Year-end Review and Prospects: A View from Congress

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If we have to choose one field where the Ramos administration can claim success, it definitely would be in the economic field. It does not matter that others say that the growth is only an economic mirage, or are still uncertain of what the growth consists of, or remain unconvinced that it can be sustained, especially after the crisis that followed the euphoria in Mexico.

The growth is real. It did not consist only of public expenditure but of investments, albeit mainly in infrastructure and partly in portfolio investments. But is it quality growth or will it go bust, as it did in the past? We believe we never had a chance as we have now to be able to sustain it. The necessary structural reforms are now in place. To be sure, some remaining restrictions have to be lifted, and a host of other items in the agenda have to be addressed.

But how and why did we succeed in doing these reforms now when we have failed repeatedly in the past?

I attribute this to what critics consider two unlikely factors: one, a work style that has been put down and even ridiculed, and the other, an institution traditionally considered reactionary. They are the President's management style and Congress. Before eyebrows are collectively raised, let me explain.

Presidential Management Style

Critics call it micro-managing or a penchant for details. They cite it as the reason why things bog down at the implementation level. But I describe it as 'follow-through' management style. I had the opportunity to observe this work style up close every week.

If the President had not followed through on the commitments made by his Cabinet or by Congressional leaders, his economic program would have been stymied or moved at snail's pace.

While I had expected that he would convene the Legislative-Executive Development Advisory Council (LEDAC) on a quarterly basis, I did not think he would call the members to meet weekly and have the stamina to sustain it for months.

Ironically, the constitutionality of the LEDAC was questioned, but it proved to be most efficacious a vehicle in untangling gridlocks and resolving conflicts between the Executive and Legislative branches, while exposing the President to alternative views other than those that emerge in Cabinet meetings. It is also where commitments made in the previous week are monitored. That was how the revenue enhancement program, including the EVAT, was pushed, the safety nets for the GATT established, including the P32

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billion needed for 1995, and the Anti-Dumping Law, the Magna Carta for Exporters, as well as the various measures to arrest the appreciation of the peso, and the financial restructuring of the *Bangko Sentral* enacted.

Yes, the President still writes marginal notes. But whether in red or black ink, they get the job done. As Deng Xiao Ping remarked: "It does not matter what the color of the cat is, provided it catches mice."

Whether in corporate board rooms or in Cabinet meetings, debates without resolution remain just that – a lively debate. Decisions not followed through soon get forgotten. It is not enough that policies are laid down. The Chief Executive must coax, cajole, remind, threaten, and kick asses to get things done. The bureaucracy is like a machinery – wheels must be steered, knobs turned, screws tightened, valves cleared, and fenders sometimes kicked, in order for it to function well. Government cannot run on auto pilot.

A Reformist Congress

Congressmen and even Senators would admit to practicing patronage politics because they are expected to render constituency service. But where and when their votes mattered most, they delivered. In the end, that is what counts.

To put an end to a 'rentier' economy and lay out an open and level playing field, they decreed that protectionist walls and cartels must go. The entry of foreign banks was liberalized. Foreign exchange transaction was deregulated. The BOT law was expanded and made less restrictive.[1] The land-lease tenure to foreigners was lengthened to 75 years. The Congress supported the President's move to open the transportation and telecommunications industry to competition – an initiative that worked wonders in spurring the PLDT to aim for zero backlog, and which benefited land, sea, and even air transport passengers and cargo customers.

Moreover, the Congress concurs with the President that the first business of the government is to stay out of business.[2] In this regard, the House responded by passing the amendments to the Foreign Investments Act, the bill applying the Condominium Law to industrial estates, and the measure that sets the framework and criteria in establishing economic zones across the country. Having missed the first two waves of investments, the objective is to catch the third from the Tiger economies and spread them out to the outer regions.

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Of course, it helps that a 'rainbow coalition' was crafted skillfully and patiently by the Speaker in the House of Representatives, and that subsequently, a Compact for Change was signed by the LAKAS with the LABAN which controlled the Senate.[3]

The results? A growth of 5.5 percent in the Gross National Product (GNP) for 1994. What is encouraging is that the impetus has come from investments and export gains. Since the effectivity of the Foreign Investments Act, some $3.6 billion in foreign investments came in (December 1991-March 1994) with 39 percent going into manufacturing.

