Supreme Court Rulings relaxed the strict observance of the law against "contractualization,." a practice prohibited under the Philippine Labor Code to protect regular positions of employment; it is only allowed for project-based, seasonal and casual positions.

The Supreme Court (SC) took judicial notice of the general practices adopted by government and private institutions and industries to hire independent contractors to perform special services (Kimberly Independent Labor Union for Solidarity, Activism and Nationalism-Organized Labor Association vs. Drilon [185 SCRA 99, May 9, 1990]). These types of services are janitorial, ((Rhone-Pholenc Agrochemicals Philippines, Inc. vs. NLRC, [217 SCRA 249, January 19, 1993]), security guards (Shipside, Inc. vs. NLRC [GR No. 50358, November 2, 1982]) and even technical and specific services like radio/telex machine operator and messenger (Neri vs. National Labor Relations Commission (224 SCRA 717 [July 23, 1993])."

SC rulings like Brent School, Inc. vs. Zamora, et al. (181 SCRA 702, [February 5, 1990] and Pakistan International Airline vs. Ople et al. (GR No. 61594, [September 20, 1990] has eroded the security of tenure of regular workers. These rulings have made clear that even if Article 280 of the Labor Code recognized regular employment, "the law does not discourage any employer from entering a contract with an employee to fix the employee's employment period whether the position is usually necessary and desirable to the usual business or trade of the employer". This signaled the beginning of the widespread practice of contractualization.

Job contracting and agency hiring are old practices in the Philippines. But their use by formal sector firms has become widespread in the last decade. Government has done nothing to stop such practices. The Department of Labor and Employment (DOLE), in fact, has issued orders that have institutionalized flexible working arrangements.

For instance, in February 1992, DOLE issued Department Order No. 5, or the Revised Rules implementing Labor Code provisions on the employment of homeworkers. In 1994, Department Order No. 40 was issued revising the guidelines for the computation of minimum wage and other wage-related benefits for workers of service contractors (e.g. security agencies, janitorial service forms, and other service/job contractors).

In June 1997, three years after GATT-WTO was ratified by the Philippine Senate, DOLE issued its most controversial order yet. This was Department Order No. 10 (DO 10), which defined "contracting" or "subcontracting" as refering to an arrangement whereby a principal agrees to put out or farm out with a contractor or subcontractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such a job, work or service is to be performed or completed within or outside the premises of the principal.

Under DO 10, "labor-only" contracting remains illegal but this is only because it could not amend the Labor Code, which is what actually prohibits labor-only contracting. Failing this, DO 10 has had to rest content in making the rules less restrictive.

DO 10 defines the parameters of legitimate practice of labor-only contracting by establishing seven permissible contracting or subcontracting schemes. Subcontracting under DO 10 is allowed in areas covering

(1) Jobs or services that are necessary to meet the abnormal rises in demand of products or services where the regular work force is not enough;
(2) Occasional jobs or services that require experts or highly technical individuals;
(3) Services that are intended only for the promotion of new products allowable within a duration of promotional period;
(4) Services that are not directly related to the main business or operation of the principal;
(5) Merchandising work or public display of manufacture's products that does not include selling and issuance of receipt or invoice;
(6) Specialized work that require unusual or peculiar skills, tools or equipments; and,
(7) Substitute services, like relievers, contracted for just the duration of time a regular employee is absent.

Increased export demand and production of garments and garments-related products, and semiconductors and electronic parts in the 1980's had led to a significant rise in labor subcontracting. Subcontracting firms and agents multiplied to supply the demand of exporting firms. Garments production in particular has been characterized to be a combination of both firm and home-based production. Since garments production traditionally has had a large set of home-based workers, the formalization of many garment firms led to a significant amount of subcontracting to home-based workers from the 1970's up to the mid-1990's. This practice spread not only in garments but also in many non-traditional agricultural products, and livestock and poultry, where home-based workers already had a high incidence. (Ofreneo/Lim. 1998)

In 1997, the year DO 10 was issued, the number of agencies in the subcontracting business increased by 45%. Comprehensive statistics on the extent of labor flexibility practices are unavailable but data from Bureau of Labor Employment Statistics (BLES) revealed that less than a fourth of workers in companies employing 10 or more are not time-rated. About 578,000 workers were casual, contractual or were working part-time in 1997.

Between 1992 and 1997, overall employment in the formal sector grew 14% but the number of contractual labor soared 60.4%, casuals by 31.4%t, and part-timers by 70.3%. The number of temporary workers outside agriculture jumped 59%.

These figures suggest that for every new worker hired as a regular employee, five were employed on a temporary or irregular basis.

The share of temporary workers in establishments with 10 or more workers fluctuated around 14 to 15% from1990 to 1994 but jumped to 18.1% between 1994 and 1995 and further, to 21.1% as of 1998. Thus, "casualization" of labor has accelerated in recent years.

The increasing scope of contractualization is also evident in terms of subcontracting. According to the labor department's "Survey of Specific Groups of Workers," more than one in four establishments engaged subcontractors in 1996.

