Is There No Room for Nationalism in the Medium-Term Development Plan?*

Wigberto E. Tañada

Lately, media has been inundated with criticisms of the government's draft Medium-Term Philippine Development Plan 1993-1998. The hearings conducted by the Senate Committee on Economic Affairs have enlightened the public on how unrealistic some of the assumptions made by the nation's economic planners are regarding the so-called medium-term plan of the Ramos administration to transform our ailing economy into newly-industrializing country (NIC) status by the turn of the century.

The plan is overly ambitious. From a zero growth rate in 1991 and 1992, the economy is projected to register an average annual growth rate of 7.5 percent from 1993-98, with the last year of the plan ending with a perfect 10 percent growth rate. By then, inflation would be down to 1.1 percent, poverty incidence would be limited to 30 percent of the population (from 41 percent in 1990 and over 50 percent during the Marcos years), exports would have tripled to $27.2 billion (from $10.8 billion in 1993), and unemployment would be at a manageable level of 6.6 percent (in contrast to the double-digit figure of the 1980s and early 1990s). Our per

* This is the text of Senator Tañada's privilege speech delivered before the Philippine House of Representatives on May 26, 1993.

capita Gross National Product (GNP) growth rate would not only surpass the 1981 level but would also reach the psychological rate of $1,000 by 1998.

A newly-industrializing economy for an empowered people — this, in brief, is the government's battlecry in the Medium-Term Philippine Development Plan for 1993-1998.

I believe no one in this august chamber will quarrel with such a lofty goal. The Philippines has been down for too long. It is indeed urgent that we all join hands in pushing our economy towards speedy recovery and sustained accelerated growth.

For this, we really need a clear and realistic development plan.

Unfortunately, the new development plan does not give us any assurance that we shall be able to achieve NIC status by the year 2000, much less register a respectable growth rate of 7-8 percent annually. I join Senator Neptali Gonzales in his observation that the plan looks like a mere collection of motherhood statements and questionable development strategies. I also agree with the criticisms aired by Senators Arroyo and Ople that many of the plan's assumptions are unrealistic and , therefore, make the plan unworkable.

Not a True Plan

I will not repeat the numerous criticisms aired by various quarters regarding the plan, especially regarding its long list of unrealistic or questionable development targets.

I just want to take this opportunity to point out that the plan has failed to address some of the fundamental economic problems facing this nation. To me, the problem is not that the plan, by setting those high growth targets, is too ambitious; rather, the problem is that the plan, by ignoring or evading some of these key economic problems, is not really a sensible and true plan. It is really a plan to simply titillate our minds and whet our appetites for NIC-hood and nothing more.

Now, what are the problems that the plan, by design or neglect, has been ignoring or evading?

First, the plan does not fully discuss the debt crisis and how this can be resolved within the lifetime of the plan. It is an established fact that the single most important stumbling block to economic growth in this country is its huge domestic and foreign indebtedness. We have a foreign debt of about $30.9 billion, a domestic debt of over P500 billion, and Central Bank liabilities now run at around P600 billion. This gives us a

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total indebtedness of over P1.5 trillion. At least 40 percent of the annual national budget goes to the servicing of the foreign and domestic debt. On top of this, the Central Bank, on its own and independent of Congress and the national government, has been allotting billions of pesos to its own domestic and foreign indebtedness. Clearly, a development plan that does not address the debt issue squarely and decisively is not worthy of being called an economic plan, much less a development plan.

The new National Economic Development Authority (NEDA) plan briefly refers to a debt service reduction policy without citing any new and innovative approaches to the management of the domestic and foreign debts. The plan also fails to consider that after the adoption of some debt reduction measures, such as debt conversions, the debt service burden would still amount to a crippling $4.6 billion a year.

