

CROSS-BORDER TRADE IN THE SOUTHERN PHILIPPINES AMIDST COVID-19

SUMMARY

Local markets in the Southern Philippines are highly dependent on informal maritime trade between Sabah, Malaysia, and the Sulu archipelago. Beginning in March 2020, governments across the region introduced movement restrictions aimed at limiting the spread of COVID-19. While health measures were implemented with the intention of protecting citizens, they have impacted local markets which are dependent on informal cross-border trade.

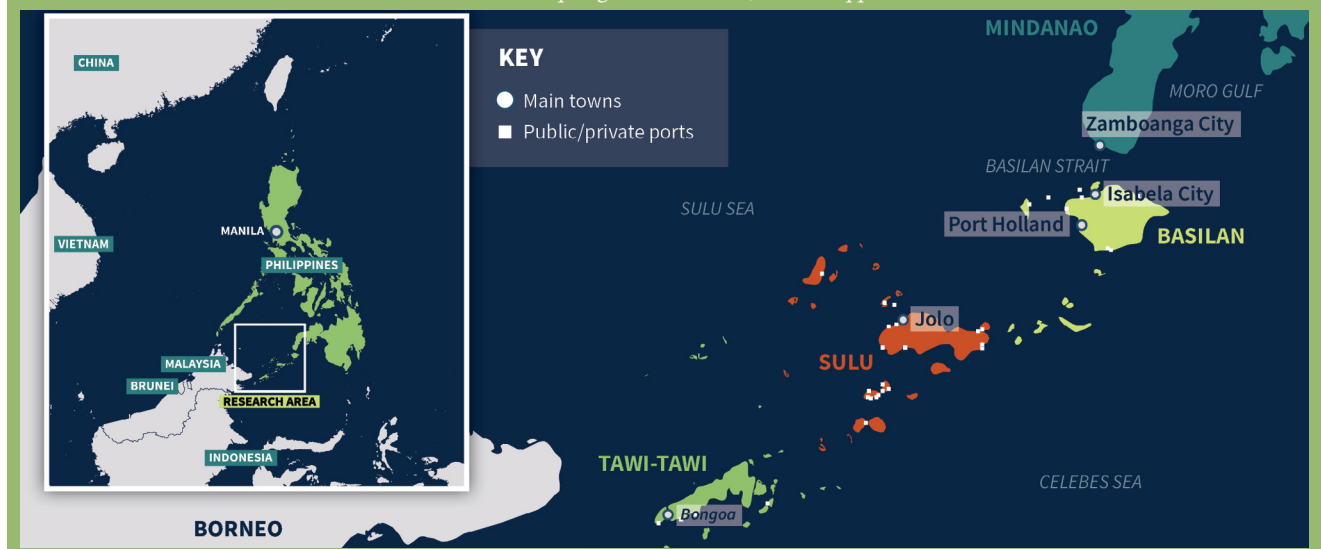
In 2020, The Asia Foundation conducted a rapid assessment of the impact of COVID-19 movement and health protocols on informal cross-border trade (locally known as barter trade) in the Sulu archipelago. The research, part of the X-Border Local Research Network project, interviewed 18 respondents representing different stakeholders engaged in the local barter economy across the Sulu archipelago such as traders, wholesalers, truckers, and laborers. Findings and anecdotes from this research have been consolidated into this briefing paper.

KEY FINDINGS

- Despite restrictions barring barter trade and cross-border movement, traders' movement between the Sulu archipelago and Sabah, Malaysia continued mostly uninterrupted. Traders coordinated with their networks in Sabah to avoid detection from authorities and, if necessary, shifted to alternative ports, or loaded cargo offshore by using smaller crafts to ferry goods. Traders faced no restrictions when re-entering the Philippines.

- Conversely, barter trade was most severely impacted once goods landed in the Philippines. Restrictions limiting movement between barangays and municipalities disrupted the flow of goods from ports to warehouses and markets. The informal nature of barter trade meant many were unable to acquire the necessary Authorized Person Outside Residence (APOR) certification to continue their business, while the uneven implementation of regulations across local governments further complicated transport. Day laborers were also impacted, leading to labor shortages for unloading and hauling goods.
- Despite directives of a price freeze on goods, the prices of staples such as noodles and rice increased during the early stages of the pandemic. This can be attributed to multiple factors; one such factor is an initial stockpiling of rice by local government units (LGUs) and others in an effort to ensure supply to their constituents. Second, the price of bribes, "standard operating procedures" and other rents increased for barter traders.
- Consumer habits have changed during the COVID-19 lockdowns. The sale of illegally imported cigarettes from Indonesia and Malaysia has ballooned, while discretionary spending on clothing and other non-food items has reduced dramatically. Interestingly, despite weak telecommunications infrastructure across the region, the research found anecdotal evidence of an increase in the use of online marketplaces such as Facebook.
- The pandemic and associated COVID-19 restrictions do not appear to have had a notable impact on local conflict. Some respondents, however, raised concerns about the significant presence of security personnel manning quarantine checkpoints.

