

# XCEPT

CROSS-BORDER CONFLICT  
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## Cross-border trade within a shifting political landscape: rice importation in the southern Philippines



The Asia Foundation



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# Executive summary

The Sulu Archipelago in the southern Philippines, an island chain with little arable land, has since time immemorial relied on the informal trade of food and commodities. The importation takes the form of unregulated maritime trade from the Malaysian province of Sabah and Indonesia's Kalimantan, a short distance by wooden-hulled boat across the Sulu Sea. This practice, locally known as 'barter trade', was the subject of the 2019 report [Trade in the Sulu Archipelago: Informal Economies Amidst Maritime Security Challenges](#), released by The Asia Foundation as part of the [Cross-Border Conflict: Evidence, Policy and Trends](#) (XCEPT) project. The report detailed the networks, routes, and practices of informal cross-border trade, and its intersection with local political conflict and the challenging transition of the region as part of the Bangsamoro Peace Process in Muslim Mindanao.

In recent years, the Philippines has undergone unprecedented reform of the laws and regulations governing the importation of rice. The introduction of Rice Tariffication Law (Republic Act 11203) on 14 February 2019 greatly relaxed restrictions on rice importation in a country where domestic self-sufficiency has been the accepted political mantra for over two decades. While the relaxation has been domestically contentious, its impact on barter trade in the Sulu Archipelago has further destabilized local markets reliant on informal imports.

Before the introduction of the Rice Tariffication Law, local traders were able to make substantial profits not just by supplying local markets in the Sulu Archipelago, but by on-selling goods to the Zamboanga Peninsula and as far downstream as markets in northern and central Mindanao and the Visayas. The relaxation on the formal importation of rice has dramatically reduced the competitiveness of their operations, while at the same time efforts to formalize barter trade and the macro conflict environment around the Bangsamoro Peace Process has left informal maritime traders at a crossroads.

Executive Order 64, issued on 29 October 2018 by President Duterte, seeks to "revive barter trade in Mindanao and promote its growth and development" through a series of initiatives including the designation of three barter ports in the Sulu Archipelago and the establishment of the Mindanao

Barter Council. At the same time, the Organic Law on the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) constitutes a new regional government with the power to enact laws on issues including fiscal revenue, infrastructure, coastal waters, and other matters related to trade and investments, including barter trade. However as of early 2022 the BARMM parliament has yet to make provisions on barter trade, and since its inauguration on 29 March 2019 the nascent government has been slow to pass key enabling codes. There are growing concerns that local communities have yet to experience the benefits promised by the Comprehensive Agreement on the Bangsamoro negotiated between the Philippine Government and the Moro Islamic Liberation Front..

This report examines how these various policy changes on trade, rice tariffs and local governance have impacted cross-border trade in the Sulu Archipelago, with a particular focus on the informal importation of rice. The research began in early 2020, and featured 85 interviews with rice traders, boat operators, retailers, private port operators and government officials across the three island provinces that make up the Sulu Archipelago—Basilan, Sulu and Tawi-Tawi—as well as Zamboanga City. The fieldwork was undertaken by a team from local civil society organization Gagandilan Mindanao Women, Inc..

In addition to the qualitative analysis, the research team studied economic data on rice prices and volumes across the Sulu Archipelago, as well as desk research of the various regional and national frameworks governing barter trade, and the policies and memorandum circulars that apply specifically to rice importation. All told, the report provides a thorough analysis of the political, economic and legislative frameworks that dictate activity on informal rice trade in the southern Philippines and their implications for cross-border trade, the local economy, and regional stability.

## Key findings

**Despite its long existence, policy governing barter trade remains fragmented, caught between national and regional jurisdictions, negatively**

**affecting traders.** While EO 64 on barter trade provided some promise for formalizing barter trade, its implementation remains incomplete. The Bangsamoro Government is yet to exercise its authority to constitute new laws on barter trade, and a strict interpretation of the practice risks marginalizing local small traders. As such, the large majority of cross-border trade continues in a legal grey zone and is exposed to fluctuations in the local enabling environment and extortion from state agents.

**Rice smuggling in the Sulu Archipelago flourished in part because of the large deficits in rice supply across the southern Philippines; the relaxation on rice imports has dramatically reorganized the local market.** The availability of cheaper, formally imported supplies in mainland Mindanao and throughout the Philippines has reduced rice prices and undercut barter trade. At the same time, a small number of political and business elites have registered rice importation businesses in the Sulu Archipelago and Zamboanga City, running steel-hulled ships that can import greater quantities of rice directly from Thailand and Vietnam, displacing informal barter traders.

**The process for registering as a rice importer is complicated and cumbersome, disincentivizing small traders from formalizing their businesses.** The high costs of entry—both in capital and in being able to navigate the various registration and customs processes—are difficult to overcome for smaller traders. Operators have a general lack of knowledge of the necessary requirements, and rely on word-of-mouth from those that have both successfully and unsuccessfully applied. Overall, for many barter traders it remains financially and logistically unfeasible to formalize their operations and comply with new and preexisting laws.

**Barter traders have adopted coping strategies during business downturns brought about by unstable rice prices, restrictions on cross-border trade and shifting legal frameworks.** Rice traders have stockpiled rice where it's possible to do so, or shifted into other profitable markets, such as smuggling cigarettes from Kalimantan, Indonesia. Boat operators have employed smaller boats to ferry smuggled goods to private ports when access to public ports is restricted. These coping strategies emphasize the resilience of the barter trade economy, while also highlighting its potential to intersect with the illicit shadow economy.

**Shifting dynamics brought about by recent legislative changes risk inflaming local conflicts**

**and jeopardizing the stability of the Bangsamoro autonomous region.** Political clans have had a long involvement in barter trade; however, the entry of new formal traders and their capacity to monopolize local supplies could destabilize a fragile conflict environment. Some of the families involved in barter trade have political interests in various levels of government in the region, including in the Bangsamoro Autonomous Region in Muslim Mindanao and its former iteration. Sulu remains a particular flashpoint, considering its centrality in the regional barter trade market, its history of criminal and political violence, and the popular rejection of the Bangsamoro Peace Process in the 2019 plebiscite. The sustained progress of the new Bangsamoro Government, and inclusive, secure elections in 2025 will be vital for managing tensions in the restive region.

**The process for registering as a rice importer is complicated and cumbersome, disincentivizing local traders from formalizing their businesses.**

## Policy considerations

While the implications for this study are broad and multi-faceted, impacting local, regional and national policy across the economy, trade, infrastructure, and various other areas, there are some key initiatives that can be considered for addressing the various challenges affecting informal trade in the Sulu Archipelago.

**Formalize barter trade and strengthen regional cooperation.** The current patchwork of legislation on barter trade is insufficient for proving the legal framework for formalizing barter trade. While national endeavors have had their merits, the establishment of the new regional government and the extension of its jurisdiction over barter trade provides the opportunity to create more-effective, locally responsive policies on barter trade. Given its historical and economic importance to the Sulu Archipelago, it is important that barter trade is incorporated into an equitable policy framework that supports local development and livelihoods. A legislated definition of the practice, one that accurately captures the modern characteristics of the historical, cultural and economic exchange between border communities, is a priority to ensure



all local traders are included in future laws and regulations. Consideration should also be given to providing the appropriate enabling environment for traders to formalize their businesses, including through inducements and streamlining registration processes, while minimizing the opportunities for rent-seeking practices.

**Anticipate and work to overcome local political conflicts.** Broad engagement with political actors on issues relating the rice importation and barter trade is necessary for minimizing the potential for negative impacts on conflict brought about by the shifting local environment. Stakeholders in formalizing and expanding local cross-border trade need to be considered in decision making, and appropriate mechanisms established to manage disputes.

**Negotiate legal and jurisdictional inconsistencies through the appropriate channels.** The overlapping policy frameworks on rice and barter trade creates legal uncertainty and marginalizes smaller traders ill-equipped to navigate these complex systems. The Bangsamoro Organic Law provides for the constitution of intergovernmental bodies to negotiate contradictions in national and regional laws and policies. These mechanisms should be used to their full extent to untangle the various inconsistencies brought about by the

overlapping legal jurisdictions on trade and customs practices, with a strong focus on providing solutions for those communities most-reliant on barter trade for livelihoods and affordable access to goods.

**Invest in infrastructure projects to improve barter trade and commerce.** The provinces that make up the BARMM are some of the most underdeveloped in the country. Presently, barter trade relies on a disparate network of public and private ports, serviced by wooden-hulled boats. Essential infrastructure including ports, and the roads and facilities that connect them to markets, are in significant need of development investments to improve trade and support the local economy. Infrastructure development needs to be conducted in an equitable, consultative manner, to ensure the positive impacts serve local communities.

**Invest in exportable commercial opportunities to increase development.** Barter trade exports run at a significant trade deficit when compared with the volume and value of goods imported from Malaysia and Indonesia. Economic development in the Sulu Archipelago would greatly benefit from the establishment of new commercial opportunities that boost barter trade exports, leveraging the historical and cultural connections across the region. Expanded export opportunities can also help incentivize traders to formalize their operations.



# 1.

# Introduction

Rice is not just a food staple in the Philippines, it is a political issue that impacts across society: from growers, distributors, and consumers. A daily source of caloric energy for tens of millions of Filipinos, it is the country's number one agricultural product and an important source of employment and livelihoods for rural communities. For over two decades the Philippines pursued a policy of self-sufficiency with regards to domestic rice production, greatly limiting the quantity that could be imported, and charging significant tariffs on the small amounts of rice that was.

In the southern Philippine Sulu Archipelago, rice is not just a key part of the diet, but the primary good imported by informal maritime traders in a practice locally known as 'barter trade'. In 2019, as part of the Cross-Border Conflict: Evidence, Policy and Trends program (XCEPT), The Asia Foundation undertook groundbreaking research to study the networks, hubs, and routes that facilitate barter trade in the Sulu Archipelago. The study detailed the complex networks of traders, boat operators, merchants, port operators and local and regional state agents that are involved with and profit from barter trade with communities in Sabah, Malaysia.

Shortages in the domestic supply of rice and with Sabah as a cheap alternative source has fueled a sizeable trans-border trade in the region. An average-sized wooden-hulled boat or *lantsa* usually carries 10,000 sacks of rice per trip, and rice traders take an average of two trips to Sabah on a monthly basis.<sup>1</sup> With a minimum working capital of Php 7 million for each trip, a rice trader earns a 10 percent margin of profit along with some state regulatory and security agents who equally benefit from barter trade transactions through the coercive collection of rents locally known as *kotong*.<sup>2</sup> Residents of the Sulu Archipelago have enjoyed a constant supply of duty-free imported rice at half the price of what other Filipino households pay. Despite this, barter trade is illegal under Philippines law, and the importation

of rice, in particular, is regulated to protect local rice farmers and the broader national interest.

