



BAGONG ALYANSANG MAKABAYAN

US Imperialist Globalization and Its Elite Partners in the Philippines

Trade, Inequality and State Terrorism

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The Philippines entry into the World Trade Organization (WTO) in 1995 ushered in a tumultuous decade for Filipinos. Our ten-year experience under the new global trading regime is marred by a never-ending series of crises hitting the country – the financial crisis in 1997, a people’s uprising in 2001, a persistent fiscal crisis that could make the country the next Argentina, and crisis-level human rights violations worse than what the country experienced under martial rule.

In most underdeveloped countries, imperialist neo-liberal economic policies are slowly but surely killing the livelihoods of millions of people, but the tragedy that critics of the WTO have predicted, appears to be unfolding at a faster pace in the Philippines. Consider the facts - the Philippines has one of the lowest GDP growth rates in the ASEAN, a double-digit unemployment, high inflation rate and a high debt to GNP ratio.

Human rights violations are also on an exponential rise. As of the latest tally, there are now 152 victims of political killings since January of this year. This led two international organizations to name the country as the second most dangerous place for journalists, next only to Iraq and one of the most dangerous for trade unionists.

The economic and political crises as these have unfolded however are not independent of each other. They are intertwined since one crisis tends to feed on the other. Before one completely dies down, another one erupts. Why then does the situation in the Philippines appear to be worse than its neighbors?

Fast-track globalization

Back in the early nineties, while other underdeveloped countries were negotiating for exemptions or a slower tariff reduction schedule under the GATT-WTO, the Philippine government boldly announced that it is fast-tracking the country’s trade liberalization commitments. The Philippines’ disastrous performance over the past two decades is therefore just the natural consequence of imperialist globalization taking its toll on a semicolonial and semifeudal society as facilitated by the Philippine ruling elite.

It was a recipe for national disaster. But not everybody in the Philippines fared badly under globalization. For the country’s ruling elite – the big landlords and bourgeois compradors, it opened opportunities to consolidate and amass more wealth. As a result, the gap between the rich and the poor further widened. In 1994, the richest 10 percent earned an average income that was 19 times more than the income of the poorest 10 percent of the population. In 2003, however, the gap was 24 times more between the top and bottom 10 percent income deciles, leading to a further marginalization of the poor and underprivileged. For the same year, the income of the richest 20% comprised 53% of total national income. The remaining 47% is shared by 80% of the rest of the population.

The Philippines before WTO

The Philippines, prior to joining the WTO was a country still trying to recover from the ravages of a twenty-year dictatorship. The dictator Marcos, a strategic US Cold War ally, and his gang of cronies plundered the nation’s coffers and plunged it into debt. In 1979, the country was among the first to enter the IMF Structural Adjustment Program. The combined effect of deregulation, privatization, and liberalization led to a general economic contraction. During the mid eighties

GDP growth was a negative 3.9 percent. By the early nineties, GDP growth hovered at a mediocre range of to 4% to 5.7%.

The opportunity for reforms after the 1986 People Power uprising was wasted because the Aquino regime chose to uphold the same pro-imperialist policies as her predecessor. Aquino turned her back on the people and chose to honor the payment of all debts, including fraudulent ones, to earn the IMF seal of good housekeeping and to please foreign creditors. But by prioritizing debt payments above everything else, the country had to make huge sacrifices in education, health, infrastructure and other basic services to the people. Over the years, the government failed to make significant reforms on education and health as the budgetary allocation was just sufficient to cover operating and maintenance expenses.

Managing the economy for the purpose of genuine national development, poverty alleviation and a more equitable distribution of income then became a very challenging, if not an impossible task as the IMF and the World Bank were practically dictating on the government what to do and not do.

If Marcos and Aquino submitted government to foreign control, the total surrender of Philippine economic policy to the dictates of US imperialism was almost completed under the Ramos regime of 1992-98. Ramos implemented full trade and capital account liberalization that removed all restrictions on the entry of goods and repatriation of foreign capital. Trade and investment policy were surrendered to a global institution dominated by giant corporate interests, the WTO.

By the time of the Arroyo regime in 2001 the government had become a complete appendage of imperialist economic interests. Government was, reduced to a managerial function in the service of foreign creditors and giant multinational interests.

