A CRITICAL LOOK INTO THE ROLE OF PUBLIC ENTERPRISES*

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The growth of public enterprises outside of centrally-planned economies has become prominent in recent years. This is particularly so in the Third World where government agencies are increasingly being used not only to provide public utilities such as transport and electricity but also to develop the economy through direct participation in industrial and commercial ventures (Gale, 1981: 1).

Considering the prominence of public enterprises, this paper focuses on the role played by these entities in Philippine development. Thereafter, a discussion is made about the criticism regarding public enterprises. Some cases are cited to elucidate the negative implications in establishing these enterprises. Finally, conclusive statements are made and a research agenda is offered on topics for further inquiry.

Background

The Nature of Public Enterprises in the Philippines. In the Philippines, the upsurge of public enterprises has been particularly noticeable since martial law was declared in 1972. At present, there are 303 state firms in all (Alviar, 1985). This number has grown four times more than the total in 1970 which was only 65 (Virata, 1983: 5). However, this total of 303 may still be understated. This is because the Presidential Commission on Reorganization (PCR) in coordination with the Office of the Budget and Management (OBM), the Civil Service Commission (CSC) and the Commission on Audit (COA), is still in the process of completing this list (COA, 1985: 2). This task has been assumed by PCR as it was disclosed by COA that not a single government office kept an updated listing of these entities (COA, 1985: 2).

According to Executive Order No. 518 issued on January 23, 1979, the term public enterprises refers to corporations which are wholly-owned or controlled by the government. Wholly-owned corporations include those entities where the government is the sole or a majority stockholder. On the other hand, corporations where no government stocks are at stake but whose affairs are conducted by a duly constituted board are also considered public enterprises.

Of the total of 303 public enterprises in early 1985, 93 are parent corporations, 153 are subsidiaries while 57 are acquired companies. Parent companies are those created by legislative enactments or presidential directives (such as presidential decree, executive order, letter of instruction or implementation) (Briones, 1985). Subsidiaries are corporations established or acquired by a parent corporation. They are created by special charters or established under the general corporation law (Ursal, 1984: 7). Acquired corporations are those where "majority of stocks are taken over in the settlement of debt incurred with a government financial institution" (Guina, 1985: 4).

A peculiar feature of a subsidiary is that its expenditures

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are not subject to audit by the supreme audit institution, the Commission on Audit (COA). COA only performs "visitorial functions" as it only examines the amount donated or subsidized by the government. This has become a bane to COA auditors because oftentimes the motive to create a subsidiary is merely "to escape government audit, control or scrutiny" (Tantuico, Jr., 1983: 25). Most of these subsidiaries rely on Department (now , Ministry) of Justice Opinion No. 62 series of 1976 and reiterated in Ministry of Justice Opinion No. 134, series of 1983 that subsidiaries under the General Corporation Law are not subject to COA audit (COA, 1985: 2). This administrative ruling has, however, been overruled by a Supreme Court decision. The Supreme Court upheld that corporations established by a Special Charter or under the General Corporation Law by registration through the Securities and Exchange Commission (SEC) are under COA's jurisdiction (COA, 1985: 3).

One characteristic of a state firm is that it is clothed with the powers of government and at the same time possesses the operating flexibility of private enterprises (Coloso, 1955: 68). Like a private firm, a public enterprise can sue and be sued, enter into contractual obligations, hold and dispose of properties in its own name. It is also relatively independent financially because its fiscal requirements are derived from loans and firm revenues in the sale of its products and services (Coloso, 1955: 68-69). Unlike a private firm, however, it is more privileged because it can obtain assistance from the national government .This support may come in the form of subsidy or equity (COA, 1985: 7.)[1]

Subsidies to state-owned firms in the Philippines have dramatically increased over time (Ibon, 1981: 2; Ibon, 1983a: 6). In 1979, P3.4 billion was allocated to these entities; by 1980, this has increased to P4.4 billion. In 1981, this has risen to P5.86 billion, then P8.99 billion in 1982 and P9.55 billion in 1983. Hence, over a five-year period, allotment for state firms has nearly tripled. In fact, foreign debt has been largely incurred to support public enterprises. In 1980, 73 percent of foreign borrowing has been transferred to this sector as against the national government's share of only 27 percent (Briones, 1984:8).

The Rationale for the Establishment of Public Enterprises. Several reasons have led the Philippine government to engage in business activities. Historically, public enterprises are entities that forged nationalism by assuring control of the economy by the Filipinos rather than by aliens, in post-war Philippines. It was then the belief "that government corporations are truly enterprises of the nation as opposed to enterprises of aliens or citizens who are not fully aware of their responsibilities as Filipinos" (GSRC, 1956: 29). For example, the control of prices and the prevention of monopolistic trading activities by alien middlemen were the justification for the establishment of trading corporations like NARIC (National Rice Corporation), NAMARCO (National Marketing Corporation) and PVTA (Philippine Virginia Tobacco Administration).

Apart from the general consideration of nationalism, the "urgent" need for development requires the immediate setting up of government corporations instead of relying on the "evolutionary" approach in developed countries where economic growth is spearheaded by the private sector (Saldaña, 1985: 1). The idea is to pioneer and demonstrate economic viability and for these enterprises to be sold later on to the private sector (Sicat, 1983: 137). This has been the rationale for forging the 11 Major Industrial Projects (MIPs) as embodied in the *Updated Philippine Development Plan (1984-87).* Some of these projects under the 11 MIPs which are operational are copper smelter, low-range horsepower diesel engine plant, coal conversion of the cement industry, phosphatic fertilizer and coconut industry industrialization (NEDA, 1984: 100). These are undertaken by the National Development Company, which is another public enterprise, in cooperation with some domestic and foreign firms.

Another justification is that "the barriers to entry (mostly capital and technology) are so formidable that only the government with its resources, could exploit certain opportunities" (Saldaña, 1985: 1) such as the setting up of the Bataan Nuclear Plant Project and the Light Rail Transport System in Metro Manila.

Furthermore, "public trust and interest" requires that government should take a direct role in business (Saldaña, 1985: 1). These activities that have required government intervention include public utilities (such as light, water and transportation), provision of basic social services (i.e., insurance and housing), assurance of national defense and security (i.e., air and sea transport and nuclear power), and the provision of vital services to lay the foundation of the economic (i.e., financial and credit institutions, research and marketing entities) (Samonte, 1967: 144).