## A shifting political landscape

The passage of three important laws<sup>3</sup> within a period of seven months, from July 2018 up to February 2019, poses legal questions regarding the potential for overlapping jurisdictions and discord between regional and national agencies involved. These are the Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao, more commonly known as the Bangsamoro Organic Law (BOL); Executive Order (EO) 64 titled Reviving Barter in Mindanao, Promoting its Growth and Development, and Constituting the Mindanao Barter Council for the Purpose; and Republic Act 11203, an Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice, and For Other Purposes (commonly referred to as the Rice Tariffication Law). These three acts of government are likely to affect the livelihoods of traders and communities that have depended on cross-border trade and the illicit importation of rice through Sabah, Malaysia for decades.

This report examines how the above policy changes are impacting trans-border trade operations in the Sulu Archipelago, with a particular focus on the informal trade in rice. Economic analysts have noted that the elimination of quotas on rice imports was introduced to lower domestic rice prices, increase consumption, and reduce inflation.<sup>4</sup> The policy itself was introduced to address national concerns of an insufficient and inefficient supply of domestically produced rice, with the aim to provide relief to poverty-afflicted areas due to reduction in consumer prices.<sup>5</sup> Economists further argue that the existing rice quantitative restriction system generated sizable economic rents. While these claims may hold true years after the rice tariff law is fully in effect, its implementation in the Sulu Archipelago risks

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1. Key finding of XCEPT research Year 1.

2. Ibid.

3. Based on the policy brief by The Asia foundation, *Emerging Policy Impacting Cross-Border Trade in the Sulu Archipelago*, April 2020.

4. <https://www.bworldonline.com/potential-effects-of-ra-11203-philippine-rice-tariffication/>

5. Ibid.

**The Bangsamoro Organic Law** (Republic Act 11054) was passed in July 2018 and ratified in March 2019. It allows for the establishment of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) that has the capacity to make laws that would impact barter trade operations in the Sulu Archipelago. The Bangsamoro Transition Authority (BTA) is in the process of drafting and passing key legislation on fiscal revenue, infrastructure, coastal waters, and other matters related to trade and investments.

**Executive Order 64** was issued on October 29, 2018, and seeks to revive barter trade in Mindanao and promote its growth and development. It aims to establish three new barter ports - Siasi and Jolo in Sulu, and Bongao in

Tawi-Tawi. The EO also establishes the Mindanao Barter Council (MBC) which has the mandate to manage barter operations, with a sunset clause that allows the MBC to operate until such time that the Bangsamoro Government is organized and a regional office on barter trade becomes fully operational.

**The Rice Tariffication Law** (Republic Act 11203) was signed on February 14, 2019, relaxing the previous restrictions on rice importation, with the aim of opening up the rice market to competition with other developing countries. While the law is not specifically targeted at rice traders and communities in Muslim Mindanao, it has the potential to affect local traders engaged in the large-scale illicit importation of rice.

affecting a vibrant local trading market that provides subsidized rice to one of the poorest regions of the Philippines. As such, these shifts in national policy have the capacity to affect the Bangsamoro autonomous region's political transition, fragile and conflict-prone border economies, and to complicate the unclear implementation of EO 64 that is supportive of formalizing the barter trade system.

In addition, while establishing Tawi-Tawi as a Special Economic and Freeport Zone under EO 64 would help spur economic growth and development in the Bangsamoro, its potential negative impact on informal barter traders also needs to be analyzed and factored into the region's ongoing transition and development. Jurisdiction over the implementation of EO 64 also threatens to pose an issue, with the Mindanao Development Authority (MinDA)—a national government entity—heading the Mindanao Barter Council, which may undermine the BARMM's transition government's powers and control over barter trade activities in the region. An apparent lack of consideration of the impact of these national level policies on the Sulu Archipelago under the new Bangsamoro government warrants further analysis of the local rice trade market, particularly on changes in local rice prices, as well as the on the practices of cross-border barter traders.

## Conflict environment

Trans-border trade operates in a complex conflict environment, the root causes of which have remained despite the signing of peace agreements between the government and the Moro National Liberation Front (MNLF) in 1996, and the Moro Islamic Liberation Front (MILF) in 2014. A legacy of colonization, entrenched poverty, marginalization, lack of economic opportunities, and weak governance feed conflict and violence in the Sulu Archipelago. These recurring and interlocking issues are deeply embedded in a succession of flawed policies and programs designed by a central state that has been insensitive and unresponsive to the needs and aspirations of marginalized Moro groups and island communities. This conflict environment has, thus, been defined by continuing patterns of structural and cultural violence, and historical injustice inflicted upon the Moro people for generations.<sup>6</sup>

This is particularly the case in the island provinces of the Sulu Archipelago—Basilan, Sulu and Tawi-Tawi—where distinct and parallel governance practices from those in Manila have long existed. Barter trade is one such example, operating in a legal grey zone despite various efforts to contain the practice. The

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6. Huang et al. (2012) The State-Moro Conflict in the Philippines, Reliefweb <https://reliefweb.int/report/philippines/state-moro-conflict-philippines>



peripheral position of the Sulu Archipelago is not only geographic, but also symbolic of how central policy often fails in calibrating the intended impacts on institutions and the political economy on the ground.

The creation of the BARMM with more powers and fiscal autonomy through the passage of the BOL, is a significant step towards addressing the historical injustice inflicted upon the Bangsamoro people. However, it will likely be several years before Moros see tangible results resulting from the new BARMM, and much remains in practical implementation of the shared powers between the national and regional governments, how they relate to one another, and whether the asymmetric power arrangement will be effective in bringing about positive change.

## “ Amidst a shifting political landscape, the Sulu Archipelago’s stability remains precarious.

Amidst a shifting political landscape, the Sulu Archipelago’s stability remains precarious. An escalation of piracy activities in the Sulu and Celebes Seas culminated in a spike of violent attacks in the first quarter of 2016.<sup>7</sup> The Abu Sayyaf Group (ASG), a local criminal and extremist group with strongholds in Sulu and Basilan, increasingly engaged in kidnap-for-ransom activities to raise funds. In the past 18 months up to late 2019, the ASG adopted more violent methods, manifested in suicide bombings in Basilan on 31 July 2018,<sup>8</sup> and in Sulu on 27 January<sup>9</sup> and 28 June 2019.<sup>10</sup> The twin bombing of the Jolo Cathedral in January 2019 was one of the deadliest attacks to date, killing 20 and injuring over 100 individuals.<sup>11</sup> This was followed by a twin suicide attack in a Jolo marketplace allegedly by female suicide bombers in August 2020,<sup>12</sup> killing 14 and wounding 78 individuals. A bomb explosion was foiled on 19 September 2020 when the Explosive and Ordnance Division of the

Philippine Coast Guard discovered an improvised explosive device at a public port in Jolo.<sup>13</sup>

## The larger trade context

Maritime cross-border trade in the Sulu Archipelago dates back centuries. The strategic location of the archipelago in between larger islands (Borneo and mainland Mindanao) with larger populations in maritime Southeast Asia makes it enviable and unique in its commercial and geopolitical advantages. The modern global economic trade between nations had long shifted away from mostly unregulated and porous borders, such as the Sulu Archipelago, towards trade routes that connect large industrial hubs and metropolitan centers around the world. However, this does not mean that the geographical advantage of the Sulu Archipelago has become obsolete. It simply shifted its role in the larger trade context among nations in Southeast Asia.

Trade and commerce in the Sulu Archipelago have become peripheral since being a gateway of maritime trade in Southeast Asia in the 19th century. Barter trade, as it is commonly referred despite involving substantial cash exchanges, is cross-border trade between a small number of populations living near a border. However, the peripheral traders in the Sulu Archipelago have become major players in the larger trade of goods between nations when autarchic rules in trade prohibit the free flow of certain goods. As the price difference of highly regulated goods becomes greater in between nations in Southeast Asia, this provides an opportunity for the Sulu traders to expand their trading activities and supply goods beyond populations living near the maritime border. In the case of rice, the Philippines’ quantitative restrictions on importing rice that protected local rice producers had constrained direct importation from cheaper rice exporting nations such as Thailand and Vietnam. This created and incentivized the opening of an alternative supply route from Thailand and Vietnam through Sabah, via the Sulu Archipelago far and remote from main trading ports in Luzon, Visayas, and mainland Mindanao.

7. ReCAAP ISC (2019), Guidance on Abduction of Crew in the Sulu-Celebes Seas and Waters off Eastern Sabah [https://www.recaap.org/resources/ck/files/guide/Recaap\\_guidance\\_FA\(single\).pdf](https://www.recaap.org/resources/ck/files/guide/Recaap_guidance_FA(single).pdf)

8. Rappler (2018), “Child, women among 10 dead in Basilan blast,” 31 July, <https://www.rappler.com/nation/deaths-explosion-lamitan-basilan-july-31-2018>

9. Rappler (2019), “At least 23 dead in Jolo Cathedral bombing,” 27 January, <https://www.rappler.com/nation/jolo-sulu-cathedral-bombing-january-27-2019>

10. Fonbuena, Carmela (2019), “8 killed, 22 wounded in attack on military camp in Sulu,” Rappler, 28 June, <https://www.rappler.com/nation/bombing-western-mindanao-command-indanan-sulu-june-28-2019>

11. Rappler (2019), “At least 23 dead in Jolo Cathedral bombing,” 27 January, <https://www.rappler.com/nation/jolo-sulu-cathedral-bombing-january-27-2019>

12. BBC (2020), Philippines: Twin explosions hit Jolo, killing at least 14,” 24 August <https://www.bbc.com/news/world-asia-53895450>

13. ABC-CBN News (2020), “Bombing plot foiled in Sulu,” 31 October <https://news.abs-cbn.com/news/10/31/20/bombing-plot-foiled-in-sulu>

## 2.

# Research design and analytical framework

This report seeks to understand the impact of policy changes relating to barter trade, rice importation, and the status of the Bangsamoro autonomous region on trade dynamics in the Sulu Archipelago, with a focus on the local rice market.