To comply with its WTO commitments, the government changed 40 laws and regulations without regard for the basis of their existence, their possible consequences, or a careful long-term plan. New laws were also introduced including the liberalization and privatization of the power sector. There is now a drive for changing the Constitution and removing provisions that protect the national patrimony and economy. It was recently revealed that a US-based lobby group, Venable LLP, was hired by the Arroyo government to seek US congressional funding for the Philippine government's thrust to revise the constitution.

The extent to which the government had become an appendage of US imperialism had at one point become literal. In February 2003, representatives from the Bayan Muna party revealed that a USAID-funded group called Accelerated Growth, Investment and Liberalization with Equity (AGILE) held office in 11 key government agencies and drafted 12 important economic bills heavily favoring the US which would later be passed into law. These involved among others the safeguarding of intellectual property rights, the Special Purpose Asset Vehicle (SPAV), liberalization of retail trade and reform of the government procurement system.

Staking a claim on globalization

The economic restructuring proceeded at a dizzying pace. This led peasants, workers, and sections of the middle class under the organizations of Kilusang Magbubukid ng Pilipinas (KMP), Kilusang Mayo Uno (KMU) and Bayan to actively protest the globalization policies.

From a political economic perspective, it is apparent how a congruence of interests between imperialist powers and the traditional local ruling elite has reached its peak, albeit at the expense of the people.

Lethal mix: financial and trade liberalization

The government, which in the Philippine case is historically an elite-dominated and controlled institution, was sold to the idea that the best way to achieve faster growth is to subject the country to a neo-liberal shock treatment. It opened all sectors of the economy to foreign competition (even with respect to natural resource extraction such as mining), completed the privatization of the government-controlled utilities sector such as power and water, and allowed the full repatriation of foreign capital.

The entry of surplus goods and capital in the country coincided with the lowering of tariffs in many sectors including manufacturing and industry. Cheap imports started flooding the market and displaced locally made goods. Manufacturing establishments were closing down in droves. It was not a good time to invest within the productive sectors of society. Money instead went into real estate speculation, consumption, non-tradeables other activities of the same nature.

For the landed class and the bourgeois compradors whose oligarchy extends to the banking sector, financial liberalization was a lucrative prospect. Having a

majority or controlling share in one or two banks allowed them to obtain loans at very favorable interest and terms. Money flowed from foreign creditors right into their own hands which enabled them to shift into real estate speculation or enter into merger or takeover deals.

But sooner than expected, the speculative bubble burst as it became clear that a lot of bad loans had been made. Foreign portfolio investment left as quickly as they came leading to a sharp peso devaluation and a drying up of the country's foreign reserves.

There were calls for the government to impose foreign exchange controls like what Malaysia did to stop the peso dive and prevent runaway inflation caused by the peso devaluation. The government however prioritized the interests of foreign creditors above the welfare of the people and did nothing.

Fiscal and financial crisis

The response of the government to the financial crisis was hardly imaginative. It resorted to the same contractionary program of the eighties. The devaluation raised the value of the dollar-denominated debt in peso terms. However, tariffs and custom duties, which were significant sources of revenue dried up. IBON Foundation, a socioeconomic research think tank placed the estimates of foregone revenue from tariff reduction at P100 billion a year. Revenue losses from tax exemptions granted to large corporations amount to P229.1 billion.

The number of government-owned or controlled corporations or agencies up for privatization dwindled. The sale of these government assets artificially buoyed up government revenues during the period of restructuring which made possible the budget surplus posted from 1994-97, the only years that the country did not post a fiscal deficit.

The nation's total debt under the Arroyo regime rose to a historic high of P5.9 trillion in 2003 from P 2.167 trillion in 1995. Bayan Muna estimates that for every peso in tax paid by a Filipino, 94 centavos goes to servicing the country's debt.

Forming strategic alliances in utilities

The bond between foreign interests and the big local conglomerates tightened with the spate of new strategic alliances in the form of joint venture and mergers and acquisitions. Most of these partnerships are concentrated

on deregulated utilities, power, shipping, banking, telecommunications, and infrastructure.