The Sulu archipelago in Mindanao, The Philippines



INTRODUCTION

The novel coronavirus (COVID-19) pandemic has severely disrupted global trade and commerce.¹ While significant reporting has focused on the impact upon economies and formal trade, there is less attention on informal markets, particularly on how they operate despite pandemic-related restrictions. This paper examines Philippine (and to a lesser extent Malaysian) government policies, specifically how community border restrictions and quarantine regulations have impacted so-called barter trade in the southwestern Philippine regions of the City of Zamboanga and the provinces of Basilan, Sulu, and Tawi-Tawi, comprising the Sulu archipelago.

While seemingly similar to pre-colonial patterns of exchanges of material goods, barter trade's modern practice in the Sulu archipelago hews closely to conventional export-import operations, although undertaken outside of the official sanction of the government. This informal trade can be interpreted alternatively as a response to gaps in formal supply chains for essential commodities. In the Sulu archipelago, barter trade often evokes association with illicit goods or smuggling operations, though in reality the large majority of imported products are benign goods and commodities such as rice and instant noodles. The passage of these shipments into the southern Philippines often requires the payment of *kotong*, a local term for the rents or other 'special arrangements' commonly charged by some state agents and others to facilitate the transport of goods.²

In 2020, even with formal movement restrictions enacted by both the Philippine and foreign governments to stem the spread of COVID-19, local barter traders have continued to ply their trade. This paper explores the impacts of COVID-19 on the Sulu archipelagic region focusing on barter trade during the quarantine period, beginning in March 2020 and ongoing in various modified forms early 2021. The study details the resilience of barter trading in the region, exploring the methods through which traders have sought to cope with the local and regional challenges created by the global pandemic. Gagandilan Mindanao Women, Inc. (GMWI), a Zamboanga-based civil society organization dedicated to research and supporting the Mindanao peace process, interviewed 18 respondents for this paper between August and October 2020. The respondents include people involved in various aspects of barter trade: registered and unregistered traders, wholesalers, truckers, and laborers. The views and observations shared in this assessment are not representative of all stakeholders or conclusive to describe the in-depth impact on the barter trade economy but provide a glimpse into the effects of COVID-19 movement restrictions on maritime traders and local markets.

COMMUNITY QUARANTINE & MOVEMENT RESTRICTIONS IN THE SULU ARCHIPELAGO

On 30 January 2020, the Department of Health (DOH) first reported the emergence of COVID-19 in the Philippines—an imported case from Wuhan, China. The first Filipino case was reported on 6 March 2020, days before the World Health Organization (WHO) declared COVID-19 as a pandemic. Faced with the increasing number of cases in the Philippines, the government announced the imposition of a “community quarantine” covering mostly the National Capital Region (NCR) and its adjacent provinces in Luzon, initially from 15 March to 14 April.

High-risk areas were placed under Enhanced Community Quarantine (ECQ), while General Community Quarantine (GCQ) was imposed on lower-risk areas as per Executive Order No. 112 (EO 112).³ This binary categorization would be ultimately tweaked to include two transition phases: modified ECQ (MECQ) and modified GCQ (MGCQ).⁴

¹ <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>. On 11 March 2020, WHO declared COVID-19 a global pandemic after a reported 118,000 cases in over 110 countries and territories. The disease is caused by the SARS-CoV-2 virus.

