

**Overseas Dependent Development
Or Alternative Development:
Significance of Philippine Community-based Industries**

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SUMMARY

This paper first characterizes the economy of the Philippines, a developing country in Southeast Asia with the term of overseas dependent development. Then, it intends to indicate the significance of alternative development strategy to overcome the country's economic predicament. Furthermore, the paper signifies the role of community-based industries (CBIs) of the country to achieve such development. Combined with the accomplishments of other reforms and development programs, it is concluded, the growth of CBIs will accelerate a fair, democratic and sustainable development of the country.

Introduction

The present economic profile of the Philippines could be described as “overseas dependent development.” To solve various predicaments arising from such underdependent, it is necessary to pursue the path of alternative development. To achieve an alternative development, the country’s ubiquitous community-based industries are likely to play a significant role. Thus, the paper focuses on the grass-rooted community-based industries. Some proposals will be made to promote the growth of the industries and implement other development efforts. Combined with other development efforts, the development of CBIs are expected to contribute to building a fair, democratic and sustainable development of the country.¹

I. Overseas Dependent Development: The Philippine Economic Profile

The present economic profile of the Philippine, a developing country in Southeast Asia, can be characterized as “overseas dependent development.” Its economy is heavily dependent on the three factors.

One is its reliance on foreign investment. The country is heavily dependent on foreign investments from the U.S., Japan, Europe, Korea, Taiwan and others. The manufacturing sector in particular is dominated by foreign corporations, which are often called multinational corporations. Those MNCs mostly import parts and inputs, and export the products with low ratios of value added to total value of exports: at most 10 percent of semiconductors, electronic parts and components (Tecson 2001: 168).

The second factor is foreign assistance the country receives from international financial institutions such as World Bank, International Monetary Fund and Asian Development Bank. The country also receives foreign assistance in the form of official development assistance (ODA) from Japan, U.S. and some other European governments. When the Philippine government build some infrastructure such as airports, ports, roads, power stations, irrigation systems, light train systems like LRT (Light Railway Transit) and MRT (Manila Railway Transit) in Manila, it usually turns to foreign assistance either from international financial institutions or foreign countries. The heavy reliance on foreign aid backfires to the Philippines in the form of horrendous

amount of foreign debts, and hence, stringent budget cuts due to the payments for such aids. An annual foreign debt payment equals more than half of the national budget. This significantly reduces the allocation of budget intended for the welfare of underprivileged mass.²

The third factor is the country's reliance on remittance from overseas Filipino that numbers around 8 million. Every year around 900,000 Filipino leave the country to work as overseas Filipino Workers (OFW). Plus, many female emigrate to marry foreign nationals, such as Americans and Japanese. It is estimated that around 40 percent of the total population depends on the remittance of OFWs and/or overseas Filipino residents (AMC, ASPBAE and MFA 2001: 66-67; Also see Satake 2002). Because the country is on the jobless growth track, which means that although it achieves a two to three percent gross domestic and national growth, it does not generate employment sufficient enough to put a stop on the exodus of Filipino workers (Cayetano et al. 2001: 193).

II. Alternative Development

Based on sociological, economic, political, technological, and environmental approaches, the goals of alternative development theories are to satisfy basic human needs of the people in clothing, food, habitats, and medical care and to guarantee a social condition where one can achieve what he/she wishes to accomplish throughout his/her life (Tsurumi 1976:70; 1980:193;1989:49; Dag Hammarskjold Foundation 1975:10; Satake 2003:Chap.2).³ In order to achieve these goals, it is necessary to eradicate unemployment and poverty, provide equal opportunity for education, and fill the local as well as international economic gap. Also, equal income distribution, liberation from dependence on foreign economy, and establishment of industrial linkages among the local national capitals are required. Alongside, in the development process, harmony with ecological system and initiatives of the people from within the country and the community are essential. Also noted is the assertion of self-reliant movement to struggle against poverty and injustice, and overcome structural violence on its own initiative. Further, human rights and distribution of income, as well as people's participation, should be guaranteed. Also, technology should satisfy such

criteria as protection of environment, elimination of economic disparity, participation, and creativity of the people involved (Satake 2003: Chap 2). Community-based industries could bring about an alternative development in the Philippines, by overcoming predicaments caused by its overseas dependent path.

