

Industrial Culture and Industrialization

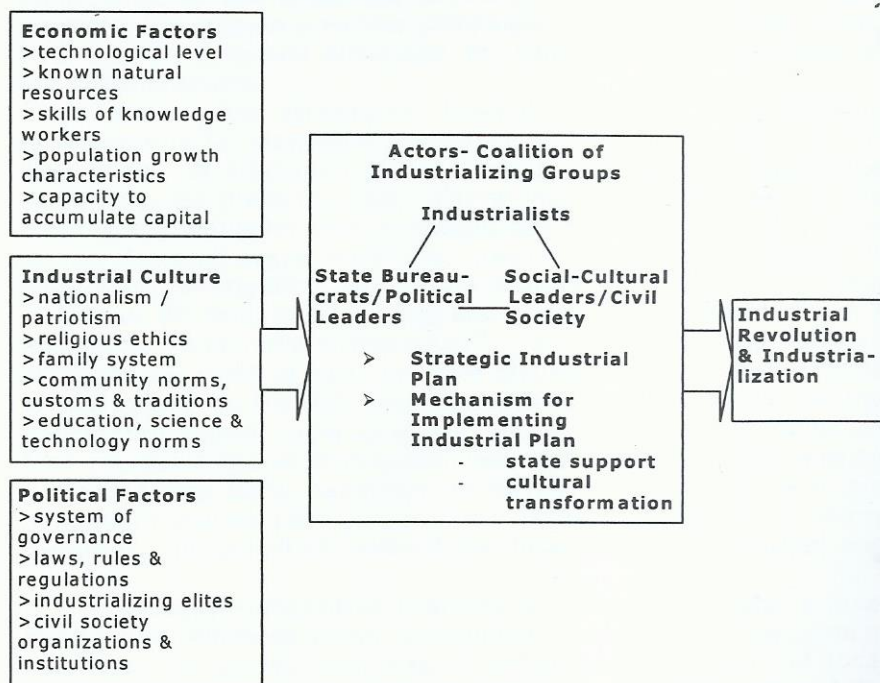
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Industrialization is the common aspiration of all less developed and developing countries. It is the process of introducing new technologies and cultures in order to transform the nation's economy and productive capacity. This transformation process does not happen accidentally. It is planned and implemented, and most of the time, struggled for by a core of industrializing groups.

Industrialization Process

A coalition of industrializing groups is the main engineer of the industrialization process. This is shown in figure 1 below.

Figure 1. Model of Industrialization



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The coalition of industrializing groups is composed of the following actors:

1. Industrialists, entrepreneurs and other knowledge workers² (Sibal 2003) united by nationalism and patriotism from among the leaders of capitalist middle class, socialist intellectuals, landed dynastics (realists) and foreign settlers and naturalized Filipinos and their descendants like those of the Chinese, American and Spanish origins.
2. State bureaucrats, technocrats and political leaders with patriotic and nationalist ideals.
3. Civil society leaders and other progressive social-cultural organization leaders like religious, civic leaders, educators, researchers, entertainers, media personalities and other labor/NGO/pressure group leaders.

The coalition of industrializing groups should be able to dominate or occupy strategic positions in the country's economic enterprises, political and socio-cultural institutions. With such strategic positionings, the industrializing groups may be able to formulate and implement a national industrialization plan that will be supported actively by state and civil society institutions. This is a vital step in the transformation of a developing country's economic, political and cultural systems.

In a global research on *Industrialism and Industrial Man* initiated and published by the Harvard University in 1960, writers Clark Kerr, John T. Dunlop, Frederick H. Harbison and Charles A. Myers (KDHM) noted that industrialization in many forms, and not only capitalism and communism, is "stalking the earth, transforming almost all features of older and traditional societies"

"We began to develop in particular, a sense of importance of nationalism as a very real force at this stage in the history of the world. We also developed a sense of the decline of the importance of competing ideologies. More and more, the questions are technical as well as philosophical ... technicians are taking their place along with theorists" (KDHM 1960).