Annual figures indicate that the practice is becoming more common, both in absolute number and as a proportion to respondent establishments. The number of firms practicing flexible working arrangements rose from 857 firms or 21.1% in 1994 to 1,070 or 24.1% in 1995 to 1,255 or 28.1% in 1996.

The average number of subcontractors ranged from two and three per principal over the same period across all industries. This means that for every principal establishment, two to three subcontractors were involved.

The survey suggests that industrial establishments, especially construction companies, are more likely to subcontract compared to agricultural or service firms. Manufacturing firms comprise the bulk of establishments engaged in subcontracting, accounting for a third of the total in 1996. Correspondingly, the greater share or 40 % of subcontractors were hired by the manufacturing sector in the same year.

Despite its promotion, subcontractualization and other labor flexibility schemes have not significantly reduced the unemployment rate. Data from the National Statistics Office (NSO) revealed that the average unemployment rate from 1990 to 1999 was 8.7 percent, from a high of 9.9 percent in 1991 to a low of 7.5 percent in 1996, a year before the financial crisis. Unemployment remained within the two-million level. This means that jobs generated by the economy during the period fell short of absorbing both existing unemployed individuals and the annual 700,000 new entrants to labor force.

4. *The feminization of labor*

The number of Filipino women joining the labor force has been increasing from 9.7 million in October 1992 to 11.4 million in October 1997, and to 11.8 million in 1998.

Ninety percent of the total labor force was employed, as of October 1998. Male employment rates exceeded those for women nationally. Unemployment data for the October rounds of 1996, 1997, 1998 Labor Force Surveys showed higher rates for women (8.2%, 8.5%, and 9.8%) compared to the men (7.0%, 7.5%, and 9.5%).

The higher female unemployment rate partly reflects a degree of gender segmentation of the labor market, as male workers are "preferred" in certain industries or sectors, and female workers, in others. The discrimination of women in some sectors rests on the notion that men are better suited when physical strength is needed while in others, it is an offshoot of the gender tracking that took place in school. Generally, more females than males get to secondary and tertiary school, but they are most likely directed to take "feminine" courses: nursing, teachers training, and business administration.

By major occupation categories, there are more women than men in October 1998 among the sales workers (67.8%), and the professional, technical and related workers (64.58%), while males dominate the production and related works, transportation and equipment operations (82.19%), and agricultural, animal husbandry and forestry works, fishing and hunting (74.23%).

The rise in the production of garments and related products, as well as semiconductors and electronic parts during the 1980's and 1990's increased the female labor force in manufacturing as both garments and electronic industries were heavily dependent on female labor in the final assembly stage of production.

Based on Labor Force Statistics 1999, at the onset of the East Asian crisis, males have become unemployed in agriculture, manufacturing and construction while females have become unemployed in agriculture and the formal manufacturing sector. Male unemployment has been especially difficult in urban areas. The only sector absorbing labor is the service sector, particularly market vending and personal services, such as domestics. The latter is female-dominated. It would seem that a significant part of the coping mechanisms of families was for women to enter or to take additional jobs in the trade or service sectors. At the height of the Asian crisis, women were shown to have borne a significantly high share of the family's income, and were under pressure, more than men, to undertake additional income-generating activities. This, despite being burdened with home and nurturing activities. [Ofreneo, 1999]

Women earnings from their livelihood activities have been critical sources of income to many poor households in the urban areas. In the early 1990's, their earnings comprised 25 percent to 35 percent of the total family earnings. Not small at all but these earnings are often considered as "sideline" incomes. Women's contribution to the family consists of more than just these informal sector earnings. Women feed the family, ensure clean clothes and a livable home, tend to family members who are sick. These activities are as important as their earnings but they are unremunerated.

But even as women engage in productive activities that are otherwise dominated by men, women receive unequal pay for equal work. For example, among employed women, those engaged in agriculture receive the lowest pay. In 1993, for every peso earned by a male, a female agricultural worker earns only P0.90. And since most of the rural women assist in the farms as unpaid family workers, most of them are actually doing work without compensation. In 1993, for every peso earned by a male, a female earned: 0.09 in agriculture; 0.15 in managerial and executive positions; 0.15 in production, 0.94 in clerical work; 0.98 in professional work; 0.98 in services; and 1.05 in sales.

B. Impact of Trade Liberalization on Employment in the Garments, Cement and Sugar Industries

To present a more concrete picture of the impact of trade liberalization on industry and labor, this paper focuses on three industries: garments, sugar and cement, with emphasis on the impact on labor and employment.

1. *The Garments and Textile Industry: A Historical Brief*

Garments manufacturing started as a home industry before the 1900's, done in small scale by women and children all over the archipelago. When American embroidery firms were established in Manila in the early decades of the century, Filipino women and children from the countryside were hired to do hand embroidery stitches for dainty garments and wide linen. By the 1950s, cottage level enterprise replaced the home industry. Their output was entirely absorbed by the American market.

In the 1970's, the garment industry fully developed as an export sector following the International Monetary Fund (IMF) and World Bank (WB) prescription to shift into export-orientation to earn much needed dollars.

