

**Patronage Politics and Rice Policies in  
the Philippines and Thailand**

**A Doctoral Dissertation**

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**by**

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## **List of Abbreviations**

ADB	Asian Development Bank
AFC	Agricultural and Fisheries Council (The Philippines)
AFMA	Agriculture and Fisheries Modernization Act (The Philippines)
ASEAN	Association of Southeast Asian Nations
CARP	Comprehensive Agrarian Reform Program (The Philippines)
CCT	Conditional Cash Transfer
CP	Charoen Pokphand (Thailand)
DA	Department of Agriculture (The Philippines)
DSWD	Department of Social Welfare and Development
EAERR	East Asia Emergency Rice Reserve
FAO	Food and Agricultural Organization of the United Nations
FPTP	First-past-the-post
FSSP	Food Staples Self-Sufficiency Program (The Philippines)
FTT	Farmers Federation of Thailand
GATT	General Agreement of Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GOCC	Government Owned and Controlled Corporation (The Philippines)
HoR	House of Representatives
IA	Irrigators' Association (The Philippines)
IACRC	Inter-Agency Committee on Rice and Corn (The Philippines)
IMF	International Monetary Fund
IRRI	International Rice Research Institute
MAV	Minimum Access Volume
MOAC	Ministry of Agriculture and Cooperatives (Thailand)
MOC	Ministry of Commerce (Thailand)
MOF	Ministry of Finance (Thailand)
MSMV	Multi-seat, Multi-vote
NAC	National Agricultural Council (Thailand)
NARIC	National Rice and Corn Administration (The Philippines)
NEDA	National Economic Development Authority (The Philippines)
NFA	National Food Authority (The Philippines)
NGA	National Grains Authority (The Philippines)
NGO	Non-governmental Organization
NIA	National Irrigation Agency (The Philippines)
NRP	Nominal Rates of Protection
O&M	Operations and Maintenance
OPEC	Organization of Petroleum Exporting Countries
PD	Presidential Decree (The Philippines)
PDAF	Priority Development Assistance Fund (The Philippines)
PHP	Philippine Peso
PWO	Public Warehouse Organization (Thailand)

QR	Quantitative Restriction
RWAN	Rice Watch and Action Network
THB	Thai Baht
TREA	Thai Rice Exporters Association
TRT	Thai Rak Thai
UN	United Nations
UNICEF	United Nations Children's Fund
URAA	Uruguay Round Agreement on Agriculture
USAID	United States Agency for International Development
USD	United States Dollars
USDA	United States Department of Agriculture
WTO	World Trade Organization

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*Chapter 5 of this thesis was written during the Umbrella Movement, the protests in Hong Kong between September and December 2014 for true democracy. I often utilized the “study room” facility at the site of the protests.*

*I dedicate this thesis to all who were part of this movement. While there may never be perfect institutions in this world, nothing should stop us from the quest for better and more inclusive governance.*

## **Abstract**

The Philippines and Thailand both made controversial decisions with regard to the global rice market in recent years amid price fluctuations. Despite relatively high levels of wealth disparities in both countries, this study explores why it was Thailand, not the Philippines, that offered lavish price support to its rice farmers, and why the latter spent its public money instead on voluminous levels of rice imports. Policy characteristics were explained through the different approaches taken in patronizing rural voters, as a result of the respective development of social cleavages and political systems in the two countries. In the Philippines, traditional patronage dominated politics after re-democratization in 1986. As particularistic gains were distributed to communities and individuals, the political need for price incentives offered to rice farmers became less imminent. Pork barrel projects, however, did not reliably provide the infrastructure needed to improve rice productivity. Self-sufficiency dwindled, and a policy of state rice imports prevailed as a result. In Thailand, increased rural–urban wealth disparities generated new social demands and new electoral rules after the Asian financial crisis. The situation instead favored a variant form of patronage: mass parties that competed through a policy platform that appealed to the masses. Programs that provided generous price support to rice farmers emerged as a result. Controversial measures of the two countries, including the mega imports of the Philippines between 2008 and 2010 and the high levels of price subsidies in Thailand between 2011 and 2013, were coherent with preexisting trends in rice politics as well as patterns of patronage.



## **Chapter 1**

### **Introduction: The Global Rice Market and Domestic Patronage Politics**

“World food crises over the past two centuries have triggered a standard debate each time: how much can the market be relied on to provide food security and how much should the government intervene on behalf of this objective? ... Especially within the food and agricultural sector, the question has tended to revolve around ‘price policy’ broadly construed, that is, government interventions into input and output prices through subsidies, taxes, and trade policies that influence the prices of imports and exports” (Timmer, 2010a)

### **Food Crises, the World Rice Market, and the Role of States**

During 2007 to 2008, the prices of key food grains rose to levels unseen since the previous food crisis in 1972–73 (See Figure 1). A number of studies have been published regarding the causes of rising food prices (including Evans, 2009; Headey & Fan, 2008; Timmer, 2008, 2010a). These include the increasing food demands of large, emerging economies, such as China and India; speculative activity on food commodities in the financial market; and the increasing link between the food and energy commodities as a result of the international development of biofuels as a substitute for fossil fuels. Combined with the effects of the global financial crisis, which affected the world later in 2008, one billion people were pushed into hunger by 2009 as a result of the food price crisis (FAO, 2010).

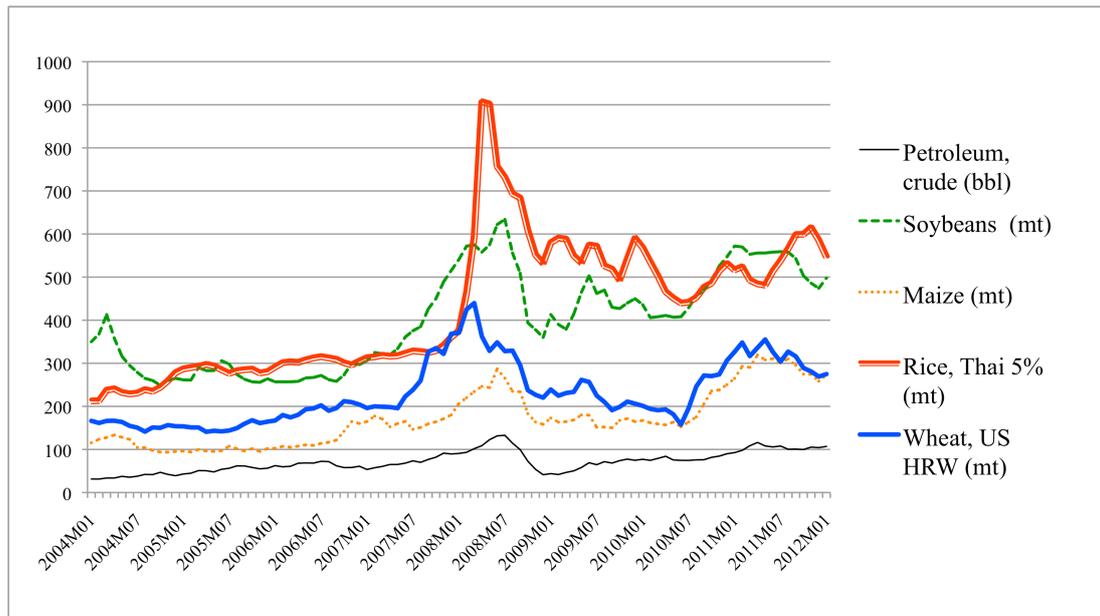


Figure 1. Trends in the price of rice and other commodities, 2004–2011. Source: World Bank.

The causes listed above, which explain the rise of food prices in general, may be insufficient in explaining the price surges of individual commodities. The case of rice is of particular concern because its price almost trebled between January 2008 (USD376/tonne) and April 2008 (above USD900/tonne, based on Thai 5% broken prices as reported by the World Bank).<sup>1</sup> An understanding of commodity-specific dynamics is necessary in explaining what caused the rice price crisis in 2008, since neither China nor India was an importer of rice during the 2007–2008 food price crisis. Also, there was yet to be a deeply traded futures market for rice, and without such a market there was no attractive option for financial speculation (Timmer, 2008). Finally, the effect of biofuels on rice was also limited, as the substitution effect between rice and grains used in biofuels, such as maize and soybeans, was also limited (Timmer, 2008).

<sup>1</sup> As a result of government-to-government trade between Vietnam and the Philippines, spot prices once went above USD1,100 per tonne, according to Slayton (2009) and Timmer (2010). (Unless otherwise stated, the measure “tonne” denotes one metric ton, or 1000 kilograms, throughout this thesis.)

Rice is the main staple for more than half the world's population and constitutes 20% of the total food energy intake of the world's population (FAO, 2006). In Asia, rice accounts for 29.3% of total calories consumed by households (Timmer, 2010b). More than two billion Asians derive between 60 and 70% of their daily dietary energy from rice and its by-products (FAO, 2006). Price shocks in rice therefore affect a significant number of people in the world and put them at risk of malnourishment or even hunger. Given the observed volatility, which was unexpected by general explanations for the increase in food prices, a more in-depth study focused on rice is warranted.

The world rice market is considered a thin market in which just more than 6% of global production is traded internationally. This amount is already an increase from the 4% figure of about two decades ago. Throughout these two decades, however, trade has never accounted for more than 4% of overall rice consumption in Asia (see Table 1). In such a thin market, price changes easily result from relatively small quantity moves by a few key influential players.

Table 1  
*Imports as a Small Percentage of World and Regional Rice Consumption*

Year	Total rice consumption (thousand tonnes)*		Total rice imports (thousand tonnes)*		Imports as percentage of consumption	
	<i>Asia</i>	<i>World</i>	<i>Asia</i>	<i>World</i>	<i>Asia</i>	<i>World</i>
1988	295195	323350	7119	12679	2.4%	3.9%
1993	327663	359239	8299	15660	2.5%	4.4%
1998	350993	388125	12986	23208	3.7%	6.0%
2003	366475	412184	11845	25765	3.2%	6.3%
2008	383432	432039	12355	26342	3.2%	6.1%

\*Source: USDA.

International financial and trade organizations have made efforts to make the world rice market more open, with fewer barriers, deeper integration, and more stable prices, but nation states have continued to dominate in this less globalized food market

(Paarlberg, 2002, 2010). Politically charged assistance to farmers in the form of lavish subsidies and high barriers to the market still exists in the high-income states of Japan and South Korea. In less wealthy states, governments continue to use the world market as an instrument, controlling imports and exports to defend stable prices in major urban markets of the country (Timmer, 2010a). The outcome after rounds of international trade negotiations over the years has proved that a full opening of the international market of rice was only “wishful thinking” (Timmer, 2008, p. 81).

Table 2  
*Share of Top Exporting and Importing Countries in World Market, Cumulative Volume From 2004–2008*

a) Exports		
Country / grouping	Cumulative rice exports 2004–2008, (thousand tonnes)*	Percentage share of world total exports
World	148518	100.0%
Top 5 exporters	121776	82.0%
<i>Thailand</i>	<i>43218</i>	<i>29.1%</i>
<i>Vietnam</i>	<i>24250</i>	<i>16.3%</i>
<i>India</i>	<i>21408</i>	<i>14.4%</i>
<i>USA</i>	<i>16593</i>	<i>11.2%</i>
<i>Pakistan</i>	<i>16307</i>	<i>11.0%</i>
b) Imports		
Country / grouping	Cumulative rice imports 2004–2008, (thousand tonnes)*	Percentage share of world total imports
World	136947	100.0%
Top 5 importers	36658	26.8%
<i>Philippines</i>	<i>9881</i>	<i>7.2%</i>
<i>Nigeria</i>	<i>8127</i>	<i>5.9%</i>
<i>Iran</i>	<i>7400</i>	<i>5.4%</i>
<i>Saudi Arabia</i>	<i>6006</i>	<i>4.4%</i>
<i>Bangladesh</i>	<i>5244</i>	<i>3.8%</i>

\*Source: USDA.

The actions taken by individual states since the onset of the 2008 rice price crisis were especially significant. Table 2 shows some of these key players in the world rice market. To safeguard domestic supplies, India and Vietnam issued bans on

rice exports and greatly reduced the amount of rice in circulation in the rice market (Slayton, 2009). Thailand, as the world's largest rice exporter at the time, also overtly considered similar export restrictions, although they were never implemented. As the world's largest rice importer at the time, the Philippines reacted by making large, or excess, government-to-government purchases from Vietnam at outrageously high prices (Dawe & Slayton, 2010).

The seemingly abrupt actions of individual countries also showed some degree of what was termed in FAO documents as “rational panic”—that is, a rush to secure additional supplies as soon as possible, despite propelling prices even higher in vicious cycles and creating further uncertainties within the country (Dawe & Slayton, 2010). Indeed, rice supplies in the world prior to the price crisis in 2008 market were adequate, and production in Asia was growing enough to cover population growth. The uncoordinated actions of countries were possible because of preexisting policies and institutions in countries, or the lack of constraints toward such actions at the international level. Understanding the considerations behind the design of rice policies in countries that are key actors in the world market would be imperative to the improvement of food security, even beyond the borders of these countries.

### **A Study of Two Countries**

This study is concerned with how states make their choices in the design of rice policies. In countries where rice prices are regulated by the state, policies may at first look similar in that they almost all involve the state procuring the commodity to maintain a sizeable stockpile and have the similar unwanted effect of making the already thin international rice market even thinner. Upon more careful scrutiny, however, these “stock” policies are in fact part of larger policy packages that vary from one another in terms of their nature. Depending on the sources from which the

government buys the majority of its rice, the extent to which local producers benefit from the policies relative to consumers also changes.

I present two cases in this study, the Philippines and Thailand. Both countries have been representative actors in the world rice market. Thailand was the largest rice exporter for more than three decades up until 2012, while the Philippines was the largest importer of rice in the world between 2003 and 2011 in cumulative terms, importing more rice in total (14.8 million tonnes) than any other country.<sup>2</sup> Both countries have made decisions that were controversial to stakeholders and watchers of the world rice market at some point in recent years. These decisions resulted in a significant buildup of stock within the country and constituted cases for concern over the stability of the rice supply in the world market (Slayton, 2009; United Nations, 2008). The buildup of such stocks was not fully the result of sudden policy changes, but was in fact made possible by institutions and policies that had been put in place since decades ago, and they warrant our examination. Though costly, the policies find their justification through the relatively large price fluctuations in the world rice market, which could adversely affect both producers and consumers if not controlled (Timmer & Dawe, 2007).

In terms of establishing the two countries as a comparable pair, it is acknowledged that the Philippines is a major importer and Thailand a major exporter. While there are merits in comparing one importer with another importer or one exporter with another exporter, these two countries alone already present an interesting puzzle. Thailand, which has capacity for export, turned out to have a policy that gave more direct assistance to farmers than the Philippines, which was subject to import

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<sup>2</sup> USDA Data, retrieved from IRRI World Rice Statistics. The second- and third-largest importers for the same year were Nigeria (14.6 million tonnes) and Iran (10.4 million tonnes).

competition. Also, both countries are major rice producing and consuming states, hence they are appropriate for consideration as the case countries for the examination of the balance between producer-oriented and consumer-oriented policies.

### **The Philippines**

The Philippines was the world's largest rice importer of rice during the 2008 rice price crisis. In the midst of price hikes during that year, the Filipino government made panicked purchases that were exceptionally large in volume, sending signals across the world and causing market prices to go up dramatically. Reportedly, government stocks of the Philippines dropped to levels lower than national standards in February 2008, and the government went scrambling for rice in the international market.<sup>3</sup> Although the government issued a number of tenders through the National Food Authority (NFA, the state-owned trading enterprise that virtually monopolizes rice imports), they generated limited response due to seller expectations of further price increases (Slayton, 2009).

With the government sending off signals of scarcity, people were found waiting in long lines to purchase subsidized rice at state outlets in March 2008. People started hoarding rice at home, and traders began hoarding huge stocks in the hope of profiting from higher prices later. The president set up a special anti-hoarding and smuggling task force, which carried out raids on suspected warehouses. She also threatened to charge offenders with economic sabotage, which was punishable by a life sentence. Troops were called to protect deliveries of rice to poor areas, and farmers were found to be guarding their crops; pictures of armed security guards in front of stacks of bagged rice flooded the Internet ("Asian States," 2008).

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<sup>3</sup> According to Slayton (2009), NFA's inventory fell to the equivalent of 8 days' supply by early February, just over half of the 15-day norm.

Sensing the heat of the situation, President Gloria Macapagal Arroyo personally got in contact with Vietnamese Prime Minister Nguyen Tan Dung to secure an undisclosed volume of rice in February 2008, which was revealed one month later to be 1.5 million tonnes per year between 2008 and 2010. The agreement went into effect when Filipino Secretary of Agriculture Arthur Yap and Vietnamese Minister of Trade Yu Huy Hoang signed a memorandum of agreement, just in time for the Vietnamese ban on exports to go into effect. The Filipino government also made a hasty decision to become self-sufficient in rice by 2010, although this was later pushed back to allow for a more realistic schedule for achieving the goal by 2013 (Calderon, 2008).

The series of events had an effect on domestic food security. According to a survey conducted in July 2008, 2 in 3 Filipino families had to cut down on food consumption, and 1 out of 4 had to cut down on rice consumption due to the increase in prices (Flores, 2008). Another unintended result of such purchases, as expected, was the rapid elevation of prices on the global rice market, which also pushed the outside world into food insecurity. According to rice expert Tom Slayton (2009), the tenders offered by NFA were considered “mega,” even by international standards.

Although the threat of food insecurity was clear and present, one point of controversy was the heavy financial burden that the imports placed on the country. In fact, the NFA contributed PHP27.03 billion, or 10.8% of the PHP251.5 billion consolidated public sector deficit for 2009 (Congress of the Philippines, 2010). Also, when the administration of Benigno Aquino III took over in 2010, excess rice imports were found rotting away in overflowing warehouses, and they had to be handed out to day care centers for children as a form of disposal (AFP, 2010). There were even doubts over whether the Philippines really needed to import such huge volumes of rice.

We need to understand the type of institutions and policies that were in place before the crisis, which required the Philippines to depend heavily on rice imports. Furthermore, we also have to understand the sociopolitical forces in place, which perpetuated the need for the government to use its limited resources for these imports.

### **Thailand**

Thailand is a major actor in the world rice market, responsible for more than a quarter of the rice traded in the whole world market. Unlike Vietnam and India, Thailand kept its rice exports open during the 2008 rice price crisis. Nonetheless, it had some difficulties releasing rice to the international market in recent years due to controversial market interventions taken in the country. In view of the potential effects of these interventions on the availability of rice in the world market, I have selected Thailand as a case for study.

In 2011, Thailand saw the revival of a policy known as the paddy pledging program, which raised concern among the community of nongovernmental and intergovernmental humanitarian agencies. Although the program was packaged as a loan, it functioned as a de facto state purchase program with high levels of price subsidies, justified by a stated goal of boosting rural income. The Thai government purchased rice from farmers at extraordinarily high cost levels and shelved this rice in the hope that world prices would rise to a level at which the government could break even. Mountains of rice ended up accumulating in the government's warehouses as the Thai government waited in vain for the moment when the rice could be sold off without incurring major losses.

If it had not been for India, which decided to withdraw its four-year ban on rice exports in 2012, the market interventions of the Thai government could have caused another crisis in the world rice market. Thailand lost its position as the top exporter of

rice to India and was also surpassed by Vietnam, hence ending up as only the third-largest exporter that year. Further, the program cost the government about THB376 billion (USD12.5 billion) for the year starting October 2011, which was equivalent to 3.4% of GDP (World Bank, 2012). With the rice being sold at a loss, about one third of this cost (THB134 billion or USD4.4 billion) was never recovered (Hookaway, 2013).

The paddy pledging program was criticized as a “populist” policy devised by incoming Prime Minister Yingluck Shinawatra as a way to draw votes from the rural majority in Thailand. The practice of “paddy pledging” (explained in Chapter 2), however, was a policy that went into effect much earlier during the 1980s, with the objective of providing a limited level of income guarantee to farmers. At first, the program provided no subsidies for the farmers, but state pledge volumes and guarantee price both increased from 2001. The high prices offered by Yingluck also had their roots in the rice price crisis in 2008. As prices started to fall from the peak of the crisis, farmers who feared they would suffer from losses pressured the newly elected Samak administration to purchase rice at high, subsidized prices (Paopongsakorn, 2011). The program was thus thought to have become a “full-fledged” populist policy since 2008, drawn up in response to voting constituencies and political positions (Kittisak, Thanaporn, & Chayankorn, 2012, p. 23).

The program came into the spotlight in the media again in 2013, when the government failed to pay farmers the prices Yingluck had promised to farmers prior to her election. This overly generous version of the paddy pledging program contributed to a deterioration in the fiscal health of the country, prompting major protests from the urban middle class in Bangkok, as well as angry farmers who failed to receive their

promised payoffs and felt they had been betrayed. Eventually, the Yingluck government fell into governance failure and was ousted in a coup in 2014.

Table 3  
*Comparison Between Key Features of Rice Policies in the Philippines and Thailand*

	The Philippines	Thailand
National stockpile	Largely composed of state imports	Sourced from domestic procurement through paddy pledging policy
Domestic support in recent years	Private imports extremely limited to protect the local rice sector from competition. Government paddy procurement does exist, but only at very low levels (less than 5% of national production). Prices were uncompetitive and were raised only after the 2008 rice price crisis.	Government paddy pledging policy at prices equal to or above market levels, virtually purchasing a significant proportion of national production (around 20%). During 2009–11, the pledging policy was replaced by an income guarantee policy.
Key difference	Compared to Thailand, little regular, direct support was provided in the Philippines to domestic farmers, even though they faced competition from cheap imports.	

## The Question and the Argument

### Framing the Puzzle

As seen above, both the Philippines and Thailand have made substantial public expenditures resulting in major rice stockpiles for different reasons, and some of the key policy features and trends are outlined in Table 3. Although the policies will be explained in greater detail in Chapter 2, I would highlight here the most remarkable difference. The Philippines has had a stockpile virtually dominated by state-purchased imports, while Thailand has built up a stockpile through its de facto domestic purchase program. Although a state paddy procurement policy also exists in the Philippines, the scale as well as the level of welfare offered through the program is much lower than in the case of Thailand.

This key difference between the two countries can be understood as the dependent variable in this study. Whereas Thailand uses the program as a way to support farmer income, the Philippines is more concerned with ensuring an affordable rice supply to consumers, and thus has resorted to imports. Based on common sense, it may seem that the Philippines, as a rice-importing country, would have a more protective rice policy and would provide more direct support to its farmers. Unexpectedly, it is Thailand, the exporter, that has provided a much higher level of support to producers in recent years.

Economists often demand that market interventions from governments be kept to a minimum for efficiency reasons. They claim that greater market liberalization or the “integration” of markets through regional arrangements could help to increase the efficiency of agriculture and the effectiveness of markets in delivering food security to more people (e.g., Bello, 2005; Chandra & Lontoh, 2010). Efforts to further liberalize rice trade in Asia have nonetheless been faced with some major challenges. On the consumer side, the world rice market does not appear to be trusted by governments as a secure source of food security for their people. This perception was reinforced by the 2008 rice price crisis, when importers were left to panic as exporters such as India and Vietnam banned their exports unilaterally (Alavi et al., 2012; Dawe, 2002). On the production side, trade liberalization might lead to price-cutting activities between countries and directly put the livelihoods of farmers in some countries at risk. Without proper assistance mechanisms in place, trade liberalization cannot be assumed to be compatible with the goal of strengthening sustainable smallholder production, which is an important contributor to overall food and nutritional security (United Nations, 2008).

As a result of these challenges, price interventions taken by countries including those taking the form of stockpiles remain in place. While these policies may stand to benefit certain interest groups, they have all taken its toll on the state itself in terms of its fiscal situation. I therefore would like to address the question of *what sociopolitical factors exist behind these rice policies?*. Specifically, I would like to explore the different sociopolitical setups that exist beyond physical geographical factors (such as island nations vs. fertile river valleys) in giving rise to different policies in different countries.

### **My Argument: Patronage Politics**

In a democracy, a key consideration in the choice of a nation's rice policy could well be the political calculus used by ruling coalitions in order to stay in power. As countries that are still adolescent in the development of both their economies and their democracies, the Philippines and Thailand are plagued with relatively high levels of economic inequality. I argue that the evolution of social cleavages over time, in interaction with the development process of political systems, has led to contrasting linkages between politicians and citizens in the two countries. This difference is responsible for the different forms of rice policies pursued by politicians in the two countries.

Given the coexistence of a somewhat patrimonial political culture in rural areas with a struggling liberal democratic institution at the national level in each country, poor rural voters can become a market for politicians to offer side payments in order to gain votes and be elected. These side payments can be offered in different manners. In the Philippines, they take the form of "traditional patronage," which is decentralized to various localities. Politicians provide particularistic gains, such as community infrastructure or even plain cash, to geographic constituencies or individual voters at the

local level. This traditional patronage, in the form of a “localized or individualized good,” displaces the political need for more nationalized rural or pro-poor policies for rice farmers. As a result, rice policies offer little support to farmers, and the government procures most of its rice stocks as cheap imports to address the issue of food security for general consumers.

Individualized patronage linkages have also been observed in Thailand. During the early period of postwar development, personalized connections between individual state elites and businesspersons characterized the Thai political economy (Doner & Ramsay, 1997). During the 1980s and early 1990s, local, particularistic patronage also became rampant in rural areas. However, linkages between citizens and voters in Thailand have become different since a new constitution came into effect in 1997. Among the changes implemented were electoral rules designed to weaken the importance of local, particularistic patronage, which was once rampant during the 1980s and early 1990s. The new constitution encouraged political competition based on stronger party platforms, and the Thai Rak Thai (TRT) party led by Thaksin Shinawatra won the election in 2001 through campaigning with pro-poor, populist policies. This unprecedented move also presented a new way in which side payment is distributed to poor rural voters.

The price support offered to rice farmers was an initiative on the policy platform of the TRT. Although this welfare was still offered to a clearly defined and identifiable group among the electorate, Thailand can be seen to have departed from “patronage” in the traditional sense. The dyadic proximity between the patron and the client that defined patronage in the traditional sense is no longer as visible in these initiatives. Nonetheless, it may still be possible to look at the TRT party as a patron, the rice farmers as clients, and such price support as a form of “club good” directed

toward a clearly defined group among the electorate in exchange for their support, to the neglect of the interests of the broader population (Hopkin, 2006).

Although the words *patronage* and *clientelism* may have been taken beyond their conventional meaning in this dissertation, the linkage between TRT, or later pro-Thaksin parties, and the rice farmers can be better characterized as a patron–client one rather than a programmatic one because the policy is clearly a measure built on financial bases that are poorly programmed to attract rural votes.

This situation in Thailand would fit the definition of a new type of “mass party” clientelism described by Hopkin (2001, 2006), in which political behavior is still characterized by patterns of exchange, but with the role of landlords and local notables replaced by organized political parties. The relationship involves parties selectively distributing state resources to particular groups in exchange for votes, but there is less of a sense of deference and dependency on the part of the client, who feels increasingly free to use her vote as a commodity to be exchanged for whatever maximizes her utility. The situation was also similar to clientelism in Greece as described by Pappas (2014), in which the state becomes “a specific political arrangement for facilitating and promoting the social and economic advancement of individual citizens at the expense of the public good, instead of being the motor of economic growth that it was meant to be” (p. 47).

Regardless of the terms used to describe the politician–citizen linkages in the two countries, it is clear that patronage in the Philippines has continued to be of the traditional, localized type, whereas Thailand has moved beyond such geographically confined arrangements. Why do we see such divergence? I will unpack this difference using two other variables: the development of social cleavages and political systems. *Social cleavages* can develop for a number of reasons, including religion and ethnicity,

but they also often occur as a result of inequality in resource distribution, in particular the differentiation between the landed and landless classes. Cleavages can change over time based on the role taken by the state in addressing these imbalances, and the trajectories that the two countries travelled were different. As I shall present, the Spanish and American colonial states relied on landed elite families in the Philippines to govern the archipelago, and there was no comprehensive land reform after independence to change the imbalance. In contrast, Thailand was never colonized, and the royal state actually came between the landlords and the peasants in the late 19th century to bolster its own power over the nobility while facilitating a smallholder norm in agriculture. The contrasts between the social cleavages of the two countries were further deepened with Thailand's relatively more rapid industrialization and more severe damages from the Asian financial crisis.

Despite having gone through varying extents of democratization, the development of *political systems* in the two countries also shows some clear differences. The Philippines has adopted a presidential system to mirror the American system, under which it was once a colony. This was institutionalized into a flawed, "cacique democracy" system upon the introduction of an elected legislature from the Americans during the 1930s (Anderson, 1998). Thailand took up a parliamentary system in the transition toward constitutional monarchy in 1932, and the central government maintained a stronger military–bureaucratic apparatus that was able to keep check on local elites for much of history (Sidel, 2004). The two countries therefore have shown a remarkable difference in the distribution of power between elected officials vis-à-vis the bureaucracy for much of the last century.

These early developments interacted with later ones to produce diverging patterns in the patronage politics of the two countries. Key developments that need to

be considered include the renewed electoral systems (after the People Power Revolution of the Philippines in 1986 and the Asian financial crisis that deeply affected Thailand in 1997), as well as the political and financial capacities of local governments with reference to the central state in the two countries.

### **Navigating the Study**

#### **Thesis Outline**

Moving on from this chapter, I will first present rice policies in the Philippines and Thailand in greater detail (Chapter 2). First, I will discuss some of the key considerations when states make policy choices related to rice by using the three agricultural problems proposed by development economist Yujiro Hayami (2007). These problems include the problem of food insecurity in low-income countries; the need to protect farm interests in high-income countries; and the need to address income disparities between farmers, informal sector workers, and the industrialized sector in middle-income countries. I will next introduce the rice sector of the Philippines and Thailand, looking at their performance in production, consumption, and trade, as well as the most important policy choices made by the state in the last four decades. An important objective is to characterize the rice policies and to establish the two countries as a comparable pair, given Thailand's traditional advantage in the production of rice.

After looking at the dependent variable, I will move onto the explanatory variables by looking at the evolving patterns of patronage politics in the Philippines and Thailand (Chapter 3). I will travel back in time by examining the paths of social and economic development in the two countries to show how the social cleavages have evolved over time. Some historical patterns to be considered here include the distribution of land ownership between farmers and rural elites, as well as the wealth

disparities between rural and urban sectors. I will show how these social cleavages interacted with the development of political systems and gave rise to a perpetuation of localized patronage in the Philippines but facilitated a variant type of patronage in the form of a populist, mass party platform in Thailand.

The study of political systems in the two countries will bring us to a tentative conclusion that the ruling coalition of the Philippines is composed of a decentralized network of rural elites, known as “traditional politicians,” characterized by personal appeal and low party loyalty. On the other hand, recent political developments in Thailand have brought about a system with a smaller number of parties, almost approaching bipartisanship. There is a greater reliance on a party platform to attract votes from the lower-income, rural sector of the electorate. Since rice farmers are typically part of this sector, the importance of broad-based income support to them is also different in terms of influencing election results.

The implications of these differences in political systems will be discussed in the two chapters (4 and 5) that follow, where I will explain the recent trends in rice policies of the two countries by means of patronage politics. Each chapter begins with an analysis of various state and non-state players in the rice sector, outlining their interests and how they are related to one another. The chapters then go on to expose how these different stakeholders either benefit or suffer from the different forms of side payments offered by politicians.

In the case of the Philippines (Chapter 4), I will show how the lack of funding to local governments for improving rice productivity enabled a market for patronage, in which politicians might gain the popular vote by offering pork barrel projects in the form of agricultural infrastructure or facilities. The effectiveness of such politically motivated investment in agriculture was nonetheless compromised due to rampant

corruption, with money going back to the pockets of politicians to fund even more particularistic forms of patronage. This cycle of patronage-cum-corruption resulted in dwindling rice self-sufficiency and dependence on rice imports. The need to generate resources for the same patronage might even explain allegations of further corruption in the mega rice imports of the Philippines in 2008.

In the case of Thailand (Chapter 5), I will show how the increasing incidence of rural poverty, including in the rice farming regions, has created social demand for various pro-poor policy initiatives, including price support for rice. I will show the political significance of the government's policy of supporting rice prices by analyzing the results of Thaksin's two election wins in relation to his populist policies as a centralized form of side payment distribution. I will also analyze the rice policies of parties after the ousting of Thaksin, including those parties that were seen as pro-Thaksin, as well as those that were seen as against him. Through this analysis, I will develop the political argument for rice price support policies in current Thai politics.

In the final chapter, I will bring the cases of the two countries back together and explain how diverging trends in patronage policies as a result of social cleavages and political systems development gave rise to different types of rice policies. Given the problems these institutions and policies have posed for the global food market, I will also discuss mitigating measures that state governments might want to consider regarding food security, with the expectation that such domestic institutional constraints are likely to remain in the near future. Furthermore, I will also bring up expectations that the international community should have in the context of rice policies driven mainly by domestic agendas, and how food security of individuals might possibly be protected from uncoordinated policy moves in individual countries.

### **Methodology and Measurement**

This study relies on a combination of research methods. Desk research includes the review of academic literature, reports from the media, government agencies, and nongovernmental and international organizations. Field interviews with key informants have also been carried out in the Philippines and Thailand, mainly to confirm the findings from the desk-based research, as well as to understand the dynamics between different stakeholders of the rice policies.