² A knowledge worker is anyone who makes a living out of creating, manipulating or disseminating knowledge. According to Peter Drucker in *Management Challenges of the 21st Century*, the types of knowledge workers are: 1) High Level Workers who are mostly mental workers like professionals (doctors, teachers, consultants, etc.) managers, entrepreneurs, administrators, etc., and 2) Knowledge Technologists or those who work with their hands and brains in the information technology industry.

Roles of Industrializing Actors

Industrialists, entrepreneurs and other knowledge workers in the private, public and NGO sectors study and apply new technologies and industrial culture. They exercise leadership in the technical society and transform the skills, values, norms and responsibilities of the workforce.

Industrialization "requires a rapidly increasing numbers and high proportion of technical, professional and managerial personnel. This is equally true whether ownership is private or public. This staff is concerned with the functions of planning, organizing, directing and training, and research that have become indispensable to modern factory production and to urban communities. They are a group continuously increasing in size and significance. They require an ever higher degree of formal education and training, and substantial resources in the community that tend to be devoted to their development" (KDHM 1960).

John Gokongwei Jr., (2004) head of the Philippine conglomerate firm engaged in food manufacturing, textile manufacturing, petrochemicals, real estate, telecommunications, airlines and banking and with operations in Asia underscored the importance of industrialists and entrepreneurs in the industrialization process. "We may have a productive and educated labor force, but we do not have an effective entrepreneurial class who are the main drivers of growth in any country. Who else will create jobs after all? If this continues, we will be a country that creates nothing and imports everything".

The state bureaucrats, technocrats and political leaders play a large role in the industrialization process. They can provide the national framework of the industrialization plan as well as programs needed to speed up industrialization such as education and health services, infrastructures and regulation of relations between managers and workers. "Modern industrialization does not see the withering away of the state and its bureaucracy, rather the role of government agencies is expanded and enhanced" (KDHM 1960).

Contrary to the World Bank-IMF and WTO prescriptions of privatizing state enterprises, KDHM noted that the "role of government in countries entering upon industrialization, regardless of political form, may be expected to be greater than before... It is extremely unlikely that latecomers can carry out such development without relying very heavily on public operations".

Civil society and labor leaders, whose traditional role is to watch over the excesses of the state and private sectors, have a very important role in the industrialization process, particularly in cultural transformation. Civil society sees global corporation as strong threats to peoples' democracies, self reliant economies and national cultures. Global corporations, through the World Bank, IMF and WTO, have no

loyalty to nations, communities or persons. Thus, local citizens' movements align themselves with domestic enterprises which are more accountable to their stakeholders. (*Alternatives to Globalization 2002*).

It is in this light that the new labor movement is transforming itself into a social movement unionism and is becoming an active component of the civil society. The protests of the world labor movement today are more in favor of industrialization than against it. In Israel, Ghana and Yugoslavia, labor organizations seek to assist the industrialization process. (KDHM 1960)

In the Philippines, Alejandro Lichauco (1988) noted that "there are powerful elements at work with a historic interest in preserving the country as a non-industrial state specializing in the production and export of raw materials and light industrial goods and forever dependent on others." To counter such moves, Lichauco exhorted the industrialists, government and civil society groups- schools, civic organizations, media, and even the church to launch our local version of a cultural and intellectual revolution in support of nationalist industrialization.

The Industrializing Groups

KDHM (1960) identified five types of industrializing elites who may introduce the new technologies and cultures needed in the industrializing process. These are the dynastic, middle class (capitalists), revolutionary intellectuals (socialists), colonial administrators and nationalist leaders.

Of the five industrializing groups, the first three have been associated with distinct philosophies and cultures. The dynastic leaders have advocated mercantilism and feudal culture, the middle class, free enterprise capitalist philosophy, and the socialists, state-initiated socialist industrialization.

Dynastic leaders are the most conservative among the industrializing groups. They are rooted among the landlord class, hence their name dynastic from dynasty or rule of kings. The dynastic leaders are engineers of modern agriculture - from subsistence farming to commercial agriculture and trading. The dynastic leaders are of two categories - the decadents who often gain or lose their power forcefully by war or revolution, or the realists who adjust to the changing environments slowly just like the zaibatus (Meiji Shogunate) of Japan.

