Institutional Support and Crony Capitalism: The State of the Philippine Shipping Industry during the period of Authoritarian Rule

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ABSTRACT

Soon after President Ferdinand E. Marcos proclaimed martial law, institutions were set up to support the development of the shipping industry. Shipping is integral to the overseas and domestic flow of commodities and also had to be developed as a complement to the cash crop economy that was prevalent at that time. At the onset, several presidential decrees were issued in support of the industry. Multilateral lending was also made available to stakeholders in the industry and there was actually a marked improvement as the seventies came to a close. However, several pertinent personalities within the President's circle undermined that agenda to pursue their own motivations. This included the reckless acquisition of vessels and the breaking up of a colonial-era institution that used to be an integral part of the Philippine maritime industry. As such, major shipping assets went to waste as the economic crisis of the early eighties set in and became part of the Aquino Administration's agenda of cleaning up the damage done by the Marcos regime.

Keywords: shipping, crony capitalism, presidential decrees, IMF lending, Lusteveco

Introduction

Maritime transport is an invisible aspect of trade and commerce. Being a maritime country of over 7,100 islands, it is also a principal mode of transporting passengers and freight across the archipelago. As such, it is an integral part of economic development because it affects the value of goods as they go through the supply chain. As the need for shipping evolved over the years, laws became necessary to regulate their activity and to ensure that its standards for safety and efficiency were at pace with the level of both international and domestic trade. Hence, when the export of agricultural commodities such as copra and sugar was booming during the early seventies, it was an opportunity for President Ferdinand E. Marcos to exercise his authoritarian power to guide the maritime industry to further development.

This article will give an account of the various measures taken by Marcos to support the development of both overseas and domestic shipping. Moreover, it will describe the important role of international financing as a major factor in the development of the industry. While the idea that Marcos and international funding institutions such as the International Monetary Fund actually supported local industries may seem contrary to the general narrative about the negative effects of both his authoritarian rule and the neoliberal policy of the International Monetary Fund (IMF), this article will also describe how Marcos cronies participated in the eventual downfall of the industry. While there is already a good amount of literature on crony capitalism, this article will further reinforce that narrative by showing how even an invisible activity such as shipping was corrupted by the regime.

As a subject in economic history, this article was constructed using a narrative approach based on primary sources. Data was gathered from the broadest possible number of archival sources and key informant interviews, including former top-ranking officials of the Maritime Industry Authority (MARINA), the chair of the country's largest shipping conglomerate, and even the chief economic planner of President Marcos. Written documents used for this study included digitized papers from the collection of the Presidential Commission on Good Government (PCGG) housed at the National Historical Commission of the Philippines (NHCP). These sources provided accounts pertaining to the two themes discussed in this article.

The first focuses on the enactment of presidential decrees and the availability of multilateral financing to support the industry. Aside from creating MARINA as the sole government agency to support the shipping industry, Marcos also enacted laws to help industry stakeholders acquire vessels at lower costs. Those laws included access to mortgage regimes and a law that continues to support the ability of industry players to acquire ships at a lower cost to this day. Those laws were enacted at the same time that the IMF made funding available for shipping, as well as port development. While those institutions could have been instrumental in the development of the shipping industry, the crony capitalism that characterized the corruption of the Marcos regime overshadowed those growth prospects.

The second theme in this article is crony capitalism. Crony investments in shipping were directly aimed at capturing the transport of sugar as well fuel both domestically and internationally. Much may be known about the cronyism associated with the sugar industry, but this article will also discuss the irregular transactions involving the Luzon Stevedoring Company (Lusteveco). The transactions pertaining to the breaking up of that colonial-era institution are reflective of the corruption that permeates throughout the narrative of the Marcos regime, as well as the challenges of the Aquino Administration as it attempted to recover after the end of authoritarian rule. Hopefully, this article will provide a usable history that will explain the present state of the shipping industry today.

Much Needed Support from Presidential Decrees and Multilateral Funding

During the first term of Ferdinand Marcos, the *Manila Chronicle* exposed a glaring reality about interisland shipping in the wake of two disasters that took place in 1966. According to a transport economist quoted by *The Manila Chronicle* in the wake of the *Pioneer* disasters[1], eighty percent of the interisland fleet were "obsolete vessels . . . floating and running practically on faith alone." Of the 4,000 vessels in the country plying coastwise routes, only about 200 weighed over 100 tons, most of which were reconditioned surplus American ships that should have been scrapped during the fifties (Naval, 1966). It asserted the poor state of the industry was part of a historical pattern due to the weakness of government institutions. For example, the Public Service Commission, which first established shipping rates back in 1928, was blamed for failing to make any structural adjustments to fares that would have enabled operators to keep up with rising costs. This lack of government support for interisland shipping was likened by *The Manila Chronicle* to treatment as an 'ugly duckling' compared to other sectors of industry (Naval, 1966).

