



## Promote National Industrialization for National Development

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**T**ens of millions of Filipinos suffer crushing poverty while a handful of foreign investors and domestic oligarchs prosper from the country's natural resources and labor power. The situation has worsened after almost four decades of neoliberal globalization policies, including those under the outgoing Aquino administration. A clean break from chronic poverty, widening inequality and underdevelopment is possible if the incoming Duterte government will take the side of the majority of Filipinos over foreign and domestic elites.

The Philippines has rich potential for development with its 103 million population and vast natural resources. Yet we are in our worst crisis of joblessness in our entire history. There are now more Filipinos that are unemployed, engaged in poor quality work, or forced abroad than there has ever been. This includes 28.7 million unemployed, non-regular, agency-hired, informal sector, and unpaid family workers in the country. On top of this are as much as 12 million overseas Filipino workers (OFWs) and their families. Incomes also remain extremely low with some 80% of the population struggling to live off Php120 or even much less per day; over one-fourth (26%) of Filipinos live in extreme poverty.

While the outgoing Aquino administration boasts a fast-growing economy it has actually created less new jobs per year during its term than in the previous decade. Only an average of 692,000 new jobs were created annually in the period 2011-2015 which is much lower than the 858,000 over 2001-2010. Worsening domestic job creation drives Filipinos abroad with almost three times as many Filipinos forced to work abroad than able to find work here at home, with some 5,000 OFWs deployed daily compared to less than 1,800 new jobs created in the country.

Philippine industrial backwardness is among the biggest strategic reasons for these and many other dismal features of underdevelopment. The country is among the most mineral-rich in the world and ranks 3<sup>rd</sup> in gold, 4<sup>th</sup> in copper, 5<sup>th</sup> in nickel, and 6<sup>th</sup> in chromite. We have many of the basic minerals needed for industrial development. There are also vast agriculture, forestry, aquatic and energy resources. Our population, which is the 12th largest in the world, is a huge prospective domestic market and productive labor force.

Yet our economy remains backward, agricultural, and with an insignificant industrial sector. The agricultural sector has fallen to its smallest share of the national economy in history. Manufacturing is down to what it was in the 1950s with, for instance, some 73,000 manufacturing firms shutting down in the last decade alone. The economy has become a shallow service and trading economy rather than a producing economy since the 1990s.

Philippine resources and possibilities are immense yet the domestic economy is more than ever unable to produce the goods and services needed by the people, relying instead on foreign producers and technologies. Ironically, many of the foreign goods and services we buy are actually produced using

Filipino resources and labour power. There is also massive denationalization of manufacturing with foreign transnational corporations accounting for two-thirds (65%) of manufacturing output.

Our industrial backwardness has huge adverse implications. It results in massive domestic joblessness. Buying imported goods supports jobs abroad rather than in the country. Exporting our raw minerals and agricultural resources for processing in other countries creates jobs in those countries rather than here. Our people are thus forced into uncertain informal jobs or to work overseas. The absence of a robust, integrated Filipino industrial sector keeps our science and technology backward, keeps us dependent on foreign goods and services, and prevents us from benefiting from our natural resources. The domestic economy does not generate as much economic surplus as it could which keeps incomes low aside from giving foreign capital undue leverage over national economic policy.

The Filipino people deserve and demand an industrial economy that improves the standard of living of the majority and that strengthens the country's national independence and self-reliance. We need to transform the Philippine economy from its current backwardness into an industrial power. The incoming Duterte administration can choose to start the country on a path of national industrialization and national development. These are our proposals to move forward:

1. **Declare national industrialization as the major strategy for Philippine development.** The government's current foreign investor-dependent market-driven industrial roadmap is unproductive. The Duterte administration should reorient national economic policy towards a new, progressive, and long-term national industrialization policy.

National development over the long-term requires national industrialization which in turn requires a concerted economy-wide effort across the wide range of social and economic policies. National industrialization has to be acknowledged as the lead factor in socioeconomic development and the focus of overall economic strategy across all sectors of the economy.