In 1975, the Multi Fiber Agreement (MFA) was signed that specified exactly how much each Third World country could export to participating industrialized countries, collectively known as quota countries. A law of special application to the textile and clothing industries was passed — Executive Order No. 537 later amended by Executive Orders No. 823 and 952 — establishing the Garments and Textile Board (GTEB) under the Department of Trade and Industry (DTI). Beyond empowering the GTEB to allocate quotas and provide timely information on garments and textile trends, the significance of the law is that it operationalizes the Philippines' commitments under the Multi-Fiber Agreement, the main legal instrument that made possible the entry of the Philippines in the highly-competitive and continuously fluctuating international clothing market.

From 1980 to 1990, total Philippine exports (garments, and textile yarns/fabrics) expanded from US$576 million to US$1.863 billion. While total imports of textile yarn, fabrics, and embroideries also expanded from US$286 million to US$973 million. From 1990 to 1998, Philippine exports continued to expand to US$ 3.098 billion, as against the total imports of US$1.135 billion over the same period.

The top quota countries for the Philippine exports were United States, Canada and European Economic Community (EEC). While the MFA may have restricted the production of garment exports, on the other hand, it assured Philippine manufacturers of a share in international market.

Philippine garments export is highly quota-dependent. Of the total US$473.330 million value of exports in 1997, only 22.64 percent of the total exports went to non-quota countries; the bulk, 77.36 percent went to quota countries, like the United States (60.79 percent), the EEC (14.48 percent), and Canada (2.09 percent). Data shows that of the 15,220 garments firms in operation, only 6.12 percent are exporters, and 63 percent of garment production is exported. These garments firms were able to deliver their quotas not because they are efficient, but because of the services of subcontractors. Medium and large garments exporters get most of the export quotas; a sizable portion is passed on to small subcontractors who actually do the hard work.

Data from the GTEB for 1999-2000 shows that total exports to quota countries increased 11.7 percent to $628.16 million while exports to non-quota countries increased at a slower pace of 2.62 percent to $85.796 million.

According to GTEB, the share of non-quota countries declined from 12.94 percent of total exports in 1999 to 12.02 percent in 2000 while exports to quota countries accounted for an increased share of 87.98 percent up from 87.06 percent over the same period.

Exports to quota countries increased as the industry scampered to take advantage of the final years of the garment quotas.

On the other hand, the garment industry is dependent on imported raw materials. Of the total value of garment exports in 1996, 49 percent was spent on the importation of textile yarns and fibers. Not included in this figure are raw materials, textile yarns and fibers imported on consignment basis. In 1979, total value of imported textile yarn, fabrics and made-up arts amounted to US$117 million, while total value of exported embroideries amounted US$125 million. In 1989, this figure jumped to US$425 million and US$437 million, respectively. In 1998, imported textile yarn, fabrics and made-up arts continued to soar to US$789 million, while embroideries went down to US$346 million, after its decline in 1993.

The US remains the country's biggest market, importing $535.321-million worth of garments and textiles, up 10.55 percent from $484.214 million, and accounting for 74.98 percent of the country's exports. The European Community followed, accounting for 11.18 percent or $79.832-million worth of products.

a) Threats from trade liberalization

Under the GATT-WTO Agreements, the Philippines committed to bind tariff rates for 2,800 industrial and 744 agricultural tariff lines. However, the bound rates to which the Philippines committed were generally set considerably above the applied rates in 1995, so that the actual reduction in tariffs was minimal. Tariff reduction under the GATT-WTO on industrial products affects only 24 tariff lines, all within the textile and clothing product group. In 1994, EO 204 was passed, reducing tariffs on textiles, garment and chemical inputs. The GATT-WTO agreement, which is geared towards the elimination of quota systems, represents the principal threat to Philippine export earnings coming from the quota countries of United States, Europe and Canada.

Significant tariff reductions have already occurred for staple fibers as well as for chemicals and dyestuffs — from three to 15 percent to three to five percent for the former and from 10 to 20 percent to 3 percent for the latter. Tariffs for yarns, fabrics and garments have also been reduced, thus increasing the competitive pressure on the domestic textile and garment markets. The planned further reduction to a two-tiered tariff rate system by the year 2003 and finally a uniform tariff of five percent would further heighten the competitive pressure in the domestic environment for the textile and garment industries.

The garments sector did in fact begin to decline in 1996 when exports plunged by almost nine percent. Between 1996 and 1998, the share of garments stagnated to between 5.5 percent and 5.8 percent of total manufacturing. The share of garments exports declined sharply from almost 22% in the early 1990's to just eight percent in 1998.

The decline of the textile sector began earlier and was even more pronounced. After posting strong growth between 1987 and 1989, textile output continuedly declined through the

1990's. From four percent in the second half of the 1980's, the share of textile output of total manufacturing shrank to just about 2.3% in 1998. To begin with, textiles were never a significant export of the Philippines. Textile share of total exports declined from 1.2% in the early to mid-1990's to 0.8% in 1998. The fall in textile exports affected the garments sector as an integrated garment-textile industry would have bolstered garment exports with higher value-added and efficiency gains in overhead, transportation and vertical integration. As it stands today, raw materials and intermediate goods for garment exports are almost wholly imported. The lack of a strong textile sector is expected to become an even bigger handicap as the world market moves away from the quota system for garments. [Ofreneo, Lim, 1998]

Many low-wage and low-cost countries joined in the export of garments. GATT-UR and regional trade associations have increased the participation of China, India, Bangladesh, Sri Lanka, Indonesia, Mexico, the Caribbean Basin countries, and the Eastern European countries in the low-cost garments export industry. Many of these countries joined the world market with a huge amount of labor surplus and increasing efficiency. This has enabled them to charge low wages and low prices for export products, taking a significant part of the garments export market away from the Philippines.

