

POLICY INNOVATION UNDER DEMOCRATIC LEADERSHIP
IN A 'WEAK' STATE: TRADE LIBERALIZATION AND
AFTA IMPLEMENTATION IN THE PHILIPPINES

A Dissertation

Submitted to the National Graduate Institute for Policy Studies (GRIPS)
in Partial Fulfillment of the Requirements for the Degree of

DOCTOR OF PHILOSOPHY IN INTERNATIONAL RELATIONS

by

Balboa Jenny De Asis

March, 2018

Policy Innovation under Democratic Leadership in a ‘Weak’ State: Trade Liberalization and AFTA Implementation in the Philippines

Abstract

The Philippine economy used to be highly protectionist, and several attempts at trade liberalization had failed or been reversed. The failure to sustain an open trade policy in the past had been attributed to the weakness of the state against domestic political forces who espouse protectionist policies. After the People Power revolution in 1986, the newly installed democratic government implemented notable trade reforms. *With a still fragile economy, political instability, and strong opposition against trade liberalization, what could have prompted the Philippine government to implement trade reforms and eventually accede to AFTA, and how did the succeeding administration sustain the reforms?* This dissertation examines why the Philippine government came to implement trade reforms and accede to AFTA despite the economic and political impediments. It is argued here that the motivation for the trade reforms in the Aquino years, and the sustenance of those reforms during the time of Ramos could be traced to domestic structure elements, particularly the preferences of actors, and the institutions that enabled the policy preferences to be realized. The policy preferences of actors provided the rationale to pursue trade reforms. The preferences were shaped by economic and political interests, as well as ideational factors. The institutions, both formal and informal, facilitated the policy formation and transformed the policy preferences into sophisticated policies. Moreover, the external relations of the Philippines also played an important role in the trade policy shift. The changing foreign economic relations of the Philippines influenced the domestic structure and provided opportunities to open the economy. Particularly after the implementation of trade liberalization, the influence of external factors became stronger. Meanwhile, internal political factors such as leadership, coalition building, sequence of reforms, strategy and policy brokerage were crucial to removing the structural and external impediments. The analysis of the Philippine case in trade reforms and AFTA accession in the redemocratization years sheds light on the general question of why a developing country decides to open its economy, and provides policy lessons as to how seemingly weak states can successfully sustain reforms despite political impediments. The result of the study shows how strategic political action can overpower long entrenched structural constraints by taking advantage of opportunities provided by the domestic structure and the nation’s international links.

Acknowledgment

I would not have accomplished this dissertation without the help of many people. First, I would like to express my sincerest gratitude to my supervisor, Professor Keiichi Tsunekawa, for his patient and excellent guidance all throughout the stages of my research and writing, and for sharing his immense knowledge and professional experience. I am also grateful to the members of my Dissertation Committee, Professor Takashi Shiraishi and Ambassador Shotaro Oshima, for their valuable inputs on my draft and for their encouragement.

Special thanks go to the following: Professor Lawrie Hunter for editing my work, writing tips and the words of wisdom; Professor Yusuke Takagi for his comments which helped me map the historical narrative; my colleagues in the Philippine Institute for Development Studies (PIDS) and the Asian Development Bank Institute (ADBI). My gratitude is especially extended to Dr. Erlinda Medalla for providing me with training and exposure on trade issues; Dr. Josef Yap for endorsing my scholarship application while I was with PIDS and the insightful discussions on the Philippine political economy; Dr. Ganeshan Wignaraja for sharing his experience in dissertation writing and pointers in writing the paper; my friends and colleagues who helped me in the technical aspects of the paper, while also providing moral support: Menaka, Francis, Kris; my colleagues in SISP/GRIPS, Orville, Gaan, Sampo, Quyet, Yasmin, Nidya, Andrea, Arnold, TJ, Paulo, Danica, Jeff, Cherry, Jay, Laarni, the Filipino students; and my friends in the Philippines who provided insights from their professional experience in development work, Cathy, Gaynor, and Rosejohn, who also provided research assistance.

Last but not the least, I would like to thank my family, especially my parents for their support and for introducing to me the value of education; and my husband, Shinji, my source of strength and inspiration, who generously and patiently shared his ideas, skills, and time whenever I needed them, and encouraged me to explore the counter-intuitive research path.