² The Asia Foundation. 2019. Trade in the Sulu Archipelago: Informal Economies Amidst Maritime Security Challenges. San Francisco: The Asia Foundation. p.4. <https://asiafoundation.org/publication/trade-in-the-sulu-archipelago-informal-economies-amidst-maritime-security-challenges>

³ Official Gazette. (2020, April 30). Executive Order No. 112, imposing an Enhanced Community Quarantine in high-risk geographic areas of the Philippines and a General Community Quarantine in the rest of the country from 01 to 15 May 2020, adopting the Omnibus Guidelines on the implementation thereof, and for other purposes. <https://www.officialgazette.gov.ph/downloads/2020/07jul/20200716-omnibus-guidelines-on-the-implementation-of-community-quarantine-in-the-philippines.pdf>

⁴ Interagency Task Force for the Management of Infectious Disease. (2020, August 06). Resolution No. 61, s. 2020. <https://www.officialgazette.gov.ph/downloads/2020/07jul/20200806-IATF-RESOLUTION-NO-61.pdf>
<https://www.officialgazette.gov.ph/downloads/2020/07jul/20200716-omnibus-guidelines-on-the-implementation-of-community-quarantine-in-the-philippines.pdf>

TYPES OF COMMUNITY QUARANTINE IN THE PHILIPPINES ⁵	
Enhanced Community Quarantine (ECQ)	Implementation of temporary measures imposing stringent limitations on movement and transportation of people, strict regulation of operating industries, provision of food and essential services, and heightened presence of uniformed personnel to enforce community quarantine protocols.
Modified Enhanced Community Quarantine (MECQ)	Transition phase between ECQ and GCQ, when the following temporary measures are relaxed and become less necessary: stringent limits on movement and transportation of people, strict regulation of operating industries, provision of food and essential services, and heightened presence of uniformed personnel to enforce community quarantine protocols.
General Community Quarantine (GCQ)	Implementation of temporary measures limiting movement and transportation, regulation of operating industries, and presence of uniformed personnel to enforce community quarantine protocols.
Modified General Community Quarantine (MGCQ)	Transition phase between GCQ and the New Normal, when the following temporary measures are relaxed and become less necessary: limiting movement and transportation, the regulation of operating industries, and the presence of uniformed personnel to enforce community quarantine protocols

Table 1. Types of Community Quarantine in the Philippines

Following travel restrictions imposed in NCR, Zamboanga City announced a travel ban to and from its jurisdiction on 16 March 2020. While Zamboanga City is not part of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), its role as the gateway port for inter-provincial trade in Western Mindanao meant that similar travel and movement restrictions would cascade down to the island-provinces of Basilan, Sulu, and Tawi-Tawi. The inherent interconnectedness of trade in the region meant there was an unavoidable impact on the local economies and communities.

MOVEMENT RESTRICTIONS IN THE SULU ARCHIPELAGO

Beginning March 2020, the strictest of the lockdowns—the ECQ—was imposed asynchronously, albeit with some overlaps across the Sulu archipelago. Areas under ECQ experienced the shutdown of public transportation and barred non-essential travel from the inter-provincial to even the inter-barangay (village) level. For residents of Western Mindanao, tightened barangay, municipal, and provincial borders meant a decreased access to food supplies and other basic commodities.

Local government units were expected by the central government to follow prevailing regulations, and were empowered by Section 2, EO 112 to “impose, lift, or extend ECQ” upon the Inter-Agency Task Force on Emerging Infectious Diseases’ (IATF’s) concurrence. However, in practice LGUs implemented community quarantine restrictions unevenly, resulting in ambiguity

and confusion for residents and essential workers attempting to move across the islands. For instance, there were differing standards for the necessary documentation required to prove whether an individual is an Authorized Person Outside of Residence (APOR), leading to confusion among traders and haulers seeking to transport goods to market.⁶

In more rural areas, having a motor vehicle registration from the Land Transportation Office (LTO) was enough to continue hauling essential goods, however in urban areas, an APOR may have needed to show not only a company-issued ID card but also a business permit—documents which are difficult to obtain for informal traders and workers. Overlaid on top of these requirements are the varying demands for medical or health certificates and clearances, permits to travel from law enforcement units, and passes issued by barangays, municipalities, or cities.

Even before the pandemic, basic commodities were concentrated in more urbanized ‘downtown’ areas. Community lockdowns only exacerbated this asymmetry of access. At the height of ECQ restrictions, food-related commercial activities (i.e. manufacturing, transport, and distribution) were exempted from community quarantine restrictions through policy issuances by the IATF. On the ground however, there have been incidents of shipments being hampered or even barred at local checkpoints. Further, people living in rural areas, or who needed to travel between barangays or municipalities, faced difficulties in accessing some goods.