The characterization of rice policies is not easy, given the fact that such policies could be used to achieve different goals or address different problems. To measure the degree of importance governments attach to competing issues, I will look at two main dimensions throughout this study. The first is rhetoric, or the extent to which a government talks about an issue—such as rice self-sufficiency—in legislative proposals or program development plans. But because rhetoric has little cost attached to it, making it not a very strong indicator, it is important to consider government outlays. This is the second measurement, which shows how the government spends its scarce resources and can be regarded as the prime expression of its interests. As rice farming is very much a rural activity, the extent of administrative and financial decentralization must be considered, since it may affect the actual level of public resources channeled into agriculture development and in turn create funding gaps that patronage in the form of local club goods may conveniently fill.

The observation and data collection for systems where classical patronage prevails is usually challenging, since both politicians and voters would want to hide information on clientelistic exchanges. This is for obvious reasons: to avoid competition, social disapproval, or even prosecution (Kitschelt & Wilkinson, 2007). Nonetheless, field interviews supplemented with existing qualitative studies are sufficient to provide concrete examples where locally distributed patronage is

concerned. They provide insight into the changing patterns in the two countries over time and enable patterns to be effectively characterized.

Regarding the independent variables—social cleavages and political systems—much of the argument will be drawn from the existing wealth of literature on the general political economy in the countries. Field studies have allowed a further understanding of electoral systems, in particular the manner in which rules are implemented, vis-à-vis the way they are stated formally in the constitution.

### **Potential Contribution**

The 2007–2008 food price crisis highlighted weaknesses in the functioning of international food markets, and this is especially so for rice. If unaddressed, these weaknesses could have drastic consequences for the poor or the food-insecure. Perceived shortages in the market and hence price increases have often been the result of countries failing to work in an uncoordinated manner, and it is important to understand the deeper political motives that have caused countries to act in such ways. The understanding of the political realities behind the design of rice policies such as those in the Philippines and Thailand could potentially contribute to the improvement of world food security.

Despite being a study of two countries, this study is not designed to compare why rice self-sufficiency exists in Thailand but not in the Philippines, nor will it explain why protection exists in one country but not in the other, since rice protection does exist in different forms in both countries. Readers should also avoid falling into the trap of seeing one of the two cases as good or successful while seeing the other as bad or failing. Such judgments would obviously depend on the parameter of measurement—whether it is political success of a leader, fiscal health of a government, or food security of a country.

What the study does compare, however, is the different social structures and political systems that have contributed to these different policies. The decision of the Philippines to use public money in order to limit the import of rice to state trading agents, or that of the Thai government to run the paddy pledging program at subsidized prices, is a conscious policy choice and deserves explanation. The study can be seen as *comparative* in nature in its discussion of why there is a more tangible or perceivable form of support for producers in Thailand but not in the Philippines.

Also, both the Philippines and Thailand at some point took steps to address the rice issue that caused more harm than good. The documentation of these practices serves as a caution to other countries, as well as influencers of food policy in the world. Given the connection of these policies to the political systems in the country, the answer to world food security could indeed lie in the more basic governance reforms in countries that are active players in the world market. In this sense, the case studies of the two countries are also *integrative* in nature.

## **Chapter 2**

### **The “Agricultural Problems” and Rice Policies**

In the last chapter, I showed how decisions made by governments in the Philippines and Thailand have been controversial in recent years and brought up the need to explain rice policies in these countries in the light of political institutions and social structures. In this chapter, therefore, I will focus on the dependent variable of the model and present the most important trends in the rice policies of the Philippines and Thailand with a focus on the recent two decades.

There are many ways in which food policies could be described, but I will do so using a framework introduced Hayami (2007) in his paper “An Emerging Agricultural Problem in High-performing Asian Economies.” Hayami identified three agricultural problems encountered by countries as they progressed from low-income to high-income status. In low-income countries, the “food problem” is dominant, as the key concern of politicians is in securing affordable food for urban dwellers. In high-income countries, the “farm problem” is dominant, as the key concern for politicians is in keeping farmers’ income level balanced with that of non-farm workers. In middle-income countries, Hayami claims that a “disparity problem” emerges where these two concerns are more or less important, and politicians are most concerned with relieving farmers from the problem of relative poverty.

As I will present below, the policy choices in countries with the food problem or farm problem are rather clear-cut. The food problem would lead states to exploit farmers in order to provide cheap food needed in the process of industrialization, while the farm problem would cause states to tax consumers in order to support food producers. The policy solutions for countries experiencing the disparity problem are not as simple. When dealing with conflicting policy goals, agricultural policies tend to

become “a tinkering exercise combining various, often mutually conflicting policy instruments in ad hoc manners” (Hayami, 2007, p. 15).

## **Agricultural Problems Along the Development Trajectory and Rice Policies**

### **The Food Problem**

The current definition of food security came from the World Food Summit in 1996 and was the result of an ongoing evolution of the concept: “Food security is said to be existing when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life” (FAO, 1996). Policies addressing the food problem thus have to do with addressing the *physical* and *economic access* to food.

It may be tempting to think that the food problem could be solved as long as physical availability of food staples is stable. This is rarely the case, however, as a number of African countries have experienced food crises while global grain stocks were ample and prices were low (Tan, 2008). Informed by the work of Amartyr Sen (1981), which shed new light on the relationship between famines and poverty, the food security concept was expanded. From the original focus on the “*availability* of basic foodstuffs to sustain a steady expansion of food consumption and to offset fluctuations in production and prices” (United Nations, 1975), it was expanded to include the “*access* by individuals to adequate resources for acquiring appropriate food for a nutritious diet” (FAO, 2006).

If food security is defined as the ability of individuals to access food through their own production or purchases, the long-term solution to the food problem is obviously for nations to achieve rapid economic growth that is inclusive of the poor (Timmer, 2000). Developing countries, however, commonly go through a stage of growth that is characterized by a burgeoning population, increasing food demands, and

the looming risk of food shortage relative to the demand. In particular, it is in the urbanizing areas where the means of food production is limited, and food shortage or overly high prices of food are likely to result.

Thailand and the Philippines were among the many developing countries that used state-owned agencies for purchasing food crops at suppressed prices from farmers and selling them cheaply to urban workers to facilitate industrialization. One of the rationales for subsidizing food consumption in urban areas is that food riots could become exquisitely political and threaten the regime if prices were not managed, the classic case being France in the late 18th century, around the time of the French Revolution (Tilly, 1983).

The practice of penalizing farmers to subsidize urban consumers could potentially aggravate the food problem, causing them to shift away from food crops and move toward agricultural activities that would yield better rewards, such as crops for export. In rare circumstances, the subsidies may be provided without significantly taxing the agricultural sector. Egypt, for example, was known for spending a significant proportion (more than 7%) of its gross national product on food subsidies to urban consumers (Krueger, 1993). There are not many examples of this type and level of spending, especially among newly independent countries after World War II.

The difficulty for governments in developing countries to maintain a stable and cheap supply of food created the opportunity for wealthier countries to intervene in their food supply. The United States, in particular, took leadership in a postwar food regime (Friedmann & McMichael, 1989). It first released its grain surpluses as food aid, both as political reward for its junior allies and as a way to open up new markets for future exports (Ball, 1996; Cohen, 1984; Friedmann, 1982). In the late 1960s, however, world population pressures prompted doubts regarding future food security

and the possible risk of communist insurgencies being unleashed due to food shortage. In order to cope with the threat, the United States, which had faced a serious problem with international balance of payment, changed its strategy from providing food aid to increasing food production in developing countries through the export of agricultural technologies in collaboration with private foundations, thereby ushering in the Green Revolution in Asia (Djurfeldt & Jirstrom, 2005).

The Philippines, as both a food-deficit country and an ally of the United States, was blessed with the Green Revolution. It was among a number of Asian countries that pursued rice self-sufficiency as a solution to the food problem. Although rice self-sufficiency addresses the issue of physical availability, it may not guarantee the low rice prices that would make the grain accessible to all. These countries nonetheless pursued rice self-sufficiency through sometimes heavy-handed state intervention due to the uncertainties associated with the thinness of the global rice market.

This state-centered food regime was challenged, however, as the world experienced a serious food crisis due to a major El Nino event from mid-1972 to 1973. The food crisis led to the emergence of an overwhelming ideology among the donor community, in particular the United States Agency for International Development (USAID) and the World Bank, which maintained that it should be a market principle that determines which countries should be producing food for the world and which countries should be importing from others (Timmer, 2010a). For countries not blessed with the Green Revolution, the prescribed solution to the food problem was to resort to importing from surplus countries. Often, these imports were not necessarily affordable to developing countries, but they were backed by subsidies from the states of the developed north.

## **The Farm Problem**

The practice of subsidies-backed dumping of food commodities on developing countries led to increasing discussion of the farm problem, or the protection of agriculture increasingly in the international arena. The need for states to protect agriculture often emerges during the course of economic development. According to Engel's law, the increase in food expenditures slows down relative to other areas of consumption as income increases. This could lead potentially to a surplus of food, which pushes the prices of food commodities downwards. States increasingly find themselves having to answer to demands from farm producers to push for policies that provide better protection of income. Even in countries that do not experience an overall food surplus, there exists a strong lobby in certain farm product sectors to push for protection.<sup>4</sup>

Rice is indeed one of those products whose consumption undergoes further contraction than other foods along with industrialization. According to Grigg (1996, citing FAO), the consumption of starchy grain staples such as rice for nourishment of households only increases during the early stages of economic growth. In developed countries of higher per capita income, consumers tend to purchase declining amounts of starchy staples and increasing amounts of expensive foods such as fruits and vegetables, meats, fish, and dairy products.

Protection of the rice sector has been increasing, despite allegations of inefficient rice farming as a result of protection in developed Asian countries such as Japan, Taiwan, and South Korea (Kajisa & Akiyama, 2005). Precisely because rice no

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<sup>4</sup> The classic case of such lobby would be the rice sector in Japan. By 2010, the country was importing more than half of the foodstuffs that it consumed, but a strong lobby continued to exist in opposition of various international agreements that would require the liberalization of rice trade, with the latest one being the United States-led Trans-Pacific Partnership (TPP).

longer constitutes a large proportion of people's total expenditure in higher-income countries such as Japan and South Korea, consumers have seldom objected to policies to support farmers through income transfers, as reflected in higher food prices. The policies also find justification through a more recent concept called the "multifunctionality of agriculture," which emphasizes the role of agriculture as environmental and cultural conservation, balanced growth for the national economy, and most relevantly with regard to our topic, food security (Sakamoto, Choi, & Burmeister, 2007).

Policies that protect farm interests have been a contentious issue in the arena of international trade negotiations. Until the early 1970s, agriculture was a key area left out of the more open monetary and trade arrangements of the United States-led Bretton Woods system at its establishment (Friedmann & McMichael, 1989). By the 1980s, however, agriculture also became subject to the principle of comparative advantage and transnational trade rules (McMichael, 1993; McMichael, 1994). In the face of tough competition from the European Economic Community, which was rising as a major food exporter through the heavy subsidies of its Common Agricultural Policy, the United States pushed for a change toward free-market trade in agricultural products.

As a result, agriculture was brought to the global trade negotiations for the first time in the Uruguay Round talks of the General Agreement of Tariffs and Trade (GATT) from 1986 to 1994 (Aksoy, 2005). The talks resulted in the Uruguay Round Agreement on Agriculture (URAA), which required countries to:

- (a) Reduce and eventually abolish all export subsidies;
- (b) Reduce and eventually abolish various forms of "trade-distorting" domestic support; and

- (c) Increase market access to foreign competition through converting non-tariff trade barriers to tariffs, which are in turn to be reduced over time.

These three pillars of the URAA can be seen as important in that they constitute most of the international constraints faced by all countries in protecting farmers and erecting barriers to the trade of rice.

### **The Disparity Problem: A Mix of the Above?**

Protection has often been regarded as a single category of policies that come into existence as incomes increase (Anderson & Hayami, 1986; Lindert, 1991), but they are not exclusive to high-income countries (Anderson, 2009). In middle-income countries, the farm problem can exist alongside the food problem. Hayami (2007) called this middle-income stage of development one where the disparity problem is dominant.

Table 4  
*GDP Per Capita and Gini Coefficient in the Philippines and Thailand (1988–2012)*

	<i>The Philippines</i>		<i>Thailand</i>	
	<i>GDP per capita (current USD)</i>	<i>Gini Coefficient</i>	<i>GDP per capita (current USD)</i>	<i>Gini Coefficient</i>
1988	643	0.41	1122	0.44
1992	815	0.44	1933	0.48
1996	1164	0.46	3055	0.43
2000	1043	0.46	1968	0.43
2002	1004	0.44	1988	0.42
2004	1084	(for 2003)	2479	n/a
2006	1398	0.44	3143	0.42
2008	1920	0.43	4118	0.41
2010	2135	(for 2009)	4802	0.40
2012	2587	n/a	5480	n/a

*Source: World Bank.*

Income disparity is an issue of major concern in both the Philippines and Thailand, with a Gini Coefficient of 0.40 or higher for the last 25 years (see Table 4). This inequality is the manifestation of a “dual structure” that often emerges at the middle-income stage of development, as comparative advantage is rapidly shifted away from agriculture to industry. In this structure, a well-to-do sector with

households employed in large-scale modern enterprises coexists with a relatively poor sector consisting of farmers, as well as workers in the informal sector. The dissatisfaction among farmers associated with the dual structure may pressure the government to take up agricultural protection measures. At the same time, the government needs to be on guard against food prices rising drastically, as that would result in major damage to a large number of small-scale enterprises in urban areas, which heavily rely on cheap labor (Hayami, 2007).

Despite sharing the problem of income disparity, the two countries still present some level of difference. Although both countries have seen a decline in the contribution of agriculture to total economic output, this shift has been more rapid in Thailand than the Philippines (see Table 5). While the more rapid shift may explain the lead of Thailand in terms of per capita GDP (refer to Table 4), it is also the reason why poverty in Thailand became even more concentrated in rural areas than it did in the Philippines. With rural areas in Thailand being noticeably much poorer than the urban areas, accounting for more than 90% of the total poverty of the country by 2002, the government would therefore naturally devise measures to address rural poverty. The Philippines, however, had more than one quarter of its poor population living in cities. Its government would thus have to address poverty in the rural as well as urban areas (see Table 6).

Table 5  
*Share of Agricultural Outputs in Total Output*

	<i>The Philippines</i>	<i>Thailand</i>
1980	25.1	23.2
1990	21.9	12.5
2002	14.7	9.0

*Source: United Nations Statistical Division, cited by Balisacan 2005.*

Table 6  
*Rural vs. Urban Poverty in the Philippines and Thailand*

	The Philippines 2000	Thailand 2002
Poverty incidence, based on national poverty line, %*		
Total	34.0	9.8
Urban	20.4	4.0
Rural	47.4	12.6
Contribution of rural poverty to total poverty, % **	72.4	91.3

*Source: \*ADB Key indicators 2004, cited by Balisacan 2005. \*\*Balisacan 2005*

Since poverty remains an issue in both the Philippines and Thailand, the rice policies of each country contain characteristics of protection; nevertheless, affordable rice is still in demand from a large number of people. Unlike Japan and South Korea, where the level of protection for rice farmers is high and rice has long become less important as part of the diet (see Figure 2), per capita rice consumption was yet on the rise in the Philippines and Thailand, at least up until 2008. With a significant proportion of less well-to-do households for which rice is still an economically and nutritionally significant part of their diet, the Philippines and Thailand might need to take on a range of policies to balance the interests of consumers and producers.

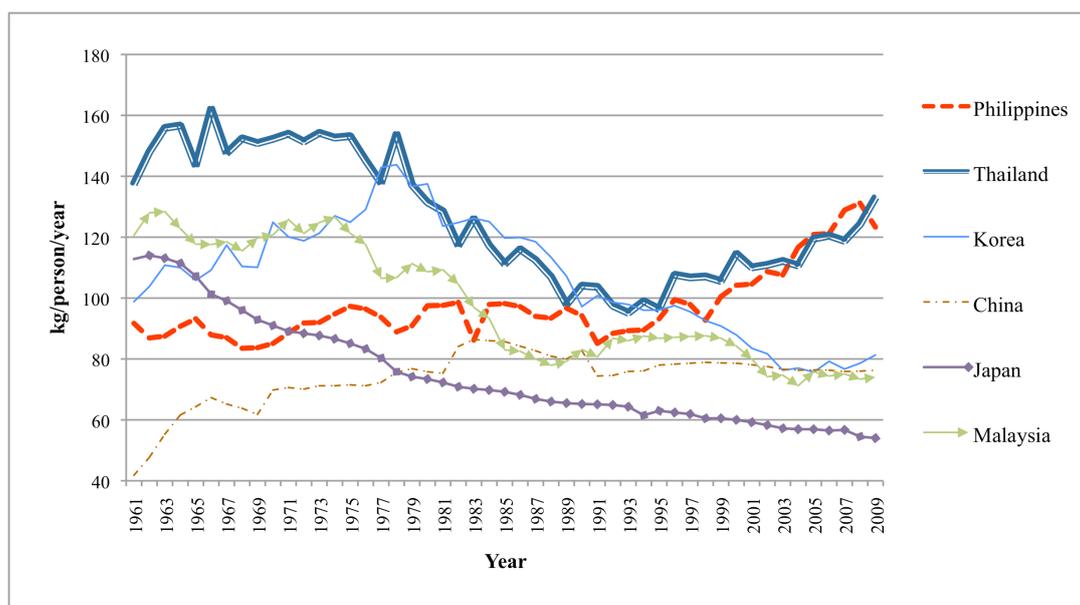


Figure 2. Trends in per capita rice consumption in selected Asian countries. Data source: FAO (Retrieved from IRR Rice Statistics, 2014).

The overall characterization of policies adopted by countries experiencing the disparity problem can be difficult, as they would take on “various, often mutually conflicting policy instruments in ad hoc manners,” according to Hayami (2007, p. 19). Price interventions are often included as part of the policy package, and economists (such as Anderson, 2009) would try to characterize them using indices such as the nominal rates of protection (NRP). This is computed as the percentage deviation between the growers’ price and the world price under government intervention. A positive NRP, meaning higher grower prices than world prices, would denote price policies protective of producers.

A drawback with the quantitative measure of NRP is that it only provides part of the true picture. Subsidies to rice consumers, or even some forms of support to producers, do not manifest as part of the NRP. Such policies include the paddy pledging or mortgage policy of Thailand, as well as the subsidized rice schemes to consumers in the Philippines. These other interventions need to be considered

alongside quantitative measurements of protection because they do constitute a major expenditure on the part of the government.

In the sections below, I will review the key policies adopted in the Philippines and Thailand to determine whether they gave more consideration to food security and the economic well-being of food consumers (choosing to tackle the food problem), or focused more narrowly on the interests of rice producers (choosing to tackle the farm problem instead). At the end of the chapter, I will try to characterize the rice policies of the Philippines and Thailand by examining whether such side taking exists, showing how producers received protection from the government in rice-exporting Thailand but failed to become winners in rice-importing Philippines.

### **The Philippines—Overcoming “Food Insecurity”**

For most of the postwar years, the Philippines has been a net importer of rice. Figure 3 shows the levels of rice production and consumption between 1972 and 2012. The country achieved rice self-sufficiency through the Green Revolution in the 1970s and was even able to produce rice for export for a few years. Even in those years, however, the food problem did not quite disappear, as malnutrition remained an issue even in the years when the country exported rice (Friedmann, 1982). While high levels of rice consumption persist today, malnutrition continues to be a challenge in the Philippines. Chronic malnutrition among young children, as denoted by stunting or low height for age, has only been reduced from 37% to 33% between 1990 and 2011 (UNICEF, 2011).

Rice was grown on one third of the arable land of the Philippines in 2007, accounting for 35.7% of the total agricultural output value of the country (Cororaton & Corong, 2009). Meanwhile, rice remains a very significant source of nutrition, contributing 48% to the daily energy supply of Filipinos (FAO, 2006, as cited in

Tiongco & Francisco, 2011). Imported wheat products such as bread, cakes, and pasta, continued to be mainly consumed by the urbanized population with higher disposable incomes in Metro Manila (Aguilar, 2005).<sup>5</sup> The continuing increase in rice consumption shows that the expected transition from rice to more expensive food items such as meat and dairy products has yet to happen for most of the Filipino population.

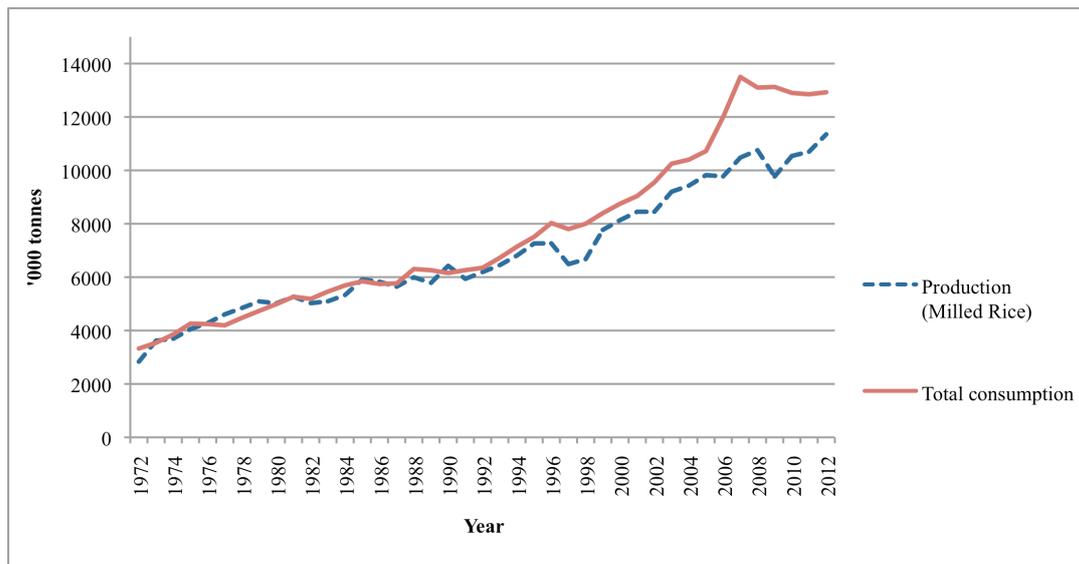


Figure 3. Production and consumption of milled rice in the Philippines. Data source: USDA (Retrieved from IRRI Rice Statistics, 2014).

### From Rice Self-Sufficiency to Rice Crisis

In the Philippines, state intervention in the rice market started before independence, when weather calamities caused a drastic shortfall of staple food production in 1936. The National Rice and Corn Administration (NARIC), the predecessor of the current National Food Authority (NFA), was established with a task of achieving a set of conflicting objectives: stable and low prices for consumers and adequate price incentives for farmers. NARIC was granted monopoly control over

<sup>5</sup> In cities, rice is served even in places where it is not expected, namely the highly globalized fast food restaurants such as McDonald’s and KFC. Many local food outlets also use “unlimited rice” as a selling point to draw customers.

imports and exports of rice and maize. It also received budgetary support and a credit line to undertake price stabilization through domestic market operations and to reduce price variation between seasons and regions within the country (David, 2008).

NARIC was renamed the National Grains Authority in 1972 under the reign of Ferdinand Marcos. In a haste to establish legitimacy for his dictatorship, Marcos chose to pursue food security as one of the tangible results of his rule. As world food prices were rising sharply and the United States was withdrawing its food aid as a result of the Nixon Shock in 1971, Marcos launched a rural development strategy that emphasized a boost in rice land productivity. This was possible much due to the Green Revolution technology that arrived just in time before these developments.

The Philippines harnessed the Green Revolution technology through making its own investments in agriculture. Public investment expenditure, originally at less than 2% of GNP throughout the 1960s, increased throughout the 1970s and peaked in 1981 at 8.7% of GNP (Bautista, 1995). During the same period, government expenditures on agriculture expanded nearly sevenfold in real terms, and the share of agriculture in total public spending rose from 6.2% to 9.5% (David, 1989, as cited in Bautista, 1995).<sup>6</sup> Through the *Masagana 99* credit-fertilizer-extension program, the state actively promoted the adoption of new rice technology. *Masagana* is a Tagalog word meaning “bountiful,” while 99 specified the target yield of 99 *cavans* (a Tagalog word meaning “bags”), which would translate into a target yield of about 4.5 tonnes per hectare (Hayami & Kikuchi, 2000).

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<sup>6</sup> This accounted for 9.5% of public spending (David, 1989, as cited in Bautista, 1995). Investment in irrigation was increased to the largest extent and accounted for 52% of public agricultural investment in 1979–80, up from 14% in 1960–61 (Bautista, 1995). The total area of arable land covered with irrigation also rose from 864,000 hectares in 1970 to 1.3 million hectares in 1982 (IRRI data). With the arrival of irrigation, previously rain-fed areas could then have two crops of rice per year, instead of a single crop only during the rainy season.

The Philippines achieved rice self-sufficiency in 1977 and was able to maintain it for about a decade. After the country entered an economic crisis during the 1980s, however, state investment in agriculture stagnated, and labor productivity for agriculture also dropped sharply (Balisacan & Cuthberston, 2008; David, 2008). The growth in yields (Figure 4) from the Green Revolution technology was also less impressive during the 1980s and 1990s (Dawe, 2006). Although the annual rice production was still increasing, the gains lagged behind the growth in consumption, leading to the loss of self-sufficiency. In 1987, the Philippines lost its rice self-sufficiency and was once again dependent on rice imports to feed its population.

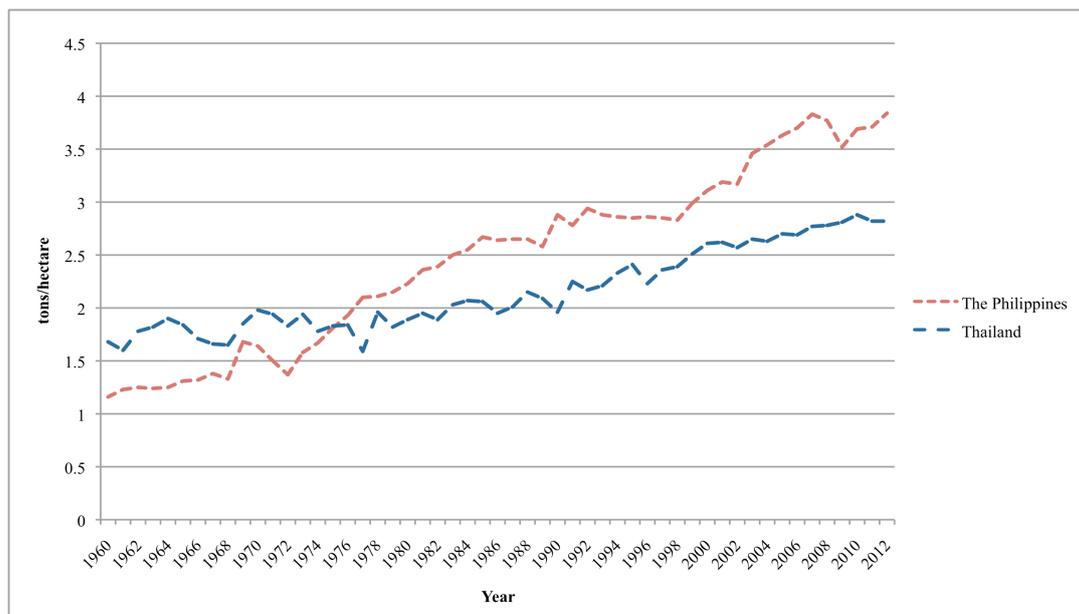


Figure 4. Rice yields in the Philippines and Thailand. Data source: USDA (Retrieved from IRRI Rice Statistics, 2014).

The loss of self-sufficiency was not only due to factors on the production side but also due to those on the consumption side. Not only did the population keep growing at an annual rate of 2%, but the amount of rice consumed per person was also increasing. Data from The Philippine Rice Research Institute (PhilRice) shows that the

annual consumption of rice per capita has risen from 106 kg in 1999 to 119 kg in 2008 (S. Francisco, personal communication, March 23, 2011). Population growth as well as per capita rice consumption kept demand at a level that could not be served by domestic supplies.

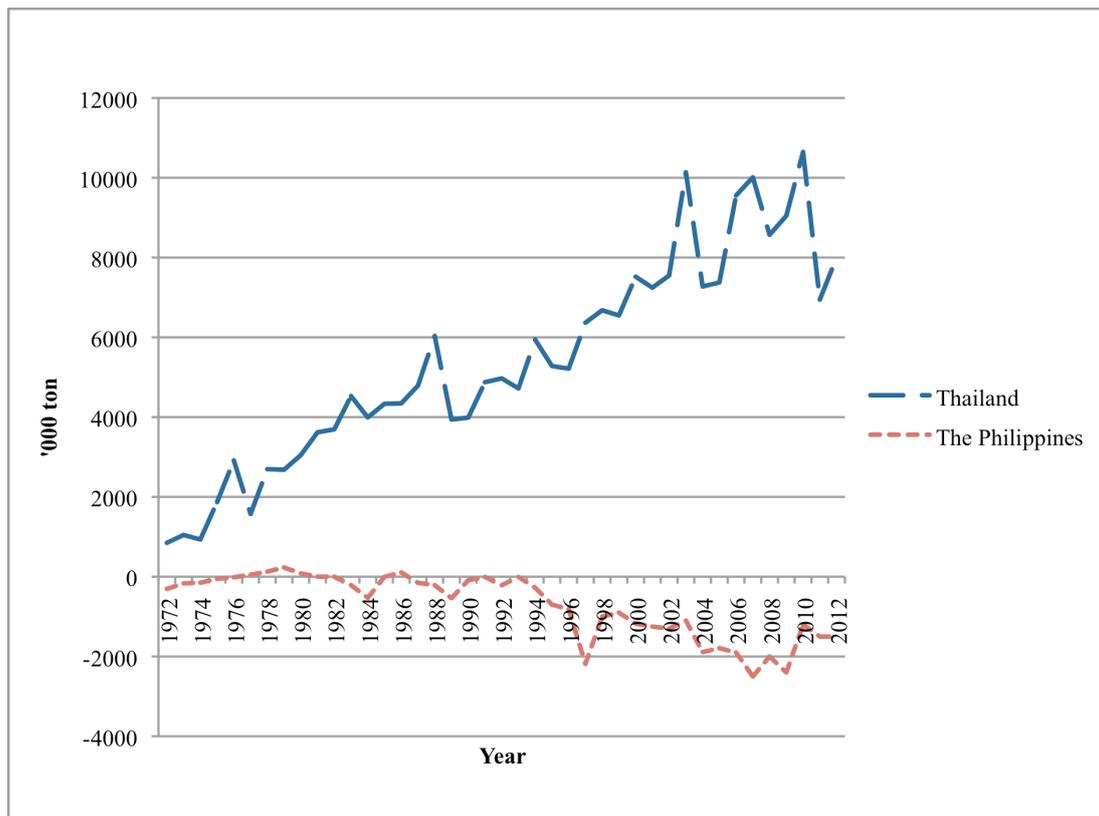


Figure 5. Trade of rice in the Philippines and Thailand, shown as net exports (negative value implies imports. Data source: USDA (Retrieved from IRRI Rice Statistics, 2014).

As import volumes continued rising, the Philippines became the largest importer of rice in the world and remained so during the global food price crisis in 2007–2008. As of 2008, the Philippines had a domestic supply gap of more than 2 million tonnes per year. Of the 13.1 million tonnes of rice consumed in the country, only 10.8 million tonnes were produced domestically. In other words, 2.3 million tonnes, or nearly 18% of the total consumption, came from imports (see Figure 5). As the largest importer of rice in the world at the time, the Philippines was accountable

for 7% of the total volume of rice traded internationally from 2004 to 2008 (USDA data, accessed 2012).

As mentioned in Chapter 1, the rice price crisis in 2008 pushed the government into a decision to achieve rice self-sufficiency. It should be noted, however, that the government was not short on rhetoric in terms of achieving this objective, even before the crisis. Rice self-sufficiency has been the stated policy goal of the country all along, as seen in the Agriculture and Fisheries Modernization Act (AFMA) of 1997 and the Medium-Term Philippine Development Plan for 2004–2010. To understand whether such rhetoric has been translated into actions, it will be necessary to understand whether government expenditures (or outlays) have provided the incentives necessary for farmers to increase production. The procurement operations of the NFA will be our starting point.

### **Imports or Domestic Procurement?**

The NFA was formed in 1981 as the mandate of NGA was further expanded to the markets of other crops such as soybeans and cassava. The state of the Philippines has relied on the NFA to perform a balancing act: while having to keep rice prices from falling too low for the farmers, it also has to keep the staple affordable for the less affluent. NFA safeguards food security in the Philippines by a number of means. First, it maintains two stocks of rice to relieve the country from a sudden shortage of food staples. The first of these stocks is the smaller one known as the Strategic Rice Reserve, which is equivalent to 14 days of overall national rice consumption and serves to protect against natural calamities and other emergencies. The second of these is a larger stock, equivalent to 30 days of overall national rice consumption. This stock is maintained from July to September and serves to stabilize the consumer price during the “lean months,” or the times of relative rice scarcity. Furthermore, the NFA also

ensures the access of the poor to rice through sales or redistribution at subsidized prices.

