

THE ANTI-DEVELOPMENT STATE:
The Political Economy of
Permanent Crisis in the Philippines

Walden Bello

Co-authors

Herbert Docena

Marissa de Guzman

Mary Lou Malig

2004

DEPARTMENT OF SOCIOLOGY
COLLEGE OF SOCIAL SCIENCES AND PHILOSOPHY
UNIVERSITY OF THE PHILIPPINES DILMAN
and

FOCUS ON THE GLOBAL SOUTH

A PROGRAM OF DEVELOPMENT POLICY RESEARCH, ANALYSIS AND ACTION

CONCLUSION

Is There a Way Out
of the National Impasse?

In a recent article citing a study by a local university, one writer pointed to the fact that while Vietnam, which started out in 1990 with 51 percent of its people living under the UN-defined standard of \$1 a day for extreme poverty, had reduced this figure to 8.4 percent in 2000, the comparable figure for the Philippines was 11 percent. He also pointed out that "government capital expenditures in the Philippines account for the lowest share of capital expenditures" among seven Northeast and Southeast Asian developing economies:

In 2000-2002, the share averaged less than 9 percent for the Philippines, against 16.2 percent for Thailand, 36 percent for Malaysia, and 43 percent for Indonesia. The result? Inferior infrastructure facilities relative to our competitor countries nearby, which is easily evident to anyone traveling around the region.

Social expenditures in the country likewise pale in comparison to what our neighbors invest in this crucial budget item. Thailand and Malaysia spend about two-fifths of their budget for the social sector, the Philippines only one-fourth.

Clearly those two countries have been investing much more than the Philippines in two critical areas of productivity and competitiveness: infrastructure and human resources. Unless we are able to close this public investment gap, we are doomed to remain uncompetitive in the international economy, and condemned to lag behind indefinitely into the future.¹

Forget the fact that the writer, Cielito Habito, head of the National Economic Development Authority under President Ramos, was one of the architects of the anti-public sector, pro-privatization, and pro-free market reforms that had gutted the government's capacity to serve as the cutting edge of capital spending in the 1980s and 1990s.

Through the responsibility of Habito and his neoclassical brethren for the current state of affairs continues to elude them, few of them could deny the grim economic realities of the Philippines circa 2004.

Economic and social development is the crying need of the Philippines today but, as the preceding chapters have demonstrated, it cannot take place without decisively abandoning the disastrous neoliberal policies of Habito and his band of doctrinaire technocrats. More controversial but equally critical is the realization that equitable, sustainable development cannot come about without dismantling the dysfunctional elite democratic regime that is the EDSA state and replacing it with a political arrangement that is more congenial to this goal.

Neoliberal policies are being reversed in practice, though much remains to be done to end its influence on key sectors. Replacing the EDSA state is equally unavoidable, though more daunting. Approaches to this challenge over the next few years will, we predict, crystallize into four, largely conflicting, strategies.

Four Scenarios of Political Change

The first would be one of reforming the system of governance, perhaps through a constitutional convention. The so-called peaceful way, it is also the route most likely to be successfully sabotaged by the elite, with the support of the United States, which has no desire to see the emergence of a structurally strong Philippine state and is satisfied with the weak, easily permeable or influenced system of governance we now have. Whatever change will be promoted by this reformed elite democracy is likely to be marginal.

The second approach would take the form of a military coup led by "Young Turks" within the Philippine military, like the junior officers that led last year's "Oakwood Mutiny." The coming together of several factions within the military could create the critical mass necessary for a successful coup. At that point, depending on the degree of independence of the *go-pistas* or coup plotters, the state could move in either of two directions: 1) toward a modernizing populist but authoritarian state such as that set up by Kemal Ataturk in Turkey, or 2) toward a conservative modernizing regime such as that of the Brazilian military junta that seized power in 1964 or the Park Chung Hee dictatorship in Korea that

initiated the so-called Korean economic miracle. In the latter, the military pursues rapid economic growth to gain legitimacy for its staying in power while maintaining tight political control from the top. The problem with this alternative, whether in its leftist or rightist version, is that as Filipinos learned during the Marcos period, one cannot trust the military with power, especially absolute power.