The research examines how major national policy changes influenced by neoliberal policies and the global trade environment impact the relationship dynamics between those at the center of power and control (i.e. central government, regulatory and security agencies, national trading networks, and other power brokers) and those at the periphery and receiving end of such interplay of political and economic powers (i.e. BARMM government, local political clans, and rice market traders/merchants), and how these actors negotiate the emerging policy structures, agents, and power brokers. Figure 1 shows the overlaps of the policy changes, with the introduction of the BARMM government seeking to

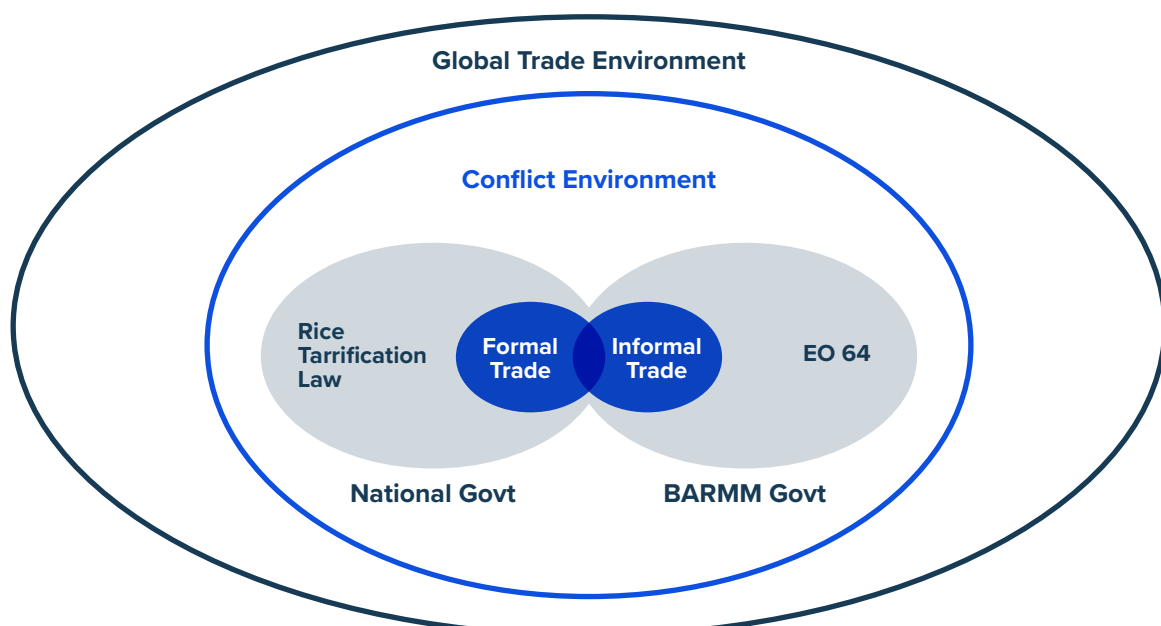
stabilize the overarching conflict environment in the Sulu Archipelago that is in constant interaction with a larger global trade environment with other Southeast Asian countries through Sabah, Malaysia.

How policy is understood, negotiated, and implemented at the local level is of key importance in the peripheral areas of the Philippines. The effective implementation of policy requires capable institutions with the necessary community legitimacy to enforce rules and regulations. When policies are introduced to formalize activities that previously existed in a legal grey zone, there must be sufficient inducements and advantages to sustainably effect change.

While the rice tariff law is focused on formal rice trade operations, the new liberal trade policy is expected to reduce the price of rice and create opportunities for formal rice traders and importers to compete with barter traders in the Sulu Archipelago.

**Figure 1.**

The interaction between the new Rice Tariff Law and Barter Trade Executive Order within the conflict environment in Muslim Mindanao and the Philippine maritime border.



Similarly, with efforts to formalize barter trade, there is an opportunity for local traders to “legitimize” their business and minimize the risks they currently take on.<sup>14</sup>

The passage and implementation of laws may have unintended and unexpected effects on the fragile economies of the Sulu Archipelago, as well as the local conflict environment. In the same vein, conflict actors who directly or indirectly benefit from informal cross-border trade may find an opportunity to wield more power and control, with the anticipated influx of foreign investments and new business opportunities. The interplay of economic and political interests can tip the balance of power that can potentially trigger violence in certain settings while remaining latent and covert in others. The impact on rice traders is examined as a case study on recent policy changes.

Furthermore, the Sulu Archipelago in a larger global trade setting, has an inimitable dynamic relationship with prevailing trade policies among other nations hemming in the maritime borders. Economies that are more protectionist of local industries tend to strictly regulate cross-border trade, thus, provide more opportunities for illicit trade in porous borders

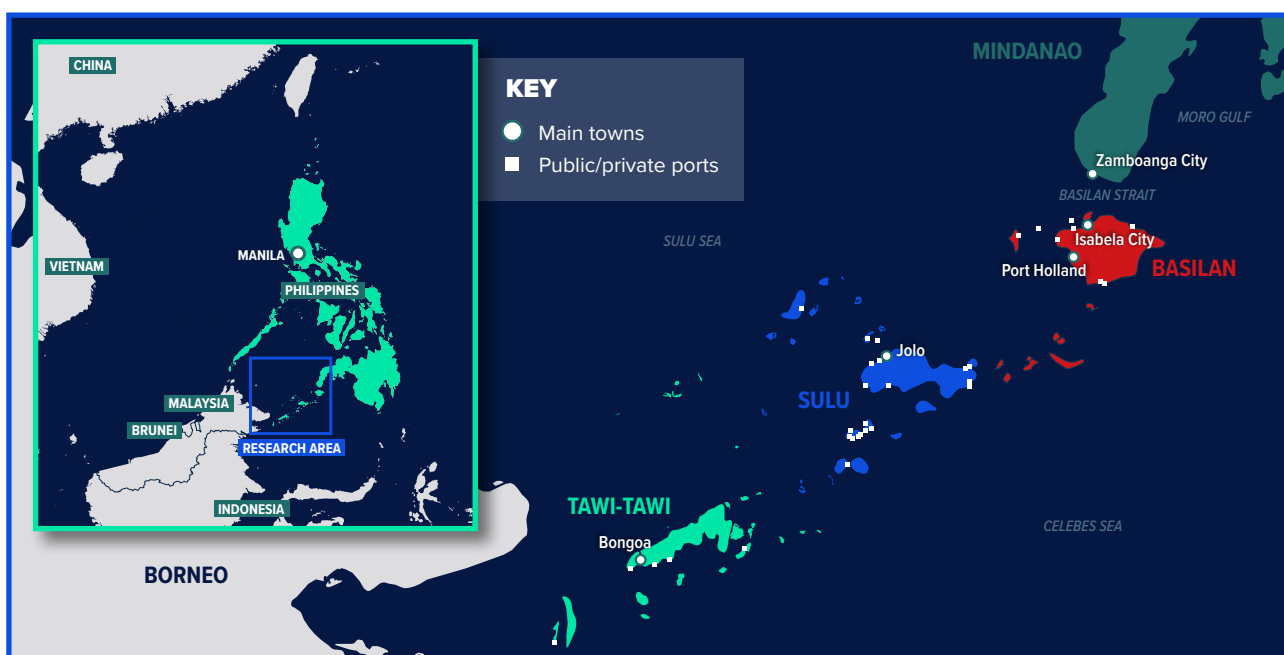
like the Sulu Archipelago to thrive. In the case of a freer trade regime and the flow of commodities, the relatively small traders of Mindanao have to compete with larger importers. Well established merchants have the advantage in economies of scale, particularly in hauling and transport facilities, including facilitation of cumbersome documentary requirements. Opportunities for small Sulu traders, are, thus, limited to near cross-border trade, with the advantage of shorter distances to travel and smaller markets to serve.

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**The passage and implementation of laws may have unintended and unexpected effects on the fragile economies of the Sulu Archipelago, as well as the local conflict environment.**

**Figure 2.**

Map of the key research locations in the Sulu archipelago in the Southern Philippines



**14.** For more information on the risks of barter traders, see the previous report from XCEPT: Trade in the Sulu Archipelago: Informal Economies Amidst Maritime Security Challenges.

## Research locations and methodology

The research locales for the study are the key transit ports in the provinces, cities, and towns of Basilan, Sulu and Tawi-Tawi, as well as the city of Zamboanga. The research primarily focused on key port, trading, and market areas, including the main cities and towns of each province (Bongao, Jolo, Lamitan, Isabela) and Zamboanga City, as well as pertinent secondary ports.

The research mainly utilized qualitative methods of data gathering through one-on-one interviews and mini case studies. Interviews were predominantly conducted in the respondents' local language (Tausug, Chavacano, Bisaya) and translated into Filipino and English. The first round of interviews in January 2020 was conducted by the local XCEPT team supervised by Gagandilan Mindanao Women, Inc. (GMWI). Sixty informants participated in the initial round of data gathering, comprising 20 rice traders, 16 boat operators, 16 rice retailers and 8 private port operators across the research site. A quarter of these respondents were females, mostly rice retailers and a few traders who were wives of main trade actors, while boat and private port operators were all males. The gender profile of key informants is reflective of a predominantly male and clan-based network of informal trade actors, considering the physical demands and security risks involved in regularly crossing the maritime border.

Data gathered from the rice trade supply chain were supplemented with nine interviews with line government agencies, particularly the local Regional Port Management Authority (RPMA), Department of Trade and Industry (DTI), and Provincial Agriculture Office (PAO) personnel in Basilan, Sulu, and Tawi-Tawi. Added to the list are two interviews with an informal rice importer based in Zamboanga City and one personnel of the Border-Crossing Station of

Indonesia in Bongao, Tawi-Tawi. This sums up a total of 71 respondents across the four research sites for the initial round of data gathering.

The second round of data collection in February 2020 focused on the experiences of rice traders in applying for registration with the Bureau of Plant Industry (BPI) as bona fide rice importers. A total of 14 informants, including two key personnel of BPI-Zamboanga, participated in 13 one-on-one interviews. The outputs of these interviews were written as mini-case studies to deepen the knowledge and understanding of the processes involved, and the benefits as well as the challenges confronting rice importers in securing Sanitary and Phytosanitary Import Clearance (SPSIC). Overall, a total of 85 informants participated in the research.

The interviews and mini-case studies were further supplemented with a policy paper on the major laws on rice tariffication, barter trade and the BOL, as well as an in-depth economic analysis of the informal rice market in the Sulu Archipelago. Both papers utilized desk research and analysis of relevant policy issuances and memorandum circulars. The economic analysis mainly utilized secondary administrative and survey data available from government. Projections, simple computations, and analyses were conducted on the following: a) domestic rice production and demand in every province in Mindanao and Sulu, as well as the nearby Visayan provinces; b) rice retail prices across relevant months, years, and provinces; and c) data on legally declared imported rice in Mindanao and Sulu across the same period. The report also cross-checked the analysis of secondary data with the field data collected by the local XCEPT team based on interviews with rice traders, boat operators, private port operators, rice retailers, and selected state regulatory agencies.

**Table 1.**  
Geographical distribution of key informants during the first round of interviews

Key informants	Research areas				Total
	Zamboanga	Basilan	Sulu	Tawi-Tawi	
Rice traders	5	5	5	5	20
Boat operators	4	4	4	4	16
Private port operators	2	2	2	2	8
Rice retailers	4	4	4	4	16
<b>Total</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>60</b>

### 3.

## Shifting policy environment and its intended impact and changes

Over a period of 18 months, from July 2018 up to the start of 2020, three major policies were issued that would impact rice trading operations, not only in the Sulu Archipelago but the entire country. These are Executive Order 64, Republic Act 11054, and Republic Act 11203. A fourth policy issuance by the Bureau of Customs, Customs Memorandum Order 32-2019, is also expected to facilitate the implementation of aspects of barter trade. A summary of the development of these laws and their major features and provisions is discussed below.

