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## THE PHILIPPINES : AN ANATOMY OF MARCOS' "NEW SOCIETY"

Today the Philippines is experiencing a deep turmoil in all aspects of national life. There is talk of an all pervasive 'crisis of confidence' among the Filipinos and beyond, which presumably had been triggered by a human tragedy metamorphosed into a political watershed : the assassination of the principal opposition leader Benigno Aquino ("Ninoy") on 21 August 1983 at the tarmac of the Manila International Airport.

The immediate reaction was one of a sudden shock and anger pervading althrough. This was manifest in militant demonstrations by the cross-section of Filipinos resulting in hundreds of casualties. President Marcos' allies—both internal and external, were trying to maintain a distance with the regime. An increasing number of middle and upper-middle class Filipinos, who formerly supported Marcos, are taking to the streets to demand a return to democratic government. Even there are signs of dissension within Marcos' own Party *Kilusang Bagong Lipuan* (KBL-New Society Movement). The powerful Philippine Catholic Church is increasingly becoming critical of the government and its leadership. The moderate opposition keeps on hammering on their preconditions for participation in the May 1984 elections. The communist and Muslim guerillas continue to pose a significant threat to government authority in some regions.

Externally, the Philippines' main ally—the USA also publicly expressed its displeasure over the unhappy developments there and some present and former US officials drew parallels with the mid-



1978 Iranian turmoil in an effort to persuade the Reagan Administration that Marcos should be pressurised to make broad reforms before the situation takes its own turn. The leaders of other countries of Southeast Asia also expressed anxiety over the uncertain future of the Philippines. S. Rajaratnam, Singapore's Deputy Premier in an interview in July 1983 commented that, "Four of the Five Asean nations have institutionalised the process of political take-overs whether by military leaders, as in Thailand or elections as in Indonesia, Malaysia, Singapore and arranged for such a transfer of power that would work."<sup>1</sup> The question here naturally arises: Is the present upheaval a spur of the moment, or is it the explosion of a dormant volcano gathered over the years? Retrospectively, however, after Ferdinand Edralin Marcos came to power through a democratic election at the end of 1965 under the *Nacionalista* Party banner as a relatively young and charismatic leader, he promised a New Society to be achieved in the Philippines through nothing less than a social revolution. In his words, "what is the purpose of revolution? It is to bring down the Establishment and crush out of existence its long entrenched conditions of oppressive rule, oppressive landlordism, oppressive greed and discrimination, all the causes of public anger and demoralization. It is to restore the faith of the people in public authority by means of new attitudes and new habits in national leadership. The government today is the revolutionist seeking to produce these changes."<sup>2</sup> Among others, the following were in the priority list of President Marcos during his initial years in power: to restore law and order, to eradicate the stranglehold of the aristocrats and venal politicians, free the farm labourers from their inherited serfdom and to accelerate his broad program to redistribute wealth, reorganise government from top to bottom and ensure the creation of a truly representative society.

Since then many years have passed. From 1972 to 1981 the the Filipinos had to endure martial law, then declared supposedly to

1. *South*, July 1983, p. 20.

2. Hertzell Spence, *Marcos of the Philippines, A Biography*, 1979, p. 317.



achieve the New Society goals unhindered. But the present flagrant outbreak of the crisis casts very much in doubt whether those cherished goals could be realized, even partially. While such promises of New Society by the leaderships and subsequent despairing realities are not new in the Third World countries, a stock-taking and factor-analysis exercise within a particular societal framework like the Philippines might still be a rewarding endeavour. With this end, the author attempts to analyse the performance of the Marcos' regime in the fields of politics and economy, thus unveil in the process the interplay of forces at work today and their likely impact on future stability of the Philippines.

## I

In order to trace the factors behind today's crisis in the Philippines, we have to analyse President Marcos' style of leadership for the past 18 years. As a democratically elected President, Ferdinand Marcos used his youthful vigour and charisma to unite the Filipinos under the banner of his New Society goals. With this end, he made some reforms in land-holding systems in the rural areas favouring the peasants, took vigorous drive for industrialization and initiated steps to wipe out corruption from public offices. With these positive measures bearing some tangible results, Marcos was reelected for the second term as President in 1969. As the year rolled by, the President with his excellent oratory and regular visits to the countryside had led most Filipinos to believe that only he could solve the nation's problems and that without his guidance the country would collapse into chaos and anarchy. Thus he became engrossed with devising ways and means of perpetuating his total hold on power at any cost. This trend toward authoritarianism was resented even by his the-then political associates, the most prominent among them was Benigno Aquino, then a rising political figure who in the late 1960s completely fell out with the First family. The political upheavals in the early 1970s



by both the right and left were advantageously used by President Marcos as an alibi to declare martial law on 21 September 1972. Immediately after, he arrested and jailed hundreds of political opponents, including Benigno Aquino, then already his chief political rival on charges of subversion, murder and illegal occupation of arms. This took place prior to the 1973 Presidential election, when Marcos would have been unable to contest for the third term in office according to the 1935 Philippine Constitution. Declaration of martial law was assumed, as usual, as a short-term measure. From then onward, the President used his free hand to rule the country through proclamation of Presidential Decrees (PD). The Security Forces were gradually inducted in as a power base of Marcos to get the Decrees through and fight the communist and Muslim insurgencies in some regions of the country. Marcos' increasing reliance on the military and the disenfranchisements of the citizenry had focused attention on the autocratic nature of the regime. To reverse this process, more attention was paid in the late 70s to completing the institutional reforms and to winning support from mass-based groups like labour unions and youth organisations. The labour unions were restructured under the government-sponsored Trade Union Congress of the Philippines (TUCP). The youth movement the *Kabatang Barangay*, with about 8 million members under the leadership of his daughter Imee Marcos had tremendous organisational potential.