Soon after Marcos declared martial law in 1972, there was a brief period of economic growth in 1973 despite the oil crisis of the early seventies due to booming exports and a continuous inflow of foreign lending, which was very favorable to the shipping industry. This was an opportunity for the President to play a role in the development of the industry. Indeed, through the enactment laws of laws by presidential decree, Marcos created an environment that did away with the legislative gridlock of previous administrations, many of which continue to support the industry until this day. Among them was his creation of a single government institution in charge of maritime affairs.

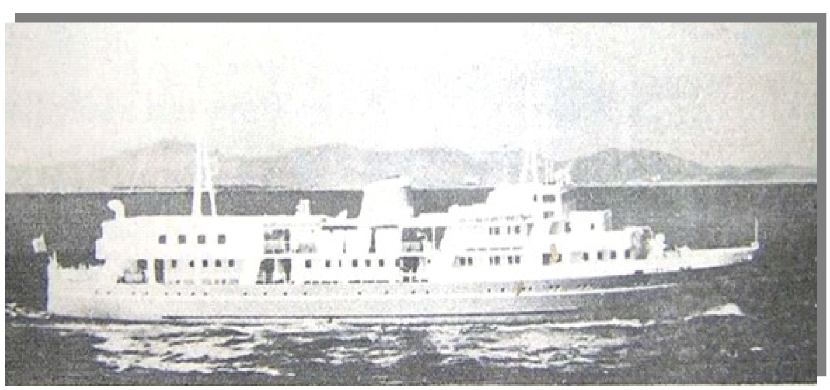
The idea for such a body was broached by Manuel L. Quezon back in 1937 when he issued an executive order placing retired United States Navy Commander K.L. Hill as chairman of a board that would govern vessels under Philippine registry ("Marine Rule Revision", 1937). That institution was only revived in the post-colonial era in 1974 when Marcos issued P.D. No. 474 to create the Maritime Industry Authority (MARINA) to address the inefficiencies of Philippine shipping brought about by the fragmentation of the various government agencies in charge of its regulation. Among MARINA's objectives were the following:

(a) Adopt and implement a practicable and coordinated Maritime Industry Development Program which shall include, among others, the early replacement of obsolescent and uneconomic vessels; modernization and expansion of the Philippine merchant fleet, enhancement of domestic capability for shipbuilding, repair and maintenance; and the development of reservoir of trained manpower;

(b) Provide and help provide the necessary; (i) financial assistance to the industry through public and private financing institutions and instrumentalities; (ii) technological assistance; and (iii) in general, a favorable climate for expansion of domestic and foreign investments in shipping enterprises; and

(c) Provide for the effective supervision, regulation and rationalization of the organizational management, ownership and operations of all water transport utilities, and other maritime enterprises (Pres. Decree No. 474, 1974).

MARINA played a huge role in executing yet another presidential decree which continues to be in force until this day. Alluding to the need for Philippine domestic shipping to be expanded to meet the growing demand for cargo and passenger carriage, as well as the heavy capital requirements for vessel procurement to replace an overaged fleet, Marcos issued P. D. No. 760 July 31, 1975, "Allowing the Temporary Registration of Foreign-Owned Vessels Under Time Charter or Lease to Philippine Nationals for Use in the Philippine Coastwise Trade Subject to Certain Conditions." Otherwise known as the Bareboat Law, it allowed a foreign-owned vessel to be issued a temporary certificate of Philippine registry by MARINA during a lease period, provided that the vessel will obtain a Philippine name and "shall be entirely in the hands of Philippine nationals and free from any participation or interference from the alien owner" (Pres. Decree No. 760, 1975).



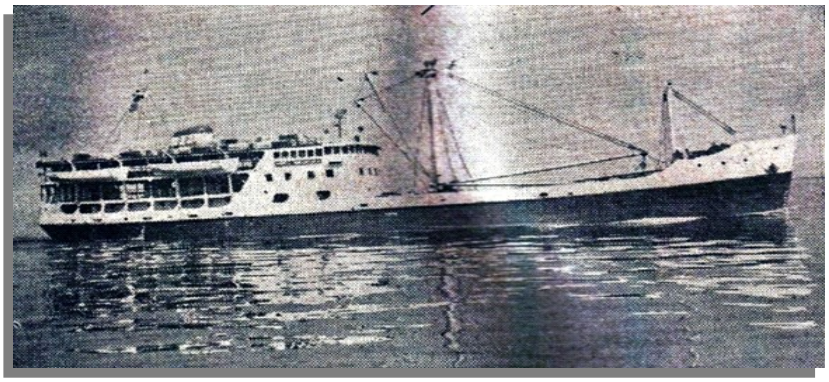


Figure 1: An example of a newer passenger/cargo ship (left) and a converted FS vessel
Note: From *When Aboitiz and Company* by Philippine Ship Spotters Society and *The Passenger-Cargo* by Philippine Ship Spotters Society.