In order to procure rice for these stocks, the NFA is known to make use of a “buy-high, sell-low” dual-price regime. “The NFA procures *palay* [Tagalog word for paddy] from farmers at a price higher than the market-determined farm gate price, and then sells the same to consumers at a price that is lower than the market-determined retail price” (Congress of the Philippines, 2010, p. 2). Such was the going policy since the 1970s, when the NFA absorbed about 10% of domestic rice production, significantly influencing prices (Djurfeldt & Jirstrom, 2005; also supported by NFA data).

Starting in the 1990s, however, the NFA purchased less and less rice from the domestic market and imported more and more from other countries. A key reason for the change was the episode of rice shortage in 1995, which prompted the NFA to start relying on imports to maintain its year-round 14-day buffer stock (Sombilla, Lantican, & Beltra, 2006). Between 1996 and 2012, there was only one year during which the NFA purchased more rice from domestic farmers than from overseas. The level of domestic procurement hit rock bottom between 2005 and 2007, when the NFA purchased no more than 1% of the paddy produced by Filipino farmers. With the low levels of domestic procurement accounting for such small proportions of domestic procurement, the effect of NFA purchases on farm-gate prices became negligible (see Chapter 4 for price data).

While procuring extremely small volumes of domestic rice, the NFA maintained a virtual monopoly on rice imports in order to separate cheaper imported rice from more expensive domestic rice, thereby protecting domestic prices from lower world prices. Until 2001, the NFA was the only corporation in the country that was

authorized to import rice. Although the ban on private firms importing rice was subsequently lifted, they lacked the incentive to take part in the rice trade due to the 40% tariff levied on rice. The levy put private traders to a significant disadvantage compared to the NFA, which was allowed to import rice tariff-free.

Before the ascension of the Philippines to the WTO in 1995, rice imports were taken as a measure of last resort, carried out only when domestic production fell below the country's food requirement. The operations of the NFA between 1996 and 2010 show nonetheless that it has been more actively importing rice from abroad than procuring rice from domestic farmers. The amount of rice imported has exceeded the minimum market access level committed by the Philippines to the WTO and has progressively increased (Childs & Hoffman, 1999). If this is to be understood as a form of outlay, then the NFA has not been practicing what the government preaches regarding rice self-sufficiency. The need to ensure adequate rice supply for the country has kept the NFA in the position virtually as the sole importer of around one sixth of the total amount of rice consumed in the country.

At the time of the rice price crisis in 2008, the NFA was responsible for more than 95% of the rice imported into the country.<sup>7</sup> The sizes of these purchases were so large that they sent signals that led to alarms of shortage, and hence extraordinary price surges in the world market (Slayton, 2009). In reaction to the surge in world prices, the NFA increased the domestic paddy procurement price during the crisis and increased the annual volume procured from less than 100,000 tonnes between 2005 and 2007 to more than 600,000 tonnes in 2008. Still, the NFA imported 3 times more rice than the

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<sup>7</sup> According to the Philippine Senate Economic Planning Office policy brief of December, 2010, the NFA allows private traders to import rice through an issuance of a quantity restriction (QR) or a minimum access volume (MAV). However, the NFA continues to account for the bulk of rice imports. In 2008, for instance, the NFA imported 2.3 million metric tonnes of rice. Private rice traders, on the other hand, imported 75,000 metric tonnes, which was still equivalent to only 3.2% of the NFA's imports in 2008.

amount it was able to purchase domestically. Also, the NFA was not able to continue similar levels of domestic procurement in the following years.

### **The Façade of Trade Protection**

Economists have persistently argued that the Filipino government has been protective toward its farmers despite its huge spending on rice imports. The first reason economists consider the Filipino government protective of the rice sector is the existence of a quantitative restriction (QR), or a quota that limits the amount of rice imported in the country. The QR is an exception granted by the WTO to the market access pillar under Annex 5 of the Agreement on Agriculture, and the Philippines and South Korea are the only two countries that still benefit from this exception. Each country has committed to a minimum volume of imports.

Despite the safeguard of the QR, the Philippines has consistently imported significantly more than this volume (350,000 tonnes) in order to meet food demand. In other words, it is not the terms of the QR but rather the actual food needs of the Philippines that has determined the volume of rice imported each year. Although officials and interest groups in the Philippines argue that the QR is necessary for the NFA to maintain its monopoly over imports, the Japanese government has achieved the same even after converting its QR to tariffs in 1999 (Burmeister, 2000).

For the reasons outlined above, the QR has limited meaning in terms of providing protection to farmers. Some economists in the Philippines (Briones, 2012, for example) have thus called for the conversion of this QR to tariffs. The 2010 Food Staples Self-Sufficiency Program (FSSP) of the Philippines also recommended allowing the expiration of QR by 2012 and involving the private sector in rice importation. As of 2014, however, the Philippines was negotiating to extend its

exemption from WTO tariffication obligations through 2017 with other WTO members, including the United States.<sup>8</sup>

The second reason the Philippines is seen as being protective of rice producers is that it has fixed domestic wholesale prices at higher-than-world-price levels (Dawe, 2001). This happened by way of a process known as price stabilization, where the NFA imports virtually all the rice and adjusts the quantities of rice released into the market according to needs, thereby controlling the prices. Several economists have reported on positive rates of protection for rice in the Philippines from the late 1980s, with some reporting figures above 50% in certain years of low world prices (Balisacan, 2003; Cororaton & Corong, 2009; David, Intal, & Balisacan, 2007). By analyzing changes in the level of production offered to farmers over the years, Kajisa and Akiyama (2005) also reported that rice has also tended to be protected whenever the Philippines had to import the commodity, indicating that the achievement of rice self-sufficiency has been a major motive behind such interventions.

Rice policies in the Philippines do offer rice producers a certain level of protection, but this is true only when the word *producers* is understood as farmers, traders, and millers combined. This “protection” does little to support the income of farmers, due to the relatively high marketing margins for rice produced in the Philippines compared to other countries. When considering the ratio of farm prices to wholesale price (see Figure 6), the proportion of income received by farmers has been persistently lower than 50% of the wholesale price since 1996 (See Fig 6), meaning that half of the wholesale price went to pay for the marketing margin. There are a

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<sup>8</sup> This is the third time the country has sought for retention of its rice QRs. The agreement for the first Special Treatment was given an MAV of 119,460 MT and ending with 238,940 MT in 2005. Another extension of the Special Treatment was allowed with MAV reaching 350,000 MT that was scheduled to end by June 30, 2012.

number of explanations for this high ratio, including the lack of low-interest working capital, as well as the lack of mechanization in processing and quality road infrastructure (Dawe, Moya, Casiwan, & Cabling, 2008). Also responsible has been the large number of traders and millers operating as intermediaries between farmers and the consumer. They lack economies of scale, are often in credit-tied relationships with the farmers (see Chapter 4), and eat into the “protection” provided by the QR. This in turn affects the share of income received by rice farmers.

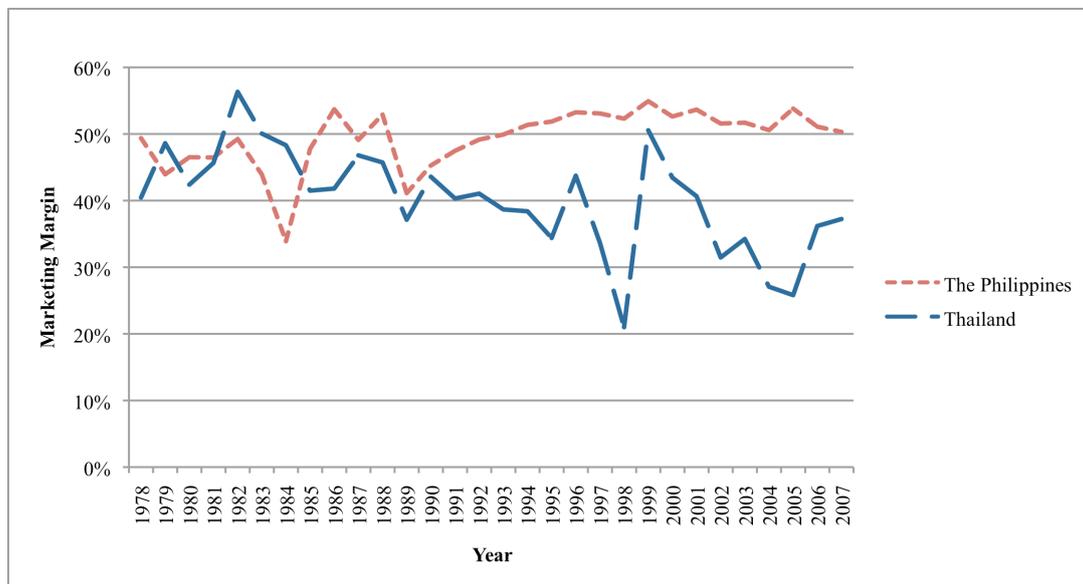


Figure 6. Marketing margins of rice in the Philippines and Thailand. Calculated based on data retrieved from IRRI Rice Statistics, 2014, including data from FAO as well as domestic sources. The marketing margin is defined as the proportion of the wholesale price that is above and beyond the farm harvest price for paddy. The higher the marketing margin, the lower the proportion of the wholesale price received by farmers.

While government agencies including the NFA have done little to address the income of rice farmers, consumers in the Philippines have traditionally benefitted from significant subsidies on rice. The imported rice of NFA is used in various rice distribution or food subsidy programs. Until 2009, imported rice was sold well below market price in NFA rice outlets as an across-the-board subsidy that does not specifically target the poor. An estimated loss of PHP2.47 is incurred for every

kilogram that the NFA imports (Clarete, 2010, as cited in Congress of the Philippines, 2010).

The rice policies of the Philippines show that while the government was willing to provide a certain cushion of protection to producers, little has been done to support the income of farmers. The state was also not ready to sacrifice the interests of poor consumers. Gone were the days of the Green Revolution, when the country achieved rice self-sufficiency and farmers were also able to sense the support of the state. This contrasts with the rice policies in Thailand, which have moved from exploiting farmers to providing increasing support to them.

### **Thailand—Improving Rural Incomes**

In Thailand, rice is a politically strategic commodity as well as a vital food crop (Somporn, 2002). As of 2003, rice took up more than 50% of the arable land area in Thailand (Agricultural Census data in Thailand, as cited in Leturque & Wiggins, 2011). Blessed by the abundance of land, the northern region of Thailand had a long-established system of rice cultivation using a network of gravity irrigation canals developed over several centuries (Pasuk & Baker, 2002).

Thailand has always enjoyed an exportable surplus of rice (see production and consumption figures in Figure 7). Unlike the Philippines, there was little meaning for the Thai government to increase production in order to keep prices low. Prior to the 1980s, it kept domestic prices low through policies controlling the volume of high-priced exports, thereby ensuring domestic availability at affordable prices (Ammar, 1975).

These policies were abolished in the 1980s, however, as a result of the increasing rice supply in the international market and a decline in prices. The government could also put an end to exploiting farmers' incomes for the sake of food

security in urbanizing regions, as the number of households experiencing food poverty decreased from more than 2.5 million in 1988 to less than 0.5 million in 2007 (Somporn & Isriya, 2009).

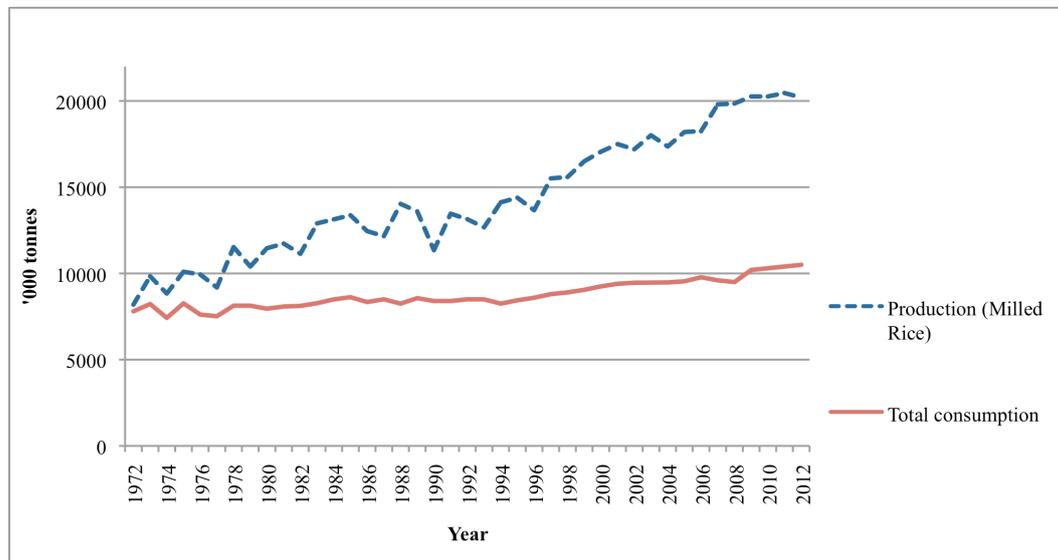


Figure 7. Production and consumption of milled rice in Thailand. Data source: USDA (Retrieved from IRRI Rice Statistics, 2014).

### The 'Rice Premium' Era

Thai agriculture first opened up to (or was dragged into) the world market through the Bowring Treaty with the British in 1855 (Bello, Cunningham, & Li, 1998). The intervention of the Thai government in exports and prices, however, began after World War II. Thailand became a protectorate state of Japan during the war, and thus it was on the losing side when the war ended. When the Allies occupied Thailand in 1945, they required Thailand to supply the world with 1.5 million tonnes of free rice exports as war reparations. To secure rice to meet these demands, the government set up an entity known as the Rice Office and assigned to it monopoly rights on rice exports (Ammar, 1975). Mechanisms were also put in place for the Rice Office purchase of rice at low prices (Pasuk & Baker, 2002).

When the reparations were lifted in 1948 and Thailand could export rice commercially, the government maintained a monopoly and pocketed the difference between the low purchase price and world price. Due to the difficulties in procuring all the rice to meet market demands, however, the monopoly ended up becoming only nominal. The government provided licenses to private exporters on a quota basis, and holders were required to pay a premium to the Ministry of Commerce, as well as a fee to the Rice Office for checking the firms' stocks and grading of exports. Furthermore, rice exporters had to hand over the entire proceeds to the Bank of Thailand, which quoted an exchange rate that was one third lower than the free-market rate. This resulted in a substantial tax on rice exports (Ammar, 1975).

By 1953, the profits on this rice dealing provided 32% of all government revenue. Two years later, the procedure was regularized as the "rice premium," and exporters would pay the premium directly to the government without going through the Bank of Thailand. In the mid-1960s, the rice premium was estimated to be equivalent to a tax of 45% on the total value of rice exports. Another economist estimated that the premium extracted 25% of all rural income. The system of taxation was appealing to the government because it depressed the domestic price of rice for urban consumers and kept wages of both workers and civil servants at a low level. The mechanism addressed the urban food problem, protected urban consumers against shortages caused by excessive exports when world prices were high, and avoided the administrative complexity and political difficulties of direct taxes on peasants (Pasuk & Baker, 2002).

Thailand's disparity problem emerged in the 1970s, when industrialization gathered speed and agriculture ceased to be the main contributor to GDP. The increasing disparity between the rural and urban populations brought with it a

resurgence of political protest in the countryside in the 1970s. As rice prices rose during the 1973 crisis, there was pressure for the government to reduce the rice premium and divert part of the tax money to establish the Farmers' Aid Fund in 1974 to provide rural credit and fertilizer assistance (Hayami, 2007).

Despite the taxation of agriculture, the state also invested to introduce modern rice varieties as well as infrastructure such as roads and irrigation. In particular, the massive investments in road construction during the 1960s and 1970s helped improve marketing efficiency (Somporn, 2002). With this infrastructure in place, market margins were maintained below 40% through the years (refer to Figure 6), and rice prices were kept at a more competitive level than the Philippines. Marketing margins in Thailand were substantially lower than in the Philippines, due to reasons such as better access to capital at low interest rates (4% as opposed to 15% in the Philippines), comparatively better quality roads and mechanization, and wholesale market facilities organized by the state (Dawe et al., 2008).<sup>9</sup>

Following the reduction of the rice premium starting in the 1970s, Thailand became the world's top exporter of rice in 1980 and remained in the top spot for 32 years. During the same period, the number of households affected by food poverty also declined from 2.55 million to 418,000, with food poverty almost disappearing from the urban areas (Leturque & Wiggins, 2011; Somporn & Isriya, 2009). In addition to enjoying a surplus of rice, food access in Thailand has also been enhanced through prices that were increasingly affordable in relation to wages. The food problem in Thailand has thus become negligible, and the rice policy in Thailand has been reformed from a pro-consumer policy to a pro-producer one (Somporn & Isriya, 2009).

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<sup>9</sup> Based on a study by Dawe et al. (2008), the gross marketing marketing margin in Thailand was calculated at USD15.52 per tonne of dry paddy, compared with USD66.74 per tonne of dry paddy in the Philippines.

### *From exploiting to supporting farmers*

The contribution of rice to the Thai national economy diminished when world rice prices went down by about 50% between 1980 and 1985. This was partly the result of the Green Revolution, making formerly importing countries self-sufficient in rice. The rice premium revenues then started decreasing in response to the decline in prices, and the Farmers' Aid Fund could no longer be sustained. While paddy yield continued growing, paddy acreage stagnated in the early 1980s and shrank significantly at the end of the decade for the first time in over a century (Pasuk & Baker, 2002).

At this juncture, the government used its entry into GATT in 1982 as an opportunity to change its rice export policy from one of taxation toward one of free trade. On the consumer side, state efforts to stabilize prices were abandoned, and prices were allowed to float with the world market (Kajisa & Akiyama, 2005). On the producer side, the rice premium and other restrictions that penalized farmers were eliminated by 1986. The government also started implementing the agricultural pledging program, which was extended to a number of commodities, including rice paddy.

First put in place in 1981, the paddy pledging program allowed farmers to “pledge” their paddy in order to benefit from soft loans when the market price was low. When the price returned to a higher level known as the target price, farmers could repay the loan with a 3% interest and redeem the rice. But in cases when the market price was unsatisfactory or lower than the amount pledged, farmers could also opt to keep the cash and not redeem the rice. The paddy could be pledged in the farmers' own warehouses, farmers' organizations, or rice mills in the same province, while the low-interest loans were subsidized by the government and administered by the Bank

for Agriculture and Agricultural Cooperatives (BAAC). Any stock resulting from the program was typically exported through traders or intergovernmental contracts.

When the paddy pledging program was first introduced, the paddy was pledged at only 80% of the target price. The pledging rate was gradually increased to 90% in 1990–1991 and to 95% in 1998–1999. The price at which the paddy was pledged was also comparable with prevailing world prices (Nipon, 2010). The program was seen not as a direct commodity intervention applied to all farmers, but rather as one that allowed farmers to manage their own risk (Kajisa & Akiyama, 2005). It should be noted, however, that the devaluation of the Thai Baht after the Asian financial crisis in 1997 actually stimulated rice exports, which in turn increased the farm and domestic prices. The paddy pledging program thus once lost its attractiveness to farmers (Somporn, 2002).

Initially, the paddy pledging program did not include an element of price support, but this saw some important changes in 2001, after Thaksin Shinawatra came into power. The objective of the policy was changed to “support price and increase farmers’ income” instead of simply providing soft loans to farmers. This was illustrated by the increased levels of the pledging price, which rose to 100% of the target price, or even higher at times (Nipon, 2010).

With the change in the objective of the policy, the proportion of paddy production that came under the program increased significantly. Pledged paddy amounted to no more than 5% of total production before 2000 but increased to more than 20% for most years during Thaksin’s rule between 2001 and 2006 (Shigetomi, 2011; see Chapter 5 for figures). Also, with pledging prices being equal to or higher than market prices, very few farmers actually redeemed their paddy, but in effect they sold them to the government through the program. Compared to the case of the

Philippines, state purchases from farmers played a much more significant part in supporting income as well as influencing the prices received by farmers.

Although the money paid to farmers through the paddy pledging program can be seen as a form of outlay or protection, it fails to be reflected in quantitative measures of trade protection such as the NRP. A World Bank study (Warr & Kohpaiboon, 2007) claimed that protection given by the Thai state to rice producers was close to zero, even during the years when the paddy pledging program was in place. The reason for such NRP values was that the scheme was also considered a form of subsidized credit rather than a form of market distortion, even during the times of Thaksin's government, because it did not work directly through the prices faced by agricultural producers (Warr & Kohpaiboon, 2007). As in the case of the Philippines, it is necessary to look beyond the NRP in considering characteristics of rice policies in Thailand.

Although Thailand moved from a policy that was exploitative of farmers to one that is supportive of them, one might question the reaction of consumers to this shift. The short answer to such a question is that urban consumers stayed calm, even during times when the price of white rice rose quickly. This was the case in 1981, the same year the government introduced the paddy pledging program, as well as in 2008 (Shigetomi, 2011). Part of the reason was that rice had become a relatively small part of household expenditures for urban consumers. By 1988, the average Bangkok household was spending only 3% of its total expenditure on grains, with the figure dropping further to 1.3% by 2004 (Thai National Statistics Office data 2004, as cited in Shigetomi, 2011).

Although the paddy pledging program did not face significant objection from consumers, its effectiveness and the distribution of benefits among different

stakeholders warrant further investigation. While farmers could well benefit from the paddy pledging program, the implementation of the program involves potentially huge sums of money. I will leave these details for the discussion of the politics behind the program in Chapter 5 and look at the changes in Thailand's rice policies after the Thaksin government was ousted in a military coup in 2006.

### **Rice Policies During Political Instability**

Thai politics since 2006 appear unstable compared to the six-year rule of Thaksin. The four governments that ruled during the last seven years each made changes to the rice policies. Although the policies might appear to be as wayward as the politics, they generally have continued the trend of increasing support for farmers during the times of Thaksin. I will first list the four distinct policy phases between 2006 and 2014, but I will leave their details and political explanations for a later chapter.

The first phase was from mid-2006 to 2007, when Thailand was under a bureaucracy-led government assigned by the military after the coup. Aware of the deficits incurred during the previous seasons, the government reduced the pledging price to a level that was lower than the target price—between THB6,500 and 6,700 per tonne (Shigetomi, 2011).

The second phase was during the year 2008, when Thailand was under the rule of the People Power Party. This party is an incarnation of Thai Rak Thai, the former party of Thaksin. The government promised a new level of high pledge prices—THB14,000 per tonne during the dry season due to the high prevailing market prices during the 2008 rice price crisis. Unlike the other major exporters, the Thai government did not restrict exports and ended up picking up customers from Vietnam and India (Timmer, 2008). Instead of protecting customers from high prices, the Thai

government allowed prices to float and submitted to farmer demands for higher pledges. Thailand's reaction to the rice price crisis clearly showed the government's general bias toward producers in its rice policy.

The third phase was between late 2009 and early 2011, when power was switched over to the Democrat Party, led by Abhisit Vejjajiva. Aware of both the need to increase farmer income and the financial burden caused by the paddy pledging program, the administration abandoned the pledging program in favor of a price guarantee program. The key difference between the old program and the new one was that the farmer would sell his/her paddy on the private market, and the government would pay the difference, if any, between the actual selling price and a predetermined target price (initially set at THB11,000 per tonne). The government would be spending less in supporting each farmer and would not incur rice stocks under this arrangement.

The fourth and most recent phase started in late 2011, when Thailand was under the rule of the Pheu Thai party led by Yingluck Shinawatra, the sister of Thaksin. Not only was the paddy pledging program resumed, but the policy of high pledge prices was taken even further (THB15,000 per tonne). During this period, Thailand was plagued with major floods. As the world worried about rice supplies in the international market, India made an impressive comeback to the world market after ending its four-year-long export restrictions. As the Thai government tried to avoid auctioning huge stocks at a loss to traders, the country lost its position as the world's largest rice exporter in 2012. Countries including the United States and Australia challenged Thailand in the WTO, as the excessively high prices offered through the pledging program might have resulted in the Thai government selling off stocks to be exported at a loss, resulting in "export subsidies" to farmers, which are prohibited in the URAA (Reuters, 2013).

### **Summary: Characterizing the Rice Policies of the Philippines and Thailand**

In this chapter, I reviewed the trends in rice policies of the Philippines and Thailand in the light of the three problems in agriculture. Both countries have graduated from policies that tax rice producers in order to provide affordable food to urban consumers, and each country appears to have in place some form of protection for the rice sector. When considered in terms of government expenditures, though, the two countries actually have rather different rice policies.

In the Philippines, the government was caught in the middle of the “disparity problem” and had to perform a balancing act in the face of consumer interests while also providing for the survival of rice producers. The state put restrictions on imports, offering some level of protection, but was not ready to sacrifice the interest of poor consumers. The state did not choose farmers as “winners” and only procured very limited amounts of rice from them up until 2008, and the low prices offered up were not competitive enough to give them any income support. The state spent its resources mostly on imports and released this rice at a subsidized price to consumers to ensure their access to food staples.

By comparison, rice policies in Thailand appear to have shifted to benefit farmers more than consumers. Starting in the 1980s, the government stopped taxing farmers for consumer benefits. In the Thaksin years, the government even took up policies that were focused on improving rural incomes and resorted to using rice policies as an instrument to this end. This resulted in a policy that was characterized by high levels of domestic procurement, with lavish subsidies going to farmers instead of consumers.

Hayami’s idea of the three agricultural problems would have partly explained the policy leanings of the countries, if we take into account their relative progress in

terms of economic development. The relatively higher degree of development in Thailand may explain its earlier move toward dealing with the relative poverty of farmers, while the continued existence of relatively higher incidence of urban poverty in the Philippines would shed light on its continued focus on food accessibility among consumers.

A few gaps nonetheless exist and remain to be explained. First, why did support to Thai farmers only become significant after Thaksin came to power in 2001, even though disparities between urban and rural areas had started growing much earlier? Up until 1999, the prices offered through the paddy pledging program remained a fraction of the target price, and it was only after 2001 that the program offered prices equal to or higher than the target price. Second, how did the “buy-high, sell-low” dual-price regime in the Philippines end up being changed from one that procured rice from domestic farmers to one that imported rice from other countries? The notion of making cheap rice available to consumers remained a priority, while the NFA no longer insisted on procuring this rice from farmers. The answers to these questions will require arguments beyond the economic, and they will be answered in the coming chapters through our examination of social cleavages, political systems, and patterns of patronage in the two countries.

## Chapter 3

### Social Cleavages, Political Systems and Diverging Patterns of Patronage

This thesis argues that patronage politics could serve as a key factor in explaining rice policies in the Philippines and Thailand. In this chapter, I will present the ways in which rural politics is conducted in the two countries, and how social cleavages have interacted with developments of political systems to give rise to varying patterns of patronage in the two countries. In the analysis of such macro political environments, I will depart completely from the issue of rice and perhaps even from agriculture as an economic sector.

#### The Historical Roots of Patronage Politics

The discussion of patronage politics in the Philippines and Thailand starts with a understanding of *social cleavages*, which are often thought of as the roots of such politics in the two countries. We will take as a departure point the rural power relations in precolonial Southeast Asia as described by James Scott in his classic book *The Moral Economy of the Peasant* (1976). According to Scott, the fear of food shortages gave rise to what might be appropriately termed a “subsistence ethic” in most pre-capitalist peasant societies, including Southeast Asia. Put in today’s terms, the basic problem of the peasant family is really one regarding “human security”: producing enough food, buying necessities, and meeting “irreducible claims of outsiders” (p. 2). This “safety-first” principle lies behind many of the technical, social, and moral arrangements of a precapitalist order, among which are self-help through wage labor or petty trade, reliance on kinsmen or friends, and of course our subject of study, patron–client ties (p. 26–27).

According to Scott (1972, 1976), the patron–client tie constitutes part of a “moral economy,” where an informal rule of reciprocity is in operation. The patron is

by definition a better-off person who is in a position to help clients through providing an array of services under the headings of “protection” and “material welfare”: a share of production costs, food loans, help in time of illness, and access to various inputs such as tools, wood, and water. To rural clients, often peasants, this role was naturally and most commonly played by the landlord, but it may also be played by traders or petty officials. Local patrons build their power base through providing such social insurance, while clients show their loyalty to patrons through personal service or formal or informal political support (Scott, 1976; Wurfel, 1988).

Popkin (1980) later challenged the supremacy of the “moral economy” model. While moral economists such as Scott and Polanyi (1957, as cited in Popkin, 1980) often considered local institutions such as the patron–client tie to be the preferred way for peasants to meet subsistence needs, Popkin believed that they have taken too benign a view of patron–client ties and have been too harsh to have considered the penetration of the market into villages to have disturbed the system of reciprocity. Instead, he maintained that peasants were rational individuals acting in a way to maximize their own utility. Given the increasing commercialization of agriculture in the two countries, a number of points brought forward by Popkin actually would better describe the recent situation in the countries in this study. This includes the interest of farmers in gains beyond subsistence, the nature of patron–client relationships, and the role of the state in relation to the power of local patrons.

First, peasants are receptive to new alliances and institutions (including the market) apart from their patrons, as well as innovations from which they expect personal gain. Popkin (1980) challenged the claim of moral economists that peasants aim for a “target income” to meet culturally defined needs and that a peasant “does not acquire new wants” (p. 452). Rather, he believed that peasants are receptive to new

outside alliances and institutions (including the market), as well as innovations from which they expect personal gain. The fact that both Filipino and Thai farmers benefitted from the innovations in the Green Revolution, as well as the large number of formerly rural people from the two countries who engaged in wage labor in cities as well as overseas, helps to demonstrate their rationality and readiness to move away from subsistence and to gain from opportunities available in the market.

Second, clients may pursue more patron–client relationships beyond the landlord, instead of staying loyal to only one patron. At the same time, patrons may invest their resources in a way to keep their relations with clients dyadic and prevent them from acquiring skills that might lead to different balances of power. Such is the case in the Philippines, where peasants have entered long-term relationships with rice traders for the stable provision of credit and other farming inputs, but this does not preclude them from becoming beneficiaries of patronage from politicians, which is a subject to be discussed below. At the same time, the many needs of farmers in terms of improving rice productivity remain poorly fulfilled, as the cycle of patronage and credit-tied relationships perpetuates itself.

Third, the central state has a choice of how to position itself within patron–client relationships. According to Migdal (1988), who was labeled by Popkin (1979) as a “moral economist,” the power base of local patrons makes it difficult for states (i.e., central governments) to achieve social control because it puts into the hands of these elites a web of societies that each play by their own rules. For this reason, states commonly enter into a relationship with local elites in which the elites perform critical governing functions for the state while receiving special benefits from the officials. Popkin believed, however, that the state could also choose to come between the landlord (patrons) and the peasants (clients) by ensuring the freedom of the latter and

by providing various forms of services such as farming advice and disaster relief, so as to undermine the power of the local patrons. As we see below, Migdal's thesis was true for the case of the Philippines, while Popkin's proposition for the state to come between farmers and landlords was more similar to the case in Thailand.

Since there is no one theory that could singly explain the trends and patterns of patronage across the two countries, it is necessary to look into their histories. In the two sections below, I will present the cases of the Philippines and Thailand separately. I will first look at how social cleavages were formed in traditional rural society and to what extent these cleavages were carried over to the contemporary society. I will then look at how political systems have developed in the light of such social cleavages, and finally, how the Philippines ended up with a continuing trend of patronage in the traditional sense, while Thailand gradually moved away from such patronage and took on populist policies that appealed to the masses.

### **The Philippines**

The dominant view of politics in the Philippines is characterized by the long-lasting effect of patron–client relations between the poor and powerful landed elite families. The dominance of patron–client relations in shaping Filipino politics, however, does not preclude the presence and power of other relevant forces, such as sociopolitical movements including the Catholic Church or peasant organizations (Kerkvliet, 1995). These forces, however, fall secondary to the continued dominance of the landed elites as a ruling class for the institutional reasons outlined below.

#### **Social Cleavages**

For much of the history of the Philippines, both coercive powers and capitals remain decentralized in the private hands of rural elites and led to the subordination of an underdeveloped state apparatus. This tradition began before the arrival of the

Spanish colonists in the 16th century, when the Philippines was composed of locality-based polities governed by a “big man” known as the *datu*. It was this *datu* who managed warfare or the maintenance of infrastructure. Sidel (1999) considered these “*datu*-ships” in precolonial times to be similar to polities found throughout Southeast Asia.

While the *datu* was the title of a political office, it was also part of a social class that was inherited based on kinship. Nonetheless, the ascension to this position was based on an individual’s diplomacy and military prowess. The *datu* could hold on to this title only as long as he had the ability to project his coercive power and to offer the material resources that earned them the respect and loyalty of their followers. Because the *datu* typically lacked the institutional capabilities to rule large areas, the quest for this position is more reflective of an effort to seize goods and people than to conquer land. Even after the arrival of the Spanish in the 16th century, kinship guaranteed ascension to these posts.

During the 18th century, proliferation of trade resulted from the establishment of a government monopoly on tobacco and the later opening of a number of ports, including Manila. This led to a rise of private capital among merchants and formal ownership of landholdings (Sidel, 1999). These capitalists established themselves on the Spanish feudal model and became the new rich on Philippine soil (Anderson, 1998). Landlordism also propagated when the new rich, engaging in moneylending, acquired land titles when peasant borrowers failed to return the loan and entered sharecropping arrangements with their patrons. The rice areas in the Philippines were thus predominantly cultivated by share tenants, who typically owned no land of their own before any land reform under Marcos (Hayami & Otsuka, 1993).

