Why the Philippines Did Not Become a Newly Industrializing Country

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THE PHILIPPINES IS OFTEN A PUZZLE TO MANY international observers. Compared to its Asian neighbors South Korea and Taiwan which have both attained the enviable NIC (newly industrializing country) status, the Philippines has lagged behind both countries in terms of several economic development indicators: GNP growth, per capita income, life expectancy, calorie intake requirements, etc. (See Table I, Appendix). Only a few decades ago, the Philippines was considered as the "jewel" among Southeast Asian nations and even referred to in some literature as an NIC like South Korea and Brazil (Harris, 1983). The Philippines appeared set to join the ranks of the NICs in the early 1970s, with large and growing sectors of manufacturing and export of labor-intensive goods, especially when other Asian NICs were vacating the field of light labor-intensive manufactures and moving into skilled and capital-intensive products (Hill and Jayasuriya, 1985: 135). But now, all other Southeast Asian nations, including Thailand, Indonesia, and Malaysia, have surpassed the Philippines (Haggard, in Nelson, 1990: 215).

The Philippines is rich in natural resources, has skilled human labor, and other factors working in its favor. Yet, what went wrong with its development strategy? Why did it not become an NIC? Considering that the Philippines during the post-war period had shared similar characteristics with South Korea and Taiwan -- the presence of an authoritarian state, close economic ties with the United States, integration with the global market, similar liberal orientation in development policy strategies and prescriptions from international financial agents, and at least, for a time, almost similar location within the international division of labor -- it is interesting to explore the reasons behind the Philippines' inability to move towards the same path of economic development pursued by South Korea and Taiwan.

This paper focuses on the role of the state and its policies in both agriculture and industry which shaped the contours of Philippine economic underdevelopment in the last three decades in an attempt to analyze the reasons why the Philippines was unable to attain a status similar to the East Asian NICs. It will try to demonstrate that the Philippine state unlike its counterparts in the East Asian NICs had not been able to take advantage of opportunities available in the international economic scene because of certain domestic factors that constrained sound economic planning in both agriculture and industry. Not that global factors were unimportant but that since the international context of development remained similar for many Asian nations, it is only by looking at the domestic forces that shaped development policymaking in both agriculture and industry, especially at the level of state institutions, that we could adequately assess why the Philippines had missed the chance to become an NIC.

While the paper is interested in analyzing the Philippine model of industrial development by way of comparing it with the East Asian NICs, it should not be interpreted that this paper is advocating the adoption by other countries of the NICs' formula for economic "success." Not only because development models successful in one country are not readily applicable in another, but also because the NICs' economic formula must also be critically viewed. The success of NICs like Brazil and South Korea is based on dependence on foreign capital, growth without equity, and the repression of their own people to preserve the status quo.

This paper is organized as follows: first, an overview of the role of agriculture and industry in economic development will be discussed from the perspective of both development theory and industrial policy. Second, the role of the state in agricultural and industrial development will be analyzed, using the cases of South Korea and Taiwan which both have a substantial agricultural economic base relevant for the purposes of this study. Hence, the examples of other East Asian NICs, Singapore and Hongkong, are given very minimal attention. Third, the development of the Philippine political economy will be presented from a historical perspective focusing on the role of the state during the period of martial law under President Marcos. The fourth and main chapter provides a substantiation of six main propositions comparing the Philippines with South Korea and Taiwan, and identifying the reasons why the Philippines had pursued a different path of economic development.

The State, Agriculture, and Industry and the NICs Experience

Agriculture-Industry Linkages in Development Literature

The importance of agricultural development to industrialization could not be overemphasized. Experiences of various countries show that economic development would not occur without simultaneously developing agriculture and industry. That a balance between agriculture and industry, rural and urban areas is necessary to achieve sustainable development has been demonstrated by the examples of the advanced industrialized countries since the early 19th century and the NICs in the 1960s and 1970s (Hobsbawn, 1969; Senghaas, 1985; Kemp, 1983). This vital relationship between agriculture and industry, and its specific implications to agricultural and industrial policy will be analyzed from the perspective of two related bodies of literature: development theory and industrial policy.

In agricultural economic and development theory, agriculture is seen as a "resource reservoir" from which food, labor, and finance can be drawn to fuel the growth of urban industrial activities. When agricultural productivity is low or stagnant, appropriate public policies are needed to release from agriculture its potential surplus of food output, laborers, and saving capacity. It is when agricultural productivity is rising through the combination of technological progress and investment that we see a more dynamic linkage between agriculture and industry. Increments in farm outputs and income become available for resource transfer into industry. (Reynolds, 1975:14-15). Adequacy in food resources could permit rural to urban migration, lessening the unemployed in the rural areas as they are absorbed into the industrial labor force. And as agricultural incomes rise, the rural population enjoys the purchasing power to avail of the goods produced by the industrial sector. Hence, as the economy develops, we see the economic structure of society changing, from one that is basically agricultural to one that is industrial. The contribution of the agricultural sector to overall growth tends to decline while that from the manufacturing industry and service sector rises.

The above discussion, however, outlines the ideal pattern of maintaining a healthy balance between agricultural and industrial growth. It has been shown in development literature that the poor allocation of resources resulting from the industrial development policies adopted by less developed countries like the Philippines is a major source of the widening disequilibrium in and bias against agriculture (Hayami and Ruttan, 1985: 376-377).

The Role of the State in NICs Development

The economic success of the East Asian NICs has been explained in various ways. Emphasis has been placed on the favorable international conditions, i.e., high rate of growth in the world economy that created the demand for their manufactured exports, as well as on domestic factors such as the level of educational attainment in the East Asian NICs, political stability, right mix of state protectionism, open and export-oriented policies, and relatively poor resource endowment which, though not a necessary condition, has pushed them to look for outward-oriented strategies (McMullen, 1982; Harris, 1983; Kirkpatrick, 1987; Bienefeld, 1981). Others have highlighted the importance of the unique historical linkage of both the Korean and Taiwanese economies with that of Japan during the colonial era which shaped their economic and class structure (Cumings, 1987; Hamilton, 1983; Bloomstrom and Hettne, 1984: 134), and later on the state initiatives on land reform (Hamilton, 1983 and 1986). There are also some who emphasize the important role of the dominant classes, especially the rise of an indigenous entrepreneurial class, and their close alliances with the state (Koo, 1987; Hamilton, 1983). Still others emphasize the role of United States aid after the war, especially to South Korea and Taiwan (Bloomstrom and Hettne, 1984: 134). While some point to the presence of a skilled, disciplined labor force willing to accept low wages (Hasan, 1979: 29) because of the cultural distinctiveness of East Asia brought about by a Confucian culture which nurtures a different attitude towards work and authority (Bloomstrom and Hettne, 1984:134), there are some who provide a more structural explanation to the absence of a strong militant working class movement in the East Asian NICs which reinforces labor subordination to capitalist forces (Deyo, 1987; Deyo, 1989). A perspective recently developed suggests the importance of domestic political coalitions, institutions, and ideas that shape rational choice-making and responses to the international system (Haggard, 1990).

