Food Security and Rice

A Historical Background; A Road to the Future

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This essay on food security and rice demonstrates that there are no grounds for regarding our annual shortages in rice production as "crises." It presents data to show and explain the shortages and consequent imports of foreign rice annually, since the 1870s. During the United States colonial regime, the policy on rice was price controls to keep prices low, on the one hand, and rice imports, on the other. The second part of the article presents the basics of a national food security policy; this is related to the need to modernize and achieve efficiency to cope with globalization trends.

THE SEVERE RICE SHORTAGE OF 1995 WAS UNIVERSALLY CALLED a "crisis." The scores of thousands of Metro Manila families who had to queue each day in slow moving lines to buy a kilo or two of the cereal complained against the crisis. Columnists and commentators dissected the crisis. And our national planners and government leaders strove to alleviate the crisis by imports of foreign rice.

Common sense tells us that a crisis entails suffering and hardship. This is because the community and its government are unprepared for the situation, and this generates explanations (excuses) that the situation was unavoidable and, therefore, unexpected.

The distressing thing about the 1995 rice shortage is, to put it bluntly, that our national planners and leaders were ignorant of the most obvious fact in the history of the rice sector in our agriculture. And this fact is: our rice outputs have been chronically short of our people's needs. The years when we produced enough were rare exceptions; and we have been importing rice since the 1870s – for more than the last 120 years.

It will be useful to present a summary historical sketch of the rice sector in the Philippines.

Official data show that we exported 1,532 piculs (just under 96 tons) of hulled rice in 1818, at a value of 2,290 pesos. Exports continued at irregular levels through the next decade. In 1829, we exported a total of some 6,000 tons of hulled rice and palay. In 1841, we exported rice to the value of 17,678 pesos; and in 1858, the volume was at 21,361 cavans.

Meantime, increased foreign demand for non-rice exports, principally cane sugar and molasses, indigo, abaca and coffee spurred the cultivation of these crops. The new trend was reinforced by decrees from Madrid opening the ports of Manila (1835), Iloilo (1855) and Cebu (1863) to the trade of all nations. The resulting expansion of export agriculture absorbed farm labor and land into the non-rice sector. (Tobacco had been exported since 1783 but shipments were not entered into the foreign trade accounts because tobacco was a royal monopoly of the Spanish king; tobacco exports were included only since the 1850s.)

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Rice shortages became marked by the eve of the 1870s and we began to import rice from then French Indochina, Siam, and Burma. During the 1890s our average annual rice production of 765,000 tons had to be supplemented with yearly imports of 45,000 tons. Imports and the local distribution of foreign rice were handled by the private traders and did not involve the government throughout the Spanish era.

The aftermath of the Revolution (1896-1898) and the Christian Filipino-American War (1899-1906) pushed the new United States colonial regime into the roles of importer and distributor of foreign rice during the early 1900s.

The rice harvests were only 25 percent of the 1896 output. Some 345,000 hectares, more than 26 percent of the cultivated hectarage in 1896, had been idled. The carabao population was reduced to an estimated 10 percent to 15 percent of the 1896 stock. And, since the Filipino fighting men during the wars were mostly farm workers, agricultural labor was severely dislocated.

Under these conditions, the colonial government assumed an unprecedented role. It effectively embargoed the entire domestic rice crop; it fixed prices; it bought foreign rice; it took over virtually all aspects of rice marketing and distribution, down to the town level, in the

Year	Rice Imports
1901	P10,981,961
1902	13,156,962
1903	20,122,646
1904	23,097,628
1905	14,913,476

provinces under its control.

The government imported 6,226,806 pesos worth of foreign rice in 1900 and continued to do so at larger costs during 1901-1905. The rice import bill abated somewhat to just under 47,000,000 pesos during 1906-1910, but surged to 65,362,180 pesos over 1916-1920 and was at 50,018,847 pesos during 1921-1925. A significant drop took place during the next decade. Overall, rice imports cost the country more than 333,500,000 pesos during 1901-1936.

The perennial shortages were due to various factors. At the close of the Spanish era, fields from less than 0.35 hectares to less than 2 hectares in size comprised 70.4 percent of all cultivated land. Immediately above these, fields from 2 hectares to less than 5 hectares comprised 18.5 percent. The two categories of fields constituted 88.9 percent of all farms. We will omit complex details. The fields were tilled by families, the overwhelming majority of whom planted their fields to rice. Rice culture was primitive, from land preparation to harvesting. Land preparation had hardly improved since the sixteenth century, when Chinese plows were brought over from Amoy and the Spanish friars domesticated the carabao and taught the natives to employ it as a draft animal. Harvesting was just as inefficient and slow, done with hand scythes that cut off a fistful of stalks at a time or, even worse, laboriously with a small hand-held blade that cut the individual stems, tassel by tassel.

