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Philippine Technocracy and Democratization During the Post-Martial Law Period (1986-2010)*

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Introduction

Despite their being banished to the “Hall of Shame” during the 1986 People Power Revolution in the Philippines, technocracy has continued to persist in the country’s transition from authoritarian rule to democracy and up to the present. Instead, however, of being called “technocrats”, they are now referred to as “economic managers.” The change in “name” is quite understandable because during the martial law period (1972-1986), technocracy became synonymous with the repression which occurred during that era foremost of which was economic development at all costs, e.g., dislocation, militarization and elimination of communities which got in the way of development projects. This reputation, therefore, earned the technocrats the “(dis)honor” of being referred to as the third leg of the stool which propped up the authoritarian regime, the other two of which were the military and President Ferdinand E. Marcos’ relatives/cronies. Thus, the administrations which followed that of the Marcos government were conscious not to “hire” any of these technocrats, particularly, those who came from the World Bank (hereinafter referred to as WB) and the International Monetary Fund (hereinafter referred to as IMF).

But the post-martial technocrats, however, continued their predecessors’ policies of liberalization, free competition and free trade but now under a neo-liberal economic dispensation. The question which emerges is why this is the case when technocracy in the Philippines is not able to sustain the economic growth which was seen in the 1950s when the country was second to Japan as having the best economy in Asia and then left-behind in the 1970s by its East Asian counterparts as among the newly industrializing countries in the region. In the 1980s, on the other hand, Philippine economic policies failed to bring it at par with its Southeast Asian neighbors, i.e., Thailand, Malaysia and Indonesia, which all became New Asian Tigers. The latest blow to the country is that socialist Vietnam, a late comer to the capitalist world, has economically overtaken the Philippines. Presently, despite the high growth rate of 7.3% which the country has attained, the poverty incidence remains the same and moreover, statistics have shown rising socio-economic inequalities. For those who view development as an important ingredient for the democratization process, this does not augur well.

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This paper, will thus look into the role of the Philippine technocracy as a facilitator and/or hindrance to the country’s democratic processes during the post-martial law period. The first part will look into the backgrounds of the post-martial law technocracy and the economic ideology they espouse. The second part, on the other hand, will examine the challenges to technocratic economic decision-making in a period of “elite democracy”. While the last part will highlight the political realities which impinge on technocratic decision-making.

I. Backgrounds and the Economic Ideology of the Post-Martial Law Technocracy

Despite the downfall of the “martial law” regime’s technocrats in the advent of the 1986 People Power revolution which ousted the Marcos dictatorship, the Aquino Administration (1986-1992) and the succeeding administrations of Ramos (1992-1998), Estrada (1998-2001) and Arroyo (2001-2010) had no problem in recruiting technocrats who shared the same economic perspective, i.e., liberalization, free competition and free market as their counterparts during the Marcos administration. This is understandable as they generally came from the same background as the Marcos technocrats, namely, they were U.S.-educated. Like their predecessors, a number of them also came from the University of the Philippines (UP), the alma mater of the majority of the technocrats particularly from the U.P. School of Economics (hereinafter referred to as UPSE).  

What seemed to be a difference in the recruitment process of the technocrats during the post-martial law period was a number of them came from the banking sector leading to the phenomenon of investment banking millionaires-turned-technocrats”. Thus, if the martial law technocrats came from modest backgrounds, like Marcos’ finance minister Cesar Virata and Minister of Economic Planning Gerardo Sicat who were U.P. academics, a number of the post-martial law technocrats, after making their millions as investment bankers, would take on government positions. This was the case, for example, of President Arroyo’s former Finance Minister Isidro Camacho from 2001 to 2003, and formerly of Deutsche Bank AG and Vince Perez, Secretary of Energy from 2001 to 2005 and formerly with Lazard Freres & Co. as bond trader and investment banker. An

1. The UPSE generally provided the technocrats for the position of Director General and Secretary of Planning of the National Economic and Development Authority (NEDA), e.g., Cayetano Paderanga Jr. under the Aquino Administration. Paderanga obtained his PhD in Economics from Stanford University; Cielito F. Habito under the Ramos Administration. He obtained his M.A. and PhD in Economics form Harvard University; Felipe Medalla who served under the Estrada Administration. Medalla obtained his PhD in Economics from Northwestern University, and Dante Canlas who served under the Arroyo Administration. Canlas obtained his PhD in Economics from the University of the Philippines. UP academics would also be tapped for the position of Budget Secretary, e.g., Benjamin Diokno of the UPSE and the late Emilia Boncodin of the UP College of Public Administration and Governance during the Estrada and Arroyo administrations respectively.

2. Camacho obtained an MBA from Harvard University.

3. Vincent S. Perez for 17 years worked as credit analysis, investment banker, debt trader and private equity investor. He obtained his Bachelors degree in business economics from the University of the Philippines, Diliman and an MBA from the Wharton Business School of the University of Pennsylvania in 1983.
explanation for this is that in an era of globalization which characterizes the post-martial law years, one has witnessed the emergence of multinational banks playing a crucial role in the economic policies of countries. This was different during the martial law period of the 1970s, when this was largely limited to the International Monetary Fund (IMF) and the World Bank.