More recently, government corporations have been set up to aid businesses in financial distress (Virata, 1983: 3). This is undertaken by having government infuse capital into these entities to save the operating assets and to enable these businesses to comply with their critical commitments. Another strategy is to have government assume the control and management of private business in crisis. Some of these enterprises that have been assisted by government are engaged in banking (e.g., Consolidated Bank and Trust Co.), hotel management (e.g., Hotel Mirador, Tradewinds Hotel, Century Park Sheraton), mining (e.g., Acoje Mining, Multi-Natural Resources Drilling Corp.), air transportation industry (e.g., Philippine Air Lines), car industry (e.g., Delta Motors Corporation),

[1]Subsidy is the amount contributed to these corporations from the General Fund to cover current operating expenditures that are not supported by corporate revenues, or government grants to private producers not as payment for goods and services but for purposes of stabilizing prices and providing incentives to production; or to corporations performing quasi-commercial functions (where the government has imposed ceilings on the prices/rates of goods/services). Equity is the amount received by a government-owned and/or controlled corporation as payment of capital subscription and generally as capital investment in the corporation of the national government or of any other government-owned and/or controlled corporations (COA, 1985: 7).

paper mills (e.g., Paragon Paper Mills), sugar central (e.g., Batangas Sugar Central), textile mills (e.g., Alfa Textile Mills, Lirag Textile Mills) and construction (e.g., Construction Development Company of the Philippines) (Ibon, 1983a: 4).

Critical Perspective

The Criticism. A major criticism levelled against public enterprises by local (Villegas, 1984) and foreign scholars (Sainz, 1980; Petras, 1976) is that these entities have only become a venue to enhance local and foreign monopolistic interests. Public enterprises contribute to the entrenchment of private capitalistic interests by the formulation of policies to protect them and by the privatization of resources that have been drawn from the people's pocket.

Villegas argues that "Government funds derived from the working people through taxes and other forms of levies, are being siphoned to these government corporations to further strengthen the economic alliance of the bureaucrat capitalists with their partners" (Villegas, 1984: 120). Villegas warns that there may be some "intellectual enthusiasts" who see in state capitalism a form of socialism. However, he says that unlike socialism, "the control of these corporations are not in the hands of the masses but still belongs to the capitalist class in society and their hired technocrats" (Villegas, 1984: 122). He further says that: "These corporations are not truly socially-owned in the sense by worker's organizations and their committees."

According to Sainz, a public enterprise is only a form of "fetishization process" to hide the contradiction between the nation-state and the monopoly capitalists (Sainz, 1980: 60). This is because public enterprises only masquerade their true concerns by their apparent nationalistic orientation. This orientation provides legitimation for the state bourgeoisie in the eyes of private capital and the basis for the state to claim common ground with the masses as "developmentalist" promises of future material rewards are offered (Evans, 1979: 49).

In reality, however, state enterprises also engage in "accumulation" (Sainz, 1980: 62). But accumulation is not carried by state managers for the general interests of capital as a whole, as they have led people to believe. State bourgeoisies or managers of state enterprises do not replace the private industrial bourgeoisies (Evans, 1979: 47). Rather, Evans considers the state bourgeoisie as a class "fraction" who participates in a common project with both the multinational and domestic private capital. Evans says further that managers of state enterprises are "unlikely" to be "disconnected" from the bourgeoisies as a whole as they absorb them or merge with them in the process of accumulation (Evans, 1979: 48).

The peculiar nature of monopoly capitalism is concentrated economic power in a "handful of business enterprises" (Greenberg, 1974: 41). This has provided vast opportunities for the furtherance of control of the market place. Monopolists have the power "to deny entry to new firms, to control sources of raw materials and to generate their own internal sources of capital investment and expansion" (Greenberg, 1974: 41).

A number of studies had been undertaken in the Philippines showing the detrimental effects of transnational corporations in the post-colonial period in the history of the country. Studies of Augusto Espiritu, Renato Constantino, Randolf David, Edberto Villegas and Rene Ofreneo have pointed to the antidevelopmental effects of these corporations because of repatriations of profit, limited contribution to employment, cheap labor, exploitation of national patrimony, stifling of local entrepreneurship, and reliance on local credit. In spite of these detrimental effects, Philippine policies have even been formulated to attract foreign investors into the country such as: liberalization of policies on profit remittances, assurance of labor peace, relaxation of visa requirements for foreign investors, incentives for foreign investors with headquarters in the Philippines and liberal taxation of foreign loans (CIC, 1973: 27-29). Some special privileges have even been granted US investors which were embodied in the RP-US Treaty, signed during the state visit of President Marcos to the USA in 1982. These include: lower taxes on incomes to be earned by US residents from the Philippines; lower rates of withholding tax on dividends paid to US residents and corporations; and payment of taxes either in the US or the Philippines to avoid double taxation (Ibon, 1982a: 3).

Fairly recently, some studies have also been focused on the role of local entrepreneurs with vast business holdings in the Philippines and the effects on Philippine development. Walden Bello and others in their book *Development Debacle: The World Bank in the Philippines,* examine the profiles of presidential cronies and the massive loans extended to them by government to engage in profit making ventures. Some of those who were affected by the economic depression were rescued by the government through the World Bank loans transferred to these companies. Studies on local monopolistic elites are still in dearth in the Philippines but as a noted scholar, Dr. Gelia Castillo, laments the "haves" are more difficult to pursue than the "have-nots".[2]

The Precursor. The precursor for the emergence of state capitalism or the predominance of public enterprises in peripheral societies, according to Sainz, is the vertical integration of these countries to the economic system of metropolitan countries. State capitalism is externally induced by:

> *the extension of external accumulation from metropolitan countries. This has led to the formation of a limited internal market whose development has depended on the realization needs of metropolitan capital. Secondly, the fact that peripheral accumulation is characterized by a limited development of the production of the means of production and subsistence accounts for the subordinate position of the peripheral countries in the world market. (Sainz, 1980: 60)*

The state, therefore, takes a crucial role in capital reproduction in spite of the fact that it is a "weak instrument for peripheral capital" (Sainz, 1980: 60). This inadequacy makes bureaucrat capitalists rely on foreign borrowings to augment

[2]Expressed in a public lecture to honor Professor Ofelia Regala Angangco, May 27, 1985, Faculty Center, University of the Philippines, Diliman.