Indeed, a major emphasis in the literature on the East Asian NICs' economic success is placed on the analysis of the role of the state in several areas of economic and political decision-making -- from agrarian reform, trade, foreign exchange rates, taxation, creation of public corporations, government-business relations, and regulation of foreign direct investment to other aspects of industrial policy.

The state and its elites must be seen as conscious, rational players with certain organizational capabilities and instruments at their disposal which can shape development policy over time (Grindle, 1986: 17-18; Haggard, 1990: 3-4). The state may act independently of direct or indirect influence or intervention by the dominant classes. It may even act contrary to the actual or perceived interest of those classes when the existence or interest of the state is threatened (Hamilton, 1982: 8-9). But despite certain contradictory tendencies of the state, the state tends to act coherently as a corporate unit, expressing pacts of domination even while becoming an arena of social conflict and at the same time presenting itself a guardian of universal interests (Skocpol, et al., 1985: 48).

The above insights on the nature of the state have important implications to the analysis of NICs. It is important not to remain at the level of merely describing *what* the state does for the economy, but also to analyze *why* the state does what it does.

In both South Korea and Taiwan, the state had played an important role in ensuring a successful transition from agricultural to industrial development through a sequencing and co-existence of programs in agrarian reform, import-substitution industrialization (ISI), and export-oriented industrialization (EOI). Import-substitution in South Korea and Taiwan, as in other Asian and Latin American countries, took place only after the Second World War, several decades after the West completed its own ISI process. This was because many of these countries were under colonial rule or influence and were thus not encouraged to develop their domestic economies (Suh, 1975:11).

Contrary to the general notion that ISI had been abandoned and replaced by EOI, there had been continuous ISI in heavy and light manufacturing in Taiwan and South Korea, especially in the period 1960-74; in fact ISI was far greater in that period than during the ISI period of 1953-1960. Simultaneous export-promotion and import-substitution characterized South Korean growth during this 1960-74 period (Suh, 1975: 4).

In both South Korea and Taiwan, ISI was stimulated by government policies such as the protection of domestic import-substituting industries from foreign competition, internal tax exemption, and preferential loans. Government protectionist policies included the over-valued legal exchange rate which penalized exports in favor of imports, and the high tariff and quota system to seal off the domestic industries from foreign competition (Suh, 1975: 198). In the face of South Korea's lack of natural resources, it is only by generating foreign exchange through exports that it could import the necessary raw materials for its industrial production, while at the same time discouraging the importation of luxury goods. Extensive subsidy incentives to certain exporters were also provided by the government as well as exemptions on tariffs to importers of intermediate goods for export production. It also provided finance at lucrative rates to local producers (Suh, 1975: 199; Hasan, 1975: 29-30).

In other words, the role of state institutions, especially the government in both South Korea and Taiwan, is considerably more direct than that of merely setting the broad guidelines of production and consumption or simply influencing the economy through market forces. The government itself is an active participant in nearly all business decisions -- an arrangement acceptable to the private sector because it is not constraining capital accumulation and is in fact conducive to the success of its enterprises.

The State and Land Reform in South Korea and Taiwan

The initiation of land reform in both South Korea and Taiwan, both of which have a substantial agricultural base, enabled the breakdown of the old landlord system, the eventual increase in agricultural activity, the conversion of agricultural surplus into industrial and financial capital, and the maintenance of a good balance between agricultural and industrial sectors. Such desired effects however would not have been possible without the active intervention of the state in the performance of its role in legitimation and capital accumulation. Though not a sufficient condition for the NICs' later economic success, state-initiated land reform was a necessary condition in the initial phase of the transfer of agricultural surplus into industry and industrial capital formation indispensable to ISI. Hence, land reform for both Taiwan and Korea is the key issue to be considered from the perspective of their later industrial development.

The legislation of the land reform program in South Korea and Taiwan was carried out under similar circumstances. In both countries, land reform became a political imperative as a result of the balance of class forces in the post-war period.

Secondly, both were initiated not by progressive peasant organizations or movements but, ironically, by the landlord-dominated states who immediately realized the political dangers of maintaining the old system of landlordism after seeing the popular support gained by communists in mainland China and North Korea.

Thirdly, the ease of legislating land reform was facilitated by the fact that most of the lands up for redistribution were formerly owned by the Japanese colonizers. If they could be confiscated from the Japanese for redistribution to the landlords, then there seemed to be little legal obstacles in the way of redistributing them again to farmers. At the same time, land reform had also been initiated by General MacArthur in Japan itself.

Lastly, it also seemed that the landlords in both countries, though aware of the immediate effect of land reform on their property ownership, were beginning to be interested in entrepreneurial opportunities present in non-agricultural activities. Some landlords had already diversified into industry and commerce; others had sold their lands to tenants and relatives in anticipation of land reform; still others had utilized the compensation they received from government for other productive purposes.

Indeed, the presence of these very economic opportunities would not have been possible without the increasing dominance of capitalist relations in both Taiwan and South Korea. The consistent support provided by the United States to reforms in both South Korea and Taiwan after the war and to their staunchly anti-communist governments was conducive not only in maintaining conservative forces to dispel the threat of communism but also in creating an indigenous entrepreneurial or national bourgeoisie class.

The Case of Taiwan

Taiwan's agriculture was dominated by big landlords during the 1885-1945 colonial period, capturing more than one-third of total agricultural income. Agriculture then accounted for 90% of exports and contributed twice the share of industry to gross domestic product. With support from the United States, the Kuomintang implemented a thorough land reform program because of fear of rural unrest following the victory of the Maoists in mainland China. Its three stages of land reform -- the rent reduction program in 1949;

the confiscation and sale to tenants of Japanese-owned public lands beginning in 1951; and the "land-to-the-tiller" program of 1953-1954 which provided for an ownership limit of three hectares for every farmer -- abolished the landlord system and created a large group of small owner-cultivators which revitalized Taiwan's agriculture (Amsden, 1985: 84-85; Ka and Selden, 1986: 1297).

Initially, land reform did not result to impressive agricultural productivity. Annual growth rates averaged at only 4% from 1952-1960 after land reform, compared to a 4.2% average annual growth rate from 1920-1939 before land reform. However, the positive effects of land reform are to be seen in its strategic economic and social implications:

> Land reform broke the landlords' grip on the rural surplus and strengthened the foundations of a small holder peasantry owning and cultivating the land. In order to feed the more than one million mainlanders, most of whom served in the government and army and to stabilize market prices, the state sought substantial grain procurements. The rice collected by the state, approximately 400,000 tons per year in the early 1950s, rising to 600,000 tons by the end of the decade following land reform, provided rations to meet the needs of the state sector and the cities, facilitated dumping to keep prices low and provided a source of foreign exchange. The state relied on traditional agricultural exports, particularly rice and sugar, to provide foreign exchange for the import of machinery and raw materials (Ka and Selden, 1986: 1297).