This policy declaration in the first 100 days shall, among others:

- i. Lay down the key elements of a pro-Filipino industrialization strategy:
  - a) The strategic direction of majority Filipino ownership and control of vital industrial sectors and enterprises;
  - b) Genuine agrarian reform with rural and agro-industrial development as the necessary foundation of industrialization (where the rural sector is a large market for consumer and industrial products, source of raw materials, and source of investible capital);
  - c) Rigorous upholding of workers' rights and welfare and the protection of the environment;
  - d) Promote the strategic role of Filipino industry drawing as appropriate from the widest range of policy instruments and enjoining corresponding changes in current policies (including equity limits, technology transfer, local content requirements, tariff and non-tariff protection, subsidized credit, tax breaks, government procurement, state enterprises and public control); and
  - e) Criteria for reviewing specific industries to be given priority for development that balances immediate viability (given availability of natural resources, local labour and technology, and existing capacity) and long-term strategic benefit (meeting basic needs, potential for economy-wide linkages and technological dynamism). Priorities may, for instance, include the following industries:
    - 1) Agricultural inputs, machinery and processing;
    - 2) Mineral processing and integrated steel industry;

- 3) Information and communication technologies;
  - 4) Renewable energy technologies of wind and solar power generation; and
  - 5) Nationalized utilities in water, power, transport, and telecommunications.
- ii. Create a multi-sectoral **National Industrialization Council** involving the government, Filipino industrialists, MSMEs, labour unions, people's organizations, academe, and other civil society groups.
  - iii. Launch a **"Buy Filipino, Build Filipino" campaign**. This is a nationwide campaign for Filipino producers and consumers to work together in building a pro-Filipino economy. It can also be part of a larger campaign to promote nationalist culture and economic patriotism.
2. **Reclaim and assert Filipino economic sovereignty.** Neoliberal globalization policies have systematically opened up the economy to unfair competition, allow one-sided foreign exploitation of Philippine resources and labour, and prevent nationalist development policies. The Philippines is currently party to some 38 bilateral investment treaties and agreements, six (6) bilateral and regional free trade agreements (FTAs), and various agreements under the multilateral World Trade Organization (WTO). We need to recover our policy space to be able to industrialize. Among the critical steps to take are:
- i. **Review all international trade and investment agreements.** Such a critical evaluation can lead to a calibrated amendment, suspension, or termination of such agreements as necessary and conducive for national industrialization and development. The bias against Filipino firms needs to be remedied.
  - ii. **Initiate the development of a Philippine model for international trade and investment agreements** that more systematically defends and upholds the national economic interest.
3. **Institutionalize priority measures to promote national industrialization.** The policy declaration of national industrialization needs to be complemented by subsequent measures that highlight key areas for government intervention. In the medium-term this includes:
- i. Creating and implementing a **National Industrialization Investment and Financing Program**. The Philippine financial system has Php15.5 trillion in resources aside from additional resources that can be generated from a reconsideration of debt servicing policies and more creative approaches to foreign direct investment. The government itself has trillions in pesos under its control. These financial resources need to be channelled and mobilized towards real national industrial development.
  - ii. Creating and implementing an **MSMEs for National Industrialization Program**. Micro, small and medium enterprises need to be encouraged but specifically in ways that contribute to long-term national industrialization rather than towards being chronically subordinate to more advanced foreign firms.
  - iii. Creating and implementing a **Filipino Industrial Science & Technology Strategy** for long-term dynamism and productivity growth. Filipino science and technology has to be developed independently and not as a mere extension of or subordinate to foreign-owned and -controlled science and technology. This also needs to be responsive to people's interests and needs rather than of foreign capital.
  - iv. Creating a **Department for Industry and Commerce**. This gives explicit emphasis on developing Filipino industry and its related commercial activities. The current arrangement of a Department of Trade and Industry (DTI) has encouraged trade and enclave import/export operations at the expense of Filipino industry.

4. **Give Filipino manufacturers immediate relief.** Long-standing demands should be given immediate attention within the first 100 days, including:
  - i. Stop corruption in the Bureau of Product Standards (BPS), Food and Drug Administration (FDA), and Bureau of Customs (BOC) and ensure proper and above-board implementation of regulations;
  - ii. Review and eventually remove incentives giving undue advantage to foreign manufacturers; and
  - iii. Genuinely give priority to Filipino-made products in government procurement.