Whereas the United States, Japan, and other Asian countries had dominated the investments scene, Europe is now showing interest as evidenced by the over-subscription to investment promotion seminars during the Presidential visit. The Department of Trade and Industry (DTI) recalls that in a seminar they held in Europe in 1992, they had to pull in embassy staff members to fill the vacant seats.

Gross domestic investment increased by 15 percent, and exports by 19 percent. The inflation rate remained at a single digit level, 9 percent, and the 91-day T-Bill rate was reduced to 12 percent. Instead of capital fleeing after deregulating foreign exchange, capital flowed in, not only buoying up our international reserves, but also causing the peso to appreciate from P28-$1.

Debt service burden has also been alleviated. Whereas in 1988, 42 percent of our receipts from exports of goods and services went to debt-related payments, such payments have been reduced to 19 percent of exports in 1994. The national government registered a cash surplus of P12.3 billion as against a deficit of P21.9 billion in 1993. For twenty years, it has always incurred a deficit. The Consolidated Public Sector Deficit (CPSD) was reduced to P7.32 billion (-0.4 percent of GNP) as against P34.7 billion in 1993. This has been achieved by a 28.7 percent increase in revenue collection and a tax effort rise from 15.3 to 15.7 percent. Next year, it looks forward to an even lower CPSD of P2.2 billion or only -0.1 percent of GNP which, in turn, is expected to grow by 6.5 percent.

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What Needs Watching

There are gaps and weaknesses that still have to be addressed. The slowing down of the manufacturing sector's growth and the increasing trade deficit should be closely monitored and addressed by the government. Compared to its 4.5 percent growth rate in the third quarter of 1993, manufacturing grew only by 3.5 percent during the same period in 1994. The trade deficit increased from $6.2 billion in 1993 to $8 billion in 1994.

Moreover, although some 700,000 jobs were created in 1994, the unemployment rate increased from 9.17 percent in 1993 to 9.5 percent, or an increment of 126,000 unemployed persons, in the following year.

The strong peso has had negative effects on the export industry. The timely passage of the Magna Carta for Exporters, which gives fiscal incentives to exporters and negotiability to tax credits, should help ease the industry's problems. This negotiability feature has been glossed over by the press, but is highly appreciated by exporters, many of whom could not even utilize the tax credits they have already earned.

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Our growth must continue to be investment- and export-led in order to be sustained; hence, there is a need to strengthen the export sector. A weakening will exacerbate our trade deficit problem which, in turn, could lead to a sharp devaluation of the peso. This would consequently trigger inflation and force the *Bangko Sentral* to raise interest rates, thereby dampening investments. And the tailspin begins – towards the dreaded hole we have just crawled out from called 'stagflation,' where prices are rising but jobs are getting scarce because the economy has contracted. Joblessness in the face of rising prices: what could be a more explosive situation?

Aside from reducing our trade deficit, our savings rate should be increased. While it has gone up from 17 to 20.3 percent of the GNP, it is still way below those of our Asian neighbors.[4] While these countries showed an increasing trend in their savings rate, our rate has declined from a high of 23.4 percent during the period 1971-1980. Similarly, our Gross Domestic Investment at 22.6 percent of GDP in 1993 compares unfavorably with Indonesia's 35.5 percent, Malaysia's 35 percent, and Thailand's 38 percent. Our imports also show a worrisome pattern. According to the Congressional Planning and Budget Office (CPBO), while capital goods increased only by one point from 24 to 25 percent of imports over the last five years, consumer goods increased from five to nine percent of imports in 1994. No doubt, imports for Duty Free shops by the Clark SEZ and Subic SEZ, which amounted to P268 million and P1.3 billion, respectively, contributed to this rise.

Tequila Syndrome

High trade and current account deficit, low domestic savings mobilization, propensity for consumer goods, and peso overvaluation: these are traits we share with Mexico. Are we then headed for a Mexican-type crisis?

Not quite.

Mexico is overly dependent on 'hot' money, we are not. While we do have our share of speculative capital and continue to draw on loans, a large part of our trade deficit is financed by direct foreign investments and by earnings of our overseas contract workers (OCWs), a more or less steady source of inflows for sometime to come barring any strife in the Middle East.

