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HYPOTHESES ON THE LONG-RUN
FILIPINO DOMESTIC POLITICAL ENVIRONMENT

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Ferdinand Marcos continues, along with his wife, to dominate the Philippine political process. The democratic opposition has been effectively suppressed, despite the holding of occasional elections for local offices and for the impotent National Assembly, and is unable to organize an effective opposition to Marcos. Muslim opposition, although important, is located far from the capital. The increasingly powerful New People's Army, a communist guerrilla organization, controls increasingly important territory and population, but cannot concentrate forces to overthrow the regime. The military is controlled by Marcos relatives and too divided to seize power now. The foreign-based opposition is outspoken but weak, although it has just begun to finance anti-Marcos weapon purchases.

There is increasingly widespread loss of morale under martial law. Middle class groups which initially supported martial law, in the hope of more growth and less corruption, have become gradually disillusioned. Growth rates have risen, compared with pre-martial law years, but the Philippines have slipped from being one of the ASEAN group's fastest growing countries to one of its slowest. Control of the economy has shifted from traditional "oligarchs" (e.g., Lopez) to a small group (Herminio Disini, Robert S. Benedicto, a few others) which is loyal to Marcos but lacks traditional social roots in many areas it controls. Real wage levels are declining, protein consumption is declining on both absolute and per capita bases, and income equality is decreasing. A February 1980 election marked by widespread fraud contributed to the widespread sense of malaise.

Regional tensions have always constituted the most basic tension in Philippine political life. They were muted under the democratic system by representatives who ensured that every region got its share of the pie (at the cost of great corruption). Under martial law, Manila has been turned into a showcase, the Ilocano regions have benefited, and funds have been poured into Mindanao in an effort to reduce the guerrilla warfare there, but the basic trend has been aggrandizement of Manila at the expense of other regions. This has nullified some of the political benefits of what is perhaps the Marcos regime's greatest social accomplishment, namely, improvement of agriculture's terms of trade with the cities.

Philippine organizations have experienced contradictory trends under martial law. Marcos is personally brilliant but tainted with corruption. He has brought to top economic positions a group of technocrats who as individuals command the same kind of respect as their counterparts in South Korea and Singapore. However, immediately beneath the top level, incompetence and corruption are frequently the rule. Many U.S. firms which succeed elsewhere in Asia are unable to cope with the level of corruption in the Philippines. The military has undergone steady deterioration under martial law. From an effective force, probably the best in non-communist Asia, of 60,000, able to maintain security throughout the country, it has become an ineffective force of 250,000,

with major security problems in Mindanao, Panay, Samar and Luzon itself. Each major command is headed by a Marcos relative or compadre, and pay has been steadily raised, so the basic loyalty of the military has been assured at the cost of its integrity. In the private sector there are also contradictory trends. The leading firms are highly professional and modern, led by individuals of the highest caliber, but the fate of particular firms depends more than ever before on the fate of the regime and of the firm head's personal relationship with Marcos.

The Marcos regime, and with it much of Philippine society, appear to be undergoing a process of decay that encompasses the military, inter-regional relationships, the income distribution, the legal structure, and an economic development program that depends on foreign borrowing without raising the domestic savings rate or attracting large inflows of foreign capital. This process cannot continue indefinitely. The Marcos regime is most unlikely to reverse the decay; it is far too committed to its basic approaches.

The questions that arise, if this perspective is fair, are as follows:

- (1) Will the problems culminate in one year or in ten?
- (2) Is there a graceful exit for the regime?

One graceful exit would be to hold a democratic election. This would resolve the current political dilemma, but would probably not solve underlying social problems. The democratic regime of 1946-71 was unable to resolve the dilemmas of income distribution, coherent economic policy, corruption, and foreign investment. Unlike South Korea, the Philippines have not experienced during martial law the kinds of social changes which would allow one to put new faith in democratic institutions' economic problem-solving capacity. Likewise, direct military rule generally is difficult in the Philippines. The virtues of military rule generally are unity, decisiveness, and technocratic competence. The Philippine military is decentralized, with the center often quite unable to control the periphery, so a Filipino military regime would not necessarily possess either unity or decisiveness. Nor is there evidence of the emergence within the military of the kinds of economic skills which have made direct military rule an occasional success elsewhere.

If this line of thought is a fair approximation of reality, then the question of timing is the critical one. How long can a modicum of growth and stability be maintained?

Another key question is, what groups will endure the time of troubles? The Lopez fortune was destroyed by the martial law regime, whereas San Miguel as an institution has prospered under both regimes. The Benedicto and Disini business empires would undoubtedly be sacked by almost any long-run successor regime.

Finally, U.S. policy may be critical to both of the above issues. If the international situation continues to deteriorate (and clearly, this could go either way), the U.S. might strongly intervene either to preserve an existing regime or to impose reforms (cf. San Salvador) which would hopefully avert radical revolution.

The Marcos Regime

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Higher growth rate	Declining growth performance relative to ASEAN
Higher caloric intake	Lower overall nutrition
Improved agricultural terms of trade	Worsened overall income distribution/ lower real wages
Significant land reform/agrarian reform	Population outpacing land
Destruction of landlord "oligarchy"	Creation of business "oligarchy"
Appointment of first-rate cabinet technocrats	Spread of incompetence below top levels
Government rationalization	Corruption and deterioration of military
Showcase Manila	Squeeze outside Manila
Rising investment	Reliance on foreign borrowing for investment
Incentives to foreign investment	Uncertainties drive away foreign investment
Export processing zone/infrastructure projects	
	Autonomous legal system undermined
	Muslim civil war
	Spreading communist control
	Declining technocratic/middle-class morale
Diversification of international relationships	Fluctuating attitude to U.S.