Two large conglomerates owned by the traditional business elite, the Ayalas and Lopez, won the concession to operate the privatized water distribution service Manila Water and Sewerage System (MWSS) in 1997. Manila Water, went to the Ayala Group of Companies with its American and Japanese partners Bechtel, United Utilities and Mitsubishi Corp. Maynilad Water went to Lopez-owned Benpres Holdings Inc. with its French partner Suez Lyonnaise des Eaux partner.

Utilities are especially prized because of their status as a natural monopoly and the assured high and steady stream of revenue it generates. The local and foreign partnership had disastrous consequences for the people as the granting of monopoly rights led to water rates going up by 450% since 1997.

2001 People's uprising

The Estrada administration which assumed office a year after the 1997 financial crisis erupted had to face the brunt of the crisis. His economic policymakers tried another tack and instituted a short-lived expansionary program to boost aggregate demand. Priority was given to a bankrupt housing program and higher military spending justified by the "total war" policy in Southern Philippines. However, the expected multiplier effect from pump-priming did not materialize. Instead, the reality that government was spending more than it was earning in revenues kicked in.

Although corruption is endemic to all Philippine administrations, the issue of corruption under Estrada became more pressing as the ruling clique expanded the scope of its operations to include illegal activities, largely as a result of drying up of opportunities for bureaucrat capitalism.

The political and economic crisis eventually led to a second People Power uprising in 2001. The removal of Estrada from office paved the way for the ascendancy of neo-liberal economist Gloria Macapagal-Arroyo who during her stint as Senator pushed for the country's membership in the WTO. Corruption however worsened under the Arroyo regime. A 2004 study by the United Nations Development Program (UNDP) placed the yearly revenue losses from corruption at 13 percent of the national budget while the National Tax Research Center (NTRC) estimates annual corruption losses at 20-30 percent.

In its drive to liberalize the economy, the Arroyo regime was said to have entered into shady deals with foreign corporations such as the IMPSA (Industrias Metalurgicas Pescarmona Sociedad Anonima) transaction which is said to involve at a \$2 million pay-off in exchange for a sovereign guarantee by the Philippine government.

Agriculture

The absence of genuine land reform has been a big stumbling block to national development. The biggest landlords come from a traditional land owning class that has been characterized by its general lack of interest in making investments to increase productivity. Landlords rely on feudal exploitation to amass wealth. Backward methods of agriculture and an inequitable distribution of distribution are the main reasons why two-thirds of the country's poor can be found in the rural areas.

Genuine land reform would have addressed the age-old inequalities spawned by the semi-feudal set up. But the land reform program under Aquino, herself coming from the landed class, was riddled with loopholes. It contained numerous provisions wherein land owners can actually evade distributing their land by converting it to commercial, industrial and other uses.

The schedule for the redistribution of private land coincided with financial liberalization. Big landowners were desperate to evade land reform, so those who had access to capital took advantage of the cheap loans to convert lands into other uses. During the nineties, land use conversion became a big problem for farmers. Rice and corn farmlands were being converted into golf courses, luxury resorts and residential subdivisions. Based on government records, from 1988 to 2004, around 800,000 hectares of agricultural lands had been converted to other uses. Land conversion, according to a source from DAR, is the "easiest way of circumventing the law on land reform."

Also during this period, agricultural farm subsidies were slowly being dismantled by the government as part of the economy-wide shock treatment being implemented. Subsidized rice procurement by the National Food Authority (intended to protect farmers from retailers who buy from farmers at very low prices) was reduced. During the mid nineties the NFA procured an average of 5 percent of total rice production when it would need to buy at least 24 percent of the national harvest in order to influence the market. Agricultural tariffs were also gradually reduced. By 1995, compared to other

Southeast Asian neighbors, the Philippines had one of the lowest average agricultural tariffs.

The result was that even the small number of land reform beneficiaries ended up selling their land because farming was no longer a viable source of income. The Center for Peasant Education and Services (CPES) in Southern Tagalog and Central Luzon regions showed that three out of five holders of Certification of Land Ownership Award (CLOA) or Emancipation Patent (EP) sold their rights or mortgaged their land then stopped paying the amortizations and abandoned their properties.

Worse, imported agricultural products from imperialist countries with highly subsidized agriculture were being dumped in the Philippines. While poor countries removed subsidies, industrialized powers maintained high subsidies.