Moreover, based on WTO negotiations, quotas to favored countries based on the MFA have been lifted. This development partially led to the decline of Philippine exports to their main US market that year, a problem compounded further by the fact that the US was trying to circumvent the lifting of quotas to favor its own garment manufacturers. In July1996, the US changed its rules of origin and shifted these from where the garment is cut to where the most important assembly (textile production) occurs. The Philippines stands to lose its continuing quota for garments and made-up textile products since they can only be considered made in the Philippines if they are sourced locally. Given the underdevelopment of the Philippine textile industry, this will be detrimental. Moreover, Philippine garments are of mediocre quality by world standards and are used only as a secondary source of garments. With the inevitable lifting of quotas, Philippine export garments will suffer. On the other hand, prospects in the domestic market also look bleak because of the growing competition from imported products.

Low productivity continues to characterize textile production. One of the reasons for the low productivity and inefficiency of the textile industry during the 1980's was technological backwardness: most local textile machineries were, by then, already very old.

The Philippines ranked lowest among the ASEAN countries in terms of labor productivity in both the textile and garments industries during the latter 1980's. Specifically, the average labor productivity in the Philippine textile industry during 1985-1990 was only about one-third those of Thailand and Malaysia and about four-fifths that of Indonesia during the same period. Similarly, the average labor productivity in the Philippine garments industry during 1985-1990 was only 28 percent of Thailand's, 47 percent of Malaysia's and 94 percent of Indonesia's during the same period. Estimates of domestic resource costs suggest that nearly 30 percent of all garment firms and about 45 percent of all textile firms were very inefficient as of 1988 (Austria 1994).

b) Employment in the garments and textile industry

The garments industry is the second largest employer in manufacturing (after food). Textile is the fourth largest employer in manufacturing (after electrical machinery and apparatus).

Based on the manufacturing census, the share of the industry to the total value added in manufacturing rose from 1.0 percent in 1972 to 5.8 percent in 1988 (Austria 1994). Using national income accounts data, the share of the garments and, to a much lesser extent, footwear industries to the total value added in manufacturing rose from 3.4 percent in 1972 to 6.4 percent in 1994. Garments exports accounted for 3.3 percent of total merchandise exports (at constant prices) in 1972, with such share rising to 20.6 percent in 1994.

Based on the manufacturing census, its share to total employment rose from 4.3 percent in 1972 to 16.6 percent in 1988. In 1996, the garments industry employed 16.25 percent, 447,000 individuals, of the labor force in manufacturing.

The latest survey of establishments shows that there are 15,220 garments manufacturers, of which 89 percent, or 13,498 firms, are small-scale, employing less than 10 workers while only 1,722 firms are employing 10 or more workers. Small-scale firms are employing 37,758 workers, while medium and large firms are employing 161,609 workers. All in all, there are 199,394 employed in the garments sector, consisting 7.3 percent of the 2.697 million total employed persons in manufacturing sector.

This figure, however, may even be considered as underestimated since it does not include the household- based subcontractors of the garment exporters.

Subcontractors numbered around 2,000 in the early 1980's. These had organized themselves in the Garment Subcontractors Association of the Philippines (GARSAP) in 1988. At its peak, GARSAP had 400 members. Today, GARSAP no longer exists. Another major export-oriented subcontractors' association, which has disintegrated, is the First United Garments Subcontractors Association of Rizal (FUGASAR). About 90% of FUGASAR members have ceased operations on account of the decline of the garments industry.

The number of subcontractors accredited by the GTEB has been going down from 2,396 as of end 1993 to 1,502 for the year 1997. In terms of employment, in-plant workers employed by subcontractors decreased from 121,690 in 1993 to 100,270 in 1996; homeworkers, from 5,126 to 2,381 for the same period. Employment figures improved in 1997, with in-plant workers numbering 159,033 and homeworkers, 2,546. Subcontractors are still concentrated in Metro Manila, Southern and Central Luzon. [Subcontractor's Information System Employment Statistics, GTEB]

But even as the number of subcontractors is declining, the number of workers being forced to seek employment with subcontracting firms is increasing. This, as the elimination of the quota system has forced local garment manufacturers to compete with their Asian counterparts for shares of the United States, Europe and the rest of the world export market. More and more foreign clothing and apparel brands are being contracted out to Asian subcontractors on account of their low-wage advantage. Next to construction, manufacturing has the most number of firms engaged in subcontracting.

Labor flexibility schemes and arrangements in the guise of subcontracting has become entrenched in the garments and textile sector. As of 1996, subcontractors in this sector numbered 1,947; these had 74,252 direct workers; 19,216 indirect workers; and, 2,381 homeworkers. Subcontractors are concentrated in Metro Manila, Central Luzon, and Southern Luzon. They are also found in Ilocos Region, Bicol Region, Western and Central Visayas. Garments manufacturing firms in the country number 15,220, of which 13,498 are employing less than 10 workers, while only 1,722 are employing 10 persons or more.