Moreover, our trade deficit at four percent of the GNP is half of Mexico's eight percent. Thus, we posted a balance-of-payments (BOP) surplus of $971 million from January to September last year because of positive non-merchandise trade amounting to $3 billion and capital account. This year, OCW remittance grew by 26 percent, amounting to $2.5 billion, as of September, with all markets posting increases except the Middle East which declined by 5.3 percent.

Our foreign exchange system is a managed float unlike Mexico's fixed system. To a large degree, ours is market-determined. The Mexican peso has long been overvalued, but the lid was kept down until the true situation could no longer be hidden. Triggered by an uprising in the Chiapas region, the loss of confidence by investors led to a massive capital flight that saw the Mexican peso depreciate by 30 percent, as interest rates soared beyond 40 percent.

But while not inevitable and not even likely to happen, we are certainly not immune to the Mexican ailment. We are not as sanguine as our monetary authorities who brush it aside.

Our trade deficit of $8.5 billion on exports of $13.5 billion, instead of narrowing, is projected to even increase to $9 billion in 1995. Mexico had a deficit of $17.5 but also higher exports of $58 billion. Earnings from our OCWs help reduce the current account deficit, but do we then make employment overseas rather than at home a permanent policy? Finally our low savings rate makes us highly dependent on foreign capital.

These are the core issues that must be addressed. The fact that we have floated the peso does not fully address these issues. Nonetheless, the Congress has responded by passing the Magna Carta for Exporters. The House has likewise approved the Magna Carta for Long Term Savers. For its part, the *Bangko Sentral* should address the issue of an appreciating peso that is hurting our exporters in a situation where we have a trade deficit.

What Ultimately Counts

Beyond skirting the economic shoal of a Mexican type, the Captain of the Ship of State must not lose sight of our ultimate objective, *i.e.*, the well being of our people. Economic growth must benefit all.

The President himself in his *Ulat sa Bayan,* recognized that the benefits do not necessarily or immediately spread to the people. He said, "There are those in society who do not normally benefit from even a growing economy. To help the more vulnerable and the more disadvantaged among us, we have, therefore, placed social reform and democratization of wealth at the center of the national agenda." He cited a number of 'entitlement' programs to targeted sectors, particularly in the area of housing, health, and education. They are good, and we agree with them.

Productivity, Income Distribution and Unemployment

Beyond entitlements and social welfare, we should address effectively the following areas: (1) productivity; (2) income distribution; and (3) unemployment.

In his book *The Age of Diminished Expectations,* Paul Krugman says that "there are three things and only three things that are important for the economy because they are the things that affect the standard of living of the majority of the people – productivity, income distribution, and unemployment – just as there are only a few things important for the well being of an individual, like work, love, and health. Everything else is not really worth worrying about." Let him explain it: "If these things are satisfactory, nothing much can go wrong, [but] if they are not, nothing can go right."

Is not the list too short? Krugman retorts: "What about inflation or international competitiveness, the state of financial markets, or the budget deficit? The answer is that these problems are in a different class, mainly because they have only an indirect bearing on the nation's well being. For example, inflation (at least at rates the U.S. has experienced) does little direct harm. The only reason to be concerned about it is the possibility, which is surprisingly uncertain, that it will indirectly compromise productivity growth. Similarly, the budget deficit is not a problem in and of itself; we care about it because we suspect that it leads to low national savings, which ultimately results in low productivity growth."

These views, of course, may seem contrary to the IMF's disciplined fiscal stance and unwavering anti-inflationary monetary policy, anchored as they are on the belief that inflation is an "antithesis to growth...it destroys the incentives for savings and productive investments...and hits hardest the poor who are least able to defend themselves against rising prices."[5]

But there is really little quarrel on policy. The debates center only on the extent of fiscal deficit and degree of inflation that can be allowed, given the condition of an economy. The NEDA-PIDS macroeconomic model has, in fact, illustrated that a P10 billion increase in government spending can cause the GNP to grow by half a percentage point, with an increase in the inflation rate not exceeding 0.62 percent, regardless of how the financing is achieved. Of course, the benefits will be enhanced if spending is programmed and carried out in such a manner as will increase the nation's productive capacity. For instance, increased spending on

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infrastructure, especially in the countryside where the majority of the poor live, will have positive effects not only in the rural areas, but also for the national economy.