The debt issue, contrary to the statements made by some finance officials, is not behind us. It will haunt us for years to come. In fact, it is bedevilling us today as the government is hardpressed to come up with means to finance its deficit and pump-prime the economy. We also know that the on-and-off talks by the government with the International Monetary Fund (IMF) on the new extended fund facility has been mired by debates on how high the growth and inflation rates should be — given the limited resources of the country.

Thus, it is surprising how our development planners have studiously avoided discussing the debt issue. In doing so, they are, in reality, being less than candid to the nation. This is in sharp contrast to a World Bank study which says that the total gross financing requirement of the country for the plan period 1993-1998 would still reach $27.9 billion or an average of over $5 billion a year. The same study is candid enough to say that this financing requirement has to be sourced from our official creditors, principally the IMF and the World Bank, which naturally would impose their usual conditionalities and stabilization recipes. Under the circumstances, it is the economic plan of these creditors that is likely to be put in place, particularly, the various macroeconomic targets being discussed by our finance officials with regard to the IMF's Extended Fund Facility and the World Bank's Economic Integration Loan.

Second, the plan, while admitting the possible adverse impact on the economy and industry of structural adjustment and liberalization measures, does not spell out which industries are going to be hurt and what kind of adjustments should be made to minimize dislocations, particularly, of the workers of these industries.

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Curiously, the plan talks enthusiastically of Philippine support to the ASEAN Free Trade Area (AFTA), a trade liberalization program that threatens the viability of a number of domestic industries. And yet, it has not even come up with the list of industries that is going to be adversely affected. The least that the economic planners should have done is draft an action program on how the local industries — already punished by earlier liberalization measures and endless power outages — can survive the competition that AFTA is bound to intensify.

Third, the plan does not place sufficient importance on the problem of redressing social inequity. How can there be genuine people empowerment if wealth and power is lopsidedly or unevenly distributed? The plan should have more decisively addressed urgent socioeconomic reforms such as land reform, tax reform, urban reform, access to education, and similar reform measures, including safety nets for the masses. We all know that the highly uneven distribution of income is one of the root causes of social unrest and insurgency. These have definitely taken a high toll on our budget as well as our unity as a nation.

The plan, therefore, should have included the accelerated implementation of these social reform measures as one of the major development strategies. These should have been placed on equal footing with strategies regarding sustainable development and international competitiveness.

Incidentally, the Ramos administration has been talking about Japan, Korea, and Taiwan as economic models for the Philippines. Have his advisers not told him that one of the major reasons for the rapid growth of Japan, Korea, and Taiwan in the 1950s and 1960s was the implementation in these countries of a comprehensive agrarian reform program which helped stabilize the countryside and expand the market for industrial goods?

Also, have his advisers not told him that these countries are not really models of a *laissez faire* or free enterprise development but of 'command capitalism' where the state plays more than an activist role as it literally interferes in the market by specifying how industries should develop and by guiding a number of industries to grow big via state assistance in terms of cheap credit, research and development, domestic protection, and so on?

Fourth, the plan does not talk about the development of the domestic market and domestic-oriented industries. With a population of 65 million, the Philippines has a large market for consumption goods, which can also fuel the demand for capital goods. And yet the plan is silent on the importance of the domestic market. It also ignores the vital role of industries catering to the domestic market. It just discusses international competitiveness, rather mindlessly, as if everything is determined through global competition and exposure to foreign products. Is it not simplistic to support export industries at the expense of the domestic industries, and vice versa. There should be a balanced development of both types of industries as successfully shown in the cases of Japan and Korea.

Fifth, our economic planners failed to consider certain constitutional guidelines on the economy in the drafting of the plan. For instance, the Constitution mandates an economy effectively controlled by Filipinos, the promotion of social justice in all aspects of national development, and the establishment of a just and dynamic social order independent of outside dictation. Since the plan is silent on these constitutional provisions, it does not say anything concrete on how the above shall be achieved under the plan. It does not specify how the Philippines, which is under IMF economic supervision, can assert its economic sovereignty and chart its economic course independent of external bodies such as the IMF and the World Bank. Under the trickle-down approach, which is what the plan is all about, the new Medium Term Plan simply expects that with economic liberalization, everything will lead to a progressive economy.