Despite this favorable policy environment, there was a dire need to replace converted World War 2 vintage vessels with safer and more efficient ones. However, it was not financially viable. For example, the return on investment for a second-hand 1,200 DWT passenger/cargo ship to replace a thirty-year-old FS ship surplus vessel (examples of both vessels are shown above in Figure 1) was a measly twenty-seven percent in twenty-five years (The National Advisory Council of International Monetary Financial Policies, 1975). While that calculation may have been exaggerated, the industry clearly needed direct financial support. Hence shipowners made use of an instrument that was similarly utilized during Macapagal's drive for economic liberalization - multilateral lending.

Based on a ship acquisition plan submitted by shipowners to the Development Bank of the Philippines (DBP), the IMF approved a $20 million loan that was payable in eighteen years (including a four-year grace period) at 8 percent interest per annum on October 15, 1974. Loans were coursed through the Private Development Corporation of the Philippines, which was a private institution tasked with providing the foreign exchange for financing direct imports from such loan proceeds as part of the Government's development policy for the rapid development of export-oriented manufacturing industries (The National Advisory Council of International Monetary Financial Policies, 1975). The availability of this credit facility resulted in a sudden growth for interisland shipping from 1974 onward, and among its biggest beneficiaries were companies that were operating out of the Visayas such as William Lines and Sulpicio Lines.

As more interisland vessels became available and concentrated on the more lucrative routes, the matter of over-tonnage on major routes, and under-tonnage on minor routes served by domestic shipping had to be addressed. Because the Quezon-era "grandfather law" did not contain provisions on route assignments, Certificates of Public Conveyance were issued indiscriminately to any operator regardless of which route they wanted to operate on. To make matters worse, some operators did not even bother to apply for franchises at all. It was only in 1977, that some semblance of a rationalization of domestic shipping operations was achieved when MARINA issued Memorandum Circular (M.C.) No. 11 on May 19, 1977. It was issued for the purpose of "freezing domestic shipping operations" so as to maintain "for a certain period of time, the operations of common carriers along trade routes presently plied and schedules presently followed on a one-vessel-one route-and-schedule basis". The operators subjected to this freeze order were vessels that: 1) offered services to the public indiscriminately, 2) had regular ports of call, 3) had fixed sailing schedules and frequencies and 4) charged rates fixed by the Bureau of Transportation (MARINA M.C. No. 11, 1977).

What happened over the coming years since the inception of M.C. No. 11 was that established liner companies were able to have their routes protected, while newcomers had to file their applications with MARINA. Because the entrance of additional vessels on established routes involved a quasi-judicial process in which established operators could file contestation cases to oppose routes new entrants (Cabañez & Adil, 2019), the issuance of M.C. No. 11 enabled the former to expand without worrying about being undercut by competition, while newcomers had little chance of entering the market. This status quo was further enhanced with the issuance of Memorandum Circular No. 16 on September 18, 1978 in which protected interisland shipping with its mandate "to prevent cutthroat competition especially in investment areas deemed already overcrowded or where the existing or potential market is thin" (MARINA M.C. No. 16, 1977). The policy statement for this objective clearly indicates its protectionist nature:

> "The Government shall protect already established shipping companies providing adequate shipping service from undue competition from new entrants. For this purposes (sic), no new shipping companies (sic) shall be allowed to enter the liner trade in the primary and secondary routes and only one shipping company shall be allowed to operate (unless more than one are already operating, in which case the government shall promote and/or encourage mergers or joint services) in a tertiary or development route. In significant route (sic) where no substantial competition exists, the government shall impose strict measure to upgrade operating and service standards, and whenever market conditions allow encourage the entry of a competing operator to help the upgrade operating standards."