On the constitutional level, the 1935 Constitution was replaced by a new one in 1973, ratified by the so-called Citizens' Assemblies, formed in January of that year for the purpose. According to the new Constitution establishing a parliamentary form of Government, Marcos held both the posts of President and Prime Minister. Then in the name of political "normalization" for a "shift from authoritarianism to liberalism", President Marcos resorted to the politics of referendum/ plebiscite. With this process Marcos managed to get through any amendments and changes in the Constitutions he required to give a democratic look to his entirely one-man rule.



In a 1976 referendum, the Filipino voters agreed to amend the Constitution to set aside the regular National Assembly in favour of an Interim Batasan Pambansa (IBP-Interim National Assembly), an would-be parliament that could not entertain a no-confidence vote on the Prime Minister or repeal the President's legislative power of issuing Decrees. In a December 1977 referendum, among others, the electorate voted that Marcos would automatically become the

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new Prime Minister in the still-to-be-formed IBP. Next came the April 1981 plebiscite when the Filipinos voted for constitutional amendments changing the as-yet-untested parliamentary form of government to a strong presidential system. Further, an Executive Committee, headed by Prime Minister, would act as a caretaker government in case of incapacitation or death of the President.

Besides the game of referendum, during the martial law years Marcos also organised elections—both at the national and local levels. With this end, the government formed its own political mass-based group the *Kilusang Bagong Lipuan* (KBL) in early 1978. Through election on 7 April 1978 the IBP, a quasi-independent Assembly was instituted, dominated overwhelmingly by regime supporters. Contrary to the President's earlier rhetorics against 'old society' politicians, the KBL candidates in the provinces turned out to be the traditional local oligarchs. Then in the January 1980 local elections for governors, mayors and councillors, the KBL won over 90% of all seats.<sup>3</sup> Then martial law was lifted in January 1984. Finally, on 16 June 1981 Marcos managed an 88% endorsement of the

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3. MacArthur Corsino, "Prospects for Normalization in the Philippines", in Leo Suryadinata (ed), *Southeast Asian Affairs 1980* (Institute of Southeast Asian Studies, Singapore 1980). p. 265



Filipinos to continue for another 6 year-term in office until 1987 as President. Further the new constitutional provision would allow him for reelection.<sup>4</sup>

In all these 'democratic' exercises, reports suggest that massive fraud was committed to favour the KBL candidates for victory which mostly showed over 90% support for his regime. Even the President had to admit that irregularities in the election had occurred.<sup>5</sup> Since the Commission on Elections (COMELEC) and the Supreme Court were pliantly acceding to the legalization requirements of the regime, it was not hard for the government to institute systems like block-voting and regionwide allocation of parliamentary seats to favour the KBL. So the conduct of the entire electoral exercise generally fitted Marcos' 'normalization' process with himself maintaining firm control in the saddle.

But this 'firm control' was finally shattered with the murder of Aquino at the airport tarmac under 'iron-tight' security. Despite the President's continued charging of the outlawed Communist Party with planning the assassination, the government version began to collapse with new evidences gathered by the Agrava Commission. This clearly indicates the security forces' complicity in the killing, though the government is still trying to absolve the regime of any hand in the assassination plot.

The post-Aquino events clearly unravelled the real picture of representativeness of Marcos' leadership which was a cherished goal of the President's New Society Movement. In like manner, peoples' faith in country's leadership and public authority suffered a death blow with the way Aquino was killed and the subsequent handling of the matter. It was evident in his all the 'democratic' exercises under martial law that Marcos had built a highly personalized and centralised political system, where his once-declared rhetoric "fundamental rights of the people is a tangible reality and not an illusion"

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4. *Far Eastern Economic Review*, 26 June 1981, p. 16.

5. MacArthur Corsino, *op. cit.*, p. 266.



in his rule leaned heavily towards the latter. Today President Marcos is fighting for his political survival as never before. All indications suggest that the festering disenchantment of the Filipinos over its leadership would not easily fade away. In this context it seems to be an worthwhile exercise to delve into the major forces operating directly or indirectly to shape the Philippine politics at this critical juncture of its history.

### **Marcos' Power Base**

It can undoubtedly be asserted that President Marcos today stands on a much narrower pedestal than when martial law was declared. Then the government had enjoyed the active support and collaboration of the dominant economic elite, the peasantry, the foreign investor, the government technocrats, the military, most members of the Catholic Church hierarchy and the US government. When the times were relatively prosperous, most of the nation's populace tolerated martial law. There was enough to satisfy both the friends and the masses. As the pie shrank, so did public tolerance for repression. Towards the end of the 1970s there was already a remarkable change in the temper of the Filipino people.

Today President Marcos is facing troubles in his own camp. The First Lady Imelda Marcos, a former beauty-queen whose charm and pleasant disposition once helped earn the President popularity, became a focal point of public uproar. Last fall she abruptly resigned from the 15-member Executive Committee in an attempt to dispel the widespread but unpopular notion that she was positioning herself to be the President's successor. The President's daughter Imee is no more the leader of the government-sponsored youth movement. Ferdinand Marcos Jr. (Bongbong) in his late 20s is holding the governorship of a province in their Ilocos region, but his power wielding is yet to exert a national impact.