The middle class leaders are basically of the professionals ("schooled"), merchandizing (money handlers) and master craftsmen in origin. These leaders are the industrializing group of England and United States of America, often believers of free enterprise doctrine of Adam Smith.

The revolutionary intellectuals are also of the professionals (or "educated") but unlike the middle class leaders who are prone to

become capitalists (or "bourgeois") they are of the Marxist and socialist types. The revolutionary intellectuals are the industrializing groups of socialist countries like the Soviet Union and China.

The last two industrializing groups, the colonial and nationalist leaders are extensions of the first three industrializing groups. The colonial leaders are the representatives of industrializing groups of a foreign, usually more advanced economy. The nationalist leaders, on the other hand, are the representatives of the local industrializing groups whose aim is to adapt to their country the philosophies and technologies needed in the development process.

Colonial administrators are of two categories - the settler and the non-settler-type. The settler groups are those who adopt and settle permanently in the country where they operate and hence contribute to the industrialization of their adopted country. In the Philippines, the insulares and the immigrant Chinese are examples of the settler type. The industrializing elites of the United States, Canada, Australia and New Zealand were the settler-type colonial administrators of Europe.

The nationalist leaders are those who oppose the colonial administrators whom they call imperialists. As mentioned earlier, they originate from the dynastic, middle class and revolutionary intellectuals. In China, for example, Dr. Sun Yat Sen is a nationalist middle class leader, Chairman Mao Zedong, a nationalist revolutionary intellectual and Gen. Chang Kai Chek, a nationalist dynastic leader.

The Struggle for Industrialization

The movements and struggles for industrialization of countries all over the world revealed that a coalition of various industrializing groups is needed to engineer a successful industrialization program. These various forces unite under the banner of independence and nationalism. These nationalist industrializing groups usually aspire to adapt the original philosophies and development strategies of the developed countries.

From the colonial, neo-colonial up to the present post-Fordist capitalist globalization era, the biggest stumbling blocks in the industrialization movements of developing countries are the colonial administrators of the developed countries and their local neo-liberal allies. These anti-industrialization forces normally misguide the governments of these developing nations by recommending or sometimes imposing conditions on free trade and liberalized economic policies that they themselves did not utilize during their days of industrialization.

Ha-Joon Chang (2002) calls this anti-industrialization strategy "kicking away the ladder". After analyzing development strategies of various countries in the world that have industrialized, Ha-Joon

concluded that developed countries "kicked away the ladder" by insisting on developing countries to adopt policies and institutions that they themselves did not use in order to develop. Economics professor Lance Taylor of the USA's New School University said that "leading economies used directed policies to industrialize when they were less affluent and then told poorer countries NOT to do the same, the incumbent rich always tell the poor to adopt a liberal policy stance".

Despite this opposition from the anti-industrialization forces, KDHM predicted that the industrializing groups of a newer system are bound to win over the leaders of an older system. Hence the ultimate triumph of the industrializing forces.

"Industrialization is introduced by either native or alien elites: by groups of men who seek to conquer the society through the superiority of the new means of production. A war between the old society and the new, the old elites and the new, takes place whether the conquest is an internal or external one. The new, in the long run and under one auspice or another, is always bound to win" (KDHM 1960)

Industrialization Movements in the Global Era

During the cold-war era, the anti-industrialization forces propagated the myth that there were only two models of industrialization to choose from. These were the capitalist and the socialist models of industrialization. Developing economies were made to believe that the choice is either of the two systems. Both the capitalist and socialist models of industrialization propagated free trade. In the capitalist model, the doctrine behind free trade is the theory of comparative advantage while in the socialist model, the doctrine is world socialist development planning and specialization.

Both the capitalist and socialist industrialization strategies were in reality strategies of "kicking away the ladder" as espoused by Ha-Joon. In Asia for example, the Asian NICs (South Korea, Taiwan, Singapore, Thailand and Malaysia) have to defy certain conditions from the World Bank and IMF and insist on their own nationalist development strategies in order to advance their industrial development. When China was still under the ambit of the USSR, its industrialization drive was thwarted prompting the Chinese Communist Party under Chairman Mao Zedong to denounce the USSR as practicing social imperialism.