By this point, the basis of the local strongman rule had shifted from personal martial prowess toward resources drawn from the colonial state and private capital. The new landed elites served as providers of patronage to these tenants while also controlling tax collection, law enforcement, and the distribution of public works. As the colonial state initiated a system of municipal elections, landed elites extended their influence either through elected officials or by taking office themselves (Sidel, 1999). By the 19th century, a hacienda system headed by such “political bosses,” or “caciques”—the name by which they were known in other Spanish colonies—became firmly established in the rural society of the Philippines. The cacique remained as a ruling class throughout the American colonial period from 1901 to 1946 and even after independence, by means of the political developments to be described in the next subsection.

The Americans did not impose land reform in the Philippines as they did in postwar Japan, South Korea, or Taiwan. The first serious effort at land reform was during the dictatorship years of Ferdinand Marcos. After declaring Martial Law in 1972, Marcos instituted a land reform known as Presidential Decree (PD) 27. The motive of this reform, however, was little more than to disarm potential opponents who were mostly landholders cultivating land with rice and corn (Crowther, 1986; Kerkvliet, 1974). The results in terms of land redistribution were thus very limited (Wurfel, 1988) and amounted to a mere 70,715 hectares, representing no more than 1% of the total agricultural land at the time (Bello et al., 2004; Fuwa, 2000). Marcos also carefully set his limits in order not to antagonize all landlords at once, and he eventually changed the initial retention limit of 7 hectares per landlord (Wurfel, 1988). Due to the limited nature of the reform, the privileged position of landowners was therefore more or less preserved.

In addition to this half-baked, unfinished land reform, Marcos's plundering of the country together with his cronies has been well documented and need not be repeated here (e.g., Abinales & Amoroso, 2005; Wurfel, 1988). An economic crisis unfolded in the 1980s, when the annual GDP growth of the Philippines fell to -0.5% between 1980 and 1986. After the assassination of Benigno Aquino Jr., the former senator who was also the leader of the opposition, Marcos was accused of fraud in snap elections held in February 1986. His rule was ended through the well-known People Power Revolution in 1986.

Corazon Aquino rose to power through the People Power Revolution in 1986, but she failed to impose a radical land reform at the peak of her political support, before the landed class reconsolidated as an opposition bloc. According to Bello et al. (2004), Corazon understood the need for such reform, both as a development strategy and as a means to break the power of the landed elite. But due to challenges in the consolidation of her power (Eaton, 2003), including six coup attempts during her six-year rule, she conceded to the interests of her own landholding class and left the decisions on its implementation to the congress (Bello et al., 2004).

The Comprehensive Agrarian Reform Program (CARP) was passed as an agrarian reform law in 1988, but implementation has been slow and gradual. According to Bello et al. (2004), who claimed official sources of data to be erroneous and untrustworthy, only about one third of the original scope of CARP (10 million hectares) had been redistributed. Even if official sources were to be trusted, about one third (1 million) of privately owned farmland scheduled for redistribution remained to be transferred (Borras, 2006). The law expired and was renewed once, and more than 600,000 hectares of land had yet to be completed at the time of writing ("DAR Bares Landholdings," 2013).

Land inequality had been a persistent situation over the previous four decades (see Table 7) and had directly affected the welfare of the poor, in addition to slowing overall economic growth. First, the Philippines suffered from a higher rate of landlessness than Thailand. A total of 33% of all farmland in the Philippines was tenanted in 1971, compared with a tenancy rate of only 16% in Thailand by 1978 (Hayami & Otsuka, 1993). Second, operational farm sizes have been notably smaller in the Philippines, at an average of only 2 hectares, compared to 3.1 hectares in Thailand. The proportion of small farms below 1 hectare was also much higher in the Philippines (see Table 7).<sup>10</sup>

Table 7  
*Changing Distribution of Operational Farm Size in the Philippines*

	<i>Average operational farm size (ha)</i>	<i>Percentage of farms below 1 ha</i>	<i>Percentage of farms above 10 ha</i>
1971	3.6	13.5	4.9
1991	2.1	36.6	2.4
2002	2.0	40.1	2.0

*Source: Otsuka, Liu & Yamauchi (citing the Philippines Census of Agriculture of various years)*

*Changing Distribution of Operational Farm Size in Thailand*

	<i>Average operational farm size (ha)</i>	<i>Percentage of farms below 1 ha</i>	<i>Percentage of farms above 10 ha</i>
1978	3.7	16.4	6.0
1991	3.4	21.5	4.5
2003	3.1	13.1	2.1

*Source: Otsuka, Liu & Yamauchi (citing the Thailand Agricultural Census Report of various years)*

Compared with its ASEAN neighbors, the Philippines had the highest level of inequality in terms of the Gini coefficient (ADB, 2009). In 2006, the richest 20% of Filipino families (3.5 million) accounted for more than half (53%) of total family income, while the other 80% (13.9 million) had to share the remaining 47% (ADB,

<sup>10</sup> Gini coefficients for land distribution have not been regularly measured in the two countries, but they are estimated to have been 0.53 and 0.57 in the Philippines during the 1960s and 1990s, respectively (Balisacan, 1996). In Thailand, they were 0.435 and 0.467 in 1978 and 1993, respectively (World Bank, 2007, as cited in Thapa & Gaiha, 2014). Inequality of land distribution is thus higher in the Philippines than Thailand in the periods concerned.

2009). Nonetheless, aggregate economic data alone will not be able to show the relative strength of the small number of landed families, who maintained their economic base through large tracts of land known as haciendas and protected their “provincial fiefdom” (Anderson, 1998, p. 201).

Before I proceed to discuss political systems, it should be noted that while the majority of the poor population resides in the rural areas, a significant portion (more than 25%; refer to Table 5) of the poor population has remained in the urban areas, especially Metro Cebu, Metro Davao, and Metro Philippines (ADB, 2009). Due to the existence of a sizeable urban poor population, social cleavages in the Philippines have seldom been referred to as an urban–rural divide. This shows some level of contrast with the case of Thailand, where poverty has become a problem mostly confined to the rural sector, as it accounts for more than 90% of the poor population (refer to Table 6 for exact figures).

### **Political Systems**

The takeover of the Philippines by the Americans in 1901 led to the superimposition of a democratic system onto this system of local “bosses.” The mentality of Americans during their rule was that democracy could help stabilize the Philippines and that having power shared by landed elites could help localize politics and build the way to self-sustenance (Hutchcroft & Rocamora, 2003). This well-intentioned democracy at the national and provincial levels, however, served only to subordinate the state apparatus and formalize the previously informal rule of local bosses (Sidel, 2004). In retrospect, colonialism in a way wreaked havoc on the patrimony of the Philippines and also paved the way for poor governance in the country.

A bicameral legislature based on suffrage was introduced under the Americans, with competition effectively limited to a small number of rival local caciques (Anderson, 1998). In this structure, known as a cacique democracy, the elected legislators constituted a ruling class whose office depended on political patronage and often corruption. Not only did these bosses at the national level crowd out any possible growth of a professional bureaucracy and keep the state machinery weak, but they also brokered power to their family and friends who were themselves elected officials, and they used their positions for personal gain. This system continues to be a key contributor to glaring deficits today in a supposedly liberal electoral democracy, infested with corruption, and in some cases electoral violence or “bossism” (Thompson, 2010). After the Great Depression, Americans pressured their government to impose independence on the Philippines, but the bosses resisted this move in fear of losing their access to wealth (Anderson, 1998). As a compromise, the Philippines first accepted a commonwealth status, but it eventually became independent at the end of World War II.

The newly independent republic essentially reconstructed the institutions of the American colonial era, with the election of a president in addition to the bicameral legislature and bosses continuing to thrive in countless localities (Sidel, 2004). Leftist movements also challenged the cacique democracy, but they went too far in believing that violence was justified in fighting social injustice, suppression of civil liberties, and the continued dominance of the United States, which they coined “feudalism,” “fascism,” and “imperialism” (Abinales & Amoroso, 2005).

The rising violence from insurgencies eventually provided President Ferdinand Marcos with an excuse to declare Martial Law in 1972 and take the country into dictatorial rule. The bureaucracy remained subordinate to political interests even

during Marcos's autocratic rule. Although he did stock his bureaucracy with many well-educated technocrats, they were not able to challenge the country's inegalitarian economic and political order while formulating its development strategy (Abinales & Amoroso, 2005).

Although autocratic rule ended in 1986, the consolidation of democracy under Corazon Aquino proved to be as difficult as the implementation of the unfinished land reform. The political system constructed through the new constitution in 1987 was highly restorative and based on an older constitution of 1935. The electoral system was structured so similarly to the pre-Marcos one that it effectively restored the power of local clans, or "traditional political families" (Abinales & Amoroso, 2005; Anderson, 1998; Hutchcroft & Rocamore, 2004; Kang, 2002). The president and the vice-president are separately elected by a direct vote of the people through a simple plurality nationwide. Both serve a term of six years, with the president not being eligible for any reelection, in the spirit of anti-dictatorship. The one exception since the enactment of the constitution was the case of President Gloria Macapagal Arroyo, who replaced Joseph Estrada two years into his term. She ruled for less than six years in her first term and was reelected in 2004.

The bicameral congress was also restored to comprise a Senate and a House of Representatives (HoR) whose membership are both determined by public elections. As in the old system, 80% of the seats in the HoR elections are elected through a first-past-the-post (FPTP) simple majority in single-member districts. The remaining 20% of the seats are determined through party-list elections (Teehankee, 2002).

The landed elites recaptured the representational system as a "solid visible national oligarchy" by winning 130 of the 200 congressional HoR seats in the May 1987 election (Anderson, 1998, p. 201). Known as *trapos* for short, these traditional

politicians seldom won solely on the basis of policy commitments, but also relied on personal popularity and the provision of patronage (Hutchcroft & Rocamore, 2003; Kasuya, 2009).<sup>11</sup> Political parties were weak in terms of policy cohesion, with some politicians not even knowing what policies their party advocated, and sometimes developing their own policy stance in addition to the party line.

The supposed remedy to such dominance of *trapos* was the party-list system. While paved with good intentions to give a voice to marginalized groups, the way in which the party list is designed and implemented has only led to a large number of fragmented groups that each capture an extremely limited number of seats in the HoR, and this has done little to increase the cohesion of policy platforms. (Carlos, Lalata, Despi, & Carlos, 2010; Teehankee, 2002). This will be explained in further detail in Chapter 4, which considers farmers' relative lack of representation in Filipino electoral politics.

### **Resulting Pattern: Traditional, Localized Patronage**

The result of the development of social cleavages and political systems described above was the continued prevalence of a traditional, localized form of patronage or clientelism. This form of patronage refers to “ties between national leaders and voters via local leaders who ‘harvest’ votes through material incentives or violent threats” (Thompson, 2010, p. 6). It is a linkage between politicians and voters “based on direct material inducements targeted to individuals and small groups of citizens” (Kitschelt & Wilkinson, 2007, p. 2) and understood as a “particular mode of

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<sup>11</sup> Personal popularity is an important element in Filipino politics. I once went to a conference attended by young politicians, where we received business cards. Some of these politicians print their portraits on their business cards, but on no single card could I see the parties they belonged to. When I asked why, one politician answered that it was because they switched parties often.

‘exchange’ between electoral constituencies as principals and politicians as agents in democratic systems” (Kitschelt & Wilkinson, 2007, p. 7).

With the reinstatement of pork barrel funds that took place under the rule of Fidel V. Ramos in 1995, elected congresspersons in the Philippines are allocated a sizeable sum of discretionary funds to be used in “projects” of their own choice. These funds have a history dating back to the late 1920s and were labeled the *pork barrel* because of their resemblance to the type of patronage to which the term referred in its American origin (Kasuya, 2009). Although known generically as the pork barrel, the funds include allocations from various sources, including the Public Works Act, the Priority Development Assistance Fund (PDAF), and discretionary funds from the president and departmental secretaries. Through it is used as a means of reward or sanction, Ramos reinstated the pork barrel as a tool to lure the rural elites to his side, thereby building a dominant party in the Congress (Kasuya, 2009; Putzel, 1999).<sup>12</sup>

To secure a share of pork resources, politicians had to maintain good relationships or even get on the bandwagon with the incumbent president. Party switching happens frequently, driven by the need to secure financial resources for patronage. In turn, elected officials at the local level also need to build good relationships with their provincial representatives to Congress in order to secure funds for programs or patronage purposes.

While pork barrel funds were reinstated, local governments were often left unfunded in carrying out their necessary functions. The Local Government Code was introduced in 1991 to allow local democratic participation through direct election of

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<sup>12</sup> Fidel V. Ramos did attempt to implement reforms that were helpful in helping the Philippines avoid the damages from the Asian Financial Crisis. His reform efforts included the strengthening of the financial system and privatization of various state-owned assets (Hicken, 2008). He also attempted reforms on the social front by forming policy bodies incorporating civil society organizations (Araral, 2006).

local officials such as governors, mayors, and village heads (Hutchcroft & Rocamore, 2003). While a number of government functions such as the maintenance and upgrading of rural infrastructure were decentralized to local government units, the government fell short of its commitment to decentralize financial resources along with the devolution of such functions.<sup>13</sup> Local executives may have had to beg for money from various sources in order to carry out the devolved functions, and they often became the targeted recipients of patronage from politicians at the national level.

In comparison to Thailand, the lack of damages or urgency resulting from the Asian financial crisis in the Philippines prevented deeper reforms that were necessary in addressing economic vulnerability in the long run (Hicken, 2008). The lingering state of poverty instead provided an opportunity to the actor-turned-politician Joseph Estrada to appeal to the poor masses using “movie-star populism.” While Estrada did make pro-poor pledges, most of his pledges went unimplemented (Thompson, 2010). After allegations of corruption and massive protests, Estrada was ousted in a coup and was replaced by his vice president, Gloria Macapagal Arroyo, who proved to be much more adept at the traditional money politics discussed above.

Under Arroyo’s rule, the ruling coalition or “presidential vehicles,” as Ufen (2012, p. 456) would term them, continued to be held together by a huge sum of money in the pork barrel. The prominence of such patronage might serve to explain the outrageously massive rice imports in 2008, and the linkage will be discussed in detail in the next chapter.

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<sup>13</sup> As of 2004, the share of the national budget received by the local government units had never exceeded 20%, compared to the LGC of 40% (Brillantes & Sonco, 2006, citing data from the Union of Local Authorities of the Philippines).

## Thailand

Social cleavages and political development in the Philippines were very much shaped by the dominance of local elites, or bossism. As I shall discuss below, bossism was a more recent phenomenon that was less deeply rooted in the political history of Thailand than that of the Philippines (Sidel, 2004). Instead, the governance of a relatively stronger central state had the ability to reach far into a smallholder-populated rural society during much of contemporary history. Together with the changes brought about by the more recent crisis experiences of the country, a more centralized system of patronage, or politician–voter linkage, would provide the narrative to explain the rice policies in question.

### Social Cleavages

As mentioned in the last chapter, small and independent farms were the norm in 19th-century Siam. The dominant role of the peasantry was the product of two main forces: the abundant availability of land and the deliberate policy of the rulers (Pasuk & Baker, 2002). Although some aristocratic families accumulated large holdings of land along the newly constructed canals immediately north and west of Bangkok, their power over the frontier was diminished as the monarchy facilitated peasants in clearing new land for farming. The monarchy even made efforts to make documents available so that cultivators of the newly cleared land would have sole rights to develop the land for three years (Feeny, 1988), all the while refusing legal support for landlords or merchant capitalists to impose control on the new smallholders. By 1937, landlords held only one quarter of the cultivated land in the central plain, 19% of land in the North, and a mere 2% of the land in the Northeast (Pasuk & Baker, 2002).

Despite the resulting norm of smallholder agriculture, patron–client (*nai–phrai*) relations nonetheless existed in the Thai Village, extending from poor peasant

households all the way to the king himself. The difference from the Philippines was that in Thailand, the key to both power and wealth for the patron lay not in land ownership but in control over manpower in the form of slavery and unpaid labor. There was competition between patrons to expand their followings so clients would still manipulate sources of protection to some extent (Hall, 1980). The ties were also flexible because of movement both up and down the hierarchy and the termination of relations as a result of failure to satisfy either party (Walker, 2012). Nonetheless, the monarchy dismantled this system of slavery and unpaid labor by the early 1990s. This was done to rid the opposition nobility of labor services, thereby allowing the king to consolidate his own position (Feeny, 1988).

The accumulation of power among village or even commune (*tambon*) headmen was put under further check, as religious leaders also served to counter such accumulation. Spirituality also had a part to play in Thai rural politics, as the village was then considered a moral community based on the pragmatic exchange of favors (Keyes, 2012; Walker, 2012). Leaders of the local temple had the ability to withhold religious sanction, which conferred them a form of power. Not only was their approval needed for any community project to succeed, but they were also in competition with village or commune headmen for the role of middleman between the peasants and the local bureaucracy (Hall, 1980).

The state-facilitated norm of smallholders in Thai agriculture had rather long-lasting effects and presented a case different from that of the Philippines. While the colonial state in the latter actually relied on the elite families, the rapport between a central colonial state and the landed elites never existed in Thailand. The result of this difference was a check on the power of landlords and the lower rate of landlessness in Thailand. The smallholder norm also gave the Thai social structure attributes that were

“more homogeneous and egalitarian” (Hara, 1992, p. 116–117) compared to those of the Philippines.

By the 1990s, however, farmers started facing problems such as falling crop prices, rising debts, and the threat of being driven off their land as a result of urban or industrial development (Pasuk & Baker, 2001). The income disparity between urban and rural areas in Thailand was also widening as industrial output became concentrated in the Bangkok metropolitan area, which accounted for 80% of the total output by 1990 (Eastwood & Lipton, 2000). The rural areas also started to account for less of the nation’s total employment, dropping from 80% in 1970 to 60% in 1990 (Porphant, 1999). The northeast, in particular, constantly lagged behind the national average when it came to poverty reduction in terms of poverty incidence (see Table 8).

This inequality was aggravated further during the Asian financial crisis, as I will describe in Chapter 5. By 2002, the rural sector made up more than 90% of the poor population in Thailand (as opposed to the lower figure of 73% in the Philippines in 2006; refer to Table 6). The resulting social cleavage between the urban and rural sectors created a social demand, which Thaksin Shinawatra sought to answer using a host of pro-poor or populist policies. It nonetheless had a major impact on the country’s political development and stability in the years after.

Table 8  
*Incidence of Poverty in Thailand*

	1990	1994	1998	2002
Whole Kingdom	27.2	16.3	13.0	9.8
Bangkok vicinity	3.0	1.6	0.5	2.0
Central	20.5	8.4	7.0	4.3
North	23.2	13.2	9.1	9.8
Northeast	43.1	28.6	24.0	17.1
South	27.6	17.3	14.6	8.7

*Source: \*ADB Key indicators 2004, cited by Balisacan 2005. \*\*Balisacan 2005*

## **Political Systems**

If Filipino politics were characterized by the dominance of elite families, Thai politics since becoming a constitutional monarchy in 1932 would be characterized by a vicious cycle in which the military played a heavy role. Political history alternated between military coups, new constitutions, and then elections to legitimize the military leader and place his people into the parliament. The resulting weak government is then dissolved through a coup staged by another military faction, and the whole cycle repeats itself (Bhanupong, 2009; Kokpol, 2002; McCargo, 2001). To date, Thailand has seen a total of 18 constitutions since 1932, with the most recent one (2007) drafted by a committee set up by the military after the 2006 coup (Bhanupong, 2009; McCargo, 2001).

Along with the military, the bureaucracy has also played a central role in the governing of Thailand, playing a superior role to often-ceremonial parliaments. The bureaucracy came to be the center of power during the absolutist area, when the royalty sought to sweep away hereditary nobles in the hinterland (Pasuk & Baker, 2002). This new bureaucracy, headed by new aristocracy defined much by royal blood, had practically no competition from an independent judiciary, legislature, or landed nobility. It was exceptionally powerful and even penetrated patron–client systems in rural Thailand (Hall, 1980).

The bureaucracy maintained its power after the institutional change in 1932 and remained the ruling elite of the country except during some periods in the 1970s when political conditions were more liberal (Hall, 1980). This bureaucracy, however, was not spotless or of a fully developmental nature. While bypassing the influence of the elected members of the parliament or provincial councils, it also engaged in predatory activity such as charging informal fees for public services or abusing their

discretionary powers through rent-seeking behavior (Hall, 1980; Pasuk & Baker, 2009). Line ministries each participated in clientelistic networks that linked private businesses to members of the political-military elite and obtained rents through providing businesses with licenses, protection, and other goods (Doner, 2009).

Although the above patron–client relationships were largely urban, the rise of rural patrons did take place in Thailand. This happened during the 1980s, when it seemed as if the country was making a gradual democratic transition (McCargo, 2001).<sup>14</sup> Around this time, “rural network politicians” rose up to act as powerful intermediaries between voters and the state (Ufen, 2012, p. 459). Known as local “godfathers,” their power was constrained by the presence of the ruling military and the bureaucracy polity at least until the 1970s (Pasuk & Baker, 2002; Sidel, 2004), but they achieved great prominence in the 1980s either by running directly for office or by providing vote brokerage in elections to Bangkok-based patrons or local politicians. They reached their zenith in the mid-1990s (Sidel, 2004).

Thai “godfathers” competed for pork resources made available from the prime minister and also made use of other tactics such as vote buying, coercion, and election fraud (Bowie, 2008; Hicken, 2002), much like the strategies used in the money politics seen in the Philippines. Nonetheless, the rise of these rural network politicians came at a much later juncture vis-à-vis the process of economic development. It never resulted in the unrivaled oligarchy or the bureaucratic polity being subordinated as in the case of the Philippines, nor did it constitute the only dominant ruling class in Thailand. Rather, these politicians remained in coexistence with powerful business magnates in Bangkok who had themselves assumed political party leadership posts (Sidel, 2004).

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<sup>14</sup> There was no successful military coup in Thailand between 1977 and 1991.

A significant juncture in Thai politics was the Asian financial crisis in 1997. The dominant view in Thailand regarding their vulnerability to the crisis was the surge of capital inflow from the West to Asian emerging economies by way of an immaturely globalized capital market. The perceived “neoliberal aggression” after the crisis also evoked a politics of resentment or blame, particularly toward international institutions such as the World Bank and IMF for Thailand’s problems, especially among the big businesses (Hicken, 2008). At the same time, a wave of distrust toward the above-mentioned system of money politics among “godfathers” also emerged (Pasuk & Baker, 2009). All walks of life were pushing toward a new politics in Thailand at this juncture.

Political turmoil followed soon after the Asian financial crisis, with the Chavalit Yongchaiyudh government ousted without recourse to an election (McCargo, 2001). A new constitution was passed in 1997 as an attempt to clean up the political system. Significant changes were thus made to address personality politics and the problem of election fraud. Instead of the multi-seat, multiple-vote (MSMV) system in place during most of Thailand’s democratic history, a system with smaller constituencies and a FPTP simple majority win was introduced. This stopped multiple candidates from the same party from running against each other. In a way this would expectedly reduce campaign tactics that were personalistic and ridden with patronage (Hicken, 2002; Selway, 2011).

Based on the Filipino experience, however, one can say that FPTP does not necessarily help to strengthen parties. Two other measures were thus instrumental in strengthening the political party. First, voting became obligatory by law, with a penalty charged for nonvoters for the first time. While a choice of “no intention to vote” is included on the ballot, the expanded electorate made vote buying prohibitively

expensive (Schaffer, 2002). Second, to foster politics based more on party platforms than personal charisma, the party-list system was introduced. Under the new system, 20% of the seats in the HoR were to be elected through proportional representation in the form of a nationwide party list, so as to reduce the championing of local interests. In the parliamentary electoral system, HoR members elected through the party list were also expected to include the prime minister as well as those who form the cabinet, since they were seen as representing the whole territory of Thailand as a constituency (Kokpol, 2002). This change encouraged voters to choose candidates based on party platforms rather than personalistic ties (Schaffer, 2002).

In January 2001, Thaksin's Thai Rak Thai party won by a near majority of 248 out of 500 seats in the first HoR election under the new constitution, and he himself became the Prime Minister of Thailand. Thaksin's rise to power and governance of the nation was controversial in academic circles. I do not intend to go into the details of the debate in this study. However, it is important to understand the context under which Thaksin resorted to a pro-poor or populist policy platform, since no previous political leader had done anything similar (Pasuk & Baker, 2009). Also, the very rice policies under investigation may also be considered part of this "populist policy package."

### **Resulting Pattern: Centralized Money Politics in the Form of Populist Policies**

Electoral rules in the 1997 constitution, which included the preexisting parliamentary system as well as the newfound importance of the party list, encouraged parties to appeal to the entire nation and develop stronger policy platforms. Thaksin appealed to rural voters using a strikingly new policy platform that included broadly targeted policies such as universal health care and other nationwide pro-poor programs (Selway, 2011). Given the fact that the largest number of votes has always been in the

rural areas, these policies contributed to his victory in 2001 and again in 2005 (Pasuk & Baker, 2007).

The resulting pattern of side payment distribution in Thailand since Thaksin's rule in 2001 was therefore one that mobilized mass constituencies rather than local ones. His policies were commonly known as having *populist* characteristics, with promises to help the common people while challenging the established elite, sometimes also having an emphasis on the agriculture and rural sector (McCargo, 2001; Pasuk & Baker, 2008; Thompson, 2010). Thaksin was said to have bought out local bosses by providing lucrative allowances for them to join TRT, so as to eliminate their competition, which was often ridden with patronage (Ufen, 2007). Further, Thaksin did not rely on decentralization to ensure public good delivery, so as to recentralize powers and to be sure that the central government was the provider of all "political goods" to the rural poor.

Populism in Thailand under Thaksin was also different from that in the Philippines under Estrada. The presidential system in the Philippines did not provide Estrada with a vice president or a Congress from his own party, which may have undermined the president's power to get policies enacted, even if he ever had such a will. Thaksin was blessed with a parliamentary system that enabled him to build a strong dominant party campaigning with a clear-cut policy platform that was swiftly implemented.

Thaksin changed the way in which politics is conducted in Thailand. He educated the rural electorate about the importance of politics and allowed them to be included in a market for pro-poor or populist policies. This new politics nonetheless failed to prevent the corrupt ways of conducting business at the top level of government, and frustration toward Thaksin spiraled up among the elite in Bangkok

over time. This eventually led to his ousting through the coup in 2006, and he left after him a further-deepening social cleavage, which served to be a major destabilizing factor in Thai politics.

### **Summary**

In this chapter, I outlined the changing patterns of patronage politics in the Philippines and Thailand and their underlying causes. The two countries present diverging trends, with the Philippines showing an ongoing trend dominated by traditional patronage, which is localized (or decentralized) through the institutionalized pork barrel system, and Thailand showing a trend moving away from such localized patronage, with side payments to voters becoming centralized through a pro-poor or populist party platform. The underlying causes of such difference are outlined in Table 9.

There are a few key differences to be noted in the above comparison. First, in the early formation of social cleavages, the colonial state in the Philippines relied on the landed elite families to help govern the country, whereas the Thai monarchy chose to facilitate landholding among the peasantry in order to bolster its power over the nobility. The state took opposite sides in these cases, making it possible for Thailand, but not the Philippines, to prevent itself from becoming weak vis-à-vis a landed elite class.

Table 9

*Patterns of Patronage in the Philippines and Thailand and Their Underlying Causes*

	<i>The Philippines</i>	<i>Thailand</i>
Social cleavages	Colonial governments relied on local land elites to govern the archipelago. Land reform remained incomplete throughout Marco's dictatorship years and re-democratization in 1986. Many farmers remained poor and landless.	Never colonized. Aristocratic bureaucracy was able to penetrate the countryside. Uneven development led to wide disparity between urban and rural areas by the 1980s, and such disparity was aggravated in the 1997 Asian Financial Crisis.
Political systems	"Cacique democracy": power of local elites consolidated through introduction of an elected legislature under US colonial rule. After the dictatorial interlude of Marcos (1972–1986), cacique democracy was reinstated after the People Power Revolution. Decentralization of government functions without financial resources.	"Military-backed bureaucratic polity" where power of elected politicians is limited. Local network politicians once gained power during the 1980s, but the 1997 constitution (after the Asian Financial Crisis) promoted competition based on a policy platform. Slow decentralization with strong central control remaining.
Patterns of patronage	Consistent dominance of localized, traditional patronage in political competition. "Pork barrel" institutionalized through funds controlled by president and other top-level officials.	Moving away from traditional, localized patronage toward a centralized system of side payments. Political parties win by offering populist policies that appeal to the masses.

Second, the introduction of an elected legislature consolidated the power of the landed elites in the Philippines to the extent that this ruling class was able to subordinate the state apparatus. This was interrupted during the autocratic rule of Marcos but almost fully restored after the People Power Revolution. This was not the case in Thailand, where a military-backed bureaucracy remained dominant over elected officials. Although rural network politicians gained power briefly, the Asian financial crisis had effects that were far-reaching enough to change the way in which politics was conducted, replacing localized patronage by a new politics in which elections were won by way of mass party platforms that responded to the needs of the poor.

The development of social cleavages and political systems worked to preserve a traditional system of patronage in the Philippines, characterized by localized or even

personalized distribution of materialistic gains in exchange for votes. The same three factors nonetheless gave rise to a variant, mass party form of patronage in Thailand, characterized by a distribution of benefits to a broader yet still targeted group in society through populist policies.

In the next two chapters, I will attempt to use the diverging patterns of patronage presented in this chapter to explain the rice policies presented in the previous chapter. In Chapter 4, I will show how the “traditional politics” narrative in the Philippines, characterized by patronage and money politics, can explain policies made by an incumbent government that is focused less on providing support to producers, but more on the food security of the general consumers. In Chapter 5, I will show how politics of an increasingly populist character in Thailand facilitated rice policies that had a clear objective of raising farmer incomes and hence raising their support for the incumbent government.

## **Chapter 4**

### **Rice Supply Gaps, Mega Imports and Pork Barrel Politics in the Philippines**

In this chapter, I show how social cleavages and political systems, together with their resulting money politics, have shaped rice policies as well as their outcomes in the Philippines. In the first section of the chapter, I will first introduce the key policy actors in the rice sector of the Philippines, namely the government agencies, farmers, and rice traders. After that I will explain how patronage, corruption, and other financial relations contribute to the lack of investment in rice farming, as well as the lack of a domestic procurement program that would give farmers the incentives to produce enough rice to reach self-sufficiency. In the last section of the chapter, I will show how the monopoly of rice imports by the state could also be explained through patronage and corruption, and how they also led to the oversized and overpriced imports during the 2008 rice price crisis.

#### **The Rice Sector in the Philippines**

The rice sector in the Philippines is one that is penetrated by political interests, and it is difficult to draw a boundary as to who are the key actors that it entails. In this section, I will first introduce the state agencies that have been undermined over the years by political instability and discuss the perils of both decentralization of some functions and overcentralization of others. I will also introduce two groups of key actors in society, namely farmers and rice traders. Given the half-baked land reform (see Chapter 3) in the Philippines, farmers are a rather heterogeneous group in terms of landholding and wealth. For the same reason, ownership of land is not considered to be secure in the Philippines, making land a bad form of collateral for obtaining loans. This situation led to the role of rice traders as informal financiers, giving them a “partly state, partly bank” function in supporting the production of farmers (S. Bacani,

personal communication, March 7, 2011). The way in which these actors interact with the political institutions will be discussed in the next section.

### **Government Agencies**

As the government agency responsible for the promotion of agricultural development, the Department of Agriculture (DA) provides the policy framework, public investments, and support services needed for domestic and export-oriented business enterprises. Guided by the principle that “agriculture is business,” the DA “implemented policy and institutional reforms that freed the agriculture markets, enabling farmers to enjoy higher farm gate prices,” according to the DA website (2012). Some of these reforms included the dismantling of agricultural monopolies and the elimination of some agricultural taxes. Among agencies with various functions, the DA also houses the National Food Authority (NFA), which was introduced in Chapter 2.

The Filipino bureaucracy was never known to be one of the best in Asia, and the DA itself suffered from a range of problems.<sup>15</sup> Cabinet shuffles following every time the country went into political turmoil have likely caused frequent changes in the leadership during the two decades after re-democratization, contributing to the lackluster performance of food security and agricultural development.<sup>16</sup> While long terms of office may not guarantee effective leadership, a learning period did exist every time a new secretary was appointed. At the same time, the political pressure for

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<sup>15</sup> The Philippines has been reported to house the third-worst bureaucracy in Asia in terms of efficiency, rated better than only India and Indonesia, according to a survey by Hong Kong-based Political and Economic Risk Consultancy (PERC), reported by Agence France-Presse, 2 June 2010.

<sup>16</sup> Eight secretaries of agriculture took turns to run the ministry during the 14 years while Presidents Aquino (1986–1992), Ramos (1992–1998), and Estrada (1998–Feb 2001) were in office. This meant that each of the secretaries of agriculture only served for an average of less than two years, much shorter than their full term of six years. This was short by comparison to the Marcos era, when the president only changed the secretaries or ministers of agriculture twice during the whole 20 years of his rule (Tolentino, 2002).

visibility also led to the need to erase programs of the previous appointee and announce new programs labeled as one's own. These hasty arrangements often led to the declaration of goals that were poorly thought out or even infeasible (Tolentino, 2002).