Instead of employment generation, 4 million jobs were lost in agriculture since 1995, and 9,900 farmlands went bankrupt.

Rice, corn, vegetables

Among those hardest hit by land conversion and import liberalization were the rice and corn farmers. Prior to the WTO, rice imports averaged 96,000 MT and rose to 1,126,000 MT in the next five years, or an increase of 1,072%. Average corn imports on the other hand rose from 55,000 MT to 414,000 MT, or by 653%.

The original government plan was to shift from these so-called low value-added agricultural goods to high value crops like cut flowers and asparagus. But this required a huge capital investment for the producers.

As average vegetable imports rose by 169%, vegetable farmers in the Cordillera and Central Luzon found themselves victims of the lopsided and unjust global trading regime.

Prior to globalization, farmers in the Cordillera were encouraged to plant potatoes. When the market was flooded with cheap potato imports, farmers found no buyers for their produce. Many left their potatoes to rot in the fields.

Poultry and livestock subsection

The US twice brought to the attention of the WTO Dispute Settlement Body (DSB) certain measures like delays in granting of import licenses that allegedly

impeded the entry of American hog and poultry into the country and accused the government of violating its WTO commitments. The US move was supported by the EU which was also interested in the Philippine market. The dispute was settled with the government conceding to the US request at the expense of local producers. As a result, the average importation of hogs rose by 1,700% and poultry by 1,200%.

Manufacturing and Industry subsection

Globalization's destructive effects on business establishments and labor is staggering. According to IBON, each day, from 1995 to 2004, six firms closed down, and 164 people were forced out of work daily due to closures or retrenchment.

In a similar survey conducted among the members of the Federation of Philippine Industries (FPI), 56 member firms closed down from 1995 to 2001, displacing 80,319 workers. Twenty nine firms have downsized their operations and retrenched 4,019 workers.

In the shoe industry 20,000 workers lost their jobs due to retrenchment or closure, in the cement industry, 23,400; in steel 2,000; rubber wheels, 7,000; flour, 1,000 and in motor vehicles, 7,000.

Even more alarming is the trend towards higher degrees of monopoly or oligopolistic concentration within the manufacturing and corporate sector. A report by the Department of Trade and Industry showed that the four-firm concentration ratio (C4) for all manufacturing (which is the share of the top four firms in the industry), increased from 70.88 in 1988 to 73.64 in 1995. In the same study, profits in manufacturing tend to increase with the concentration index indicating that the biggest firms possess sufficient market power to fix prices.

Another study conducted by the Philippine Institute for Development Studies, showed that the industry-wide C4 concentration ratio increased from 71% in 1988 to 88% in 1998.

The same trend is reflected in the corporate sector. Among the publicly listed firms, one dominant shareholder controlled on average 41% of equity. The top 5 shareholders have a majority control of 3 out of every 4 listed companies. Far from encouraging competition, the number of closures, coupled with the number of mergers and acquisitions under globalization only served to reduced the number of firms to a few monopolies.

Data from 1990 to 1996 showed 21 cross-border mergers and acquisitions (M&As) took place in the Philippines amounting to US\$515.90. In 2004, there were 46 publicly announced merger and acquisition deals with a combined amount of US\$420.9 million.

The quantitative losses were matched by a qualitative decay in manufacturing structure. Firms that have survived and can potentially survive the onslaught of globalization are those engaged in very little value-added production. A large proportion of inputs are imported and the products eventually exported.

This is true for the country's two top leading exports - electronics, where almost two-thirds of its total value is imported- and garments and textiles, where imported inputs comprise 64% of the total value.

The export winners failed to form any backward linkages with the rest of the economy. Since the abolition of laws that required that a certain percentage of manufacturing inputs should be sourced from the Philippines, the country became a part of the internationalization of the global production processes of corporate global giants.

The percentage of manufacturing share to total GDP deteriorated over the last three decades. From 25% during the 1970s, this went down to 22%. According to the Ecumenical Institute for Labor Education and Research (EILER), the share of manufacturing value-added and employment is actually lower today when compared to the mid-fifties level.

As former National Economic Development Administration chief Cielito Habito put it, "Manufacturing is narrow, hollow and shallow." This give rise to the phenomenon of jobless growth where any nominal GDP growth is not accompanied by an increase in employment.