Why productivity?

While productivity is not everything, in the long-run, it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker. World War II veterans came home to an economy that doubled its productivity over the next 25 years; as a result, they found themselves achieving living standards their parents never imagined. Vietnam veterans came home to an economy that raised its productivity less than 10 percent in 15 years; as a result, they found themselves living no better – and in many cases, worse – than their parents.[6] Thus, productivity growth is important because it allows a country to compete in the world economy. Moreover, it is important even to a closed economy with hardly any trade.

What is the state of productivity in the Philippines?

In *Poverty, Growth, and the Fiscal Crisis,* Emmanuel De Dios of the UP School of Economics claims that the country has been caught in a serious productivity decline and that both industry and agriculture have lost ground relative to other countries. This was true in the 1960s, 1970s, and most of the 1980s. While there were improvements in 1986-1987, there was subsequent economic decline up to the early 1990s. In the case of industry, the high cost of power and capital, and the power crisis, no doubt, contributed to the decline but, in the main, the uneconomic use of resources and the protective wall for the outputs were the real culprits. These "removed the threat of competition from imports, encouraged collusion among domestic manufacturers, and rendered innovation superfluous. In due course, a phalanx of inefficient and uncompetitive protected industries was built up."

The opening up of the economy, *i.e.*, the reduction of protective tariffs for both raw materials and manufactured products, and the dismantling of cartels and monopolies in telecommunications, transportation, and banking, should spur innovation and increase productivity.

The situation in agriculture is just as discouraging. Average annual growth rate in 1980-1990 was only 2.1 percent, less than the rate the population has grown and slower than the pace of growth in other countries.[7] There are no more land frontiers to go to, forcing 16 million of our people to settle in upland areas of marginal fertility.

Virtually no agricultural research has been undertaken nor technological innovation to raise yields per hectare done. The International Rice Research Institute (IRRI) has announced only recently the discovery of a grain strain that yields 25 percent higher than ordinary ones, but expect this to be exploited faster by our neighbors.

The lack of post harvest facilities and farm-to-market roads results in a 20-25 percent post harvest loss. Only half of three million hectares of irrigable lands have been irrigated. Since the produce of rain-fed lands amounts to only a third of that of irrigated lands, it is not surprising that our average farm level income per hectare is way below that of our neighbors. The Irrigation Act passed in the last Congress called for the irrigation of the remaining 1.5 million hectares in 10 years, or at the rate of 150,000 hectares a year, but only an average of 20,000 hectares were actually irrigated. If we subtract therefrom the lands lost to natural disasters, such as volcanic eruption, and to residential, commercial, and industrial use, then virtually no net additional hectarage has been added.

The devolution of the responsibility to implement communal irrigation to local government units (LGUs) has worsened the situation. Since communal irrigation is technically defined as having a service area of 1000 hectares at a cost of P100,000 per hectare, no LGU can possibly undertake a P100 million irrigation project. Clearly, this definition should be modified.

All these will hopefully change with the enactment of the budget which appropriates P32 billion in 1995 for GATT-related projects in agriculture. Some 500,000 irrigated hectares and 10,000 kilometers of farm-to-market roads are targeted over the next two years. But more ports with bulk handling facilities should be constructed to reduce shipping costs from grain-producing areas.

Warehouses with post-harvest facilities at the farm level should dot the countryside, to be managed by cooperatives and accredited with the Land Bank or the Development Bank of the Philippines (DBP). That should give farmers the option to take out loans against their warehouse receipts and wait for better prices, instead of being forced to sell their produce to traders immediately upon harvest.

The Department of Agriculture (DA) has included research among its priority programs and, in order to reduce our traditional dependence on rice and corn, it has embarked on the Key Production Area (KPA) approach by matching selected crops and products to areas where they are best suited. The House also approved the High-Value Crops bill to encourage diversification.

How about income distribution?

"A nation of growing wealth at the top, a struggle to make ends meet in the middle, and growing misery at the bottom." That is how America is described in Tom Wolfe's *Bonfire of the Vanities.* Naturally, it is not the kind of nation we want. But if that is America, what is the Philippines like?