Even dissension surfaced within the ruling New Society Movement. The formerly docile members of his camp no more accept the



President's words as gospel. In October last, Assemblyman Arturo Tolentino, a longtime Marcos associate, publicly turned down the President's request to head the first panel appointed to investigate the Aquino murder. Then it was Tolentino who led the drive in a ruling Party caucus to restore the post of vice-President, despite Marcos' vehement opposition. A few other New Society Veterans, such as the former Minister of Industry Vicente Paterno, a technocrat had already left the Party and had broken ranks with Marcos altogether. In September 1983 Carlos Romulo, the veteran Foreign Minister refused to sign a statement for American Newspapers with the government version of the Aquino killing, thus openly defying the President. Then last December Romulo handed in a retirement letter containing a subtle hint that Marcos too should step down.<sup>6</sup> The hint by the Prime Minister Virata about the possibility of some government elements' involvement in Aquino murder or his blunt remark that "Martial Law is not the solution to our problems" naturally did not sit well with the President and the powerful military establishment.<sup>7</sup>

Members of the business community, which once included some of his staunchest supporters, have become increasingly critical of his leadership. Mutual recriminations continued for several months. The businessmen publicly expressed the sentiment that improvement in the economy is tied tightly to issues which "preoccupy Philippine Society" and the international community. Among them are presidential succession, free elections, free media, an independent and honest judiciary, the restoration of basic constitutional rights and repealing the pervasive militarisation. In a ruling Party caucus last October the President retorted back, "we see the hydra-headed oligarchy rise up again", referring archly to protest demonstrations initiated or supported by the business community.<sup>8</sup> Besides, the developments in the past few years worsened progressively the

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6. *Newsweek*, 30 January 1984, p. 9.

7. *Asiaweek*, 21 October 1983, p. 25.

8. *Asiaweek*, 28 October 1983, p. 21.



relations between the hierarchy of the powerful Catholic Church and President Marcos.

Now let us turn to the real power base of President Marcos—the Armed Forces of the Philippines (AFP), which since 1972 has been increased from a mere 50,000 men in uniform to 200,000 in 1983 and they are today equipped with latest counter-insurgency weapons. During the same period, armed-forces' budget have increased tenfold and average salaries have more than trippled.<sup>9</sup> The growth in numbers has been accompanied by a profound change in army's role since the imposition of martial law. The military, until then totally apolitical and strictly professional, gradually began to be involved in the nation's political life as a guarantor of Marcos' power. The AFP met the communist and Muslim insurgency threats by engaging in large scale 'militarization' of the disturbed areas in the countryside.

Basically, militarization took two forms—one was the integration of civilians into the military organisations, such as the creation of the Civilian Home Defense Forces (CHDF) and the nationwide organisation of *barangay* (village) brigades. The second took

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the form of the military taking over civilian functions in the bureaucracy and in the bussiness sector.<sup>10</sup> Today Philippines' military leaders, despite reports of existing intra-feud, are known to be loyal to the President and the goals of the New Society. General Fabian Ver, Marcos' distant relative, since becoming the Armed Forces Chief of Staff in 1981 who like the President hails from the

9. *Newsweek*, 30 January 1984, p. 9.

10. M. Rajaretnam, "The Philippines in 1979: Towards Political Change", in Leo Suryadinata (ed), *op. cit.* p. 243.



Ilocos region, has turned the military into a personal power base, promoting his own people into key positions. So many observers link Ver with Imelda Marcos in the assassination plot of Aquino who was the most potential contender for power in a post-Marcos era.

After the Aquino episode, President Marcos is increasingly involving the military into decision-making process. In November last in a joint meeting of the Executive Committee and the Cabinet, Marcos invited the top brass of military and police generals to let them know what the civilian government was doing. Naturally this aroused suspicion both within Marcos' camp and beyond. So in an attempt to quell public worries, Marcos extracted a public pledge of loyalty to civilian rule from the Chief, General Ver.<sup>11</sup>

Today it is evident that apart from being a power base of the Marcos' regime, the military emerged as an independent interest group in the Philippine national life. This process was fostered by the military's involvement in the civilian administration, as mentioned earlier. This would be given an added fillip if the reported complicity of the military in the Aquino killing can be finally established by the Agrava Commission. In that case, it is believed that as long as Marcos is in power, the military is likely to uphold their promise of loyalty, but there is enough ground to think otherwise if they don't like Marcos' successor.

Externally, Marcos' regime all along enjoyed the support and backing of the US government, may be sometimes unevenly, due to abuse of human rights in the Philippines. Until the assassination of Aquino, Marcos received unequivocal expressions of support from Reagan Administration, including vice-President George Bush who went so far as to praise Marcos' "commitment to democracy". The US government support for Marcos is conditioned by the American military bases in the Philippines for which a \$ 900 million agreement as rent for 1984-89 is yet to be approved by

11. *Asiaweek*, 18 November 1983, p. 17.



the Congress and also by the fact that the US is the biggest foreign investor there.