A second factor was that, under the feudal system of the Spanish conquest, all land in the Philippines belonged to the King of Castilla in his capacity as feudal lord of Filipinas. Throughout the Spanish regime the families who tilled their fields never owned their small plots; these were held by them by assignment; they enjoyed usufructuary but not property rights.

And a third factor was the religious culture, which meant 100-120 days of enforced idleness during the year because of Sundays, other church holidays, and fiestas for the saints of the towns, when all work was banned – but the cockpits were open.

Finally, there was another class of rice cultivators aside from the families that tilled the plots assigned to them. This other class was composed of families that were totally landless. They worked on plots in the

Spanish friar haciendas. The haciendas were large estates, originally land grants given to the friar orders out of the"magnanimity" and piety of the King of Castilla during the sixteenth century to the early decades of the eighteenth. Part of the haciendas was cultivated to rice for the domestic market. Landless families were recruited to work on plots in each hacienda; the families were sharecroppers. These sharecroppers evolved out of families who had earlier worked fields assigned to them, but lost their parcels via landgrabbing by the friar haciendas. (The Revolution of 1896 was strongest, initially, in the provinces where the friar haciendas were most notorious.)

In sum, the rice sector was characterized by small plots or parcels, cultivated by families without property rights due to the feudalistic land tenure system, or by sharecroppers. Technology was primitive and outputs were low, preventing any savings. The family cultivators and the sharecroppers were perennially in debt. And the Spanish regime had no assistance programs for the sector.

The rice sector did not benefit during the United States occupation period. The US Congress passed US Public Law 235 in 1902. Its principal provisions on land declared in effect that all land in the archipelago that had been the property of the Spanish crown now "belonged to the public domain of the United States of the Philippines." This covered the untitled parcels held by small rice farmers.

The new American regime in Manila enacted its Public Land Law (Act No. 926) in 1903. It governed the conveyance to private persons and entities of parcels and tracts from the public agricultural lands via grants, purchases, and leases. The law also provided for a titling and registration system.

In regard to tracts previously bought by private parties from the Spanish crown lands (mostly large tracts cultivated to export crops), Act No. 926 declared that these were held under "imperfect title," and the latter had to be perfected under the law's provisions on titling. In the event, the key provision in the law was that no title to any parcel or tract of land could be issued until after the parcel or tract had been surveyed.

The trouble was that the staff of surveyors in the Bureau of Lands was very small. There were hundreds of thousands of small plots tilled by the small rice farmers. The growth of the population increased the number each year, as rural families spilled over into the public lands. But priority in land surveys was directed to the land tracts cultivated to sugar, abaca, and coconut – these largish tracts produced the raw materials needed by American industry – refineries and manufacturers of high-value finished products. Land surveys for the small plots cultivated to rice were not a priority.

In 1920, an American expert engaged by the regime in Manila concluded that it would take 300 years, at the rate land surveys were being conducted, before the disposable agricultural land in the Philippines could be completely surveyed. This meant that the rice farming families – including the sharecroppers – whose elders and ancestors had tilled the land for generations (and in some cases for centuries) could not own the land they worked.

It is difficult to understand the American regime's neglect of the rice farmers' legitimate interest in obtaining title to their fields. In addition, the regime failed to assist the farmers through technological programs that would raise rice yields. These, despite the fact that the rice sector was the largest sector in the Philippine economy in terms of value of product; labor force engaged and number of families dependent on the sector for their livelihood; and hectarage covered.

Rice yields were inevitably low: a reported national yield per hectare of 19.4 cavans in 1913-1917; 26 cavans during 1918-1925; 28 cavans in 1929; but only 22 cavans in 1931. In 1931, the Secretary of Agriculture, Rafael Alunan, reported that rice yields per hectare in Siam, Java, and French Indochina were at an average of 2,200 kilos per hectare, compared to only 1,225 kilos in the Philippines. He concluded that technology and science support for Philippine agriculture was thirty to forty years behind that in Java.

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A logical reason for the regime's neglect was the United States government's official objective of enabling the Philippine export agricultural sector to provide raw materials for American industry. In 1909, the US Congress passed a law allowing duty-free entry into the US of Philippine abaca and copra exports; and of Philippine sugar and tobacco within stipulated quota limits. Then in 1913 the US Congress passed the Underwood-Simmons Tariff Law, which allowed duty-free entry into the US of Philippine exports, without the 1909 quota limits.