Along with the bareboat law, the moratorium on domestic operations and state protection for interisland shipping companies by MARINA were both part of the policy environment created during the martial law regime to help the industry. Hence, when the president mentioned in his 1978 State of the Nation Address (SONA) that "the maritime industry has not always enjoyed the kind of attention and support that it enjoys today . . . due to the lack of attention to our economy in general and the inefficiency of the government offices in the past" (Marcos, 1978), there was actually a huge amount of truth to his statement. The Bareboat Law (P.D. No. 760) issued in 1975 which allowed operators to charter vessels from overseas and MARINA M.C. No.11 which protected the routes of established companies from 1977 onwards were particularly beneficial to fleet expansion. Despite the institutional support coming from the President himself, however, it was still up to the liner companies to scrounge for their own financing, and the government could have supported them in that matter. Fortunately, funding from foreign lenders was available, but the support could have been greater had it not been for its continued commitment to creating an oceangoing fleet.

A handwritten journal entry by the President himself revealed that overseas shipping was an issue that he got involved with on a personal level (Marcos, 1973). Hence, he issued two directives in June 1973 to encourage the development of oceangoing shipping – 1) P. D. No. 214, which amended the Overseas Shipping Act of 1955 by allowing any Filipino citizen or a corporation with at least seventy-five percent Filipino ownership to engage exclusively in the overseas shipping to work out a mortgage with any local or foreign bank to purchase vessels and related equipment (Pres. Decree No. 214, 1793) and 2) P.D. No. 215, which exempted the importation of oceangoing vessels from the ten percent customs duty and seven percent compensating tax (Pres. Decree No. 215, 1973).

Despite this institutional support, overseas fleet expansion still failed to take place due to issues with mortgages. The current chair of the Magsaysay Group of Companies, Doris Magsaysay Ho, explained that Filipino shipowners were unable to make use of mortgage facilities because this type of transaction was not understood by the Philippine Government, thereby making it difficult to deal with international banks. The standard practice in international mortgage was that in case a borrower defaulted on payment, the first party to be compensated in case the vessel under lien is confiscated was its crew, followed by the bank. In the case of Philippine laws, the first is 'whoever,' and the banks were at the bottom of the list. Hence, nobody wanted to finance shipping acquisitions for the Philippines (Magsaysay-Ho, 2019).

The lack of investment in overseas shipping could have been an opportunity for the National Development Company (NDC) to develop oceangoing shipping as a viable investment for the government. According to recently released documents by the PCGG, however, they were mainly motivated by commissions instead of procuring the type of vessels that the partners in the industry needed. Moreover, instead of making procurements through public bidding as required by the law to ensure transparency, the NDC reverted to one-on-one canvassing potential suppliers, who likely were merely agents and not the shipbuilders themselves (Panganiban, 1979). The NDC stood firm by insisting that their method of transaction was an international norm, but as a result, they ended up supporting national lines such as United Philippine Lines (UPL) more as a favor to 'padrinos' than as a viable instrument of trade (Sicat, 2019). Aside from the NDC participation, however, several cronies also got into shipping in their own capacities.

Crony Capitalism in the Maritime Industry

To better understand the rise of crony capitalism during the Marcos era, it is helpful to contextualize it within the framework of a continuing colonial economy with the United States. According to the late American historian, Sterling Seagrave, the World Bank was encouraged by American business interests to support the dictatorship by making the Philippines a "country of concentration" to ensure that loans and aid kept pouring into the country so long as they were guaranteed by third parties. Although some World Bank executives were aware that funds were being misdirected to projects that were not in line with their own concept of development, the flow of funds never stopped as they ended up in the hands of the government itself, or a private or government-owned commercial bank such as the Philippine National Bank (PNB) which was headed by Marcos crony, Roberto S. Benedicto (Seagrave, 1988). They were among the families who controlled the country's wealth and were categorized by John Doherty and Jovito Salonga into three groups based on how they accumulated their wealth during the martial law years:

1. Those who were not part of the traditional elite and accumulated their wealth during the martial law years – Marcos, Romualdez, Martel, Disini, Velayo, Benedicto, Enrile, Cuenca, Silverio, Abello, Tanseco, Ozaeta, Oreta and Floirendo.

2. The traditional elites whose holdings date back to the colonial era and flourished during the martial law years – Aboitiz, Elizalde, Concepcion, Palanca, Siguion-Reyna, Alcantara, Fernandez, Nubla, Sycip-Yuchengco and Yulo.

3. The traditional elites who endured the martial law years without suffering the fates of the Lopezes, Jacintos and Todas by enduring harassments and threats to their businesses and going along with the regime to keep a semblance of loyalty – Ortigas, Laurels, Zobel-Ayala and Madrigal (Celoza, 1997).