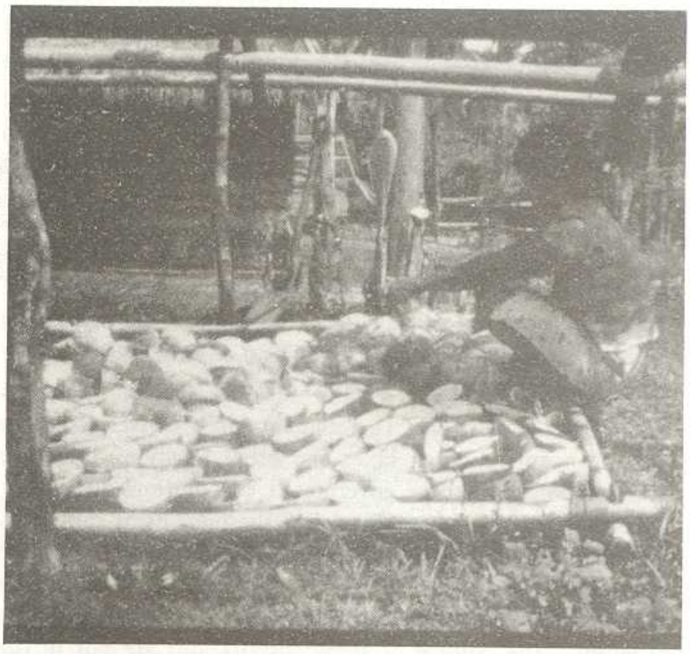
local capital, thus leading to the furtherance of vertical integration of peripheral states to the metropolitan economies. This dependence encourages metropolitan economies to resort to measures to propagate their interests.

A case in point is the IMF-World Bank's imposition of the "Structural Adjustments Loan" Program (SAL) to Third World countries that opted to borrow from the bank in the early Eighties. The Philippines agreed to the terms included in the program such as: liberalization of commodity import procedures, tariff reform, an appropriate exchange rate policy, strengthening fiscal incentives for exporters and administrative actions to promote and facilitiate exports (Bello *et al*, 1982: 166-167). SAL was a final offensive against protectionism and an effort to fully consolidate export-led industrialization, a significant step in World Bank's surveillance and control of the economy (Bello *et al*, 1982: 166-167).

More recently, the World Bank has approved the establishment of the Multilateral Investment Guarantee Agency (MIGA) to protect foreign investment (Ibon, 1985d: 8). This is an agency that is envisioned to operate in 1986 and will undertake four kinds of non-commercial risks: restrictions on currency conversion, repudiation of contracts, expropriation, and war or civil unrest. These undertakings would assure "more confidence to exploit developing economies" (Ibon, 1985d: 8).

With the preceding as context, we are going to cite cases to show how public enterprises have maintained alliance with local and monopoly capitalists and how some policies have been formulated to protect the latter's interests.

Dazzle Rivera



Philippines: "King of the world coconut industry"

Case 1: Public Enterprises in the Coconut Industry

Background. Let us take as an example the public enterprises for the coconut industry. Coconut production is one of the major sectors in Philippine agriculture and is undertaken in 2.7 million hectares, or 23 percent of the total croplands and 74 percent of commercial croplands (Tiglao, 1983: 183). In 1979, export earnings from coconut products accounted for 23 percent of Philippine export earnings. In fact, the Philippines is considered as the "king of the world coconut industry" as it accounts for 60 percent of the world coconut output, 80 percent of coconut supplies and 28 percent of total world coconut (Ibon, 1979: 1). In the latter half of the 1970s, of the total value of Philippine coconut exports, 39 percent were to the US, 46 percent to Western Europe, and the rest to the other countries such as Japan and the USSR (Tiglao, 1983: 183).

Coconut production is basically raw materials production such as copra, coconut oil and desiccated coconut (Tiglao, 1983: 182). Copra is the dried meat of the nut with moisture removed by sun-drying or oven drying. Coconut oil is extracted from copra through mechanical or chemical processes. Desiccated coconut is the shredded or wafered kernel used in confectioneries.

The key participants of coconut industry have been vertically integrated under the so-called rationalization program of the industry (Ofreneo, 1980: 106) with the public enterprises in this sector at the helm.

One of these enterprises is the Philippine Coconut Authority (PCA), the corporation responsible for formulating policies regarding product-development and import-export duty rates regarding coconut. It was started in June 1973 when P.D. 232 created it and abolished the Philippine Coconut Administration, the Philippine Coconut Research Institute and the Coconut Coordinating Council (Hawes, 1984: 84). PCA is one of the top five public enterprises which have benefited from government subsidies for the period 1975-84 (Amatong, 1985: 4). However, it is one of the top 10 corporations that incurred the biggest losses in 1984 (COA, 1985: 7).

Another key institution in the industry is the recently abolished UNICOM (United Coconut Mills), a public trading monopoly. It was created as an institution to buy, mill, and market copra and its by-products. It was created in 1977 and financed out of the overall levies collected by PCA, as the latter's subsidiary. In February 24, 1985, P.D. 1960 was issued by President Marcos to dismantle the UNICOM. This move was reportedly an act to respond to a condition by World Bank to release its loan for agricultural inputs (The Situationer, 1985: 11). This decree effectuated "free export" of coconut oil and related products. However, this dissolution was reportedly only a "paper dismantling" as nine trading corporations are still controlled by the "same group" (The Situationer, 1985: 11).

The third public enterprise, the United Coconut Planters Bank (UCPB), is the financing arm of the coconut industry. This is another PCA subsidiary where the levies on coconut and the funds of UNICOM are deposited.

Philippine Coconut Authority building.

Monopoly Capitalistic Tie-Ups. These three enterprises are closely identified with one of the biggest coconut plantation owners in the country, Eduardo Cojuangco, Jr., a *compadre* and golf mate of President Marcos (Ibon, 1984a: 4). Cojuangco serves as director of the board of PCA. He is also the biggest stockholder and director of UCPB, and the president and director of the defunct UNICOM.

Eduardo Cojuangco, Jr. belongs to a family whose wealth was accumulated in the late 19th century through their extensive sugar estates and sugar milling activities in Tarlac (Ibon, 1984b: 6). In the Fifties he bought a vast tract of land in Bugsuk Island in Palawan which he experimented on with coconut. In 1983, 27 companies were under his corporate leadership, seven of them being ranked high among the top 1,000 corporations (Ibon, 1985b: 7). Other holdings are based in other countries like United States and Australia. He reportedly owns three US-based companies –– Granexport (a coconut oil refinery), Jewelmer (exporter of cultured pearls) and Coastal American Traders. In Australia, he owns a stud farm which is larger than Randwick, a suburb in this country (Ibon, 1985b: 7).

Recently, Cojuangco has manifested interest in assuming control of two vital industries -- wheat and flour. A presidential directive has favored this concern. Through Executive Order No. 1039, President Marcos terminated the monopoly of National Food Authority over wheat and flour importations. This function was transferred to the Philippine Bakers Association Inc., which is controlled by Cojuangco (Ibon, 1985b: 7). Because of these vast networks, Cojuangco is noted for heading one of the "13 groups" of companies which altogether run a total of 342 companies engaged in a variety of business endeavors (Ibon, 1983c: 7).