It was at this time (1912-1913) that the American regime adopted a formal policy on rice. The policy derived from a comparison of the returns from the rice and export crop sectors. The conclusion, which became policy, was that: Producing the export crops offered better returns than producing the country's rice requirements domestically; therefore, the export crop sector must be promoted, and, in the event of rice shortages, foreign rice was to be imported at as cheap prices as possible.

In practice, the regime implemented a policy of price control and rice imports. Rice prices were kept low for the benefit of salaried government employees and the service population in Manila, and to keep the food costs of labor in the export agriculture and domestic manufacturing sectors low. Rice shortages were not allowed to lead to high prices; rice imports were a deliberate mechanism to keep prices – and rice farmers' incomes – low.

Low yields, no savings, and no bank credit drove rice farmers into debt; many lost their parcels because of inability to repay, and they became tenants or sharecroppers of their creditors.

The Filipino political leadership under the American regime was not blameless. A measure of autonomy was won with the creation of an all-Filipino legislature (the Philippine Assembly in 1907 and the Philippine Senate in 1916). There was widespread suffering when the market for export crops collapsed in the post-World War I recession of 1920. The legislature's session in 1920 was devoted to a formal agenda that would review landlord-tenant relations and "reorganize the social institutions of the Islands." But no policies or measures were adopted. The American governor-general ruefully noted: "The landholding classes...constitute so great a degree of the membership of the legislature."

In sum, agrarian unrest since the recession of 1920, aggravated by the worldwide depression of 1929, produced militant protest groups of farmer families organized as the Colorum, Tanggulan, Sakdalista, Anak Pawis, etc. The regime employed the Philippine Constabulary against them. They eventually blossomed into the leftist HUKBALAHAP movement.

The foregoing "summary" historical sketch of the rice sector has turned out to be lengthier than I intended. This is because it was necessary to take note of political and social factors and events that contributed to shape the sector.

What is clear from the historical background is that the rice sector must be recognized as a significant part of the production sector of the national economy, fully as important as the other production sectors and the services sector. The rice sector is backward; therefore it must be modernized. This means "catch-up" national programs to support improved efficiency and market viability. More than this, political-social equity requires programs of assistance and amelioration, for some years, in favor of the small rice farmers.

To recognize and modernize the rice sector is possible only if our people and national planners and political leaders decolonize their minds of the dead baggage from past colonial regimes: deliberately depressing rice producers' incomes by keeping the prices low through price controls, and by the Damocles sword of rice importation.

What must be done for the rice sector, however, is best done in the context of a broader challenge facing us as a nation. The Philippines has adhered to the new international trading system under the World Trade Organization (WTO). The new system obligates the members of the WTO to liberalize, by reduction and in many cases abolition of tariffs, the flow or entry of foreign commodities and tradeable services across their borders. I am not competent to explain the multifarious aspects of what has come to be called the "globalization" of trade, and still less to foresee its ramifications in the future. (The UP Center for Integrative and Development Studies has done a great service in publishing Cayetano W. Paderanga, Jr., ed., *The Philippines In the Emerging World Environment: Globalization At a Glance*, 1996, 510 pp.)

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There are early and major decisions to be made. (I deal only with rice – but suggest that an equally neglected sector, small subsistence fisheries, be covered in food security policy.) Our national planners and the government leadership must decide on whether we aim at rice self-sufficiency through local production or, alternatively, produce target outputs domestically and supplement local production with imports. These decisions must be adopted in a process of extensive public consultations. The concern for food security does not relegate the non-food production improved efficiency and market viability. More than this, political-social equity requires programs of assistance and amelioration, for some years, in favor of the small rice farmers.

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Once these basic food security decisions are made, other decisions follow, mostly land use and resource allocation decisions. Land use and resource allocation must be geographic or location-specific; this is necessary to economize on transport and distribution costs. They must be related to soil characteristics (we do not yet have an all-archipelago soils analysis system); topography; climate and weather; water supply; labor force availability, etc. The planning must cover infrastructure and post-harvest processing facilities.

Norms governing the organization of cultivation, procurement of inputs such as improved seed varieties and fertilizers, water use, bank credit, and marketing and pricing, must be developed. Cooperatives for these activities must be encouraged and supported.

Modern land tenure systems have to be devised. Continuing education in business management and entrepreneurship, and in agricultural technology, must be made available. (Even urban agriculture for non-rice production should be researched and developed.)

Needless to say, the planning for food security must consider ecological protection and rehabilitation, and development towards an optimum balance between the welfare of the human population, on the one hand, and the preservation of plant and animal species, on the other. It is the microorganisms in the subsoil of highland forests that transform forest waste matter into the organic fertilizer material for lowland crops; these microorganisms are washed away by the rains and irretrievably dumped into the sea, when mountains are deforested.