Land reform did not only create a basically homogenous countryside populated by small owner-cultivators, it also enabled the state-led transfer of agricultural surplus to industry and the cities. It broke the power of the landlords to control the surplus from rural areas, a function now performed by the state. Through the state-directed barter of rice for chemical fertilizers, the state monopolized the production, import, and distribution of chemical fertilizers (Ka and Selden, 1986: 1299, 1303; Amsden, 1985: 86). After land reform, there was a revolution in agrarian relations. Land investments were not as profitable as before and there began a shift of agricultural capital to commerce and industry (Hamilton, 1983).

The state through agrarian reform was able to manipulate exchange prices and monopolize the fertilizer industry and rice trade. It was also able to ensure a steady supply of low-cost food to state employees and the public at large, providing it with a captive mass base of political support. Agriculture managed to meet domestic consumption needs and still produce some residues for export. Its high productivity saved a considerable amount of foreign exchange. The sector also provided a substantial market for the machines, chemicals, and tools produced by the domestic industry (Amsden, 1985: 87-88).

Through the net transfer of resources from agriculture to industrial purposes, such as capital for state enterprises and funds for public infrastructure to support industry, the state is able to generate more jobs, making people supportive of the status quo. As in South Korea, this is a classic case of the state's successful performance of its dual role in *capital accumulation*, i.e., in ensuring that surplus is re-invested in productive activities either by providing support to the private sector or by becoming a capitalist itself through state corporations, and *legitimation*, i.e., by maintaining law and order and mobilizing people's support for the current regime.

The Case of South Korea

The defeat of the Japanese after the war intensified the popular feeling in favor of land reform in South Korea. More than 90% of formerly Japanese-owned lands had been transferred to Korean cultivators prior to the National Assembly elections of 1948. These lands became the hotbed of contestation and unrest during the Japanese period. Hence, with the subsequent killings of some landlords and forced seizure of lands after the surrender of the Japanese, the rise of Korean nationalism, and the threat and growing popularity of communism, land reform seemed desirable and inevitable.

The landlord-dominated National Assembly, weakened drastically after the war, passed a land reform bill introduced in 1949 which abolished tenancy and destroyed the traditional base of material resources and mass support of the landlord class. Some landlords, however, had already moved into non-agricultural activities such as manufacturing industry and commerce while others had sold their lands to relatives and tenants before the reform (Mitchell, 1949: 152). Land productivity had drastically fallen after the war and the landlords found it difficult to further command authority over the collection of ground rent or their share of the produce. Figures show that around 570,000 hectares were sold directly by landlords to tenants in the period between the end of the war and the passage of the land reform bill compared to only 330,000 hectares redistributed by the government after 1949. The provisions of the bill itself appeared financially attractive to enterprising landlords. Owners of more than three hectares were paid in government bonds which could be converted into shares in former Japanese industries (Hamilton, 1986: 24-25).

As explained by Hamilton, the genesis of industrial capital in South Korea is inseparable from the transformation of agrarian class structure and relations through land reform. From the 1950s to the 1960s, the financing of industrial investment was made possible through the surplus created by the tight squeeze on agricultural incomes (Hamilton, 1986: 39). The conversion of landed wealth into merchant capital was a response to both the repulsion to land of former landlords which reflected their diminished political and economic power, and their attraction to commerce and later to industry which in turn reflected the growing commercial opportunities opened up by the influx of US aid and shortage of foreign exchange (Hamilton, 1986: 29).

While there is scarce evidence supporting that the same landlords became merchants and industrialists since some of them sold their government bonds and shares in Japanese industries to new entrepreneurs, many landlords remained wealthy even after the confiscation of their lands by government or their disposal through private share. In search of economic ventures to invest their money, these same landlords found profitable investments in commercial importation and later in the industrial production of import-substituting goods. Thus, it was revealed in a 1976 survey of manufacturing firms that 47% of the fathers of entrepreneurs had been "large-to-medium landowners." The important point "is not whether landlords were converted into capitalists but that asset-holding and investment in land declined while commercial accumulation accelerated (Hamilton, 1986: 31)." Hence,

> In the reordering of agrarian social relations and the ruin of the landlord, in the promotion and expansion of commercial capital and its transformation into industrial form, and in the provision of a vast supply of wage workers, the state has played a fundamental role; land reform, distribution of aid, allocation of import licenses and loans, then confiscation of illicit fortunes, curbing corruption, tying profitability to productive activity through a range of policies, cracking down on speculative and short-term capital, and sponsoring massive rural-urban migration, each has been instrumental in generating industrial capitalism (Hamilton, 1986: 38).

Thus, the landlords' economic functions of credit extension, financing rural improvements, production planning, marketing supervision, etc. were now done by state institutions (Mitchell, 1949: 149).

Statistics on the contribution of the agricultural sector to economic development was considered negligible because of low savings and taxes. Statistics on nominal terms of trade between agriculture and industry showed the bias against agriculture. That industrial development took place initially at the expense of rural exploitation could be gleaned from the conduct of government policy in the rice sector which was similar in some respects with that of Taiwan.

Until 1960, the government purchased rice from farmers at prices much lower than production costs, thus causing a decline in rural living standards up to 1967. It was only in the late 1960s when US food aid to South Korea was to expire with the accompanied loss of foreign exchange reserves caused by grain importation that South Korea took a deliberate shift in policy in favor of agriculture. Through its biased agricultural pricing policy and neglect of agriculture which dampened rural productivity, the state facilitated indirectly the transfer of agricultural "surplus" into industry to support industrial growth. Its rice collection program ensured the availability of cheap food to industrial workers which had the effect, intentional or not, of depressing the wage levels in the industrial sector. The bias against agriculture also encouraged the massive migration of the rural population into the urban industrial centers especially from 1967 onwards (Hamilton, 1986: 39-43), thus ensuring the availability of a large reserve army of labor available for capitalist production.

Indeed, the economic miracle in South Korea and Taiwan could not be explained solely on the basis of the early enactment of a comprehensive land reform program that dismantled landlordism and ensured the forced extraction of surplus from agriculture to support industrial growth, but one should not dismiss the importance of this factor. While land reform may not have been a sufficient condition inasmuch as there are other countries, especially socialist ones like Vietnam and Cuba, which have embarked on their own land redistribution programs but did not turn into NICs, the program itself was important to the development of an indigenous bourgeoisie in South Korea and Taiwan.

The Philippine Political Economy in the Post-War Period

Historical Roots of Peripheral Development

The Philippines was a former colony of Spain for more than three centuries from 1521 to 1898 until administration of the islands was transferred to the hands of the Americans in 1899 after the Spanish-American war. The main source of wealth and prestige during the Spanish period was landholding. Thus, when the economy was opened up to commerce, it was the export of agricultural products such as sugar, rice, hemp, tobacco, and indigo from Spanish-owned haciendas and friar estates that provided the main source of revenue for the colonial state and the landed elites in the Philippines.

Under Spanish and subsequently, American colonialism, the Philippine economic situation became a showcase of classic dependence whose dynamics are nurtured by its incorporation into the global market managed by its colonizers. It was mainly an exporter of raw materials, importer of finished products, and later, host to large agri-businesses involved in export crop production and multinational corporations producing half-manufactured goods and other export products. The local elites in the country became the main buffer between the masses and the colonizers and it is this history of elite collaboration with foreign powers which has long undermined Philippine sovereignty and independent economic development.