Roberto S. Benedicto, who was the PNB head during the first term of Marcos and owner of the *Philippine Daily Express*, was a close associate and a fraternity brother of the President and the head of the Philippine Sugar Commission (Philsucom) which Marcos established in 1976 as the only institution authorized to conduct all major transactions connected to the export of sugar (Lindsey, 1991) (Lindsey, 1991) . His control over the sugar industry extended all the way to shipping through his own shipping company, Northern Lines, which carried sugar to the United States (Crewdson, 1986). According to the heir of the country's biggest overseas shipper at the time, Benedicto shipped the sugar at $18, which was the market price fixed by the National Sugar Trading Corporation (NASUTRA), the trading subsidiary of Philsucom, whereas other shippers priced shipments at $5 (Magsaysay-Ho 2019). Northern Lines' bulk carriers were among the largest vessels in the entire Philippine oceangoing fleet (Alegre, 1975) and were most likely acquired with the mediation of the Marubeni Corporation, for the sole purpose of obtaining commissions (Doherty, 1982). Being a mere cash cow, however, Benedicto's shipping venture was never a serious business and eventually sold at a loss (Lustre, 2019).

Another personality from the first group of cronies is Rudolfo Cuenca, a golfing buddy of Marcos and had been a supporter since his 1965 campaign. He was the head of the Construction and Development Corporation of the Philippines (CDCP), which was rewarded practically every major construction contract by the regime (Seagrave, 1988). His Galleon Shipping Company incurred $100 million in government-guaranteed loans (De Dios, 1988), and these funds were used to purchase up to twelve multi-purpose vessels for either container, breakbulk, or grain carriage (Philippine Shippers Council, 1983). The first four vessels that he purchased to provide regular services between the Philippines and major ports in the United States were worth over $150 million (New Wave Media, 1980). By 1983, they had the largest container vessels in the interisland fleet (Philippine Shippers Council, 1983), some of which went into service for National Steel Corporation (Magsaysay-Ho, 2019). Galleon Shipping became unprofitable and was taken over by the government as the official Philippine container shipping company to the west coast (Celoza, 1997). At the end of 1983, it had two outstanding loans to foreign banks totaling $81.9 million (De Dios, 1988). These assets eventually became the shipping arm of the Philippine Government and were privatized under the name National Marine Corporation (Magsaysay Shipping and Logistics, 2021).

Noticeably included in the first group of cronies is Col. Generoso Tanseco, the MARINA administrator appointed by Marcos, and his participation is most evident based on his association with the Filipinas Manufacturers Bank (Filmanbank) Group, which had interlocking directorates with fifty-five corporations, including the consortium which he had been a part of since the fifties, UPL. Other interlocks of Filmanbank related to the shipping industry were the Bataan Shipyard and Engineering Company (BASECO), as well as with the new Bataan-based Shipbuilding and Engineering Company, a joint venture between the Philippine Government and Kawasaki Heavy Industries of Japan in which Benjamin Romualdez also had substantial investments in BASECO (Doherty, 1982).

While Tanseco's legacy seems to have been compromised by his association with Marcos, according to Philip Lustre, a reporter for a now defunct business newspaper who was assigned to cover the waterfront beat during the late seventies, he was a very mild-mannered and religious man (one of his sons was actually a Jesuit brother) who ended up becoming a Marcos crony against his will due to his prominence in the shipping industry. Tanseco was already in his seventies when he was assigned to MARINA, and his family was already wealthy from their interests in UPL. Lustre adds that he was not happy about how the dictator handled shipping (Lustre, 2019), and this had to do with his involvement of cronies. In fact, the President appointed six prominent businessmen to the board of the Philippine Shippers' Council in 1973, and among them were Antonio Floirendo Sr. and Eduardo (Danding) Cojuangco (Philippine Shippers Council, 1983).

Cojuangco was the President of The United Coconut Planters' Bank Group (UCPB), which was incorporated in 1975 to finance the new coconut monopoly (Doherty, 1982). With that industry under his helm, Cojuangco also invested in shipping through his ownership of Filsov Shipping and the Luzon Intercoast Shipping Company Inc., which was owned by United Coconut Authority (Doherty, 1982). Another crony who had a stake in the coconut industry was Juan Ponce Enrile (Seagrave, 1988) who was also involved in logging and entered into a partnership with Ernesto Magboo to front a shipping company that carried logs overseas (Magsaysay-Ho, 2019). Enrile's bigger catch in the industry, however, was a chunk of a colonial-era institution.

Established in 1909 with coal-bunkering operations, the Luzon Stevedoring Company (Lusteveco) grew to be one of the largest cargo handlers in Southeast Asia. In 1967, its assets consisted of 500 trucks, 16 tankers, 107 tugs, 448 barges, and warehouses at major ports. Aside from moving up to 80% of the country's cargo traffic, its stevedores also handled most of the trade from foreign ships ("Philippines: barging ahead," 1967). When parity rights expired in July 1974 under the terms of the Laurel-Langley Agreement of 1954, Lusteveco became a landmark example of an American enterprise that felt the brunt of the regime.