KDHM observed that the USA-Great Britain model and the Soviet Union model were not the only models for the newly emerging economies.

"Instead of two worlds, there were several in the middle of this century of great transformation, and each of those several worlds was in transition... We see a multilinear one. There are several roads, each of which leads to industrialism".

Industrialization does not follow a single mold or prescribed pattern. Underdeveloped countries need not grow as an exact replica of any particular developed country. If these were so, small nations like Singapore and Hong Kong would never have progressed and industrialized. Most of the early industrialized countries were big countries with vast natural resources.

It was also observed that it is not only the capitalists and the socialists who can lead the industrialization movement. Industrialization is led by a coalition of industrializing groups bounded by the culture of independence and nationalism. Both the capitalists and socialists, being internationalists, have to capitalize on nationalism and patriotism in order to inspire others in their drive towards industrialization. This is the case of General Chang Kai Chek of capitalist Taiwan and Premier Deng Xiaoping of socialist China.

KDHM observed that there "is variety of leaders of industrialization movements, with different objectives, starting with societies at varying degrees of backwardness, confronting different obstacles, proceeding at quite different rates of speed, and using a variety of political and social form. Nor does the industrialization process end in a single stereotyped revolution".

Culture and Industrialization

National culture either speeds up or retards industrialization. Developing countries generally have segmented societies with wide class and culture gaps. The traditional dominant culture is usually reactive to the newer industrialization process and its industrial culture. To induce industrialization, the "preexisting culture must adopt or be broken as industrialization proceeds. The cultural patterns of industrialization may move in rapidly, advance slowly, or be sealed off in a particular society. They may penetrate deeply or shallowly, depending upon the nature and strength of the pre-existing culture" (KDHM)

Industrialization either modifies or destroys traditional cultures. As the leading industrializing groups adopt modern technologies in the economy through industrial revolution, a subsequent cultural program must be launched. Ideally, cultural change must precede the industrialization movement. This is a basic principle in organization development and development economics. The speed of industrialization is therefore dependent on the degree of resistance or receptiveness of society in the process of modifying or destroying traditional cultures.

Cultural institutions like Churches and religions, family system, mass media and entertainment, and community-based social institutions are major mechanisms that facilitate the process of changing economies and societies. Today, with the economy and speed of modern communication and transportation systems, ideas and cultural institutions are fast modified through electronic media and entertainment via internet, cable TV and the like.

According to KDHM, industrialization will be more rapid if the pre-existing culture has the following characteristics:

1. nuclear family system which tends to accentuate individual incentives to work, save and invest;
2. relatively open social structure which encourages equality of treatment and advancement on the basis of ability;
3. religious and ethical values which are favorable to economic gain and growth, innovation and scientific change;
4. legal system which encourage economic growth through protection of property rights from arbitrary or capricious rule; and
5. strong central governmental organization and the sense of being a nation which can play a decisive role in economic development.

Industrialization on the other hand will be slackened if the following cultural factors will impeded the advance of industrial culture (KDHM):

1. extended family system which weakens industrial incentives to work, save and invest, and which reserves key managerial positions for family members regardless of relative competence of insiders and outsiders;
2. class structure based on traditional social status rather than on economic performance;
3. traditional religious and ethical values which emphasize 'place' and 'duty' unrelated to economic gain or advancement, and oppose change and innovation, particularly in science and technology;
4. traditional customs and social norms which deny individual and property rights and fail to guarantee observance of contracts; and
5. decisive groups in the society which hinder or prevent the emergence of strong nation-state.

Religion and Family Ties

The protestant ethics in the West, particularly US, Britain and Scandinavia, have helped speed up industrialization through the promotion of the values of thrift, austerity and capital accumulation. This is also true in Confucian ethics in Asia. In Japan, culture and

religion were preserved as modern technologies were being adopted. This was also the case in France and Italy. In Spain, parts of Latin America and the Islamic world, religion has been a factor in the slow pace of industrialization. In the case of China and Soviet Union, religion was curtailed.

