

Rejoining the World

Filipinos have just begun to realize what went wrong with their economy. Protectionism both of privileged agricultural sectors and the small industrial sector reduced the incentive to modernize and match global standards for efficiency and quality. What seemed to be a good idea in the fifties took its toll during the succeeding decades as both our agriculture and our industry fell farther behind those of our East Asian neighbors. While they emerged to become dynamic trading economies, we languished in a regime of low growth.

The protectionist framework allowed a host of other ills to fester.

Within the walls of protectionism an oligarchy flourished. Drawing profitability from state policies that secured for them a captive domestic market, oligarchic enterprises retained the renting ethos of the landlords that diversified from agricultural estates into banking, manufactures, and service industries. It was political access rather than economic efficiency that produced the opportunities — making control of the state even more attractive to the traditional elites.

A regime of vested interests, whether in authoritarian or democratic form, set

From the
TWS
Desk

Alexander R. Magno

upon Philippine society. Under such a regime, rules were unevenly applied. There was little certainty for investors as politics rather than the market became the controlling factor in the arena of business. Particularism and patrimonialism reigned. Political connections rather than productive excellence became the more crucial factor for business success. Investors came in for quick profits rather than long-term ventures. Capital was always hot and ready to pull the stakes. Policies were unevenly applied even as they were contradictory. There was a constant sense of chaos produced by endless political maneuvering for business gain. Under these conditions, growth was always tentative, and a sense of common strategic purpose always seemed absent.

Within the framework of protectionism, unreasonable trade unionism flourished. The unions could demand wages that have no bearing on productivity. In a captive market situation, the costs are simply passed on to the consumer. In an economic regime of inefficiency and special interests, it was mainly the consumers who paid the price. The price was likewise borne by the unemployed produced by conditions of low growth and the rural poor created by the preservation of rural inefficiency.

Where the state has become little more than a large protection racket, every social activity became thoroughly politicized. Where the market rationality does not reign, the entire society became engrossed in comprehensive political struggles over meager resources.

As a result of all of these, the Philippine economy fell out of step with the more progressive economies in the region.

Scrambling to return to the path of growth, we have decided to follow the strategy of liberalization dictated by new global realities. By reintroducing competition into the economy, we hope to depoliticize production and begin building a culture of entrepreneurial excellence. The strategy of liberalization aims to transform us into a trading economy. The path of high growth through participation in the global market is expected to open new jobs by opening new opportunities.

The shift in strategy entails the evolution of a new consensus. The new strategy is now without costs. Large constituencies in the inefficient sectors will be dislocated in the transition. Subsidy- and protection-dependent sectors will feel vulnerable — and they will be until after they have completed the transition to competitiveness.

The debate over the ratification of our participation in the outcome of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) will bring large constituencies into profound disagreement.

The dividing line is now drawn between those groups and sectors favoring the maintenance of the old regime of counter-productive protectionism and the extensive state subsidies this entails and those groups and sectors favoring the acceptance of short-term costs in order to move our economy out of the framework of low-growth and incoherence with the global economy.

In this debate, the progressive forces are those standing behind the package of reforms that will move us away from the oligarchic and protectionist arrangement. The conservatives are those who will resist moving into the challenging transition. The banners and the rhetorics of the contending groups may appear odd if we go by the ideological spectrum of the fifties. Militant peasant groups waving red banners are demanding the maintenance of the regime of subsidies and preservation of the inefficient agricultural sectors that have produced the awesome rural poverty we now see. Young entrepreneurs, optimistic of our national capacity to meet the challenge of world trade, man the frontlines of the progressive side of this debate.

In this issue of *Kasarinlan*, we have collected position papers from all the major contending positions in the GATT debate. We planned this issue to coincide with the peak of the debate over whether or not to ratify the Uruguay Round trade agreement.

This is a modest contribution towards clarifying the contending positions in a debate that carries much more significance for our future than the US bases debate that animated the entire nation in 1991.