There is nothing mysterious about food security policy-making and planning.

The Politics of Economic Liberalization

Promise and Prospects, The Ramos Years and Beyond

Paul D. Hutchcroft

Focused on the political foundations and possible political impact of the Ramos administration's program of liberalization, this essay offers two conclusions, one upbeat and the other more cautionary. On the one hand, it is clear that liberalization is a very positive first step in shaking things up, with the potential of stimulating the growth of a stronger political constituency for change. On the other hand, measures of economic liberalization in the Philippines rest on often very shaky institutional and political foundations. Unless addressed, these obstacles are likely to obstruct the success of the very ambitious economic program begun by the Ramos administration.

THE SECOND HALF OF 1997 IS A GOOD TIME TO TAKE A BROAD look at the Ramos administration's program of liberalization and its efforts to curb "cartels and monopolies." Most all of its key elements are in place, and a new administration is soon to take the helm in June 1998. Important measures – some begun under President Aquino but most of which did not gain significant momentum until after President Ramos assumed the presidency in 1992 – include trade liberalization, liberalization of foreign investment and foreign exchange, privatization of billions of pesos worth of state-owned assets, the break-up of the telecommunications monopoly, significant new competition in the airline and shipping industries, and a valiant – although ultimately less-than-successful-effort to confront the powerful banking cartel. Remaining measures on the administration agenda include ongoing elements of earlier trade and foreign investment measures, liberalization of retail trade, and – perhaps most difficult of all – reform of a tax system that is notorious for its feeble capacity to provide revenue sufficient to finance important governmental projects.

Overall, the Ramos administration has gone further in the reform process than most ever imagined possible; even reformers themselves readily admit their amazement that the overall program has gone as far and as well as it has. The results in terms of growth rates have been dramatic: after average annual growth rates of only 0.9 percent between 1980 and 1992, the Philippine economy grew nearly 6 percent, on average, in the years 1994 to 1996. Many in the business community expressed high hopes during the first half of 1997 that economic expansion will continue through the end of the decade. [The Philippine peso, however, depreciated in the value relative to the US dollar in July following the sudden collapse of the Thai baht as Southeast Asian currencies were battered by speculative attacks in the financial market. As a result, Philippine economic growth slowed down. Ed.]

Reform of the political economy was a top priority of the Ramos administration, whose efforts were aided by a widespread sense that new approaches were needed to reverse the country's poor economic performance. Worldwide trends towards programs of liberalization and privatization greatly influenced the choice of new strategies, particularly since they seemed to be working their magic on the country's economically more successful neighbors. In more concrete terms, the country found itself faced with decisions as to how it might participate in a series of associations that demanded greater commitment to economic openness – notably the Asia Pacific Economic Cooperation (APEC), the General Agreement on Tariffs and Trade (GATT), and the free trade area of the Association of Southeast Asian Nations (ASEAN), known as AFTA. In each case, the national leadership enthusiastically jumped on the bandwagon and was able to claim the support of important sectors ready to try something new.

Less tangible but most important in terms of long-term national strategic perceptions was the 1992 withdrawal of the US bases. To many Filipinos, the Philippine Senate's 1991 refusal to renew the bases treaty was a triumph of Philippine nationhood after nearly a century in the shadow of American power. As part of this assertion of independence, the departure of the bases left the country more exposed and encouraged greater awareness of the country's surroundings. With the US security umbrella no longer providing as extensive an overhang, one might say that there was suddenly more of a tendency to look around the neighborhood. In the process, Filipino observers commonly perceived their own house – once widely admired – to be in disrepair, and were often surprised to realize how extensive were the improvements in their neighbors' abodes.

In seeking to liberalize the economy and curb the dominance of cartels and monopolies, the Ramos administration has displayed a clear sense of the country's weakness in competing effectively in the international and regional economies, and new leadership in seeking to meet the challenges of a new, post-bases international environment no longer mediated through special relations with the US. Until very recently, the country's role as host of the US military bases helped ensure repeated rescue from the balance-of-payments crises that plagued the postwar economy. This system was not self-sustaining; ultimately, it depended on the international dole. The task of the decade is to reorient the national economy in order to ensure its competitiveness in the international sphere. As President Fidel Ramos (1992) declared in his inaugural address, the economic system in the Philippines "rewards people who do not produce at the expense of those who do... [and] enables persons with political influence to extract wealth without effort from the economy." A year later, in his State of the Nation address, Ramos declared the dominance of oligarchic groups over the political system to be "the reason why the Philippines has lagged so far behind the East Asian Tigers" (Rocamora 1994).