Policy Innovation under Democratic Leadership in a ‘Weak’ State: Trade Liberalization and AFTA Implementation in the Philippines

Chapter 1. Introduction: Trade Liberalization and AFTA Implementation in the Philippines

1.1. Significance of the Philippines Case.....	3
1.2. International Political Economy (IPE) and Analytical Framework.....	7
1.3. Structure of the Dissertation	23
1.4. Research methodology and materials.....	25
1.5. Main Findings and Contributions of this Dissertation.....	28

Chapter 2. Historical Antecedents of the Trade Reforms: From Colonial Period to the Marcos Era

2.1. Trade Policy in the US colonial years.....	31
2.2. Import substitution industrialization (ISI) policy in the post-independence era	34
2.3. Marcos and the martial law years.....	38
Summary.....	44

Chapter 3. Trade policy and AFTA in the redemocratization years

3.1. Economic and political situation in the aftermath of the martial law regime.....	47
3.2. Trade reform under President Aquino.....	53
3.3. Trade Policy under President Ramos.....	61
3.4 Impacts of AFTA.....	67
3.5. Embedding the trade reforms.....	71
Summary.....	75

Chapter 4. Explaining trade liberalization and AFTA accession in the Aquino years

4.1. Actors and their preferences.....	77
4.2. Institutions that enabled the government to pursue trade reforms.....	93
4.3. Impacts of external relations.....	98
4.4. The politics of trade policy reforms and the AFTA accession.....	103

Summary.....	110
Chapter 5. Explaining the sustenance of trade reforms and AFTA in the Ramos years	
5.1. Impacts of external relations	118
5.2. Actors and their preferences.....	123
5.3. Institutions that deepened and widened support for trade reforms and AFTA.....	135
5.4. The politics of trade liberalization and AFTA in the Ramos years.....	144
Summary.....	150
Chapter 6. Conclusion: Summary of findings, implications, and areas for further research	
6.1. Summary of the main findings.....	155
6.2. Policy innovation in a seemingly weak state.....	163
6.3. Need for further research	164
References.....	168
Appendix.....	187

List of tables

1-1 Share of total ASEAN Value trade (1988-1992).....	7
3-1 The import liberalization program, 1970-1989 (Number of Tariff Lines).....	54
3-2. Nominal Average Tariff (%).....	56
3-3 Tariff Schedule under the CEPT scheme.....	58
3-4 AFTA tariff reduction start dates.....	60
3-5 Philippine tariff structure under EO 470 (%share to total tariff lines).....	63
3-6 The 1998 CEPT package (% of total tariff lines).....	67
3-7 Share of Partner Economy in the Philippine Trade.....	68
3-8 Product shares of Philippine trade with ASEAN (% of total Philippine trade)..	70
3-9 Share of total ASEAN value chain trade (1998-2012).....	71
3-10 Philippine average nominal tariff, 1981-2010.....	73
3-11 Frequency distribution of Philippine ATIGA tariff rates.....	75
5-1 Institutional reforms to sustain trade liberalization and AFTA.....	144

List of figures

3-1 GDP Growth of middle income economies of ASEAN, 1982-86.....	49
3-2 Growth trends in Philippine exports, 1990-2015.....	68
3-3 Growth rate of ASEAN's trade share to member countries between 1992 and 2012.....	69
5-1 GDP Growth of Select ASEAN Countries, 1987-1992.....	115

List of acronyms

ADB.....	Asian Development Bank
ADB.I.....	Asian Development Bank Institute
AEC.....	ASEAN Economic Community
AEMM.....	ASEAN Economy Ministerial Meeting
AEM.....	ASEAN Economic Ministers
AFTA.....	ASEAN Free Trade Agreement
AFTA-AC.....	ASEAN Free Trade Agreement Advisory Council
AFTA-MS.C.....	ASEAN Free Trade Agreement Multisectoral Commission
AHTN.....	ASEAN Harmonized Tariff Nomenclature
AIM.....	Asian Institute of Management
APEC.....	Asia Pacific Economic Cooperation
ASEAN.....	Association of Southeast Asian Nations
Dhrra.....	Development of Human Resources in Rural Asia
ATIGA	ASEAN Trade in Goods Agreement
CARP.....	Comprehensive Agrarian Reform Program
CB.....	Central Bank
CEPT.....	Common Effective Preferential Tariff
CLMV.....	Cambodia Lao Myanmar Vietnam
CPP.....	Communist Party of the Philippines
DOF.....	Department of Finance
DOTs.....	Direction of Trade Statistics
DTI.....	Department of Trade and Industry
EO.....	Executive Order
EPZ	Export Processing Zone
FEER.....	Far Eastern Economic Review