III. The Significance of Community-based Industries

The definition of CBI

The Philippine CBI refers to cottage and small-scale industries that depend on either/both domestic and/or imported raw materials and on the local labor forces, and caters to the local, domestic, and export market. It includes industries of long tradition dating back to the precolonial period⁴ and those with short history, even those recently established ones. The owners and managers must be Filipino nationals, including naturalized Filipino-Chinese.⁵ It excludes subsidiaries of MNCs and their foreign subcontracting companies.

CBIs, mainly cottage and small- and medium industries, shares more than 99 percent in terms of numbers of establishments among manufacturing sector in the Philippines. It also provides around 50 percent of employment in the same sector.⁶ CBIs surely contribute to the national economy. I have conducted research on blacksmithing industry and fish paste (*bagoong*) and fish sauce (*patis*) industry in the country.⁷

Predicaments of CBIs

Although the CBIs contribute to the national economy, it also suffers from the influence brought by trade liberalization, environmental destruction, insufficient government support and others.

The trade liberalization gives negative impact on some CBIs such as shoe industry, particularly that of Marikina, Metro Manila as cheap foot wearing are coming in from China (Satake 2003: 224). Although some CBIs such as *Banaba* tea manufacturer and *Lambanog* (distilled coconut wine) manufacturers expanded their business in the globalized markets, some others lag behind.

Environmental destruction such as decreasing catch of fish in Batangas Province due to water pollution⁸ and dynamite fishing has affected *bagoong* and *patis* industry in Balayan town in that province. It is also reported that *abaca* (Manila hemp) in the Bicol region is now facing the danger of extinction, which also affects a number of handicraft industry that uses *abaca* as raw material (*Philippine Daily Inquirer*, 22 November 2001).

CBIs prospect

CBIs should be further encouraged to develop. It generates employment not only in the particular industry, but also in the related industries. *Bagoong* and *patis* industry, for instance, generates employment in fishing, salt and earthen jar making industry. By exporting the products, it also earns precious foreign currencies. From the point of nationalist industrialization advocated by the late Claro Recto and Renato Constantino (Constantino 1979; Constantino ed. 1983), it is owned and managed by Filipino, including Filipino-Chinese, hence, it should be further developed.

As it can be commenced by a relatively small capital, it helps to distribute income to the populous as it provides income and employment opportunities at a small cost.

Some proposals

Along this line, the government should undergo fundamental change in macroeconomic orientation. Shifting from prioritizing large-scale and foreign investment, the growth of CBIs should be clearly identified as one of the key elements in the national economic planning. And, regarding the trade liberalization and globalization, the government is urged to regulate the market forces according to the principle of security, equity and democratic choice. In this concern, Walden Bello, Professor at University of the Philippines (UP), asserts that some East and Southeast Asian countries have become newly industrializing countries through activist state policies that departed significantly from the free market biases enshrined in the World Trade Organization (Bello 2001: 223).

Coordination and integration of government programs are also necessary. Dispersal of related institutions and information dissemination are also required.

Agro-industrial integrated growth can be effective. Effective use of foreign fund and mobilization of local resources are prerequisite. Further, workers' welfare should be improved. Jimenez (2001) points out the staff shortage of Department of Labor and Employment (DOLE) encourages a big number of firms to violate minimum wage and benefits law. Hence, he proposes higher budget allocation for the agency's inspectorate function. He further suggests the Department of Trade and Industry (DTI) should help the Small and Medium Enterprises (SME) operate both viably and legally. NGOs have a role to play, as well. Hossain and Diaz (1997) cite an activity of the Center for Agriculture and Rural Development (CARD), an NGO based in San Pablo City, Laguna Province. Replicating the Grameen Bank method of Bangladesh, by March 1997, CARD had mobilized through 13 branches over 7,000 members, and disbursed 82.3 million peso, of which 76 percent has already been recovered (Hossain and Diza 1997:118).