Since the Aquino assassination, the American officials made no secret of their displeasure and anxiety over the future of the Philippines, where the charismatic Aquino who had personified US hopes that a post-Marcos government could be both popular and pro-American. Now with Aquino gone, initially the US Administration maintained a visible distance from an authoritarian ruler without a popular support base. Presently the US Congress, the Administration and both the Parties agree on two things in relation to the Philippines : restoration of legitimacy by a thorough and impartial investigation into the assassination, and sharing of power through a free and fair election for the National Assembly in May 1984.<sup>12</sup>

Having analyzed the point where Marcos stands today both internally and externally, let us turn to study the strategy of Marcos' political survival. At the end of 1983 Marcos declared, "This leadership will be resolved, consistent, strong and decisive. I do not intend to die."<sup>13</sup> In order not to, the President came out with his latest political manoeuvres. Voter-registration rolls are to be completely revised in response to charges that they were padded with the names of dead and fictitious Marcos supporters. The opposition had been offered two seats on the 9-member COMELEC. In a national plebiscite at the end of January 1984, four amendments to the Constitution were ratified by the Filipino voters. This would allow for the election of Assemblymen by 'province' instead of bigger 'regions', abolish the government's 15-man Executive Committee and replace it with a vice-President to be elected in 1987. Besides, the government was allowed anew to initiate land reforms both in urban and rural areas in favour of the less-privileged.<sup>14</sup>

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12. *Far Eastern Economic Review*, 3 November 1983, p. 20.

13. *Asiaweek*, 28 October 1983, p. 21.

14. *Asiaweek*, 10 February 1984, p. 13.



The move of voting on a provincial rather than on larger regional basis is likely to improve the chances for under-financed opposition candidates. But the two land-reform measures are viewed as the President's political gimmickry, a strategy of indentifying his regime with the rural poor and the urban middle and lower-middle classes who displayed undeniable disenchantment with recent economic policies and over the mysteries that surround Aquino's assassination. There are signs already that Marcos had made the rural masses his no. 1 priority. In early February 1984 the President launched *Sariling Sikap* ("Self-Reliance"), actually a modified version of the First Lady Imelda's *Kilusang Kabuhayan Sa Kaunlaran* (KKK)—"livelihood" program for the low-income majority.<sup>15</sup>

### The Catholic Church

The Catholic Church is a powerful institution in the Philippines which exerts a telling influence on the socio-political fabric of the nation as a whole. The position of Jaime Cardinal Sin, the archbishop of Manila—the biggest diocese in the Catholic world, as leader of 43 million Catholics (over 80% of the population) makes him one of the most important figures in the country ; his political activism makes him also one of its most powerful.

In fact the Church and Government have been on a collision course since 1979, when Cardinal Sin advocated a policy of "critical collaboration" with the administration. Since then the policy leaned heavily to the critical side. Particularly irksome to the leadership was Sin's remark in mid-1982 that Marcos had "lost the respect of the people" and thus should resign, prompting a retort from Political Affairs Minister Leonardo Perez that the Cardinal was "suffering from hallucinations" and was seeking to become a "Filipino Khomeini."<sup>16</sup> Then onward, intensified church-state

15. *Ibid.*, p. 15.

16. Quoted in Robert L. Youngblood, "The Philippines in 1982 : Marcos Gets Tough with Domestic Critics," *Asian Survey*. Vol. XXIII, No. 2, February 1983, p. 212.



conflict eventually resulted in a dialogue between the bishops and the military. The Defence Minister Enrile and the Generals gave assurance that the government was not systematically "persecuting" the Church activists, but the leadership vowed action against church radicals and clergy engaged in anti-government activities in the rural areas.<sup>17</sup>

In February 1983 the 110-member Catholic Bishops' Conference of the Philippines (CBCP) circulated nationwide a pastoral letter that lambasted the administration for the arrests of priests, nuns, and lay workers and for allowing increasing poverty, corruption and militarisation. The bishops also pulled out of the 10 year-old church-military liason committee, designed to ensure church-state dialogue.<sup>18</sup>

Since Aquino's murder, the stance of Cardinal Sin has changed from that of a good-natured wheadler to a tough-dealer. During the High Mass at Aquino's funeral, Sin called for a pact, a covenant

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whose challenge was to bring "reconciliation, restoration of all those freedoms the people have lost, the freedoms whose denial has reduced the Filipino today (to) an exile in his own country".<sup>19</sup> While Marcos invited Sin to participate in the Commission for investigation into the assassination, he refused. for he feared he would be a "voice in the wilderness."<sup>20</sup> Since then Archbishop of Manila repeatedly called for formation of a National Reconciliation Council made up of representatives from the government, the church, the opposition and the private sector. But it did not materialise.

17. *Ibid.*

18. *Asiaweek*, 12 August 1983, p. 31.

19. *Asiaweek*, 9 September 1983, p. 8.

20. *Time*, 5 September 1983, p. 12



President Marcos himself spoke bitterly of Catholic teachers, priests and nuns "teaching the children hatred, hatred against Marcos, hatred against the government".<sup>21</sup> Sin retorted back, "This is not true. Helping youngsters to know the real situation in the country is not teaching hatred."<sup>22</sup> True or not, it reminded onlookers that more than 2,000 high-grade Catholic schools, not to mention thousands of churches and chapels, constitute a direct and formidable opinion-moulding force in the Philippines. More importantly, despite the fact that the Church as an institution is not a direct participant in the government, its stance on national issues matters a lot, where Catholicism runs deep into the hearts of the Filipinos.

### The Moderate Opposition

To a large extent, the stability of the martial law government since 1972 had been due to the varying degrees of support it had received from various elite groups and to the utter despondency of those fundamentally opposed to the martial law regime. However, a series of events during the last few years have shown that pro-regime supporters have become somewhat disenchanted with the government, while anti-regime groups, both moderate and radical, have gained increasing importance as a result of the government's inability to arrest the deteriorating political and economic situation.