Political appointments often caused senior posts in the DA to be filled by politicians instead of sector experts. Leaders often became focused on short-term gains while neglecting the tasks of long-term structural change. Political appointments were also present beyond the most senior levels of the DA. It was estimated that in the year 2001, as many as 180 posts out of the 3,000 in the DA were filled by the appointment of the president (Tolentino, 2002). This was part of the wider trend of political appointments since the re-democratization of the country in 1986, when nearly 60% out of a total of 4,981 career executive civil service positions were nonpermanent and subject to reappointment upon the inauguration of a new president (1999 DA figures, as cited in Tillah, 2005).

In addition, there was also a fragmentation of functions between different branches of the same department, or even different departments. In the case of extension, work was fragmented between various branches of the DA, the Department of Environment and Natural Resources, and the Department of Agrarian Reform, which focused on those new landholders who actually got to benefit from slow and gradual land reform. These services offered by these other agencies were found to be overlapping with the DA's overall responsibility for agricultural development (David, 1999).

Furthermore, staff morale was also affected, as nearly two thirds of the DA's 30,000 employees were moved to local government units as a result of the Local Government Code in 1991. The devolved local civil servants felt they had been "given

away” and had to settle for lower pay, prestige, and job security than national civil servants as a result of the move (Tillah, 2005).

While some government functions related to food and agriculture, such as research and extension, suffered from excess decentralization, other functions suffered from overcentralization. Such was the case in the government’s handling of the rice trade. As an agency under the umbrella of the DA, the NFA remained practically the only body in the country that could import rice or grant very limited licenses to do so (Balisacan, Fuwa, & Debuque, 2004). Unlike many other government-owned-and-controlled corporations (GOCCs) that were privatized after the re-democratization of the Philippines in 1986, the NFA survived this cluster of privatization, even though its mandate became limited to the staples of rice and corn (Balisacan et al., 2004). The continued existence of the NFA and its monopoly over rice imports led to the centralization of decision-making power regarding large volumes of rice imports in the hands of a few people. This resulted not only in decision errors but also in opportunities of rent seeking as well as instability in the world rice market.

Due to the problems associated with such monopolization of imports, as well as reasons of resource efficiency, scholars at government think tanks such as the National Economic Development Authority (including its subsidiaries such as the Philippines Institute for Development Studies) have joined hands with economists to advocate that the government comply with standards laid out at the World Trade Organization (WTO). This means ending the use of quantitative restrictions (QR) and replacing it with an equivalent tariff. They also called for reconsidering the issue of rice self-sufficiency in the light of affordability, since the cheaper imported rice could benefit poor households (Briones, 2012).

## **Farmers**

Planted on 87% of the cropped area in the Philippines (FAOSTAT, 2008, as cited in Alavi et al., 2012), rice is a significant commodity in terms of nutrition as well as politics. While farmers accounted for about one third (13.3 million) of the labor force of 40 million people in the Philippines, about one third (4.4 million) of these farmers were considered rice farmers, and they alone accounted for more than 10% of the total labor force (ASEAN, 2009, as cited in Alavi et al., 2012; Agrifood Consulting International, 2010).

Although farmers constitute a significant group in the labor force of the Philippines, they are rather weakly organized. Peasant movements today are rather weak compared to those of the 1960s, when they were linked to socialist insurgencies such as the Hukbalahap (Huk) guerrilla group (A. Glipo, personal communication, February 17, 2011). Although there are currently 16,000 accredited civil society organizations campaigning on behalf of rice farmers on issues such as government procurement and better rural infrastructure, only 4 to 5% of all farmers consider themselves members of these “peasant organizations” (R. Royandoyan, personal communication, February 15, 2011; J. Tadeo, personal communication, February 23, 2011).

One reason Filipino farmers are poorly organized is due to their heterogeneity in land tenure and wealth. Landlessness is still widespread as a result of the slow and gradual implementation of the land reform. Tenure among landholding farmers also varies. Small farms of less than 2 hectares still largely dominate sectors such as rice and corn, while other sectors such as coconut and banana have farms that are at least

twice as large (Centro Saka, 2008).<sup>17</sup> In addition, disparities in additional incomes earned through non-farm activities as well as geographic dispersion throughout the archipelago also lead to heterogeneities in terms of political interest.

Politics among organizations themselves also led to difficulties in forming a united front, with lines of fissure emerging as a result of differences in wealth and ideology (Bello et al., 2004; Borrás, 2010).<sup>18</sup> Issues-based coalitions, however, have tended to be more successful, as they require less effort to be spent on “agenda positioning” among “different-minded” groups (Bello et al., 2004). An example is the Rice Watch and Action Network (RWAN), an alliance of 12 NGOs formed in 2000 to fight the possible removal of the QR on rice imports. But after 10 years, member organizations became split on even important policy issues, such as whether the QR should be maintained in the long term or not (Hazel Tanchuling, personal communication, March 11, 2011). In other words, even the success of issue-based coalitions in organizing farmers is bound by time and the issues that concern them.

Many farmers’ organizations chose to target international organizations such as the WTO and the World Bank because they believe the agricultural policies in the Philippines to be heavily influenced by the World Bank or even consultants from the

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<sup>17</sup> Rice and maize farms in the Philippines are significantly smaller than coconut and banana plantations, as the PD27 land reform implemented under Marcos specifically targeted the rice and maize sectors. The PD27 land reform also declared share tenancy illegal. This was a further step toward converting share tenancy to fixed rent tenancy following the Operation Leasehold in 1963, which was to convert share tenancy on rice and corn farmland to leasehold with the fixed rent at 25% of the average harvest in the three normal years preceding the operation. The incentive for landlords who are not farmers to promote rice productivity exists only if they get a significant share of the revenue. On the other hand, the incentive is greatly reduced if the tenancy is based on fixed rent. A study by Fujimoto (1996) contained a sample of Filipino villages and showed that the prevalence of share tenancy was already lower than 10% in the 1980s. The figure must be lower now. The interest of large landlords in improving in rice productivity can thus be dismissed.

<sup>18</sup> There are two main currents in the Filipino Peasant movement: the more leftist, militant one, led by the Communist Party of the Philippines, and the more moderate and gradualist group, typically of a social democrat leaning. There was an effort in the 1980s for these organizations to form a coalition to push for an agrarian reform, but this failed due to ideological differences, resource allocations, and power sharing (Bello et al., 2004). The more militant leftist group started splitting up further due to disagreement on whether to go beyond legal (i.e., nonviolent) means in achieving its goals (Borrás, 2010).

U.S. Department of Agriculture (A. Glipo, personal communication, February 17, 2011). They lacked political voice at the national level, however, which was the combined result of the lack of political representation and the heterogeneity of interests described above.

The organization of peasants or farmers, if any, was more likely to take place at a village or municipality level in the form of irrigators' associations (IAs) or cooperatives. These organizations were typically formed for economic purposes such as managing water distribution or securing access to loans, but seldom were they really formed with the aim to influence government policy. The rate of failure among cooperatives was also high. Although there were some 40,000 registered cooperatives in 1997, 28% of them were no longer active at the time (Nozawa, 2000).<sup>19</sup> Survival rates of cooperatives were even lower by 2009, with just less than half of the 39,713 registered multipurpose agricultural cooperatives actually operating. The high rate of failure was due to the lack of financial and technical support,<sup>20</sup> as well as the cooperatives' own governance problems (S. Obien, personal communication, March 11, 2011; F. Supoy, personal communication, March 21, 2011).<sup>21</sup>

Farmers are supposedly represented in state-sponsored consultative mechanisms at various levels, as well as through the party list system of the congress. Both of these mechanisms nonetheless fail to give farmers a significant voice in policy

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<sup>19</sup> According to Ruben Miranda at PhilRice (personal communication, 21 March 2011), a cooperative is considered active if it can maintain 30 to 40 active members who adhere to the policy of the cooperative and patronize its services and the other assistance provided. The member shall perform his duty in paying back loans and attending training. As he proceeds with his saving plans, he is also expected to invest in the cooperative by buying shares.

<sup>20</sup> One cooperative officer mentioned that resources devoted to training were so limited that seminars were shortened to two days instead of the required three, and even the trainers themselves were not clear on rules and regulations.

<sup>21</sup> Cooperative officers often scoop out parcels of money in the form of large loans or honorariums for their personal use when cooperatives start to enjoy modest financial success. These problems then become visible to members, and they themselves increasingly default against their loans, eventually leaving the cooperative with bad debts (Ruben Miranda, personal communication, 21 March 2011).

making. I will focus on the former here, and look at the latter as I discuss politics at large later in this chapter. The Agricultural and Fisheries Council (AFC) was established in the Marcos era at the national, regional, municipal, and even *barangay* levels for policy consultation as well as facilitation of policy implementation. Civil society and party list politicians, however, believed that the AFC could not effectively represent farmers' views because it was funded by the state. Indeed, the AFC was denied funding during the Estrada and Arroyo administrations, as the government did not want these bodies to contradict its own policies (S. Bacani, personal communication, 7 March 2011).

### **Millers and Traders**

In addition to the lack of political representation, however, another reason the farmers have limited bargaining power, especially regarding rice prices, is the dominant role played by rice traders in the Philippines. Traders and millers have filled in as informal providers of credit for farmers due to the difficulties in accessing credit from banks and other formal lending institutions. They have an incentive to play this role because their credit-tied relationship with farmers helps them in securing rice supply at the time of harvest (Llanto, 2008). As we shall see below, this is a love-hate relationship that enables the production of farmers on the one hand but erodes into their bargaining power in terms of prices and selling targets on the other.

A survey of the Agricultural Credit Policy Council showed that “informal lenders” were the sources of more than half of the loans provided to farmers between the years 1996 and 2005, and they accounted for as much as three quarters of all the loans in 1996–1997 (cited by Llanto, 2008, p. 146). According to another survey by Centro Saka (2008), 36 and 21% of rice farmers reported having borrowed from informal credit sources such as “financiers” and traders, respectively. Cooperatives,

which were suffering high rates of failure, provided credit to only 20% of rice farmers. Even fewer (5%) were able to borrow production capital from banks.

The lack of formal rural credit was due to poor implementation of laws governing the provision of rural credit from banks. The Agri-Agra law (PD717) was created in 1975 and mandated that all banks set aside 25% of their loanable funds for agricultural credit (Agricultural Credit Policy Council, 2003). Banks fell short of meeting their mandatory requirement, however, with lending to agriculture accounting for less than 5% of banks' aggregate loans in 2007 (Corpuz & Pagua, 2008).<sup>22</sup> Also, the inherent risks of agricultural production as well as acceptable collateral led to a hesitation on the parts of both banks and farmers in making or taking loans, resulting in a failure in the credit market (Bello et al., 2004; Llanto, 2008).

The loans offered by rice traders to farmers may come from moneylenders or agro-processors that have access to commercial banks. This money is broken down into smaller loans and is offered to farmers on a per-season basis, with or without collateral. The trader makes an advance payment at the beginning of the growing season, sometimes offered in-kind with biochemical inputs such as fertilizers. A negotiated amount of paddy is then collected at harvest time, and substantial interest is charged (Llanto, 2008). In Cabiao, a municipality of Nueva Ecija, for example, the equivalent interest rates charged by financiers could be as high as 10 to 20% per month.<sup>23</sup>

In addition to high interests, the credit-tied relationship results in very little power on the part of the farmer to decide when and to whom rice can be sold. This

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<sup>22</sup> According to Corpuz and Pagua (2008), the amount of loans granted by the banking system to agricultural projects more than doubled in the last six years reaching about PHP651.8 billion in 2007. However, in proportion to the total amount of loans granted by all banks, this amount has ranged from only 3–4%.

<sup>23</sup> A loan of PHP1,000 (USD45) would have to be repaid with three 45-kg bags (known as a *cavan*) of rough rice, which had a market value of PHP2,295 if sold instead to the NFA (at 2011 prices).

precludes the possibility of farmers selling to buyers who can offer higher prices, including the NFA (Centro Saka, 2008). Farmers and rice traders have thus achieved a love-hate relationship, suffering from a rivalry in terms of prices as well as interdependence in terms of access to credit and the security of paddy supply.

The political interest of farmers and traders nonetheless converged in the face of imports, and they opposed the removal of the NFA monopoly of imports in fear of the market becoming flooded with cheap imported rice, thus directly affecting their income. Both groups preferred an arrangement in which the NFA remained the sole importer, as they had long believed that the government should absorb the social costs of maintaining the country's food security (Reyes-Cantos, 2005). This stance could also be interpreted as a next-best option when the total elimination of imports was not feasible. Ironically, their lobbying efforts were joined by the NFA staff association, which had a membership of 15,000. Concerned about job security, they had been very active whenever they called a strike or went to the media to speak out against the privatization of imports.

### **Political Impediments to Rice Production Improvement**

#### **Policies Stopping Short of the Self-Sufficiency Rhetoric**

As mentioned in Chapter 2, the Philippines maintained throughout much of its postcolonial history the rhetoric of rice self-sufficiency, but had become highly dependent on rice imports since the 1990s. Rice production was not growing at a pace that could keep up with domestic demand, due to a prolonged period of stagnated investment in agriculture beginning with the economic crisis of the Philippines in the 1980s. Even after re-democratization, local governments suffered from a lack of financial support. This affected all areas of agriculture, including agriculture extension

and research; repair and maintenance of infrastructure, water supply, and communal irrigation; and land use planning (World Bank/ADB, 2005).

The Agricultural and Fisheries Modernization Act (AFMA) was enacted in 1997 with numerous goals including the enhancement of global competitiveness in agriculture, as well as self-sufficiency in rice and corn (Dy et al., 2008). It was launched without assured, timely, and suitably allocated budgetary support, however, and many of the funds appropriated by the law were never disbursed. In 2006, for example, less than PHP16 billion was allocated to the agricultural and fisheries sectors, when the full implementation of the AFMA in fact called for PHP31 to 36 billion (Dy et al., 2008).

The already-limited AFMA funds were concentrated in the hands of the central office of the DA to a large extent, with only less than 20% of the total going to the local government units (Tan, 2008). With little earmarked resources for agriculture coming in, policy priorities were left to the discretion of local chief executives. They were often discouraged from prioritizing irrigation or agricultural extension projects as a result of their limited term of office (three years). They opted instead for high-visibility projects such as roads, which could benefit a larger segment of the population and hence bring more votes (David, 2008; de Vera, 2008). I will look at three examples below, including agricultural extension, irrigation, and post-harvest equipment, to show how excess and uncoordinated decentralization has discounted the productivity of rice farming in the Philippines.

Irrigation is the most important contributor to growth in rice production in the Philippines, but its coverage has been more or less stagnant since the mid-1980s. In 2005, irrigation covered 1.41 million hectares, which was only 45% of the total

potential irrigable area (Balisacan et al., 2008).<sup>24</sup> The neglect of operation and maintenance (O&M) was a key reason for low coverage of functioning irrigation (David, 2008; Hayami & Kikuchi, 2000). This could be attributed to the decentralization of O&M activities on the part of the National Irrigation Authority (NIA) in the 1980s. Through mobilizing farmers into forming irrigators' associations (IAs), NIA contracted out maintenance work such as desilting, removal of debris, and grass cutting. Due to the inconsistent level and manner in which NIA engaged with these associations, however, the arrangement failed in many municipalities and could not be seen as an overall success (Hayami & Kikuchi, 2000; Raby, 2000).

Agricultural extension is also important in that it transfers to farmers the results of agricultural research, which is crucial to increasing their international competitiveness. The devolution of extension service to the local level was a significant change in service delivery, which in a way led to the delinking of research at the national level and extension work at the local level. Local governments, left with barely enough funds to pay the salaries of extension staff, were often left with little resources or motivation to collaborate with state universities in generating and disseminating locally suitable technologies (Cabanilla, 2006; David 1999).<sup>25</sup> Sometimes, extension staff was even deployed to take up nonagricultural duties (Bonifacio, 2008). This directly affected the delivery of the AFMA programs.

The Philippines also suffered from a shortage of modern post-harvest facilities, due to the government's ineffectiveness at delivering facilities that responded to the

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<sup>24</sup>NGO representatives like Manuel Rosario and Romeo Royandoyan and PhilRice researcher Sergio Francisco believed that the government should invest in small and dispersed systems instead of huge canals as a way to increase coverage. The debate of large versus small systems never reached conclusion, however, and the current policy direction for reaching rice self-sufficiency has thus returned to the rehabilitation of large-scale irrigation systems, whose level of effectiveness has yet to be shown.

<sup>25</sup> According to David (1999), about 80% of budgetary allocations by local government units for agriculture, veterinary, and natural resource services were spent on the salaries and wages of personnel.

needs of farmers. The state was unable to push the private sector to invest in building or modernizing the facilities because only a limited number of farmers could afford to pay for their use, while the finished products also could not compete with imports in terms of price or quality.<sup>26</sup> As a result, the responsibility of supplying post-harvest facilities was seen as one to be borne by the state.

While the AFMA did commit PHP2 billion toward post-harvest facilities, reports show that the DA allocated a mere third of this committed amount to this purpose between 2001 and 2004 due to the lack of funds. While some cooperatives and municipalities did receive facilities such as mechanical dryers, there were reported concerns of substandard quality and underutilization due to a lack of prior consultation with the target beneficiaries (Lantican, 2008). The lack of effort to reduce post-harvest loss at the milling stage of rice also contributed to the need for imports.

As seen above, the rhetoric of achieving rice self-sufficiency did not result in actualized investments or outlays in irrigation, extension, and post-harvest facilities that were necessary in bringing about this goal. Although the modernization of rice farming was not achieved, the government had the option of boosting farmer incentives through offering competitive prices through a government purchase program. This also did not materialize, for reasons to be explored below.

### **Perils of Domestic Rice Procurement**

As understood in Chapter 2, the percentage of domestically produced rice purchased by the state in the Philippines was much lower compared to Thailand. This needs to be understood in the light of the low bargaining power of Filipino rice farmers

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<sup>26</sup> According to field interviews, rice mills in the Philippines are not modern and end up recovering only 60% by weight, when the international standard is 65% (S. Bacani, personal communication, 7 March 2011; R. Clarete, personal communication, 25 March 2011).

vis-à-vis rice traders, which was among the reasons that made it difficult for farmers to explore the NFA as potential buyers.

From 1999 to 2008, the NFA procured a total of 3.72 million metric tonnes of domestic paddy, which represented a mere 2.5% of the total production during these years. The volume of rice that the NFA purchased was lowest during the three years before the 2008 rice price crisis, constituting less than 1% of domestic production (Table 10). This was in stark contrast with the 1970s, when the Philippines was self-sufficient in rice. During those years, the National Grains Authority (NGA, predecessor of NFA) procured at least 10% of domestic production each year (NFA data). It was also the major procurer of rice when rice production was expanding but warehouses were inadequate (Yoshihara, 1994).

Not only was the procurement volume low in the few years leading up to the 2008 rice price crisis, but procurement prices were as well (see Table 11). The procurement prices offered per kilogram of rice between 2005 and 2007 could not match the level offered by traders (Congress of the Philippines, 2010). With the additional ability to offer credit to farmers, the traders were therefore in a better position than the NFA in terms of securing rice from the farmers, and an estimated 87% of the farmers named traders as their key buyer (Centro Saka, 2008).

Table 10  
Domestic Rough Rice Procurement Through the NFA With Reference to Import Volumes  
(1994–2008)

	Rough rice procurement (‘000MT)	Procurement as % of Production	Imports (‘000MT)
1994	61	0.6	0
1995	8	0.1	257
1996	124	1.1	893
1997	101	0.9	731
1998	61	0.7	2126
1999	560	4.8	782
2000	663	5.4	617
2001	474	3.7	739
2002	300	2.4	1247
2003	296	2.2	698
2004	208	1.4	984
2005	76	0.5	1839
2006	74	0.5	1693
2007	33	0.2	1871
2008	683	4.1	2310
2009	570	2.9	1575
2010	502	2.4	2217
2011	274	< 2.0	251
2012	360	< 2.0	120

Source: NFA. Procurement as % of production in 2011 and 2012 estimated by author.

Table 11  
NFA Paddy Procurement Price vs. Farm Gate Prices (1999–2011)

	NFA procurement price (14% moisture), PHP/kg	Farm-gate price, paddy (fancy grade, 14% moisture), PHP/kg	Farm-gate price, paddy (other variety, 14% moisture), PHP/kg	
1999	Wet season / main harvest: 9 Dry season: 10	8.09	7.87	
2000		Not available	8.42	
2001		8.52	8.17	
2002		9.69	8.82	
2003		9.86	8.84	
2004		10	9.73	9.45
2005			11.08	10.43
2006			11.05	10.46
2007		11	12.39	11.22
2008		17	15.02	14.13
2009	14.28		14.63	
2010	15.35		14.87	
2011	13.55		15.17	

Source: Congress of the Philippines 2010 (NFA procurement price); The Philippines Bureau of Agricultural Statistics (Paddy farm-gate prices).

As explained earlier, the credit-tied relationships between farmers and traders are ongoing but somewhat exploitative. Once a farmer enters a credit arrangement with a certain trader, his sales become limited to that same trader. Loans need to be repaid with paddy, and the new cash provided by the trader becomes advance payment for the next crop. Rice is typically turned over to the trader at the time of harvest, when the price is lowest. Field interviews revealed that some farmers had their passbooks (a piece of identification that proves that they are rice farmers) captured by traders as they entered an informal credit relationship. Without this piece of identification, farmers were unable to sell to the NFA, while traders were able to sell to the NFA through collusion with officials. After prices were raised in 2008, that meant traders were also able to benefit from the better NFA procurement prices (S. Bacani, personal communication, 7 March 2011; Municipal Government of Cabiao, personal communication, March 24, 2011).

Farmers also expressed that they were not able to benefit from the government procurement program, however, even when the higher price of PHP17 was offered as a result of the 2008 rice price crisis. In order to sell to the NFA at this price, farmers need to dry their rice to reduce moisture content to 14%. As mentioned earlier, post-harvest facilities including rice dryers are lacking in general, and large producers get priority in accessing them (E. Mora, personal communication, March 17, 2011). Unable to dry their rice adequately for sale to NFA, most farmers ended up selling to traders at PHP14.5 per kilogram, with higher moisture content (around 20%; Municipal Government of Cabiao, personal communication, March 24, 2011). Some farmers also preferred not to sell to the NFA due to the arduous procedures involved

and the long time it took to receive payment (Sombilla et al., 2006).<sup>27</sup> For the above reasons, the volume purchased by NFA continued to be low except during the limited spike in 2008.

The NFA has chosen to use its limited resources to procure rice from abroad to solve the rice scarcity problem at a low cost. This choice of the government, however, has been unpopular among both farmers and traders. These two groups could have made the choice to campaign together against imports as one constituency. However, farmers are left alone when it comes to issues like domestic procurement, as traders become less able to exploit the farmers once the NFA promises a higher, more competitive purchase price.

### **The Effect of the Pork Barrel on Rice Productivity**

The combined situation of scarce state funding for agriculture and lack of incentives for farmers to use official procurement programs created the “market” for politicians to come in as sponsors of rural infrastructure through patronage, making use of the particularistic pork barrel funds mentioned in Chapter 3. The distribution of the pork barrel based on political ties has affected agricultural productivity and resource efficiency in two interrelated ways. Firstly, it results in inappropriate types of rural infrastructure being provided. Secondly, and more adversely, the pork barrel prevents the delivery of appropriate agricultural policies; rather, it strengthens a system in which political office is won based on patronage directed at individuals or communities. These two points will be elaborated below.

The pork barrel leads to inappropriate types of rural infrastructure being delivered because projects are seen as a show of interest in the constituency while

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<sup>27</sup> According to Sombilla et al. (2006) and field interviews, it can take two weeks for farmers to get paid for the rice they sell to NFA.

providing jobs in a community. This leads to the need to seek visibility through large, tangible projects, as well as the thinking that “large is better than small” and “how it looks is more important than whether it is useful.”<sup>28</sup> There are cases in which politicians offered to build a farm-to-market road, but the road ended up passing through the most densely populated areas for visibility instead of really linking the farms and the markets (Lantican, 2008).

The pork barrel also affects agricultural productivity in that it prevents the delivery of appropriate agricultural policies and instead strengthens a system in which political office is won based on patronage. This requires an exposition of political institutional flaws of the Philippines at length. As mentioned in Chapter 3, “traditional politicians” in the Philippines have seldom won on the basis of policy commitments on a party platform, but rather succeed through personal popularity and the provision of patronage (Kasuya, 2009). As described by a local politician, “political parties are about personal relationships at local levels. They are always there when you have [personal] problems. It’s from womb to tomb” (S. Lorenzo, personal communication, 9 March 2011).

The “personal relationship” cultivated by the politician is a form of patronage known as *casework*, as named by Kasuya (2009). Casework includes a plethora of activities including the attendance of funerals and weddings with an expected obligatory donation, referrals for employment, hospital accommodation, and scholarships, and in some cases the referee might even be a person whom the politician has never met. Such favors create a form of psychological indebtedness among recipients, and they also help create a reputation as being “approachable, generous and

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<sup>28</sup> To claim credit as sponsors, politicians paint their names in large fonts on project signs as a rule. This is very visible in all communities in the Philippines. The author has even seen water closets in a national park embossed with the sponsoring legislator’s name.

caring,” and thus boost the candidate’s chance of winning the next election (Kasuya, 2009, p. 59).

In addition to casework, “traditional politicians” also offer another form of patronage that is not unique to the Philippines—outright vote buying. Highly endemic in the Philippines, vote buying is expected among a majority of people in elections. A survey conducted by the Social Weather Station (2008) showed that the situation has worsened in recent years, with 69% of the people interviewed expecting vote buying in 2007. A candidate could spend anywhere from PHP 500 to 3,000 per vote in an attempt to win an election, whether at the national or municipal level (Chua & Cruz 2004; S. Lorenzo, personal communication, 9 March 2011).

Compared to politically difficult policies providing side payments to the rural poor, such as income support for farmers, casework and vote buying are easier ways for politicians to gain support from the electorate. These acts of patronage nonetheless have high costs and require financing. As a legislator’s annual salary would not be adequate for such needs, he/she will need to supplement this with other sources, including legal or illegal business activities. Project funds from the pork barrel thus become an attractive source from which the money needed for fueling political machines can be obtained. By bribing public servants and favoring contractors within their personal networks, congresspersons can easily ensure that they get a good bite out of the funds allocated for the project (R. Royandoyan, personal communication, February 15, 2011; J. Tadeo, personal communication, February 23, 2011).

Taking post-harvest facilities as an example, respondents during my site visits have reported the possibility of corruption in the procurement of rice dryers.<sup>29</sup> One

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<sup>29</sup> These site visits included the Municipality of Cabiao as well as cooperatives in Lagare and Mabini, all in the province of Nueva Ecija.

former mayor who requested to remain anonymous recalled a case in which she approached the provincial governor for funding and ended up receiving a dryer system that was later found to be substandard and overpriced. The system broke down prematurely, and when professional engineers were called in for repairs, it was valued at a mere PHP 11 million, compared to the PHP 30 million that had been spent on the project. The difference of nearly two thirds of the expenditure is likely to have gone into private pockets.

Although there was no formal study on how much of the total project cost went into the pockets of legislators, informants in the field quoted anywhere between 10 and 40% (R. Royandoyan, personal communication, February 15, 2011; H. Beso, personal communication, March 15, 2011), while the figure quoted in the literature was 30% (Kasuya, 2009). With various parties also taking bites out of the pie, only an estimated 50% could go down to the actual project. The former mayor, who was frustrated with this situation, remarked, “As the poor mayor, what can I say? 50% is still better than zero funding” (anonymous former mayor, personal communication, March 2011). The pattern, no matter how unwanted, repeats itself due to the very limited availability of alternate funding sources.<sup>30</sup> The adverse effect of corruption on agricultural development, and hence rice productivity, is therefore enormous when such captures are aggregated municipality by municipality and election after election.

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<sup>30</sup> “Alternative forms of funding do exist—it depends on how hard the local chief executive works to get this funding. Under Mayor Lorenzo, agricultural programs were funded under the national and provincial governments, Landbank, ADB, private NGOs, and also the Ateneo University. There were also collaborations with foreign governments such as Israel in the PICAT (Philippine-Israel Cooperation for Agricultural Training) program. Because people have always been looking to the local government to provide programs, there are not enough funds to meet all the needs” (R. Bulos, personal communication, 25 March 2011).

## **Farmers Voiceless Over Rice Policy**

The widespread use of such patronage as pork barrel projects, casework, and rampant vote buying means that the poor had to cast their votes based on the need to return favors rather than the policy platform of candidates. This has directly muted the voice of the lower classes and has displaced the need for politicians to compete on a party platform. To increase the catchment of votes, on the other hand, politicians avoid policies that appear to strongly favor one interest group over another. Fearing negative reaction from any group of stakeholders, they often retreat quickly after making strong statements on issues such as rice pricing (Power & Intal, 1991, p. 177). This political landscape provided a rather poor breeding ground for policies that were pro-farming interests. The ballot box is thus not an effective means for the poor, including farmers, to voice out their policy preferences.

To ensure that marginalized views are represented in the Congress, “party-list” seats were introduced in the House of Representatives after re-democratization, representing 20% of the total seats. An NGO-based study has noted, however, that the party list as it is practiced today has departed quite far from what it should be as part of a proportional representation solution to the underrepresentation in the legislature. The first party-list election was held in May 1998, when a qualified party or organization (understood to be representing so-called marginalized groups) had to obtain 2% of the total votes in the election to get one seat, with each group entitled to a maximum of three seats. Given the novelty of the system and the deficiency of information dissemination by the Committee of Elections, the overall turnout was low at about 9.1 million (33.5%) out of an electorate of 27.3 million. Of the 123 groups that participated, only 13 were able to garner 2% of the total votes. As a result, out of the total 50 seats available, only 14 were filled (Teehankee, 2002).

Although the party list system was given time to improve itself, it still falls short of being able to represent marginalized views in the Philippines as of today. In the 2010 election, 187 party list groups registered to run for a seat in the HoR. With each group limited to only three seats of the total of nearly 300, however, the groups are too fragmented to collectively vote in or vote out any bill for consideration in the house (Carlos et al., 2010). The large number of party-list groups did not help to consolidate the voices of farmers and only remained as highly fragmented groups in a Congress dominated by traditional elites.

Furthermore, out of the large number of groups, many had questionable backgrounds or did not even fit the definition of being representatives of marginalized groups (Carlos et al., 2010).<sup>31</sup> Among the lists, there were groups such as Butil Farmers Party and ANAKPAWIS, which claimed to represent farmers' interests.<sup>32</sup> As understood from field interviews, the elected Congressman representing Butil clearly had a more market-oriented agenda, while the peasant organizations were pushing for greater state intervention. It appeared that Butil's agenda was not aligned with that of the many peasant organizations I visited.

The party-list system in the Philippines has done little to help the already-weak voices of farmers in public policy. Under such an institutional setup, the Philippines ended up with a rice policy that ran short both in agricultural investment and price support for farmers. Politicians tried to appear to be filling the gap through use of the

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<sup>31</sup> From personal interviews with A. Glipo (17 February 2011) and E. Moro (17 February 2011), it was indicated that some of the party list groups might actually be backed by traditional elites, although little could be done to verify this. Other issues associated from the large number of party list groups could also be quoted from a media interview of Carlos Medina of the non-government Legal Network for Truthful Elections, <http://www.gmanetwork.com/news/story/183249/news/specialreports/battle-for-the-ballots-party-lists-play-name-game>, accessed April 17, 2012.

<sup>32</sup> The Butil Farmer's Party was originally known as the Luzon Farmer's Party until 1991, when it renamed itself and used BUTIL as its acronym. ANAKPAWIS is the full name of the electoral wing of the radical trade union movement Kilusang Mayo Uno.

pork barrel, but the help provided was either suboptimal or simply corrupt in the way that it perpetuated those very institutions that rendered the farmers voiceless. As the cycle repeated itself, the country became increasingly dependent on the import of rice, which brought with it another whole series of mismanagement and abuses.

### **The Politics of Rice Imports**

Issues associated with import dependence surfaced during and after the 2008 rice price crisis. Problems first arose when a sense of insecurity regarding the food supply emerged in the country, and the Filipino government scrambled in the world market in search of rice. Another set of problems was disclosed later, when the government finally managed to import the rice it claimed it needed but the imports were found to be in excess as well as overpriced, as well as lacking in terms of transparency. In this section I will explain the stakeholder dynamics as well as possible money politics behind these oversized and overpriced imports.

#### **Decision Making on Volume and Mode of Rice Imports**

The Philippines protects its rice market by way of a quantitative restriction (QR), as introduced in Chapter 2. This requires state control over the volume of rice imports, operationalized through decision making at an Inter-Agency Committee on Rice and Corn (IACRC). Once a decision is made regarding the volume to be imported, the NFA executes the decision by acting virtually as the sole importer.

The IACRC is headed by the Secretary of Agriculture and composed of members of various agencies including the NFA, the Agricultural and Fishery Council at the national level (mentioned earlier in this chapter), and the pro-liberalization National Economic Development Authority (NEDA). Although there is a representative from the agricultural sector, the representative at the time of the interviews was neither a practicing farmer nor a member of the civil society

organizations representing them. Farmers complained of a lack of participation and transparency in the decision-making process, which led to the excess imports in 2008.