Other policies

The mere growth of CBIs cannot lead to an alternative development in the country; the implementation of other policies is also necessary. First, as more equal income distribution is needed to achieve such development, thorough implementation of land reform (Borras 1998; 2001) and extensive tax collection from big corporations and high-income population are imperatives. This would expand the domestic market and broaden the fund base for the government budget, both posing positive effects for CBIs. Collecting more tax from large-scale corporations, including foreign-affiliated ones and the affluent people, could result in the redistribution of income to SMEs mostly managed by the unwealthy populous. Likewise, concerning the fund base, reduction of foreign debts is essential, which is also an imperative from the self-reliance and self-sustaining economy principles.⁹ Then, large-scale and related Filipino enterprises should be nurtured from the standpoints of nationalist industrialization and self-sustaining economy. This will also boost the domestic industrial linkages by establishing subcontracting arrangements between Filipino large-scale manufacturers and CBIs. Also, Filipino large-scale and related industries could supply parts and equipment for CBIs. Furthermore, important are the overall efficient policy implementation and streamlining of bureaucracy and the elimination of graft and corruption. These would create a policy

environment where the fund will be used effectively for CBIs. From the sustainable development and agro-industrial integrated growth perspective, natural environment should be duly protected by such government agencies as Department of Energy and Natural Resources (DENR). This would secure the supply of natural resources needed by CBIs. Thus, policies required to accomplish an alternative development in the country are likewise favorable to CBI development. CBIs should grow in tandem with the implementation of these policies.

IV. Conclusion

Finally, a quotation from an article of UP Professor Randolph David illustrates the point:

[The] problem of poverty has become so acute and complex in our country that it is hard to say where a government must begin...the first business must be to stem hunger and disease where they already exist...The second is to stop the tide of migration from the countryside to the cities by creating opportunities where people already live...This means building schools, hospitals, markets, roads and port in the remotest villages, as well as modernizing agriculture and **encouraging rural industries** (emphasis added). There is no way we can defeat poverty without developing the productive capability of our people and making them economically active (PDI, 27 April 2002).

Thus, CBIs, together with agriculture and other sectors, could contribute not only to alleviating poverty, but also to consolidating the foundation for a sustainable and self-sustaining development.

Notes

¹ This article is based on the paper presented to Silliman University, Negros Oriental, Philippines on the occasion of SU-SGU (Shikoku Gakuin University) Intercultural Forum, held in Silliman University on August 14, 2003.

² In 2000, for the interest payment alone, the government was shelling out the amount three times bigger than the combined allotment for education, health and agriculture (Ibon Foundation press release 2001-15: 21 February 2001).

³ Japanese Sociologist Kazuko Tsurumi (1976; 1980; 1989) advocated the concept of endogenous development while Dag Hammarskjold Foundation (1975) first elaborated on the paradigm of another development.

⁴ The Philippines was a colony of Spain between 1565 and 1898. Then, it was a territory of U.S.A. between 1901 and 1941, including the Commonwealth period (1935-1941). In 1941, it was occupied by Japan and placed under the Japanese occupation until 1945. The country attained its independence in 1946.

⁵ The Chinese population in the country is estimated to range from 800,000 to 1.2 million or less than two percent of the country's total population. Their Filipino citizenship roughly parallels their birthplace or very long residence: an estimated 90 percent of the Chinese in the Philippines are Filipino citizens (Wickberg 1999: 187).

⁶ Regarding the profile of CBIs, see Satake 2003, Chapter 3.

⁷ Regarding the blacksmithing industry, see Satake 2003; Chapter 5. For the *bagoong* and *patis* industry, see the chapter 6 of the same book.

⁸ Local people claim that charcoal fired power plants constructed with the fund of Japanese Government's Official Development Assistance (ODA) has polluted Balayan Bay.

⁹ Several NGOs and a senator are urging a temporary moratorium on the interest payment (Ibon Press Release 2001-15, February 21, 2001; About Senator Gregorio Honasan, see *Business World* Internet Edition, May 2001).

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