It may be of significance to note that Mr. Cojuangco has been favored to further develop his coconut business when he was granted exclusive contract by the government in 1974, to raise and distribute Ivory Coast Hybrid seednuts under his company, the Agricultural Investments Inc. (AII) (Ibon, 1982b: 3). This actually set the tone for his involvement with the State in the management of the enterprises in the coconut industry. This contract has been granted for the government's replanting program to replace old coconut breeds raised around the country. The exclusive distributorship has been authorized because Mr. Cojuangco has a contract with Dr. Yann Fremond of the Research Institute for Oil and Oilseeds, the developer of the Ivory Coast Hybrid, to establish and operate a seed garden in the vast tracts of land owned by the Cojuangcos at Palawan. This contract with AII calls for the purchase by PCA of the seedlings at P7.00 each for which AII stands to profit, reportedly, at least P40 million annually. All the production of the seedgrain will be distributed to the farmers for free.

Outlay for subsidies on the new breed is partly drawn from the earnings on levies exacted on producers. The legal basis for this is Presidential Decree No. 582 of November 1974, where one-third of the P100 levy for 100 kilos of copra are to be earmarked for this purpose under the label of *Coconut Industry Development Fund* (CIDF). The rest is for the *Coconut Consumers Stabilization Fund* to subsidize the price of coconut cooking oil during the period of shortage (Hawes, 1984: 84).

Subsequent levies channeled to the CIDF were used for the purchase of UCPB in 1975, and UNICOM in 1977. In 1981, the *Coconut Consumers Stabilization Fund* was replaced by the *Coconut Industry Stabilization Fund* (CISF). Levies channeled to this Fund are to finance coconut farmers' insurance premiums, coconut farmers' educational fund, PCA's administrative overhead and UNICOM debts of acquired mills. Another beneficiary of CISF is COCOFED (or the Philippine Coconut Producers Association) which is in reality an organization of landlords (Ofreneo, 1980: 105). This group has been made the legal representative of all coconut farmers and tenants for the ownership of the UCPB and UNICOM (Hawes, 1984: 85).

On the whole, however, the CIDF is still allotted the major chunk of the levy for the replanting program. In 1982 62.5 percent of the collection has been earmarked for this project (Ibon, 1983: 3).

It was alleged by one of the most critical opponents of this levy, Emmanuel Pelaez, that the burden on the payment of these levies is passed on to the farmers (Sacerdoti, 1982: 42). This means that the farmers are paid at a much lower cost by producers. It is estimated that producers make a margin of 11 percent on their transactions. When the traders' profit is added to the levy, the marginal coconut farmers end up with only 67.5 percent of the copra value (Sacerdoti, 1982: 47).

The UCPB and PCA have provided vast opportunities for multinationals for the furtherance of their interests. They have tie-ups with the Cocochem Project which is run by a subsidiary of a West German conglomerate called Metallgesselschaft (Ibon, 1982b: 7). This Project has lined up as one of its major industrial projects, the production of fuel substitutes, plastics and cosmetics ingredients. Its expected revenues for 10 years is P4,270 million. In spite of these massive revenues, only about 200 personnel are envisioned to be employed.

The principal users of Cocochem are multinational companies like Procter and Gamble (American), Henkel (German) and Kao (Japanese).

Case 2. Sugar Industry

Background. Sugar is an economic concern in the Philippines. This is because this commodity is another dollar earner like coconut. This was even a leading export commodity prior to the martial law years (McCoy, 1983: 135). However, its position had fallen to fourth place after seven years of martial law. Hence, it is often labeled as a "sunset industry" in the Philippines.

The decline had been attributed by Alfred McCoy (1983: 136-138) to the following: First, the sugar quota, after half a century of access to the American market, was terminated in 1974 with the expiration of the Laurel-Langley Agreement. Second, the market for sugar was at its most difficult period just as the Philippines entered the world trade; the world price of sugar plummeted in 1975. Third, the Philippines' export trading for sugar had been nationalized but it was allegedly managed by "inexperienced bureaucrats". Furthermore, the rising costs of labor and petroleum products impelled the producers to cut their production cost. The reduction in the inputs led to poor yields per hectare.

In addition to being an economic issue, sugar production is a point of controversy in the political circles. It has been a source of reward for those who belong to the network of the dominant party. On the other hand, "sugar industry leaders, generally identified with the opposition in the years preceding Martial Law, found themselves without a power base once the Congress was closed" (McCoy, 1983: 137).

The operation and management of the sugar industry is similar to the scheme applied to coconut. At the helm of the industry is the Philippine Sugar Commission (Philsucom), a public corporation created through P.D. 388 in February 1974 to "effect an integrated development and stabilization of the industry" (NFSW, 1984: 19). It was initially established as a domestic and foreign trading firm, although it was not able to effectively fulfill this function.

In 1977, the Philsucom was activated and was granted broader powers. In addition to performing its trading functions, it was also vested with the powers of setting the saleprice to planters and millers, concluding international sales contracts and assuming control of any mill operating inefficiently (McCoy, 1983: 146). Its vast powers has enabled it to assume control over other necessary logistics particularly in Western Visayas where most sugar plantations are concentrated. These include: the Philippine Railway Company in Panay; Visayan Stevedore Transportation Company which handled inter-island bulk freight; the Nawaco Warehouse complex in Negros with 300,000 tons capacity and the largest in Asia; and, the Guimaras Bulk Terminal which handles all the sugar exports from Negros and Panay (McCoy, 1983: 146-147).

FILER/NFSW

Philsucom: for an integrated development?

A subsidiary was established in 1977 under Philsucom to perform the function of a trading firm, similar to Unicom's role. This was National Sugar Trading Corporation (NASUTRA) which served as the sole establishment responsible for the buying and selling of sugar for domestic consumption and those for export. Loans had been drawn from foreign banking institutions like the International Monetary Fund (IMF) and local banks such as Philippine National Bank (PNB), Republic Planters Bank (RPB), and Traders Royal Bank (TRB) to finance Nasutra (NFSW, 1984: 19).

So much controversy has been stirred by the operation of Nasutra (NFSW, 1984: 24). In the period 1977-1979, when the world price of sugar was considerably low ($.14 to $.18 per kilo), Nasutra subsidized producers instead of lowering the domestic price. Subsidy was estimated at $.01 to $.02 per pound (Hawes, 1984:83). By 1979, Nasutra has incurred an outstanding debt of P2.78 billion. To recover from this debt, Nasutra tried to sell sugar at high profits, the earnings of which are to be shared on a 50-50 basis with planters and millers.

To complement the operation of Nasutra, RPB was established. This was set up to provide loans to sugar planters for the operation of centrals, to extend credit for sugar and molasses traders and to provide management services to Nasutra (NFSW, 1984: 24).