Of the 15,220 garments firms in 1996, only 3.17 percent, or 482 establishments, are unionized. Management threats facing workers in the non-unionized firms range from simple harassment to non-compliance with the minimum wage and other labor standards prescribed by law. The striving for competitiveness has led to the wholesale violation of workers' rights.

There was a rapid decline in employment figures in 1998 even as the number of accredited subcontractors increased by five to 1,507. In-plant workers employed by subcontractors abruptly decreased to 99,550 while the number of homeworkers went down to 1,553. The situation could be worse as many subcontracting businesses are in the informal sector and are therefore not registered with GTEB.

The share of the Philippine textile industry to total manufacturing value added, using the manufacturing census data, meanwhile, declined from 7.3 percent in 1972 and 9.7 percent in 1978 to 4.5 percent in 1988 (Austria 1994). Using national income accounts data, the share of the textile industry to total value added in manufacturing declined from 5.6 percent in 1972 to 5.2 percent in 1978 and 2.9 percent in 1994. Direct exports of the industry are considered minuscule.

Following growth in the 1970's, the textile industry declined, resulting in widespread retrenchment during the 1980's. The share of the textile industry to total manufacturing employment, using the manufacturing census data, declined from 13.9 percent in 1972 and 14.6 percent in 1978 to 10.4 percent in 1988 (Austria 1994). Indeed, the total employment of all establishments with employment of 10 workers or more in the textile industry declined from 101,012 workers in 1988 to 79,390 workers in 1992 (Corroraton 1995).

A large majority of the workforce in the clothing and footwear industries are women. Statistics estimate that about 80% of all garment workers in the special economic zones are women. While this may be a positive indication of the growing assimilation of women into formal and productive employment, a source of apprehension is the fact that most leave employment before reaching the age of 30. The available labor market information does not show a career for these women after they have left the workforce. The Anti-Women Discrimination and Anti-Sexual Harassment Laws was passed to protect women, but there is no data as to the extent women have benefited from these laws.

2. The Sugar Industry

Sugar is the fourth most important crop of the Philippines and one of the country's major exports. In 1997, there were 208,618 cane sugar farms in the country, covering 351,985 hectares. Sugar production revolves around mills most of which are controlled by transnational corporations (TNCs) and large landowners. There are 37 sugar mills and 16 sugar refineries in the country. The farms produce 20,955,833 tonnes of cane. Just under 50 per cent of the country's sugar is produced in the province of Negros Occidental. The rest are produced in Luzon and in limited areas of Mindanao. In 1997, the Philippines exported 411 tonnes of muscovado sugar, mostly to Switzerland and Japan, and 197,000 tonnes of centrifugal sugar to the United States. Molasses, a major by-product, was also exported.

In 1979, total sugar exports (centrifugal and refined sugar, and molasses) amounted to US$1.613 billion—US$1.150 billion for centrifugal refined sugar and US$463 million for molasses. However, in 1985, the trend reversed with total exports going down to US$994 million. This shrank the value of centrifugal, refined sugar, and molasses to as low as US$246 million in 1995; US$351 million in 1996; and US$396 in 1997. In 1987 alone, the value reached an historic low to US$316 million.

a) Brief history

Historically, the sugar industry is a protected industry, its tariff wall was erected in Commonwealth years, through Payne-Aldrich Act in 1909 that guaranteed easy export of sugar to the United States at prices held artificially well above world norms. Over the next decades, the Philippines produced and exported huge amounts of sugar to the American market. This system was further reinforced by the quota system created in 1934 by the Jones-Costigan Act, which essentially guaranteed a protected US market for Philippine sugar. One result was that 70% of cultivated land in Negros were soon planted in sugar, accounting for half of Philippines' annual production of sugar.

By the 1960's, the US had developed its own sugar industry based on High Fructose Corn Syrup, leading to dramatic reductions in quotas for sugar cane. The Philippines was thus forced to sell its sugar to the world market, which had become basically a "dump market" for highly subsidized sugar such as that from the European Community. In the global context, sugarcane nations like the Philippines are in direct competition with sugar beet-producing nations in the temperate zones. In those countries, which include the United States and European nations, production is highly mechanized and farmers are paid well (subsidized) for their crops. In the post-quota system, you were either fortunate enough to be able to take advantage of subsidies (as the Philippines had been as long as quotas held up) or you were left out in the cold.

Although a series of International Sugar Agreements have controlled world prices to some extent, massive fluctuations have been the norm over the last quarter century. The world price sank from more than 60 cents/pound in 1974 to 40 cents in 1980 to an abysmal three cents in 1985. This was what led to the grave crisis that hit Negros during that period when sugar workers, consisting 85% of the Western Visayan island's population, lost their jobs and their capacity to feed their families. The fall in world sugar prices and the Negros crisis are a direct result of the collapse of the international quota system for trading in this product.

b) Employment in the sugar industry

Employment in the sugar industry has been highly dependent on US demand for the product, which was, in turn, sustained by the quota system. A number of studies have established that the system has also promoted the widening of the gap between the rich and poor, between sugar producers and sugar farm workers. The quota system gave little economic incentive for modernization. Moreover, the sugar elite emerged as an even more dominant political and social force in the years leading up to Philippine independence.