The third route would be that of a Communist Revolution à la China in the Mao period. In an age that has seen the collapse of centralized socialist regimes in the Soviet Union and Europe, the adoption of capitalist development strategies by post-Maoist China, and the discrediting of super-hierarchical communist parties as democratic agents, the appeal of such an alternative is likely to be limited. However, the Communist Party of the Philippines-New People's Army bloc, like the traditional left in Colombia, will not go away and will be able to maintain itself as a significant presence in the more geographically marginal and poorer parts of the country and play a role in parliamentary politics.

The fourth route would derive inspiration from that "other" dimension of the EDSA system—its insurrectionary side. Both EDSA 1 and EDSA 2 began as mass mobilizations that developed into insurrections. Owing to the threat that prolonged insurrection posed, however, the dominant faction of the elite quickly pushed to normalize politics by asserting the continuity of the elite democratic tradition and institutionalizing elections. In contrast, an "EDSA 4" might have two stages. First is the displacement of the old system via a mass insurrection in which the working class, urban poor, peasants, and the middle class are the central actors, the key partners of an alliance built on that potent combination of tremendous class resentments of the poor and the disgust of the middle strata with corrupt elites. In the second stage, the new configuration of social power forges a democratic state, but one that is more thoroughly democratic than the EDSA state in that it institutionalizes effective mechanisms of asset and income redistribution and the methods of participatory democracy. These institutions would serve as the pillars of a strong state that would make national development one of its priorities. This would, in short, be the "road not taken" after the EDSA uprising of 1986—a truly democratic state oriented to development.

As of early 2004, it is not clear along which road the Filipino people will eventually travel. What is clear is that the EDSA system is in a terminal state and the Philippines has entered an era marked by great conflict and struggle to bring about a new and more responsive system of governance.

Toward a Post-EDSA Development Strategy

Assuming that the Philippines does not descend into chaos (a big assumption) but moves toward the consolidation of a system of governance that is more genuinely democratic and responsive to development, what could be the elements of a post-EDSA system of social and economic transformation?

More State, Not Less

High up on the list is adopting the dictum that what is needed for development is not less, but more state. The Philippine state must be given greater relative autonomy vis-à-vis the elite. It must be able to discipline the private interests that have constantly hijacked it for particularistic ends. In this regard, the problem with protectionism as it has been practiced in the Philippines is not protectionism per se but that it has been opportunistic—one simply oriented to promoting narrow vested interests and without reference to a strategic plan to deepen the economy.

Yet this prescription must be taken in light of the experience of the newly industrializing countries (NICs) with a strong state. In Korea and Taiwan, development was accompanied by authoritarianism, by regimes whose lack of democratic accountability resulted not only in human-rights abuses but in the adoption of strategies that had the effect of degrading the environment and sacrificing agriculture. In any future arrangement, both private sector and the state must be checked by the participation of civil society in both political and economic decision making. Owing to its recent history, in particular the struggle against dictatorship, a significant organized civil society has developed in the Philippines. It is time to institutionalize its participation in any future political arrangement. Democracy does not contradict the development

of an effective state. Indeed, democracy promotes an effective state by endowing it with legitimacy.

The Domestic Market as the Driver of Growth

A second element of a post-EDSA development strategy is focusing on the internal market as the driver of development. Export-oriented growth of the kind that was pursued by the NICs is no longer possible in an era of tremendous manufacturing overcapacity and the resulting protectionism in developed-country markets that this has spawned. And even if developed-country protectionism were not a problem, export-oriented manufacturing would not be an advantageous strategy today, given the tremendous advantage that China has in labor costs. Given the renewed centrality of the internal market, the imperative for massive income distribution to create consumers with purchasing power becomes very critical. Concretely, this means renewing the drive for effective land reform with effective support systems. It would also mean effective programs of taxation of the richer parts of the population, in order both to increase mass purchasing capacity through transfer payments, as well as to accumulate the capital necessary for strategic investments.