The economic ideology of the technocracy in the post-martial law period. Like the martial law technocrats, the post-martial law technocrats shared the same concern for a development paradigm which was "market-driven export-oriented industrialization and export-oriented agriculture." This, however, would be pursued under the ne-liberal vision as it translated to a more open economy under the auspices of globalization, privatization and the free market. Another difference is the diminished role of the state as an authoritarian state-led development during the Marcos period which was associated withcronyism and patronage politics and inefficiency. Thus, the goal was to seek state transformation into a minimalist and a regulatory state. This is because the liberal doctrine, as embodied in the tenets of globalization, argues that there should be no government intervention with market forces for economic growth to occur. Furthermore, market imperfections are not justifications to intrusive regulations because the interplay of competitive forces will benefit the consumers in the long run. Moreover, for the neoliberal agenda, the state is "less concerned with issues of sovereignty and power than with creating efficient institutional structures to facilitate the operation of the market."

Criticisms of the neoliberal paradigm. Just as during the martial law period, economic policy of liberalization of the technocrats continue to be criticized for its inability to create political opportunity for long term development. A reason for this is that foreign investors can easily leave the host country when the latter ceases to provide them the optimum environment for capital accumulation. "Moreover, emphasis on export would give less attention to the development of a domestic mass following for local products". The most vocal about this has been civil society, a voice which was repressed during the martial law years. Civil society members have also argued that although the emphasis on export could create more employment for the local workforce because of bigger markets abroad, problems nonetheless arise if importing countries

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7 Civil society consists of non-state actors, mainly from non-governmental organizations (NGOs), people’s organizations and social movements. The assumption is that civil society advocates for the “public good” rather than their own private interests.
begin to tap other sources offering better quality and priced goods. They point out, creating a favorable environment could also mean the repression of workers’ wages. Another argument of civil society players is there is a need to institute safety nets to cushion the blow of liberalization. Moreover, the perception is that government should not lower the tariffs for imports without its regard for its effects on the local industry. These arguments have put pressure on the need for the state to take on its responsibility towards the underprivileged and to preserve public interest. Thus, unlike the neo-liberal perspective, the state should not wither away but assert its role vis-à-vis the forces of globalization particularly in the aspect of imposing strong social regulation. Furthermore, with regards to privatization, the argument is that it does not and cannot address the problem of economic redistribution. It relies on the trickle-down effect which critics argue never seems to happen. Some view it as even compounding further inequalities with advantages being given the private over the public sphere.

Unlike the criticisms during the martial law period which could be parried by repressive policies, the same cannot be said for the economic managers in the post-martial law period. Their economic policies are not only subjected to interrogation of Congress as part of the checks-and-balance which goes with a presidential system but also to the criticisms of a very vibrant civil society who question technocratic policies on issues such as the privatization of the energy and water sectors and debt payments. Moreover, “the post-Marcos Philippine state has signified its intent to engage civil society actors in designing its policies and in implementing its programs thus conferring on its actions a constant veneer of democratic legitimacy”. Section 16 of Article 13 of the 1987 Constitution, for example, stipulates that “the right of the people and their organizations to effective and reasonable participation at all levels of social, political, and economic decision-making shall not be abridged.”

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8 Lopez Wui, People, Profit and Politics..., p.111.
9 Lopez Wui, People, Profit and Politics..., p.111.
10 The technocratic policies for economic development has until now failed to address the socio-economic inequalities which characterize Philippine society. Statistics reveal that “the richest five per cent of the household’s account for nearly a third of the national income and the poorest 25 per cent of the households getting only six per cent of the income.” This is according to the World Bank’s WB Development Report of 2006 (Dumlao 2005, A1 & A4). Furthermore, 24.7 per cent of the population are considered officially poor (government statistics) while 70 per cent rate themselves poor based on a Pulse Asia Survey (Newsbreak 2005, 14).
II. Challenges to Technocratic Economic-Decision Making in a Period of “Democracy”

Just like under an authoritarian regime, Philippine technocracy under a “democracy” has to continue to deal with political interest groups which they view as “the virtual enemy of rational social organizations.” As before, the challenge for technocracy under a democracy is to replace political and interest group leaders with technical trained experts who “stand above” the political process. Such is an arduous task for the technocracy because under a democracy, civil society members are able to explore ways and means by which to intervene in the nature of economic decision-making during the post-martial law period. The most lethal combination is when they are able to team up with national and local officials as well as legislators who do not agree or are adversely affected by the technocrat’s economic policies.

**Transparency and accountability.** One area which civil society has been very vigilant is with regards to the transparency and accountability of technocracy particularly in cash rich government-owned and controlled corporations (GOCCs). Because of the public clamor for transparency and accountability which exists in a democracy, technocrats occupying positions in GOCCs are now heavily scrutinized specially when their respective GOCCs are losing money or even bankrupt like the Social Security System (SSS) and the Government Service Insurance System (GSIS). Every month, around 10% to 30% is withheld from government and private sector employees which go to the GSIS and the SSS respectively for their pension fund. The accusation is that these GOCCs employ technocrats who pay themselves high salaries, e.g., USD9,000/month, when these GOCCs are losing money. The perception is that it is alright to pay these technocrats this amount if the GOCC was earning money, recognizing the fact that the “best and the brightest” can only be enticed to work for government if the pay can be more or less equal than that of the private sector. The problem, however, was that this was not the case with the GOCCs. Thus, this was such an “immoral” thing to do particularly when the average Filipino employee earns less than USD200/month.