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Indeed, in a system I refer to as "booty capitalism," the creation of wealth in the Philippines has historically depended on access to the political machinery, and entrepreneurs are as likely to devote their attention to obtaining privilege and special favors from Congress, the Palace, and the bureaucracy as they are to improving the efficiency and quality of the process of production. After years of protectionism, the economy has remained highly uncompetitive and heavily reliant on external support, while delivering often poor quality goods and services to the Filipino people. The prevailing political and economic structure, in short, was not promoting developmental success. As Joel Rocamora argues, the reforms encompassed in Ramos' program of "Philippines 2000" represent the first major strategic vision of Philippine political elites since the early years of Ferdinand Marcos' martial law regime in the 1970s.

The focus of this essay is the political foundations and possible political impact of the current program of liberalization. In the process, I will offer two conclusions, one upbeat and the other more cautionary. To summarize at the outset, it is clear that liberalization is a very positive first step in shaking things up, with the potential of stimulating the growth of a stronger political constituency for change. In particular, we can hope that it will promote the differentiation of a political-economic elite that has, up to now, been quite undifferentiated, or homogeneous, and encourage the growth of new entrepreneurial forces able to challenge the prevailing system whereby economic opportunities are monopolized by a few.

At the same time, I will offer a less upbeat, far more cautionary conclusion: measures of economic liberalization in the Philippines rest on often very shaky institutional and political foundations. Some in the Ramos administration seem at times to place excessive faith in the conventional prescriptions of liberalization, and insufficient attention to the foundations upon which such a program must rest. After the first flush of success of liberalization, the fragility of political and institutional foundations threatens to present obstacles to the success of the entire economic reform program. Such problems pose major limits to liberalization and, unless addressed, are likely to obstruct the success of the very ambitious economic program begun by the Ramos administration. Even if the May 1998 elections were to produce a similarly reform-minded administration, these obstacles will continue to plague ongoing efforts to overturn the systems of privilege that have long dominated the Philippine political economy.

THE POLITICAL FOUNDATIONS OF LIBERALIZATION

PROPONENTS of liberalization commonly assert that such measures will curb overly intrusive governments and lay firmer foundations for private sector initiative. "Cut down the government," they say, "and let the magic of the marketplace" take over. In the Philippine context, however, big government and shortage of private sector initiative, per se, have never been the major ills plaguing the political economy. First, the problem in the Philippines is not the quantity but the quality of government intervention; the Philippine government has a small share in the country's Gross National Product (GNP) relative to that in other countries in the region. Moreover, the World Bank has repeatedly expressed its concern over the country's low tax effort; as a proportion of GNP, Philippine tax collection lags far behind that of its more economically successful neighbors. In short, the Philippine government is not large compared to that of its neighbors.

Second, there has never been any shortage of private sector initiative in the Philippines, where access to the political machinery has long been the major avenue to private accumulation and the quest for personalistic privilege brings a stampede of favored elites and would-be favored elites to the gates of the presidential palace. Whether headed by a democratic administration or an authoritarian regime, the Philippine state has long been choked by an anarchy of particularistic demands from, and particularistic actions on behalf of, those oligarchs and cronies who are currently most favored by its top officials: One will obtain a highly coveted loan or import license, another will enjoy a stake in a cartelized industry protected by highly discretionary governmental regulations. Merely cutting back the role of government through a conventional program of liberalization, then, does not in and of itself ensure either an improvement in the quality of government services or a reduction in the power of the oligarchy that has long plundered that government for particularistic gain.

Governments have an important role in helping to promote a "level playing field" upon which entrepreneurial activity can flourish.

In assessing the role of the Philippine government in the economy, one can say not only that it has been unable to emulate the strong developmental guidance provided by the skillful and powerful governments of the East Asian Newly Industrializing Countries (NICs), more fundamentally, it has also been unable to provide the even more basic legal and administrative underpinnings necessary for "free market" capitalism. Even advocates of a minimalist state tend to agree that governments have an important role in helping to promote a "level playing field" upon which entrepreneurial activity can flourish. This likely involves providing a stable macroeconomic foundation, building and maintaining infrastructure, promoting better educational systems and social programs, providing basic administrative and legal systems, protecting the environment, and creating a proper regulatory framework in which financial systems and stock markets can thrive.

Historically, the creation of "free market" systems has always depended upon a central role for the state, and a large increase in its administrative capacity. Unfortunately, the Philippine government has often had difficulty providing even these most basic foundations to a free-market economy – whether it be supplying electricity, safeguarding the process of timber extraction, arbitrating among investors squabbling over the proper site for a petrochemical plant, or providing even-handed regulation of the financial system. The long-laggard condition of such key industries as banking and telecommunications is ample testimony to the historical inability of the Philippine government to safeguard public resources and regulatory responsibilities for public gain. Because of the weak institutionalization of the state apparatus, the personal favor and disfavor of those currently in power has been a critical determinant of business success and failure. In short, the government has been unable to provide solid political foundations for economic growth. The critical issue is not merely how to shrink the role of government and promote private sector initiative, but more fundamentally, how to improve the overall performance of government, insulate it from the plunder of oligarchic groups, and promote new types of private sector initiative.