### National rice policy and the introduction of the Rice Tariffication Law (RA 11203)

Before the passage of the Rice Tariffication Law, the importation of rice was done through a quota system that was bid out by the National Food Authority (NFA), which had sole authority to import rice as the government's rice trading agency.<sup>15</sup> The NFA operated with a social mandate to protect Philippine rice farmers and ensure the stability of rice supply. For decades, the Philippines pursued a set of policies aimed at ensuring domestic self-sufficiency for the production of rice. However, shortfalls in domestic supply attributable to limited arable farming land across the mountainous archipelagic country, and harvest disruptions caused by frequent typhoons and tropical storms, made the attainment of self-

sufficiency unlikely. Strict rice import quotas, designed to protect the farm gate prices of local producers, helped foster an environment prone to corruption and the smuggling of rice importations. A 2013 Senate hearing estimated that up to 50,000 metric tons of rice a week were being smuggled into the country, mostly hidden on cargo ships and deposited through the main commercial ports in Davao, Cebu, and Manila.<sup>16</sup>

Rapid inflation in 2018 that peaked at 9.2 percent in September-October led to an increase in rice prices, and the shifting of the political will necessary to relax rice import limits. The passage of the Rice Tariffication Law in February 2019 replaces quantitative restrictions on rice importation with a 35 percent tariff from ASEAN member countries, and at least 40 percent from elsewhere.<sup>17</sup> A farmer support mechanism in the Rice Comprehensive Enhancement Fund was also established to improve the competitiveness of Philippine rice production.

While the RTL was quickly enacted to stabilize rice prices nationally, the sharp influx of imported rice risked destabilizing the informal barter trade in the Sulu Archipelago, which has profited due to restrictive importation laws and its relative isolation from domestic markets. These challenges are magnified by new requirements for rice importers that may be prohibitive for small and unregistered traders. While traders in the ports and subports of Mindanao and Palawan—encompassing the Sulu Archipelago—no longer require an import permit from the NFA for the importation of rice, pursuant to Customs Memorandum Order 32-2019, they are required to secure sanitary and phytosanitary certification before importing from the Bureau of Plant and Industry.<sup>18</sup>

“ Before the passage of the RTL, the importation of rice was done through a quota system

15. Mangahas, M. 2017, 'End the NFA monopoly!', Inquirer.net, 22 April 2017, [Online] Available: <https://opinion.inquirer.net/103381/end-nfa-monopoly> [15 Feb 2020]

16. <https://newsinfo.inquirer.net/570829/senate-told-50k-tons-of-rice-smuggled-into-ph-weekly>

17. A tariff of 40 percent is applied to rice imports below 350,000 metric tons from non-ASEAN; and 180 percent if imports are from non-ASEAN countries and are above 350,000 metric tons.

18. CMO 32-2019 establishes guidelines in the Implementation of Special Cargo Clearance Procedure for Qualified Enterprises at the Ports/Subports of Mindanao and Palawan, Pursuant to the Brunei, Indonesia, Malaysia, Philippines – East ASEAN Growth Area (BIMP-EAGA) Economic Cooperation. It is currently used as a guide in the importation and exportation of goods in the Sulu archipelago and Palawan.



## Shifting policy environment and its intended impact and changes

### Barter Trade and the weak and inconsistent policy managing cross-border trade

Despite its long existence, policy governing barter or cross-border trade between the Sulu Archipelago and Sabah, Malaysia has been vague if not totally absent. The Mindanao Development Authority (MinDA)<sup>19</sup> recognizes the need to prioritize barter trade to help propel economic activities in the Sulu Archipelago.<sup>20</sup> Cross-border trade in the region essentially sits in a “legal grey zone where much of the activity is either informal or illegal.”<sup>21</sup>

Historically, few policy issuances were made to regulate this form of trade. In 1973, the Marcos government through Presidential Decree (PD) 93 set the limit of barter trade to P5,000/trader per trip, for a maximum of two trips per month, and only within the Sulu Archipelago. In 1986, the Corazon Aquino government through Memorandum Order (MO) 24 upheld the above limitations and designated the Southern Philippines Development Authority (SPDA) the task of regulating barter trade activities. It further stipulated for a gradual and systematic phaseout over a five-year period before shifting to conventional trading. The plan did not materialize, and the task was transferred in 1990 to the ARMM Regional Government through Executive Order (EO) 427 with the same stipulations on the amount and number of trips allowed each month. In the same vein, the policy was never implemented. The set limitations were not realistic in 1990 and remain a challenge today; traders need a minimum of Php 50,000–100,000 to get started. They also need a large amount of capital to make a margin of profit.

EO 64 on reviving barter trade, while not addressing the above importation limits, seeks to provide a legal framework for the formalization of the longstanding practice. By establishing barter trading ports in Siasi and Jolo in Sulu, and Bongao in Tawi-Tawi, it hopes to channel trade through formal ports of entry, as opposed to the myriad of private and public ports which are utilized currently.

The Mindanao Barter Council, which is established by EO 64, is composed mainly of national government agencies, with the Department of Trade and Industry (DTI) Secretary as Chairperson, and the Chairperson of MinDA and the Commissioner of the Bureau of Customs (BOC) as Vice-Chairpersons. MinDA also provides secretariat support to the Council. The Ministry of Trade, Investment and Tourism in the BARMM regional government is the BARMM government representative on the council.

The MBC is mandated to facilitate the establishment of an enabling environment conducive to the growth and development of barter trade in Mindanao. It will formulate and issue rules and regulations on the accreditation of qualified traders authorized to engage in trade within the barter ports mentioned above, including imposition of reasonable registration fees and facilitation of all documentary requirements necessary for barter traders to avail of the zero-tariff benefits under the ASEAN Trade in Goods Agreement (ATIGA).

While the Executive Order marks a valiant effort to build the legal certainty needed to support barter trade, the lack of implementing guidelines since its signing leaves much of its promise unfulfilled.

### The Bangsamoro Organic Law and the potential for a local approach to governing barter trade

Further uncertainty around the laws governing barter trade owes to the passage of the Organic Law on the Bangsamoro Autonomous Region in Muslim Mindanao, which was ratified by plebiscite in January 2019.

Republic Act (RA) 11054 brought about the BARMM that replaced the previous Autonomous Region in Muslim Mindanao (ARMM). The key provisions and features of the BOL relevant to barter trade include the extension of its powers to exercise authority over barter trade and counter trade; the creation

<sup>19</sup>. The only Mindanao-wide government agency mandated to promote, coordinate, and facilitate the active and extensive participation of all sectors to affect the socioeconomic development of Mindanao.

<sup>20</sup>. See: <https://minda.gov.ph/news/242-barter-trading-seen-to-propel-economic-growth-in-bangsamoro-areas>

<sup>21</sup>. Emerging Policy Impacting Cross-border Trade in the Sulu Archipelago, p. 4

of sources of revenue through the establishment of economic zones, industrial centers and free ports, development of fisheries, marine and aquatic resources; and delineation of the Bangsamoro Municipal and Regional Waters, extending up to 19 kilometers from the lowest tide mark.

In recognition of these powers, EO 64 includes a sunset clause that the Mindanao Barter Council will be disbanded if it is dissolved by the President, or once the Bangsamoro government “is organized and an office on barter becomes fully operational.” To this end, a bill has been filed in the BARMM regional government to establish a barter office, titled “An Act Creating the Barter Trade Center in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) and Providing Organization Setup Defining Its Power and Functions and Appropriating Funds Thereof.” As of writing, details of the proposed bill have yet to be deliberated on.

Despite preliminary steps towards legislating barter trade, the passage of laws in the BARMM Parliament is likely to be waylaid by the daunting task facing the Bangsamoro Transitional Authority in establishing a regional bureaucracy and enacting the necessary legislation for its operation. Key priority codes on local government, internal revenue, administration, education, indigenous peoples, civil service, and elections have dominated the legislative agenda, and delays in the drafting and passage of these laws—due to multiple challenges not least the Covid-19 pandemic—has slowed the organization of the autonomous region and the implementation of the peace process. As such, efforts were underway to delay parliamentary elections scheduled for May 2022, and extend the term of the transitional authority to at least 2025.

Even once the Bangsamoro government establishes laws regarding barter trade, there remains the possibility for inconsistencies between regional and national law, especially surrounding the sensitive issues relating to cross-border movement, import/export tariffs, and customs protocols. Further complications are possible due to the informal practice crossing provincial jurisdictions; barter trade is well known to take place in Isabela City, Zamboanga City and throughout the Zamboanga peninsula, all areas that sit outside the territory of the BARMM. The BOL mandates the creation of the National Government—Bangsamoro Government Intergovernmental Relations Body (IGRB), which is tasked to ensure smooth implementation of national government programs and projects in the BARMM;

address territorial issues, devolution and jurisdiction concerns, and create other intergovernmental relations mechanisms enumerated in the BOL. The Intergovernmental Fiscal Policy Board (IFPB), which is tasked to address revenue imbalances and fluctuations in the financial needs and revenue raising capacity of the BARMM will also be constituted with the appointment of BARMM and national government representatives. Both the IGRB and IFPB would be relevant mechanisms in resolving issues that may arise relating to barter trade and maritime security in the Sulu Archipelago.

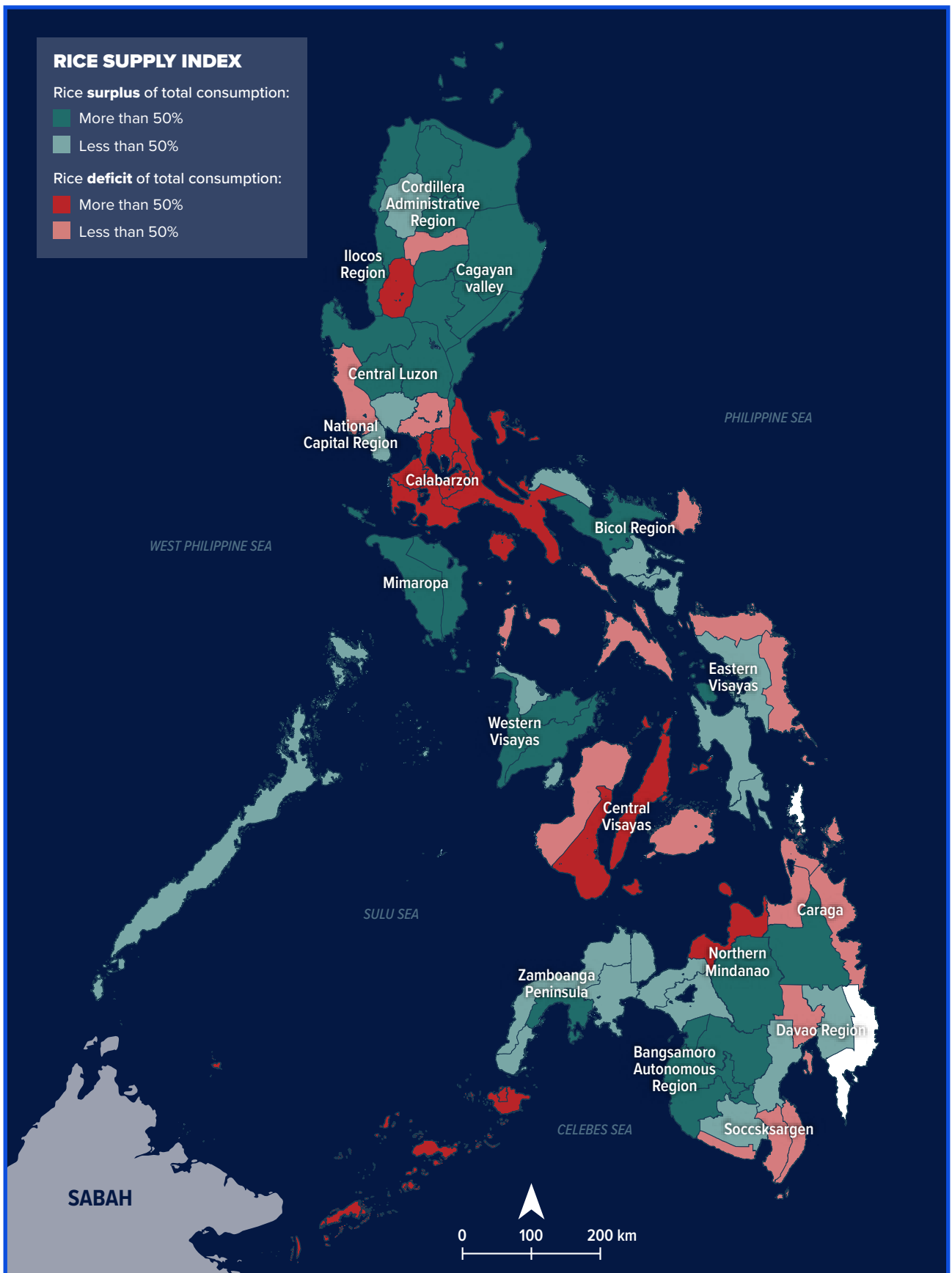
## Implications of new laws for barter traders