While an extended family system prevalent in underdeveloped economies generally impedes industrialization as mentioned earlier, it may also give advantages to industrialization where resources for capital formation are pooled, and it serves a cheap source of family labor. In underdeveloped countries, family workers normally work as unpaid family workers.

Nationalism

Development economists have identified the various components of industrial culture that have been instrumental in the speeding up of the industrialization process. These components of industrial culture include the following principles and beliefs:

1. Nationalism and Patriotism
2. Desire for a Sovereign and Independent Nation
3. Acceptance of Modern Sciences and Technologies
4. Unity of industrializing actors - industrialists, state bureaucrats and social-cultural leaders

Nationalism is an integrating force in developing economies particularly in Asia where wide class and cultural gaps exist between the elites and the impoverished masses. As cited by KDHM, examples of countries where nationalism sped up the process of economic development and industrialization were India under Prime Minister Nehru, Israel, Japan, Turkey and the Philippines during the 1950s.

The Philippine Experience

While the Philippines today is considered an economic sluggard among the fast growing Asian economies, it was during the 1950s the second fastest growing economy in Asia, next to Japan. One of the major factors for this fast economic growth of the Philippines in the 1950s was the nationalist industrial culture that prevailed among emerging Filipino industrializing groups.

David Wurfel (1957), citing ECAFE's Economic Survey of Asia and the Far East, noted that the Philippines became the most industrialized economy in Southeast Asia with manufacturing accounting for nearly 15 percent of the net domestic product. Manufacturing provided jobs for 13 percent of the employed labor force.

The Philippines adopted a strategy of import substitution industrialization (ISI) as an option to the failed free trade strategies imposed for several decades by colonial powers Spain and the United

States of America. During the colonial eras before 1950, organized manufacturing of 5 or more workers were limited only in the processing of agricultural products.

The 1962 report of the World Bank (Ofreneo 1994) noted the fast growth of domestic manufacturing in the 1950s at more than 10% per annum. By 1960s, manufacturing has become a significant segment of the economy. As a result, a vigorous domestic entrepreneurial class has emerged and the nucleus of a skilled-labor force has been formed.

Noted historian Frank Golay (1961, pp. 408-414) explained that the "rise of the Filipino industrial class, with its entrepreneurial values" was one of the four sources of growth in the post-war period. The three other sources of growth of industries were- a) consistency of economic policy of import substitution, b) foreign inflow of capital mostly from war damage payments, and c) the development of the internal domestic market.

Golay noted that the new industrial class changed the composition of the pre-war economic elites dominated by the landed aristocracy bred by free trade export crop monoculture and the so-called compradors who specialized in the import-export and domestic distribution business.

In his book *Nationalist Economics*, political economist Alejandro Lichauco (1988) identified the emerging industrializing groups of the 1950s that spearheaded on a limited basis an aborted local industrialization.

"In the same decade, the country produced its own captains of industry, among whom were Salvador Araneta, who pioneered the flour and engine industries, Hilarion M. Henares, Jr., who made a name producing industrial chemicals and school supplies. He was among the early pioneers of the modern managerial system in the Philippines and would become, together with Araneta, the main ideologue of the industrial community. Filemon Rodriguez, who founded one of the most prestigious Filipino management companies; and co-founded FILOIL, the first Filipino-owned oil refining company; Col. Severo Santiago, who pioneered the production of telecommunications equipment; Meneleo Carlos, Sr., who founded today's largest producer of industrial resins; Pablo Silva, who pioneered in foundries and steel pipes; Jose Concecion, Sr., who pioneered the manufacture of appliances; Jose Marcelo and Jacinto families, who pioneered the steel industry; and numerous others who eventually organized the

militant Philippine Chamber of Industries which aggressively pushed for the implementation of industrialization and of the 'Filipino First' Policy".

Lichauco observed that it was this "class of industrial entrepreneurs and industrial workers who pressed for the increased introduction of machines and machine technology to the economy".