Five million people depend on sugar industry while sugar planters number only around 39,000. The industry employs 413,000 to 556,000 farm workers or agricultural workers, plus some 25,000-factory workers employed in 37 mills and 16 refineries. Majority of sugar workers are seasonal workers, who work only during planting and harvesting season. These are the *sacadas* who work in the sugar plantations with their families—women, and children as young as 9 years old. The seasonality of demand for these farm workers prevent them from getting regular and permanent jobs and permanent incomes; this is not to mention the fact that majority are paid below minimum wage rates. In 1989, a provincial government study in Negros found that 57 per cent of planters paid their workers less than the minimum wage. Seasonal farm workers are not part of the unionized workforce.

c) Threats to the sugar industry

The sugar industry is one of the major industries affected by trade liberalization. On June 24, 1996, Republic Act (RA) No. 8178 was passed lifting quantitative restrictions on agricultural products. Under this law, tariff rates for a specified amount of imports of each item—known as "in-quota" volumes—have been reduced, by 30 to 50 percent initially. Although in-quota volumes are normally small, whenever there is a true domestic shortage of key items (such as corn, sugar, beef) and domestic prices exceeded land costs plus the in-quota tariffs, the quota is increased. Under this system, in-quota tariffs actually become the relevant tariff rates.

Sugar producers worldwide have again raised the alarm of a possible crisis in the sugar industry. In most sugar-exporting countries, price of domestic sugar has gone down below the cost of production and is being distorted by export subsidies. Despite this, the Philippines has not joined Australia's initiative to remove tariff protection from markets such as the US, the European Union and Japan.

The Philippines has been importing refined sugar on a massive scale, a situation largely blamed on Memorandum Order 358 issued by then President Fidel Ramos in 1996. The order allowed big sugar planters, traders and millers to import refined sugar duty-free by as much as 125 percent of their export commitment to the United States. Acquired duty-free at US$0.10 per pound, the sugar was resold to the US at US$0.22 per pound.

More sugar imports were scheduled in 1999 when the government of Joseph Ejercito Estrada projected a sugar shortage of about 500,000 metric tons. Estrada's Executive Order (EO) No. 87 facilitated the importation of sugar by the private sector.

Ostensibly, the government issued EO 87 to addressed the need to enhance the productivity and efficiency of the sugar industry and the whole agricultural sector to enable these to compete in the global market. Actually, the government, in issuing EO 87, was only complying with commitments under the General Agreement on Tariffs and Trade (GATT). The issuance is also consistent with the government's adherence to liberalization policies in agriculture even prior to the GATT's ratification in 1994.

That year, big players in the sugar industry went on an unprecedented buying spree that caused a glut in local supplies, which drove small planters further into bankruptcy even as consumers continued to be made to pay high retail prices. In early 1999, local wholesale prices fell from P750 to P450 per 50-kilo bag when imported sugar flooded the market.

Sugar planters want a stop to the importation, or for the government to impose higher tariffs on imported sugar, from the current 100 percent to 133 percent. They have warned that 10 of the country's 37 sugar mills will be forced to shut down if tariff cuts to as low as 52.5 percent from the current 100 percent are implemented.

Low tariffs have weakened the Philippine sugar sector's capacity to compete with low-cost imports. The GATT-Uruguay Round secured the entry of up to 38,430 tonnes of sugar imports on a 50 per cent tariff. Amounts in excess of this face a tariff of 100 per cent, which will be cut to 50 per cent by 2010 or to levels much lower than Thailand's or Mexico's. In 1998, following a poor sugar harvest in the Philippines, partly due to El Nino, sugar stocks were severely depleted and imports increased. The world market price of sugar in April 1999 dropped to under five cents a pound, well below the cost of producing the crop in the Philippines, thus making imports more attractive. As mill prices shot up, government imported sugar from Thailand, and even from Australia. The government started selling imported sugar to the country's industrial users at a much cheaper price than the domestic price. But this was disastrous for local planters who had rushed to harvest their crops.

Domestic sugar production suffers from high production costs, low efficiency and low yields, and for small-scale producers, lack of capitalization and weak government support. Even older varieties of sugar are fertilizer-intensive in cultivation and it is difficult for small-scale farmers, who lack capital, to lower production costs. Trade liberalization has not lowered the price of fertilizer or tools. Instead, the prices of such products are rising faster than ever before. Another important factor for low productivity is the lack of mechanization and irrigation. The Sugar Regulatory Authority has disclosed that only one percent of sugar farms are irrigated.

There are those who claim that the sugar industry is the one that stands to benefit most from trade liberalization. They aver that with liberalization, domestic sugar prices will go down, and more significantly, the back of sugar monopoly in the country would finally be broken. None of these rosy projections, however, have been realized since the trade liberalization policies were implemented in the sugar industry.