⁵ <https://www.officialgazette.gov.ph/downloads/2020/07jul/20200716-omnibus-guidelines-on-the-implementation-of-community-quarantine-in-the-philippines.pdf>

⁶ For full list see: Office of the Presidential Spokesperson. (2020, May 19). Guidelines for Interzonal and Intrazonal Movement. <https://www.covid19.gov.ph/static/resources/omnibus-guidelines.pdf>

COMMUNITY QUARANTINE				
PROVINCE / CITY	FIRST OFFICIALLY REPORTED COVID-19 CASE	ECQ DURATION ⁷	STATUS (as of 18 February 2021) ⁸	TOTAL COVID-19 CASES (as of 18 February 2021) ⁹
Zamboanga City	24 March 2020 ¹⁰	24 March to 15 May 2020	MGCQ	4,294
Basilan	27 May 2020 ¹¹	25 March to 15 May 2020	MGCQ	275
Sulu	01 May 2020 ¹²	14 to 17 April 2020 ¹³	MGCQ	342
Tawi-Tawi	5 July 2020 ¹⁴	07 to 30 April 2020	MGCQ	175

Table 2. Classifications and timelines for community quarantines in the Sulu archipelago. As of 18 February 2021, the total number of COVID-19 cases in the Philippines is 553,424.

While the community quarantine classification has remained unchanged, beginning December 2020 stricter movement restrictions have been imposed within the Sulu archipelago in response to the new COVID-19 strain. Ferry trips to and from Sulu were reduced. Travelers from Zamboanga are required to present the following documents: negative RT-PCR swab test result, travel authority issued by the Philippine National Police COVID Shield in Zamboanga City, and an approved request for Authority to Enter by the Sulu provincial government Inter-Agency Task Force on COVID-19. Travelers need to submit in advance their request for Authority to Enter, together with a detailed itinerary. The Authority to Enter is presented at checkpoints within Sulu. For those leaving Sulu, they are required to present an Authority to Exit Sulu upon arrival at the Zamboanga port. On the other hand, there are less restrictions on traveling to and from Basilan, which only requires an approved travel authority and a chest x-ray.

MARITIME MOVEMENT BETWEEN THE PHILIPPINES & MALAYSIA

In addition to domestic movement restrictions, both registered and unregistered barter traders have been subject to restrictions when attempting to enter port cities and towns in Malaysia's easternmost province of Sabah. Informal barter trade constitutes a significant portion of the local economy of the Sulu archipelago. While exact figures are difficult to ascertain, the island provinces are highly dependent on the informal importation of goods from Sabah, Malaysia—while Malaysian goods including noodles, instant coffee, and black-market cigarettes can be found throughout Mindanao. Goods are typically imported by a fleet of relatively nimble, unregistered sea faring vessels, and delivered to the numerous public and (more commonly) private ports across the archipelago.¹⁵

⁷ Reported by GMWI as of 01 September 2020. Culled by GMWI from official Facebook accounts of the governments of Zamboanga City, and the Provinces of Basilan, Sulu, and Tawi-Tawi. From IATF Resolution no. 67 series of 2020 dated 31 August 2020. ZAMBASULTA areas while classified as under MGCQ can still be subjected to localized applications of more stringent lockdowns.

⁸ Parrocha, Azer. (2020, December 28). Metro Manila, 9 other areas remain under GCQ until Jan. 31. Philippine News Agency. <https://www.pna.gov.ph/articles/1125865>

⁹ Department of Health COVID-19 Tracker <https://doh.gov.ph/covid19tracker>

¹⁰ CNN Philippines Staff. (2020, March 25). Zamboanga City reports first COVID-19 case. CNN Philippines. <https://www.cnnphilippines.com/regional/2020/3/25/Zamboanga-City-reports-first-COVID-19-case-.html>

¹¹ CNN Philippines Staff. (2020, May 27). Basilan confirms first COVID-19 case. CNN Philippines. <https://cnnphilippines.com/regional/2020/5/27/basilan-first-covid-19-case.html?fbclid=IwAR3S92vz6TvMZ5DyB0Ivcy3P8Gtchnlm6LiVXW7dgmepaQfeOg3pvB8jUno>. Isabela City, which is a component city Basilan province, reported its first case on 29 June 2020.