Over the long term, a more prosperous Philippine capitalism will require a government apparatus able to provide these foundations. Business leaders, it is important to note, commonly see insufficient government attention to such problems as poor infrastructure and crime as among the greatest obstacles to sustained economic growth. In 1995, for example, they warned that unless the government provides greater infrastructural support "we will run into serious problems and growth will level off" (Debuque 1995).

The greatest crisis of confidence in governmental capacity comes in the area of law and order – ironically enough, given that the current chief executive headed the Philippine Constabulary under Ferdinand Marcos and the entire national defense establishment under Corazon Aquino. Business leaders have warned that persistence of "the twin problems of kidnappings and bank robberies" undermines investor confidence and reinforces "the perception that the government is helpless in alleviating the situation" (Narisma & Burgos 1995). Highly publicized kidnappings of foreign businesspersons sapped investor enthusiasm in the Aquino years, but the number of reported kidnappings has increased from 39 in 1991 to 199 in 1995 (Tiglao 1995; Burgos 1996). Common targets are Chinese Filipino businesspersons and their families, many of whom choose not to inform the authorities because of widespread reports that kidnap gangs are closely connected with "law enforcement" officials. Solutions to the problem continue to be attempted, but the business community – and the larger public – are increasingly impatient for results in breaking a kidnap-for-ransom "industry" that is actually estimated to have collective profits rivalling that of a major auto company.

If "hoodlums in uniform" have provoked widespread cynicism toward the law enforcement system, "hoodlums in robes" (to borrow the term of Vice President Joseph Estrada) have had the same impact on a judicial system widely disdained for its frequent dispensing of decisions to the highest bidders. Archbishop Jaime Cardinal Sin, for example, recently denounced the "judicial Judases" found throughout the system, and observed that the study and practice of law in the Philippines are "as different as heaven and hell" (Timonera 1996). Corruption aside, uncertainties and delays generated by the court system are often a source of business frustration; recent court rulings related to foreign investment have done little to ease long-standing concerns of international investors. Perhaps the greatest complications, however, are found in the extraordinary quantity of litigation related in one way or another to the plunder of the Marcos years.

More generally, sustained economic growth depends upon improving the quality of the bureaucracy – described by Ramos as the "weak link" in national developmental efforts. Thus far, the most successful economic reform efforts have been those that merely remove restrictions on competition; far more complicated are initiatives requiring sustained administrative capacity. It is one thing, for example, to liberalize agricultural imports or remove restrictions on agricultural exports, but quite another to provide the roads, irrigation facilities, extension services, and other infrastructure necessary if farmers are to improve their productivity and meet the challenges of international competition. Similarly, it is far easier to open up the economy to foreign investment and imports than to develop sustained programs of export promotion that can assist local entrepreneurs anxious to tap new opportunities in world markets.

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Recent corruption scandals in the Department of Health and elsewhere highlight the enormous need to develop a bureaucracy that can support – rather than obstruct – the country's developmental needs. Reducing the overall scope of bureaucratic activity, Ramos explains, is the first step towards enabling the state to begin to perform more effectively those basic tasks that are required of it. He continually asks Congress to approve a major reorganization of the bureaucracy, but it is only one of many ambitious legislative priorities. In any case, it will be a Herculean challenge to reform a system overflowing with congressional appointees, while efforts to provide decent salaries able to attract better civil servants face formidable fiscal constraints. While it is heartening that national leaders have a long-term goal of strengthening the civil service, change in the short-term is likely to be piecemeal at best.

In any project of institution-building, a logical place to begin would be the enhancement of administrative capacity in such key institutions as the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, and the Bureau of Internal Revenue. No matter how sound the policy agenda promulgated at the national level, there is little hope of coherently sustaining such an agenda without an effective government administration and strong institutional foundations. It is difficult to instill long-term investor confidence, moreover, when a high degree of arbitrariness often reigns in the political and legal spheres, and kidnappings plague the personal security of an important element of the business community. This, then, leads me to my cautious conclusion on the prospects for economic liberalization in the Philippines: Until there is greater attention to such underlying institutional constraints, much of the current program of liberalization seems to rest on less-than-secure institutional and political foundations.