Strategic Policy

Creating a viable internal market is one priority. Protecting it from artificially cheap imports that stem from subsidization or overexploitation is another. However, protectionism can no longer remain opportunistic, an incoherent policy that is simply dictated by vested interests. Industrial policy must be strategic, one that is linked to deepening the country's industrial and manufacturing structure through selective tariffication or selective liberalization. Building up capital-intensive industries such as steel, transportation equipment, and computers will necessitate a flexible tariff policy, coupled of course with investment incentives and state-sponsored technological development.

Taking Sustainable Development Seriously

A fourth important dimension of a post-EDSA economic strategy is sustainable development. The pillage of our natural resources has pro-

ceeded to the point where the economic future of generations of Filipinos has been severely threatened. The high 6–8 percent growth rates of the NIC model is simply not possible to replicate without inviting more environmental dislocations. The key lies in opting for a strategy of lower, sustainable growth rates, which is only possible if there is much more equitable sharing of the fruits of a sustainable economy (meaning, there can be no sustainable development without radical social reform), a reinvigoration of agriculture along the lines of a smallholder system producing mainly for local and national markets with environmentally friendly agro-technology, and the greening of manufacturing technology. It will also mean reinvigorating local manufacturing and agricultural industries through flexible application of the principle of subsidiarity, i.e., whatever can be produced at the local level at the least cost should be undertaken at that level. Strong central leadership of the strategic planning process must be coupled to decentralized, sustainable production in key areas like agriculture. This is the challenge of development in a Philippine context in the twenty-first century.

Development in a Regional Context

A fifth critical element for the Philippines is coordinating its national development strategy with those of its neighbors. The reality of international economics in the twenty-first century is the existence of large economic blocs, the most important of which are the European Union, the United States, and China. It is difficult to see small and medium nation states being able to effectively develop or participate in the international economy without becoming part of a larger formation, whether this is based on common interests as developing countries—for instance, the Group of 20—or being part of a regional bloc such as ASEAN (Association of Southeast Asian Nations).

The problem with ASEAN, however, is that its most important economic project, the ASEAN Free Trade Area, or AFTA, is one that is strategically directionless. The aim of AFTA is to reduce and eliminate tariff barriers among participating economies, but whether this is for the purpose of serving as a step toward global free trade or as one toward a regional market protected by tariffs and quotas that would serve as the base for regionally coordinated import substitution has not been

decided. This indeterminacy has left the regional formation unable to effectively undertake planning, technology sharing, and institutionalizing a division of labor at a regional level. Without such a program, the different national economic actors will see tariff reductions as leading to a zero-sum game in which the more advanced industrial elites will end up dominating the regional market.

An even greater concern is the democratic deficit in ASEAN. This regional formation was created by government elites with no consultation of peoples in the region. Not surprisingly, being part of an entity called ASEAN is not in the consciousness of the peoples of ASEAN. This means that projects which technocrats agree to in the name of ASEAN unity such as AFTA enjoy little legitimacy and binding power. Democratizing ASEAN is essential if it is to become an effective participant in a world marked by the dynamics of big economic blocs.

Transforming ASEAN should just be one of several cooperative initiatives the Philippines must engage in. The Philippines is already part of the Group of 20 (G-20), a larger formation that also includes India, China, Brazil, and South Africa. The potential of this group in terms of coordinating the policies of its members beyond the immediate issue that brought them together in Cancun—opposition to agricultural subsidies maintained by the developed economies—is great and can extend to technology sharing, transborder industrial policy, shared investment policies, and common environmental strategies. The organizational framework for what has been called, in the language of development economics, “South-South development cooperation” is present in the G-20. A forward-looking Philippine government can make an invaluable contribution in translating this potential into reality.