Since the post-war period, the goal of Philippine economic development has been to achieve

> relatively and absolutely increasing per capita income accruing to Filipinos, with an increasing relative share of aggregate income generated by manufacturing and a diminishing relative share of aggregate income generated by specialization and external trade in primary products and equally important, both an absolute and relative increase in the share of Filipinos in the ownership and management of the productive assets of the economy (Golay, 1961:10).

In other words, Philippine development planners would like the economy to industrialize not by becoming an exporter of raw materials and agricultural cash crops and importer of finished goods, but by developing the country's domestic industrial capacity without much dependence on foreign capital.

Between 1938 and 1956, the major dynamic element for agriculture and industry was production for the domestic market, with private and government consumption showing greater growth in real product than for investment or export (Goodstein,1962: 29, 31). Through ISI, using several legal and administrative measures such as the licensing of foreign exchange transactions, the administration of credit resources, and regulation of foreign direct investments and other regulatory powers, a new class of Filipino entrepreneurs developed in the manufacturing sector. By the late 1950s however, the Philippine economy experienced balance of payments difficulties, leading to a series of "decontrol" measures, peso devaluations, a shift in the internal terms of trade against the infant industrial sector, and a redirection of income flows toward the raw material and traditional commodity-producing sectors (Hayami and Ruttan, 1985: 378-379).

The Philippine State and Agricultural and Industrial Policies During the Marcos Years

The American recipe for political democracy was well followed in the Philippines from 1946 to 1972 -- elite competition within a formal constitutional framework. The masses were mobilized through traditional patron-client relations as landlords and capitalists alternated in occupying positions of state power. The declaration of martial law in September 1972, a few months before the next presidential elections which would have barred Marcos from seeking a third re-election, was sanctioned by the World Bank, the United States, and the American business community. Martial law for them would create a stable political climate essential to the restructuring of Philippine industrial and trade policies along the lines of World Bank prescriptions. This period paved the way for the creation of a new outward-looking EOI strategy patterned after Brazil, South Korea, and Taiwan (Bello, et.al, 1982: 127, 133-135).

Soon after the declaration of martial law, Marcos signed a land reform code restricted to rice and corn lands which provided for a leasehold system for farmlands below seven hectares in size and for redistribution of land to tenants for those whose owners have more than seven hectares. This agrarian reform program, limited and unsatisfactory to begin with, met serious obstacles in its implementation due to the resistance of landlords, their attempts to evade the law by converting to other crops or residential or commercial purposes, graft and corruption, and slow bureaucratic operations. Export croplands such as sugar, coconut, and tobacco were not placed under land reform because of the strong resistance of landlords and Marcos cronies who had vested interest in this sector. Besides, Marcos and his technocrats also saw the opportunity to use the agricultural export sector as the main source of foreign exchange during the EOI period.

Multilateral lending institutions offered handsome repayment packages to the Marcos government at a time when Western banks were awash with petrodollar deposits from oil-exporting countries. Much of these foreign loans went into unproductive state investments, ostentatious spendings, and later, repayment of maturing loans. The liberal extension of loans and vigorous attraction of foreign capital were accompanied by nepotism and corruption which grew to unprecedented levels. The lack of public accountability and absence of a politicized and organized citizenry placed Marcos and his cronies in a prolonged situation where no moral restraint nor political supervision could prevent them from using the nation's coffers for their personal benefit.

Impediments to Growth: Why the Philippines Did Not Become Another South Korea or Taiwan

The central role of the state in the formulation of a mix of development strategies is the main point to be analyzed in discussing the reasons why the Philippines did not become an NIC like South Korea and Taiwan. It is inadequate to merely say that the Philippines had missed the golden opportunities opened up for capital accumulation by the international economy. What is the political economy behind these "missed opportunities?" Given that the same constraints and possibilities in the international economy were available to all NIC aspirants, why did the Philippines fail to take advantage of these opportunities? If individuals are considered as rational decision-makers, always calculating costs and benefits, and if states are composed of rational players, why do some states like the Philippines seem less rational than others, less optimizing of end and means?

This paper agrees with Haggard that the NICs economic strategies must be understood in terms of policy shifts and choices conditioned by international shocks and pressures, domestic economic crises, interests of political elites in building coalitions and sustaining bases of social support, and organizational capabilities and instruments that political elites have at their disposal in the pursuit of their goals (Haggard, 1990:3-4).

In like manner, to understand why the Philippines took a different development path, it is important to analyze both the domestic and international forces and conditions that influence state policy choices and decision-making. The focus of this paper however is to look at how the state responds to, alters, or reinforces such forces that influence policymaking for agriculture and industry. These forces are better differentiated on the basis of their nature, i.e., between those that are structural and those that are conjunctural.

The "method of difference" is used here to analyze why the Philippines on the basis of certain hypothesized differences had followed a different development path from South Korea and Taiwan. It appears that despite the fact that the Philippine state, especially during the Marcos administration, exhibited certain authoritarian characteristics similar to South Korea and Taiwan -- their all being client-states of the United States, their use of repressive "developmentalist" ideology of social control, their emphasis on the national goals of "development" and "modernization," their dependence on the military to maintain law and order, and other aspects of authoritarianism that ensure their being a part of the "international structure of imperialist domination" (Thomas, 1984: 119-125) – these authoritarian state features are perhaps only a necessary but not a sufficient condition for the success of a development strategy along EOI lines as pursued by the NICs. The other necessary conditions will have to be located in the structural features of Philippine society and political economy, particularly its class structure, and the conjunctural events that had shaped positively or negatively the policy choices made by the Philippine state and political elites.

The following theses in the form of propositions are substantiated and offered as reasons behind the "missed opportunities" that kept the Philippines away from the path of development along the lines pursued by South Korea and Taiwan:

1. The nature of the Philippine colonial state and class structure after the second world war has set the tone for the shaping of post-war economic policies which prevented its early industrialization.

The states that developed in Taiwan and South Korea were basically strong, activist, anti-communist states, precisely because of the unique historical events that led to the post-colonial state formation after the war. Massive US aid was extended to the new nation-states because of American hegemonic interests of not only warding off the threat of communism but also of restructuring the alignment of forces and balance of power in the region after the war.

The Japanese colonial state also left a different economic legacy to South Korea and Taiwan. Initially, the two economies served as agricultural appendages to serve the economic development of Japan and its imperialist ambitions before the war. Industrialization took place not only in Taiwan's manufacturing but also in chemicals, metallurgy, communications, railroads, ports, and commercialization of agriculture (Amsden, 1985: 79-81). Central banking and zaibatsu conglomerates were also established in South Korea. The Japanese also left economic structures based on central coordination, labor exclusion, private concentration in big conglomerates, bureaucratic planning, and relative state autonomy. Thus the economic development of Japan, South Korea, and Taiwan must be seen as a regional, not a specific country phenomenon, making it a difficult model for other countries to follow (Cumings, 1987:53, 81).