Since the 1980s unity discussions were very much a part of opposition politics in the Philippines. In April 1982, after much discussions among the opposition groups, especially among Assemblyman Lorenzo Tanada of the Laban, former President Diosdado Macapagal of the Liberal Party, former Speaker of the House of Representatives Jose Laurel, Jr. of the *Nacionalista* Party and also US-based oppositionists, the formation of the United Nationalist Democratic Organisation (UNIDO), a new "Grand Coalition" of 12 opposition groups including the exiled politicians in the US was anno-

21. *Asiaweek*, 7 October 1983. p. 10.

22. *Ibid.*



united with Assemblyman Salvador "Doy" Laurel as its President. The formation of the "Grand Coalition" was prompted by a desire to offer a viable, non-radical political alternative to Marcos and the KBL and also to establish a machinery for contesting future national elections. But the UNIDO fell short of becoming a single opposition party or even an effective coalition as a result of political infighting among the opposition ranks, long plagued with jealousies and factionalism.

It is in fact this fractiousness that crippled the opposition politics in the Philippines. Many analysts believe that Marcos' strength so far lay in the "weakness of the opposition". In such a situation, to many observers Aquino was the only opposition figure capable of uniting a broad spectrum of political opinion and, perhaps, engineering a peaceful return to democracy. That, in fact, was his purpose of returning home in August 1983 after three years of exile in the US. But his murder has created a serious leadership vacuum in the opposition, which in turn naturally lessens the real challenge to President Marcos.

However, recently in a call for "meaningful elections" for the Batasan Pambansa in May 1984, the three major opposition groups—the UNIDO, the recently-formed "compact" of four other opposition groups and the Alliance of Metropolitan Associations (AMA), formed in the aftermath of the Aquino murder led by Aquino's brother Agapito, could present their first common platform. This includes a set of six demands as a precondition to participation in the elections, among which are the following: The curbing of Marcos' legislative powers similar to those of the Pambansa, the restoration of fundamental rights of the citizens, a constitutional amendment requiring two-thirds vote of Pambansa for declaring martial law again and ensuring a free and fair election.<sup>23</sup>

But the opposition is still far away from reaching a consensus on whether to participate in the elections. UNIDO President Laurel is

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23. *Far Eastern Economic Review*, 2 February 1984, p. 11.



likely to participate, who believes that boycott does not work and insists that the May elections could be the last political exercise if Marcos does not show interest in the demands. But the "compact" leaders, such as former Senator Lorenzo Tanada of the National Alliance for Justice, Freedom and Democracy, former President Macapagal of the Liberal Party and the respected former Senator Jose Diokno, who heads a number of groups including Movement for Philippine Sovereignty and Democracy, have come out solidly behind a boycott, saying participation in Marcos-controlled elections would only give legitimacy to what they see as the President's illegal rule.<sup>24</sup> The AMA group also took decision finally for a boycott of the elections. During the ill-fated Journey on 21 August 1983 from Taipei to Manila in an interview in the plane Aquino agreed that "we can not win as long as Marcos is counting the votes, but we can force him to spend billions of pesos".

Many onlookers felt after the mysterious murder of Aquino, the psychological environment might shift in the opposition's favour and help unify their ranks. The former did take place, but the latter is yet to. Now it all depends on the still fragile opposition whether it can muster a consensus on the election issue, because either way a consensus might have given them some benefit.

### **The Radical Opposition**

Since the proclamation of martial law in 1972, with normal channels for protests blocked, new ones sprang up, most of them illegal. Inexorably, the radical left, a negligible force when Marcos came to power gained strength.

Western analysts estimate that New People's Army (NPA), a loose association of radical elements, inspired by Mao, now has 7000 to 10,000 armed members, supported by a base of 100,000 sympathisers around the country. The movement's greatest strength is concentrated in Northern Luzon, Samar and Eastern Mindanao, where the

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24. *Ibid*, p. 12.



guerillas claim to control 200 barangay (villages).<sup>25</sup> Another report suggests that the communist insurgents exert influence in 20 percent of the country's 42,000 villages, with organisers in about 42 provinces, more than half the country, in which 20 million people live.<sup>26</sup> Whatever their strength, the communist insurgents in the Philippines, considered to be the most viable in Southeast Asia, are out to convince

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more and more people that they have waited long enough for promised benefits to trickle down. The communist upsurge follows a Muslim secessionist war by the Moro National Liberation Front (MNLF) which at its height claimed 60,000 lives and tied up 80 percent of the armed forces and cost the government an estimated US\$2 million a day.<sup>27</sup>

The government so far has dealt harshly with the insurgents, arresting and jailing them and their sympathisers in hundreds. At the same time the government has stepped up a new programme of development projects as the backbone of a new counter-insurgency plan, aimed at winning the "hearts and minds" of the people in the troubled areas. But the Muslim secessionist threat is still considered a major security problem, although military assessments show a decline in armed strength from a peak of about 40,000 to 7,000 since the ceasefire in 1975 through Libyan mediation and widened surrender programme. The military manuals say that fundamental differences between the NPA and the MNLF "are gradually being reduced as a result of communist infiltrations into the MNLF, and should this continue, a merger of these two organisations is likely to

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25. *Time* 5 September 1983, p. 12.

26. *South*, July 1983, p. 24.

27. *Ibid*, p. 25.



occur in the 1980s".<sup>28</sup> The implications of a possible tie up even in a marriage of convenience between the NPA and the MNLF are making the government and counter-insurgency strategists uncomfortable.