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12 For further details please see Lopez Wui, Ma. Glenda and Teresa S. Encarnacion Tadem, People, Profit and Politics...
14 The bulk of the country’s deficit is accounted for by the national government at P67.5 billion and the 14 monitored GOCCs with a registered aggregate deficit of P9.6 billion. There are a total of 76 GOCCs. Among the 14-monitored GOCCs are the Philippine National Oil Co. (PNOC), the Philippine Economic Zone, the Manila Waterworks and Sewerage System, the National Power Corp., the National Housing Authority, the Light Rail Transit Authority and the Philippine Ports Authority (Lema 2005, S1/1).
Pressure politics from civil society in alliance with local government officials. One has also witnessed the formation of alliances by civil society with local government officials who would be sympathetic with their needs. This was seen in the case of the Benguet vegetable industry in Northern Luzon.

Seeing that the industry could no longer compete with the influx of the imports of cheaper vegetables, the local government officials linked up with the communities and civil society groups like the Fair Trade Alliance (FTA), through its convener, former Senator Wigberto Tañada and the Kilusang Magbubukid ng Pilipinas (Peasant Movement of the Philippines [KMP]), through its chairperson, Rafael Mariano.

FTA was instrumental in the preparation of position papers, particularly on the trigger price for vegetables. The alliance also facilitated its participation in consultations in various agencies and institutions.

Pressure politics from civil society in alliance with legislators. Another way by which civil society exerted its pressure on technocratic policies was through its alliance with sympathetic legislators. Although in general, the legislators accept the technocrats’ neoliberal vision, there are also those who do not agree with it and bring out their opposition in the legislature. This was seen in the case of the Benguet vegetable industry whereby

the relentless lobbying of like-minded legislators, mainly from party-list groups such as Representatives Loretta Rosales of Akbayan and Satur Ocampo of Bayan Muna, in tandem with a privilege speech delivered by Benguet solon Samuel Dangwa underscored the impact of vegetable importation to the livelihood of the farmers.

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16 “FTA is a coalition of various industries, businessmen, labor unions, and NGOs working to review and reverse the country’s trade policies and commitments in order to provide better protection for local industries”. (Quinsaat 2005, 40).
18 Trigger prices are levels that determine supply situation in the market. Once a trigger price is breached, importation is allowed (Cabreza 2002b).
19 Quinsaat. People, Profit and Politics, p. 40.
20 Quinsaat. People, Profit and Politics, p. 45.
Rosales also criticized the secrecy of government in its WTO negotiating positions and gave the problems of the vegetable industry ample space in the legislative arena.  

**Pressure politics from civil society in alliance with bureaucrats.** There are also bureaucrats who are accommodating to civil society concerns. This was seen in the garment industry when civil society in the garment industry was able to tap on high-ranking government officials as allies of the labor groups, in particular the secretaries and officials of DTI, DOLE and GTEB. The respondents from labor groups pointed out the government officials were very accommodating, even spearheading a number of dialogues with them. In particular a committee was put up in the GTEB primarily tasked to facilitate dialogues with the labor groups.

**Pressure politics from civil society in alliance with sympathetic fellow technocrats.** There are also technocrats in government who are not completely sold out to the neo-liberal ideology and believe that safety nets and strong government social regulation is needed as opposed to the unbridled unleashing of the economic forces of globalization and the market economy. One of this is former NEDA Secretary General of the Ramos Administration Cielito Habito. Another is former DTI and Department of Agriculture (DA) Undersecretary Ernesto Ordonez. As noted in the experience of the Benguet vegetable farmers, Ordonez was deemed as the most sympathetic to their plight “because of his instantaneous response to the problem of importation.” He was active in bridging the gap between the agency and civil society and was key the latter’s influencing decisions in the DA. There are also technocrats presently in government who believe that sound economic policy making can only be with the support of its stakeholders. This was the case of Department of Agriculture Undersecretary Segfredo

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21Quinsaat, *People, Profit and Politics*, p. 45.  
22DTI- Department of Trade and Industry; DOLE – Department of Labor and Employment; and GTEB – Garments and Textile Export Board  
23Lopez Wui, in *People, Profit and Politics*...  
Serrano who formed the Task Force on the (Re)negotiations of the World Trade Organization (WTO) Agreement on Agriculture or TF-WAAR in 1998 (which later became TF-WAR in 2001) to include stakeholders who are directly affected by the WTO to be part of the shaping of the Philippine negotiating strategy in the WTO. The motto of the TF-WAR is not to “junk” the WTO but to assume a “protectionist” and “defensive” position in the negotiating process. Technocrats like Serrano exemplify as “reformist” technocrats who are not hardcore neoliberals and are open to other paradigms.  