What the Philippines inherited from the United States was a legacy of limited government, the preference for free trade – which greatly benefitted the American economy – a presidential system that ensured the alteration of rule among elite groups, and the ideology of private enterprise. Intense elite competition created a different state-society-politics dynamic of relations that debilitated economic decision-making. Thus, we see the emergence of a very weak state in post-war Philippines unlike in Taiwan and South Korea. As Hawes explains:

> When the state intervened in the economy, it did so in response to economic crisis. When the state took action, it was most often in response to the demands of one or another segment of the bourgeoisie

> for protection or favorable treatment – it was not the action of an insulated state standing in domination over the entire bourgeoisie. These twin problems, the lack of strong leadership and the complementary tendency of the state to respond in preferential, partisan fashion to demands from segments of the bourgeoisie, characterized the Philippines after independence (Hawes, 1987: 32).

2. The ill-timing of the Philippines' ISI had maintained the Philippines' unfavorable location within the international and regional division of labor. On the other hand, the Philippine authoritarian state that developed much later than South Korea had a weak character.

By the time South Korea and Taiwan were already moving beyond ISI and simultaneously combining it with an EOI strategy, the Philippines was still very much inward-looking in its economic targets. In fact, it was only after the declaration of martial law in 1972, at a time when other Asian NICs were already making success in import-substitution of machinery and other capital goods, that the Philippines proceeded with the export-oriented phase of industrialization. Thus, the Philippines entered its EOI phase more than a decade late than South Korea and Taiwan. By that time, the new division of labor in the international economy was shifting and left the Philippines behind. Even during the brief economic boom immediately after the martial law declaration, Philippine exports were still largely agricultural while other countries were supplying the external demand for manufactured goods (Hawes, 1987:15,151).

The timing of the authoritarian regimes is a factor as well. The challenge from radical groups was eliminated in South Korea and Taiwan soon after the two countries' post-war consolidation of state power (Cheng and Haggard, 1987: 117). The authoritarian regime of Park Chung Hee was installed in 1961, a full eleven years before Marcos declared martial law in the Philippines. This time difference enabled South Korea to gain a head start in imposing non-democratic measures and practices to attain the desired national development goals. South Korea already had a repressive political climate conducive to the massive exploitation of labor for at least more than a decade before a similar "stable" political climate prevailed in the Philippines. Prior to the declaration of martial law, the Philippines was beset by labor unrest, resulting to about 769 actual strikes and 52,255,000 worker-hours lost in the period 1966 up to the declaration of martial law in September 1972 (See Table IV, Appendix).

It may be said that the shift to EOI in the Philippines necessitated the prior declaration of martial law because of the stronger role of other social actors in the political sphere than that in post-war South Korea and Taiwan. Workers and farmers as well as middle class and small business people were to a greater extent excluded from South Korea's and Taiwan's politics from the 1950s to 1960s; there was less plural competition for power, hence, the state enjoyed greater autonomy from both the dominant and oppressed classes compared to the Philippines (Cumings, 1987: 69-70; Hawes, 1987: 38-39).

The weak character of the Philippine authoritarian state under Marcos was a historical product of this broad post-war political sphere. Its main features were the populist character of the political system that nurtured the existence of vertical, personal patron-client relationships which cemented social networks of patronage, and the creation of a group of Marcos crony capitalists and growth of the crony enterprises which marginalized the non-crony private sector and made the economy more vulnerable to external economic shocks (Haggard in Nelson, 1990: 216-218; 232).

3. Unlike South Korea and Taiwan which had been farsighted enough to target the domestic production of intermediate and capital goods, the Philippine economy had not moved beyond import-substitution of light consumer goods for the domestic market while at the same time importing the necessary capital goods.

The uniqueness of South Korea's and Taiwan's experience with ISI in the 1950s and 1960s was that import-substitution industries in light manufacturing goods in the 1950s became export industries in the 1960s, while the rapid export growth since the 1960s was accompanied by continuous import-substitution in the light as well as heavy and chemical manufacturing sectors. Both South Korea and Taiwan as of the mid-1970s were already in the stage of intermediate and capital goods import-substitution (Suh, 1975: 291-292; Hsing, 1971). It is this ability of both countries to move beyond the export of light manufactured goods and go into the production of intermediate capital goods that facilitated its fast-paced growth, making them less dependent on foreign capital for industrialization and even ensuring the indigenous development of research and development.

During the period of decontrol in the early 1960s in the Philippines, a protectionist tariff structure and an overvalued domestic currency policy had to be implemented to maintain the profits of import-substitution industries. Despite the later attempt of the government to encourage the development of export-oriented industries, the overvalued peso maintained the dominance of industries producing non-tradeable and importable goods and made imports relatively cheaper, enabling them to finance less expensively their input requirements and capital needs. Since the export market was unstable and small to begin with, the domestic-oriented industries were not subsidized by the export sector. The development of local import-substitution industries producing intermediate and capital goods was not encouraged because of cheap importation. This cycle of importation of capital goods, dependence on foreign capital and credit, and exportation of half-manufactured goods and cash crops maintained the Philippines as primarily a source of raw materials and cheap manufactured goods and a market for capital goods and other finished products (Angeles, 1988: 40-41).

Tables II and III on the growth and structure of production, and the structure of manufacturing value added (MVA) comparing the Philippines with South Korea, Hongkong, and Taiwan suggest that the Philippines remained primarily agricultural during and even after its ISI and EOI stages. Compared to South Korea where the contribution of manufacturing to industrial GDP growth has consistently increased from 1965 to 1985 and where its share, together with the service sector, in the distribution of MVA has also increased, in the Philippines, food and agriculture still rank as the highest in terms of MVA shares while industry and manufacturing were even plagued with negative growth rates in GDP from 1980 to 1985. The political instability in the aftermath of the 1983 assassination of former Senator Benigno Aquino, the husband of President Aquino, had contributed to the massive capital flight and overall decline of the economy during this period.

4. Unlike South Korea and Taiwan, the presence of a strong landlord class in the Philippines which occupies important positions in state institutions has consistently blocked any attempt to enact a progressive land reform program that could help create an indigenous entrepreneurial class and stimulate industrial growth.

The persistence of the centuries-old agrarian problem in the Philippines -- rural poverty, increasing ranks of landless agricultural workers, the contradictory trends of land fragmentation and concentration of land ownership -- is considered to be the main bottleneck of economic development in the Philippines. For several reasons identified in the early part of this paper, industrial development would not occur without simultaneously paying attention to agricultural development. For a while, South Korea's and Taiwan's agriculture had provided the cushion absorbing the shocks brought about by the booming industries. Philippine agriculture, on the other hand, has been suffering from discrimination and neglect without the accompanied industrial growth.

What made the Philippines radically different from Taiwan, but not so much from South Korea, was that in Taiwan, the political elites who moved to the islands in 1949 were not landlords. Due to the absence of a landed political elite coupled with stringent control that further weakened the landlord class, land reform was carried out with ease, making agriculture subordinate to the economic goals set by the state (Hawes, 1987:92).

The difference in the timing of the enactment of land reform programs in the three countries as well as the quality of their provisions is also important to consider. South Korea and Taiwan had already implemented a drastic land reform program that effectively eliminated the landlords' former bases of support and resources by 1951, whereas the Philippines' landlord-dominated Congress since the period of independence in 1946 dragged its feet and sat on all land reform bills introduced in the legislature, even when faced with a strong armed peasant movement. The land reform code passed under President Macapagal was inadequate and was hardly implemented because of the attempts of landlords to block or evade its implementation (Wurfel, 1988).