Resentment against the operation of Nasutra has been expressed and this concerns some unjustified practices and policies such as:

1. lack of accounting for sugar shipments;
2. the requirement from producers to share the burden of the loans Nasutra has incurred;
3. the three cents/pound deductions Nasutra made against sugar producers to answer for export trading expenses;
4. the deduction of P6.50 per picul for the "stabilization fund" which are to be diverted for the social amelioration of the workers for the most part (NFSW, 1984: 25) had not benefited more than half of sugar workers from 1977-80; and,
5. delayed payment for the produce sold to the international market by Nasutra.

With the aim of revitalizing the industry, P.D. 1971 has been issued on February 21, 1985 by the President. This directive in effect converted Nasutra into a private corporation to be called Philsuma (Philippine Sugar Marketing Corporation). This is to assume the responsibility of serving as a marketing agency of the sugar industry and to be owned mainly by sugar planters and millers.

Monopoly Capitalistic Tie-Ups. The management and control of the sugar industry is closely identified with a sugar baron, Roberto Benedicto. He is considered as the sugar plenipotentiary by Alfred McCoy (1983: 145). He chairs Philsucom and the defunct Nasutra. He also co-owns the financing arm of the sugar industry -- the Republic Planters Bank. Aside from these establishments directly connected with the sugar industry, he is a major stockholder-owner of the five-star Holiday Inn, the Traders Royal Bank, the Banahaw Broadcasting Sytem, a major daily (Ibon, 1984a: 4) and a sugar plantation – Hacienda Carmenchica (McCoy, 1983: 157). It will be noted that when Nasutra had financial difficulties, it favored Benedicto's financial empires by obtaining loans from Republic Planters Bank and the Traders Royal Bank to prop up Nasutra.

Some of Benedicto's fortunes in the United States had also been featured by the famous Mercury News article on some top Filipinos' "hidden wealth" (Carey et al., 1985: 23). It was alleged that Benedicto owns a California Overseas Bank in Los Angeles with total assets of $133 million. It was also reported that he bought an unidentified US sugar trading company for $63 million.

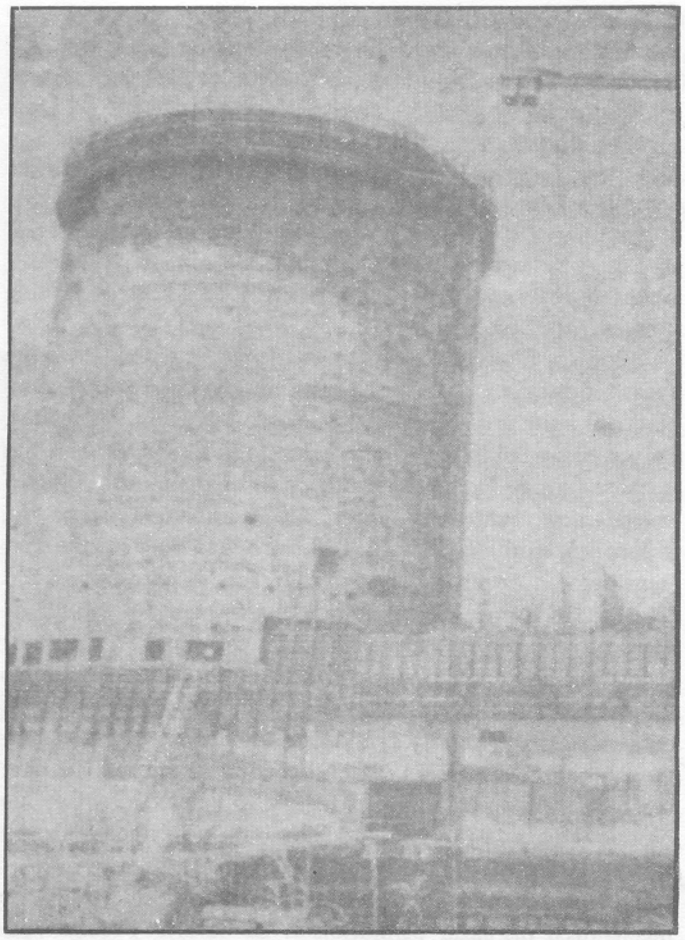
Prior to Benedicto's entry into the public enterprise in the sugar industry, he was appointed as president of the Philippine National Bank in 1965, following Marcos' election. Thereafter, he served as Philippine Ambassador to Japan. This stint has enabled him to facilitate negotiations for the construction of several new centrifugal mills for Marubeni Corporation, a Japanese firm (McCoy, 1983: 146). It was reported that Benedicto is primarily responsible for inspiring President Marcos, his former classmate at the University of the Philippines, to pursue a "single agency" concept for the sugar industry. Soon enough, he assumed a key role in the industry.

As head of the sugar industry, some policies issued by his office and supported by presidential directives, directly benefited his sugar plantation. When Benedicto launched the farm mechanization program for the sugar industry to step up productivity, a 1975 presidential directive suspended duties on the importation of agricultural equipment (McCoy, 1983: 158). He became a direct beneficiary of this policy when he mechanized his sugar plantation at La Carlota. Foreign businesses which were favored by the farm mechanization program are two Australian manufacturers of farm equipment -- Hans Binder of Innisfail and Mick Hodge of Scorpion Marketing Corporation (McCoy, 1983: 161). This program has led to labor displacement.

Additional privileges were also secured for Benedicto's other businesses (Ibon, 1983a: 8). One example is the extension of the validity of LOI No. 640 to enable him to import knocked down parts for the assembly of low-cost TV sets under Nivico Company. He was also able to obtain a contract with the government through his Banahaw Broadcasting Network Corporation, to assist the government on matters pertaining to peace and order and education. This agreement has enabled Banahaw to import duty-free broadcasting hardware worth $3 million and to import tax-free components of up to $2 million for 1978 which was to escalate by $500,000 a year until 1982.

This government tie-up has further favored some of Benedicto's multinational connections. In particular, Zaibatsu Marubeni was given the opportunity to be involved in another big project, NDC's copper smelting.

Other local monopoly capitalists have also been given prime positions in these public enterprises. For example, Fred J. Elizalde, president of a sugar central - Central Azucarera de la Carlota, the 345th ranking corporation according to gross sales in the top 2,000 corporations in 1983 (NFSW, 1984: 55), is a Philsucom official and an RPB director. Natalio J. Velez, president of Agro Industrial Development Company of Silay-Saravia Inc. of Silay, Negros Occidental, the 650th corporation in the top 2,000 corporations according to gross sales in 1983, is also an RPB director. Pacifico Marcos, the president's



brother, of the New Consolidated Sugar Corp. of the Philippines and INSURECO, is also an RPB director. Pacifico Marcos obtained the allocation of 75,000 piculs of sugar in June 1984 to respond to the export quota (Ibon, 1985c: 6).