Pressure politics from the business community. Like the martial law period, there are members of the business community who are also critical of technocratic policies which impinge on their profits. In particular, a similar issue which has emerged in the post-martial law period is their objection towards the policy on trade liberalization, particularly, the entry of cheaper imported products. It is with this sector of the business community where alliances have been formed as can be seen for example in the hog industry with the emergence of the Agricultural Sector Alliance of the Philippines (ASAP) in 2001. ASAP consists mainly of feed miller’s and hog raiser’s associations and cooperatives, and other civil society actors in the industry. They launched a confrontational posture against the state with regards to the importation of cheaper meat products. Another alliance formed in 2004 was the Meat and Hog Dealers Association of the Philippines (MHDAP) which together with the Slaughterhouse Operators Association of the Philippines (SOAP) would figure prominently in a meat holiday in March 2004.

Pressure from civil society in alliance with transnational activists. The technocrats have to also contend with international networks and alliances which question their plan of action. An example of this is the Labor Forum Beyond MFA which was formed in early 2003 through the efforts of the International Textile, Garment and Leather Workers' Federation (ITGLFW) Philippines in order to examine problems experienced by the garment industry in view of the expiration of the MFA and to prepare the workers for the quota phase out…

The important objectives of the dialogues are for the labor organizations to engage in collective action and assess the efforts of employers and government in connection with

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27 Ariate, People, Profit and Politics, p. 94.

28 The Multi-Fiber Agreement (MFA) grants favorable quotas to Philippine garment exports. This, however, expired in January 2005 upon the country’s ascension to the rules of the World Trade Organization (WTO) (Lopez Wui 2006, 112).

29 Lopez Wui, People, Profit and Politics, p. 133.
the quota phase-out. The outcome of all these dialogues was the revival and reestablishment of the Clothing and Textile Industry Tripartite Council (CTITC).30

III. Political Realities which Impinge on Technocratic Decision-Making31

Unlike the martial law period, another factor which impinges on the technocracy’s economic decision-making is electoral politics. Economic policies, for example, tend to be sacrificed by technocrats who have political ambitions. This was in the case of “former Department of Trade and Industry (DTI) Secretary Manuel “Mar” Roxas, who although is a supporter of consumer-oriented globalization was opposed to increase in tariff rates… 32

When civil society supporting the Benguet vegetable industry went against cheap vegetable importation found out that Roxas had political aspirations and with national elections fast approaching, civil society together with the local officials, “tried to win over Roxas by insinuating that the support of the Cordilleran voting public would be dependent on his stance on further trade liberalization in agriculture, especially vegetables. Thus in the end, he capitulated and supported the actions of civil society.”34

Dealing with a patrimonial state. The technocrats have to also contend with what is referred to as a “patrimonial state”, i.e., “where practically everything depends explicitly upon personal considerations.”35 During the post-martial law period, it was hoped that crony capitalism will disappear with the advent of globalization. But this, however, is not the case as globalization has failed to address the problem of such a state which is lacking the “vision, autonomy and bureaucratic capacity necessary to implement a developmental program.”36 The reality is that globalization has only promoted capitalism but not the institutions that are necessary for democratic consolidation.37 A result of this is the emergence of partisan politics which has taken its toll on the implementation of economic policies. This can be seen in the attempt of the technocrats to provide an efficient and regulatory state which “uses rules, standards and other public statements as major policy instruments, rather than relying on direct provision of goods and services.”38

The challenge here is that the regulatory agency is able to insulate itself from external and social forces which may adversely affect the implementation of coherent and

30 Lopez Wui, People, Profit and Politics, p. 135.
32 Quinsaat, People, Profit and Politics, p. 43.
33 Benguet province is part of the Cordillera region in Northern Luzon.
34 Quinsaat, People, Profit and Politics, p. 44.
37 Budd, “Wither Patrimonial State… p. 54.
38 Hague and Harrop, Comparative Government and Politics: An Introduction…, p. 318.
effective policies.\textsuperscript{39} This can be seen in the case of the National Telecommunications Commission (NTC), the regulatory body in-charge of the telecommunications industry. Although the NTC’s strength can be seen in its effort to implement measures to combat mobile text frauds,\textsuperscript{40} which according to the Anti-Money Laundering, have ripped about P5 million from the victims in 2003,\textsuperscript{41} it also continues to be affected by partisan politics. “At present, the term of appointment of commissioners depends on the confidence of the President of the country. The Congress can also determine its annual budget appropriations.”\textsuperscript{42} This opens the NTC to influence-peddling and rent-seeking activities particularly in securing a legislative franchise.\textsuperscript{43} 

The political crisis of legitimacy. Generally,

the state is seen as the institution that can stand above the destructive play of competitive interests and thus only the state is potentially capable of providing the coordinating leadership needed to oversee a complex technical societal process.\textsuperscript{44}

Such a role, however, cannot be performed by the state when there is a crisis of leadership which seems to have always sealed the fate of Philippine technocracy. This was seen during the martial law years when President Ferdinand Marcos was removed in office by the 1986 People Power Revolution. Together with him went the technocrats. The same could be said for President Joseph Estrada’s technocrats in Cabinet who were replaced in the advent of the EDSA 2 Revolution in January 2001. Almost the same fate seems to lie with the technocrats of the Arroyo Administration. Because of the questions raised whether she is truly the President of the Philippines, having come to power because of a popular uprising, President Arroyo was very much determined to win a formidable mandate during the 2004 national elections. Because of this, the perception was that she wanted to win at all cost. One of the first casualty of this was Finance Secretary Isidro Camacho who resigned a couple of months before the 2004 national elections saying that economic policies could not be implemented until after the elections. This implied that economic policies should give way to political considerations.