Should this occur, their combined numerical strength and accompanying psychological boost are likely to be a formidable threat to Marcos' regime. They may not be able to turn the Philippines into a Nicaragua or El Salvador in the immediate future, but the prospect has to be taken into consideration with due seriousness. Given the absence of fundamental human rights, manifest frustrations of the Filipinos and prolongations of the present economic crisis, hitting the middle and poor classes hardest, there is every possibility of increasing the adherents and sympathisers to radicalism. During the ill-fated home-coming from Taipei to Manila, Aquino pointed out, "You can be an authoritarian in Asia, providing there is an economic trade-off". Let us now turn to examine whether Marcos' New Society could provide that trade-off to the Filipinos in exchange of his long authoritarian rule.

## II

As the beginning of 1984 has been expected to bring new hopes for the world economy taking it out of recession, the Philippine economy is trying to work its way out of its worst crisis since its independence in 1946. Proving the inescapable connection between politics and the economy, the crisis of confidence following the assassination of Aquino led to a hemorrhage in the capital account to the extent that the Philippines had no choice but to join the struggling nations of Latin America in requesting a wholesale rescheduling of its foreign debt and a scramble for new funds to prop up the economy.

<sup>28</sup>, *Ibid*, p. 26.



First, it would be worthwhile here to see the state of the economy as it stands today in a comparative perspective with other Asean countries. The Economic Planning Minister Vicente Valdepenas revealed that the GNP grew by a dismal 1.4% in 1983 while the figure was 3.8% for 1982. Further he stated that "we are projecting a similar growth rate this year (1984)".<sup>29</sup> Concludes the Manila-based Centre for Research and Communication, "Aside from being the laggard in the whole of Asean, this growth (will be) the lowest so far in our economic history."<sup>30</sup>

**Table—1**  
Average Growth of GDP/GNP (%) in Asean Countries

	1970-77 (GDP)	1978-82 (growth of GNP)	1983 (est)
Indonesia	7.7	6.8	na
Malaysia	7.8	7.5	3.2
Philippines	6.4	4.6	1.4
Singapore	8.6	8.9	na
Thailand	7.1	6.5*	na
	*1982		

Source : *Asia Yearbook 1980, 1984.*

In the Philippines, as the Table—1 shows, the overall picture is increasingly gloomy. Compared with other Asean countries in a time series data from 1970 onward, the performance of the Philippine economy in terms of growth rate was the lowest. During the years 1970-77 the economy grew by 6.4% while during 1978-82, the average growth rate declined to 4.6% only.

29. *Asiaweek*, 27 January 1984, p. 17.

30. *Asiaweek*, 4 November 1983, 55.



**Table—2**  
Sectorwise Average Growth Rate (%) during 1970-81

	<i>Agriculture</i>	<i>Industry</i>	<i>Manufacturing</i>
Indonesia	3.8	11.2	13.9
Malaysia	5.2	9.3	11.1
Thailand	4.5	9.9	10.3
Philippines	4.9	8.4	6.9
Singapore	1.7	9.0	9.7

Source : *World Development Report 1983*.

Looking at sectorwise growth rate we find in Table—2 that only in Agriculture Philippines ranks above Indonesia and Singapore during the period but lags behind all the Asean countries in the growth rate of Industry and Manufacturing. During the last two years, performance is worse in all the sectors. But if we compare with the developing countries as a whole, Philippines then fared somewhat well especially in the sector of Industry. This had made it possible for the share of Industry (in current prices) in GDP to rise from 28% in 1960 to 30% in 1970 and to 35.5% in 1980. It is now the lead sector in the economy.<sup>31</sup>

However this apparent growth in the economy was not accompanied by distributive justice in the Philippines. Economic reality revolves around two stark phenomena, i.e. poverty and increasing gap between rich and poor. Two institutions, the World Bank and the US Agency for International Development (AID), have conducted studies on poverty and have reported alarming rates, particularly among landless agricultural workers, upland farmers, rice farmers and coastal fishermen. The AID study estimates that as many as 4 million households live below the poverty level. Assuming an average of 6.5 members per family, that accounts for more than half the population. This is only in rural areas.

31. Rehman Sobhan, "Inequitable Development: The Philippines Experience" *Asian Affairs*, No II April-June 1983, p. 143.



The urban poor, especially in Metro-Manila, is estimated to be 1.2 million (25% of the labour force). Altogether, the statistics designate about 75% of the population as poor. The AID study observed that "While the incidence of poverty may not have increased since 1971, there is ample evidence it has not declined."<sup>32</sup>

The World Bank study reported rural poverty at 47.5% and noted that urban poverty increased from 15.3% in pre-martial law days to 30.9% in Manila and from 29.1% to 45.6% in other urban areas. The study further found that poverty declined during the 1957-65 period and leveled off in 1965-71.<sup>33</sup> Thus the Marcos years have given rise to a rapid rise in the incidence of poverty. The increase in the numbers of people below the poverty line, while there is a sustained rise in aggregate income, could only imply a deterioration in income distribution, thus widening the gap between the rich and the poor within the society. Another recent study cites that the lowest 27.2% of house-holds received 5% of total income, while the upper 22.5% of households received 58.3% of incomes in 1980<sup>34</sup>. In

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*The apparent growth so far in the philippine economy was not accompanied by distributive justice, nor does the present trend auger any better prospect in this regard for the future.*

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a homily during a national prayer for reconciliation in late August 1983, Cardinal Sin declared, "Why do we need reconciliation? Because there are tensions that arise when the top 5% of the population earn 30% of the wealth, while a full 17 million must wallow in abject poverty".<sup>35</sup> These trends were already manifest in the 1970s when the economy grew at a moderate rate. Therefore, with the current dismal growth rate and its trends presenting a bleak

32. Cited by Belinda A. Aquino in "The Philippines Under Marcos", *Current History*, April 1982, p. 160.

34. *Ibid.*

34. Rehman Sobhan, *op. cit.*, p. 143.

35. *Time*, 5 September 1983, p. 145.



prospect, the distributive justice in the Philippines is not likely to be meted out in the 1980s.

