

## **The Role of Government Institutions in Addressing Problems of the Domestic Industries**

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**W**hen the previous and current administrations decided to participate in the new global world order, they did so fully aware that the country's industrial sector has many handicaps, which if ignored, could bring about industrial collapse. In spite of the strong objections of the industrial sector, our government bureaucrats signed agreements disregarding the handicaps of the local industries.

Our industries have suffered from a host of costly burdens, not necessarily of their own making. First, there is the high bureaucratic cost of doing business. Second is the high cost of electric power. Third is the lack of infrastructures, such as ports and highways. Fourth is the relatively high cost of labor, which when compared with that of our neighbors has made us uncompetitive. Lastly are the problems of dumping and smuggling, which I would call the final nails in the local industries' coffin. This is not just a police matter; it is a grave economic problem. Just about everything is being smuggled into this country — from rice to sugar, textiles, detergents, petrochemical resins, shoes, tires, batteries, PVC tiles, cement, cars.

What is the end result of all these? We have been forced to shut down many of our industrial plants, such as steel, textiles, rubber, chemical and petrochemical, wood, cement, tile and soon automotive assembly plants. The industrial sector which is supposed to be the main engine of economic growth is on the verge of collapse. Given this scenario, the Department of Trade and Industry (DTI) as well as other government agencies should focus in addressing the industries' problems before signing more agreements that will kill whatever industries are left. The government is mandated to promote and protect domestic industries from unfair trade practices and smuggling. We in the Philippine manufacturing sector feel that we are in an accelerating decline the result of which would be a great disaster to the economy.

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What our country needs is jobs for all those who are able and willing to work. The president's concern for jobs should be emulated by the DTI and the National Economic Development Authority (NEDA). The DTI and NEDA should spend more time creating jobs and ensuring employment security rather than promoting the job security of workers in other countries. This is the impact of globalization on our economy. The consequence of globalization is to kill domestic industry.

In a book written by Joseph Stiglitz, 2001 winner of the Nobel Prize in economics, he wrote "Globalization is not helping many poor countries. Incomes are not rising in much of the world and adoption of market-based policies such as open capital markets, free trade and privatization are making developing economies less stable, not more." Instead of a bigger dose of free markets, Stiglitz argues that what is needed to make globalization work better is more and smarter government intervention.

He further states that critics are right. Western countries are guilty of hypocrisy. He notes that industrial countries have held onto their trade barriers on such industries as agribusiness while demanding that developing countries lower theirs.

The downstream chain effect of shutting down plants is loss of jobs, reduced business income, higher welfare costs, lower tax collections, more government borrowings, higher interest rates, depreciation of the peso and higher import costs for essential and capital goods. These make local products more expensive and less competitive thereby triggering more shut downs.

With all these, can the DTI and NEDA say that the consumer is well served by being flooded with low-cost imported products? The consumer is king only if he/she has spending power. How can the DTI and NEDA secretaries be the principal advocates of trade liberalization and globalization without properly balancing their role as advocates for domestic industries?

Our government unfortunately has been so beholden to the IMF. According to Mr. Stiglitz, "the IMF has failed in its mission". Many of the global policies that the IMF pushed contributed to global instability. He further states that the organization made multiple mistakes in handling the Asian crisis of 1997, the Russian crisis of 1998, and even the latest problems in Argentina. In fact, he argues that the IMF measures of fiscal austerity privatization, market liberalization show little evidence of being an effective venue for growth. Instead, East Asian countries such as China and Korea have succeeded precisely because they did not follow most of the dictates of Washington.

Our economic managers therefore cannot leave Philippines industries floundering in the rough waters of globalization. What must be done to turn things around?



The country's economic and financial managers need to admit that mistakes have been made both in policy and in implementation. They must resolve to address such problems in a manner devoid of politics and personal interest. The industrial sector creates jobs and therefore empowers consumers. Those in government must adopt policies and programs that will promote balanced sustainable long-term growth. They must see that patronage of our locally-manufactured products is an important part of our country's economic future. Even multinational companies operating in the country must be persuaded to use locally-produced raw materials. Government must address the infrastructure handicaps of the local industrial sector so that the sector's goods can be produced, transported and sold competitively in the global market. Bureaucracy has to be curtailed so there can be level playing field for our local industries.

In countries like Korea, Japan and China, regardless of how much cheaper they can import consumer goods or raw materials, they patronize those that are locally produced. It is considered unpatriotic to use imported products. The government should promote and sustain a similar campaign. It makes eminent sense, both economically and otherwise, for consumers to buy goods of local manufacture.

Among the strategies toward improving the economic environment for domestic manufacturers is the eradication of smuggling. If draconian punishment is necessary to discourage smuggling, let there be such. Throw into jail without bail for six months any smuggler who is caught red handed. The DTI must act on dumping cases within two weeks, and while the matter is still under investigation, should provisionally rule in favor of the local industries. We need to put on hold any further reduction in tariff and if warranted, temporarily increase tariff, at least until we are able to eliminate the external costs or other factors that have been a curse to local industries. The DTI, Department of Finance and Bangko Sentral ng Pilipinas should come up with a rescue plan to aid local industries that are viable but cash-strapped. One such measure is the waiving of outrageous bank penalties on battered companies that are delinquent and or past due in their interest payments. In many instances, the penalties exceed the total collectible principal and interest.

Globally competitive business is not just providing a level playing field. While we accept competition as the name of the game in business, our government has to behave as a partner of local manufacturers. Over the years, we have been repeatedly set back by too many calamities both natural and man-inflicted. Full support must be given to those that can compete such as liberal credit terms, lower transport and handling cost along with more efficient ports and

highways and more sensible labor laws. Certainly, we can think of creative and unique ways of becoming competitive once government agrees to take the cudgels for the local industries.

Except for making luxury goods more readily available for those who can afford to buy them, the government is hard put to demonstrate that globalization has been good for the economy. In general terms, we must conclude that since globalization started, the country and most of its citizens have become poorer and we in the industrial sector have become less able to slug it out in the global arena. At the same time, we must get the government to mean business with us by balancing its advocacy of globalization by equal advocacy and support for Philippine industries. If this falls on deaf ears, then the situation is indeed hopeless.