THE POSSIBLE POLITICAL IMPACT OF LIBERALIZATION

AS NOTED at the outset, however, I would also like to offer a more hopeful conclusion. In saying that the program of liberalization rests on weak institutional and political foundations, there is no question that the program has displayed – and will likely continue to display – the capacity to achieve important ends, both political and economic. These worthwhile ends may be somewhat different than those commonly anticipated by major proponents of liberalization, but they are very important nevertheless.

In my view, the major short-term political benefit of liberalization will be to begin to shake up long-established patterns in which the oligarchy-dominated private sector has been able to raid the political machinery for particularistic gain. By reducing the sphere in which opportunities for special privilege exist, liberalization brings hope that old patterns of private sector plunder might be disrupted and new entrepreneurial behavior may emerge. If all goes well, the Ramos administration's liberalization measures may be effective in beginning to shake up established interests in certain industries. The diversified conglomerates of major families, nurtured by favorable access to the governmental machinery, will hopefully be challenged by new entrepreneurial elements less dependent on access to government privilege and more devoted to productive investment of resources.

Examples here include newly organized groups of exporters, in whose ranks there seem to be many fresh faces. Many are emerging out of new regional hotbeds of growth, most notably Cebu, General Santos City, and the Subic Bay Freeport, signalling an important break away from the Manila-centric patterns of earlier years. Over the longer term, one can hope that the extraordinary talents of small- and medium-scale entrepreneurs in the Philippines might be tapped more effectively. For too long, these talents have been buffeted by frequent economic downturns and muzzled by government neglect. To the extent that such new entrepreneurial forces emerge, future transformation of the economy will rely not only on determined leadership at the top – as at present – but also on new social forces pressing for change and challenging old patterns. Export-oriented entrepreneurs in Cebu and elsewhere, for example, have been the most assertive in demanding new policies from the government (most importantly, an exchange rate able to open up greater opportunities in export markets). This, then, is my more upbeat conclusion: The top-down measures of liberalization initiated by the Ramos administration offer the chance that new groups might emerge to initiate bottom-up challenges to old and stagnant patterns of relations between an ineffective government and the oligarchy that has long plundered it.

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In examining the prospects for the transformation of entrepreneurial behavior in the Philippines, however, it is important to begin by recalling that the business community was not demanding to be reformed when Ramos came to power in 1992. In fact, by the time the reform impulses of the Ramos administration began to be felt by key business leaders in 1993, such leading Makati business figures as Jaime Zobel de Ayala expressed intense frustration at what they perceived to be the anti-business attitudes of the Ramos administration that had revealed themselves since the election (Tiglao 1993). Many felt threatened by the campaign to challenge the monopoly privileges in the telecommunications sector, for example, as well as by efforts to lower trade barriers and open long-protected sectors to international competition. It was Presidential Security Adviser Jose Almonte (1993) who explained, in a speech given at the Asian Institute of Management, that it was necessary to"hurt the finger" of business in order to "save their necks" – but few businesspersons were actually demanding this form of rough manicure.

Now, four years later, there has clearly been a major shift in business attitudes. The same figures that denounced the Ramos administration for alleged anti-business attitudes in 1993 now praise it for liberalization measures and renewed growth. They do so with all the enthusiasm of new converts to the faith, and fret openly about what will happen after May 1998.

A mere shift in attitude, however, will not necessarily sustain the reform momentum. Far more important is an organized, pro-reform business constituency, pushing for change even when change is not forthcoming from the political leadership. At this point, there is not much evidence for that kind of collective action within the business community.

Historically, business success or failure in the Philippines is determined not so much in the marketplace as in the halls of the legislature or the administrative offices of the government. In such an environment, business involvement in politics has been more a fight for spoils, i.e., the fight over which families can obtain the most benefits from government for their diversified conglomerates, and only very rarely oriented towards battles over clearly defined policy issues. Given that collective interests are thus not well defined, it is no surprise that business associations have been notably weak.

The major question in the late 1990s is whether the liberalization under Ramos might spawn more cohesive business associations, ready to continue to push an agenda of reform even under a future political leadership less inclined to support ongoing economic reforms and battles against cartels, monopolies, and systems of particularistic privilege. There has been a marked increase in the institutional capacity of at least one business association in recent years, the Bankers Association of the Philippines (BAP). But as was revealed in the BAP's 1994 ability to dilute liberalization of the banking sector, it is quite possible for stronger business associations to pursue goals of obstructing reform and protecting themselves against competitive pressures.

Other business associations, such as the Philippine Exporters Confederation (PhilExport), seem to represent new entrepreneurial elements whose emergence has been far less dependent on special privileges. But at this point, a mere four years into the country's new growth patterns, it is too early to assess whether nascent divisions in the Philippine business class and the emergence of groups such as PhilExport represent something that could develop into a well-organized, pro-reform business constituency. Changes in business attitudes are clearly evident, but there is likely to be significant lag time before one can detect evolution of the political organization of business conducive to sustaining the reform momentum in future years.