For one, despite sugar importation and declining world market prices for sugar, the domestic price of the commodity has remained high; at their lowest, they are even higher than world market prices. This has largely been due to the practice of sugar importation by sugar landlords themselves who find it more profitable to buy duty-free imported refined sugar and re-sell this at a premium to markets like the United States.

For another, the sugar monopoly has remained intact. The big industry players have evidently managed not just to survive but also to make a killing out of reselling imported sugar. As for the industry itself, its decline has not resulted in any notable shift particularly towards the development of sugar production in terms of technology or labor productivity. In fact, whatever shift has happened has only been in terms of sugar landlords and big business turning to other types of mono-crop agricultural production For example, through the 1990's, big sugar planter

Eduardo Cojuangco Jr. acquired the following for mass production: 5,000 hectares for mango trees; 6,000 hectares for ylang-ilang production, 5,000 hectares for cassava production; and, several thousands of hectares more for durian production in Negros Island. It is becoming apparent that the local sugar industry may decline in much the same way as cement industry has, but the monopoly of the landlords and big business over resources will remain.

Clearly, as these developments have shown, trade liberalization does not address, much less, resolve the twin problems of monopoly and equity mal-distribution in the sugar industry. Problems arising from the structure of the sugar industry and other economic factors have to be addressed as well.

d) Effects of trade liberalization on sugar workers

Sugar workers have turned out to be the most disadvantaged by the policy of massive sugar importation. In a survey of 50 people conducted in February 1999, 45 or 90 percent said that their household food consumption had declined since 1995. Forty- two percent said that their households had given up breakfast, 31 per cent had reduced their consumption of rice, 18 per cent had cut down on fish. While many only occasionally ate poultry and eggs, significant numbers now had to forego meat. Only small changes were recorded in the consumption of vegetables, root crops and beans.

The reasons cited for these changing food consumption patterns include high prices (62 per cent), low wages (40 per cent), limited work (36 per cent), cost of education (28 per cent), increase in family size (16 per cent), and no work (10 per cent). The Philippines has no effective "safety nets" to cushion the impact. For many workers and small farmers, additional jobs are needed to supplement their incomes. Many send their children to work as housemaids and construction workers. In towns and cities, they join a large army of unemployed workers. Jobs, when available, are frequently offered at wages that are far below the minimum wage required by law.

The *Kilusang Magbubukid sa Pilipinas (KMP)* has accused sugarlord-traders of passing on the burden of falling prices to 556,000 farmworkers in Negros and Luzon who have lost their jobs or left with no other options, have been forced to work for little or no pay. Also threatened by the collapse of the local sugar trade are the 36,000 industrial jobs at the sugar centrals. Ultimately, the situation will adversely affect some five million people who depend on the sugar industry for economic survival.

The Philippine sugar sector is an example of how the GATT-UR Agreement on Agriculture has affected Third World agricultural systems, which are already in a weak state because of patronage relationships, backward production, insufficient government support and structural defects such as misplaced protection of large landowners and TNCs. The Agreement on Agriculture perpetuates and increases the marginalization of small farmers and farmworkers.

The implementation of GATT-UR and the full deregulation of sugar imports is leading to a further reduction in domestic sugar prices, to the bankruptcy of the majority of farms, particularly small and medium scale farms, and to widespread unemployment of farm workers. Most farms have not been able to mechanize, increase productivity and reduce labor costs. Only large mills and sugar plantations owned by transnational corporations and big landowners are able to survive. Field interviews with small and medium-sized sugar planters show that the economic situation for them has seriously deteriorated over the last five years. Many are already on the brink of bankruptcy.

3. The Cement Industry

Currently, there are 19 cement plants operating in the Philippines—11 in Luzon, three in the Visayas, and five in Mindanao. Three larger groups and nine independent companies dominate the Philippine cement industry. The PHINMA Group controls six companies, commanding a 48 percent market share of 4.7 million metric tons. The Aranetas control the second group, which has three cement companies with a total market share of approximately 20 percent.

a) Liberalization of the cement industry

The liberalization of the cement industry began with a series of executive orders issued in the early 1990's reducing import duties on cement and cement clinker to zero. These were Executive Order No. 5 issued in 1992, Executive Order No. 146 issued in 1993, and EO 227 issued in 1995.

b) *Effects of liberalization on the cement industry*

One of the sectors severely affected by the Asian crisis of 1997 was the cement industry, which suffered reverses in the real estate and construction sector. The implementation of the zero tariff policy for cement has led the industry to a state of virtual collapse with the influx of cheap cement imports from Taiwan, Japan and Indonesia. At least six cement plants and over 15 cement manufacturing lines in major cement companies have already closed as a result of this, according to the Philippine Cement Manufacturers Corp. (Philcemcor).

Philcemcor has requested government assistance to provide subsidies to companies for debt servicing and production in order to keep the cement industry viable. The subsidy will be used to help companies service their loans and pump-prime production, thereby keeping the industry afloat and removing the country's dependence on imports.