Not any prettier! A 1988 Family Income and Expenditure Survey showed that the richest 20 percent of the population enjoy 52 percent of all income, while the poorest 40 percent have to share only 14 percent of the total income. Compared to Indonesia with a lower *per capita* income, we also have less equitable distribution. The richest fifth in Indonesia earn about five times more than their poorest 20 percent, whereas the ratio between the earnings of the richest fifth and that of the poorest fifth in the Philippines is about nine times.

De Dios also cites a UNDP Report showing the poverty incidence of the Philippines in 1988 at 55 percent, whereas Malaysia had 17 percent, Thailand, 30 percent, and Indonesia, 39 percent. To be fair, the trend has been going down from 75 percent in 1961, 61.63 percent in 1971, and 59.65 percent in 1985. The latest figure from the National Statistics Office (NSO) shows 40.7 percent in 1991 at the poverty threshold of P7,350.

But these are averages. Disparity between regions is also marked. While the National Capitol Region (NCR) has a low 14.9 percent poverty incidence, Western Mindanao has 54.5 percent, Northern Mindanao, 55.2 percent, and Bicol, the highest at 56.1 percent. This is consistent with the disparity in *per capita* income – the NCR's GDP *per capita* is P28,273, while Bicol, the poorest region, has P4,675. Among occupations, farmers, agricultural workers, fishermen or hunters, and unskilled laborers have the highest poverty incidence ranging from 65 percent for unskilled laborers to 74.5 percent for agricultural workers.

A bright note, however, is that although we are lagging behind in income, we rank higher than Thailand and Indonesia in education and health performances.[8] A further problem though is that neither health nor education is accessible to all. Moreover, as in the case of *per capita* incomes, a great disparity between regions exists with respect to access to health and education.

On the whole, indicators of human capital such as life expectancy and infant mortality improved in recent years, and so did delivery of primary health care services, despite minimal public expenditure. The number of households using safe water also rose from 49 percent of the rural population to 72 percent, benefiting some 15 million people.[9] Barangay health stations and municipal health centers also increased in the countryside. The government also succeeded in enrolling almost every child in the first grade and likewise implemented the Free High School Act.

Still, the social landscape is not even. Infant mortality per 1000 live births ranges from a low of 11.8 in Ilocos and 55.6 percent in Northern Mindanao to a high of 69.6 percent in Cagayan Valley. Central and Eastern Visayas children enjoy

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only 6.5 years of schooling while NCR pupils stay in school for 9.7 years. It is not only in education that the NCR has an advantage: it also has the highest *per capita* health expenditure of P193 as against P61 for Cagayan Valley, P40.45 for Southern Mindanao, and P37.04 for Central Mindanao. Understandably, it has the highest life expectancy rate of 68.4 years and the least number of underweight children.

This bias for the urban areas is an argument for the provision of the so-called 'pork-barrel' or the Countryside Development Fund (CDF). To the extent that the CDF are distributed equally to the districts, the recent increase in barangay health centers and classrooms have been distributed more equitably.

Directing basic social services to the marginalized sector is one way of correcting income disparity. Social programs are expected to cure persistent poverty. But in the U.S. they are widely accused of perpetuating it. Conservatives argue that the "welfare system has reduced incentives and contributed to the growth of the underclass, while Liberals respond that cuts in social spending contributed to the growth of the underclass by making it more difficult for the poor to climb out of poverty. Both could be right."[10] While this has not yet become a point of debate in the Philippines, we propose that our weapon in waging war against poverty is 'social engineering' rather than simply charity or public generosity.

What do we mean?

The budget for health care is too small, ranging from P5 to P31 *per capita* in 1990, and only increased to P63.45 in the 1995 budget. But while we say that this be increased to address the problem of widespread child nutrition, we acknowledge that our total resources are meager. But if we only change our perspectives, we can radically improve the health of our people. As pointed out in an article I earlier wrote,