Lacastesantos, Liezl. (2020, June 29). Isabela City, Basilan records first COVID-19 case. ABS-CBN News. <https://news.abs-cbn.com/news/06/29/20/isabela-city-basilan-records-first-coronavirus-case>

¹² CNN Philippines Staff. (2020, May 1). Sulu reports first COVID-19 case. CNN Philippines. <https://cnnphilippines.com/regional/2020/5/1/sulu-first-covid-19-case.html>

¹³ Lacson, Nonoy. (2020, April 4). ECQ starts in Sulu. Manila Bulletin. <https://mb.com.ph/2020/04/04/ecq-starts-in-sulu/>

¹⁴ Rappler.com. (2020, July 6). Tawi-Tawi records first coronavirus case. <https://rappler.com/nation/tawi-tawirecords-first-coronavirus-case-july-2020>

¹⁵ The Asia Foundation. 2019. Trade in the Sulu Archipelago: Informal Economies Amidst Maritime Security Challenges. San Francisco: The Asia Foundation. <https://asiafoundation.org/publication/trade-in-the-sulu-archipelago-informal-economies-amidst-maritime-security-challenges/>

Sabah halted barter trade on 24 March 2020, as part of the Malaysian federal government's Movement Control Order (MCO).¹⁶ Malaysia's Recovery MCO (RMCO) that started in June 2020 had been extended to 31 March 2021.¹⁷ Following a recent spike in cases and the emergence of the new, more contagious strain of the virus, Malaysia announced the reimposition of the MCO for two weeks in Sabah and other territories on 11 January 2021¹⁸ and declared a state of emergency the day after.¹⁹

Under MCO and RMCO rules, barter trade between Indonesia, Malaysia, and the Philippines was explicitly prohibited.²⁰ Nevertheless, in spite of these restrictions and border closures, barter trade continued for much of 2020 between Western Mindanao and Sabah, overcoming movement restrictions and border closures by utilizing their networks of traders and wholesalers in Sabah. Traders interviewed for this paper recounted how goods were ordered in advance, then brought pier side to ports in Sabah. As the MCO and RMCO was imposed in Sabah, Malaysian fixers tipped off Filipino traders on whether a specific port or quay was a permissive location for loading goods.

Where restrictions were being enforced, traders resorted to conducting loading operations at sea. Sabah-based suppliers would use small boats to transport goods to Filipino traders waiting off the coast, transferring the goods while at sea before making the return trip to the Philippines. This was intended to comply with regulations that forbid the disembarkation of foreign crew in Malaysia. The practice is common in the Philippines, especially for transporting goods to private piers or those unable to accommodate the larger boats. It is unclear how prevalent the practice is in Sabah, where vessels have typically had access to ports in Sandakan and Lahad Datu.

On 26 December 2020 Philippine Defense Secretary Delfin Lorenzana announced a ban on the movement of people between Sabah and the Sulu archipelago. The declaration was made in response to the presence of a new highly infectious strain of COVID-19 present in Sabah. Further announcements in early January 2021 included the establishment of a naval blockade to prevent illegal cross-border movement and a 14-day lockdown in Sulu province beginning 4 January.

TRADE IN ESSENTIAL & LUXURY ITEMS DURING THE PANDEMIC

Policy issuances by the Philippine IATF and other government agencies, such as the Department of Labor and Employment and the Department of Trade and Industry, emphasized that the domestic movement of food should continue unhampered.

RICE AND OTHER BARTER STAPLES

All research respondents remarked that even during the strictest restrictions the barter trade of rice continued. Both registered and unregistered traders asserted that there were no obstacles to importing rice from overseas, including during Malaysia's MCO lockdown period. A respondent in Sulu mentioned that rice prices in Malaysia were locked-in—negotiated prices prior to the COVID-19 pandemic and before the lockdowns were in place. In Zamboanga City and Basilan, a trader explained that he was still able to secure formal rice imports from Thailand and Vietnam.

For barter traders, the bottlenecks to the wholesale and distribution of rice emerged once it entered Philippine jurisdiction. During the ECQ in the first months of the pandemic, rice prices in Zamboanga increased, as supplies from barter traders were only able to reach as far north as Sulu and Basilan. A trucker in Zamboanga City detailed that there were no supplies from the “backdoor”—in reference to barter-traded rice. It is unclear from the interviews what broke the usual supply chain between the island provinces and Zamboanga City, given the willingness of some traders to venture beyond the edge of the Zamboanga Peninsula. This was exacerbated by the Zamboanga City border closures at the beginning of the pandemic.

Anecdotal data from interviews revealed that efforts by LGUs to stockpile rice, to be used as food aid, contributed to the increase in rice prices. As wholesalers faced disruptions, LGUs had to outbid other buyers in an effort to secure a reserve of rice for their constituents. Other buyers included national government agencies and non-government organizations who had their own initiatives to build stockpiles for emergency food aid programs. Competing demands to procure rice strengthened the relative position of some rice traders, one claiming that he was “happy” to be in demand.