Let us now turn to analyse at what cost the Philippines has achieved even the mediocre growth rate. While all the countries of the region have manageable national debts (Table-3), the Philippines has till to date amassed a staggering US\$25.4 billion. In the 1970s the Philippine economy witnessed reasonable growth in its exports, but it declined substantially in the 1980s due to weak demand in the world market and low prices for the country's major exports—coconut products, sugar and copper. The index of exports in terms of current values has risen from 100 in 1972 to 420 in 1981. In contrast, the spectacular rise in import prices has raised the Philippines import bill from an index of 100 to 579 in the same period. The rise in imports has largely been due to a rise in import prices from 100 in 1972 to 394 in 1981, while in terms of volume, imports have risen from 100 to 147 and have in fact declined in absolute terms in the last two years. However, export prices have also risen, but they could not keep pace with import prices so that the net terms of trade for the Philippines has deteriorated from 114 in 1974 at the peak of the commodities boom, to 58 in 1981.<sup>36</sup>

The net result was an increasing deficit on external account, which even with the addition of over \$ 1 billion yearly remittances of Filipinos working abroad, could not be made up. The balance of payments (BOP) deficit reached \$ 2 billion by November 1983, compared with \$ 1.1 billion in all of 1982 and only \$ 560 million in 1981. The cumulative impact of such deficits on external account has led to a build-up of foreign aid and commercial borrowings, which shot up from a mere \$ 2.2 billion in 1972 to a colossal \$ 25.4 billion by the end of 1983. The Philippine peso took its worst beating ever in 1983, which following two devaluation during the year fell a whopping 53% from the December 1982 rate of p. 9.17 : US\$ 1 to

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36. Rehman Sobhan, *op. cit.*, p. 145.



p. 14 : US\$ 1 by October 1983. This is the steepest decline in the last 21 years.

All this dismal picture of the Philippine economy, festering over the last few years was suddenly unravelled by the all-pervasive crisis of confidence which was precipitated by the assassination of Aquino in August 1983. During the third quarter of the year, the panicky foreign banks began to withhold renewal of short-term revolving credits and capital flight soared to nearly \$500 million. As a result international reserves dropped to a bare \$430 million (of which \$250 million in gold reserves) against \$2.4 billion in 1982.

**Table-3**

**Foreign Reserves , Foreign Debt and Debt-Service Ratio of the Asean Countries (1983).**

	Foreign Reserves (US \$mn)	Foreign Debt (US \$bn)	Debt-Service Ratio
Indonesia	4154*	19.7*	15.4
Malaysia	4022	5.64	6.0
Philippines	430	25.4	28.0
Singapore	1176.6	0.409	1.94
Thailand	2403*	6.0 <sup>1</sup>	8.7
*1982			

Source : *Asia Yearbook 1984, Asiaweek*, 11 November 1983.

Table-3 shows that in order to service its foreign debts, the Philippines has to fork over 28% of its total foreign exchange earnings, which is two times lower in case of Indonesia, another Asean country with a substantial amount of foreign debt, and the same ratio is many times lower in case of other Asean countries. While in 1971 the statutory limit for debt-service ratio was fixed at a maximum of 20%. Based on total exports, debt-servicing eats up more



than half of export earnings, which are down 30% from the 1980 level. Between 1970 and 1982, the debt-servicing burden shot up from \$ 320 million to \$ 2 billion a year.

So looking at the present state, it can be said that the economy was as sick as it could be without being terminally ill and in order not to default in debt payment, Manila started negotiations in earnest with the IMF, World Bank and the private commercial banks. Prime Minister Virata (also Finance Minister) disclosed that the Philippines needs \$ 4 billion in new loans. The sum includes \$ 1 billion to rebuild what used to be \$2.4 billion worth of reserves, now dangerously shrunken and sufficient to the purchase of the most essential imports only for a few days. Apart from arranging moratoriums on maturing loans so far a pledge of SDR 615 million (\$655 million) upto the end of 1984 has been made by the World Bank and the IMF and the Commercial Banks are negotiating to grant \$ 1.68 billion in new credits.

In order to satisfy the international creditors, the government took some stringent measures, such as, devaluation and the rollover of loans, import controls, reduced government spending, tighter credit and higher interest rates. Under pressure from lending institutions, President Marcos appointed Jose Ferdinand, Chairman and President of the Far East Bank and Trust Co, as governor of the Philippine Central Bank, thus replacing Jaime Iaya, who was alleged to have overstated the country's foreign reserves by \$ 600 million and underestimated its total foreign debt by as much as \$ 6 billion.

Why the Philippine economy is in such a hapless condition today? Looking at the situation as objectively as possible, perhaps one can conclude that the problem is more basic. As Jose Romero Jr., President of Research and Management Co., Manila, in an Article in the weekly *Far Eastern Economic Review* of 15 December 1983, pointed out that the problem has been one of policy direction as well as of management. A basic and recurring problem of the past has been the laxity of the Government in its savings mobi-



lization drive. The nation's 25% saving rate has not all been invested in development purposes and was directed to conspicuous consumption of imported luxury goods. Furthermore, since incomes are inequitably distributed, the majority of the households could not be expected to be investors.