Labor

Unemployment is now the highest since the last half century. About 4.8 million Filipinos are unemployed and 8.4 million are underemployed, bringing the number of people looking for work or still looking for additional sources of work to 13 million.

For the employed, the daily minimum wage of PhP270 is not even sufficient to cover the daily cost of living at PhP618.09. Workers have long demanded for a legislated wage increase but the government's export-

oriented economic strategy is anchored on maintaining cheap wages and a docile labor force.

Having a job also does not mean that one can keep it. Hiring of contractual labor is fast becoming the norm. Workers are hired, fired and rehired in a cycle of six months thus narrowing, if not eliminating, the chances of landing a regular job. Other forms of contractualization include subcontracting, agency-hiring, job-out and homework.

These irregular forms of employment were intended to make the labor market more flexible, and drive down labor costs, thus making foreign investments in the Philippines more profitable. Job security and other hard-won gains by the unions are undermined. The formation of unions are discouraged. In most cases, a contractual does not have social security and other benefits a regular worker enjoys.

In 1990, two-thirds of all establishments employed workers in irregular and atypical employment. According to EILER, “the combined share of casual, contractual and part-time workers in total enterprise-based employment fluctuated around 14-15 percent from 1990 to 1994 but jumped to 18.1 percent between 1994 and 1995, and further to 21.1 percent as of 1997 (for which latest data is available). However, this underestimates the extent of contractualization, to be sure, considering that these account for only three forms of insecure employment and only those reported by employers to the Department of Labor and Employment (DOLE).”

IPR

The US alleged that it has been losing US\$120 million in copyright violations in the country; the Philippines is on the Super 301 Priority Watchlist of violators. While the US claims to be losing on this ground, it gained headway with the of IPR protection laws that favor US multinational interest in the country such as the Intellectual Property Code and the Electronic Commerce Act.

More recently, the farmers’ groups were shocked to hear Congress revelations that the Plant Variety Protection Act otherwise known as RA 9168 was based entirely on a draft prepared by a US lobby group funded by the USAID. According to the Bayan Muna Party-list, the law allows foreign seed and biotechnology transnational corporations to secure protection rights over plant varieties in the country, to the detriment of informal and

indigenous breeders who have been developing and improving on local plant varieties for centuries.

The same lobby group also provided assistance to the Department of Agriculture, Department of Health and Department of Science and Technology in developing guidelines to make present and future biotechnology laws consistent with international obligations.

This was how the US agri-giant Monsanto succeeded in introducing its genetically modified Bt corn seed in the country on a massive scale. A bag of Bt corn seeds for a hectare of land costs P4,500 while ordinary hybrid corn costs only P2,300. According to Masipag, a network of scientists and peasants of which KMP is a member, the difference roughly corresponds to Monsanto’s charge for its IPR use. In 2003, as there were 20,000 hectares of land planted to Bt corn in the country, Monsanto earned P44 million.

People’s resistance and increasing human rights violations

As millions of people lose their jobs, and are deprived of their basic right to live decently, the number and scale of protests have also risen. The fight for economic survival transformed into a deeper understanding of the workings of the unseen villains behind their personal tragedies.

Already isolated from the people, the Arroyo regime desperately woos Washington to convince the US that, despite the public clamor for Arroyo’s removal from office, she is still their best puppet. As one of the first national leaders to express support for the US invasion of Iraq, she had already proved her worth as a rabid ally of the US. During the recently concluded APEC Summit in Korea, Arroyo proposed that the Philippines host an APEC meeting of counter-terrorism experts and that the US lead the initiatives within the regional body. Her spin doctors now call her an international leader in the global fight against “terrorism”.

It has been acknowledged worldwide that the US “war on terror” is aimed at protecting US politico-military and economic interests world wide. There is a logical link between the targets of the US “war on terror” and the economic and military expansionist thrusts of the Bush administration under imperialist globalization. The wars in Iraq and Afghanistan followed this logic. US military intervention in the Philippines on the other hand follows from US strategic political, military and economic interests in Southeast Asia.

Arroyo's efforts were richly rewarded with the rare opportunity of a US state visit in 2003 where talks of considering the Philippines as a "non-NATO ally" surfaced. Bush explained that this would mean that it will be easier for the US to answer Philippine requests for military equipment and other forms of aid in modernizing the capabilities of the military.