Shifts in the patterns of movement for rice could be explained by the increase in landed cost, which combines the cost of goods, plus *kotong*. Barter traders would move products where it commanded the highest price, even if

¹⁶ Bernama.com. (2020, March 24). Sabah halts barter trade, oil palm plantation operation. https://www.bernama.com/en/general/news_covid-19.php?id=1824460

¹⁷ Bernama. (2021, January 1). COVID-19: Malaysia's recovery movement control order extended again to Mar 31. Channel News Asia. <https://www.channelnewsasia.com/news/asia/malaysia-covid-19-rmco-extended-mar-31-restrictions-13877484>

¹⁸ Lee. (2021, January 11). Sabah agrees with MCO decision, says CM. The Star. <https://www.thestar.com.my/news/nation/2021/01/11/sabah-agrees-with-mco-decision-says-cm>

¹⁹ Ratcliffe. (2021, January 12). Malaysia declares Covid state of emergency amid political turmoil. The Guardian. <https://www.theguardian.com/world/2021/jan/12/malaysia-declares-covid-state-of-emergency-amid-political-turmoil>

²⁰ Vanar, Muguntan. (2020, June 10). Shafie: International barter trade still not allowed. The Star. <https://www.thestar.com.my/news/nation/2020/06/10/shafie-international-barter-trade-still-not-allowed>

such demands were from outside the Sulu archipelago. A trader in Sulu shared how imported rice was offloaded at a private port in Tungawan Municipality, Zamboanga Sibugay province, more than a hundred kilometers by road from Zamboanga City. Tungawan was considered the midway point between the cargo's ultimate destination—Cotabato City in Central Mindanao.

CIGARETTES AS A COVID-19 DISTRACTION

Cigarettes stood out among respondents as the most in demand and profitable import product when community quarantines were at their strictest. Unlike rice, cigarettes are not granted exemption from prevailing movement restrictions. The illicit trade in cigarettes, as one Zamboanga trader put it, was an “open secret”. While running a higher risk of seizure, the higher profit margins in cigarettes enticed some traders to shift to this product during the pandemic.

Demand for cigarettes increased during the lockdown according to respondents from across the archipelago. For one trader in Tawi-Tawi, while the demand for cigarettes increased, discretionary income spent on clothes and other non-food items virtually disappeared. In Basilan, a trucker mentioned how loads hauled included more cigarettes. However, while all respondents claimed that families across the archipelago prioritized stockpiling food, cigarettes were a welcome distraction—or as one Sulu wholesaler put it, there was not much to do at home during lockdown.

ECONOMIC IMPACT OF COVID-19 & RESTRICTIONS

While barter trade continued throughout 2020, the Sulu archipelago has been hit by a number of economic impacts that have affected both traders and the community more broadly.

ECONOMIC DOWNTURN

Levels of economic activity significantly differed during ECQ and GCQ periods. The former entails more constraints to movement of persons as well as the type and number of businesses permitted to operate. As previously discussed, traders, especially those who imported rice, were able to continue their business; robust demand and exemption from movement restrictions helped soften the blow. However, those working closer to the retail side of the barter economy were impacted by the restrictions. Product wholesalers observed that movement restrictions significantly reduced foot traffic in their businesses. In Zamboanga, a wholesaler recalled opening only three times a week. A Sulu rice wholesaler explained that during ECQ stores were nearly all closed. Reduction of the number of customers was largely due to the lockdown in public transportation and movement restrictions, not due to government-mandated store closures.

The absence of public transportation particularly within cities and municipalities also meant that there was a labor shortage. Government restrictions severely affected laborers and truckers who needed to travel from their residences to places of work. In Zamboanga City, a trader shared the difficulty of ensuring adequate staff were available to offload imports and deliver them to wholesalers. Across the archipelago, traders reported that they had to be personally involved in packing and re-packing goods, along with other manual labor tasks usually outsourced to employees. It is unclear based on the interviews if regulations from the IATF or Department of Labor and Employment limiting the number of on-site workers contributed to the labor shortage.