Sixth, the plan failed to take into consideration the lessons learned from our development failures in the 1980s up to the early 1990s and the appropriate strategies that should be adopted to prevent a repetition of such failures. What are these lessons?

One of the major lessons is that growth requires the development of appropriate institutions in society, such as, entrepreneurship, a working and reliable bureaucracy, peace and order, a respected judiciary, etc. Since this is an economic development plan, the plan should have at least given some space on how entrepreneurship should be promoted and developed — from the grassroots up to the level of big business entities. In a way, the failure of economic growth in our country is due to a failure or lack of investments, which, in turn, is traceable to weak entrepreneurship. Moreover, the promotion of entrepreneurship should be done in the context of a clear industrial plan which specifies or targets industries that have to be developed. Japan and Korea are examples of economic success stories which have relied heavily on clear industry targetting and entrepreneurship development.

As it is, the plan looks more like an 'expectation' rather than a 'development' plan, that is, NEDA expects that the adoption of trade liberalization, privatization, and other so-called economic liberalization measures will lead automatically to the flow of investments and the growth of industries. In real life, things do not happen this way. If they did, the various liberalization measures undertaken by past administrations in the 1980s should have brought the country to a higher level of economic growth. Look at the 1991 Foreign Investments Act which has liberalized the entry of foreign capital in the country, and the trickle of actual foreign investments under this Act. Economic liberalization measures help partly in clarifying the rules in the investment game. However, to have real investments, we need supporting institutions. Above all, we need to aggressively look for and develop the investors and entrepreneurs. This brings us to the last point.

Seventh, the plan ignores the importance of the local producers — the mass of our workers, the small farmers, the small entrepreneurs, and the local Filipino business firms. We have clear investment incentive guidelines for foreign investors and yet we do not have similar measures for our own local investors, especially the small and medium-scale ones from the rural areas. Are we discriminating against our own people? Do the economic planners appreciate the observation made by some foreign investors themselves that they will be encouraged to invest in a country where the natives are active and are playing the lead roles in the investment game. After all, investments by the locals are clear indicators of their own trust and faith in the economic health of their country?

And in the light of our failure to generate sufficient foreign investments, is it not logical to look inward for once?

Would it not be prudent to first mobilize our internal resources? Would it not be right to look at how we could utilize the billions of dollars being remitted by our overseas contract workers as capital for the rapid growth of the economy and the betterment of the standards of living of their respective families? Would it not be right to explore how we could help the Filipino entrepreneurs who have endured, and are still suffering, from the lack of electric and water services as well as sufficient infrastructure?

Are the economic planners afraid to be called pro-Filipino? Are they afraid to be called nationalistic? Is there no room for nationalism in our development plan? Are we producing a development plan for foreign investors alone? Are we not supposed to craft a development plan that will really empower the people, meaning that the great masses of our people will not only become the prime beneficiaries of the plan but will also become the leading actors in the investment and development process?

If not, we will be a historical oddity. For here are strange people who have lost their sense of nationality and nationalism that in the process they have become utterly dependent on foreign advice, foreign investments, and foreign assistance.

Conclusion

What I have laid out are just few of the important issues that have been left out of, or at least, given too little attention in the new Medium-Term Development Plan. I am afraid that if we fail to address these weaknesses, the new development plan would have the same fate as those of the previous development plans undertaken by the Marcos and Aquino administration — they would become inutile in the wake of the continuing economic crisis.

I am also afraid that the allotted funding for the new plan — 2.6 trillion pesos from 1993 to 1998 — would be for naught.

Above all, I am afraid that the stunted growth pattern of our economy and industry might continue. Instead of NIChood, our economy might continue to flounder. Instead of being united, we might continue to be a nation divided.