Case 3. The Bataan Nuclear Power Plant (BNPP)

Background. Let us examine the operations of another public enterprise -- the National Power Corporation (NPC). The NPC is the monopoly at the helm of the electric power industry. As a public enterprise, it is responsible for the exploration, generation of electricity and the construction of transmission networks (Ibon, 1985a: 1). NPC generates 90 percent of electricity in the country, and sells wholesale to bulk users such as electric retail utilities, power-intensive industries and miscellaneous customers such as government agencies and military bases (Ibon, 1985: 1). The Corporation has been given the government's biggest support in foreign loan assistance ($3.02 billion as of 1982), huge capitalization or equity (50 billion) and greater flexibility in organization and management (Baylon, 1985: 3).

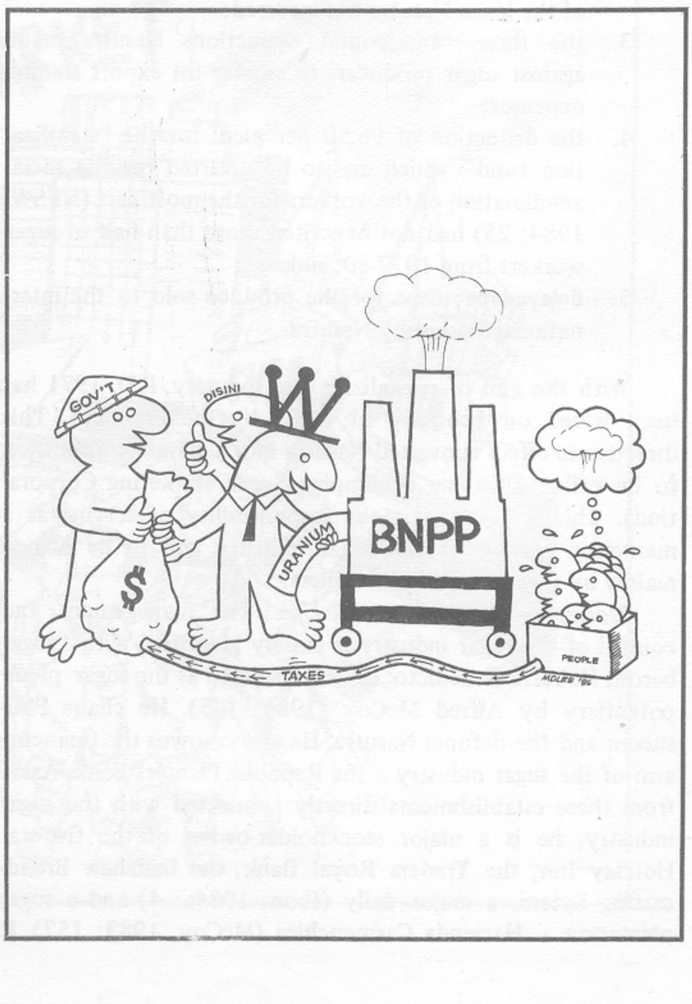
One of its major projects which has caused a lot of controversy is the Bataan Nuclear Plant, one of the non-oil power projects being set up by NPC. NPC argues that the advantages of the plant include (a) a reduction of our country's heavy dependence on unreliable imported oil, and (b) improvement in the supply of the electricity of our people (Ibon, 1981b: 2). It was further justified by the fact that "The safety of the nuclear plant has been demonstrated to be superior to those of high technology products" (Ibon, 1983b: 2).

Monopoly Capitalistic Tie-Ups. NPC has a contract with Westinghouse, an American multinational corporation, in setting up the BNPP. A study on BNPP (cited in Ibon 1983b: 4) shows that Westinghouse won the bid over General Electric in 1974 because it quoted out $500 million for setting up two reactors at Bataan. This is $200 million lower than the quotation of GE. However, in 1975, Westinghouse presented a cost proposal of $1.2 billion because of inflation rate. This was escalated to $2.5 billion the following year; an increase of 126.24% over its original bidding price.

It was described in the same report on BNPP (Ibon, 1983b: 4) that the Plant will not really be economical to the Philippines because its establishment will only mean reliance on Westinghouse for uranium, fuel, maintenance, spare parts and disposal of radioactive waste. It was further alleged that the cost for decommissioning is often higher than the cost of a plant's construction. If the span of operation of the plant is only 25 years, the project is indeed a costly exercise.

This is not to mention that the plant also poses danger to human lives. BNPP is located at Napot Point, Morong, Bataan which is near a major earthquake faultline and less than 100 miles from five volcanoes, four of which are active, with the nearest only five miles away (Ibon, 1983b: 2).

The contractor for BNPP is Power Contractors Inc. owned by Herminio Disini (Ibon, 1983b: 2). It was Disini's efforts that enabled Westinghouse to win the contract to build the Bataan Nuclear Plant even without submitting specifications. For this mediation, Westinghouse paid Disini a fee estimated to reach $35 million (Ibon, 1984b: 7).



As head of the Herdis Group of Companies, one of the 13 groups of companies with a wide array of business activities, Disini has ventured into such activities as construction, logging, insurance, trading, warehousing, marketing and petrochemicals (Ibon, 1984b: 7). One of the companies he manages is Philippine Tobacco Filters Corporation which was initially a small company manufacturing cigarette filters. In 1973, he was politically favored when P.D. 750 was issued imposing a 100 percent duty on imported raw materials for filter-making except for those to be delivered to PTFC. The firm reportedly gained control over 75 per cent of the cigarette filter business, profiting over one million pesos monthly.

Disini also owns Cellophil, a giant private logging venture integrated with pulp and paper manufacture (Bello et al., 1982: 90). Disini's 3,000--hectare Abra pine plantation is subsidized by the Development Bank of the Philippines. Cellophil has another project with the Bureau of Forest Development targeting 33,000 hectares for plantation development. Still, another firm operation is to exploit 200,000 hectares of virgin pine forest in Abra, Ilocos Norte and Sur Kalinga-Apayao, and the Mountain Province. This operation threatens to uproot the Tingguian national minority (Bello et al., 1982: 90).

In less than eight years, Disini has been able to build up a conglomerate of more than 30 companies (Bello, 1982: 186). He also has joint ventures with diverse foreign firms, like Hooker Chemicals and the Occidental Petroleum subsidiary (Bello, 1982: 188).

Disini's wife, incidentally, is the First Lady's first cousin and personal physician.

Case 4. The National Development Company

Background. The National Development Company may be considered as the oldest state-owned firm in existence today (Philippine Development, 1978: 24). It was originally created as a semi-private corporation in 1919 under Act No. 2849. This was later converted as a public corporation on November 30, 1936 under Commonwealth Act No. 182 with powers to participate in economic development.