In sum, barter trade in the Sulu Archipelago remains in a precarious legislative limbo, subject to a new national policy framework that, as yet, remains poorly articulated for the unique practices of Bangsamoro traders, and as yet not fully supported by the various instruments within the BARMM government that promise to provide local representation for their business.

The RTL and CMO 32-2019 provide a legislative framework for formalizing rice importation in the Sulu Archipelago. While the RTL is a national policy without direct clauses for Mindanao’s informal rice traders, CMO 32-2019 offers guidelines to maximize customs’ revenue collection by curbing smuggling and other fraudulent transactions in import and export operations within the Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA), inclusive of the Sulu Archipelago and Palawan.

If faithfully implemented, informal rice traders could be under increasing pressure to register their business operations and comply with legal, customs, and other sanitary requirements. Formalizing barter trade could benefit traders who might enjoy a more systematic, transparent, and simplified customs’ clearance procedure, while ideally eliminating the various rents and other “special arrangement” fees barter traders are currently susceptible to. None of this is guaranteed, though, and overhauling these longstanding practices will require significant investment in compliance among both traders and government officials. As of this writing, there doesn’t appear to be provisions for tax incentives, technical assistance, and other inducements necessary to incentivize informal traders to comply with registration requirements.

**Figure 3.**  
Map of rice supply gap in the Philippines



## Stabilizing local rice supply

Rice smuggling flourished because of large deficits in rice supply in city and provincial markets in the southern Philippines, a reality reflecting an annual shortfall between one to three million metric tons in rice production in the country. Quantitative restrictions and the rice trade policy regime that protected local rice producers have constrained direct importation from Thailand and Vietnam. Although rice imported from Sabah by Bangsamoro barter traders comprised a fraction of that smuggled annually, it remains an important source of nutrition for communities in the Sulu Archipelago, contributing to food security in a region unable to produce enough rice to meet local requirements. The supply shortfall in the Sulu Archipelago, and across Mindanao more broadly, created and incentivized alternative supply routes through the Sulu Archipelago, far and remote from the capital of Manila.

At present, there is no data on the total volume of rice being informally traded across the maritime border between Sabah and the Sulu Archipelago. Informal rice traders are known to supply rice beyond

the smaller markets of Basilan, Sulu and Tawi-Tawi, and reach the bigger markets in northern Mindanao, Caraga and Davao, and even as far as Cebu and Negros Islands in the Visayas. Like all market traders, they are driven by opportunities to make a profit based on price differences across regions.

Since the enactment and implementation of the RTL, there has been a three-fold increase in the volume of formally imported rice from Vietnam and Thailand, shoring up supplies and reducing the retail prices of rice and other basic commodities locally. However, the RTL and other policies have changed the incentives of informal trade of rice—increased supply and lower prices have decreased incentives for importing excess rice that surpasses that needed in the Sulu Archipelago. Increased competition from large rice importers landing shipments in Zamboanga City and elsewhere in Mindanao have also undercut barter traders, whose wooden hull vessels restrict the size of their shipments and prevent them from buying directly from markets in Thailand and Vietnam—resulting in transshipment costs when buying from Sabah, Malaysia. These challenges and more are explored in the following section.

### 3.2

## How informal rice trade networks navigate the new policy environment

In addition to the legislative changes, barter traders in the Sulu Archipelago have borne the impact of inflation and changes in local security dynamics that have affected their operations. In July 2018, Philippine President Duterte and Malaysian Prime Minister Mahathir declared that they would stop rice smuggling and other illegal activities in their respective maritime borders.<sup>22</sup> This pronouncement came before the signing of EO 64 in October 2018, and the subsequent enforcement of bans on transshipment of rice from Sabah which affected the Sulu Archipelago's informal rice trade.

The enforcement of restrictions on barter trade are not uncommon. The Malaysian government sought to restrict cross-border movement in 2013 following the

Lahud Datu incident, when a band of Moro fighters pledging allegiance to a descendant of the Sulu sultan attempted to seize territories in Sabah that were part of the former sultanate. Similar restrictions were introduced in 2016, responding to a spate of kidnap for ransom and piracy activities by factions of the Abu Syyaf Group. The 2018 restrictions came after prolonged tripartite efforts by the governments of Indonesia, Malaysia, and the Philippines to enforce a greater level of stability on the porous maritime region, which has long been seen as an area of heightened criminality and illegal activity.<sup>23</sup>

According to rice traders, boat operators, and private port operators interviewed for the research, there were significant reductions in the frequency of

**22.** Business World (2018), "Philippines eyes extra rice imports amid 'crisis' in Mindanao," 28 August, <https://www.bworldonline.com/philippines-eyes-extra-rice-imports-amid-crisis-in-mindanao/>

**23.** Quilop, Raymond Jose G. (2018), "Trilateral Co-operation by Indonesia, Malaysia and the Philippines: Temper Expectations" Global Asia, March, [https://www.globalasia.org/v13no1/feature/trilateral-co-operation-by-indonesia-malaysia-and-the-philippines-temper-expectations\\_raymund-jose-g-quilop](https://www.globalasia.org/v13no1/feature/trilateral-co-operation-by-indonesia-malaysia-and-the-philippines-temper-expectations_raymund-jose-g-quilop)

**Table 1.**

Geographical distribution of key informants during the first round of interviews

	Province/city	Before travel ban	After travel ban	Reduction (%)
Frequency of travel	Zamboanga	2 trips per month	1 trip per month	50%
	Basilan	4 trips per month	1 trip per month	75%
	Sulu	2-3 trips per month	1-2 trips per month	60%
	Tawi-Tawi	1-2 trips per month	1-2 trips per month	No reduction
Boat landings	Zamboanga	25 boats per month	10-15 boats per month	50%
	Basilan	25 boats per month	10-12 boats per month	56%
	Sulu	4-8 boats per month	2-3 boats per month	58%
	Tawi-Tawi	5-8 boats every 2 weeks* 2-3 boats every 3-4 weeks**	No boats carrying rice are allowed to dock***	No reduction

\*private port in Bongao

\*\*small private port in Pag-asinan

\*\*\*smaller passenger boats transfer rice from the 'lantsa' and unload them in private ports

travel and number of boat landings across the Sulu Archipelago in the latter part of 2018 when the travel ban started.

According to accounts, a composite team of regulatory and security state agencies led by the BOC was deployed in the Sulu Archipelago in the latter part of 2018 to prevent informal rice trading activities. The anti-smuggling campaign on rice intensified in the months prior to the issuance of EO 64 in October 2018. These enforcement activities were effective in reducing the number of boat trips across Zamboanga City, Basilan, and Sulu. According to key informants, cross-border trips in Basilan and Sulu decreased by an estimated 75 percent and 60 percent, respectively. Their counterparts in Zamboanga City were also affected with an estimated 50 percent reduction. Tawi-Tawi, which is the most proximate province to Sabah, did not see a significant change in the number of border crossings.

With the imposed travel ban, the number of boat landings in private ports also declined, as large wooden boats or *lantsa* that carry rice were not allowed to dock in either public and private ports. The reduction in boat landings by at least 50 percent in Zamboanga, Basilan, and Sulu impacted the income of boat operators, like in the case of

Sulu where they claimed a 40 percent reduction in their incomes. In Tawi-Tawi, traders and boat operators were prevented from directly unloading goods at public and private ports. Instead, goods were transferred to smaller passenger boats at sea and ferried to nearby private ports. One trader recounted having to pay a *bangkero* (passenger boat operator) Php 7 per sack of rice from Luuk Mainit to Bongao Port, 30 minutes away by small passenger boat.

### Diminished rice supply and spikes in local prices

With the reduction in the frequency of travel and wooden boat landings, the volume of rice coming in from Sabah also diminished, contributing to a spike in local rice prices that exceeded the nationwide inflation rate of 8 percent registered in late 2018. Table 3 shows a comparison on the monthly retail prices of well-milled rice across Zamboanga, Basilan, Sulu, Tawi-Tawi (Zambasulta) in 2018 and 2019.