> [O]ur educational system is training doctors to practice in hospital environments in urban settings: Manila, Cebu, Chicago, and New York. After the expensive training, we coerce them to serve in the rural areas. But then who says only M.D.'s can cure? This is a Western convention that need not imprison us. Why can we not design another health care profession and develop another type of health care professional more suited to work in the rural areas on the rampant diseases that affect the majority of the people rather than on the fancy diseases of the elite? Why use a Mercedes 600 on a terrain that requires instead, a Corolla?
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> Speaking of hospitals, do you know that the government spends half a billion pesos annually to operate and maintain specialty hospitals such as Heart, Kidney, Lung, and Children's Centers? True, they also serve the poor, but why must the taxpayers equally subsidize patients from the Makati enclaves who have to be confined at the Heart Center for an ailment caused by excessive cholesterol intake? Meanwhile, barangay folks had to pass the hat for contributions to buy oil and chemicals needed to fumigate the barangays hit by the dengue fever epidemic.
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> What if we sell or lease out these centers at liberal terms to a cooperative or partnership of doctors, medical staff and businessmen? That is what they are doing in Davao. Makati Med is owned and run efficiently and profitably by a group of doctors, so that it is now planning an IPO. In return for the concessionary terms, we can require them to set aside a number of beds for indigents while charging correctly for their services to the affluent.
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> What does the government gain? Apart from the proceeds from sale or rental, it stops the hemorrhage of half a billion pesos annually. It can then shift the money for preventive and primary health care in the countryside where the majority of the mortality and morbidity cases are still respiratory or water-borne diseases, such as bronchitis, pneumonia, diarrhea, malaria, and measles.[11]

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11,072 barangays out of 42,000 have barangay health stations. It can deploy 2500 nurses, midwives, or paramedics, at P200 thousand salary per year or alternatively 1,666 doctors at P300 thousand a year. The rural doctors for doctorless communities program has a budget for only 80 doctors. Alternatively, it can augment the Department of Health's meager budget of P25 million for medicines, a measly 0.42 percent of its budget, for rural health units or barangay health stations which form the backbone of the department's promotive and preventive health care services.

In the last LEDAC meeting, the privatization of the Specialty Hospitals was included in the Resource Mobilization Agenda. The House has also approved the National Health Insurance Bill which extends medicare services to all to be funded by sin taxes. These are welcome developments, but care should be taken to ensure that it does not serve as a fertile ground for graft where services to 'ghost' patients are billed by unscrupulous doctors and hospitals.

Now, what ails the health program is also the problem in education – undue emphasis on tertiary education to the prejudice of the primary and the secondary levels. The Philippine Institute for Development Studies (PIDS) Memo observes that at the tertiary level, the estimated cost per student at state universities and colleges (SUCs) in 1993 was P12,800 higher than that in private schools. They incur higher costs because of their inability to achieve higher enrolment rates, what with their poor teaching quality and unattractive program offerings. There is also an admission bias that favor students from the middle and upper classes.

The following options are suggested by the PIDS which we submit herein for consideration:

First, require SUCs to increase their share of tuition from 10 to 20 percent, so that the government can free around P750 million which can be used to address the major problems in basic education, *i.e.*, poor school facilities, lack of teachers, and low quality of teaching.

Second, charge students at state institutions full tuition, with those on scholarship paying the fees directly to the school. This financing system is meant to compel public institutions to compete with the private sector and allow the government to direct its subsidy program to specific groups of deserving students.

Third, we also suggest that Math, Science, and English be taught at Grades 5 and 6 and High School, including computer literacy courses at the secondary level, by specially trained 'master teachers' who shall be paid commensurately. We would then have also created an alternative career path for talented and conscientious teachers to rise in their ranks without having to give up teaching to become administrators.

Why unemployment matters

We all know why unemployment matters, but it is very important that the problem be articulated well. It matters because "high unemployment means that potentially productive workers are not being used, preventing the economy from producing as much as it might, and because high unemployment breeds persistent poverty. Beyond these, however, the availability of jobs plays a key role in the way society hangs together. A society in which young people can routinely expect to get jobs upon leaving school, and to remain gainfully employed except for occasional spells in their adult lives, is going to be a very different place from one in which work is a privilege that is unavailable to many people – even if the welfare state is generous to the unemployed. [A] working society, other things being equal, is a better society."[12]

Moreover, because employment is the fastest way to spread out the benefits of growth, a high employment rate is the fastest way to reduce the incidence of poverty, even as it confers dignity to the individual when the most generous welfare system cannot.

Thus, the goal of reducing the incidence of poverty should be placed by the government on the same plane as increasing our *per capita* income.