Broader powers were granted with the passage of Commonwealth Act 311 on January 9, 1938. This act enabled the Company to engage in any business enterprise which is calculated to bring about a rapid but systematic development of resources (NDC, 1947: 30) including the development of foreign trade (Philippine Development, 1978: 24). Its corporate life was for 50 years but was reduced to 25 years per Executive Order No. 399 (the Uniform Charter on Government Corporations) of January 5, 1951. Hence, this was to expire last January 5, 1976. However, President Marcos extended its existence by issuing P.D. 688 on March 7, 1975 for another 25 years. In 1979, NDC was reorganized to become the investment arm of the Ministry of Trade and Investments (Ibon, 1981: 4).

The current activities of NDC are broad. These include among others: engaging in commercial, industrial, mining and agricultural and other enterprises which are considered important to the country's economic development and equally important for the public interest; financing such undertakings as well as extending financial assistance to private interest through the purchase of bonds or by guaranteeing bonds issued by the private sector; and, holding public agricultural and mineral lands in excess of the area permitted to public corporations (Philippine Development, 1983: 25).

NDC has a total of 18 subsidiaries under it as reported by COA (1985: 26).[3] However, this listing does not include corporations over which the NDC assumed control because of financial distress. For example, some 13 companies had been rescued by NDC in 1983, of which 11 were under the Herdis group of companies headed by Herminio Disini (Ibon, 1983a: 4). These companies are: (1) Asian Industries, (2) Energy Corporation, (3) International Corporate Bank, (4) Refractories Corporation of the Philippines, (5) Semirara Coal Corporation, (6) Summa Insurance, (7) Usiphil Inc., (8) Vulcan Industrial and Mining Corporation, (9) Cellophil Resources Corporation, (10) Philippine Cellophane Film Corp., and (11) Negros Occidental Copperfield Mines Inc.

Over a three-year period, NDC's subsidies and equity investments in government corporations had dramatically increased from P94.3 million in 1979, P513.2 million in 1980, to P1,872.8 million in 1981 (Ibon, 1983a: 6). No data were available for 1982. In 1983, there was a reduction to P800 million, but this was because of IMF restrictions to limit support to government corporations.

Monopoly Capitalistic Tie-Ups. The NDC is a peculiar corporation as it has enabled the furtherance of monopolistic interests which defy some legal stipulations. For example, despite the fact that the 1935 Constitution has a provision limiting corporate ownership of Philippine lands to 1,024 hectares, NDC sub-leased 7,922.3 hectares of prime public land in Mindanao to Del Monte's subsidiary, the Philippine Packing Corporation.

Del Monte is an American transnational corporation which operates the largest food company in the Philippines. It is the leading exporter of two of the country's top 10 foreign exchange earners, bananas and pineapples (Doherty, 1979: 35). It has also expanded its activities to include canning of tropical fruit and vegetable, the production of livestock feed from pineapple waste, management of one of the country's largest cattle feedlots, production of rice, manufacturing of its own cans, operation of a trucking fleet and purchasing tuna from local fishermen (Doherty, 1979: 35). Philpak had been granted the authority to develop the land for 25 years in 1937, immediately after NDC was established as a public corporation (CIC, 1973: 37). In 1956, seven years before the expiration of the contract, a renewal had been sought for another period ending in 1988. This occurred

[3]These subsidiaries include: (1) ASEAN-Philippine Copper Holdings, (2) Mindanao Textile Corporation, (3) National Industrial Tree Corporation, (4) National Precision Cutting Tools, (5) National Rattan Corp., (6) National Shipping Corporation of the Philippines, (7) National Steel Corporation, (8) National Tinplate Corporation, (9) NDC-Guthrie Estates, (10) NDC-Guthrie Plantations, (11) NDC Logistics Corporation, (12) NDC-NACIDA Raw Materials Corporation, (13) NDC Plantation Inc., (14) NDC-Shell (Billiton) Minerals Investment Inc., (15) Negros Occidental Copperfield Mines, (16) NSC Shipping Corporation, (17) Philippine Plate Mills, (18) Philippine Phosphate Fertilizers Corporation.

despite the upsurge of protectionist policies to foster national development. Protectionism was scrapped in 1962 when President Macapagal adopted free trade and openness to foreign investment. Doherty says: "Del Monte had a special friend in Macapagal who as a young lawyer was an attorney for Del Monte's law firm, Ross, Seph and Carrasco" (1979: 35).

Philpak benefited from the contract with NDC as it has only been required to pay an annual rental of P8,195 for nearly 8,000 hectares for the first contract (1937-1956) or a meager P1.00 per hectare. This was adjusted to a new rate but still for a measly sum of P10.00 per hectare for the second period. Philpak also reaped substantial profits from the contract with NDC when no payments were made to the latter for the profit-sharing scheme stipulated by the agreement. It was stated that from the total valuation of the produce, the expenses incurred would be subtracted and the difference, if any, considered profits, will be divided equally between NDC and Philpak (CIC, 1973: 37).