FPI.....	Federation of Philippine Industries
FTA.....	Free Trade Agreement
GATS.....	General Agreement on Trade in Services
GATT.....	General Agreement on Tariff and Trade
GATT-UR.....	General Agreement on Tariff and Trade-Uruguay Round
GDP.....	Gross Domestic Product
IMF.....	International Monetary Fund
MNC.....	Multinational Corporation
MTPDP.....	Medium Term Development Plan
NAMFREL.....	National Citizen's Movement for Free Elections
NEDA.....	National Economic and Development Authority
NICA.....	National Intelligence Coordinating Authority
NICs.....	Newly Industrialized Countries
NSC.....	National Security Council
PAP.....	Philippine Assistance Plan
PBC.....	Philippine Business Council
PCAC.....	Philippine Council for ASEAN Cooperation
PCCI.....	Philippine Chamber of Commerce and Industry
PD.....	Presidential Decree
PhilExport.....	Philippine Exporters
PIDS.....	Philippine Institute for Development Studies
QR.....	Quantitative restrictions
RFM.....	Republic Flour Mill
RTA.....	Regional Trade Agreement
SAP.....	Structural Adjustment Program
SMEs.....	Small and Medium Enterprises
TC.....	Tariff Commission

TRP.....Tariff Reform Program
UPSE.....University of the Philippines School of Economics
US.....United States
WB.....World Bank
WITS.....World Integrated Trade Solution
WTO.....World Trade Organization

Chapter 1

Introduction: Trade liberalization and AFTA Implementation in the Philippines

For many developing economies with the colonial history, the prospect of trade liberalization hits a raw nerve as it brings back the experience of open trade forced by colonial powers. However in the last three decades, a new phenomenon has emerged: developing economies are unexpectedly opening to liberalization of trade, especially to regional trade agreements (RTAs).¹

The Philippines is no exception. Trade liberalization has been a sensitive issue in the country. The decades-long debate on the need for liberalization and its benefits remained one of the most polarizing issues in the nation. Many groups opposed trade liberalization in the country for what it symbolized: it was a reminder of the policies of the colonial years. The emotional animosity against free trade was so strong that the Philippines had one of the longest periods of the import substitution industrialization (ISI) policy in the world (Hill 1995; Thie Kian Wie (undated)). Anti-free trade sentiment was further strengthened by the painful experience of the structural

¹ As of February 2017, all 164 members of WTO, which includes developing economies, had joined RTAs. There are 432 RTAs in force by notification, broken down as; GATT Article XXIV-FTAs-225; GATT Article XXIV-Customs Union 20; Enabling clause-43; GATS Article V- 144.

adjustment program (SAP) implemented by the IMF/WB in the latter years of the Marcos regime.

The bias against trade liberalization, however, was not based on emotional opposition alone. The Marcos administration experimented with trade liberalization, but most of the Filipino people could not see clear benefits for their life. Consequently, the aversion towards trade liberalization persisted in the post-Marcos years among many influential groups as well as ordinary citizens.

Notwithstanding the policy's lack of popularity and its uncertain economic benefits, the Philippines did embark on trade liberalization under the administration of President Corazon Aquino. Her government joined the ASEAN Free Trade Agreement (AFTA) in 1992, committed the country to a more outward-oriented trade policy and paved the way to further trade liberalization through regional integration.

This dissertation will explore the factors that precipitated the Philippine government to join the AFTA and to persistently comply with the agreement in the post-Marcos era. By examining the case of the Philippines, the dissertation will elucidate how and why a developing economy, despite many political and economic impediments, could venture on trade liberalization.

1.1. Significance of the Philippines Case

The Philippines presents an interesting case for trade liberalization in the developing countries. This is because it looked a most unlikely case of positive trade liberalization at the time of Corazon Aquino's ascend to power, but the country eventually decided to implement unilateral trade liberalization at first, and then to join and sustain the AFTA. By looking at the Philippines case, we will be able to elucidate really important factors that encourage the developing countries' participation in the free trade regimes. There are four reasons why the Philippines looked an unlikely case of trade liberalization: historical conditions unfavorable for free trade, weakness of the state structure, political/economic turmoil after the Marcos downfall, and feeble economic incentives to strengthen trade ties with ASEAN.

First, prior to AFTA, the Philippine record regarding trade reform had been unsettled, with several incidences of policy reversal after attempts of trade reforms (Shepherd and Albuero 1990, 144). The spotty trade reform record of the Philippines has its roots in historical antecedents that made trade liberalization a divisive issue in the country. The unpopularity of trade liberalization can be traced to the time of the US colonial regime in the Philippines, which imposed policies characterized by *laissez faire* liberalism that defended the interests of US and their allied landed elites. This prompted

the post-war government to implement import substitution industrialization (ISI) policy to move away from the free trade policy of the colonial government (Golay 1958, 579). However, the policy became prone to abuse by the landlord-dominated Congress who took advantage of the hefty subsidies offered to the local industries to diversify their businesses (Hedman and Sidel 2000, 73; Hutchcroft 1998; Rivera 1994).