\textsuperscript{39}Molmisa, People, Profit and Politics, 2006, 167-168.
\textsuperscript{40}“Under the text scam, hoax messages are being sent to the unsuspecting victims using the name of Bangko Sentral ng Pilipinas (Central Bank of the Philippines), the Philippine Charity Sweepstakes, the Philippine Amusement and Gaming Corporation (PAGCOR) and other institutions advising the victims about winning a huge amount of prize. The swindlers often instruct their prey that the latter should first deposit a considerable sum of money to the former’s bank account, allegedly for tax payments and other fees as a requirement to getting the prize” (Molmisa 2006, 190).
\textsuperscript{41}Today, April 16, 2004.
\textsuperscript{43}Molmisa, People, Profit and Politics, p.169.
\textsuperscript{44}Fischer, Technocracy and the Politics of Expertise, p. 12.
After the elections, there was hope that the government’s economic policies could now be implemented but her administration was plagued with a series of scandals which broke out beginning in April 2005. Foremost of this was the “jueteng gate” and “Hello Garci Tapes” scandals. Jueteng, which is an illegal numbers gambling game and is mainly condemned by the Church, is said to have benefited the President’s relatives, that is her husband, First Gentleman Mike Arroyo, her eldest son and Pampanga Vice-Governor Mikey Arroyo and her brother-in-law, Negros Representative Ignacio Arroyo. They were accused of receiving millions of pesos coming from jueteng proceeds. Jueteng was the same issue which brought down President Estrada. The jueteng scandal, however, was nothing compared to the “Hello Garci Tapes” scandal which followed it in May 2005. This was with regards to wire-tapped tapes which revealed President Arroyo talking on the cellphone to Commission on Elections (COMELEC) Commissioner Virgilio Garcillano during the counting of the ballots in the May 2004 national elections. Garcillano was based in Lanao del Norte, Mindanao. The public perception was that she was asking Garcillano to pad the votes so she could win by at least 1 million vote giving her a formidable mandate over her closest opponent, the actor Fernando Poe Jr.45

Because the political scandal was getting in the way of implementing the government’s economic policies, President Arroyo’s economic and social technocrats46 pressured her to confess to the public that indeed it was her voice and to apologize for this in the hope that this will lessen the backlash. They believed that this was causing political instability which hindered the implementation of their economic policies. President Arroyo agreed and said she was “sorry” to the public for her “lapse of judgment”. The technocrats went a step further by demanding the President to send her husband away because of the jueteng scandal among others, and to fire officials identified with him such as Edgar Manda of the Laguna Lake Development Authority (LLDA) and Efraim Genuino of the Philippine Amusement and Gaming Corp. (PAGCOR). Her husband agreed to going away but “vigorously opposed the sacking of officials identified with him”. When it became clear to the technocrats that President Arroyo was not going to let go of her husband’s cronies, particularly, Genuino, 10 of them, 7 Cabinet Secretaries and 3 Bureau Directors, resigned on July 10, 2005 and held a conference at

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45There was an order from a very powerful figure in Malacanang to wiretap the cellphone of Garcillano who was given millions to run the special operations for the May 10, 2004 elections to ensure President Arroyo’s victory (Zamora 2005, A6).
46The economic and social technocrats included Secretaries Cesar Purisima (finance), Florencio Abad (education), Corazon “Dinky” Soliman (social welfare), and Emilia Boncodin (budget) and presidential adviser on the peace process Teresita “Ging” Delez. They urged Ms Arroyo to address the “Hello, Garci” controversy. (Lirio 2005, A6).
47Genuino is reported to have delivered jueteng money to church leaders including Cardinal Ricardo Vidal of Cebu. Vidal justified this by saying that the money he received from PAGCOR went to development projects. He also said he stopped accepting money from PAGCOR when the Catholic Bishops Conference of the Philippines (CBCP) resolved that no one in the Church should receive donations which come from gambling money. Genuino was also reported to have made fifteen calls to Garcillano from May 25 to June 14, 2004 in his effort to put “Bigkis Pinoy Movement”, a party-list hopeful founded by him (Genuino) and Mike Arroyo’s close allies, in the winning circle” (The Newsbreak Team 2005, p. 25).
the Hyatt Hotel to announce their resignation. They became known as the “Hyatt 10” and they were led by Cesar Purisima, President Arroyo’s former Secretary of Trade and Industry who later on became the Secretary of Finance when Camacho resigned. Purisima said that he could no longer stomach the politics which was going on which sacrificed the economic policies which were already set in place and read the group’s statement entitled “Of Leadership and Credibility”. The others who called for her resignation was former President Aquino and members of the Makati Business Club (MBC).