IMPACTS TO INCOME

Overall, laborers and truckers experienced days and even weeks of zero income during ECQ periods. The precarity of day laborers was heightened by community quarantine restrictions. Sulu-based respondents in the barter trade reported zero income during the ECQ. Even traders were not spared; a registered trader reported income reduced by roughly 50 percent. Elsewhere, wholesalers and traders reported mixed results. In Basilan, a trader estimated a 15 percent reduction in income, with a 30 percent decline downstream among wholesalers. In Zamboanga City, respondents were more circumspect simply referring to ECQ as a lean period while GCQ has been slightly “okay”. Losses in Zamboanga were likely mitigated by greater integration into the mainland Mindanao economy.

THE PERVASIVE PRACTICE OF *KOTONG*

The opaque nature of the pricing structure complicates efforts to parse out how much the COVID-19 pandemic directly contributed to increased prices in the barter trade—from traders all the way down to wholesalers and consumers. Personnel from the Department of Trade and Industry and some LGU officials reminded merchants to ensure that prices are within the limits of suggested retail prices. One of the initial steps taken by Manila was to declare a price freeze²¹ and promulgate anti-hoarding and anti-panic buying measures.²²

Yet in some instances the price of *kotong* increased: one trader in Basilan remarked that for some food items, *kotong* rates had doubled. Hikes in *kotong* led to increased prices—even small changes in *kotong*, “standard operating procedures”, and other payments consistent with rent-seeking practices linked to the barter trade led to increases in prices for consumers. A trader in Sulu described an increase in *kotong* of PhP 10 per sack of rice, for a typical shipment of 20,000 sacks. These costs were then passed to consumers, with a wholesaler sharing that he charged retailers PhP 20-30 more for each sack of rice. This price increase was justified by the wholesaler as a response to the higher landed cost levied by traders. In total, for a typical sack of rice bought in Sabah for PhP 700, the cost to

²¹ Department of Agriculture, Department of Trade and Industry, and Department of Health. (2020, March 18) Joint Memorandum Circular No. 2020-01 Price freeze under a state of calamity throughout the Philippines due to corona virus disease 2019 (COVID 19).

²² Department of Trade and Industry. (2020, March 19). DTI Memorandum Circular no. 20-07 Anti-Hoarding and Anti-Panic Buying.



a consumer once past the trader-wholesaler-retailer chain would be as high as PhP 1,500 at the height of the lockdown. Prices have gone down to around PhP 1,100 per sack as of late 2020, though this price is still significantly higher compared to pre-pandemic rates of PhP 750-800 per sack.

Other goods also experienced a price increase: packets of curry-flavored instant noodles from Malaysia were estimated to have risen by as much as 20 percent, with a Zamboanga City wholesaler explaining that the price of *kotong* had risen by PhP 20 per box. Other food products such as powdered drink mixes increased by 5-10 percent.

While existing rents have increased during the pandemic, there has been an apparent absence of new forms of *kotong* or rent payments attributed to health or medical requirements. Quarantine passes were issued free, in compliance to national guidelines that barred charging fees for such documents. If anything, respondents, regardless of business registration status, found the process of obtaining travel permits as just another layer of bureaucratic procedure but not one laden with extra financial burden. At most, there were indirect costs such as taking a separate trip to obtain a medical clearance or getting health workers to sign on forms. There was only one case, reported by a Tawi-Tawi trader, where *kotong* levied on the business was reduced as a goodwill measure.

INCENTIVES FOR BUSINESS REGISTRATION

At first glance, it would seem that barter trade's existence in the grey zone between legitimate rice imports and illicit cigarette smuggling, would incentivize staying in the informal sector. However, the pandemic highlighted the benefits of formally registering their business activities, or at least appearing to do so. Registering their business had one major benefit for traders: the ability to apply for and acquire the necessary movement permits to travel across jurisdictions as part of the APOR category.

However, access to other government benefits remained limited. While some sectors of the formal economy had access to unemployment benefits, none of the respondents directly received financial assistance, based on their status as part of the barter trade.

EMERGING MARKETS

The restricted economic environment created by the pandemic has led to the emergence of new online markets and wholesale opportunities. In Sulu, respondents reported

the proliferation of online marketplaces, through social media platforms such as Facebook. The emergence of online marketplaces, even in areas with intermittent or even unreliable connectivity, underscores the adaptability of economic activity and actors in the area. Enterprising individuals, not just those who owned businesses pre-COVID-19, started reselling hand sanitizers and rubbing alcohol.

The trade in hygiene supplies was likely a response to restrictions posed by the government on the operating hours of retail stores and increased demand. Side-by-side with sanitizers, online selling became popular among individuals selling used clothing items locally known as *ukay-ukay*. Masks also became a commodity of sorts, according to wholesalers in Sulu and Basilan, as people sought to comply with government regulations on the use of face coverings outside of their residence.