The ISI eventually led to huge deficits in the current account of the country. Aggravated by the huge loans accrued by the Marcos government to finance the enormous infrastructure building in the Martial law years from 1972, the Philippines came to face a serious accumulated debt crisis by the beginning of the 1980s. As a result, trade liberalization was officially undertaken by the Marcos government as part of the structural adjustment program (SAP) required by the IMF and World Bank to rehabilitate the Philippine economy. However, following the assassination of Senator Benigno Aquino and subsequent massive capital flight, the government was forced to impose comprehensive controls on foreign exchange transaction and imports, nullifying any impact of the tariff reduction program (Bautista and Tecson 2003, 141). In addition, Marcos himself contributed to compromise the liberalization effort by giving his cronies special treatment and exemptions. Non-trade barriers, particularly quantitative restrictions, even increased in the 1970s and 1980s (Medalla, Tecson, Bautista and

Power 1996, 24). By the middle of the 1980s, the economy was plunged into a recession which devastated the manufacturing sector and small and medium scale enterprises (SMEs) (Vos and Yap 1996, 21). The IMF introduced another package of programs restricting credit and liquidity, leading to difficulty in obtaining working capital, bankruptcies and work-stoppages. The economic crisis in the 1980s following the implementation of the SAP thus strengthened the trend against trade liberalization. Many anti-free trade groups were formed and became mainstream movements in civil society.

Second, the Philippine state has usually been regarded as a “weak state” although this view has been challenged recently. Weakness of state is defined as lack of capacity in implementing and sustaining reforms (Migdal 1988) or lack of autonomy in developing an independent foreign policy (Baylis and Smith 2001, 293). Considering the historically formed animosity against free trade, we can expect that the Philippine state must face difficulties in its attempt at trade reforms.

Third, the political and economic environment was not conducive to smooth trade liberalization in the immediate post-Marcos period. The country was recovering from economic and political crises after fourteen years of dictatorship. The economy was slumping after a national disaster (the eruption of Mt. Pinatubo) and several coup

attempts during the Aquino administration. The government also had to contend with strong pressures against liberalization from domestic political and economic groups.

Fourth, and perhaps most curiously, the Philippines did not enjoy close and favourable trade relations with its Southeast Asian neighbors in the years prior to AFTA. Philippine trade volume with ASEAN was low, especially relative to that of its traditional partners, the United States and Japan. From the years immediately preceding AFTA negotiations up to the time AFTA was signed (1982-1992), average Philippine trade with Southeast Asian countries amounted to only 5-8% of the national total, which paled in comparison with trade with the United States during the same period (31-39%) and trade with Japan (17-23%) (Author's own calculation, based on WDI data 2013).

The Philippine participation in the production networks in the ASEAN region was significantly smaller than that of Singapore, Malaysia and Thailand, at only 9 per cent of total ASEAN trade (Table 1-1). Furthermore, Philippine participation was limited to enclave industries, mostly dominated by multinational corporations (MNCs) located in export processing zones (EPZs) with little linkage with domestic industries; this could also explain in part the weak domestic support for trade liberalization. Considering the weak trade linkage between the Philippines and other Southeast Asian

countries, we expect that there was no strong incentive to devote the country's limited political resources to negotiating and implementing an FTA with ASEAN.

Table 1-1. Share of Total ASEAN Value Chain Trade

Share of Total ASEAN Value Chain Trade (1988-1992)	
Singapore	41.7
Malaysia	27.3
Thailand	15.8
Philippines	9.0

Source: Author's calculation, based on UNComtrade data (accessed December 2013) and using a formula developed by Athukorala (2011) for computing value chain trade share.

Note: ASEAN Value Chain Trade Share is defined as the sum of total ASEAN trade under product categories SITC 75 (office machine), 76 (telecommunication), 77 (electrical machinery), 78 (road vehicles), 87 (professional and scientific instrument), and 88 (photographic apparatus).

The above discussion reveals a big puzzle: there were many obstacles against and little incentives for trade liberalization in general and AFTA in particular. *Why and how did the post-Marcos governments implement trade reforms and AFTA?*

1. 2. International Political Economy (IPE) and Analytical Framework

1.2.1. Related literature in International Political Economy

In the late 1960s and 1970s, rapid improvements in scientific technology and increased mobility of people and capital resulted in greater interaction between

countries. This gave rise to the theory of interdependence.² Interdependence argues that the extensive transnational relations have made it more difficult for each country to make autonomous decisions. As countries become more interdependent and economically integrated, the ability of the state to make autonomous policies is impeded by the movement of capital and the fluctuation in balance of payments. Since countries need to compete for foreign investments and stay competitive and open in order to survive, they have to respond to the demands of the international market, while also adhering to international rules. As a result, economic interdependence restricts the freedom of countries to make policies based on its own domestic political objectives (Cooper 1968).