Second, an unrealistic interest-rate policy which placed ceilings on rates, served to encourage administrative rather than market determination of the use of funds, as well as guarantee a low level of domestic savings, thus contributing to heavy reliance on foreign loans to finance investment. As Jose Romero writes, "It would seem that the problem of poorer nations is that they have a voracious appetite for funds but a poor capacity to repay. They feel continually impelled by the force of development to keep their incomes and outlays above what they can afford to produce. The Philippines has joined a club of Eastern people with Western tastes, but with Eastern capacities to repay." The penchant of the Philippine economy to follow the line of least resistance by borrowing from abroad rather than raise development funds from local sources has conspired to push the economy into a colossal debt trap. Besides, the government has been indulging in deficit financing to cover budget shortfalls. In brief, the Philippines has substituted external debt and foreign investments as well as deficit financing for national savings mobilisation. So today it is paying the price.

Third, the use of foreign funds, could not stand the tests of cost-effectiveness, both economic and social. During the martial law years (1972-81) ambitious development plans for vast increase in infrastructure, such as irrigation, dams, roads and communications, brought in a lot of project loans. After the 1973-75 oil crisis, a huge alternative energy programme was developed in hydroelectric, geothermal, coal and nuclear power. On the one hand, a fair share of development budget for public works programme was sliced as graft and bribes and on the other, a significant proportion of the external debt went into ostentatious and image-making projects which could only be considered to be of extremely low social or economic pro-



ductivity. Though large sums of foreign money were pumped in, economic growth as measured by a real rise in GNP dropped from 6% to around 2% while population grew by 44% between 1970 and 1982.

Fourth, the private sector external borrowings which account for about half the country's external debt has been largely utilised under a misdirected investment programme. A generally high level of import protection achieved through both tariff and non-tariff mechanisms fostered the growth of relatively inefficient and globally uncompetitive industries. This contributed to country's inability to compete with imported goods in the domestic market as well as indhilitating the growth of export oriented industries. As a result, today the Philippine economy is considered to have the lowest investment efficiency of any of the Asean countries.

Fifth, the economy has been crippled by 'crony capitalism' a system that saw the government financing institutions pouring millions of dollars into a handful of companies controlled by President Marcos' friends, rather than channeling funds to the most efficient users of capital. Investors with no access to *Malacanang* palace had little chance of getting government loans. Most of these "crony companies" grew overnight, were inefficient in their operations and earned huge individual sums off the top. With the 1979 oil crisis, import prices rose far more rapidly than commodity export prices. Manila's terms of trade began to suffer drastically. To keep going, these industries continued borrowing government funds. As a result the public financing institutions had to wound up owning many of these crony companies, converting debt into liability. Many began to complain of a creeping state capitalism as huge budget deficits were needed to keep them afloat, most of them having liabilities far exceeding their assets. As the slain opposition leader Aquino saw it, "The government is supporting all these enterprises which are bleeding the country dry."<sup>37</sup>

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37, *Time*, 5 September 1983, p. 8.



Sixth, a serious problem has been a bias in investment policy favouring capital intensive, rather than labour intensive investment. This is particularly serious since the major longterm problem the Philippines faces is absorbing the highest rate of labour-force growth in the Asia-Pacific region. Already unemployment is reported to run at 14% of the workforce in Manila and at 9% for the whole country.

Finally, Marcos is generally applauded abroad for having confided the management of the economy to a group of talented technocrats headed by Cesar Virata, the Prime Minister. But it is claimed that even the highly professional technocrats sometimes lack a thorough knowledge of the socio-political fabric of the nation as a whole, which is necessary for charting out a sound economic strategy. To what extent the Philippine government technocrats are responsible for the economic mess unleashed today is difficult to ascertain, but a Harvard-educated Philippine economist Lichauce held the technocrats responsible, saying, "The technocrats are even more culpable than the cronies. Their mistake is one of policies the cronies was one of corruption, it won't stop progress. A mistake of policy will reverse progress." While former Industries Minister Paterno, himself a Harvard-educated technocrat, says, "The technocrats have their own role, but they can't be relied upon alone to run the economy. The political aspects—questions of social equity, freedom of the people, confidence in the economy—are political rather than technocratic."<sup>38</sup>

For many years, the Philippines was able to avoid facing up to these distortions. While the manifold increase in relative oil prices

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*The economic crisis, which is a direct offshoot of serious political instability, is causing even more serious political instability—a vicious circle, breaking of which will require real democratic reforms.*

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since 1973 might have forced an adjustment to economic realities, foreign borrowing was a less economically and politically painful

38. *Asiaweek*, 11 November 1983, p. 58.



option than serious economic reform. Since it became clear at the end of the decade that this option had run its course, painful economic policy-adjustments began in earnest. The Philippines launched its structural adjustment programme in 1979 sponsored by the World Bank. Unfortunately the necessity felt and policy steps initiated for such adjustment coincided with global recession hitting, the vulnerable Philippine economy still hard.

From the above discussion it appears that the catalyst for the current economic crisis is political in nature. The assassination of Aquino and the ensuing haemorrhage of capital, shattered confidence in the whole system, both at home and abroad. But the fact that Manila had been living far beyond its means had to be accepted by the leadership. Today the whole Philippine society is in the grip of a vicious circle. The economic crisis, which is a direct offshoot of serious political instability, is causing even more serious political instability. To get out of this circle and into the right direction, perhaps, what is required first is real democratic reforms setting the tone of a clear and smooth succession of political leadership. So it remains to be seen whether Marcos with his few political concessions and some economic measures would be able to step into the largely unachieved but his pet "New Society".