COVID-19 & CONFLICT

In conflict-affected areas in the archipelago, respondents felt that they had to steel themselves against not just the pandemic but also the threat of conflict. The Sulu archipelago is no stranger to movement restrictions, curfews, and checkpoints; 40 years of violent conflict have left a legacy of militarization on the local population. While progress has been made in recent years on the Mindanao peace process, armed clashes, kidnappings, and bombings are still frequent. Martial law in Mindanao had only just ended on 1 January 2020—a declaration owing to the Marawi siege in 2017 and its aftermath—before quarantine restrictions began to be enforced in March. The history of conflict has made some local populations wary of military and police presence.

At the start of the pandemic the IATF assigned the majority of enforcement duties during the ECQ and GCQ to “uniformed personnel”—the Armed Forces of the Philippines (AFP) or the Philippine National Police (PNP). As a result, the day-to-day experience of living through an ECQ across the region was marked by an increase in the number of checkpoints—from the barangay, municipal/city, and provincial levels. According to respondents, few of these checkpoints were manned by social welfare or health personnel, such as from the Department of Social Welfare and Development (DSWD) or the Department of Health (DOH). Personnel from DOH and LGUs were only observed in checkpoints

found in jurisdictional boundaries (municipal, city, or provincial) or in key locations such as Jolo port in Sulu. Across the archipelago, the checkpoints that sprouted at the barangay-level were under the purview of security forces.

Some research respondents commented that the heightened security presence amplified anxiety of increased conflict. Some businesses, even those exempt from community quarantine-mandated restrictions, elected to stay closed. There were also concerns that a reduction in food aid and medical assistance could trigger outbreaks of civil disorder and theft.

CONCLUSION

Barter trade persisted despite restrictions imposed both in the Philippines and Malaysia. From a business perspective, the increases in *kotong* did not dampen the demand for essential goods. Interviews revealed that barter traders with sufficient capital and access to overseas supplies were able to secure larger profits.

While the pandemic led Manila to attempt broad top-down measures, its subsequent impacts on the barter trade were inconsistent. What emerged was a patchwork response of LGUs and the concurrent steps taken by respondents to cope with community quarantine measures. Some LGUs were simply stricter than others. There was no clear-cut distinction on whether urban or rural jurisdictions bore the greatest impact from community quarantines.

The impact of COVID-19 was thus unevenly felt across the various sub-classes of occupations comprising the barter trade economy. Laborers were hardest hit, given the transient nature of their employment and compensation. On the other side, some traders were able to turn the pandemic into an opportunity to seize market share. Unfortunately, government attempts to provide support packages, such as financial assistance, often did not discriminate among differing needs. Cash welfare transfers such as the Social Amelioration Program (SAP) were based solely on simplistic criteria such as residency in a low-income barangay.

Respondents referred to violent conflict in the abstract. The lived experience of community quarantines did not involve fear of imminent physical threats from organizations such as the Abu Sayyaf Group. There were some attacks reported in Sulu, particularly the 24 August 2020 Jolo bombing, yet the broad picture is one of continuity, that barter traders operate at arm's length and separate from violent extremist networks.

While disrupted, the barter trade was resilient during 2020. It is unclear however, if this will continue into 2021, especially with the increased concern surrounding the new virus strain in Sabah. Regardless, the pandemic highlights how barter trade players are uniquely positioned to adapt to significant global and regional shocks. The informality of barter trade, and the porous nature of the Sulu and Celebes seas, allows traders to circumvent restrictions and other barriers imposed by governments.

THE X-BORDER LOCAL RESEARCH NETWORK



In Asia, the Middle East, and Africa, conflict and instability endure in contested border regions where local tensions connect with regional and global dynamics. With the establishment of the X-Border Local Research Network, The Asia Foundation, the Malcolm H. Kerr Carnegie Middle East Center, the Rift Valley Institute, and their local research partners are working together to improve our understanding of political, economic, and social dynamics in the conflict-affected borderlands of Asia, the Middle East, and the Horn of Africa, and the flows of people, goods, and ideas that connect them. This five-year program, initiated in 2018, produces research to inform more effective policymaking and programming. It builds, maintains, and expands local research networks in some of the most remote and difficult conflict-affected regions. Finally, it supports improvements in local research methods and capacity.

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