It has been proven in the experience of several countries that smaller agricultural plots are more productive and efficient than large landed estates or plantations, hence, an argument in support of a land-to-the-tiller program (Griffin,1974). Philippine agriculture however, especially in sugar, coconut, fruit, and other export crops, is still in the hands of big landowners or multinationals who have the means at their disposal for capital-intensive production. Even in rice production, a Corporate Farm Program started under

Marcos militate against the very aim of land reform to break the concentration of land ownership in a few private hands.

Agriculture in itself is the backbone of food and manufacturing industry, especially export cash crops, livestock, and forestry. Its importance in helping create the necessary backward and forward linkages in relation to industrial production is best captured by this paragraph explaining that the Philippines failed at its industrial growth strategy because of its neglect of the agricultural sector:

> The inability to expand food production in the face of rising demand during the 1960s was a reflection of the failure, during both the colonial period and the 1950s to make the investments in land and water resource development, in experiment station capacity, and in the production of industrial inputs needed to sustain growth in agricultural productivity. Throughout this period there was little change in agricultural productivity. Output expansion was largely accounted for by expansion of traditional inputs. Output per worker rose only slightly. Output per unit of land area declined. Total productivity remained approximately unchanged. Capital investment in the industrial sector purchased too few new jobs. Failure to make the investments in agricultural research, land and water development, and the industrial inputs necessary to achieve productivity growth in agriculture imposed severe limitations on the ability of the agricultural sector to respond to growth in demand (Hayami and Ruttan, 1985:380).

In 1980, resource outlow from export crop agriculture alone amounted to P6.6 billion compared to the P3.5 billion transferred to agriculture through government spending. It is doubtful however whether this extraction of surplus from the agricultural sector is used efficiently to finance capital formation in the industrial sector. Since the industrial sector in the Philippines is highly protected, the product and factor markets distorted, Philippine manufactured products are unable to compete in the external markets. Since the agricultural sector is also plagued with low productivity, poor infrastructural support, and inefficient technology, resource transfer from agriculture is not able to contribute effectively to industrial development (Bautista, 1987: 63). Unless alternative development strategies pay close attention to the problems in the agricultural sector and the dynamics of urban-rural, industrial-agricultural linkages, industrial policy would not be able to deliver the desired results.

5. The emerging indigenous entrepreneurial class in the Philippines before 1972 did not fully develop because of the strong nepotism and cronyism during Marcos's rule that discouraged the development of a free and open competition among several aspiring groups of entrepreneurs. Cronyism and the relatively weak position of local entrepreneurs who suffer from the lack of production incentives and other support make them find attractive the option to tie-up with foreign capital, enabling the greater domination of the economy by foreign direct investments compared to NICs such as South Korea and Taiwan, and even Singapore.

What developed in the Philippines after 1972 was a systemic cronyism which made the entire economy vulnerable to shocks from the outside. This crony capitalism, together with state intervention, was, in fact, singled out by the current Aquino government as the main enemy that had to be eradicated through the recovery of ill-gotten wealth and privatization of former crony firms (National Economic Development Authority, 1987).

Marcos cronies from 1972 to 1986 were given preferential treatment in the monopolization of the agricultural export markets, the development of enterprises in protected non-tradeable goods sector, and the control of foreign loans, aid, and direct investments. Their strong presence in the management and ownership of state corporations, finance and banking institutions as well as in Cabinet and foreign service posts had alienated the private non-crony sector. Cronyism further distorted the economy as more crony firms engaged in inefficient allocation of foreign loans and aid, poor investment decisions, less strict auditing and supervision of economic policy decisions which all encouraged graft and corruption in government and the public industrial sector. All these prevented the full flowering of a national entrepreneurial class that could have engineered a path of capitalist development which is not premised on dependence on foreign capital and reliance on international financial agencies such as the International Monetary Fund (IMF) and the World Bank.

The presence of a strong indigenous bourgeoisie class in Taiwan and South Korea is often highlighted in the literature as one of the main reasons behind their economic success (Hamilton, 1983, 1986; Bienefeld, 1981; Harris, 1981). Whereas, in the Philippines, the existence of a national bourgeoisie has often been put into question, because of its tie-up with foreign capital (Stauffer, 1980; Rivera, et al., 1982; Constantino, 1979).

There is much more multinational corporation (MNC) penetration of the Philippine economy than of South Korea and Taiwan, where direct foreign investments are not dominant compared to Singapore (Cheng and Haggard, 1987: 84). South Korea in particular had not been able to attract much foreign investors because it lacks natural resources and suffers from internal security problems (Yung, 1986: 1024). Data from the IMF Financial Statistics as quoted by the United Nations Industrial Development Organization (UNIDO) show that the share of foreign direct investments in gross fixed capital formation in the Philippines for 1988 was at $15.6 million, but only $1.4 million for South Korea in the same year. In fact, it is claimed that foreign loans had a much more important role in South Korean development, with the South Korean government using it as replacement for direct foreign investments (Yung, 1986).

The active promotion of the Philippine economy as host to foreign investments started under Marcos's first term when he passed the Investment Incentives Act in 1967 which provided an attractive package of tax holidays, subsidies, and other incentives to foreign investors. The act was revised after 1972 to provide a more "favorable" climate for investments, leading to the creation of labor-intensive, export-oriented subcontracting firms linked to multinational firms and export processing zones with the infrastructural support financed by foreign loans. This industrial policy therefore was highly biased against local producers. The protective tariffs, subsidies, and other incentives they used to enjoy in the 1950s and 1960s were removed in the name of eradicating local inefficiency and encouraging export-orientation. As a result, many local business enterprises went bankrupt or sought junior partnership or subcontracting arrangements with transnational corporations. It also limited the possibility of developing the necessary forward and backward linkages in the domestic economy because of the MNCs' reliance on imported inputs and the external market which further constrained the domestic market from growing. Wages were kept depressed since Filipinos were not the consumers of non-traditional products like electronics, garments, and footwear geared primarily for export (Ofreneo, 1985: 176-180).

Nationalist scholars in the Philippines point out the other adverse effects of MNCs -- assault on national sovereignty, their contribution to corruption they so ridicule as a Third World disease by buying out politicians and bribing administrative personnel, restrictive business practices, transfer pricing, repatriation of profits abroad, and the negative impact on the balance of payments (Stauffer, 1980: 19-22). They also challenge the widespread view that the MNCs' primary "benefit" is to bring in fresh capital from abroad. It has been pointed out that for every dollar directly invested by American MNCs in the Philippines from 1946 to 1976, it earned \$3.58 -- \$2.00 was repatriated abroad as profit while the remaining \$1.58 was re-invested in the country, in effect "de-capitalizing" the economy by \$398 million in the thirty-year period (Constantino, 1979:38; see also Ofreneo, 1985: 178). American companies have also borrowed 85% of their funds from local sources in the period 1956 to 1965 based on a 1967 study by the National Economic Council. The largest borrowers of local credit were also the top foreign banks and local commercial banks with foreign equity according to a study done by the Securities and Exchange Commission in 1976 (Constantino, 1979:35).