There are two modes of procurement for state-imported rice. The first method is to procure through open bidding, as required by the Republic Act 9184, enacted in 2002. As a second mode of procurement, the Filipino government can also engage in government-to-government (G-to-G) purchase under specific situations such as emergencies. G-to-G agreements are nothing less than a diplomatic decision at the top level of the government, not only involving the secretary of agriculture and the administrator of the NFA but also requiring the blessing of the president. The reason for this is that there are economic as well as political implications, and it is an issue of national interest. Prompt deliveries as well as few defaults might explain why the more-expensive G-to-G agreements have been sought when there is difficulty in procuring rice. Nonetheless, they have been carried out in 10 of the 21 years from 1990 to 2010, and it is hard to say that supplies in all those years were tight (N. Puangco, personal communication, February 24, 2011).

The total volume of rice imported to the Philippines in 2008 was in excess of 2 million tonnes, of which 600,000 tonnes was imported on G-to-G terms. Not only was the overall import volume larger than ever before, but the individual tenders issued by the NFA were also considered “mega” and were overpriced by international standards (Slayton, 2009, p. 17; see also Table 12). These huge transactions made by the NFA had broad implications on the stability of the thin rice market at the time.

Table 12  
*NFA Rice Import Orders From Vietnam (December 2007–June 2008)*

<i>Trans- action date</i>	<i>Type of order</i>	<i>Total order volume</i>	<i>Viet 25%*</i> <i>volume</i>	<i>Cost and freight price for Viet 25% (USD)</i>	<i>Freight on board price for Viet 25% (USD)</i>	<i>Market- ing margin (USD)</i>	<i>Local price for Viet 25% in Ho Chi Minh City (USD)</i>
Dec 21, 2007	Tender	411,000	411,000	410	362	48	328
Jan 29, 2008	Tender	300,000	300,000	481	433	48	346
Mar 11, 2008	Tender	231,000	231,000	716	658	58	408
April 17, 2008	Tender	365,000	80,000	1,200	1,070	130	447
June 20, 2008	G-to-G	600,000	360,000	935	805	130	476

*\*Viet 25% stands for Vietnam 25% broken, the quality grade of the rice.  
Source: Slayton (2009).*

### **Justifying the Imports**

With the rice it procures, the NFA claims to safeguard food security through the buffer stocks maintained for emergencies and price stabilization, as well as sales or redistribution at subsidized prices. This supposed policy of buying high (from farmers) and selling low (to consumers) remained valid in the rhetoric from Marcos's martial law regime until Arroyo's administration. As of 2009, one out of every 10 persons in the Philippines was still too poor to maintain basic food security (Table 13). The government thus had to offer additional assistance to the poor through these rice subsidies, apart from stabilizing the prices in the market.

Table 13  
*Food Poverty in the Philippines*

Year	2003	2006	2009
Number of families unable to meet food needs through income	1,357,833	1,511,579	1,453,843
Proportion of families	8.2%	8.7%	7.9%
Number of people unable to meet food needs through income	8,802,918	9,851,362	9,440,397
Proportion of people	11.1%	11.7%	10.8%

*Sources: National Statistics Coordination Board, The Philippines (2009).*

Table 14 shows the volume of rice distributed by NFA since 1994. Typically, NFA rice has been sold at a subsidized price through accredited dealers, including both privately owned shops and religious groups. It should be noted that the volume of rice distributed increased by almost 80% between 2003 and 2008, and this was disproportionately greater than the increase in the food-poor population between 2003 and 2008, which was less than 10%. At first glance, the volume distributed tends to correlate more directly with the increasing volume of imports.

Table 14  
*Rice Distribution Through the NFA With Reference to Import Volumes (1994–2010)*

Year	Distribution ('000 tonnes)	Distribution as % of total food requirement	Imports ('000 tonnes)
1994	112	1.9	0
1995	257	4.1	257
1996	733	10.7	893
1997	623	9.0	731
1998	1627	24.4	2126
1999	1372	18.6	782
2000	1169	14.9	617
2001	813	10.1	739
2002	1239	13.9	1247
2003	1142	12.7	698
2004	1342	13.5	984
2005	1666	15.9	1839
2006	1615	15.1	1693
2007	1883	16.9	1871
2008	2027	17.4	2310
2009	1870	15.8	1575
2010	1759	15.8	2217

*Source: NFA.*

The lack of targeting is one of the reasons why the NFA could readily dispose of large volumes of imported rice in the domestic market. Prior to the rice price crisis, rice imported by the NFA was sold below the market price at PHP18.25 per kilogram in *Tindahan Natin* rice outlets. Self-targeting does take place to some extent, since those who could afford better rice would rather not settle for the lower-quality NFA rice, which is often of questionable quality due to long storage and inconsistent sourcing. Nonetheless, the imported rice often ends up going into the hands of non-poor consumers by way of social welfare programs that do not effectively target the poor, or even through politicians who have access to NFA rice and offer it as part of their patronage.

According to a World Bank study (2001), slightly more than half of the government rice subsidy was going to non-poor households. This was further confirmed through my investigation in the field in 2011. Although a family access card issued by the Department of Social Welfare and Development (DSWD) was to be presented when purchasing subsidized NFA rice, the card I examined in the NFA office bore no photograph. According to the official who showed me the card, it was easily transferrable to friends and relatives. In some areas, holders of the cards were determined by local government officials “without the benefit of hard data,” meaning that individuals’ access could be granted as part of a political patronage package (Congress of the Philippines, 2010).

Leakage of NFA rice can also take place through programs other than direct rice sales. Manasan and Cuenca (2006) studied the problem of leakage in a few poverty-reduction programs during the Arroyo administration involving the NFA. In the Food for School program, for example, free rice was offered to poor families as an incentive to send their children to school. The end purpose of this program was not

food security but increased school enrollment. The NFA nonetheless had to sell its rice at a loss to the DSWD and the Department of Education, the lead agencies of the programs. As this assistance was offered across the board to certain municipalities categorized as poor, it did not take into account the existence of better-off households that might not have a need for such assistance. Furthermore, more than half of the municipalities targeted under the program were found not to be among the poorest, and this rate of leakage could have been reduced if alternate targeting rules had been applied.

All of the above possibilities of rice leakage added together amounted to a substantial financial expenditure for the NFA and resulted in its huge deficit, which was projected at 1% of GDP in 2008 (IMF, 2009). As a GOCC, the NFA was expected to sink or swim without government subsidies. Nonetheless, no president between re-democratization in 1986 and the rice price crisis in 2008 took up serious reforms that would rid the government of the need to support the NFA and force it to become responsible for its own liabilities.

While many respondents in field interviews justified the deficits with the belief that the NFA was designed to bear these social costs from the start, it is also true that recent presidents such as Estrada and Arroyo were both unwilling to exercise much restraint in assuming liabilities from GOCCs (Hicken, 2008). When viewed in the light of the massive imports in 2008, the deficits could also be seen as having been tolerated for another reason: to dispose of the massive imports that were orchestrated to allow lucrative capture from holders of power and their chosen cronies.

### **Imports and Rent Capture**

Although severe supply shortage could provide part of the rationale for the excessively large imports in 2008, it is also important to look at other possible

explanations, especially those related to money politics. If we assume the amount of rent captured by private hands to be directly proportional to the volume of rice traded, there is clearly an incentive for the receivers of these benefits in the Philippines to maximize rice imports.

Members of both civil society and academia have pointed to the possibility of rent-seeking behavior from rice imports by top-level Filipino government officials in President Arroyo's high-level agreement to purchase rice from Vietnam. Peter Timmer brought up in an interview the possibility that Vinafood 2, the Vietnamese state trading enterprise in charge of selling rice to the Philippines, provided a share of its lavish profits to the Filipino government for its massive purchases of rice. Timmer commented, "You sign a contract with Vinafood in Saigon. Let's say it's USD1,000. Vinafood is able to go back to Vietnamese farmers and pays them USD500. So, now there's USD500 of profit per tonne, which you quietly split" (Charles, 2011).

It may be difficult to find solid proof for the existence of such profit sharing or "commission" for the buying side. It is nonetheless probable, given the fact that prices paid by the Philippines skyrocketed to above USD1,200 (April 2008, see Table 12), but local prices in Vietnam remained below USD500. Also, there were media reports in 2005 claiming that Vinafood 2 provided similar benefits to an official BULOG, the Indonesian counterpart of the NFA (*Intellasia*, 2007).

Moreover, benefits reaped by individuals in the Philippines need not come as kickbacks from Vietnam. They could also have captured profit from the abnormally large marketing margins paid by the NFA in some of the 2008 purchases. Slayton (2009) identified an unexplained doubling of marketing margins from USD58 to

USD130 per tonne between March and April 2008 (see Table 12).<sup>33</sup> This jump in marketing margins was also supported by the findings of an NFA audit report commissioned in 2011 by the Aquino III administration, which quoted an average overpayment of USD60 per tonne between 2010 and 2011. This overpayment, however, was higher between 2008 and 2010, amounting to USD125 per metric tonne.

Given the lack of alternative hypotheses, private capture could serve to explain the jump in marketing costs in Slayton's data or the corresponding increase in overpayment in the audit report. According to field interviews, corrupt practices might have started during the Estrada administration (1998–2000), when the NFA was restructured from being an agency under the DA to become one that was directly under the office of the president, and the Arroyo administration may have inherited such networks for rent seeking from its predecessor (R. Clarete, personal communication, 25 February 2011). During Estrada's two-year rule, individuals close to the president started looking into rice imports as a quick source of money and started engaging themselves in negotiation with foreign state and non-state rice suppliers. Past anomalies in rice deliveries documented in the Commission on Audit report of the government rice program in 2007 also suggest the ongoing existence of these mechanisms even before the subsequent rice price crisis in 2008.<sup>34</sup>

### **The Presidential Bandwagon and the Likelihood of Scamming**

Again, the traditional form of patronage in the Philippines would explain why such a rent-seeking mechanism would sit at the top level of the government. To begin

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<sup>33</sup> The cost and freight (CNF) prices paid by the NFA and the freight on board (FOB) passed on to the provincial food companies in Vietnam are shown in Table 12. The marketing margin charged for shipping and handling can be accounted as the difference between the CNF and FOB prices.

<sup>34</sup> The report revealed that deliveries of imported rice were short by 110,192 bags during the years 2005 and 2006, with a further 2 million bags not conforming to specifications on the contract. Such anomalies in delivery could also be understood as another form of overpayment on the part of the Philippines, for which private capture could again be the explanation.

an explanation of this, we need to recall the ongoing practice of the president having direct control over a portion of the pork distributed to congresspersons and the fact that congresspersons tend to climb on the bandwagon with the incumbent president (Kasuya, 2009). On the other hand, presidential candidates might also promise the distribution of pork prior to elections in order to lure congresspersons to their side of the campaign (Putzel, 1999; see also Chapter 2). In other words, there is an incentive for presidents to enlarge the pool of funds available to them in order to fulfill these promises made prior to elections.

There was no solid proof as to whether expenditures on the NFA rice imports were captured by top-level government officials or how the captured funds might have been used. President Arroyo, however, had prior records of being involved in such deals, making likelihood of financial capture through public expenditures on rice much higher. This prior incident is known as the “728 million-peso Fertilizer Scam.” As part of a larger PHP 2.8 billion fund invested to assist local governments in boosting their agricultural production and increasing farmers’ income, the seemingly well-intentioned support to rice farmers in the form of publicly funded fertilizers raised suspicions that the funds intended for procurement were siphoned back to Arroyo’s 2004 election campaign (Philippine Center of Investigative Journalism, 2004, as cited in Congress of the Philippines, 2006).<sup>35</sup>

The fertilizer support was perceived as a scam because of the many ways in which it was provided. First, the support was a one-off initiative occurring right before the election, and the likelihood of corruption as a way to raise funds for campaign was high (Congress of the Philippines, 2006; E. Mora, personal communication, February

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<sup>35</sup> Arroyo was qualified exceptionally to run for a second term, as she took on the presidency only after the removal of Joseph Estrada from presidency after massive protests in 2000, and her first term (2000–2004) was shorter than the constitutional six years.

17, 2011; I. Villaflor, personal communication, March 23, 2011). Second, there were anomalies associated with the product purchased. The fertilizer distributed was foliar fertilizer, which was appropriate for ornamental plants but not rice. The product was also overpriced by almost 1,000% and diluted with water. Third, peasant organizations such as Kilusang Magbubukid ng Pilipinas (Peasant Movement of the Philippines) reported that deliveries never happened, as not one farmer member among their 64 provincial chapters nationwide received assistance from the fund (Congress of the Philippines, 2006).

As revealed later, this fertilizer scam involved Jocelyn Bolante, the Undersecretary for Finance and Operations of the DA, who was linked to President Arroyo's husband. Bolante was personally appointed by the president to the sensitive post despite not having a suitable background, and she deployed runners whose job was to approach local government officials to solicit purchases of liquid fertilizers. The mayors, governors, and congresspersons were promised a 30% share of profits, based on a complex sharing system that was designed from the start (Congress of the Philippines, 2006).

President Arroyo was never charged as being directly linked to the scam during her term of office, due to the lack of evidence and the protection from ombudsman Ma. Merceditas N. Gutierrez, a close ally of the Arroyos.<sup>36</sup> Given the existence of such relations, which serve to provide a haven for corrupt practices, the likelihood for similar corruption in the trade of rice also increases.

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<sup>36</sup> The Senate later investigated the scam, which led Bolante to first unsuccessfully flee the Philippines using an expired business visa and later be put into hospital arrest. Ombudsman Gutierrez, who protected Arroyo, later resigned after she was impeached for her inaction in the case.

## **Righting the Wrongs?**

In 2010, Benigno “Noynoy” Aquino III became the successor of Arroyo as the president of the Philippines, after winning against a populist candidate. He was characterized as a political game changer and reformer, despite facing the dual challenges of poor governance and uncertainties in food security. Alternative political narratives such as reformism and populism run counter to the traditional politics narrative, which is characterized by “guns, goons, and gold” and is seen as being dominant in modern Filipino politics. The reformist narrative appeals to voters across class lines with calls for good governance, while the populist one carries with it a class appeal, as defined earlier (Thompson, 2010). The reformist platform is not unheard of in the past, but it is easier said than implemented.

Soon after Aquino’s inauguration, it was found that a large stock of rice equivalent to 70 days of national consumption requirement was soon to rot away in NFA warehouses. In his first State of the Nation address, the reform-oriented president accused the Arroyo administration of allowing the debts of the NFA to balloon to PHP 177 billion and suggested that the excess imports occurred much earlier than the 2008 rice price crisis. The following is a direct quote from the address:

In 2004: 117,000 metric tonnes (of rice) was the shortage in the supply of the Philippines. What they (the government) bought were 900,000 metric tonnes. Even if you multiply for more than seven times the amount of shortage, they still bought more than what was needed. In 2007: 589,000 metric tonnes was the shortage in the supply of the Philippines. What they bought were 1.827 million metric tonnes. Even if you multiply for more than three times the amount of shortage, they again bought more than what was needed. (Aquino, 2010)

Subsequently, Aquino asked Lito Bayano, the incoming NFA administrator, to investigate the rice import procedures of the previous administration. Not only was the aforementioned overpricing discovered as a result, but some licenses granted to the private sector to import rice were found to have been offered to fictitious cooperatives and corporations, implying that the government was ultimately in control of the imports (Bordadora, 2011).

The Aquino administration later embarked on a reform of the NFA to correct its many existing governance problems while also committing to the achievement of rice self-sufficiency in 2013. The government announced the opening of rice imports to greater private sector participation, while shifting more resources to domestic procurement from farmers. Prices at NFA rice outlets were also brought closer to market levels by transferring the NFA's social welfare functions to other government departments.

Farmer groups and civil society were against the privatization of imports but welcomed increased domestic procurement by the state. Still, the changes associated with these decisions have been minimal to date. In 2014, the NFA allowed private importers to apply for no more than 20% of the expected level of imports, with tariffs still high at 35% (Domingo, 2014; Reuters, 2014). On the other hand, NFA domestic purchases accounted for no more than 3% of domestic production in any given year since 2009. While higher than the less-than-1% figure between 2005 and 2007, this is still low compared to the Green Revolution years, and definitely much lower than the government purchase at a level near 20% in the case of Thailand.

With the policy reforms, the NFA will also no longer provide the generous rice subsidies of the past to consumers but will allow more appropriate agencies, such as the Department of Social Welfare and Development, to pick up the job. As of 2011,

the NFA was selling rice at PHP25 per kilogram, which was much closer to the market equilibrium. Poor households that have difficulty feeding themselves would apply instead to the Department of Social Welfare and Development for a Conditional Cash Transfer (CCT), which would provide a cash subsidy after they satisfied certain criteria such as attendance at maternal and child health clinics and mandatory school attendance.<sup>37</sup> Together, these policies were intended to put a stop to the leakage of NFA resources to unintended recipients.

In the country's Food Staples Self-Sufficiency Program 2011–2016 (FSSP), a number of initiatives strengthening the access of farmers to key inputs in rice farming can be noticed. In particular, the plan strengthens the provision of large- and small-scale irrigation, extension services, drying facilities, and also the mechanization of farming. Resources made available through the FSSP would also hopefully lessen the need of local governments to rely on pork barrel funding and thereby reduce the chance of corruption. To date, self-sufficiency has not yet been achieved, as damages from a serious typhoon in late 2013 made it necessary to import more than 1 million tonnes of rice in 2014 (Dela Cruz, 2014). The country nonetheless enjoyed remarkable growth in production between 2000 and 2012, which reduced its need to import the commodity to 187,000 tonnes in 2012 from 500,000 tonnes in 2011 (“Philippine Misses,” 2014).

In 2013, the highest court in the Philippines also ruled the PDAF to be unconstitutional following a number of scandals concerning misuse of funds. The

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<sup>37</sup> Peasant organizations resented the CCT. Often suffering from a lack of supply in quality education and health care services, farmers and peasants perceived the CCT more as a program geared toward improving quality of life in urban communities, rather than strengthening rural livelihoods. The effectiveness of the new policies put place thus have yet to be known. A few current public administration loopholes also have yet to be filled in order to guarantee the poor an access to the benefits of CCT. The urban poor often do not possess the necessary papers to apply for such schemes, including birth certificates of children, and they might never be able to obtain them unless they could afford pay a ‘fixer’ to get their application moving in the slow and corrupt bureaucracy.

PDAF, which provided the money for legislators' particularistic projects or other forms of patronage and was part of the long-existing pork barrel system, might end up being abolished (Mogato, 2013). It is yet unknown whether this would eventually lead to the abolishment of all pork (Colmenares, 2014).

### **Summary**

The rice policy debate in the Philippines, at least in the years around the 2007–2008 food price crisis, has been hovering over a few issues: dwindling self-sufficiency, a large volume of imports virtually purchased solely by the government, and the low level of support provided to farmers, including a very low rate of domestic procurement by the government at uncompetitive prices. In this chapter I sought to examine the explanation behind these issues by looking at the interests of various stakeholder groups (summarized in Table 15) as well as how the political system since the People Power Revolution has perpetuated the use of localized, particularistic patronage instead of building strong parties that compete based on solid policy platforms.

Table 15

*Rice Policies in the Philippines Immediately Before the 2008 Rice Price Crisis and Their Implications on Various Stakeholders*

Policy: High levels of government imports, low levels of domestic procurement at uncompetitive prices, rice self-sufficiency allowed to dwindle	
<i>Stakeholder group</i>	<i>Impact</i>
Government	NFA acts as sole importer in country. Private sector lacks incentive to import due to heavy tariffs. NFA incurs heavy deficit due to need to pay for imports and provide subsidies to consumers at the same time.
Consumers	Imports are necessary for maintaining adequate food supply, including during emergencies, and for government to stabilize prices at an affordable level. Rice subsidies are released through discount sales at special outlets and social welfare programs.
Farmers (as represented by organized groups)	State money spent on imports caused some discontent, but effects would be even more damaging if imports were privatized. Farmers prefer state to spend money on domestic procurement program, which they believe can support prices, provide incentives, and improve self-sufficiency.
Domestic traders/millers	Similar stance as farmers with regard to imports. Indirect beneficiaries of a weak domestic procurement program, as wholesale prices could be kept low as a result.

As explained previously in Chapter 3, the political system set up after the People Power Revolution took the Philippines back to pre-Marcos-era patronage politics, and this pattern of patronage went on to affect the making of policies in the rice sector as well as the wider agricultural sector. With financial disbursements to local governments chronically inadequate, pork barrel money allocated to each elected politician became the main financial resource available for maintaining the infrastructure or post-harvest facilities that were important in improving rice productivity. The drive to get reelected, however, meant that politicians often had to resort to forms of patronage targeted at the individual level, such as casework and outright vote buying. This would require them to line their pockets with a significant share of the money allocated to pork barrel projects, leading to widespread corruption. The much-needed hardware for improving rice productivity ends up being either

substandard or undelivered, directly contributing to the dwindling self-sufficiency of rice in the country.

In addition to corruption, the pervasiveness of localized patronage also meant that politicians were not elected based on the policies they advocated. This traditional form of patronage muted the voice of farmers in what was supposed to be a representative, democratic political system. Although the party list was introduced with the aim of giving a voice to marginalized groups in the Congress, the rule of limiting each list to at most three seats has only caused fragmentation in the legislature, keeping the marginalized voice of farmers to the periphery of policy debates. Without politicians to fight for a policy platform that was supportive of domestic production, such as a strong domestic procurement or income subsidy program, limited state resources were instead spent on rice imports. The excess and overpriced imports in 2008, however, turned out to be another harbor for rent-seeking opportunities that were of no benefit to society.

If strong parties had been built instead to represent farmers as one of their constituencies, the rice story of the Philippines might have been different. The social cleavages and the political systems presented in Chapter 3 have already shown how politics characterized by traditional patronage came into being. This chapter adds to the analysis, showing how the pork barrel has become entrenched in formal institutions and how politicians have been more busy switching parties to the bandwagon with sources of pork instead of keeping to their party's policy platforms, if there are any. As a result, there was a lack of policies to support a strong farm sector, and the country relied heavily on imports until the wakeup call of the rice price crisis in 2008.

Further, no crisis experience affected the Philippines severely enough after the Power Revolution to push the government into serious political reforms, as well as the

governance of GOCCs such as the NFA. This contrasts with the case of Thailand, which suffered serious damages in the 1997 Asian financial crisis. This unleashed social demands among the rural masses and also changed the way politics is conducted in the country. As shown in the next chapter, farmers were able to reap generous support from the incumbent government, which sought to stay in power through its pro-poor policy platform, even though it may not have made all the investments needed for a more productive rice production system.

## **Chapter 5**

### **Rice Subsidies as Part of an Emerging Populist Platform in Thai Politics**

In earlier chapters, it was concluded that the rice policy in Thailand since 2001 offered a much higher level of support to producers than that of the Philippines. I also showed that Thailand had a relatively more centralized political structure compared to the Philippines, and “patronage” was distributed more broadly on a national scale through pro-poor or populist policies.

While the connection between the above two points may seem intuitive, the situation in Thailand did not come into being for no reason. Before Thaksin came to power, decentralized bossism as seen in the Philippines was also common in the rural areas of Thailand (Sidel, 2004). I will show in this chapter how the support for rice farmers formed part of the pro-poor or populist policy platform in Thaksin’s election campaign. This was the beginning of a trend in Thai politics of parties competing by way of policies, reducing the importance of more particularistic forms of patronage at the local level.

As in the last chapter, I will again first introduce the key policy actors in the Thai rice sector, which is considerably more complex than that of the Philippines. After that I will move into discussing how the pro-poor or populist policy platform came about in Thailand after the Asian financial crisis and how the state emerged as a major buyer of domestic rice as a result of both social demands and political needs. In the last section, I will discuss developments since the 2008 rice price crisis and look at more recent implementations of the paddy pledging program, criticisms against the program, and some policy alternatives.

## **The Rice Sector in Thailand**

The early development of the modern rice industry can be traced back to the year 1855, when Siam was forced to open its rice trade by the British to sign the Bowring Treaty. This eliminated the royal monopoly on the rice trade. The liberalization soon resulted in the rapid expansion of rice production in the central plains, and other regions caught up as the rice frontier was expanded to the north and northeast over the years (Nipon, 2012). Due to the active engagement in trade, the Thai rice sector includes a significant community of exporters, in addition to the state, the farmers, and the middlemen who were also present in the case of the Philippines.

### **State Actors**

Due to the economic significance of rice in Thailand, rice policies in the country are multifaceted, and a large number of state actors are involved in the making of rice policies. The National Rice Policy Committee, an interagency body consisting mostly of bureaucrats and politicians, has been set up to coordinate all policy issues pertaining to rice. The committee's remit includes price guarantees, subsidies, and other assistance to farmers with regard to the production of rice (Titpol, 2004). With regard to the paddy pledging program, the committee was also in charge of setting the pledge price when it was in place (Nipon, 2006).

The prime minister has been given the role of chair of the National Rice Policy Committee since 2007. He or she is seen as accountable for any policies made pertaining to rice. Under the prime minister, three sets of distinct efforts can be identified in Thai agricultural policy, including price support, productivity improvement, and agricultural finance (Doner, 2009). These three functions can be seen as represented by three line ministries involved in the rice sector, including the Ministry of Commerce, the Ministry of Agriculture and Cooperatives, and the

Ministry of Finance.

In Thai politics, prime ministers were traditionally seen to play a presiding role over line ministries, which were “ministerial-cum-bureaucratic fiefdoms” in their own right. Since no government before Thaksin ruled with a simple majority, ministers typically came from a coalition of different parties and practiced non-interference with one another. Their governance was based on their personal relationships with department heads, with cliquism and factionalism playing a significant role (Doner, 2009).

The fiefdom of line ministries changed when Thaksin made efforts to break down preexisting forms of bureaucratic power and to recentralize executive power. Stronger political intervention from the center could be of advantage to some non-state political actors that were previously barred from having a voice in the policy process in the past, which included farmers.<sup>38</sup> The tipping of this balance also ensured some level of direct financial flow to provinces that were delivering on their goals. It also eliminated their need to rely on elected politicians, who traditionally had funds available for their discretionary spending and exercised influence over local distribution of resources (Painter, 2006).<sup>39</sup>

Among the line ministries involved in rice policy, the most important one is probably the Ministry of Commerce (MOC). The MOC has traditionally been an

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<sup>38</sup> Thaksin took initiatives such as output-based budgeting performance monitoring through service delivery agreements, and the abolition of unnecessary agencies and functions. He also strengthened his PM office, expanded political appointments, and reshuffled his cabinet frequently (eight times during the first three years of his rule). This enabled him to assert fuller political control, while undermining traditional bureaucratic power centers (Painter, 2006).

<sup>39</sup> A personal interview with Ms. Natewilai Chotirat, an agricultural officer at the Municipality of Sanphisua of Chiang Mai City (November 24, 2014) suggests that discretionary funds similar to the PDAF in the Philippines have evidently existed in Thailand. The officer believed the practice of projects being funded by PM have probably never completely disappeared even during the years of Thaksin, but she did not explain, nor is there any published account regarding, from whom and how these funds were disbursed to the PMs.

important actor in controlling the price of rice. The Department of Internal Trade under the MOC also houses the secretariat of the National Rice Policy Committee. The MOC directly implemented the paddy pledging program when it was in place and decided when to release rice government stocks to be auctioned to the exporters (Titipol, 2004). Government rice stocks may also be traded through government-to-government deals, which are handled by the Department of Foreign Trade, an agency directly under the remit of the MOC (Boonjit, 2012).

Additionally, the Public Warehouse Organization (PWO) under the MOC handled a scheme in which farmers who did not have storage capabilities could bring their paddy to central warehouses and borrow money through the program (Nipon, 2010). The PWO also occasionally unloads its stocks for sale at affordable, below-cost prices at outlets known as Blue Flag stores (Nipon, 2010). Furthermore, the MOC supported central paddy markets in main production areas, which served as a meeting place for rice millers and assemblers to make transactions with farmers (Aree & Yaovarate, 2001).

Another important ministry that is involved in rice policies is the Ministry of Finance (MOF). The MOF was historically considered one of Thailand's stronger government agencies. Even in the 1970s, the MOF was considered an efficient technocratic agency within a bifurcated structure in which efficient macroeconomic agencies coexisted with line ministries with more politicized and clientelistic arrangements (Doner, 2009).

The MOF was instrumental in agriculture in that it made credit available to farmers as early as 1960, and this later expanded to include the loans in the paddy pledging program administered by the state-owned Bank of Agriculture and Agricultural Cooperatives (BAAC). Thailand's implementation of rural credit was

seen as positive when compared to the rather unsuccessful case of the Philippines (Doner, 2009). As Thai farmers' access to formal credit expanded, they were less threatened by exploitative, credit-tied trading relationships such as those in the Philippines. The MOF required the state-owned BAAC to expand loans to rural households and also requested that commercial banks devote at least 5% of their loans to rural households. It also ensured that regular government budgets as well as loans from private financial institutions were available to the BAAC, so that programs including paddy pledging could be operated (Mahatana Ampornpisit, personal communication, October 22, 2014).<sup>40</sup>

Yet another ministry playing a role in the rice sector is the Ministry of Agriculture and Cooperatives (MOAC), which is charged with the mission of improving agricultural productivity through both technological transfer and infrastructure, although resource provisions has been seen to be skewed toward the latter (Titipol, 2004).<sup>41</sup> Rice was once a key area of research in the national budget, and the MOAC has under it the Rice Department. In addition, the MOAC also supports farmers' groups in marketing activities, acquisition of facilities and collective bargaining (Aree & Yaovarate, 2001).

In recent years, however, it decreased in importance compared to other crops and livestock. Given the relative strengths of MOC and MOF, the policy areas of rice price support and rural finance were understandably pursued with greater effort than policies to improve rice productivity. In 2011–12, the government allocated only

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<sup>40</sup> The operating expenses of the BAAC were financed through a regular budget, while payments to farmers were secured through loans from financial institutions.

<sup>41</sup> The effectiveness of the MOAC in increasing agricultural productivity was affected by institutional weakness, fragmentation and competition among agencies within the ministry. Politicization as a result of competition between parties as well as factions led to the prevalence of clientelist control, at least up until the 1997 financial crisis. The rivalries within the ministry were not helpful in fostering policy consistency, broad consultation, or checks and balances in areas such as rural infrastructure (Doner, 2009).

USD5 to 6 million per year to rice research, compared to USD9.4 billion to the paddy pledging program (Nipon, 2012).

As a constitutional monarchy, however, an additional, important node of power must be mentioned: the Thai king. He is often associated with his middle-class supporters in Bangkok, the so-called Yellow Shirts, as opposed to Thaksin's mostly rural-based supporters, known as the Red Shirts. This dichotomization illustrates the fact that the king does not sit at the pinnacle of the social system but occupies just one position within it (Walker, 2012). Thaksin and the monarchy can be seen as "competing for the same things" (Lintner, 2009, p. 113) societal supremacy and the hearts and minds of the people.

More specifically to rice and agriculture, the royal family has implemented numerous agricultural development projects to reduce poverty in the past. These were first seen as an effort against communist insurgencies, but later they were designed to road test the king's own development philosophies, known as The New Theory and the Sufficient Economy movement (Kan Yuenyong & Isriya Paireepairit, personal communication, October 24, 2014). These philosophies emphasize self-reliance of farmers first through food self-sufficiency, then through diversification and selling crops beyond household consumption, as well as other activities at the community and organizational levels. They entail the concepts of moderation, reasonable progress, and requirement for a self-immunity system, "i.e. able to cope with shocks from internal and external changes" (Priyanut, 2000).

This philosophy resonated with a group of "pragmatic observers," who called for a greater consideration of local resources, technologies and capabilities, and for a "moral" market to replace the amorality of the capitalist system (Rigg & Ritchie, 2002). Quite clearly, though, its spirit ran against Thaksin's policy, which had the aim

of increasing the income of the poor and boosting consumption among the rural population, as explained below (Kan Yuenyong & Isriya Paireepairit, personal communication, October 24, 2014). Some farmers, without a thorough understanding of the king's ideologies, may also look at the Sufficient Economy philosophy as one that kept the farmers from prospering (Jeff Rutherford, personal communication, November 23, 2014), and favor instead schemes such as the paddy pledging program.

### **Farmers**

Farmers account for more than 40% of the labor force in Thailand and constitute a major political actor in Thailand (ASEAN, 2009, as cited in Alavi et al., 2012). In 2009, 9.1 million people of Thailand's population of 63.5 million were identified as rice farmers, meaning that 1 in every 7 people was a grower of rice (Somporn, 2009, as cited in Alavi et al., 2012). Rice covered 36.2% of total crop area and contributed 36.6% to all agricultural exports (Somporn, 2009, and FAOSTAT, 2008, as cited in Alavi et al., 2012). Although the Thai economy has diversified in the last few decades, with growing shares of the GDP coming from industry and services, rice remains an important sector, especially in exports.

Despite the economic importance of rice to Thailand, it does not mean that farmers have been fully empowered to participate in the Thai political arena. The proportion of farmer representatives in the House of Representatives remained at 10% or lower between 1932 and 1992 (Titipol, 2004). The lack of a voice from the agricultural sector could probably explain the economic system until the 1980s, in which the state relied on heavy taxation of agriculture for revenue.

Furthermore, farmers in Thailand were politically suppressed between the 1960s and 1980s due to a fear of communist-led rural insurgency, which was also present in other countries in Southeast Asia, including the Philippines (Walker, 2012).