Poverty, by definition, is the wide incidence of extremely low incomes, and widespread low incomes do not constitute the massive and growing purchasing power that attract and encourage investments which, in turn, further increase output, income, and employment. It also constricts the availability of the most important resource we need to move forward: manpower. "People, we have in abundance, but manpower, we do not have. Manpower implies a high level of education and health, which are beyond the reach of the poor majority."[13]

Is the 9.5 percent unemployment rate, not to mention the 20.5 percent of the labor force who are underemployed, high? By any standards, they are, and they should be brought down. Industry has failed to generate enough jobs to absorb a labor force that has grown, at most, four percent annually over the last decade.

Worrisome still is the sectoral employment shares. "The share of industrial employment, particularly of manufacturing, is even lower in 1990 at 9.7 percent than it was in 1960 at 12.1 percent. The decline in the share of agriculture in employment was significant, but since the industrial share has stagnated, it is services, a large part of which is the so-called 'informal' sector, which served as the receptacle for labor shed by agriculture, but which industry failed to absorb. The lack of employment opportunities condemns the majority of the labor force to jobs with low productivity and low pay."[14] Have the figures improved since then? Not so. If the lag between investment and increase in employment accounts for the delay, then we can expect some improvement in the future. In the meantime, the jobless either must suffer joblessness at home or go abroad and become an OCW.

A word on our OCWs. In the mid 1970s, our OCWs were skilled or unskilled construction workers and predominantly male. As the projects were completed, our workers were hired in operation and maintenance of the plants. But they were still predominantly male. In addition to their earnings, they acquired additional skills, system, and technology from their prime employers, mostly Western companies such as Bechtel, Fluor, Brown and Root, or directly from ARAMCO of Saudi Arabia, or KNOC of Kuwait. But these acquired assets did not come at no cost. Even then, because of prolonged absence of the breadwinner, children of families with no 'father-figure' suffered low grades, were susceptible to drug abuse, and some grew up confused about their sex identity.

The 1980s and 1990s saw the exodus of our female OCWs, including entertainers, but mostly domestic helpers coming from the rural areas. The Philippine Overseas Employment Administration (POEA) has information on the number deployed each year, some 500,000 in 1989 and gradually increasing to 700,000 in 1993, but does not have figures as to how many are married or single, or how many are abroad at any given time.

Estimates, however, place them anywhere between two and three million, including the undocumented, mostly in the Middle East, followed by Asia, then Europe, the Americas, the Trust Territories, and last, Oceania. We are now familiar with horror stories of our women being raped, abused, and even beaten, whether in faraway Middle East or tiny Oceania, or being rounded up in nearby Malaysia, but the social cost, though not palpable but just as serious, will be reaped in the next generations.

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Thousands of Filipino families now have absent father or mother, or both. Has the number reached the critical mass? Considering we have only 12 million families, it is plain that a great percentage of our next generation would be growing up in a home environment totally different from what we knew. If families without any 'father-figure' had problems, how about those without mother, or both? Considering further that in any culture, but more so in the Philippines, mothers play the dominant role in the rearing of children, what will our next generation be like? What is the effect on the national psyche? This should merit a sociological study and a review of the current policy on OCWs.

Meanwhile, the issue is how to accelerate job generation at home. We propose the following:

1. That the Senate consider within the remaining session days the passage of Special Economic Zones bills, the Framework bill along with the Cagayan and Zamboanga City bill. We need to ready the grounds on which to "sink more permanently" foreign investments, as suggested by the Speaker. Without them, we risk getting bypassed again by the third wave of investments that will be looking for ready and hospitable places to land on. Our EPZAs are already full, and both Subic and Clark are in Central Luzon.

Masan EPZA (Korea) and Kaohsiung EPZ (Taiwan) may no longer compete with us, but Lat Krabang (Thailand), Indonesian and Malaysian SEZs continue to woo foreign investments. China has 13 SEZs, including Shenzen with 327 sq. kms., that has attracted 13,490 enterprises with $14.8 billion investments and exported $5 billion in 1993 alone, as against our P2 billion for our four regular and five SEZs. Shanghai and New Pudong Area have also attracted 4,500 enterprises worth $15.2 billion and exported $13.5 billion from its 600 sq. km. area. Hainan, with an area of 33,900 sq. kms. of coastline, which is about the size of Luzon, will also compete.