Kicking Away the Ladder, Philippine Experience

The Import Substitution Industrialization (ISI) strategy was the successful first step in the industrialization of Japan, South Korea, Taiwan and other Asian NICs. Even in South America, Robert Boyer and other researchers noted that large public sector and ISI "delivered impressive results for the Mexican economy (Aboites 1986), and Brazil (Coriat and Saboia 1987). Back in the 1930s, even Argentina was able to modernize and industrialize during an extended period, via a highly regulated economy and the search for home grown technologies (Miotti 1991)".

In the Philippines however, the strategy was derailed by the anti-industrialization forces of the United States and its neo-liberal local allies. This was a case of "kicking away the ladder" which the country was already using.

The main reason why the ISI miserably failed in the country was because the US strategic thinkers were way ahead of the Filipino industrializing groups. This was explained by Nationalist statesman Senator Claro M. Recto (Lichauco 1988):

"American anti-industrialization policy was rationalized (way ahead of the ISI policy) sometime in 1945 or early 1946. The Bell Trade Act, approved and passed in April 1946, was inconsistent with the ideas of industrialization of the Philippines. The Deyster Plan which was prepared by an American firm during the Roxas administration although not exactly opposed to industrialization, proposed that it be limited, without showing why. Ambassador Cowen openly advised our government and people to maintain what he described as an agricultural and commercial economy. In July 1950, Senator Sparkman, upon his return from the Philippines, complained in a press interview that there was altogether too much talk of industrialization here. He would concede light industry but not heavy industry."

Not satisfied with the Bell Trade Act of 1946, the national treatment given to US citizens and corporations was extended up to 1974 with the Laurel-Langley Agreement of 1954. Lichauco concluded that it was a "nationalism limited, and in fact, neutralized by the national treatment extended by the government to American citizens and corporations controlled by such citizens".

The Mechanics and Failure of ISI

Under the ISI strategy, the newly established Central Bank of the Philippines (CBP) intervened in the economy by supplementing the import controls with foreign exchange control measures. The import and foreign exchange controls became the deliberate program for the promotion of import-substituting industries. Filipino industrialists and American companies took advantage of the program to develop light import-replacing industries. The American distributors of imported products set-up Philippine subsidiaries engaged in the tertiary processing or the packaging and assembly of semi-processed and semi-knock down parts of the imported products they used to distribute.

Because of the ISI strategy, the Philippines registered annual double-digit growth rates in the 1950s. The growth however slackened in the 60s and it soon became clear that the economy was facing an insurmountable BOP crisis because the ISI industries were all very dependent on imported capital equipment, machineries, tools, parts and techniques. Under the pressure from the IMF, the agromineral-timber exporters and the American Chamber of Commerce, President Diosdado Macapagal devalued the peso and removed the import and foreign exchange controls ("decontrol program").

The failure of the ISI strategy was caused by the following factors:

1. Most of the beneficiaries of the ISI programs were US firms (3 out of 4 companies set up in 1950s were foreign subsidiaries and joint ventures).
2. Their investments were limited to tertiary processing and engaged in capital intensive processes which were heavily subsidized and protected by the state.
3. There were very limited forward and backward linkaging and these ISI industries managed to control the local market via industry cartels or oligopolies and monopolies. They did not expand to the export market for more efficiency, economies of scale and competitiveness.
4. Colonial mentality contributed to the wasteful spending of resources. Foreign cultures propagated by global corporations created new needs, redirected attitudes and changed values such that consumption patterns and costly tastes developed among the rich and the upper class favored the purchase of

- imported goods (Constantino 1984). Furthermore, many foreign and local firms practice transfer pricing and patronized foreign suppliers instead of local producers.
5. There was no genuine land reform program to democratize the Philippine society and to increase the incomes of the vast rural population thereby expanding the local market to encourage industrialization.
 6. Worse, the ISI strategy only institutionalized patronage political system and crony capitalism which preserved the dominance of the local dynastic elites and the neo-liberal technocrats in the country's political system.

Abandonment of the Nationalist Industrialization Policy

With the BOP deficits, the government was forced to go to the IMF and adopted the IMF-recommended policies of opening up the economy through peso devaluation and the enactment of measures encouraging foreign investments and export-oriented production. The growing IMF clout in policy making was reinforced by the rise in the bureaucracy of Western-trained neo-liberal minded technocrats. The process of kicking the ladder for the country was almost completed.