A sharp spike in local prices of well-milled rice in Zamboanga City and the Sulu Archipelago were registered beginning in August 2018, with an increase of at least 17 percent from the previous month. Sulu and Tawi-Tawi posted the highest spikes



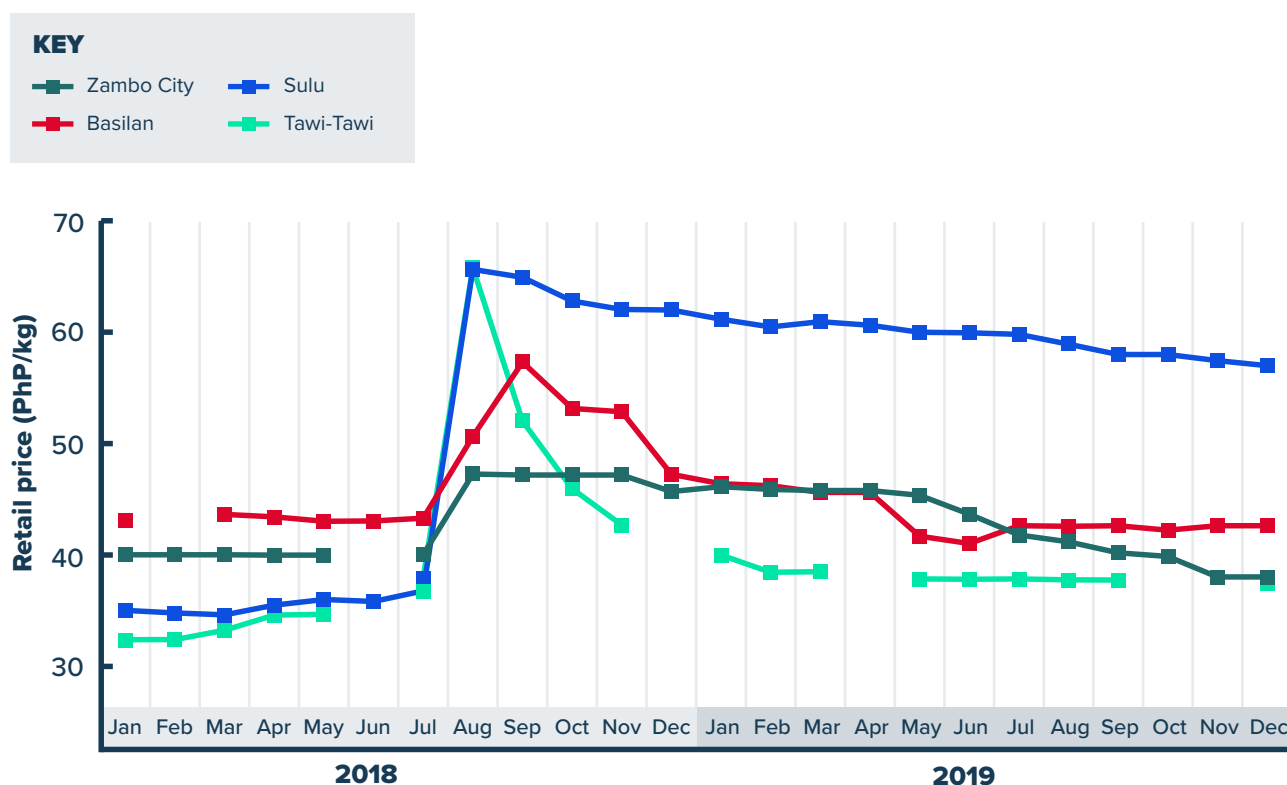
in local prices at P28.90 (79 percent) and P27.9 (74 percent), respectively. By November prices across most provinces had begun to fall in most provinces, though remained stubbornly high in Sulu through 2019.

There are likely numerous reasons for the rapid increase and subsequent decrease in rice prices across the region—both local and national. If security operations in the Sulu Sea negatively impacted rice imports in August, it's possible that the introduction of EO 64 in October resulted in a relaxing of cross-border enforcement, or barter traders simply adapted their practices. Significant, too, could be the extra provisions of rice imported nationally by the NFA to create downward pressure on rice prices, before the introduction of the TRL in February 2019. In any case, it's clear that local dynamics remain significant, considering the different trajectories of rice prices illustrative across the four provinces throughout the late 2018 and into 2019. The implementation of the RTL would have also contributed to more stable prices in 2019.



**Figure 4.** Monthly retail prices of well-milled rice (Php/kg) in Zambasulta, 2018-2019

Source: Philippine Statistics Authority



## Strategies and adaptive mechanisms

### **Rice traders**

#### **Building bigger 'bodegas' and increasing buffer stock**

When the supply of imported rice continued to drop due to the growing campaign against rice smuggling and the Malaysian ban on informal rice trade, large traders increased their buffer stock and built storage houses or *bodegas* that could store up to a million sacks of rice. The strategy has kept traders afloat in Tawi-Tawi and Basilan, as they receive their rice supply from local traders rather than from directly crossing the maritime border to Sabah. A similar practice of cooperation among traders seems not to have happened in Sulu, where an informant noted that two out of five traders were forced to stop operations after their rice supply ran out.

#### **Shifting to other barter goods like cigarettes**

According to informant interviews for this research, many rice traders who were finding it difficult to keep their business profitable shifted to smuggling other barter goods like cigarettes, at the height of the 2018 security crackdown. The source of illegally imported cigarettes is in Kalimantan, Indonesia; cigarette smuggling is known to be rampant in Indonesia. A growing number of traders has been observed to change route south from Sandakan to Tawau, which shares its land and maritime border with Kalimantan, illustrating the resiliency of traders in adapting their operations to circumvent changes in restrictions and the marketability of certain goods.

### **Boat operators**

#### **Commissioning smaller passenger boats to carry and unload rice**

Boat operators have felt much of the brunt of the ban on informal rice trade as their wooden boats carrying tons of imported rice have at times been barred from docking in both public and private ports. In these situations, boat operators commission smaller passenger boats to carry and unload rice per batch of 200-300 sacks per trip to the nearest ports. (Un)loading at sea is not uncommon; previous research by XCEPT noted how boats returning to port often had less cargo than when departing Sabah, often due to making small transfers enroute either to private ports or smaller vessels where access is limited, either for security reasons or because of a lack of deep ocean ports. During the height of restrictions in 2018, boat operators reportedly acted in coordination with private port operators, unloading shipments from small passenger boats at night to avoid detection. Passenger boat operators are paid Php 7 per sack of rice for their services, adding them to the list of trans-border rice trade actors in the Sulu Archipelago.

#### **Changing trade routes**

Boat operators usually follow the same trade routes in crossing the maritime border to Sandakan, Malaysia, and would seldom take an alternative route unless they encounter bad weather conditions while at sea. However, Tawau, which is closest to Kalimantan, Indonesia has become a popular alternative destination among traders in Sulu and Tawi-Tawi, especially if rice supply runs short in Sandakan. Small traders who find it difficult to keep their business afloat have also reportedly shifted to cigarette smuggling, the source of which is in Kalimantan.

### **Rice retailers**

#### **Absorbing the increase in rice prices**

Fluctuations in rice supply and prices have affected rice retailers' incomes and profit margins. When rice supply is low, wholesalers would increase the price, lowering the retailers' margin of profit. In the past, rice retailers would simply pass on the increase in prices to consumers. However, with the influx of cheap imported NFA rice at Php 35 per kilo in 2018, retailers were pressured to settle with a smaller margin of profit (or sometimes none at all) in order to keep up with the competition. At the height of the rice crisis, some retailers even resorted to selling NFA rice. Doing so resulted in a further reduction in their net income as the price of NFA rice is closely monitored and regulated by the agency.

#### **Formalizing operations and the challenges experienced by barter traders**

Recent legislative changes have led some barter traders to explore opportunities to formally register their businesses, while others have either taken a cautious approach to formalizing their operations, or have dismissed the process outright. While the benefits of formal registration are greater for larger trading operations, traders of all sizes face varying challenges.

## Impact of rice tariffication law on the registration of informal traders

### New registration processes and requirements

To register formally as rice importers, traders must complete several new requirements and follow additional procedures. On top of the standard business registration requirements (i.e., DTI or SEC registration, Mayor's permit, Business permit, and BIR registration), aspiring formal rice traders in the Sulu Archipelago need to register with the Bureau of Plant Industry (BPI) and apply for a Sanitary and Phytosanitary Import Clearance (SPSIC) for every shipment and register with the Bureau of Customs. Both agencies have established separate policies for registration and application. These new registration processes and requirements are discussed in detail below.

#### ***Registration as an Importer/Exporter with the Bureau of Customs***

Following the RTL, the Bureau of Customs issued CMO 32-2019, which provides for "special guidelines" for micro- and small-enterprises operating in the ports and subports in the BIMP-EAGA areas including the Sulu Archipelago and Palawan. These guidelines vary from the usual procedures in the other ports of the country. Among others, it affords qualified enterprises with unique accommodations: registration at the port and subports, manual processing of goods and even provisional declaration of goods. Qualified enterprises are defined as entities duly registered with the appropriate government agencies, which may be classified as micro and small enterprises (i.e., minimum capitalization of up to Php 15 million).

Traders involved in cross-border trade in the Sulu Archipelago would fall under the above new guidelines as they are operating in BIMP-EAGA ports and subports and are qualified enterprises. As such, they must first register as an Importer or Exporter with the nearest office of the Bureau of Customs. The application can be filed with the District or Subport Collectors (i.e., with the District Collector in the Port of Zamboanga or in the subports of Jolo, Tawi-Tawi or Basilan). To apply, traders need to fill out an application form available at the BOC. A recent 2x2 photo, character references, sworn undertaking, 1 valid government issued ID, and registration fees must be provided as well. Prior to lodging an application for registration at the BOC, traders must

ensure that their businesses are registered according to existing business registration processes, which were standard requirements even before the RTL. Applicants must also present and submit business registration documents: DTI registration for single/sole proprietorship, Barangay Micro Business Enterprise Certificate from the DTI if micro-enterprise, SEC registration if corporation, CDA Certificate of Accreditation if the entity is a cooperative), BIR registration certification, and Mayor's or Business Permit from the local government unit.

If filed with the Subport Collector, the application will be received, processed, and endorsed by the Subport Collector to the District Collector for approval or disapproval. The District Collector will directly process and approve or disapprove applications filed at the District Collector's office. When the application is approved, the Bureau of Customs issues a Certificate of Registration, which is valid for a period of three years from the date of its approval subject to suspension, revocation, or cancellation. The registration may also be renewed within 30 days prior to the expiration of the validity period.

#### ***Registration at the Bureau of Plant Industry as an Importer***

After securing a Certificate of Registration as an Importer or Exporter from the Bureau of Customs, micro- and small enterprises in the Sulu Archipelago can engage in the importation and exportation of goods across the border. However, for rice traders, the RTL requires for the SPSIC to make sure that rice being imported is uncontaminated. Traders need to apply for importer registration with the National Plant Quarantine Services Division of the Bureau of Plant Industry under the Department of Agriculture (DA). To apply, traders need to submit the accomplished and notarized application form with a 2x2 photo as well as other requirements at the main office in Manila or at the nearest duty station. This includes the Certificate of Registration with the Bureau of Customs, annual Income Tax Return with Audited Financial Statement of the owner/importer for the last three years, Special Power of Attorney with pictures (if applying through representatives) and distribution plan/areas for the rice imports. Other documents previously submitted to the BOC would also need to be submitted to the BPI: Mayor's permit or business permit and proof of business registration (i.e., DTI

registration for single/sole proprietorship, Barangay Micro Business Enterprise Certificate from DTI if micro-enterprise, SEC registration if corporation, CDA Certificate of Accreditation if cooperative).

The National Plant Quarantine Services Division duty station at the Port of Zamboanga City and another at Puerto Princesa City, Palawan both headed by a Regional Manager lead the processing and endorsement to the Central Office for applications filed at the duty station. Regardless of where the application was filed, the inspection is usually undertaken by the nearest duty station.

According to a key informant from the BPI, it typically takes 2-3 days for the Central Office to respond to the application for registration if all the submitted requirements are complete. Subsequently, a memorandum order would be issued to BPI-PQS Region 9 to conduct an inspection of the applicant-trader's warehouse and office (if applicable). The BPI-PQS, in turn, would notify the applicant to schedule the inspection. Once completed, it would take around two hours for the BPI-PQS personnel to file an Inspection Report to the Central Office. When all requirements for application for import registration have been complied with, the PQS manager endorses the application to the BPI director at the main office. Once approved, BPI Central Office will issue an Accreditation Certificate to the trader as a registered or accredited importer.