How effective are SEZs in attracting investments? Very. Our EPZs have already attracted a total of 381 firms, increased investments from P2.7 billion in 1993 to P9.6 billion in 1994, employed 85,000 workers, and increased exports to P2 billion a year, with positive trade balance of $800 million each year. Nothing to crow about if compared to China's, but they averaged 78 percent to total Philippine investments from 1985 to 1995, and the growth averaged 314 percent as against total investments which grew an average of 66 percent in 1988-1994. As of

October 1994, EPZA exports accounted for 20 percent of total exports. These exclude figures for private industrial estates.

But we want our SEZs, *e.g.*, EPZA, industrial estates, banking centers, and tourism (only in special cases will a limited free port be allowed), distributed across our archipelago in order to avoid mass migration that had happened in China where 100 million migrated from the hinterland to the coastal cities where SEZs were concentrated.

Do we have the resources to develop that many? Will they all be viable? The answer is that BOT investors will be allowed to invest in on-site development. If Taiwanese investors believe that Port Irene, Sta. Ana, and Fuga, Cagayan SEZ will be viable and are willing to put up the money because Kaohsiong is only 30 minutes away, why should we object?

If only 50 percent of the proposed 15 or so SEZs takeoff, this bill will rank with the BOT law in significance, as it directly addresses our trade deficit and unemployment problem.

2. The President should fast track the Metro Manila Skyway, Manila-Bataan-Subic Expressway, the North Expressway to Pangasinan, the South Expressway to Quezon, the Manila-Clark rail transport, and the LRT, preferably along C-5.

This will not only avert the next crisis that is building up, which is the Metro Manila traffic crisis, but will facilitate the development of the Subic and Clark SEZs.

To date, the only clear commitment by the contractor is to finish before the APEC meet in 1996, a mere eight kilometer road from Subic to Tipo.

3. The President must fast-track the Malampaya Gas Development and the BNPP conversion. The sooner we start, the earlier we can save on the mothballing and the interest cost on the nuclear plant, and likewise share in the revenue from the gas project.

Let me close by saying that we have the capacity to do great things if we set our minds on it. We have demonstrated it on two occasions – the Fort Bonifacio bidding and the Pope's visit.

They are two disparate events that did us proud. The Fort Bonifacio project not only netted the government three times the amount expected, but we were able to show to all and sundry that the government can pull off a bidding without any hint of a scandal. We would like to commend the BCDA, especially the bidding committee, and the Executive branch for a job well done.

The succesful visit of the Pope was a national undertaking. It involved a thousand and one details including an elaborate security protection for the Pontiff, which involved the President even personally. The whole world watched and we delivered. Who then says that a hands-on management is bad?

Notes

[1]BOT, now a byword in the lexicon of development, has literally pulled the country out of darkness. Asian countries want to replicate it as the model for public and private sector partnership in infrastructure development.

[2]The criticisms in the privatization of PAL and Petron were aimed not at the decision to sell but in the manner it was carried out.

[3]This further shows a facet of the President's personality -- one that would seek alliance, no matter how tentative, in order to push his legislative agenda.

[4]Malaysia saves 31 percent, Indonesia, 38 percent, and Thailand, 37 percent of their GDP. China's savings rate is 36 percent, while Nigeria and India post 23 and 24 percent, respectively.

5Michael Camdessus, Managing Director of the International Monetary Fund, "Towards Economic Progress in the Philippines, High Quality Growth, and International Solidarity".

[6]See Krugman, *The Age of Diminished Expectations.*

[7]Indonesia posted 5.3 percent, Malaysia, 3.8 percent, India, 3.4 percent, and even Bangladesh was higher at 2.9 percent.

[8]See Edita Tan, PIDS Executive Memo, *The Regions Revisited: Comparing Education and Health Performances.*

[9]Thanks to the Water Wells and Spring Development Act, 80,000 wells and spring development projects were constructed in 1989-1992 or an average of two wells per barangay, before the task was devolved to LGUs.

[10]See Krugman, *supra.*

[11]Felicito C. Payumo, "Paradigm Shift" in *Kasarinlan*, Vol. 10 No. 1, 3rd Quarter 1994.

[12]See Krugman, *supra.*

[13]See Payumo, *supra.*

[14]See Emmanuel De Dios, *Poverty, Growth, and the Fiscal Crisis.*