According to the report of the International Forum on Globalization entitled *Alternative to Economic Globalization* (2002), the shift to economic globalization was in reality "an experiment, an economic model promoted by people and economists (neo-liberals) who will most benefit from it". The World Bank "invested in training and education to indoctrinate scores of Third World bureaucrats and economists in an economic ideology that equates development with export-led economic growth fueled by borrowing and investments—that basic fallacy that remains a cornerstone of its policy today".

It should be noted that the ISI strategy, as explained by economist Amado Castro, was undertaken by the government "in response to the balance of payment difficulties experienced by the country in the late 1940s". Arguing that the ISI strategy was not a complete failure, Castro pointed out that statistics on imports indicated "a shift in the composition of imports from finished consumer goods to capital goods" which meant that "backward integration (was) in fact taking place with domestic raw materials being utilized to a greater extent." (as quoted by Ofreneo 1994).

What is lamentable is that the ISI strategy failed because it was derailed by anti-industrialization forces. Instead of clearing the obstacles to the ISI strategies for industrialization, it was completely abandoned in exchange of an experimental export-oriented strategy that brought the economy back to the free trade colonial past.

Losers and Winners

The resulting decontrol program (which combined import liberalization, devaluation and tight monetary policy) crippled the infant Filipino industrial class that was born during the decade of the 1950s and aborted the process of industrialization. (Lichauco 1988).

Lichauco explained how the decontrol program has favored the community of foreign investors in four ways. These are:

1. It killed the "Filipino First" policy, and sharpened the already built-in advantage enjoyed by foreign companies over Filipinos in the business world.
2. It enabled foreign firms unlimited profit remittances.
3. The currency devaluation made it cheaper for new foreign investors to invest or buy into the economy.
4. Foreign companies were encouraged to raise their working capital from local banks

After several decades of globalization and trade liberalization, studies now show, as quoted from ILO Director General Juan Somavia in 1999, that "people in the high income countries account for 20% of world population but possess 90% of the GDP in the world. On the other hand, poorest people, which account for the lower 20% of world population, possess only 1% of GDP in the world" (Takagi 2004).

The 2002 report of the International Forum on Globalization concluded that most poor countries have never enjoyed much benefits from globalization. After three decades of strong doses of IMF and WB medicine and less than three decades of WTO policies, many have seen that globalization was a false promise. The policies were not designed to benefit them but to benefit rich industrial countries and their global corporations.

Maneuvers of the Successful Asian NICs

There were successful industrialization programs in Asia even under the aegis of the IMF-World Bank and WTO. Ronaldo Munck (2002) observed the "big advance in industrialization of developing world under the aegis of mainly nationalist regimes". These industrialization programs were undertaken by the industrializing groups as a joint responsibility of the government, private and to a certain extent the labor sector.

Ha-Joon and other development economists observed that there is a consensus that the spectacular growth of Japan and other East Asian NICs except Hong Kong was primarily due to activist industrial trade and technology policies of the state. With the absence of entrepreneurial class in Japan, having come from a feudal economy, the Meiji government established state-owned factories in shipbuilding, mining, textiles (cotton, wool and silk), and military industries (zaibatsus). These factories were later sold to private enterprises but were subsidized from 1870s to 1880s.

The Meiji government also invested heavily on infrastructures like the rail system in 1881. Although unprofitable, these state-initiated industries introduced new technologies, developed the knowledge workers- managers, engineers, and the industrial labor force and eventually a healthy local market.

In Taiwan, South Korea, Singapore and Malaysia, improvements did not come by assiduously by following the dictates of the WB-IMF but by "doing the opposite of what they prescribe. Asian countries that have had some brief successes in developing their own economies did not out their tariffs as demanded by the globalizing institutions, permit foreign entry without controls, or eliminate existing support for domestic business, local economies and local agriculture. Instead, those countries first developed the ability to take care of their basic needs internally, rather than totally converting to an export-based production system". (*Alternatives to Globalization* 2002).