The formation of the Farmers Federation of Thailand (FFT) in 1974, for example, occurred at a time when communism was developing across Asia. Although the FFT was instrumental in pressuring the government with respect to farmers' problems, such as rice prices, land, and debt, the government suspected the group of being controlled by communists. Leaders of the group were murdered, and the organization itself survived only for a mere five years. Since then, many farmers have feared joining farmers groups because of the potential threat of state oppression (Titipol, 2004).

In the late 1980s, government officials proposed a consultative policy-making forum for the agricultural sector known as the National Agricultural Council (NAC). Although it was tasked with planning the location of staple food crop cultivation, the initiative never succeeded, as the NAC was seen as a mechanism through which the state would control farmers. The large number of agricultural producers and the diversity in size, political power, and climatic conditions they faced also made true collective action problematic (Doner, 2009). In other words, the NAC did not help in bringing out the voice of farmers in the making of agricultural policies.

It was the rapid growth in the number of NGOs working in rural areas in the 1980s and 90s that provided the organizational infrastructure needed for a new round of political mobilization. This new rural activism gradually divided into two streams. Farmers who were better off and commercially oriented negotiated with state agencies and political parties about market-based concerns including pricing, subsidies, and credit. Poorer farmers took a more confrontational approach in protesting against a host of issues, including forced eviction as a result of dam construction to reforestation plans. They eventually coalesced into an organization called the Assembly of the Poor in 1995 (Titipol, 2004; Walter, 2012).

The Assembly of the Poor staged one of the largest protests ever in Bangkok in 1997, with demands ranging from social welfare for farmers and the wider public to compensation for those displaced by government projects and the establishment of village development funds. While it cannot be seen as representative of all farmers across Thailand, it was an impressive example of group formation among poor rural people. The demonstration improved general awareness of the needs of rural communities, and the Assembly successfully garnered technical support from NGOs as well as financial donations from the middle class (Titipol, 2004).

The resulting increase in political participation at this juncture was the background to rice policies after the Asian financial crisis, which sat among a host of policies designed to support the income of the rural population. These policies served to answer to some of the demands of rural society, and along with a continuing diversification of livelihoods, they contributed to the rise of a “middle-class peasantry” by the end of the first decade in the 21st century.

### **Exporters and Other Actors in the Rice Sector**

In addition to farmers, the rice sector in Thailand includes other actors such as exporters, millers, and packers. Thai rice exporters are a group of policy actors that vary in scale, time of entry into the market, and targeted importing countries. A detailed history and typology of rice exporters are given in the literature and will not be repeated here (see for example Goss & Burch, 2001; Shigetomi, 2011). Some well-established rice exporters have accumulated significant wealth over the years and have grown into conglomerates with business interests in a range of other sectors.

Despite their diversity, the exporters are organized under the Thai Rice Exporters Association (TREA), which claims a membership of 95% of the nearly 200 rice-exporting companies in the country. TREA is a rather vocal group in the rice

policy arena as seen from its frequent media exposure and close coordination with the MOC on policy matters. Rice exporters have in fact been part of a policy community with the Ministry of Commerce since the 1930s, and they have been crucial in providing information on the private rice trade as needed by the state. This relationship has enabled exporters to access policymakers who were members of the National Rice Policy Committee (Titipol, 2004). As a result, exporters can be seen as having more influence traditionally over rice policies than farmers.

According to TREA, exporters tend to support policies in which market intervention from the state is minimal. While not dismissing the paddy pledging program as a whole, exporters do believe that excessively high pledge prices would displace the private sector from procuring rice in the market, making it necessary to source rice from the government instead (Kitja Veskaisri, personal communication, November 19, 2014). If the government paid high levels of subsidies to farmers, it would also demand higher prices from exporters in order to prevent losses. According to exporters, this would in turn cause Thai rice to become uncompetitive in the world market.

Millers and packers also appear to be organized among themselves and frequently make their voices heard in the policy arena. Millers are seen as being no less powerful than exporters, as some of the largest mills are owned by local bosses (see Chapter 3), and they have enough of a market share to indicate the price of rice in the local market (Titipol, 2004). They also stand to benefit from the paddy pledging program, as they are contracted to process the resulting rice stocks (Nipon, 2010; Kittisak et al., 2012).

Local traders or middlemen used to play a role between the farmers and the millers, or between the millers and the wholesalers, due to their possession of trucks

and their ability to arrange transportation. They used to also provide farmers credit in cash or production inputs (Aree & Yaovarate, 2001), but their role has been reduced due to direct transactions (Boonjit, 2012). During my site visit in 2014, I found that it was common practice for farmers in the north to hire truck drivers to transfer their paddy to the mill, and the farmer would typically go with the truck to the mill to negotiate the price directly.

Finally, the rise in the role of agribusinesses in the rice sector in Thailand should also be noted. Groups such as Charoen Pokphand (CP) have been increasing their profile in rice business not only by acquiring some of the largest rice mills but also by promoting their seed and chemical products to farmers. Their presence from farming to milling to exports, as well as connections with politicians, means that they will most likely try to create an advantageous environment for running the business through influencing rice policy (Kingkorn Narintarakul Na Ayudhaya, personal communication, November 26, 2014).<sup>42</sup>

### **Political Motivations in the Support Toward Producers**

If we recall the characterization of rice policies of Thailand in Chapter 2, I showed how the food problem became negligible in Thailand since the 1970s and how its rice policy has been reformed gradually from the exploitation to the support of farmers. Given Thailand's policy choice and the fact that there was an exportable surplus throughout the last century, the focus of discussion in this chapter will not be on the discussion of policies to improve rice productivity. Rather, the focus in this increasingly pro-producer country should be the issue of rural incomes: to what extent the issue of poverty existed, how it created the demand for the type of policy in

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<sup>42</sup> Based on Wikipedia, the son of former Prime Minister Yingluck Shinawatra (sister of Thaksin) was an executive at CP ([http://en.wikipedia.org/wiki/Yingluck\\_Shinawatra](http://en.wikipedia.org/wiki/Yingluck_Shinawatra), accessed November 2014).

question, and how the rules in the electoral system further explained the existence of these policies.

### **Rural Demands After the Asian Financial Crisis**

The Asian financial crisis in 1997 knocked two to three million people into unemployment in Thailand. Rural poverty also climbed sharply back to 22% in 1999, after reaching a low figure of 14% during the 1990s (Walker, 2012). The crisis created the social demand that give rise to the rice policies of Thailand seen during much of the time after 2001.

At the time of the crisis, agriculture accounted for almost half of the Thai labor force, while the urban informal sector also employed about a quarter (Pasuk & Baker, 2007). These two sectors were linked closely through the flow of both people and remittance, with workforce floating between construction, seasonal agricultural work, sweatshops, service industries, and other forms of casual employment. They constituted a vulnerable informal mass economy in Thailand, and they were precisely the group among the electorate to which Thaksin later reached out (Pasuk & Baker, 2007).

With remittances from urban work significantly reduced, the levels of agrarian debt also increased (Pasuk & Baker, 2007). Every commercial bank was experiencing liquidity problems after the crisis, and small-scale farmers who could not demonstrate repayment ability turned to informal lenders (Titipol, 2004). The high interest charged by these lenders eventually pushed many farmers to sell their land to capitalists from the non-farm sector. Many farmers continued to cultivate the land while paying rent to their landowners (Shigetomi, 2011).

After an initial rise in 1997 (see Chapter 2), rice prices also dropped sharply in 1998 when measured in the local currency (Pasuk & Baker, 2009). Rural households

that were growing rice thus suffered even more in the years following the Asian financial crisis.<sup>43</sup> Falling rice prices also disproportionately affected the Northeast region, since 70% of the farmland area in this region was farmed with rice (Thai Agricultural Census, 2003, as cited in Leturque & Wiggins). The northeast was also handicapped with the least favorable physical conditions, the lowest agricultural productivity, and the highest incidence of rural poverty in the country.

With the disparity problem aggravated, Thailand saw the biggest upsurge in rural protest since the 1970s after the Asian financial crisis, with chief demands being agricultural price support, agrarian debt relief, and land for the landless. Farmers argued, “if the government can help the rich, why doesn’t it help the poor?” (Pasuk & Baker, 2001, p. 7). Protests first escalated in 1998 and were repeated in 1999 and 2000. They were not limited to Bangkok, but extended also to the occupation of land in forests and unused land held by speculators. It became impossible to ignore the rural sector, as it stood up from its past isolation from politics and exclusion from economic development, using “very effective forms of agitation.”

Thaksin launched the Thai Rak Thai (TRT) party on July 14, 1998, with 23 founding members. Thaksin and his advisers answered the demands of the informal mass with a host of policies, including government support for rice prices (Pasuk & Baker, 2007). As shown through the election results presented in the next subsection, he cemented his popularity especially in the northeast region.

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<sup>43</sup> Farmers did play their part in increasing productivity, especially for rice. With increased dispensable capital, they engaged either in mechanization, or contracted out their work to hired labor in the last decade. The remaining tasks of farmers are to pay attention to the condition of rice plants, control the water level, and hire contractors. Extension officers described present-day rice farmers as managers rather than peasants. (Shigetomi, 2011).

## **Rice Subsidies as Part of a Pro-Poor Policy Platform**

To understand the nature of and rationale behind Thailand's support for rice farmers, it is necessary to look at it among the full package of policies devised during Thaksin's election campaign, partly to answer to the social demands unleashed during the Asian financial crisis. Embracing a "dual track" strategy of economic development that was more popularly known as Thaksinomics, externally he pursued a boost in exports, tourism, and foreign investment, but internally he pursued a more nationalistic, protectionist economic agenda of self-reliance.

Although the TRT policy platform was sometimes dubbed "populist" (e.g., Anek, 2006; Kuhonta & Metebi, 2010; Thompson, 2010; Ufen, 2012), there was also a fair amount of literature commending Thaksin's government for being decisive and being able to pursue a multitude of programs targeting the poor and rural areas (Hicken, 2008). The measures were seen as helpful in relieving the suffering of the poor (Thompson, 2010, p. 19) and benefitting the Thai population broadly (Selway, 2011, p. 198). Some literature also saw these policies as a response to social demand, positioning each citizen in an equal or direct relationship with the state (Pasuk & Baker, 2007; Walker, 2012).

Thaksin had no rural program initially when he formed the TRT party in 1998 (Pasuk & Baker, 2001). There was also little sign of the populism that he embraced later, when he faced various political attacks (Pasuk & Baker, 2007). During the peak of the rural protests in 1999, Thaksin recruited Praphat Panyachatrak, who became an orchard farmer after student radicalism in the 1970s, to help formulate rural policies. By June 2000, TRT announced a "National Agenda" that included the revival of Thai farmers as one of its key points. Praphat later held office as the minister of agriculture

and agricultural cooperatives and minister of natural resources and the environment (Pasuk & Baker, 2009).

As part of Thaksin's policy to "revive Thai farmers," the paddy pledging program (see Chapter 3) went through some fundamental changes. This version of the paddy pledging program was a step up from its predecessor, which had been designed to "address the income gap between agriculture and industry" (World Trade Organization, 2000, as cited in Kajisa & Akiyama, 2005). The scheme sat along with TRT's well-known three-point policy platform—agrarian debt relief, universal health care, and a microcredit scheme known as the Village Fund—as a host of targeted initiatives that were considered to benefit the poor rural population at the time.<sup>44</sup>

There were two key changes in Thaksin's version of the paddy pledging program. First, he extended the scheme to also cover the dry-season crop, in addition to the main crop in the wet season. Second, the program became a *de facto* price support policy, instead of its former objective of allowing farmers to delay their rice sales, so as to benefit from higher, off-harvest season prices. Prior to Thaksin's rule in 2001, farmers could only borrow about 80 to 95% of the market price from the program, but this was raised to 100% of the market price in 2001 and was even 20 to 30% higher than the market price starting in 2004 (Nipon, 2010).

Field visits provided insight as to how the scheme was operationalized at the farm level. First, in every season, the MOAC would register farmers as being eligible for the paddy pledging scheme. These farmers would typically haul their harvested paddy to designated mills or warehouses, which were established through a contract

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<sup>44</sup> Although the universal 30-bhat health care scheme was not implemented exclusively in the poor rural areas, the rural poor did turn out to be the biggest beneficiaries of the scheme (Selway 2011).

with agencies under the MOC as collecting points.<sup>45</sup> Once the paddy was delivered to the collecting point, the contracted operator would determine the quantity and quality of the pledged rice with a PWO official. A price would be offered based on the variety of rice, percentage of broken rice, and moisture content, and this price went into the calculation of the total loan the farmer could receive. The amount would be written on a warehouse deposit slip issued by the collecting point, and the farmer would then go to BAAC to receive the payment upon presenting the slip (Anonymous official from the Ministry of Commerce, personal communication, November 23, 2014). During the Thaksin years, a certain limit was set as to the maximum amount each farmer was allowed to pledge with the government.

As a result of the high prices offered through the scheme, it was hard for farmers to find a buyer who could afford a similarly high price, and they simply left the pledged paddy with the government when the loan was due. In this case, the government would need to pay BAAC the interest cost in addition to the operation cost (Nipon, 2010). This constituted a de facto government purchase of rice from the farmer. The increased pledge price led to a significant increase in the amount of paddy pledged by farmers with the government (see Table 16). Before Thaksin was elected in 2001, the percentage of paddy under the pledging program had very seldom exceeded 10%, but during his rule between 2002 and 2006, the same figure had always exceeded 10% and sometimes even exceeded 20%.

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<sup>45</sup> The agencies involved in contracting mills and warehouses were the PWO and the Marketing Organization for Farmers (MOFF).

Table 16  
*Paddy Production and Volume of Paddy Under the Pledging Program*

Crop year	<i>Main crop (Harvested in November)</i>			<i>Dry season crop (Harvested in May the following year)</i>		
	Paddy production (million tonnes)	Volume under pledging program (million tonnes)	Percentage under pledging program (%)	Paddy production (million tonnes)	Volume under pledging program (million tonnes)	Percentage under pledging program (%)
1997–1998	18.79	0.79	4.2	4.79	Program not in operation	
1998–1999	18.66	0.68	3.6	4.34	Program not in operation	
1999–2000	19.02	0.70	3.7	5.16	Program not in operation	
2000–2001	19.79	1.62	8.2	6.06	0.15	2.5
2001–2002	22.41	4.30	19.2	5.62	1.07	19.1
2002–2003	21.57	3.59	16.6	6.43	2.04	31.7
2003–2004	23.14	2.54	11.0	6.33	0.86	13.6
2004–2005	22.65	8.65	38.2	5.89	0.8	13.6
2005–2006	23.36	5.30	22.7	6.75	2.17	32.2
2006–2007	22.84	1.29	5.6	6.8	1.64	24
2007–2008	23.31	0.24	1.0	8.79	3.93	44.8
2008–2009	23.71	4.55	19.2	8.42	Program not in operation	
2009–2010	23.43	Program not in operation		8.97	Program not in operation	
2010–2011	25.74	Program not in operation		10.26	Program not in operation	
2011–2012	25.86	6.90	26.7	12.24	14.8	120.9
2012–2013	26.95	14.30	53.1	9.9	8.1	81.8
2013–2014	28.17	11.60	41.2	8.6		

*Source: Office of Agricultural Economics and the Department of International Trade.*

In addition to absorbing the costs of the BAAC, government expenditure for the milling the paddy, the storage of rice, and payment to farmers probably increased as a result of the increased pledge volume. Due to data availability, however, the exact cost of the program could not be determined. In particular, with pledging prices set well above market levels, the government ran the risk of having to sell its rice stock at a loss. In 2004, for example, there were media reports of the government losing money from rice sales for the first time, when pledging prices were set well above market prices (Parista, 2011). In an attempt to keep market prices from falling due to price cutting from other rice-exporting countries, Thaksin fumbled with the idea of forming an OPEC-like cartel with rice exporters in ASEAN, but this never

came to be materialized (Nipon, 2010).

The economic argument of these schemes also fit with the well-known rhetoric of Thaksinomics: that Thailand's economy was vulnerable to the fluctuations in the global economy, and with wages in the country rising, export-led growth fueled by cheap labor might not last for too long. Thaksin perceived a need to stimulate domestic demand, and this in turn would require cutting rural debts, lowering household expenses, and increasing people's income so that there could be a surplus available for other forms of consumption (Pasuk & Baker, 2009). The price support characteristics of Thaksin's version of the paddy pledging program thus fitted with this model of economic development (Mahatana Ampornpisit, personal communication, October 22, 2014; Kan Yuenyong & Isriya Paireepairit, personal communication, October 24, 2014).

### **Policies as Explained by Political Institutions**

Not only did the Asian financial crisis generate the economic argument for improving rural incomes through the paddy pledging policy; it also led indirectly to new electoral rules that required politicians to campaign through a policy platform instead of relying on personality or patronage. As an effort to improve the stability of coalitions and encourage a smaller number of larger, more policy-based parties, the 1997 Constitution moved from multimember constituencies to single-member ones and introduced a party list system (Doner, 2009; Pasuk & Baker, 2009). While these two features were both present in the Filipino system, subtle differences in the rules led to interesting contrasts in how elections were to be won and hence different outcomes in terms of rice policies.

As mentioned in Chapter 3, the system of single-seat constituencies eliminated the likelihood of intraparty competition and sought to foster a move from tactics that

were more personalistic to those that were more based on a policy platform. While TRT's campaign did achieve the latter to some extent, Thaksin had to do more work in order to strengthen the TRT label to the electorate. Before the 2001 election, Thaksin spent two years setting up a local network and signed up enough party members in each constituency for an electoral victory. Thaksin made sure that his central state was the source of all "political goods" offered. He wanted the rural people, instead of looking toward their local godfather for infrastructure, to look toward the TRT party for the policies that would presumably take them out of poverty (Pasuk & Baker, 2009).

Thaksin had a strong incentive to appeal to the entire nation, instead of selected localities, thanks to the introduction of the party list. Since 2001, the party list has been responsible for 20% of the seats of the House of Representatives (HoR). This ratio is the same as in the Philippines, but the party list has an added significance under Thailand's parliamentary system: The prime minister and members of the cabinet are expected to come from the party list members of the HoR, as they are the people who are seen to represent the country rather than a constituency (Kokpol, 2002).

Beyond the drive to become prime minister, Thaksin had a further incentive to represent broad-based societal interests in the election campaign: to win the largest number of seats possible in the party list. Any political party receiving less than 5% of the total number of votes throughout the country would not have its votes counted or its lists considered in the determination of the proportion of party-list seats (Kokpol, 2002). Unlike the case of the Philippines, where the number of winnable seats is limited to three per party, the Thai system allowed any party list to win up to 100% of the relevant seats. This explains why the party-list system in Thailand contributed to

strengthening a dominant party that campaigned based on a policy platform, while its counterpart in the Philippines only resulted in fragmentation.

Not only did Thaksin campaign nationwide on his party’s platform; he also swiftly implemented these programs within the first year of his election (Pasuk & Baker, 2007).<sup>46</sup> The effect of actualizing this pro-poor policy platform cannot be dismissed when we look at the election results of 2001 and 2005 (Table 17). First, there was a notable increase in the proportion of seats won by TRT at the national level—both in geographic constituencies (increasing from 50 to 78%) and the party list (increasing from 48 to 67%). Second, the increase in seats won in the northeast between 2001 and 2005 was particularly remarkable. It could be inferred from the results that the TRT policy platform was effective in garnering nationwide support, as well as support from voters in the northeastern region in particular.

Table 17  
*Thailand General Election Results by Region, 2001 & 2005*

	2001			2005		
	Winnable seats	TRT seats	TRT percentage	Winnable seats	TRT seats	TRT percentage
North	76	54	71%	76	71	93%
Northeast	138	69	50%	136	126	93%
South	54	1	2%	54	1	2%
Center	95	47	49%	97	80	82%
Bangkok	37	29	78%	37	32	86%
Total	400	200	50%	400	310	78%
Party List	100	48	48%	100	67	67%
Grand total	500	248	50%	500	377	75%

*Source: Pasuk & Baker, 2009.*

TRT’s rice policy can be inferred to have contributed to its victory in the northeast in 2005, if we also consider the facts presented earlier: (a) Subsidies were dramatically increased in the 2004 paddy pledging program; (b) the northeast had the highest

<sup>46</sup> It should be noted that the fulfillment of policy promises was prompted by an indictment of failing to accurately report his assets. This was nonetheless important in showing the informal masses that their votes could bring about favorable policy outcomes, thereby consolidating Thaksin’s popularity among them.

incidence of poverty as well as (c) the largest percentage of land farmed with rice; and even more importantly (d) the northeast had the highest share of Thailand's rice production by weight, which came to 12.4 million tonnes out of a national total of 28.98 tonnes in 2004 (Boonjit, 2012, citing Office of Agricultural Statistics figures). As a matter of fact, the effects of the rice subsidies turned out to be so significant that Yingluck Shinawatra, sister of Thaksin, used an even more lavish version of this policy once again in order to win the 2011 election.

### **Longer-Term Changes in the Electorate**

The successful yet unprecedented campaign of Thaksin made profound changes to the politics in Thailand. It constituted a form of education for the increasingly cosmopolitan rural poor, who came to realize the power of the vote and understand that promised policies could actually be implemented (Chanchai, 2012). He tapped the “aspirations, insecurities and sense of exclusion” of the informal mass (Pasuk & Baker, 2007, p. 73) and rewarded them with “a new social contract, in which the state should play a direct and active role in supporting the rural economy” (Walker, 2012, p. 221).

Prior to 2002, when the rural electorate did not believe in policies, some voters decided to sell their votes in the absence of better criteria for deciding how to vote (Chris Baker, personal communication, October 23, 2014). It would be hard to say that Thaksin won his election without any vote buying, but it was believed that this mainly pertained to areas such as the south, where he could not rely on his popularity (Pasuk & Baker, 2009). Rural dwellers, even well into the 2000s, admitted to taking money from local politicians but saw the money as tokens of generosity instead of an effort to buy their votes. They insisted that they would have voted for pro-Thaksin candidates whether they received money or not, and continued to support pro-Thaksin

parties in 2007 in the party-list vote (Naruemon & McCargo, 2011). In other words, it could be inferred that the use of a policy platform in general elections has replaced the need for vote buying to some extent.

The downside of these seemingly positive changes, however, was the undermining of civil society. Thaksin was arrogant enough to make the statement that NGOs were “no longer needed because the TRT government had a direct relationship with the people” (Pasuk & Baker, 2009, p. 147). There was also fear that Thaksin was subverting democratic norms (Ganesan, 2006), as mass-party patronage may cause poor voters to focus only on the direct distribution of benefits and neglect the broader consequences of their electoral choices (Hopkin, 2006). This would include restrictions on civil liberties and corruption, both of which were issues associated with Thaksin’s governance (McCargo, 2002; Pasuk & Baker, 2009).

Even a few years after the ousting of Thaksin himself, his supporters (or the Redshirts) were found to have little affinity with the mainstream NGO community in Thailand, which became associated with a set of “romantic delusions” (Naruemon & McCargo, 2011, p. 1005). NGOs also considered the paddy pledging program to have created dependency on the state, making it difficult for them to introduce initiatives of sustainable organic agriculture, which was based on a strong community culture of self-help (Kingkorn Narintarakul Na Ayutdhaya, personal communication, November 26, 2014).

### **The Paddy Pledging Program After Thaksin**

Thaksin was ousted in a coup in 2006. Other than the interlude when Thailand was under the bureaucracy-led government from mid-2006 to 2007, rice policies from 2008 until yet another coup in 2014 were described to have borne a “full-fledged populist” character (Kittisak et al., 2012). During this period, policies included two

different episodes of paddy pledging and the rice farmer guarantee. This populist rice policy regime is worth understanding side by side with the mega-imports in the Philippines in that both were policy decisions made as a result of or in the aftermath of the 2008 rice price crisis.

In this section, I will first present these comebacks of the paddy pledging program and the political contexts behind them. I will also look at some possible alternatives to the policy that have been attempted at the national or local levels.

### **Resurrection of the Paddy Pledging Program**

Thai politics in the years since 2006 was a color-coded tale of “two democracies,” as described by Thai political scientist Anek Laothamatas. On one side was the “yellow”: the more sophisticated, better-off urban elites in Bangkok, defendants of a free economy, the traditional elite, claiming to loyalty to the royalty. This is also the sector in Thailand that has become reluctant to entrust politics to electoral democracy. On the other side was the “red”: the rural, perhaps parochial, supporters of Thaksin, a new economic elite, claiming to defend democracy even though it is seen more as an opportunity for particularistic gain (Albritton & Bureekul, 2007; Ganesan, 2010). This latter group nonetheless forms the vast majority of the electorate. Represented by the different incarnations of the TRT (such as the People Power Party and the Pheu Thai party), they also benefitted from two resurrections of the paddy pledging program since 2008. With each came a significant level of price support offered to rice producers.

#### *The 2008–09 Paddy Pledging Program*

The first revival of the paddy pledging program in 2008 was precipitated by the global rice price crisis, or rather the slump in prices thereafter. On the one hand, Thailand was seen as pursuing a rather laissez-faire policy during the crisis, allowing

exports to continue and domestic prices to follow world prices (Timmer, 2008). On the other hand, there were accounts of Thailand having been unable to release rice into the international market—specifically the Philippines—due to disagreement between senior bureaucrats and the newly elected government headed by the pro-Thaksin People Power Party (Nipon, 2010). This led to the Philippines scrambling for rice from other countries, which in turn contributed to the extraordinarily high international price seen in 2008.

The same price signals caused both farmers and millers to make decisions to produce more rice (Nipon, 2010). But the high prices were a temporary phenomenon, and they eventually came down. The eventual fear of falling prices caused farmers to threaten to block major inbound roads to Bangkok, demanding a high pledge price from the government. This led to the government imposing a then-record-high pledge price of THB14,000 per tonne, in addition to increasing the maximum limit of pledge from THB350,000 to THB500,000 per farmer (Nipon, 2010).

As in the Thaksin years, this revival showed rice producers to be winners in the rice policy arena, rather than rice consumers. The high pledge price would presumably send signals to elevate rice prices in the domestic market, but little was done to subsidize consumers in terms of retail prices. During this time of food inflation, assistance for consumers was provided through the “Six Measures for Six Months” initiative. Subsidies, however, went only to transportation fuel, water, electricity, bus, and train services, of which the biggest chunk went to subsidizing the retail sale of fuel. There was no subsidy offered in response to the rising price of rice in particular (Sombilla et al., 2011).

Rice exporters also complained about this instance of the paddy pledging policy. It was reported that high government purchase prices even tempted some rice

exporters to smuggle rice from neighboring countries where it was cheaper and mix it with Thai rice for export in order to stay competitive (Tanchuling, 2011). Anyhow, this policy continued until the People Power Party was replaced in mid-2009 with its opposition, the Democrats, who implemented another policy known as the income guarantee program.

#### *The 2011–13 Paddy Pledging Program*

After an interlude of two years, the paddy pledging program saw another revival in 2011, when Yingluck Shinawatra promised an even higher pledge price of THB15,000 per tonne (THB 20,000 for higher quality Hom Mali rice) in her election campaign.<sup>47</sup>

This price was 50% higher than the market price at the time, and there was no limit in terms of the maximum volume of paddy pledged per farmer. While raising questions about financial sustainability as well as its impact on the global rice prices and availability, it did get Yingluck's Pheu Thai party an electoral victory with a simple majority (265 out of 500 seats, of which 61 were party-list seats) in the House of Representatives (Na Thalang, 2012). Only her brother Thaksin had been able to achieve the same in the whole of Thai political history. The political argument continued to hold: Price support offered through the paddy pledging program was indeed a contributing factor to electoral success.

Yingluck was faced with a number of serious challenges in the implementation of the program. Among these were the major floods in the central plains of Thailand during October 2011, which happened just before the harvest season. While the calamities did raise concerns in the world market regarding rice supply, production stayed at levels close to those of the previous years (Inoue, 2014).

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<sup>47</sup> THB15,000 is equivalent to USD480 at the time.

There were other inherent problems in the policy, including its high fiscal cost, which eventually led to its suspension in 2013 and indirectly to the removal of Yingluck from power through another coup in 2014. These issues will be outlined in detail below.

### **Perils of the Paddy Pledging Program**

#### *Global rice market*

With a pledge price fixed at 50% above market levels, Yingluck's version of the paddy pledging program was a de facto subsidized purchase of rice from farmers. It would be hard for the government to unload this rice, unless it was ready to suffer significant financial losses. Pro-Thaksin advisers, however, believed that prices could be forced up by withdrawing rice from world markets ("Rice Mountain," 2013). While this might be good for the Thai government if it really happened, it raised concerns among the international community that global food security would be affected particularly for people living in low-income countries that were dependent on rice imports. They were concerned that such stockpiling would decrease the supply of rice on the market, in turn pushing up demand and hence prices (IRIN, 2011, 2012; Macnamara, 2011).

In reality though, the worries over food security were relieved with the re-entry of India into the world market through the lifting of a four-year export restriction in 2011. India and Vietnam overtook Thailand as the largest rice-exporting countries. In July 2012, FAO reported that international rice prices were "surprisingly stable" (IRIN, 2012). In other words, while Thailand lost its share in the world market, supply in the world market remained more or less unaffected by the paddy pledging program.

### *Questionable benefit to farmers*

Another question raised about the paddy pledging program was the actual extent to which farmers would benefit from the program. A number of issues were raised, the first one being that the scheme was more likely to benefit farmers with large farms than those with little land, since the total amount of support was linked to the level of production (IRIN, 2011). Also, some farmers did not have land of their own, and tenants were vulnerable to landowners who decided to take back their land and instead hire workers to work on their farms in order to benefit from the scheme (“Govt Urged,” 2011).

Further, there was evidence suggesting that millers received even more benefits than farmers under the program (Kittisak et al., 2012). As a result of the need to process the paddy through the program, the capacity of rice millers doubled (Fernquest, 2011b). Such an increase in transactions would mean that there was an increase in revenues. Besides that, the price offered to farmers was subject to the judgment of millers, based on the level of moisture content or other impurities. Some farmers were forced to accept lower rates because they could not afford the transportation costs of taking the paddy to another miller (Kate & Suwannakij, 2012).

In addition to the distribution of benefits in the short term, the program was also said to hamper the needed transformation of agriculture in Thailand. The high paddy prices incentivized farmers to increase the number of crops (per year), often through producing paddy of lower quality that has a shorter harvest time (World Bank, 2012). Also, the increased revenue for farmers often resulted in higher spending on seeds and chemicals such as fertilizers and pesticides, some of which were marketed by major agribusinesses. The extra income might not have been very

helpful in lifting farmers out of poverty (Kingkorn Narintarakul Na Ayutdhaya, personal communication, November 26, 2014).

### *Fiscal burden*

While the above criticisms did not stop Yingluck from continuing to implement the paddy pledging program, it was the question of financial sustainability that eventually brought the lavish subsidies to their limits. The program depended on a rolling cash flow that could only be generated upon successful sales of the government rice stock. The Thai government, however, was not very successful in unloading the stock, which was reported to be as much as 18 million tonnes by August 2013. Storage of the rice incurred additional costs and demanded expensive new warehouses (“The Rice Mountain,” 2013). This made it difficult for the government to stay under the predetermined ceiling of expenditure for the program, which was THB500 billion at the end of any given fiscal year, with all rice stock held by the government sold off (Mahatana Ampornpisit, personal communication, October 22, 2014).

Not only were the expenditures huge beyond expectations, but the Thai government also had to sell the rice stock at prices far below the level at which it was purchased. This led to huge losses. In the 2011–2012 harvest season alone (October to September), the losses were estimated to be in the range of THB115–150 billion, which amounted to 1.0 to 1.3% of GDP (Inoue, 2014; World Bank, 2012). A question that was raised was whether the same amount could have been spent on infrastructure or growth enhancing activities (Kate & Supunnabul, 2012).

The financial difficulties made it difficult for the Yingluck government to continue the program without making adjustments. She made a proposal to reduce the pledge price from THB15,000 to THB13,500 per tonne, but the plan was met with

strong objection from farmers. Yingluck quickly backed down, but at the same time maintained that paddy pledging would be implemented for only one crop rather than two crops per year (Inoue, 2014; “The Rice Mountain” 2013).

*Likelihood of abuse and corruption*

The large rice stocks held by the government as well as the high pledge prices also drew allegations of abuse as well as corruption. Some of the concerns had to do with the likelihood of the same paddy being recirculated by unlawful businesses (including rice mills and warehouses) in order to receive duplicate payments. In order to come up with an extra volume of milled rice to make up for the inflated amount of paddy pledged, the businesses would have to bring in cheaper rice produced in neighboring countries, like Cambodia, Laos, and Myanmar, for milling. Some of this rice could also be brought into Thailand by illegal means. By disguising the milled, imported (or smuggled) rice from the government as genuine Thai rice, these businesses might in theory also profit from the high pledge prices (Achara & Petchanet, 2011; “The Rice Mountain,” 2013).

There were also allegations of corruption associated with the sales of government rice stocks. During the premierships of both Thaksin and Yingluck, the government was found selling extraordinarily large volumes of rice to companies with close connections to the ruling politicians. The company President Agri, for example, outbid other exporters for 1.7 million tonnes of government rice between 2003 and 2004, allegedly by offering prices that were higher than market levels (Nipon Poapornsakorn, personal communication, November 18, 2014). The company claimed that it would then reprocess lower-quality government rice stocks (10% broken) into a higher grade (5% broken) for sale to countries under a G-to-G rice trade agreement with Thailand (“Sia Pieng,” 2014). If President Agri really sold off the reprocessed

stock as a product of higher grade, it might still reap a profit even after covering the cost of buying the government rice stock—which included in it the 20 to 30% subsidies that Thaksin was paying the farmers.