The “Hello Garci” tapes scandal, thus, brings forth the reincarnation of the martial law years squabble between the technocrats and the cronies. During the martial law years, close relatives and cronies of President Marcos benefited from government-awarded contracts and outright corruption to the chagrin of the technocrats and the IMF/World Bank. Such a practice seems to have continued during the post-martial law period. President Aquino, for example, has been accused of having her “Kamag-anak Inc” (Relatives Incorporated), while some have found President Ramos guilty of granting independent power producer (IPP) contracts to close friends. President Estrada was also known for his drinking sessions with friends who composed what was called his “midnight cabinet”. It was during these “midnight cabinet” meetings whereby contracts would be signed according to his former Chief of Staff Aprodicio Laquian who was immediately fired after saying this publicly. As for President Arroyo, her “achilles heel” is said to be her husband, Mike Arroyo, who had a “Wednesday group” which some Palace staff members have referred to as the “Shadow Cabinet” (to distinguish it from the official Cabinet which meets every Tuesday).

There were technocrats, however, who stood by Mrs. Arroyo foremost of whom was Romulo Neri, a professor of Business Administration of the University of the Philippines, Diliman. Neri, when he was the Soci-Economic Planning Secretary and Director-General of the NEDA was implicated in a corruption scandal involving a Chinese corporation ZTE with regards to a bid to implement a national broadband network (NBN) in the Philippines. Upon his interrogation by the Senate Blue Ribbon Committee, Neri disclosed to the Committee members that he told President Arroyo that Commission on Election (Comelec) Chair Benjamin Abalos, offered him PhP200 million

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49 Purisima used to be the Chair of Sycip, Golez and Velayo (SGV), the country’s top accounting firm. The “Hyatt 10” consisted of the economic and social technocrats who called for President Arroyo to confess to the “Hello Garci” tapes as well as Trade Secretary Juan Santos, Agrarian Reform Secretary Juan Villa, National Anti-Poverty Commission Chair Imelda Nicolas (sister of Carnation Inc. President Loida Nicolas Lewis), Internal Revenue Commissioner Guillermo Parayno Jr., and Customs Commissioner Alberto Lina.
50 Volt O. Contreras, Avendano, Ronnel W. Domingo and Christian V. Esguerra. 2005. “Ten key officials withdraw support”. Philippine Daily Inquirer, July 9, A1 & A2. In a joint briefing on that day at the Peninsula Manila, the Makati Business Club (MBC) and the Financial Executives Institute of the Philippines (FINEX), the groups said that “the resignation of the Cabinet officials illustrates the loss of confidence in the President and her ability to advance economic and social development programs” (Contreras et.al. 2005, A1). The others who called for her resignation was former President Aquino and then Senate President Franklin Drilon.
(USD45 million) to approve the deal. Referred to as the ZTE-NBN scandal, if approved, the Philippine government would have accepted to build the NBN at a cost of USD329 million, double the actual cost by some estimates, although the same project could have been built at no cost to the government. Neri, however, refused to give full disclosure of Arroyo’s involvement in the ZTE-NBN deal. Furthermore, he invoked Executive Order (E.O.) 464 “which bars officials from testifying in congressional inquiries without the President’s permission.”

“National security” as priority over economic policies. These scandals further magnified the “crisis of legitimacy” bringing about the call for the President’s impeachment. Although the opposition in Congress lacked the numbers to impeach her, current Senate investigations of questionable government economic transactions continue to bring forth the “vulnerability” of the present government. Such a “vulnerability” plunged the President’s rating to as low as negative 74.7 per cent with 65 per cent of the public wanting her removed from office. Some have looked at this as ripe for a military take-over. Because of this, the Palace decided that economic reforms should now take second place to national security. That is, the technocrats will now play second fiddle to government officials, i.e., the Palace’s political “spin doctors”, tasked to defend the presidency. The adverse impact of such a political rearrangement on the decision-making powers of the technocracy were seen in the following instances:

“Flip-flopping” on the E-VAT Law. One of the economic policy casualties of the political crisis was the delayed implementation of the expanded value-added tax law or E-VAT law which is aimed to increase the revenues, particularly from taxes on fuel and power to solve the country’s fiscal deficit. It is also considered to be the Arroyo administration’s key measure to resolve the fiscal problem. Although the imposition of the E-VAT law has been passed as a law by Congress, it was suspended because a case was filed against it in the Supreme Court. Purisima and former Trade Secretary Juan Santos accused Malacanang of being behind such an action in the government’s attempt to assuage the public who would suffer from the added tax on commodities. This was one

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55 Gerry Lirio, Gerry. “Panic, confusion started at the Palace on June 3”. Philippine Daily Inquirer. September 17, A1. These include Executive Secretary Eduardo Ermita, Environment Secretary Mike Defensor, Chief of the Presidential Management Staff (PMS) Rigoberto Tiglao and political adviser Gabriel Claudio. Transportation Secretary Leandro Mendoza and Public Works Secretary Hermogenes Ebdane, both of whom came from the military, were also recruited to the President’s inner circle, presumable “to handle Garcillano and the “Hello, Garci” witnesses (Lirio 2005, A6).
56 The E-VAT law is estimated to generate as much as P31 billion in incremental revenue in the second half of the year, and P105 billion annually starting in 2006. The law will also give President Arroyo a standby authority to raise the VAT rate from 10 per cent to 12 per cent next year (Remo 2005c, B2).
57 Under the proposed 2006 budget, “expenditures are placed at P1.09 trillion, while the expected revenue collection is at P968.6 billion, thus resulting in a deficit of P124.9 billion” (Remo 2005, A7).
58 The Supreme Court thus issued a restraining order (RTO) which the Department of Finance wanted to contest (Remo 2005a, A1).
of the major reasons why both chose to resign. Administration legislators, including her close economic advisers and the main backer of the E-VAT law Albay Representative Joey Salceda and former government technocrat Senator Manuel A. Roxas, have also filed separate resolutions in September 16, 2005 to delay the implementation of the E-VAT law. For Roxas and Salceda—including petroleum and power sales in the E-VAT law’s coverage now would add misery to marginalized Filipinos already suffering from soaring transport expenses and electricity bills. Such a position could be expected from these technocrats-turned-politicians because of the fear of a political backlash from their respective constituencies. Malacanang was said to be open to such a proposal. On October 18, 2005, however, the Supreme Court declared the E-VAT law as constitutional and the government has currently implemented it.