NICs like South Korea and Malaysia made use of many mechanisms, such as trade-balancing requirements that the value of a foreign investor's imports of raw materials and components to the value of exports of the finished commodity, and 'local content' regulations that mandated a certain percentage of the components that went into the making of a product to be sourced locally" (*Alternatives to Globalization* 2002).

South Korea in 1960s, according to Yong-bum Park (2002) pursued state initiated mobilization, similar to those done in socialist countries, aimed at nurturing high standards of work ethics and cooperative attitudes among workers. 'Industrial workers' were "exhorted to work harder in fighting the patriotic war against poverty... The abject poverty to which most Koreans were subjected for a long time provided a fertile ground for economic incentives to induce hard work".

In 1970s, Yong-bum continued, the Factory Saemaul Movement promoted the enterprise family and hard work side-by-side with institutional reforms to fight the negative effects of the oil price shock. The labor-management councils and also quality circles promoted capital-labor cooperation towards productivity and competitiveness.

South Korea's Chaebol enterprises replicated Japan's zaibatsus or state enterprises. Unlike other Asian NICs, it relied less on foreign direct investments and licensing, and most on turn-key plants and imports of capital equipment (Kim 1987 as quoted by Yong-bum 2002). The state-initiated industrial plan of South Korea also made vocational training compulsory through the Vocational Training Act initiated in 1967 and a compulsory primary education which raised the literacy rate from 22% in 1945 to 90% in 1960s.

"Japan, Korea and Taiwan were developed by pursuing - simultaneously - aggressive export promotion, development of import substitution at increasingly higher levels of industry (from light to medium and heavy), protection of domestic industries, encouragement and assistance to local entrepreneurs, institutional reforms in certain social spheres (education, agriculture, etc.) and strong government intervention, specially in planning. Such a path of development is quite different from what the laissez-faire economists have been preaching: an unallayed deregulation in order to favor the export market" (Ofreneo 1994).

The New Philippine Cultural Transformation

It is everyone's realization that mass poverty cannot be eliminated or even relieved with globalization and liberalization. As what Japan and other Asian NICs realized long time ago, it is only through industrialization that the country will be able to achieve the ideals of nationalism, independence, democracy and progress.

It is the urgent task of the Philippine industrializing groups in the private, government and civil society sectors to reenergize their struggle towards national industrialization now that the cracks of the seemingly formidable promises of globalization are glaringly showing.

The struggle for national industrialization should be preceded by cultural transformation. The world's people, as shown in Cancun, Doha and other momentous civil society uprisings, have risen up and pushed to greater heights the global cultural revolution.

One factor why the country has been a sluggard in Asia is that it is one of the most thoroughly westernized in manner and attitudes. The country has a "complex value system that intertwines the indigenous Filipino, Chinese, Spanish and American culture" and the only Christian, English-speaking democracy in Asia" (Warner 2003).

The country's culture is known to be "colonial and damaged" and the people exploited and kept in poverty by various colonial administrators. This has considerably weakened the values of patriotism, nationalism and cooperation. Filipinos usually do not trust each other and rely solely on extended family system. It is the system of individual survival (or the crab mentality) that prevails in the average Filipino mind.

These are the major obstacles in the cultural transformation among Filipinos. Inculcating the new industrial culture among Filipinos is a must in order to speed up the much delayed and aborted national industrialization process. If the West has the Protestant ethics and most of Asia, the Confucian ethics that have pushed industrialization, the world's civil society is now being aroused by the Christian ethics.

German Catholic Heinrich Pesch S.J. in 1918 wrote the book *Ethics and National Development*. He called these Christian Ethics a "solidaristic system of human work". It has three basic principles:

1. The economy must be regulated in accord with the virtues of (social) justice and (social) charity. It is the responsibility, and thus in the conscience of individuals to make the economy work for the good of all, especially the poor.
2. The principle of subsidiarity (participatory democracy) where social and political institutions at higher levels ought to intervene only when the individuals and groups at the lower social and political levels cannot accomplish the tasks which the common good requires.
3. The principle of autonomy and cooperation where people in various vocations and occupations perform various functions necessary for the development of the economy.

It is time that all Filipinos should put in their respective minds and consciences the three basic principles of the Christian ethics in renewing our industrial culture.

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