The popularity of interdependence theory led many scholars to rely on international factors in explaining foreign economic policy decision of nations. However, in the late 1970s, the dominance of the international factors approach in explaining foreign policy was challenged by the scholars who maintained that domestic

² Early Interdependence Theory is distinct from Keohane and Nye's *Complex Interdependence* (1977). Complex interdependence argues that the states have to face a variety of complicated issues, not just economic concerns. According to the complex interdependence theory, despite increasing economic interdependence, political and security issues remain important. The complex interdependence theory highlights a 'mutually dependent' relationship between state and non-state actors, characterized by both cooperation and competition in national and international politics and economy.

and international politics are deeply connected, and that explanations of foreign economic policy focusing only on the international system are inadequate.

Examining the historical experience of six industrialized countries, Katzenstein (1978) showed that those countries' foreign economic strategies were the outcome of the interaction of international and domestic factors. Katzenstein stated that the impact of the international system largely depends on the domestic structure. The domestic structure, composed of the actors in state and society and the policy networks linking those actors, determines the foreign economic strategy that the nation ultimately adopts. The actors which influence the foreign economic policy consist of political action groups which derive their power from the structure of political authority, e.g. political leaders and bureaucrats; and societal actors which represent the relation of production. The dominant players from these groups form the governing coalition with specific policy goals. On the other hand, they put their policy goals into practice through policy networks or institutions that link the state and society (Katzenstein 1978, 19).

The findings of Gourevitch (1978) lend support to Katzenstein's argument that both domestic and international factors should be considered in explaining foreign economic policy. However, Gourevitch assigned a much larger role to the influence of the international system. According to Gourevitch, the domestic structure may be a

consequence of the international system (the international distribution of power and wealth) (Gourevitch 1978, 883,911); therefore the international system could be considered as explanatory variable for outcomes of domestic politics, particularly key events, policies, regime type and coalition patterns (ibid.). Gourevitch emphasized, though, that the international system cannot directly determine choices of political actors, because unless the country is out rightly occupied by foreign forces, domestic actors continue to determine the policies of the country. Hence, he stated that while the international system is an important factor in policy formation, it is also worthwhile to include an examination of the nation's internal factors such as the domestic structure as articulated by Katzenstein. Different from Katzenstein, however, Gourevitch stresses the significance of "politics" for policy making. The actors' preferences and institutions do not automatically lead to certain policy outcomes. Rather, policy outcomes are generated through political interactions (contention and coalition building) among the actors working under the influence of the international system. "*Katzenstein stresses the differences in structure; I [Gourevitch] would stress those in situation*" (Gourevitch 1978, 906).

Keohane and Milner (1996, 255-58) attach even greater importance to external factors. For a short or medium term, existing domestic institutions may certainly

moderate the impact of internationalization by blocking the price signal, or by stopping actors from changing the policies, but for the long run, external pressures generated by internationalization deeply affects the policy preferences of domestic actors by changing the price of goods and factors for production and creating winners and losers. New coalitions with competing interests and political goals emerge from these changes. Furthermore, as the domestic economy becomes more open, the economy also becomes sensitive to the world economy in general and external economic shocks in particular. Shocks can have a strong impact in domestic politics and institutions. As a result, profound changes in economic policies can take place.

The arguments presented here regard both the international and domestic factors as important elements in shaping a country's foreign economic policy. The authors, however, attach different weights to domestic and external factors. Katzenstein identified the domestic structure as the central explanatory variable in foreign economic policy decisions. On the other hand, Gourevitch and Keohane/Milner referred to the international system as the main explanatory variable, moderated by domestic factors. Gourevitch emphasizes not only the external impacts on domestic preferences and institutions but also political interactions among domestic actors as an explanatory variable for foreign economic policy.

1.2.2. AFTA and the Philippines

Many studies which used International Political Economy explanation on the Philippines' foreign economic policy choice did not adequately discuss the critical political factors behind the country's foreign economic policy decision. For example, Formanes (2010) while pointing out the negative impact of AFTA on farmers and small businesses, implied that despite the ambiguity surrounding AFTA's contributions to the country's trade position, AFTA was accepted because of the Philippine government's adherence to the free-market policies. That argument echoes Bello et al (2005, 22-23) who stated that the neoliberal technocrats in the Philippines implemented liberalization without considering the domestic realities. Wade (2008) argued that the neoliberal policies are embraced by developing economies in response to the support of, or even pressure by, international actors, who benefit from free trade. However, given the important implications of foreign economic policy in the country's social and economic structure, the state's decision to implement trade reforms and AFTA could not have come solely from external pressure or adherence to neoliberal ideology.