Transforming the System of Global Economic Governance

Finally, national, regional, and South-South initiatives must be coupled with Philippine leadership in restructuring the system of global economic governance, which is today dominated by the powerful developed economies. The key institutions that have institutionalized the hegemony of the North are the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO). Reform of these institutions has proved to be extremely difficult, while disman-

ding them seems to be a political impossibility. A coalition of developing countries could, however, aim at reducing the power of these institutions and work to gradually supplant the current system of global governance with a more pluralistic system of institutions and organizations interacting with one another, guided by broad and flexible agreements and understandings. In other words, this strategy would aim at turning the current multilateral giants into just another set of actors coexisting with and being checked by other international organizations, agreements, and regional groupings. It would include strengthening such diverse actors and institutions as the United Nations Conference on Trade and Development, multilateral environmental agreements, the International Labor Organization, and regional economic blocs.

The aim of such a strategy is to create space in the global economy for developing countries like the Philippines to put together unique strategies for development that respond to their values and rhythms as societies, something that is currently not possible owing to the one-size-fits-all neoliberal model promoted by the IMF-World Bank-WTO complex.

In sum, there is an alternative to the political economy of anti-development that currently reigns in the Philippines. This, however, cannot be pursued without first doing away with the anachronistic system of governance that is the EDSA state.

Notes

1. Celico Habito, "Alarming Contrasts," *Philippine Daily Inquirer*, March 15, 2004.

Index

- A
- ABS-CBN 293
 - Accelerating Growth, Investment, and Liberalization with Equity 134-35
 - Action for Economic Reform 207
 - Administrative Order 1 52
 - Administrative Order 2 54
 - agrarian reform 33-91
 - agrarian reform communities 48-49
 - Agrarian Reform Communities Development Project 48
 - Agrarian Reform Express 74
 - Agreement on Agriculture 133, 139-59, 166, 173
 - Agreement on Textiles and Clothing 159, 160
 - Agri-Agna Law 61
 - Agriculture and Fisheries Modernization Act 151-52
 - Air Transportation Office 248-49
 - Aldances, Rey 234
 - Alien Business Law 20
 - Allied Bank 252
 - Almadro, Ruben 265-66
 - Alvarez, Heteroson 238
 - ancestral domains 228
 - Andvig, Jens Chr. 281
 - Ang, Ramon S. 274
 - Aquino administration 11-12, 15, 21-22, 40-41, 45, 48, 139, 196, 206, 217, 232, 268
 - Aquino, Corzon 4, 13, 33, 36-37, 41-44, 74, 92, 95, 196-97, 218, 220, 225, 245, 269, 289-90, 294
 - Aranco 212
 - Arellano, Carlos 260
- Argentina 168
- ARISE Now! 76-77
- Arroyo administration 27, 57, 205, 238, 293
- Arroyo, Gloria Macapagal 4-5, 27, 34, 57-64, 93, 131, 135, 196, 206, 220-21, 289, 296
- ASEAN industrialization 17-19
- Asian Development Bank 142, 207, 210, 212, 221, 300
- Asian financial crisis 21, 24, 91, 147, 202, 210, 213, 298
- Asia-Pacific Economic Cooperation 131, 172, 222
- Asset Privatization Trust 195, 220
- Associated Press 257
- Association of Southeast Asian Nations 16-17, 222, 330-31
- Association of Southeast Asian Nations Free Trade Area 177, 330-31
- Australia 173-74
- Ayala group of Companies 200
- B
- Bacevich, Andrew 280
 - Bank Liberalization Act 221
 - Barlow, Maude 195
 - Barshefsky, Chadlene 158, 162, 213
 - Bataan Nuclear Power Plant 14
 - Bechtel 203
 - Benin 171
 - Bergsten, C. Fred 161
 - Berne Convention for the Protection of Literary and Artistic Works 134
 - Best World Gaming Entertainment Corp. 262