An application fee for registration amounting to PhP1,000 is collected from each applicant upon submission of the requirements, while PhP4,000 is charged for the certificate of registration issued to the importer. The validity of the certificate is up to three years. A renewal fee of PhP 2,500 is collected after the date of validity expires. Payment is made directly to the cashier at the BPI main office in Manila or through bank deposit.

### **Registration in the WebWCS platform**

After receiving the certificate of registration from BPI, traders need to register to the WebCWS, a web-based platform that enables authorized users to remotely file and process the SPSIC application, Electronic Request for Inspection with the Department of Agriculture, and even the Import Declarations with the Bureau of Customs. Additionally, the platform allows one to prepare and submit the Electronic Request for Inspection, look up tables for Customs product codes, tariff rates, and currency exchange rates used by Customs in computing dutiable values, and manage system information.

To create a WebCWS account, traders must register online through the platform by assigning login name and password and filling out necessary information. To finalize the activation, applicants must email the Importer Registration Form from BPI, and the accomplished Information Services Agreement (downloadable from the site) to [helpdesk@intercommerce.com.ph](mailto:helpdesk@intercommerce.com.ph) indicating the Login Name. The applicant or trader must be included in the list of accredited/registered importers of the BPI, thus the necessity of registering with BPI first. When the account is fully activated, traders can now apply for SPSIC.

### **Application for Sanitary and Phytosanitary Import Clearance**

From the WebWCS platform, traders can apply for SPSIC from anywhere in the country where there is internet connection. Traders need to fill out certain information required such as the relevant agency within the Department of Agriculture (i.e., Bureau of Plant Industry for rice importation), mode of shipment, country of source, port of entry, purpose of importation, destination, commodity description, quantity, and weight. Additionally, the WebWCS requires the attachment of pro-forma invoice and other certificates (in JPEG or PDF file). After filling out and attaching the relevant information, traders then send the application to the DA for approval also through the system by clicking on the send button. Once the application is approved, the trader prints the SPSIC by clicking the printout option. The printout is sent to the concerned exporter signaling that shipment is expected in the Philippines. When the shipment arrives, the same printout must be presented to port quarantine officers for the actual inspection of goods imported. The printout indicates the validity period of the SPSIC and that it is good for a single shipment only.

### **From Informal to formal?**

As of mid-2020 there were 20 registered rice importers in Zamboanga City, Sulu Archipelago, and Palawan based on data from the National Plant Quarantine Services of the BPI. Sixteen of the registered rice importers are corporations/trading companies, one is a shipping company, and three are cooperatives. In terms of their location and base of operations, seven are from Sulu, another seven are from Zamboanga City, three are from Basilan, one from Tawi-Tawi, and two from the southern part of Palawan. It is not clear whether these registered traders are new or old players in the barter trading of rice in the Sulu Archipelago as there were no available registration records previously.

According to traders interviewed for this study, registering one's operations as a formal rice importer confers benefits. It offers greater security in their operations, allowing them to import rice without fear that their shipments might be prevented, or their cargo confiscated even if the possibility of paying rents or kickbacks remains. The introduction of the RTL also comes with the promise of importing unlimited volumes of rice, and for growing their markets into other parts of Mindanao and the Philippines, and for diversifying those goods that are imported/exported. For new and pre-existing traders in western Mindanao, the promise of security and growth provides a major incentive to formally register their operations.

Overall, the data indicates a move towards formalization albeit from the more established and well-funded players. This is understandable considering that these players are engaged in the importation of large quantities of rice. Although there are three cooperatives on the list, micro-enterprises are noticeably absent. How the RTL and related policies impact micro- and small informal traders, which comprise a big chunk of actors remains to be the challenge.

## Transition challenges

Key challenges prevent the registration of micro-enterprises and informal traders, which comprise the majority in the Sulu Archipelago. Information from key informants regarding these challenges are summarized below.

### ***Difficult and complex registration process for micro-enterprises and informal traders***

For micro and small traders, typically those importing relatively smaller quantities of goods or servicing limited markets, there remain significant barriers and challenges to formalizing their business. Several key informants point out that the application process appears too long and tedious. The process involves at least 17 steps and at least 3 separate government agencies. A registered rice trader interviewed for the study narrated how it took him a total of six months to comply with all the documentary requirements.

Another difficulty that traders point to is compliance with some of the documentary requirements. In the application for registration with the BPI, for example, a trader would need to submit Annual Income Tax Return with Audited Financial Statements for the past three years. Traders who have existed outside formal markets—such as most barter traders in the Sulu Archipelago—lack part or all the necessary formal

documentation and would need to exert significant financial and time investment to produce or comply with it.

### ***Decrease in income may act as disincentive***

As was narrated by some key informants, some rice traders have resorted to hiring a broker or representative who would process and follow up on the application directly with the main office of the relevant government agency. Although BPI-PQS Region 9 personnel advises applicants to submit applications to their office, some traders would prefer to submit their application directly in the main office.

Some traders, though, have become increasingly reliant on brokers to facilitate part or all the regulation requirements. Trading companies typically utilize the services of customs brokers accredited with the BOC in processing their application for registration as rice importers. The customs broker prepares the necessary documents and advises on the necessary fees. A customs broker interviewed by the research team did not disclose the amount he collects from rice importers in exchange for his services; however, according to BPI-PQS personnel, there were reports of brokers overcharging the traders for non-existent transaction fees.

Altogether, the extra administrative and financial requirements for formal registration means that some traders stand to make less profit than if they continued their business informally. A newly registered trader disclosed that his business is earning much less now compared to 2017-2018 when he was engaged in barter trade. The trader noted that previously he could earn as much as Php 30 million by selling 100,000 sacks of rice on retail at P1,300 per sack (25 kg), earning a profit margin of 76 percent. As a registered trader, he noted that his net profit is far less.

### ***Registration is just the first step in a continuous process***

After registration, traders are required to continue their compliance with regulatory practices. For example, there is a corresponding SPSIC application for every single shipment and permits are necessary to transport rice locally. SPSICs are only valid for 60 days, and if unused or expired, the trader must explain in his/her next application why the preceding clearance was not used. Non-compliance or failure to submit any of the requirements can be grounds to deny the application. Additionally, BPI registration must be renewed every three years, while BOC accreditation needs to be renewed annually, both of which may involve costly travel to Manila.



These challenges were demonstrated by a key informant who narrated how his company's import license is due to expire soon. If the company fails to register within 30 days of the expiration date, it will be penalized and must comply with more requirements. The Covid-19 pandemic has further complicated license renewal. The company had to rely eventually on a trustworthy representative in Manila, authorized with a Special Power of Attorney, to apply for license renewal on behalf of the company .

### **General lack of knowledge**

Based on discussion with key informants, much of the information has been gained through word-of-mouth from those that have both successfully and unsuccessfully applied. There is a general lack of knowledge about the necessary requirements for registration among the barter traders interviewed for this research.

### **High cost of formalizing operations**

The high cost of formalizing their operations, coupled with decreased returns, means that it is not viable for

small operators in the Sulu Archipelago to register their businesses. As such, the existing barter trade system, as extensively detailed in the 2019 XCEPT report,<sup>24</sup> provides a much more attractive and profitable system. While barter traders are more at risk of fluctuations in maritime blockades and movement restrictions, their “regulatory overheads” paid as bribes and “standard operating procedures” remain comparatively low. One key informant narrated how she has been selling more rice now than prior to 2019, but her income is far less than what she used to earn as an informal trader. A registered trading company pays as much as 35 percent in taxes while cooperatives pay much less at 18 percent.

These calculations, however, remain in flux, and the increase in the rice importation through the RTL—particularly in Zamboanga City—has impacted profitability and access to outside markets, particularly in mainland Mindanao. With recent instability in the local market and uncertainty due to the Covid-19 pandemic, there is perhaps greater incentive than ever to register.



24. Trade in the Sulu Archipelago: Informal Economies Amidst Maritime Security Challenges. <https://asiafoundation.org/publication/trade-in-the-sulu-archipelago-informal-economies-amidst-maritime-security-challenges/>

## Rice tariffication law and conflict dynamics among rice trade actors

### Shifting power relations leading to either competition or cooperation

Even in its initial phase of implementation, the RTL has had a marked impact on the behaviors of rice trade actors in Sulu Archipelago. According to BPI-PQS, there are now more applicants, notably from Jolo, Sulu. They also claim that rice smuggling incidents have decreased along with confiscation of cargoes.

While the RTL has effectively diminished the role and influence of the NFA, the relaxation of importation laws allows for new actors to enter the lucrative rice trade market. On the part of rice traders, the benefits that informal traders have historically enjoyed are potentially beginning to diminish as they become more vulnerable to increasing travel restrictions, and apprehensions and confiscation of goods by regulatory state agents. The shifting policy environment in favor of newly registered and well-established rice importers will likely see increased competition in western Mindanao's rice market in the coming years. How these new players interact with existing local rice trade networks and political elites in a conflict-prone setting, where local political competition and clan feuding intersects with various criminal enterprises and militias, remains an area of interest.

### Emerging local competition

In 2018, two of the largest rice traders in Tawi-Tawi—who happened to hold high positions in the local barter trading association—stockpiled rice, artificially inflating prices in a period when supply shortages from Sabah and inflation were already affecting local markets. In the island provinces of the Sulu Archipelago, where political interests and the supply of goods can converge around a small group of families or elite, the capacity for businesses or corporations to manipulate prices in staple goods is amplified.

The RTL allows new actors to enter the Sulu Archipelago, potentially altering trading dynamics across the region and fueling existing local rivalries and grievances. Violence relating to land and

commodity disputes, political competition, and disagreements within and between “clans” are already common across the Bangsamoro region and pose a continued threat as local markets are reconfigured by changes in legislation.

New market competition is already at play as a result of the RTL. A prominent political family in Basilan has made significant investments in the rice market in recent years, registering as a formal rice trader and importer, including purchasing steel-hulled ships . These efforts have disrupted existing traders in the province, with one local trader forced to move his operations to Sulu where he has subsequently made a successful bid for public office in one of the local municipalities.

These dynamics are likely to continue to evolve over the coming years, and while there is no guarantee that political and market competition will result in open conflict or violence, the legacy of political instability looms large on the region's horizon.

### An extended regional transition and disquiet in the Sulu Archipelago

The ratification of the BOL and the creation of the BARMM in 2019 advances a key component of the peace agreement between the Philippine government and the MILF. The first years of transition have heralded over a period of marked stability in Mindanao; despite notable terrorist attacks in Sulu and central Mindanao, and armed clashes with extremist actors including the Abu Sayyaf Group and the Bangsamoro Islamic Freedom Fighters, the region has experienced a period of reduced conflict since the calamitous siege in Marawi City in 2017.<sup>25</sup>

Yet, cracks remain behind the veneer of recent success. Slow progress in the passage of key enabling laws has left the BTA seeking an extension in its transition term until at least 2025. Despite the regional parliament's new authority to make laws and regulations on barter trade, it appears unlikely the bureaucracy will be in a position to take over ownership of this important aspect of local commerce for some time.