In the Philippines, most of the scholarly works focus on the economic impact of AFTA, largely detached from the domestic political dynamics which shaped the foreign economic policy decision. Those studies mainly argue that opportunities for trade

expansion in the international market motivated the government to accede to and remain in AFTA. The trade policy choice was the result of opportunities provided by the international economy to improve the country's balance of payments situation and to enhance Philippine access to market and capital in ASEAN (Jurado 1995; Albuero 1994; Villegas 1993; Tongzon 2005; Austria 1999).

As stated in the previous section, external factors can affect the trade policy decisions of the government. However, international factors alone could not sufficiently explain the motivation of the Philippines in joining AFTA. As it was pointed out, ASEAN was not an important trade partner of the Philippines. While the trade linkage of the Philippines with ASEAN is very strong now, that was not the case during the deliberation over AFTA accession in the early 1990s.³ The Philippines' economic linkage with the region was rather weak prior to AFTA.

While external factors, such as trade linkage and foreign economic relations, have an influence in the trade policy choice of countries, domestic factors, particularly the domestic structure (Katzenstein 1978) and internal politics (Gourevitch 1978),

³ Recent empirical studies present evidence that FTAs, including AFTA, positively contribute to participant countries' economic growth and opening to global trade (Kawai and Wignaraja 2009; Plummer 2010). However, much into the 1980s and up to the 1990s, the benefits of FTAs were unclear, especially for developing economies with weak industrial base (Interview with Dr. Ganeshan Wignaraja, ADBI).

definitely have crucial roles in the policy formation and should be thoroughly examined to understand a country's foreign economic policy.

There are a few studies which used domestic factors to explain how the Philippines arrived at the decision to accede to AFTA. Gochoco-Bautista and Faustino (1994) examined the domestic actors and process of implementation. The study provided a thorough account of the technical areas of policy implementation and political dynamics. However, Gochoco-Bautista and Faustino did not fully examine the policy preferences of actors. The study missed in answering a key question, particularly how the preference of the ruling actors prevailed despite the initial opposition to trade liberalization.

Abad (2011), in his book which documented the dynamics behind the Philippine policies on ASEAN, argued that ideational factors, particularly adherence of political leaders to ASEAN norms, played an important role behind the choice to implement AFTA. Abad's argument reflected Katzenstein's (1978, 1996) who stated that the policy preferences of the governing coalition are not only derived from material interests but also from *ideological outlook* or from ideas which defined the identity of key actors, and their perception of the state's identity and its role. The study, however, did not look at other aspects of the domestic conditions that facilitated the policy decision, despite

the author's acknowledgement that many people and groups opposed implementation of AFTA.

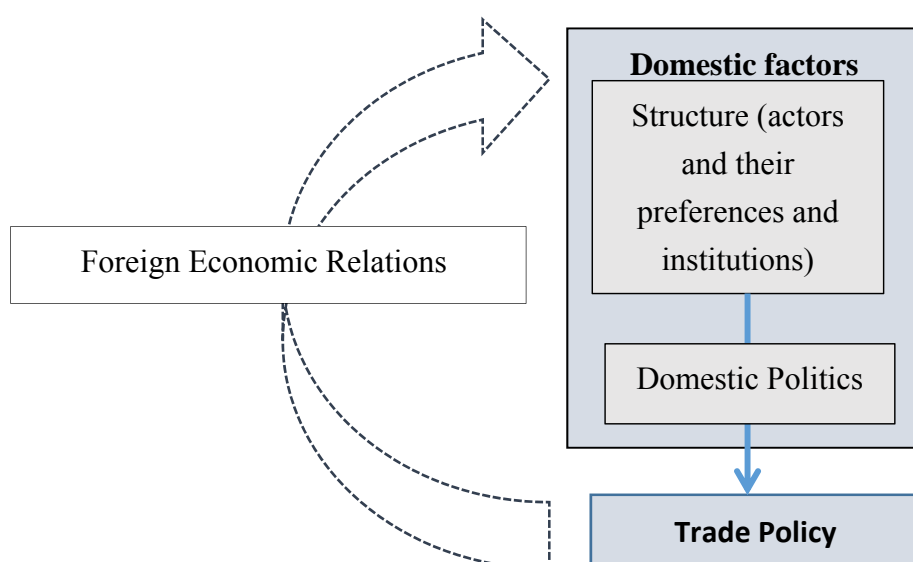
While the above studies identified the key domestic factors in trade policy reforms, particularly the actors, some of the institutions, the political dynamics, and ideational factors behind the Philippines' choice of foreign economic policy, many questions remain unanswered, such as: How did the key actors acquire their policy preferences? How did the state actors cope with the opposition to AFTA? How did trade liberalization and AFTA survive, even after its staunch advocate, Corazon Aquino's term was finished, amidst protests against trade liberalization? Moreover, those studies did not sufficiently explain the interaction between domestic factors and the international environment which also had an impact in the foreign economic policy decision. To have a full explanation of the Philippines' accession to and implementation of AFTA, we need a more comprehensive and systematic framework of analysis.