The boom era of the early 1990s, which saw cement manufacturers borrowing heavily to support expansion, has fizzled out and companies are paying a heavy price for this. With a much larger debt to service due to the shrunken peso, they are being forced to allocate more than P90 (about $2.20) per bag to production and debt servicing. Liberalization, in the form of zero tariffs on imports, has only served to worsen things as it has encouraged cement dumping from Japan, South Korea, Indonesia, Taiwan and others which, like the Philippines, are trying to mitigate the effects of the cement glut arising from the global economic slowdown.

Local cement companies led by Philcemcor are considering filing dumping charges against two cement giants, Taiwan Cement Corp. and Japan's Southern Cross Cement Corp. Industry sources say these two companies have been leading the massive dumping of imported cement into the country.

The two have reportedly been selling their cement at $20 a ton in the Philippines, just a third of the prevailing prices in Taiwan and Japan. The incredibly low import prices are undermining local cement prices, which are currently pegged at $55 to $60.

Philcemcor said the unabated rise in cement imports is among the key factors for the industry's mounting losses, which ballooned to P5.7 billion last year, or 63 percent more than its losses of P3.5 billion in 1998. Other challenges plaguing the industry are intense competition, low demand, and high costs.

On account of the dumping alone, at least six cement plants and over 15 cement manufacturing lines in major cement companies closed down in 2000. According to Philcemcor president Magdaleno B. Albarracin Jr., cement imports — which had risen to an alarming 18 percent of the total market - have resulted in P3.6 billion in lost sales for local manufacturers from June 1999 to August 2000. Nearly 4,000 direct jobs in cement plants and their allied businesses have likewise evaporated.

Of the Philippine cement industry's 43 production lines, only 20 are operating. According to Albarracin: "Of those in operation, many are running at less than 42 percent capacity." He added that "more are liable to close down because they are losing their market to dumped imports from Taiwan, Japan and Indonesia and more jobs will be lost in the coming months as more plants stop operating." Philcemcor general manager Lupo Feliciano said a survey of major cement companies showed that 21 lines have already been shut down, including the plants that have been closed, due to the surge of imported cement.

As all these were happening, almost 90 percent of the local cement industry has come under foreign control, a Salomon Smith Barney report has revealed. The crisis has dramatically changed the equity structure of the local cement industry as foreign companies looking for bargain hunts have found these in bleeding and floundering Filipino-owned cement firms. The most recent investors are Mexico's Cemex, France's Lafarge, Switzerland's Holderbank, and United Kingdom's Blue Circle Industries Plc. Known as the Big Four, they invested $1.7 billion in 16 local companies in the last two years, saving the local cement industry from virtual collapse from the impact of the Asian financial crisis.

Switzerland's *Holderbank Financiere Glarus* started the consolidation wave when it acquired 40 percent of Union Cement Corp. (UCC) in 2000 and merged it with Hi-Cement Corp. as the surviving entity. Within the 2001, it was expected to merge UCC with Alsons Cement Corp. where it also owns a 50 percent stake. Holderbank committed a US$55 million capital infusion to Alsons Cement Corp. through subordinated loans.

UK's *Blue Circle Industries Plc.* plans to consolidate its four cement firms: Republic Cement, Fortune Cement, Iligan Cement and Zeus Holdings. Blue Circle has purchased 20 percent of the outstanding stocks of Fortune Cement Corp.

France's *Lafarge* owns shares in Southeast Asia Cement Holdings, Republic Cement, and Continental Cement. Lafarge acquired 13 percent of Republic Cement for US$25 million.

Mexico's *Cemex*, which also established a strong presence in Indonesia during the Asian financial crisis, has interests in in the Philippines' second largest cement producer through Apo Cement, Rizal Cement and Solid Cement.

Local companies such as Fortune Cement Corp., Republic Cement Corp., Iligan Cement Corp. and Mindanao Portland Cement Corp. are currently consolidating their operations to prepare for the entry of more foreign partners. In 1988, Hi-Cement Corp., Davao Union Cement Corp. and Bacnotan Cement Corp. merged and signed a $210-million investment partnership agreement with Holderfin, a subsidiary of the Swiss firm Holderbank. Partnership with foreign companies is the strategy for local companies to survive and continue operating.

c) Impact of trade liberalization on employment in the cement industry

Job losses in cement companies that have closed down have reached between 14 and 100 percent of the total labor force. Market leader Union Cement Corp. has closed six lines, including lines located in Davao, La Union and its only kiln operating in Central Luzon. Antipolo-based Solid Cement has shut down two of its three lines of production. Rizal Cement in Binangonan has been completely shut down since cement imports surged in 1999. Republic Cement had shut down two lines operating at 425 tons per day last year and a further line with a capacity of 1,100 tons per day in September 2000. Fortune Cement closed its 2,500-ton/day plant last August while operations at Mindanao Portland Cement are currently suspended. In all, nearly 6,000 tons per day of capacity has been suspended by the Blue Circle Alliance, resulting in over 250 job losses. FR Cement Corp., Continental Operations Corp., Lloyd's Richfield and Titan Cement have closed down, rendering a 5,500-ton-per-day capacity idle and costing 756 jobs or a total of 45.6 percent of total jobs in the four companies. Alsons Cement has not closed any line but has been exporting at very low prices just to keep its plant running and its people employed but Philcemcor said the company is not sure how long it can keep this up without resorting to line closures.