25. International Alert Philippines. (2021). *Enduring Wars. Conflict Alert 2020*. Quezon City, Philippines: International Alert Philippines.

There also remains the unaddressed issue of political and ethnic differences between Moro communities. The MILF, who appointed a majority of seats in the transitional government, are a predominantly central Mindanao organization, comprising mostly Moro clans from Maguindanao and Lanao del Sur. Despite the outstanding results of the BOL in the regional plebiscite in January 2019, political interests for Sulu ran a successful campaign against the law: 54.3 percent of voters rejected the law in Sulu, despite affirmative results well above 90 percent in the region's four other provinces. Sulu's incorporation in the BARMM was therefore only possible because of its association with the previous regional body, the Autonomous Region in Muslim Mindanao (ARMM). Isabela City, the largest city on Basilan island but not a part of ARMM, also rejected the BOL in a vote of 45.89 percent for and 54.11 percent against, and thus remains outside of the BARMM.

Electoral violence remains common across the Philippines, and once the first elections for the BARMM government are held—whether in 2022, 2025, or later—there will no doubt be tense competition from the island provinces for control of such significant levers of regional power. With known political families in the Sulu Archipelago having a direct investment in rice importation, and broader association with barter trade, cross-border commerce and political interest remain uniquely entwined.

Political observers underscore the need for the BTA to emerge from the ongoing transition as a robust institution that could pave the way for a capable permanent regional government.<sup>26</sup> However, the fate of the BARMM after the elections is not solely dependent on the MILF's performance. How various clans position themselves toward the autonomous government will be crucial in determining its success or failure. The influence of the political clans remains strong in the Sulu Archipelago and engaging them in the development of the BARMM will be essential for the success of the regional autonomous entity.<sup>27</sup>

## Marginalized traders and the lure of the shadow economy

The 2018 rice inflation and restrictions on barter trade, as well as the imposition of movement restrictions during the Covid-19 pandemic, are a



**The influence of the political clans remains strong in the Sulu Archipelago and engaging them in the development of the BARMM will be essential for the success of the regional autonomous entity.**

reminder of the fact that despite EO 64 and overtures to legalize barter trade, the practice is still considered informal and outside of accepted commercial practice. This is in spite of the overwhelming evidence of the importance of barter trade to the economy in the Sulu Archipelago, especially around the importation of staple food items including rice. Although barter traders have proven the resilience of their operations, they are often reliant on circumventing newly implemented restrictions and paying bribes in order to operate.

The shift to importing cigarettes as opposed to rice illustrates the adaptability among traders. While the informal trade in both rice and cigarettes flouts Philippine customs laws, the importation of cigarettes are subject to much stronger regulations on their importation, taxation and sale.<sup>28</sup> While the vast majority of traders profess not to engage in more harmful criminal activities, such as drug smuggling, weapons, human trafficking, or even as accomplices in kidnap for ransom, operators will continue to be seen as part of the murky waters of the region's shadow economy.<sup>29</sup>

The delegation of barter trade to BARMM's jurisdiction offers an opportunity to shift the narrative and recognize it wholly for the historically and commercial significant practice that it is. Yet, the process of formalizing registration, procedures, and tariffs so as to induce traders to comply and eliminate practices of rent seeking and bribery by state and nonstate actors remain a significant challenge.

<sup>26</sup>. International Crisis Group, "Southern Philippines: Tackling Clan Politics in the Bangsamoro" 14 April 2020.

<sup>27</sup>. Ibid.

<sup>28</sup>. See Republic Act. 10351 or the Sin Tax Reform Act: <https://www.officialgazette.gov.ph/2012/12/19/republic-act-no-10351/>

<sup>29</sup>. Francisco Lara, Steven Schoofs (eds). *Out of the Shadows: Violent Conflict and the Real Economy of Mindanao*. Quezon City : Ateneo de Manila Press, 2016.

## 4.

# Conclusions

**A shifting policy environment through the full implementation of the rice tariffication law, along with EO 64 and a more enabling environment for cross-border trade in the BARMM through the BOL, could facilitate the formalization of the Sulu Archipelago's rice market.** Even in its initial phase of implementation, and the absence of IRR on EO 64 along with relevant policy issuances to fully implement the BOL, the RTL has shown positive results not only in stabilizing rice supply and local prices brought about by the rice crisis in 2018, but also in changing the behavior of some informal rice traders in western Mindanao. There are more traders who participated in the research who want to be registered as formal rice importers, knowing the benefits of securing their business activities against apprehensions, raids, and confiscations by regulatory state agencies, while seeking economic opportunities that would expand their operations beyond rice trading outside of the archipelago.

However, the implementation bias of the RTL towards well-established traders has created a divide between large traders who have the means to formalize their operations, purchase steel-hulled ships, and grow their business, and the small traders who are left behind by the increase in taxes and other regulations. There may be a large number of traders who will be excluded from the evolving regional economy, and therefore seek profit by importing other barter items, such as cigarettes. In a geographically strategic, highly porous, and highly unregulated peripheral environment like the Sulu Archipelago, most traders can adapt to other commodities to make a living.

**The securitization of the Sulu Sea by both Malaysia and the Philippines continues to marginalize small traders, but this has not stopped them from engaging in informal cross-border trade.** Time and again, small traders in western Mindanao have witnessed the ebbs and flows in maritime security enforcement from one administration to another. Efforts to curb smuggling activities have intensified due to a confluence of factors, including maritime border insecurity due to threats from violent

extremism, contributing to the 2018 rice crisis. Cross-border movement restrictions enacted to prevent the spread of Covid-19 have only continued this marginalization, excluded from travel exceptions that have been essential for sustaining global commerce.

While the risks associated with informal trade are not new, the resilience and determination of traders continues as they look to other commodities and markets. The failure to fully implement EO 64 and the vagaries around the RTL only extend the vulnerabilities of barter traders and does little to regulate the informal economy in the Sulu Archipelago.

There is an opportunity through the new Bangsamoro Parliament to provide locally tailored legislation and measures to support barter trade commerce. With the shift to a parliamentary form of government more facilitative of a strong executive-legislative working relationship, the BARMM government through the BTA and the future Bangsamoro parliament is in a strong position to lead the process of establishing a Barter Trade Center, along with detailing the policy and implementation framework on trade and investment in the Bangsamoro, as guided by the BOL, that would harmonize and complement the RTL. However, it remains a challenging endeavor and low on the legislative agenda, and risks enflaming local political competition that remains ever-present in the newly formed Bangsamoro region.

## Policy considerations

### **Formalize barter trade and strengthen regional cooperation:**

The Bangsamoro government has recognized barter trade as playing a vital role in improving the regional economy, especially in reviving the import-export industry in the islands proximate to Malaysia, Brunei, and Indonesia.<sup>30</sup> The current leadership also sees the importance of strengthening its ties with the BIMP-EAGA.<sup>31</sup> On establishing a Barter Trade Center in the BARMM, the Bangsamoro government would be in a unique position to lead barter trade in the BIMP-EAGA, with

30. Bangsamoro Development Plan, 2020-2022, p. 18.

31. <http://www.minda.gov.ph/>



support from MinDA as the official and permanent Philippine Coordinating Office. The “food basket strategy”, as a pillar of BIMP-EAGA, aims to facilitate cross-border movement of goods, services, and people by ensuring all the necessary physical infrastructure and software development are in place, to achieve land, sea, and air connectivity within the subregion. The strategy was also conceived to sustainably utilize the natural richness and biodiversity of the region’s resources to contribute to narrowing the development gap, alleviating poverty, and promoting food security.<sup>32</sup>

**Anticipate and work to overcome local political conflicts:** While the implementation of the GPH-MILF peace agreement promises to resolve the longstanding separatist conflict that has seized the Bangsamoro region for the past five decades, conflict between political families remains an ever-present concern. Ensuring an inclusion transition process and a representative regional parliament will be vital for engaging rival clans in building a democratic regional bureaucracy. For barter traders, it will be necessary that political and commercial competition is addressed through formal channels and that legislation is enacted to limit market monopolization and predatory behavior towards small traders.

**Negotiate legal and jurisdictional inconsistencies through the appropriate channels:** In the implementation of the BOL, EO 64 and the RTL, as well as any future laws on barter trade enacted by the Bangsamoro Parliament, there is a likelihood for jurisdictional and legislative overlap, particularly as relates to customs laws and trade that flows into and outside of the BARMM. The BOL provides for the creation of intergovernmental relations mechanisms, such as the National Government-Bangsamoro Government Intergovernmental Relations Body as a coordination platform to resolve issues on intergovernmental relations through regular consultations and continuing negotiations.<sup>33</sup> The Philippines Congress-Bangsamoro Parliament Forum is another intergovernmental relations body created for cooperation and coordination of

legislative initiatives.<sup>34</sup> Other intergovernmental relations bodies relevant to cross-border trade in the Sulu Archipelago are the Joint Body Cooperation in the Sulu Sea and Moro Gulf,<sup>35</sup> and the Intergovernmental Infrastructure Development Board, the latter created to synchronize national and Bangsamoro infrastructure development plans.<sup>36</sup>

**Invest in infrastructure for barter trade and commerce:** Improved infrastructure is a priority development need for the BARMM. In the Sulu Archipelago, public ports, loading facilities and other infrastructure for trading and moving goods are vital for increasing commerce in the region. EO 64 provides for the designation of three barter ports across Sulu and Tawi-Tawi; these initiatives should be supported through the improvement of necessary facilities to grow cross-border trade, while extending improvements to other key public shipping hubs across the archipelago. Improving infrastructure across the region will support greater economic development, while potentially encouraging traders to minimize the use of private ports and other non-public facilities.

**Invest in exportable commercial opportunities to increase development:** In formulating regulations on barter trade, it is important to also support the production of local products with countertrade potentials that are aligned with the above economic strategy. The Bangsamoro government and MinDA have both identified Halal products such as goat meat, beef, chicken, eggs, young coconut, and fruits that can be easily sourced from the Sulu Archipelago and other parts of Mindanao.<sup>37</sup> Earlier work by XCEPT also underscored the demand for Halal products in Sabah. While developing the Halal industry in the Bangsamoro is only one option and provides its own unique challenges, overall, increased opportunities for countertrade in the BIMP-EAGA would provide barter traders alternative sources of income that can help incentivize the formalization of barter trade operations in the region, while supporting the region’s development more broadly.

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32. Ibid.

33. Bangsamoro Organic Law, Article VI, Section 2.

34. Bangsamoro Organic Law, Article VI, Section 3.

35. Bangsamoro Organic Law, Article XIII, Section 19.

36. Bangsamoro Organic Law, Article VI, Section 6.

37. Macabalang, Ali (2019), “BARMM to benefit from intensified trade in BIMP-EAGA”, Manila Bulletin, 29 November, <https://mb.com.ph/2019/11/29/barmm-to-benefit-from-intensified-trade-in-bimp-eaga/>