The dependence of Philippine economy on foreign capital and aid has ensured its continued integration into the world capitalist economy and the honoring of IMF-WB prescriptions and conditionalities attached to foreign credit extension. Even the coming to power of President Aquino in 1986 was not able to put an end to this trend. On the contrary, the new regime had shown a strong preference and commitment to honor and obey the rules of the international financial system as well as the demands of the external market than to give priority to the protection and development of the domestic market and local productive forces (Angeles, 1988:44, 62-63).

6. The Philippine state under the Marcos regime had incurred and poorly managed a huge foreign debt since the 1970s. The poor allocation of foreign loans and mismanagement of the debt crisis had not only worsened the economic situation but also diverted valuable resources away from better and productive areas of investment.

Both South Korea and the Philippines are highly indebted countries. As of 1985, South Korea had a higher total foreign debt of \$47,996 million than the Philippines which had $24.342 million, yet it is the Philippines which was considered by the World Bank as being in a heavy debt crisis when its level of indebtedness was viewed alongside its overall economic performance (World Bank, 1987).

By the end of the 1960s up to the 1970s, the currency supply was affected by the BOP deficit of the US due to its expenditures in the Vietnam War and the trade surplus enjoyed by the oil-exporting countries in the Middle East (Schmitz, 1984: 12). The petrodollars turned into revenues for private transnational banks and were made available as loans to many Third World countries to finance their development projects and BOP deficits. The BOP situations of both South Korea and the Philippines were adversely affected by the two oil price shocks of 1973-1974 and 1979-1980, yet they responded differently to these external shocks.

South Korea's "successful" debt management was due to the government's ability to adjust to adverse developments in the international scene and avoid the financial difficulties faced by other countries while maintaining high growth rates. Its thrust to move towards EOI as a response to its limited domestic market coupled with ISI in heavy and chemical industries necessitated financing through external borrowing instead of direct foreign investments. Capital financing through foreign debts proved to be more attractive than through direct investments. Due to South Korea's overvalued exchange rate in an inflationary market, the real interest rate on foreign loans was consistently negative; whereas with direct foreign investments, the investment earnings were repatriated thus offsetting the implicit subsidies associated with negative real interest rate (Yung, 1986: 1023-1024).

The South Korean government's role in foreign debt allocation is largely responsible for the economic growth it experienced during the unfavorable decade of the 1970s. It rationed foreign loans to firms on the basis of their profitability and ranking in investment priorities. Capital-intensive industries in chemical and heavy metals, including shipbuilding, were given priority as the economy was restructuring its manufacturing sector (See Table V, Appendix). Through its almost complete control and strict supervision over the allocation of loans between industries and sectors, loans were not diverted to purposes other than what the government intended. Though these heavy industries did not generate export earnings in the short-run, in the long-run, the government's decision paid off because these industries became the primary sources of revenue that propelled South Korea towards industrialization (Yung, 1986: 1028-1037).

In the case of the Philippines, it is the public sector, basically the state-owned banks and corporations, ostentatious spendings on government projects , and private firms owned and managed by Marcos cronies which were given the biggest chunk of the foreign loans acquired in the 1970s, to the detriment of non-crony enterprises which may be more efficient and profitable. Hence, tight monitoring and control by the state for productive purposes were ironically weakened by state patronage and political intervention.

The government-led investment boom in the critical period of 1979-1983 further consumed more foreign loans. By that time, the extremely difficult situation of acquiring fresh credit was further aggravated by maturing loans, increasing interest rates, world-wide recession, and declining terms of trade (Remolona and Mangahas, 1896: 998). The overvalued foreign exchange rate did not dampen imports nor was it used to promote the export of goods produced by domestic heavy industries, a sector which was not given significant priority by the Marcos regime.

Conclusion

The preceeding section has shown that a lot of factors -- historical, political, and economic -- were behind the inability of the Philippines to catch-up with the economic growth of the East Asian NICs. South Korea, Taiwan, and Singapore have surpassed the Philippines in all indicators of economic growth and welfare because of the proper mixture of domestic policies pursued by the state in responding to both local and international pressures.

The arguments of this paper revolve around five main clusters of factors affecting Philippine decision-making: colonial history, agricultural-industry linkages, agrarian reform, class structures, and state structures and capabilities. Domestic political and economic conditions are emphasized more than external contraints which are often surmountable when confronted by the sound exercise of discretionary powers by the state and political coalitions.

This paper suggests that the Philippines has so much to learn about agricultural transition to development from South Korea and Taiwan. It therefore becomes a political and economic imperative on the part of Philippine development planners and social forces to pay attention to the changing agrarian class structure and relations in the countrysides, particularly the persistence of landlordism, the growing mass of landless agricultural workers, and other trends that tend to dampen agricultural productivity. Reforms in the realms of rural development, trade, industrial policy, income distribution, and taxation would not have far-reaching effects without simultaneously addressing the agrarian problem which lies at the core of the Philippines' poor economic performance relative to the East Asian NICs.

Unlike in South Korea and Taiwan, the inability of the Philippine state under Marcos's rule to make rational policy choices conducive to sound agricultural and industrial growth was largely constrained by political considerations shaped by the regime's function of legitimation and the social class structure. When the contradictions and crises generated by continuous capital accumulation surfaced, the legitimacy of the regime was threatened, forcing it to cling to power at the expense of long-run economic considerations. The policy decisions reached by the state under Marcos appeared "rational" from the perspective of its legitimation function but given its authoritarian though weak character, it had to rely inordinately on the support of the military and its patronage networks to ensure control. It was when the regime was left with little room for political maneuvering that all the bad consequences of its unsound economic policies came to the fore, leading to its downfall. Such is the political economy behind the "missed opportunities" that kept the Philippines away from the NICs' path of development.

There are other issues not fully addressed by the paper, particularly issues of welfare and income distribution in the countries studied. There are certainly a lot of unsatisfactory features in the NICs' formula of economic growth, especially the preference for growth and development, over democracy and distribution which make it not an ideal model for other Third World countries to follow. Both South Korea and the Philippines have poor distribution of income (See Table VI, Appendix) and are still governed by regimes which have little consideration for human rights and are highly reliant on US patronage.

The East Asian NICs have been able to take advantage of opportune moments in the international economy that are not likely to re-appear (Kaplinsky, 1984) in this decade of the 90s. Hence, the Philippines is likely to maintain its disadvantaged position in the international division of labor. Worse, the present government of President Aquino has not departed much from the failed development strategy pursued by the regime it brought down.