1.2.3. Framework of Analysis

To construct my own analytical framework, I borrow from the previous literature four basic explanatory factors: actors and their preferences, institutions, domestic politics, and foreign economic relations. The ruling coalition and its goals, one of Katzenstein's "domestic structure" factors, will be reframed as "actors and their

preferences” so that a broader range of actors and power distribution among them can be covered. His concept of “policy networks” will be renamed “existing institutions.” These two “domestic structure” factors provide the parameters within which policy is formulated or reformulated. As Gourevitch and Keohane/Milner maintain, however, the policy outcomes are not fully determined by the structural factors but can be deeply affected by domestic political interactions among actors. Domestic politics, therefore, has a crucial role in the trade policy reform process. Finally, once certain economic policy is adopted, it can affect the nation’s foreign economic relations and influence the domestic structure, and subsequently policy outcomes. My analytical framework is shown in Figure 1-1.

Figure 1-1. Framework of analysis



a) Actors and their preferences

As Katzenstein argues, foreign economic policies reflect the policy preferences of leaders and their allies. Those policy preferences are guided by the political objectives of the ruling actors, which in turn are influenced by both domestic and international factors, and could be based on material interests and ideas. The material interests are presumed to be rationally motivated or aimed to achieve maximum gains and minimum losses. However, not all policy preferences are motivated by rational goals. Ideas derived either from international norms or from national identity can play an important role in shaping the actors' identity and interests and subsequently their policy choices (Katzenstein 1996).

Since foreign policies are articulated by the central government, the preference of national political leaders can be a strong determinant of policy outcomes. Identifying the policy preference of the leaders through their speeches, public pronouncements, and relevant policy decisions is therefore a good place to start the analysis. However, political leaders will not be able to successfully advance their policy objectives without the help of a supportive coalition. Especially in developing economies (and lately, even in developed economies), where political leaders are elected based only on charisma or machinery of political parties, it is not uncommon to see leaders with narrow interests

and shallow understanding of economic policy getting elected. Given the weakness of such leaders in terms of policy formulation, bureaucrats, especially technocrats within the key ministries and agencies can hold a critical position in foreign economic policy making.

In more recent times, the technocrats had become active players in the modernization and transformation of economies (Teik, Encarnacion and Shiraishi 2014, 252). Technocrats in key departments or ministries of the government, such as economic planning, trade and industry, and finance, had become major players in chartering policy reforms in their countries, particularly due to their extensive influence in deciding their countries' macro-economic policies and the implementation of these policies.

Other than state actors, non-state actors also contribute to the trade policy reforms. Trade policy is of particular interest to societal actors due to its distributional consequences, which are also responsible for profound societal cleavages. Attitudes and opinions about free trade are deeply divided among workers (unskilled, skilled, professional), businesses/industries (export-oriented versus import substitution-oriented; competitive versus vulnerable sectors), and consumers and producers (Magaloni and Romero 2008). However, unlike state actors who have direct access to the policymaking

process, the degree of influence by which non-state actors can have in policy formulation depends on existing institutions (such as electoral and government systems) as well as domestic politics (such as behavior of leaders).

b) Institutions

While the preference of the dominant actors is an important factor of policy formation, preferences alone cannot provide a full explanation of how trade policy is formed and sustained, since preferences of actors would only be transformed into a concrete and meaningful policy as long as the institutional conditions would make it possible. In this regard, not only the preferences of the ruling actors, but also institutions play a crucial role in determining policy. Broadly speaking, institutions are rules of society that determine interaction of people. Institutions embody laws, norms and structure of government and society (North 1990). Institutions play a vital role in determining policy outcomes and have a significant role in political processes, as well as longevity of policies. The type of policies, as well as the extent to which policy reforms could be pursued, and the policy instruments that could be developed in accordance to these reforms, largely depend on the specific characteristics and attributes of the formal institutions. Specific institutional conditions, such as the presence of veto players in policy reforms, the autonomy of agencies involved in economic policymaking,

executive-legislative relations, and the rules pertaining to elections that can provide incentives for actors to espouse or advocate policies, can affect policy outcomes (Garrett and Lange 1996, 48-75).

Other than formal institutions, informal institutions-- tacit and unwritten rules based on long-held practice, routines, norms-- are also included in the analysis. In many societies, especially those with sharp income gaps and high incidence of poverty, informal institutions such as patron-client relationship between politicians and their clients are deeply entrenched and have an unneglectable role to play in policy reforms.

c) Domestic politics

Besides the preferences of actors and the institutions, several factors in the political environment, such as political skills, behavior, leadership, strategy, and the likes can affect how the policy will turn out.