Re-thinking debt payments. Because the political crisis comes at the heels of the worldwide oil price hikes, the current administration also began to re-think economic policies which will further plunge the popularity rating of the President. One of this re-thinking is in the area of debt payments. This is because the government has been allocating at least 30% of its annual budget to interest payments. According to the Department of Finance, interest and principal debt eat up nearly 90% of government revenues. In relation to this, Finance Secretary Margarito Teves said he was open to the idea of seeking debt relief as a partial solution to the country’s lingering fiscal problem. He, however, added that “the task of communication with foreign creditors regarding the possibility of relieving some of the Philippines’ external debts, however, should be left with people outside the government’s economic team.” Such a position was a turnaround from Teves’ predecessor Purisima who said that seeking debt relief could adversely affect the country’s capability to access future loans.

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59Michelle V. Remo, 2005a. “GMA wanted e-VAT delayed, ‘defectors’ claim”, Philippine Daily Inquirer, July 10, A1. Purisima because of such a statement was charged with contempt by the Supreme Court. This was because the Supreme Court read his statement to mean that President Arroyo allegedly influenced the Supreme Court into suspending the implementation of the E-VAT law. (Nocum 2005, A6). He was ordered to pay a fine of P30,000.

60Both Roxas and Salceda are “former fund managers who remain in close contact with the financial community” (Cabacungan 2005a, A7). Salceda was a former student of President Arroyo in economics and is the principal conduit of policy advice of the UP School of Economics to President Arroyo in the formulation of the fiscal reform program (Salceda 2005).

61Gil Cabacungan Jr. 2005a. “GMA open to delay VAT”, Philippine Daily Inquirer, September 17, A1 & A7. The call for the postponement of the E-VAT law also “comes at a time when a survey by the Social Weather Stations (SWS) from August 26 to September 5, 2005 showed that 15.5 per cent of the households nationwide consider themselves as having “experienced hunger” or nothing to eat at least once in the past three months” (Philippine Daily Inquirer 2005a, A1)


63Teves’ appointment as Finance Secretary to succeed Purisima was hailed by the business community. For Albay Representative Joey Salceda, American-educated Teves as a banker is respected in the business community. “As a practicing economist, he has the confidence of financial markets and credit rating agencies. As a three-term congressman, he has the skills to navigate difficult fiscal reforms through the legislative mill” (Cabacungan and Remo 2005, A1).

64Michelle V. Remo, 2005b. “Finance chief amenable to debt relief bid”, Philippine Daily Inquirer, B1 & B5. The World Bank (WB) has earlier on “discouraged the Philippines from talking about debt relief, saying it was counter-productive. Unlike Africa, WB country director Joachim von Amsberga said that the Philippines has access to debt markets. The strategy now is how to get the best access” (Remo 200a, B5).
the House of Representative Jose de Venecia, on the other hand, introduced a “debt-for-equity-swap” proposal which was announced in August 2005 in President Arroyo’s 5-minute speech at the United Nations (UN) General Assembly. Under such a proposal, “…the debt service, or principal amount, should be converted into equity in new projects of at least equal value and with their potential earnings”. These are specifically intended to finance programs under the UN’s Millennium Development Goals which aims to reduce the incidence of poverty in the world by half by 2015.65

The failure of technocratic policies. In the meantime though, for the post-martial law technocrats, the reality staring them in the face is that the billionaires during the time of Marcos are still the billionaires now.66 These criticisms are vindicated with the failure of the economic policies of the post-martial law technocrats to address the country’s worsening poverty where 27 million or nearly a third of the population of 92 million live in poverty.67 As the Arroyo government departed, the government incurred a P162 billion deficit which is 55 percent or more than half of the targeted P293 billion in total.68 On a comparative perspective, “the United Nations Development Program’s Human Development Report revealed that the Philippines registered the lowest average yearly growth rate, 1.6 per cent in Southeast Asia in the period of 1990-2005. This was lower than Vietnam(5.9%), Cambodia (5.5%) and Burma (6.6%)”.69 The technocratic policies for economic development has also failed to address the socio-economic inequalities which has perennially characterized Philippine society. Statistics reveal that “the richest five per cent of the household’s account for nearly a third of the national income and the poorest 25 per cent of the households getting only six per cent of the income.” This is according to the World Bank’s WB Development Report of 2006.70 These socio-economic inequalities have also been exacerbated by the end of the Arroyo Administration in June 2010. Although the country’s economic growth “hit an unexpected high of 7.3% during the first quarter of 2010, this was credited to her controlling the runaway budget deficit, largely through the passage of key fiscal reforms in 2005 despite widespread opposition”. But as noted by UP economist, Cayetano Paderanga Jr. and now, the new Aquino government’s Secretary of Economic Planning, much of the growth came from a few sectors, namely the remittances from millions of Filipinos oversea workers71 and a flow-on boom in consumer spending, plus earnings from call centers and other outsourced business”. These sectors, though, are all out of