Appendix

Table I

Basic Indicators

	Philippines	South Korea	Hongkong	Singapore
Population (million, 1985)	54.7	41.1	5.4	2.6
Area (thousand of sq. km.)	300	98	1	1
GNP per capita (dollars, 1985)	580	2,150	6,230	7,420
Ave. Annual Growth Rate (1965-1985)	2.3	6.6	6.1	7.6
Ave. Annual Rate of Inflation (%)				
1965-1980	11.8	18.7	8.1	4.8
1980-1985	19.3	6.0	7.9	3.1
Life Expectancy at Birth (yrs., 1985)	63	69	76	73
Population per Physician				
1965	--	2,700	2,460	1,900
1981	6,710	1,390	1,300	1,100
Daily Calorie Supply per capita				
1965	1,936	2,255	2,502	2,214
1985	2,341	2,841	2,698	2,771
Infant Mortality Rate (aged under 1)				
1965	72	63	28	26
1985	48	27	9	9

Source: World Bank, *World Development Report*, 1987.

Table II

Growth of Production, Consumption, and Investment

Average Annual Growth Rate (%)

1965-1985

	Philippines	South Korea	Hongkong	Singapore
GDP				
1965-1980	5.9	9.5	8.5	10.2
1980-1985	-0.5	7.9	5.9	6.5
Agriculture				
1965-1980	4.6	3.0	--	3.1
1980-1985	1.7	6.3	--	-1.8
Industry				
1965-1980	8.0	16.6	--	12.2
1980-1985	-2.8	9.6	--	5.9
Manufacturing				
1965-1980	7.5	18.8	--	13.3
1980-1985	-1.2	9.0	--	2.1
Services				
1965-1980	5.2	9.4	--	9.7
1980-1985	0.1	6.7	--	6.9
General Gov't Consumption				
1965-1980	7.7	6.7	7.7	10.1
1980-1985	-0.6	3.4	6.2	9.4
Private Consumption				
1965-1980	4.5	7.9	9.0	7.8
1980-1985	2.3	5.5	6.6	4.5
Gross Domestic Investment				
1965-1980	8.5	16.5	8.6	13.9
1980-1985	-14.4	9.6	-1.7	7.4

Source: World Bank, *World Development Report*, 1987.

Table III

Structure of Production and of Manufacturing Value Added

Countries	Philippines	South Korea	Hongkong	Singapore
Structure of Production				
GDP ($million)				
1965	6,010	3,000	2,150	970
1985	32,590	86,180	30,730	17,470
Distribution of GDP (%)				
Agriculture				
1965	26	39	2	3
1985	27	14	1	1
Industry				
1965	28	26	40	24
1985	32	41	31	37
Manufacturing				
1965	20	19	24	15
1985	25	28	24	24
Services				
1965	46	35	58	73
1985	41	45	68	62
Structure of Manufacturing				
Value Added in Mfg. ($ million)				
1970	4,383	4,239	--	1,174
1984	8,644	26,650	--	3,854
Distribution of Mfg. Value Added (1980 prices, %)				
Food and Agriculture				
1970	42	13	4	8
1984	44	9	--	3
Textile and Clothing				
1970	11	16	50	8
1984	14	17	--	4
Machinery, Transport, and Equipment				
1970	9	9	16	20
1984	8	29	--	52
Chemicals				
1970	6	16	1	3
1984	7	11	--	6
Others				
1970	32	46	28	61
1984	28	35	--	35

Source: World Bank, *World Development Report*, 1987.

Table IV
Number of New Strike Notices Filed, Actual Strikes, Workers Involved, and Worker-hours Lost Philippines, 1966-1981

Year	New strike notices	Actual strikes	With notice~	Without notice	Workers involved	Worker-hrs. lost~~ ('000)
1966	612	108			61,496	6,050
1967	561	88			47,524	5,575
1968	569	121			46,445	4,676
1969	621	122			62,803	8,533
1970	819	104			36,852	7,958
1971	979	157			62,138	11,434
1972~~~	1,043	69			33,396	8,029
1973						
1974						
1975~~~~	13	5	1	4	1,760	31
1976	305	86	40	46	70,929	1,713
1977	146	33	23	10	30,183	274
1978	295	53	24	29	33,731	1,250
1979	316	48	24	24	16,728	1,391
1980	362	60	31	31	20,902	842
1981	784	260	155	155	98,585	6,368

Source: Bureau of Labor Relations and Ministry of Labor and Employment (MOLE) Manila, Philippines, as quoted in Felipe B. Miranda, "The Military" in R.J. May and Francisco Nemenzo, eds., *The Philippines After Marcos*. 1985. London, Sydney: Croom Helm: 99.

~ Prior to martial law, establishments were not required to file notices of strike.

~~ For 1966 to 1972, worker-hours are computed by multiplying reported idle worker-days by eight.

~~~ Up to the month of September, since all work stoppages were prohibited upon martial law.

~~~~ December 1975 only.

Table V
Foreign Loans Allocation in Heavy and Chemical Industries
($ million)
South Korea, 1975-1982

	1975-1976	1977-1978	1979-1980	1981-1982
I. Manufacturing	1,224.5	2,268.1	1,743.3	873.9
1. Heavy and chemical industries	868.6* (70.9)~	1,829.8 (80.7)	1,400.7 (80.3)	734.6 (84.1)
i. Chemicals	268.3 (30.9)~~	648.2 (35.4)	268.5 (19.2)	347.4 (47.3)
ii. Metal and non-ferrous metals	368.4 (42.4)~~	870.7 (47.6)	865.7 61.8)	91.8 (12.5)
Iron and Steel	351.7 (40.5)~~	835.5 (45.7)	78.0 (55.5)	
iii. Transport equipment	142.6 (46.4)~~	142.6 (7.8)	91.4 (6.5)	98.6 (13.4)
Shipbuiding	36.0 (4.1)~~	125.3 (6.8)	41.8 (3.0)	
iv. General machinery	55.3 (6.4)~~	12.4 (6.1)	165.2 (11.8)	137.9 (18.8)
v. Electrical machinery	33.9 (3.9)	55.7 (3.0)	9.6 (0.7)	58.9 (8.0)
2. Light Industries	355.9 (29.1)~	438.3 (19.3)	342.6 (19.7)	139.3 (15.9)

Source: Bank of Korea, *Economic Statistics Yearbook*, various data provided by the Bank of Korea, as cited in Yung Chul Park, "Foreign Debt, Balance of Payments and Growth Prospects: The Case of South Korea, 1965-1988," *World Development* 14,8 (1986): 1058.

*SITC 33, 5, 67,68,7, and 86

~ as percent of manufacturing

~~as percent of heavy and chemical industries

Table VI

Income Distribution in the Philippines and South Korea

Various Years

South Korea	1965~	1970~	1975~	1976~~	1980~
Lowest 40%	19.34	19.63	16.85	16.9	16.06
Middle 40%	38.85	38.75	37.81	37.8	38.55
Top 20%	41.81	41.62	45.34	45.3	45.39
Philippines		1971~~~		1985~~	
Lowest 40%		11.6		14.1	
Middle 40%		34.6		33.4	
Top 20%		53.8		52.5	

~ From Hagen Koo, "The Political Economy of Income Distribution in South Korea: The Impact of State's Industrialization Policies," *World Development* 12,10 (1984): 1029-1037.

~~From World Bank, *World Development Report*, 1987, Appendix.

~~~ From Ankie Hoogvett, *The Third World in Global Development*. 1982. London: Macmillan. Table 1.10.

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