The Arroyo regime also concocted a devious and dangerous scheme to tag a revolutionary people's movement as "terrorist" and lobbied for the formal inclusion of the Communist Party of the Philippines (CPP) and the New People's Army (NPA) in the US list of terrorist organizations. However, the 2005 Philippine Human Development Report (PHDR) commissioned by the UN Development Program and the New Zealand Aid practically exonerated the Communist Party of the Philippines from allegations that it is a terrorist group. It said, "In fairness to the CPP-NPA (New Peoples Army) historical record of armed struggle, it has not, as a policy and generally in practice, engaged in terrorism or acts of terrorism by deliberately targeting civilians," the report said.

It now appears that the Arroyo regime's baseless and maliciously erroneous pronouncement is just a smokescreen to hide the real intent of quashing all forms of legitimate protest directed at bankrupt economic policies and corrupt leadership. Fearful that she will suffer the fate of her predecessor who was ousted by a popular people's uprising, Arroyo has expanded the definition of "terrorism" and "terrorist" activities to include legitimate forms of protests. She has specifically targeted leaders and members of progressive people's organizations and cause-oriented groups such as Bayan, KMU, KMP, Bayan Muna, Gabriela and Karapatan who are critical of imperialist globalization and the government's "all-out war" policy and whose membership were key forces in the ouster of the previous administration.

In a speech given before business leaders in 2002, Arroyo declared war against "criminals, drug lords, gambling lords... and those who terrorize factories that create jobs." Her open declaration of war against striking workers led to the death of three trade union leaders this year. Diosdado "Ka Fort" Fortuna, the respected 51-year old union president of the global food giant Nestle Philippines Inc. was shot on the head by motorcycle-riding gunmen in October. In September, Teotimo Dante, union board member of the Schneider Packaging Workers' Union (SPWU) died at the picket line when company security forces opened fire on the strikers in an attempt to disperse them. Recently, Ricardo "Ka Ric"

Ramos, president of the striking Central Azucarera de Tarlac Labor Union (CATLU) in Hacienda Luisita was shot dead by armed men suspected to be soldiers.

The Center for Trade Union and Human Rights (CTUHR) recorded 27 cases of assault at the picket lines involving 1,457 individuals nationwide from January to September this year.

During his state visit, US President Bush congratulated Arroyo for her tough stance on "terrorism" and offered some words of advice: "You can't talk to them (terrorists), you can't negotiate with them, you find them." Arroyo explained that "in the Philippines, terrorism (sic) thrives and gets its recruits, not coincidentally, in the provinces that are the poorest, in the region that is the poorest in our country."

Since January this year up to the time of this writing alone, Arroyo's state-sponsored terrorism claimed the lives of 152 people according to the human rights group KARAPATAN. They have been assassinated or killed because of their involvement with people's organizations, participation in rallies or strikes, opposition to foreign mining firms and other multinational corporations' operations in the country, and staunch opposition to the US-backed Arroyo regime.

A total of 4,207 cases of human rights violations were recorded affecting 232,796 individuals or 24,299 families in 237 communities. Most of the cases occurred in poor rural areas that are grievously affected by the policies of imperialist globalization.

Conclusion

In the Philippines, imperialist globalization breeds a vicious and never-ending cycle of economic and political crises. US imperialism imposes policies to further open up the Philippine market for their surplus products and capital while the ruling elite benefits from corrupt activities because of huge payoffs and lucrative partnerships with foreign firms. By their nature, these policies reduce the majority of the people to poverty and misery and alienates them from government that is supposed to promote their basic interests.

With mounting people's resistance, the current ruling clique implements a heightened policy of repression which also includes adherence to the obligatory requisites of the US-led "war on terror".

Fighting US imperialist globalization involves unmasking the nature of the strategic class alliances that

perpetuates neocolonial relations. In order to defeat US imperialism in the Philippines, the people must unite to end the rule of the big landlords, big compradors and bureaucrat capitalists.

It is the Filipino peoples' fervent hope that defeating imperialist rule in the country will bring about the further weakening of imperialism worldwide, thus contributing substantially to the international anti-imperialist struggle.#