64The others include Tessie Sy-Coson, Oscar Hilado, Jaime Augusto Zobel de Ayala and Washington Sycip.
71Because of the failure of technocracy to address poverty in the country, there continues to be the exodus of Overseas Filipino Workers (OFWs) “which began in the 1970s during the martial law period and which persists today”. The estimated 8.2 to 11 million OFWs are considered to be the country’s number one “export”. As of 2009, their remittance amount to USD1.5 billion per month or a total of P17,348, 052 billion for 2009 (Philippine Overseas Employment Agency or POEA statistics, 2010).
reach of the millions of poor, who have largely missed out on any benefits of economic growth” according to Paderanga and the Dean of UPSE Arsenio Balisacan. It is no wonder then that based on a Pulse Asia Survey conducted from July 1 to 11, 2010, about two in three Filipinos (62%) are critical of the work done by former President Arroyo during the period April to June 2010. “A sizeable majority of Filipinos (67%) also expressed distrust in former President Arroyo. The question is whether the newly formed economic team of Philippine President Benigno “Noynoy” Aquino Jr. will be able to address these harsh realities in the next six years.

**Conclusion**

This paper, has therefore shown that during the post-martial law period, Philippine technocracy continued to pursue the same economic policies as their predecessors. They continue to be the bearers of capitalist-led development which is spawned by liberalization, foreign investments, privatization and a market-led growth. The criticisms with regard to this also remain the same, that is, the failure of the fruits of technocratic policies to trickle-down to the rest of society and the failure of liberalization and its present form, neo-liberalism under the auspices of globalization has also fallen short in addressing the issue of socio-economic equity. Civil society together with like-minded technocrats, legislators, local government officials, and bureaucrats, in particular, have called for the state to provide for safety nets and social regulation. Although such a call is made in a different political milieu as compared to the martial law period, there are still similarities, i.e., a patrimonial state characterized by weak institutions and patronage politics.

In a period of democracy one witnesses a vibrant and vigilant civil society capable of posing formidable challenges to technocracy. This can be seen in the campaign for transparency and accountability particularly on technocrats heading the GOCCs. Civil society has also forged alliances with local government officials, bureaucrats, legislators and even fellow technocrats who question the very rationale of liberalization, e.g., the entry of imported goods to the detriment of local industries also producing those commodities. Furthermore, it is also able to exploit government officials and legislators who have electoral ambitions to gain concessions at the expense of sacrificing some aspects of their economic policies which is shaped by the technocrats.

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73 Pulse Asia website.
74 The newly inaugurated Philippine President Benigno “Noynoy” Aquino Jr. has recently assembled his economic team led by familiar faces from the past: former President Corazon C. Aquino’s Economic Planning Secretary and NEDA Director-General has Cayetano Paderanga Jr. has been reappointed to his same position and Jose “Ping” de Jesus former Secretary of Department of Public Works and Highways as Secretary of Trade and Industry. Former President Arroyo’s resigned economic and social technocrats who formed the Hyatt 10 have been re-appointed foremost of whom are Cesar Purisima as Secretary of Finance, Florencio Abad as Secretary of Budget and Management; Corazon Soliman as Secretary of Social Welfare and Development.
Civil society players have also worked on bureaucrats who have roots with sectoral interests like the farmers. Other civil society alliances formed were with members of the business community whose interests are adversely affected by the policy of cheap importations and with transnational activists who have found common cause in providing for safety nets to adversely affected communities of globalization.

There are also other political realities which impinge on the technocrat’s economic decision-making. These include politicians and technocrat/bureaucrat-turned politician sacrificing economic policies in exchange for political votes as seen during election time and personal considerations interfering with the professional ethics of a regulatory state and other unethical practices to repay political favors. Some of these have resulted into the dismissal of technocrats. But what seemed to be the most formidable challenge for the technocracy’s survival was the call for President Arroyo to resign. This political crisis, questioned the legitimacy of the Arroyo Presidency and witnessed the resignation of key economic officials in her Cabinet as well as the shift of government priority from the implementation of economic policies to securing the survival of the leadership. In such a scenario, civil society seems to have benefited because of the emergence of solutions to compromise economic policies like the re-thinking of the E-VAT law and the debt problem with options such as debt relief or debt-for-equity swap. The recent 2010 elections which swept President Aquino Jr. into power by an impressive 54% of the vote was a vindication against the crony corruption and the failure of the economic policies which characterized the 9-year rule of the Aquino administration. The challenge now is for his technocrats to show that it is politics and not economics which is hindering the democratization process in the Philippines.

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