According to a (United States) State Department document released on *WikiLeaks*, it was the opinion of Juan Ponce Enrile that Lusteveco's stevedoring, interisland oil shipping, tug and barge services, and trucking were public services that had to be taken out of a "vested interest." Despite thirty-five percent ownership remaining with an American, Don Marshall ("Luzon Stevedoring Purchase," 2021), thirty-three percent to the family of Senator Gil Puyat, and the rest to Lusteveco employees, Enrile pressured the owners to sell out at a huge loss (± 102 per share compared to a book value of ± 180 per share). Although the new owners for the Philippine Government were officially Philippine National Oil Company (PNOC) and Landbank, Lusteveco operations were eventually parceled out to associates of the regime broken down as follows:

- The Romualdez family – stevedoring; inland trucking
- Geronimo Velasco (PNOC Chair and Marcos energy minister) and Juan Ponce Enrile – salvaging
- Roberto S. Benedicto – bulk sugar terminal in Negros
- Velasco created three new companies involved in oil transport – PNOC Tankers, Petron Tankers and Petrophil Tankers (Magsaysay-Ho, 2019)

In 1978, Lusteveco was converted into PNOC Marine Corporation (PMC) and PNOC Shipping and Transport Corporation (PNOC, 2021). According to Terry Watkins, the daughter of one of Lustevoco's American owners, Don Marshall, her father "suffered enormously" when Lusteveco was nationalized and was not willing to share her recollections for this research (Watkins, 2019). Notwithstanding this restructuring of Lusteveco, stevedoring remained a big-ticket item in the shipping industry, and hence, the regime targeted another institution engaged in this business.

Stevedoring, that is, the process of loading and unloading cargo from a vessel, as well as arrastre, portside cargo handling operations such as receiving, handling, custody, security and delivery, transit, warehousing, and storage of cargo handled by an authorized contractor or operator (Philippine Port Authority, 2021), were operations in which the family of Enrique Razon were involved with since the Commonwealth Period. In 1962, his father, Enrique Razon Sr., formed E. Razon, Inc., which was eventually awarded a five-year contract to operate Piers 3 and 5 in the Manila South Harbor in 1966, and subsequently awarded another five years in 1974. In an affidavit dated March 12, 1986, he had to appeal his ownership of his company. These are parts of his affidavit:

> 4. For reason of the lucrative operation of the Company, it came to the notice of then President Marcos about this Company, and in 1978, with threat of a total cancellation of the operating contract with Manila South Harbor, I was dispelled to endorse share of stock of my Company to the extent of 60% of the outstanding equity. There was no way to resist this threat under fear of losing operation which at the time were completely under the control of the government. Accordingly, I seceded to the demand and endorsed in blank stock certificates covering 120,000 shares of E. Razon, Inc., representing 60% of the equity. These certificates found their way in the name of Tomas Aguirre and Anthony Aguirre, and after having parted with controlling interest in E. Razon, Inc., a new management took over and changed the name of "E. Razon, Inc." to "Metroport Services, Inc.". . . .

5. After my takeover of the company discovered that the 60% equity in the Metroport Service, Inc. had been transferred from Tomas Aguirre and Anthony Aguirre in favor of Maximum Trading and Industrial Corporation, with 119,903 shares placed in the name of the said Corporation. . .

6. It is my belief and understanding that Maximum Trading & Industrial Corporation was organized by parties close to Mr. Alfredo Romualdez, the brother of Mrs. Imelda Romualdez-Marcos . . . (Razon, 1986)

Aside from acquiring Metroport Services, Marcos also got hold of Manila International Port Terminals, which was organized in 1973 and had a franchise to operate the container port from the Philippine Government. In 1978, shares of stock were transferred to Emilio T. Yap (Razon, 1986). Notably, Razon had other port operations-related businesses, such as Amalgamated Stevedoring Corporation (ASC). It was formed in 1977 with minimum capitalization and remained inoperative until 1981. After Alfredo "Bejo" Romualdez took over Razon, Inc. to form Metroport, Razon joined ASC and organized it into Razon International Stevedoring Corporation (RISCO) as an alternative to the South Harbor business that he lost to Marcos, and it focused on doing business abroad in places such as Saudi Arabia where his expertise in port management was in demand. But he couldn't escape the regime's hold on RISCO as well, as he was forced to purchase the equipment needed for his project in Saudi Arabia from the government through a $30 million loan from a local bank. The dollars obtained from the Central Bank through that loan were diverted to the Los Angeles-based California Overseas Bank, and used by Marcos to purchase the Crown Building in New York. In any case, the participation of the Philippine Government in the Saudi project resulted in its eventually acquiring a fifty-one percent stake in RISCO (PCGG, 1986). The Marcos holdings were represented by the prominent attorney, Honorio Poblador Jr., and former Judge Hector Donato, with stock holdings in March 1981 distributed as follows:

Table 1: RISCO Stock Holdings as of March 1981. Note: From PCGG (1986). Marcos Ownership Holdings of RISCO. National Historical Commission of the Philippines (PCGG Files, Roll No. 158-A, Folder No. 53), Manila.

Name	Position	No. of Shares
Honorio Poblador, Jr.	Chairman of the Board	18,750
Enrique Razon	President	18,738
Hector Donato	Treasurer / Director	1
Abelardo Teodoro	VP Finance / Director	1
Rafael Durian	Secretary / Director	1

Recovering the Crony Shipping Assets

When Corazon Aquino took over the presidency following the departure of Marcos on February 25, 1986, she found herself in charge of an economy that was in dire straits. Production was down by eleven percent for two consecutive years, and unemployment rates were at double-digit levels. There were no new investments and business confidence was at an all-time low. One of her biggest challenges was the $26.3 billion external debt left behind by the previous regime, which took up close to forty percent of government expenditures to service (Aquino, 1987). The export sector, which was a vestige of the colonial economy, had also changed drastically. Manufacturing posted high growth, mainly in electronics and garments (Aquino, 1988), but sugar had been out of favor ever since the United States re-established a quota system for its importation in May 1982. That measure resulted in a dramatic forty percent drop in total United States imports of sugar in the mid-1980s as compared with the early 1970s. By 1988, the country only exported 161,000 tons as compared to just under 1.3 million tons per year in 1968-71. Aquino established the Sugar Regulatory Authority in 1986 to take over the institutions set up by Benedicto (Lindsey, 1991), but it was more reflective of her administration's focus on getting rid of Marcos cronies than a genuine effort to make that industry recover.

Aside from the sugar industry, other productive assets held by the Marcos government and its cronies were made available for disposal. Hence, to implement her privatization program, Aquino issued Proclamation No. 50 which created the Committee on Privatization (COP) and its implementing arm, the Asset Privatization Trust (APT) as its major proponent. The most popular and the most openly preferred divestment scheme for the disposal of sequestered assets was through an auction/bidding (Godinez, 1989). As shown in Table 2, a huge number of sequestered shipping assets were available for privatization, including the bulk of the country's tanker fleet, excluding PNOC Petroleum Carriers Corp. which was privatized before the implementation of the COP (Nozawa, 1991) and was subsequently dissolved on December 31, 1987 (PNOC, 2021).

Table 2: Sequestered Shipping Assets by the Aquino Administration
Note: From Godinez, Z. F. (1989). Privatization and Deregulation in the Philippines: An Option Package Worth Pursuing? ASEAN Economic Bulletin, 259-289. http://www.jstor.com/stable/25770218.

Approved by the Presient for Privatization	Pending for Privatization
National Marine Corporation (NMC) National Shipping Corporation of the Philippines PNOC Marine Corporation Tacoma Bay Shippine Company	PNOC Crude Oil Tankers, Inc. PNOC Oil Carriers, Inc. PNOC Petroleum Tankers, Inc. PNOC Shipping & Transport Corp. PNOC Tankers Corp. Petron Tankers Corp. Petrophil Corp. Petrophil Tankers Philippine National Lines

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Doris Magsaysay Ho, bid on all shipping companies formerly held by cronies but only got NMC in 1988 as shown in Table 3 below. She could have acquired the entire fleet that was up for privatization. However, because she had only been at the helm of the international Magsaysay Shipping since 1981 when she was only twenty-nine years old, and had previously stayed in different countries before assuming leadership of her company, she didn't know that in the absence of other bidders, she had to bid against herself to acquire a government asset. She therefore took it upon herself to approach oil companies and reminded them that their oil was now only shipped by a government-sequestered company. She was eventually able to get tanker interisland contracts with the likes of Shell Corporation and even diversified into bulk and containers for interisland shipping (Magsaysay-Ho, 2019).

Table 3: Government-Controlled Corporations (GOCCs) Sold Through the NDC as of December 31, 1990.
Note: From Nozawa, K. (1991). Privatization Policy in the Philippines. In J. Y. Lim and K. Nozawa. Deregulation and Economic Development on the Philippines (p. 42). Japan: Institute of Developing Economies-Japan External Trade Organization.