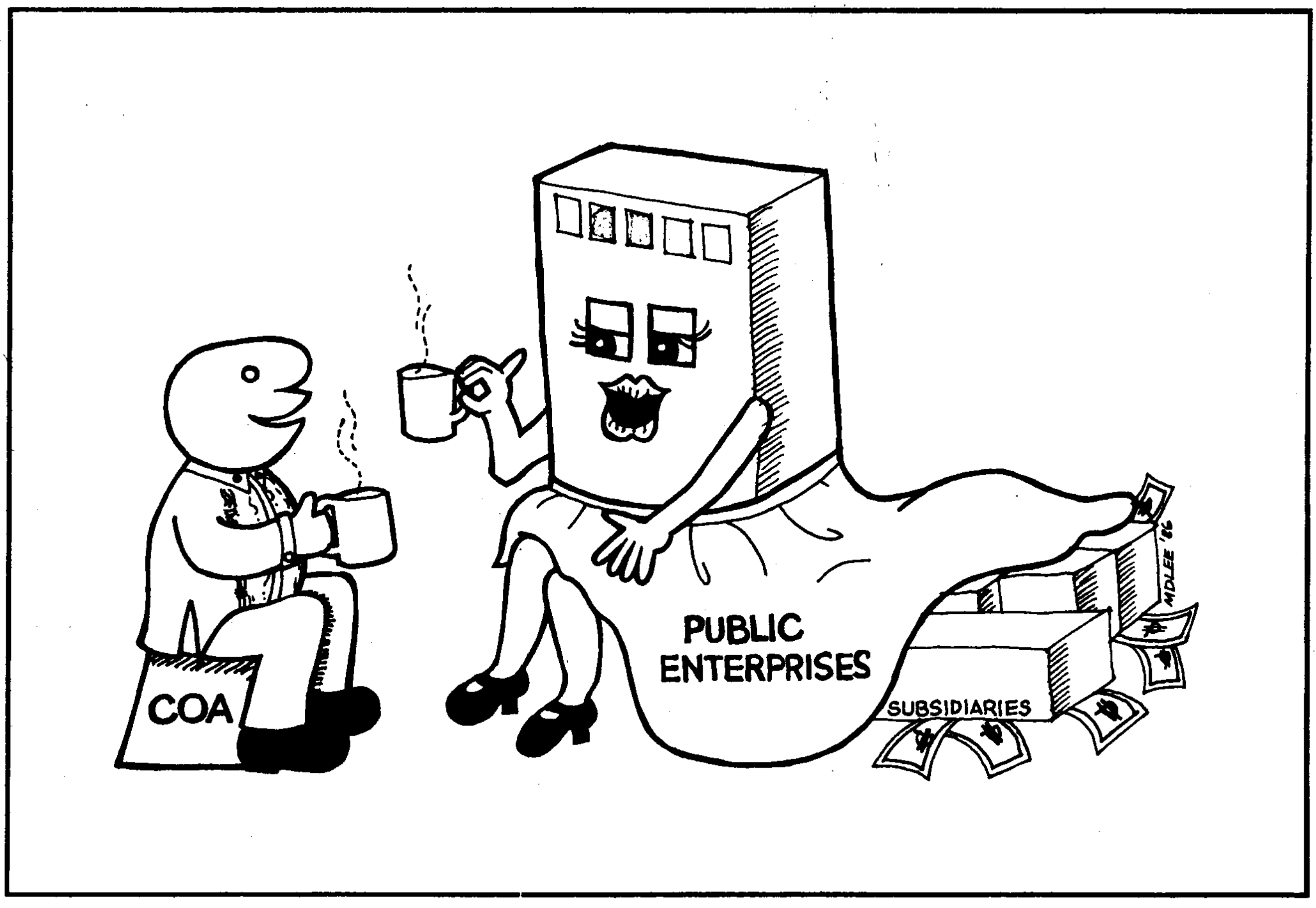
The aggravating clause in this contract is that profit-sharing is based only on raw pineapples not canned pineapples which were the real source of income. NDC lost money in this transaction when Philpak pegged its valuation of raw pineapple at P10.00 per ton in spite of the fact that the price had skyrocketed in Hawaii to $120 per ton by 1971.

To date, Philpak is launching an expansion program. This will involve leasing an additional 13,000 hectares of farmland in Bukidnon (Ibon, 1984c: 8). This plantation is expected to increase Philpak's pineapple output and to serve the need for burley tobacco by R.J. Reynolds Industries (RJR), a cigarette company. RJR produces Salem, Winston and Camel cigarettes and owns the largest alcohol company in the world.

Some recent ventures with multinational firms by NDC also point to privileges to exploit vast areas of the national patrimony. These projects include NDC-Guthrie Plantation Inc., Plantation Development Corporation and Cellophil Resources Corporation (Ibon, 1981: 6). NDC-Guthrie Plantation Inc. is authorized to develop 8,000 hectares of palm oil plantation in Agusan del Sur. NDC's share in this is 60 percent, while Guthrie Overseas Holdings Ltd. of London, the remaining 40 percent of the P400 million capitalization. Palm oil is used as raw material in manufacturing margarine, cooking oil and other food products, soap, detergents and textile plasticizers (Ibon, 1981: 6).

A similar venture with a multinational holding based in England is pursued by the Plantation Development Corporation. This is also situated in Agusan del Sur covering 5,000 hectares of land. The area will be utilized also for palm oil production. NDC's share in the P295 million venture is 55 percent with the remaining 45 percent as the share of Dunlops Holdings Ltd.

Two other corporations acquired by NDC also bear watching. These are Cellophil Resources Corporation and its sister company, Cellulose Processing Corporation both under Herminio Disini's Herdis Group of Companies. These were bailed out by NDC during the economic crunch in 1981. NDC has assumed the venture with three Japanese firms and a Swiss company. NDC's share is 70 percent of the total capital with the remaining being assumed by the foreign multinationals (12% Japanese and 18% Swiss) (Ibon, 1981: 6). As we have noted before, these corporations exploit thousands of hectares of land for its tree farming operations.



It may be noted that NDC subsidiaries have been able to escape COA audit for the year 1984 (COA, 1985).

Conclusions

The initial findings in this study indicate to us how public enterprises have facilitated the furtherance of monopolistic capitalistic intents of domestic and foreign entrepreneurs. State bureaucrats enhance private concerns when policies are formulated to protect the latter's interests. Private interest is further assured when monopoly capitalists assume key positions in public enterprises and other government entities because they have direct access to the planning and implementation structures.

Further research of this nature needs to be pursued in other enterprises and in various sectors of the economy. More information needs to be examined to determine the nature and magnitude of monopolistic tie-ups of public enterprises in the different fields.

Furthermore, some more systematic studies on the role and influence of international bodies in defining the policies, structure and operations concerning public enterprises also have to be undertaken similar to the thrust of Walden Bello and his associates (1982) in their book *Development Debacle: The World Bank in the Philippines.*

Studies on the role played by indigenous state bureaucrats and the extent to which their linkages with public enterprises have enlarged their private concerns, also merit scrutiny.

What are the implications of assuming multiple positions in a number of public enterprises with respect to the performance of the state bureaucrat? COA's report on government corporations shows that the top four members in governing boards with the highest number of positions in state enterprises are Geronimo Velasco (43), Roberto Ongpin (40), Antonio Carpio (38) and Imelda Marcos (31). What private business networks have been facilitated by these tie-ups? To what extent have policies been formulated to serve some private-serving interests? How has the nature of the political system facilitated and enhanced the predominance of domestic and multinational elites through their linkages (directly or indirectly) with public enterprises?

Responses to these questions may be useful inputs in re-examining what policies need to be formulated in controlling the operations of public enterprises with domestic and foreign monopolistic tie-ups.

On the whole, we believe that public policies should be guided by the principle of encouraging public enterprises to engage in ventures that foster self-reliance than dependence on foreign entrepreneurs. Self-reliant development inspires nationals to be more creative as they gain more self-respect when they themselves become directly responsible in defining the activities that they pursue. Furthermore, Dag Hammarskjold Foundation proponents of *Another Development* argue that self-reliance "reduces vulnerability and dependence" as the society is "able to stand up better to crises" because it is "self-confident and has the means to attain its dignity" (Dag Hammarskjold Foundation, 1975). Hence public enterprises should not only mystify a nationalistic orientation in development but should be committed to its fulfillment. But self-reliance need not only mean dependence on a few public entrepreneurs with vast connections in governmental and private business ventures.

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