Apichat Chansakulporn, the company's managing director during this time, reportedly had close relationships with Thaksin and Wattana, who was minister of commerce at the time (“Sia Pieng,” 2014). The arrangements, assuming that they existed, between the government and President Agri could therefore be seen as a relationship devised to make the price support to farmers work while also delivering profits to the company. President Agri, however, failed twice in 2007 to deliver 20,000 tonnes of 5% broken rice to Iran, which was under a G-to-G rice sale agreement with Thailand. This eventually led to the bankruptcy of President Agri in 2010, while Apichat moved on to head another company named Siam Indica.

During the Yingluck years, Siam Indica was also awarded government export contracts without bidding (Mongkol & Penchan, 2012).<sup>48</sup> As government rice was reportedly sold to the hand-picked company at prices below market levels, Siam Indica was bound to make a good profit in the international market but leave the government at a loss. The lack of transparency in the selection, along with the potentially handsome profit made by Siam Indica, led to allegations of corruption and money laundering associated with the Yingluck government. While the allegations on the part of the government remained unproven as of the time this work was being written, Apichat was sentenced to six years in jail in 2014, after being charged with fraud for his failure to deliver rice to Iran earlier in 2007.

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<sup>48</sup> In late 2012, TREA filed an enquiry with the government asking why Siam Indica was allowed to export 300,000 tonnes of 15% broken rice to Indonesia without bidding (Mongkol & Penchan, 2012). In a personal interview (November 19, 2014), Mr. Kitja Veskaisri, deputy secretary general of TREA, revealed that Siam Indica was not a member of the association and refrained from commenting further on the dealings between this company and the government.

Whether the allegations were true or not, the lures of corruption cannot fully explain why the Yingluck government made the decision to provide such high levels of price support to farmers. As in the case of the Philippines, whenever a government decides to stock up on rice, there may be opportunities for officials to get their hands on the handsome profit as the rice is bought or sold. Nonetheless, such capture is possible as long as the purchases take place, with or without the generous subsidies offered to Thai farmers. In explaining the specific decision to support farmer income, the political argument remains the key explanation. This argument can be tested for its soundness when we consider a policy alternative to paddy pledging, known as the income guarantee program, which was implemented when a coalition led by the Democrat Party took power between 2009 and 2011.

### **Alternatives to Paddy Pledging**

The income guarantee program was implemented during the administration of Abhisit Vejjajiva, who took power when the People Power Party and two of its coalition parties were banned from political office as a result of a Constitutional Court ruling in late 2008. Although the scheme did not involve the government buying rice from farmers, it offered no less in terms of populist characteristics. Under the scheme, the government paid farmers only the difference between a *guaranteed price* based on a profit margin of 30 to 40% and a *reference price* that reflected market price levels, instead of buying the rice outright (Inoue, 2012). The scheme was designed to help a larger number of farmers given the same amount of government spending, reduce the costs and burden of stockpiling on the part of the government, and cause less impact or distortion on market prices. It was also hoped that payments would reach farmers directly without too much interference from the rice millers (Fernquest, 2011a).

In reality, though, the income guarantee program proved to be less popular than the paddy pledging program among farmers (Wongkorawut, 2011, as cited in Kittisak et al., 2012; Doonmuang Artit & Gate Duangkham, personal communication, November 24, 2014). While Abhisit's scheme reached 3.2 million rice farmers, which was much more than the number of farmers (less than 1 million) benefitting from its predecessor (Boonjit, 2012), his government could not eliminate the highly popular paddy pledging program completely right from the time it was implemented. The government had to continue buying paddy due to farmer pressure from the first two seasons, while running the income guarantee program in parallel ("Paddy Price," 2009; "State Plans" 2010). The new scheme also proved to be less popular and was confusing for farmers because of its often varying levels of subsidies (Fernquest, 2011a). The government also often had to change its reference price with quickly moving market price levels (Petchanet, 2010) and was on various instances pressured by farmers to increase the guaranteed price ("Fresh Approach," 2010).

Even though the scheme was less popular than the paddy pledging program, it did illustrate a political reality in Thailand. Whether involving direct purchase of the products from farmers or not, side payments to them in the form of subsidies have become a necessary initiative for any political party to stay in power. Even when the government was taken over by the military in the most recent coup of 2014, it did pay off within a short time the outstanding balance in the paddy pledging program to farmers, which they had not received from the Yingluck government. Such payments can be deemed necessary in forging the legitimacy needed by the military government (Apornrath, 2014).

That said, however, the military government did not follow up with any long-term policy in terms of supporting farmer income after the ousting of Yingluck. While

this could hurt farmers in the short term, it may also provide local governments and civil society with the urgency to devise innovative ways to improve the value added in rice production, through which farmers could improve their incomes. During a visit to Northern Thailand in late 2014, I saw municipal governments working with farmers to set up microenterprises that would have their own post-harvest facilities for milling and packaging. This would enable farmers to take over a larger part of the value chain and reduce the proportion of income lost to middlemen or rice mills. Also, civil society organizations were working with farmers to promote more sustainable forms of rice production, which would reduce their expenditures on chemical products such as pesticides, while upgrading their products to serve a developing clientele for organic rice.

Some of the initiatives being practiced in the current Thai rice sector are consistent with the concept of Sustainable Economy as advocated by the Thai king. It may not be bad that some farmers are now working with agents of change that are closer to their communities to become more competitive and likely more environmentally sustainable. This may be a way forward for rice farmers when they can no longer demand from an elected government a guaranteed level of income through populist policies, at least temporarily.

### **Summary**

In this chapter I proposed an explanation for the high levels of support for rice producers in Thailand. As shown in this chapter, the support for rice farmers existed as part of a pro-poor or populist policy platform, which enabled Thaksin's TRT party to win the 2001 and 2005 elections. The rice policies, in particular the paddy pledging program, affected the various stakeholders in the rice sector differently (see Table 18), and were welcomed especially in the rice-growing areas of the North and the

Northeast. Further, Thaksin’s swift implementation of his policy package during his first term also helped the rural electorate understand the power of their vote. While it garnered Thaksin’s party overwhelming support from the electorate in these regions, it also perpetuated voter demand for such policies.

Table 18  
Rice Policies in Thailand as Practiced by Pro-Thaksin Political Parties Since 2001 and Their Implications on Various Stakeholders

Policy: Paddy pledging program, with increasing price support, and de facto state purchase from farmers	
<i>Stakeholder group</i>	<i>Impact</i>
Government	MoC manages a significant stockpile of rice, to be released to the export market at appropriate timings. As subsidies increased in recent years, the size of the stockpile also rocketed. Due to high procurement prices, it was difficult to release into the market without suffering significant losses.
Consumers	Taxpayer money goes to fund the paddy pledging scheme. Effect on urban consumers is insignificant due to relatively low proportions of household expenditures spent on rice (see Chapter 2).
Farmers	Income increased as a result of the paddy pledging scheme. Rate of participation increased as subsidies increased and limits relaxed during Yingluck’s administration. This has resulted in a downside of focusing more on quantity than quality.
Domestic traders / millers	Revenues at mills and warehouses also increased as a result of government needs to process the pledged rice. The growth in revenue increases with the participating rates of farmers or volume pledged.
Exporters	High pledge prices are believed to displace private sector in procuring rice, and government control of release may cause Thai rice to become uncompetitive in the world market.

The use of such policy platforms characterized Thai politics after the Asian financial crisis, whose adverse effects on the poor created the social demand for these policies. The new electoral rules established in the 1997 Constitution after the crisis also created the push for TRT, as well as later ruling parties, to win elections using similar policies. As shown in this chapter, rice policies since 2008 of both pro-Thaksin parties or the opposing Democrat Party continued to show signs of populism through the offering of sizeable support to producers. While details in the rice policies of these two camps were different, they all show that side payments in the form of

income support for the poor has become important for any party to garner enough support to provide potentially effective governance of the divided country.

The analysis of this chapter adds to that of Chapter 3, where I listed the reasons why we do not see in Thailand the same level of entrenchment of particularistic, localized patronage into political institutions as that in the Philippines. This was mostly explained by the historical pattern of social cleavage, with the elite centered around Bangkok and the less affluent in other areas of the country. Also, the strength of local bosses was checked by a strong complex of elites consisting of the military and the bureaucratic polity at the national level. To the above historical explanation, I have now added new factors: social demands created through the Asian financial crisis and the new electoral rules established since. These factors work together to bring about a form of politics in Thailand where policies involving broad-based distribution of welfare do matter and serve to somewhat dismiss the market for traditional forms of patronage as seen in the Philippines.

## **Chapter 6**

### **Conclusion and Policy Implications**

In this thesis, I sought to explain the rather controversial decisions made by the governments of the Philippines and Thailand in recent years with regard to the commodity of rice. By looking at the rice policies in these two countries through the last few decades, as well as the possible explanations behind these policies, it could be seen that the mega imports of the Philippines in 2008, as well as the buildup in the national stockpile in Thailand during the Yingluck years (from 2011 to 2013) were not one-off decisions but in fact a continuation of policy trends in the two countries, which were heavily influenced by the patterns of patronage politics in the countries.

In this final chapter, I will synthesize the findings of the previous chapters and reiterate how these patterns in patronage politics have trumped other factors in the determination of rice policies adopted by the two countries. I will also state the policy implications of these findings, focusing on how they will affect regional or global mechanisms of food security.

#### **Key Lessons Learned**

##### **Rice Policies and Patterns of Patronage**

This thesis argued that the difference in rice policies in the Philippines and Thailand have resulted from the ways in which politicians have established their linkages with voters, or the differences in patronage politics. These strategies are a manifestation of the political calculus used by the ruling coalitions in order to stay in power. Farmers in Thailand were able to benefit from a subsidy offered by the government through its paddy pledging program. On the other hand, little regular, direct support was provided to farmers in the Philippines, even though they faced competition from cheap imports. The government spent its resources on importing

rice rather than procuring it from farmers as in the case of Thailand.

I explained the lack of a policy to support farmers in the Philippines by showing the dominance of traditional patronage in the politics of the country. This form of patronage is more particularistic or localized, and would include *pork projects*, which supposedly fill the gap in poorly funded municipalities, allowing them to develop their agriculture. But the resources allocated to these projects more often end up becoming a pot of funds to fuel political machines by means of casework and vote buying (Kasuya, 2009).

As a form of politician–voter linkage, traditional patronage featured mostly the distribution of particularistic gains at the local or even the personal level. While eliminating the viability of political competition through policies that either increased rice productivity or gave farmers financial incentives, it also perpetuated the dismal state of agricultural investment and rural infrastructure in the Philippines. This eventually led to the loss of self-sufficiency in rice, and a rice policy in which the state acted as virtually the sole importer of rice in the country and stocked up on rice to ensure the supply in the country remained at a politically acceptable price.

The case of Thailand was different in that politicians chose to establish linkages with voters differently. The subsidies in question were in fact part of a package of pro-poor or populist policies designed to appeal to the informal masses in the 2001 general election, in which politicians were seen for the first time to compete based on a party platform. Upon Thaksin's victory by way of policies that appealed to the masses, the paddy pledging program also progressed from a policy that offered no subsidy to one that gave increasing levels of support. It was taken up by political parties even after Thaksin's ousting through the 2006 coup.

Although the material gains were distributed to a broader group than the

traditional form of patronage in the Philippines, the rice subsidies were still clearly directed at an identifiable group in the electorate and were offered as part of a policy package during election campaigns. The rice policies in Thailand would be best identified as a form of “collective club good” designed to attract the vote of rice farmers, who constituted a significant part of the electorate. At the same time, such policies are more likely to have a significant effect on rural poverty in Thailand, where 14% of the population grows the crop and is likely to benefit from the effects of large-scale government procurement on market prices. In a country like the Philippines, rice farmers constitute a much smaller sector in the population (5%), and a larger range of interventions may be necessary even if there is a political will to effectively tackle poverty.

### **Unpacking Patterns of Patronage**

Political competition through party platforms has become more common in Thailand but has yet to be seen in the Philippines, where party systems are known to be weak and politicians are known to often switch parties in order to secure patronage resources. Throughout the thesis I tried to unpack this difference, and two factors have been brought up in the analysis: the development of social cleavages and political systems.

#### *Social cleavages*

The different geography, together with the different historical paths taken by the two countries, has led to different levels of dominance of local elites, vis-à-vis the rest of society as well as the central state. Landed elite families in the Philippines not only played the role of patron in relation to peasants but were actually relied upon by the colonial states of the Spanish and Americans in governing their country. Their economic power base was safe from repeated—though half-hearted and

unsuccessful—attempts at comprehensive land reform. This was true during the dictatorial regime of Marcos, during the democratic regimes before him, and after the People Power Revolution in 1986. Economic power was concentrated around the capital, and significant nodes of wealth were also retained among the hands of numerous landed elite families in the provinces. Social cleavage was therefore defined not so much in terms of urban and rural sectors.

The situation in Thailand was different. The never-colonized state was involved in facilitating smallholder farming and diminishing the power of aristocratic families along the frontier (Pasuk & Baker, 2002). The nation on the whole was relatively free from the influence of landed elites, compared with the Philippines. The capital remained the center of political and economic power after half a century of uneven development, and the problem of poverty became much more concentrated in the rural areas. The Asian financial crisis can also be seen to have aggravated the disparity problem in Thailand, increasing the incidence of poverty among an informal mass floating between agriculture and seasonal employment in the cities (Pasuk & Baker, 2007). This deepened cleavage later created the social demand for Thaksin's pro-poor policy platform, which included the rice price support policy in question.

#### *Political systems*

The main difference between the two countries was the relative strength between local elites and the central state. In the Philippines, elite families acted as the extended arm of past colonial governments in ruling the archipelago, but their strength was further consolidated in the Philippines with the establishment of an elected, bicameral legislature during the American colonial era. The families constituted a cacique democracy that was strong enough to subordinate the state apparatus. This was contrary to the case in Thailand, where a military-backed

bureaucratic polity often bypassing elected members of the parliament remained the ruling elites of the country during much of the 20th century.

Although the Philippines suffered 14 years of dictatorial rule under Marcos, cacique democracy saw its restoration after redemocratization in 1986. Politics in the country became once again focused around personality and patronage, enabled by an institutionalized, systematic flow of resources from the president to elected politicians. Electoral rules under the presidential system, including the newly introduced party-list elections, were not able to eliminate the dominance of traditional patronage in Filipino politics. The need to bandwagon for patronage resources dictated that politicians switched their parties frequently. Parties ended up being weak, and personality and patronage were more important than policy in the run-up to elections. In such a system, in which farmers often cast their ballots based on the material gains offered through such traditional politicians, their influence over agricultural policy become severely muted.

Despite a brief rise of local bossism in Thailand during the 1980s, their power was rather short-lived (Sidel, 2004). The rules of politics changed with the coming of the Asian financial crisis as well as a new constitution in 1997, which introduced changes designed specifically to eliminate the personality politics of these local bosses. The way the party list elections were run in the parliamentary system actually made it important to compete through a policy platform. Ensuring that the central state was the provider of all political goods, Thaksin campaigned with a pro-poor populist party platform. Rice farmers from poor rural areas, as one of his campaign targets, also started to benefit from increasing subsidies through the paddy pledging program. Local bosses, on the other hand, gave in to Thaksin's lure of financial rewards and joined his Thai Rak Thai party.

It is acknowledged that the explanations for the diverging patterns of patronage and rice policies in this dissertation have relied heavily on structure in terms of social cleavage and political systems. The issue of agency has not received a comparable level of analysis, even though the actions of individual leaders of the two countries have been mentioned throughout the text. Marcos, for example, took up the issues of food security and land reform during the earlier years of his rule in the Philippines in an attempt to establish legitimacy for his martial law regime. The other example is Thaksin, who won an election for the first time with a distinctive party platform and changed the way in which politics was done in Thailand, by virtue of the 1997 Constitution. It would be difficult in this light not to attribute part of the explanations to the choices and actions taken by these leaders, since it is impossible to establish whether the course of historical events in these two countries would have been the same had these individuals never existed.

### **Other Questions Considered**

As a conclusion from the above, I established the argument that different patterns in patronage could account for the varying rice policies in the Philippines and Thailand. Before moving on to policy implications, I would like to briefly address two questions that were obvious caveats in the relationship between rice policies and patterns of patronage. They include shocks in the rice market such as the one in 2008, and the possible financial gains of politicians through corruption as opposed to political gains.

*Did the 2008 rice price crisis change anything?*

In terms of food security, the 2008 rice price crisis arguably affected the Philippines more than Thailand. At the onset of the crisis, the Philippines was scrambling for rice to import from the rice market while considering various options,

but settled on a plan to achieve rice self-sufficiency within three years. It also increased the level as well as the price of purchase from domestic farmers. As of 2014, the Philippines still has not achieved self-sufficiency, and it continues to import rice, although at lower levels. Farmers can still enjoy the higher government procurement price set in 2008, but the overall volume sold to the state has tumbled down again. As a whole, therefore, the changes in terms of rice policies directly due to the events in 2008 were limited.

As an aftermath to the crisis, the uncovering of excessive and overpriced imports in 2010 has resulted in the decision to reduce NFA subsidies to consumers, as well as a pressure to end the government monopoly on rice imports, but the latter has still not been materialized to date. In terms of patronage politics, which I argued are associated for the policy landscape that was unsupportive of farmers, there were finally court decisions to abolish laws that enabled the pork barrel. The 2008 rice price crisis nonetheless cannot be seen to have had any effect in this decision.

Thailand, which did not suffer from any rice shortage in 2008, did waver between trade restrictions (including the reconsideration of forming a cartel with neighboring rice exporters such as Vietnam and Cambodia) and keeping its border open to exports. It ended up deciding on the latter and picked up on the extra sales volume as a result of the export ban in Vietnam and India. Later, when the prices that had skyrocketed were about to plummet down, pressure from farmers caused the government to reintroduce price subsidies by way of the paddy pledging program. It can thus be interpreted that the aftermath of the crisis created the political pressure for these subsidies to be reinstated. It was nonetheless the red-versus-yellow political landscape that made it necessary for either of the major parties to keep some form of subsidy in place when it was ruling the highly divided country.

In conclusion, the 2008 rice price crisis did have some short-term effects on the rice policies in the two countries, but ongoing political forces in the two countries continued to have a dominant effect on the medium- and longer-term trends.

*Does the possibility of corruption explain anything?*

As raised in the opening of the thesis, the mega imports in the Philippines and lavish subsidies offered in Yingluck's version of the paddy pledging program in Thailand were both highly controversial decisions. They were subject to criticism as well as scrutiny in their own countries and in international circles. As the decision regarding government-to-government rice imports in the Philippines as well as the release of government rice to exporters in Thailand both sat with the top levels of government, they can be seen to have been carried out with limited transparency or contest. As in any major public transaction in which state officials have the discretionary power to select their transaction partners, the opportunity for rent seeking exists where such powers go unchecked.

Given the controversy surrounding these policy decisions, political opponents in both countries brought up the possibility of corruption in their implementation. The lure of corruption, however, may be more important as part of an explanation for the shape of rice policies in the Philippines than that in Thailand. Politicians in the Philippines drew their linkage with the rural electorate less by way of policy and more by way of traditional patronage. As explained earlier, resources for patronage were allocated based on a hierarchy from the president all the way down to elected officials at the local levels. While the lack of rice self-sufficiency itself was a result of the prevalence of traditional patronage, it would also make sense to believe that any funds captured by the top level of the government through the mega imports in 2008 could also serve as a way to recuperate the money that fueled such patronage.

In the case of Thailand, the explanatory power of corruption toward the policy of supporting rice farmers is relatively limited. Even before the pledge prices were raised to a level that significantly subsidized the farmers, the Thai government already had in place the paddy pledging program, the resulting rice stockpiles, and the possible mechanisms of collusion with exporters. Further, the government can issue subsidies for farmers without actually buying rice from them, as was demonstrated through the Democrat Party's income subsidy program. With the means of corruption (i.e., actual transactions with farmers and stockpiles of rice) being optional in such support schemes, the political need to win elections and stay in power is probably more important as an explanation for Thai rice policies—that is, the subsidies that have been put in place since the rule of Thaksin.

In other words, while corruption may indeed happen in both countries by way of rice transactions, it works as an explanation for the rice policies only in the Filipino context. The difference in policies is more linked to fundamental ways in which politics is conducted in the two countries—whether politicians compete based on the offer of policies (as a collective good) or traditional patronage (as a local or individual good).

### **Policy Implications and Recommendations**

#### **For Countries: How does all this Link Back to the Disparity Problem?**

In the beginning of the thesis, it was stated that the Philippines and Thailand were middle-income countries and were likely to be suffering from what Hayami termed the *disparity problem*. His description of the disparity problem may create an impression that it denotes a stage of development that comes in between the food problem of less developed countries and the farm problem of industrialized countries. As seen in the cases in this study, there were pressures for the two governments to act

upon the relative poverty of the rice growers, but without fully sacrificing the interests of consumers. Both countries adopted some protective measures toward farmers, but as there were consumers whose wages were still be low, food prices also had to be kept at sufficiently affordable levels. This statement is substantiated by NFA rice subsidies to consumers in the Philippines. Given Thailand's more advanced standing in economic development, it could afford to provide some level of price support for farmers without significant concessions for consumers. Anyhow, the level of support instituted in Yingluck's administration proved too high to be sustainable economically and might also have been responsible for her downfall in 2014.

Nonetheless, it must be noted that while the rice policies as well as the politics in the two countries were partly the result of the ongoing disparity problem, the way in which side payments were distributed might have ended up perpetuating wealth disparities instead of bringing about equitable growth. Whether on local or national scales, patron–client relations arose as a result of these disparities. As political institutions developed, previously informal patron–client relations may have become entrenched in these institutions. The problem follows that the relative economic power of the patron becomes a vested interest in politics, and there is little incentive for the patron to eliminate the disparity, since it fuels this relationship (as explained in Popkin, 1980).

The common point between the many policies discussed in this thesis is that they tend to be short-term remedies for the poor, but they offer little in terms of sustainable growth toward a more equitable society. Traditional patronage in the Philippines displaced both state investment in agriculture and policies to provide farmers with incentives, and it achieved little in terms of the elimination of disparities. The impossible task of importing rice using public money and unloading it to the

public at subsidized prices also fared no better. The subsidized rice was not effectively targeted toward the poor, while the sale price was kept at the same low level with no regard for market price fluctuations. This made the program cost highly unpredictable. After the events in 2008, the Philippines took steps to correct the problem by reducing the rice subsidies for consumers and trying to increase the price and level of domestic rice procurement.

The Thai experience as presented in this thesis also serves as a caution to governments against promising excessively high levels of assistance. The political gains reaped from the support to rice farmers are comparable to Thaksin's other rural programs: health care, debt relief, and development loans. They involved little if any systematic attention to the improvement of productivity (Doner, 2009). Politicians gained from these measures, but they may not have been effective in eliminating disparity in the longer term. Since the price subsidies were funded through expanding state credit instead of promoting productivity-related growth, they lacked financial sustainability and, according to agricultural development experts, could have created a sense of dependency among rice growers.

Despite the likely progression from the disparity problem to the farm problem with economic growth, middle-income countries should be cautioned against going down the path of unsustainably high farmer subsidies, at least not too early. Middle-income countries should continue to invest directly, or foster private investment in agricultural productivity, and ensure that the investment is effectively channeled to localities. While neoclassical economics may prescribe a division of labor based on comparative advantages among countries, the experience in 2008 shows that it would not hurt for most countries to invest a certain amount of resources in their preferred food staples for domestic consumption, in addition to focusing only on cash crops for

export. In addition to investing in the availability of food, countries should also continue to invest to reduce income disparities or relative poverty, especially in terms of building local economies and increasing employment in rural areas.

### **For the Global Rice Market: What do the Findings Mean?**

Another clear conclusion that we could draw from this study is that both the Philippines and Thailand made their policies based mostly on their respective domestic political situations. Although the Philippines is an importer of rice and Thailand an exporter, we must not overlook the fact that very large volumes of rice are produced as well as consumed in both countries. Since rice affects the lives of many producers and consumers alike, rice policies will likely continue to be manipulated as a channel for politicians to create linkages with voters. This is the case not only for developing economies such as Thailand but also for more developed rice economies such as Japan and South Korea.

As long as the major rice economies maintain large stockpiles as part of a policy to influence prices, circulation in the thin world market is likely to be affected. There were extreme times such as 2008, when rice exporters such as India and Vietnam were holding on to whatever rice they had, while the Philippines was buying frenetically to force up world prices. There were also other times such as 2011, when the market was worried that Thailand's support to farmers would force up rice prices, but another major producer (India) ended its ban on exports just in time to keep world prices stable. Believers in the free market may therefore argue that the market is usually capable of adjusting itself to ensure that the level of supply meets the level of demand. Nonetheless, it must be noted that in both cases there was little or no coordination among the major players in the rice market, and such non-coordination

will likely continue to be the norm. When a number of players decide to hoard rice in their stockpiles at the same time, a situation like the one in 2008 could happen again.

In such a situation, in which any player may pursue “hoarding” to the sacrifice of the interest of others, countries may forgo cooperation in favor of “beggar thy neighbor” policies (Freedman, 2013). It is therefore difficult to expect countries to act in a way that would prioritize the healthy operation of the global rice market. With the exporting countries like Thailand, Vietnam, and Cambodia toying with the idea of forming a cartel-like organization once every few years, the level of trust among importing countries toward a multilateral mechanism is also questionable.

Some models of regional cooperation have nonetheless been attempted in the Asian region. Japan, for example, has taken some level of leadership in establishing an East Asian Emergency Rice Reserve (EAERR) and has made available 250,000 tonnes of unconsumed imported rice for emergency use since 2004. No country, though, has tapped into the reserve, even when rice was perceived to be in short supply in 2008. This shows that the level of cooperation is relatively weak, with countries more likely to turn to one another bilaterally in times of need rather than to go through a multilateral mechanism (Dano & Peria, 2006).

One other reason why the original arrangement between Japan and ASEAN did not take off was the ambiguous motives of Japan’s leadership role in the scheme. Japan only offered imported rice for use in EAERR. This rice was imported as required by the WTO agreement on market access, but it was not consumed for the protection of domestic rice farmers (Dano & Peria, 2006).<sup>49</sup> While Japan remained protective of domestic interests and remained unconvincing as the Asian leader in

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<sup>49</sup> Japan only offered imported rice for use in EAERR. This rice was imported as required by the WTO agreement on market access, but it was not consumed, for the protection of domestic rice farmers. EAERR was seen therefore as a by-product of Japan’s continuing struggle to protect its rice sector.

food security, the program was expanded to include China and South Korea after price surges in 2008. Even under this new ASEAN Plus Three arrangement, rice-growing countries like Thailand have insisted that the rice used for the emergency reserve should not come from outside East Asia—implying that they wish Japan would use their locally grown rice (Rahil, 2010). The real efficacy of this cooperation has yet to be established, and it might be wishful thinking to expect Asian rice economies to depart from promoting self-interest when it comes to the issue of rice.

The problem for the rest of the world now is the food insecurity that will likely accompany an ever-increasing population, a warming planet, and increasingly affluent people in highly populated countries such as China and India on the quest for better nutrition. Can the least developed countries, such as those in sub-Saharan Africa, which have yet to be blessed by the Green Revolution, really put their trust in the major players of the world rice market? According to the findings in this study, the answer is in the negative. As the health of the global rice market could be threatened by domestic politics in those countries that are major players, it becomes even more important for smaller players to achieve a certain level of self-sufficiency in food staples.

The importance of investing in rice productivity is therefore relevant not only to middle-income countries, but also to even less developed countries. As these countries may not be able to afford such investments on their own, they will more likely require assistance dedicated to this purpose from the international community. Along with sustainable improvements in agricultural productivity, these developing countries should also avoid the many traps presented in this thesis. This means keeping wealth disparities within a reasonable level, developing political systems that value policy over patronage, and exercising fiscal discipline as well as avoiding the

resort to populist appeal. With all these practices in place, there might be a chance that rice could escape excessive manipulation from politics and fulfill its function as a source of nutrition for the world.

## List of Interviews

All interviews listed below have provided valuable input to the writing of the thesis, but those marked with \* in particular have been cited in the main text. All professional titles were current as of the time of interview.

### *Tokyo, Japan (January 2011)*

1. Mr. Orville Ballitoc, Former local councilor (2004–2007), Province of Ifugao, the Philippines
2. Prof. Alex B. Brillantes, National College of Public Administration and Governance, University of the Philippines Diliman

### *Metro Manila, Philippines (February & March 2011)*

1. Mr. Senen C. Bacani, Entrepreneur & Former Secretary of Agriculture\*
2. Ms. Honey Beso, Advocacy Officer / Coordinator for Agrarian Reform, National Secretariat for Social Action-Justice and Peace (NGO)\*
3. Dr. Roehlano Briones, Senior Research Fellow, Philippine Institute for Development Studies (PIDS)
4. Prof. Ramon Clarete, Dept of Economics, University of the Philippines Diliman
5. Ms. Janet Cuenca, Research Associate, PIDS
6. Ms. Arze Glipo & Mr. Frank Pascual, Integrated Rural Development Foundation (NGO)\*
7. Mr. Recto Gorospe, Assistant Division Chief, Marketing Research and Statistics National Food Authority (NFA)
8. Mr. Apapito Guanlao, Member (Butil Farmers Party), House of Representatives, Congress of the Philippines
9. Johnny, Former Rice Farmer
10. Ms. Sonia Lorenzo, Former Mayor, San Isidro, Province of Nueva Ecija\*
11. Mr. Eduardo M Mora, Chairman, Pambansang Kaisaahan ng Magbubukid na Pilipinas (Farmer Organization)\*
12. Dr. Santiago R. Obien, Former Exec Director and Founder, the Philippine Rice Research Institute (PhilRice)\*
13. Mr. Nestor Puangco, Chief, Foreign Operation Division, NFA\*
14. Mr. Manuel Rosario, Secretary General, Pambansang Katipunan ng Samahan sa Kanayunan (Farmer Organization)
15. Mr. Romeo Royandoyan, Executive Director, The Philippine Center for Rural Development Studies (Centro Saka, NGO)
16. Mr. Ricardo Rostata, Senior Grains Operation Officer, NFA
17. Mr. Jimmy Tadeo, Chairman, National Rice Farmers' Association\*
18. Mr. Gregorio Tan Jr., Former Administrator, NFA
19. Ms. Hazel Tanchuling, Secretariat Coordinator, Rice Watch and Action Network (NGO)\*
20. Ms. Espie Tecson, Chief, Inventory Management Division, NFA
21. Mr. Nick G. Tumaca, Chairman, Samabang Lakas ng mga magsasaka (Farmer Organization)

*Province of Nueva Ecija, Philippines (March 2011)*

1. Mr. Reynold E. Aber, Chairman & Chris Subido, Manager, TCP3 - Lagare Farmers Multi-Purpose Coop
2. Dr. Flordeliza Bordey, Program Leader, Socioeconomics Unit, PhilRice
3. Mr. Ronaldo Bulos, Sr Agriculturualist, Municipal Agricultural Office, San Isidro\*
4. Dr. Sergio Francisco, Chief Science Research Specialist, Socioeconomics Unit, PhilRice\*
5. Mr. Felix Gonzalez, Chairman, Santo-Cristo Agricultural Workers Association Credit Cooperative and Allied Services Incorporated
6. Mr. Ruben Miranda, Deputy Executive Director of Development, PhilRice\*
7. Mr. Florencio Supoy, Chairman, Mabini Multipurpose Cooperative, Munoz\*
8. Mr. Teresita Vendivil, Oliver Enterprises (Rice Trader / Miller)
9. Mr. Isidro Villaflor, Former Agricultural Officer, Province of Nueva Ecija (1974–2001); Consultant for NE Secondary Cooperative
10. Group Interview, Cabiao Local Government Unit

*Bangkok, Thailand (October & November 2014)*

1. Anonymous official, Ministry of Commerce, Thailand\*
2. Dr. Mahatana Ampornpisit, Fiscal Policy Office, Ministry of Finance, Thailand
3. Dr. Chris Baker, Independent Writer\*
4. Mr. Kamphol Pantakua, Researcher, Thailand Development Research Institute
5. Dr. Nipon Poapongsakorn, Distinguished Fellow, Thailand Development Research Institute\*
6. Mr. Kitja Veskaisri, Managing Director, Siam First Rice Co. Ltd.; Deputy Secretary General, Thai Rice Exporters Association\*
7. Mr. Kan Yuenyong & Mr. Isriya Paireepairit, Siam Intelligence Unit (NGO)\*

*Chiang Mai, Thailand (November 2014)*

1. Mr. Doonmuang Artit & Mr. Gate Duangkham, Farmer Representatives, Ban Mor Rice Variety Seed Production Group\*
2. Ms. Natewilai Chotirat, Agricultural Officer, Municipality of Sanphisua, Chiang Mai City\*
3. Dr. Tawan Hangsoongnoen, Lecturer & Farm Owner of Rainbow Farm
4. Ms. Kingkorn Narintarakul Na Ayutdhaya, Deputy Director, BioThai (NGO)\*
5. Mr. Jeff Rutherford, Sustainability Expert, Internews Earth Journalism Network (NGO)\*

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