Corporation	Sales Proceeds(in ± millions)	Buyer
National Marine Corporation	168	Magsaysay Lines, Inc.
Tacoma Bay Shipping Co.	10	William Lines
National Shipping Corp.	273.6	A.P. Madrigal & Steamship
Philippine National Lines	10	various

Despite Magsaysay's efforts to obtain more sequestered assets, many of them ended up with new owners. After forty percent of Petron was sold to Saudi Arabian Oil Company in 1994, four of its international tankers were sold to Wirana Private Ltd. And Howard / Ekhardt for $12.1 million. The following year, PNOC Tankers Corporation, Petron Tankers, Petrophil Tankers, and PNOC Oil Carriers ceased operations due to continued losses (PNOC, 2021). As for other shipping assets sequestered by the government, William Lines was able to expand its fleet with more vessels from what used to be Tacoma Bay Shipping Co.

Magsaysay insists that state-owned enterprises were necessary for the country's development stage, and that promoting private investment in such enterprises without being a developed economy made the government a bureaucracy instead of an enabler of business confidence and showed a lack of long-term vision (Magsaysay-Ho, 2019), the privatization of various GOCC's remained a cornerstone of Aquino's economic policy, and this adversely affected Philippine shipping. Indeed, unlike Macapagal and Marcos, however, who implicitly mentioned shipping in their SONAs, Cory's government was practically hands-off when it came to that subject. Additionally, she also worked to ensure the independence and autonomy of the government financial institutions, particularly PNB and the DBP, which were conduits of funding for the Philippine merchant marine (Aquino, 1992).

Despite the intentions of the Aquino administration to get the government out of business and minimize corruption, the private sector complained that the government was turning out to be the biggest monopolist due to its sequestration, with business interests in almost all spheres of economic activity (Godinez, 1989). Moreover, industry leaders comment that corruption merely went from wholesale during the Marcos time, to its present to retail, wherein even the janitor has a share to get business moving (Gothong, 2019).

Conclusion

The formal institutional support from the government during that time was also helpful, especially since MARINA was created in 1974. Hence, when the president mentioned in his 1978 State of the Nation Address (SONA) that "the maritime industry has not always enjoyed the kind of attention and support that it enjoys today . . . due to the lack of attention to our economy in general and the inefficiency of the government offices in the past" (Marcos, 1978), there was a considerable amount of truth to his statement. The Bareboat Law (P.D. No. 760, s. 1975) allowed operators to charter vessels from overseas and MARINA M.C. No. 11, which protected the routes of established companies from 1977 onwards, was particularly beneficial to fleet expansion. Despite the institutional support coming from the President himself, however, it was still up to the liner companies to scrounge for their financing. The government could have given more support to domestic shipping had it not been for its commitment to creating an oceangoing fleet. Since the Quezon era, the involvement of personalities with close personal ties to sitting presidents made this undertaking ineffective. And in the case of the appointment of Marcos cronies Cojuangco and Floirendo to Shipperconn in 1973, that was merely a prelude to an illicit diversion of funds to the likes of Benedicto and Cuenca in their own failed shipping ventures. Oceangoing shipping, which was largely connected with what was then a floundering sugar and coconut export industry, became a cash cow for Marcos cronies. Ultimately, however, they were merely caretakers of the dictator's assets, and were therefore subjected to sequestration proceedings by the PCGG which was created on February 28, 1986 by President Corazon C. Aquino by virtue of Executive Order No. 1 with its main mission being "The recovery of ill-gotten wealth accumulated by former President Ferdinand E. Marcos, his immediate family, relatives, subordinates and close associates" (PCGG, 2021). This was the condition of the shipping industry that persisted into the administration of Corazon C. Aquino, as she inherited an economy in taters and faced the challenge of restoring democratic institutions. But aside from those daunting challenges, she would also face the challenge of effecting genuine change in the wake of history's most tragic peacetime maritime accident.

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ENDNOTES

[1] In 1966, two vessels operated by Filipinas Pioneer Lines figured in separate maritime accidents. On May 16, the M.V. *Pioneer Cebu* sank off off Malapascua Island with her captain and almost 200 passengers when she encountered Typhoon "Klaring.:" On October 23, over 80 people lost their lives when the M.V. *Pioneer Leyte* collided with another vessel as she was steaming out of Manila North Harbor.

[2] The Marubeni Corporation is a Tokyo-based import-export firm incorporated in 1949. Marubeni is the main foreign partner in two communications companies associated with Benedicto - Eastern Telecommunications and Domsat (Lent, 1983).

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