Despite Ramos' strong rhetorical commitment to reducing poverty, few benefits of reform and economic growth are trickling down to the lower strata.

Moving beyond the business community, what are the possibilities of a broader social coalition for reform? The middle class has many reasons to support the economic reforms and the accompanying prosperity it has generated, but those at the bottom of society have yet to find much reason to cheer the reform process. To be sure, the creation of a broad pro-reform coalition would certainly be enhanced by ensuring that the benefits of economic expansion are felt by a larger element of the population. This task is made all the more urgent and difficult by the historical absence of any thorough program of land redistribution. Unlike South Korea and Taiwan at similar stages of their industrialization process, the Philippines displays a particularly immense gulf in levels of wealth and income between the elite and the millions of workers, urban poor, and peasants below them. Despite Ramos' strong rhetorical commitment to reducing poverty, however, few benefits of reform and renewed economic growth are trickling down to groups in the lower strata of Philippine society. There has been some improvement in certain indices of human development, and the administration has developed a "social reform agenda" to address the needs of the poor – but analysts suggest it has yet to yield many concrete benefits for the "basic sectors" (farmers, fisherfolk, urban poor, indigenous communities) that it is supposed to serve.

In the absence of any real reform of legislative and electoral structures, moreover, there is little hope that Philippine democracy will give much voice to those at the bottom rungs of society. The Ramos economic reform program has been based on a political process still dominated by traditional politicians (disparagingly referred to as *trapos*, or dishrags). As Joel Rocamora (1995) observes, the administration's "continuing vulnerability to the requirements of *trapo* politics has made it difficult to clinch a thoroughgoing reform image." Almost a full decade after the restoration of elite democracy, the Philippine party structure continues to be even more weak and volatile than it was in the pre-martial law era. In the absence of effective political parties organized around some basic programmatic agenda, the passage of legislation necessarily requires enormous expenditure of effort and resources on individual legislators. Parties and the electoral process remain dominated by personalities rather than programs; legislative institutions continue to be dominated by many of the same old political clans; and the legislative process is still driven by the politics of pork and patronage. Unfortunately, many sectors of Philippine society remain marginal to the major achievements of recent years: both the consolidation of democratic institutions and the renewal of economic growth. Until such groups are given a larger stake in the national economy and polity, the creation of a broad political coalition for reform will remain a dim prospect at best.

CONCLUSION

IN SUMMARY, the program of liberalization offers great hope of shaking up patterns of privilege that have long dragged down the Philippine economy. But liberalization alone will not guarantee sustained economic growth, and it is important not to become lulled into complacency by ideologues who promise that the "magic of the marketplace" will somehow prove a miraculous cure to the country's ills. There are clear limits to any program of liberalization, even those that are far comprehensive in scope than that put in place in the Philippines in recent years.

Fortunately, at least one key Ramos aide seems to clearly recognize the dangers of complacency, and has emphasized that, despite all that has been achieved to date, the toughest work is yet to come. In early 1996, Presidential Security Advisor Jose Almonte the administration's most vocal critic of "cartels and monopolies" and the oligarchic privilege that nurtures them, explained that what have already been accomplished are the "easy" reforms. As "hard" reforms requiring greater administrative capacity are being attempted, he observed, "the weaknesses of the Philippine state are starting to show." Almonte (1996) further asserts that "the paradox of market reforms is that they require capable states....

Unless the Philippine state becomes stronger and more efficient, it will not be able to deal with our long-standing problems."

Long-term, sustained economic growth will continue to require stronger institutional foundations. Much has been accomplished to date, but with so much yet to be done there is no time for either complacency or blind faith in simple solutions. Institution-building is a very difficult and protracted process, and can proceed only with a combination of effective leadership from the top and the emergence of new forces from below that are able to challenge long-standing patterns of privilege. To the extent that new and transformed entrepreneurial forces emerge as an organized political force, they have the potential to play a major role in sustaining the initiative for economic reform begun by the Ramos administration and challenging a political economic system that has often failed, throughout the postwar era, to deliver developmental benefits to the Filipino people. One can further hope that the economic fruits of the liberalization program will come to be enjoyed by broader social forces, and will encourage the growth of a political coalition able to mount continued challenges to a system of privilege that has long dragged the national economy down. Over the long term, such concerted political efforts will be decisive in promoting the creation of new political and institutional structures capable of "delivering the goods," sustained developmental success, to the people of the Philippines.

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