Gourevitch (1978, 905) stated that the way in which policy coalitions are formed, and the bargains made to achieve the policy goals can affect policy outcomes. The political process of policy-making, from the formation of alliances, the strategy to implement, and the concessions offered to influence the actors, can affect the policy. The political skill of the ruling actors in advancing their interests, and skills in building alliances can determine success in policy reform. Popularity of leaders and behaviors

can also be an important determinant of policy success. Most especially for nations with highly personalistic political system, successful policy reforms can be tied to the leader's popularity and behavior.

However, even under a popular leader, there can still be opposition to the policies due to the conflicting interests of actors. In this case, policy brokerage that can manage the conflicts arising from differences in interests are useful. Policy brokers act as facilitator to ease the tension among the advocates and opposition so that a bargain can be struck. The policy broker can be either state or non-state actor, sufficiently knowledgeable about the policy, well-connected to the individuals and groups concerned, and trusted by the policy advocates and even the opposition. Policy brokers may also help in developing effective strategy to make the policy more acceptable to a wider audience (Weible and Sabatier 2007, 128).

Likewise, timing of implementation can determine the policy success. Policies implemented at the right time, and by the right people, are more likely to gain support and be effectively implemented and sustained. Yet, timing is not always based on pure luck, but could also be connected to strategic decision-making skills to create a good opportunity of launching the reform and building a coalition to protect the reforms against the opposition.

d) External factors/foreign economic relations

While the explanation here highlights the importance of domestic factors as central explanatory variable, it does not disregard the role of external factors. As pointed out in the work of Gourevitch and Keohane/Milner, the international system can influence the domestic structure and politics, which may subsequently make a huge impact on policy outcomes. After the implementation of an open trade policy, new economic reality may have a strong impact on domestic policies, arising from the deeper linkage of the domestic economy with international trade and capital, the need to honor certain international agreements, and the need to conform to international norms.

However, foreign economic relations will go through the domestic structure to actually trigger a policy shift. It may influence the domestic policy by changing the policy preferences of actors, and by creating changes in institutions as a result of realignment of alliances, redistribution of political powers and changes in political goals. For instance, as Keohane/Milner pointed out, a greater exposure to the international economy can incentivize actors who benefit from liberalization to be more supportive of policy reforms, while it can trigger the opposition from those who are disadvantaged by liberalization. The political actors then will respond to these changing interests. New coalitions are formed in the process, and new institutions can also be built that will

either support further trade liberalization, or protect certain segments of the economy affected by liberalization.

1.3. Structure of the Dissertation

Following this chapter, Chapter 2 discusses the historical antecedents that influenced the policy preferences of the actors and the institutional conditions during the trade policy shift in the redemocratization years. The chapter covers the American occupation (1900s) until the end of the Marcos era (1986). In the colonial years, trade policy was one of the main instruments used by the US government to deepen its influence in Philippine politics and the economy. Economic dependence of the Philippines with the US remained even after the independence of the Philippines in 1946. The trade policy of the independence/post-war years was aimed to discontinue the colonial policy. However, weakness of the state against private interests resulted in many reform failures. The rise of Marcos was said to be the inevitable outcome of the elite rule and failures in policy reforms in the colonial and post war years (Anderson 1988). Under Marcos, the executive became more dominant when congress was abolished and trade policy making became the domain of the Executive branch of the government (Feliciano 2009). This institutional setting had a huge impact on trade policy-making in the post-Marcos years.

The third chapter mainly discusses the trade policy during the re-democratization years of Aquino until the time of Ramos (1986-1998). The two administrations are conflated because they represent a continuum in economic reform policies of the Philippines. Corazon Aquino began the trade liberalization program and it was her administration which signed on the accession of the Philippines to AFTA. Ramos, who was endorsed by Aquino as her successor, continued the policy reforms. The impact of the trade policy is also discussed in this chapter, validating the thesis of Keohane and Milner (1996) that internationalization creates new opportunities that could alter the policy preferences of actors and the domestic institutions. As the economic benefits became clearer, the private sector groups became more supportive of an open economy, which further solidified the domestic support for trade liberalization. However, this policy shift would not have been possible if not for the strong preference of the ruling actors and institutions that supported the policy objectives in the initial years of trade reforms.

Chapter 4 applies the analytical framework shown in Figure 1-1 to explain the trade policy during the Aquino administration. It discusses the domestic structure (actors' preference and institutions) that shaped the decision of the Aquino government to pursue trade reforms and accede to AFTA. The impact of external links to the

domestic structure which developed before Aquino became President is tackled, as well as the crucial role of internal politics in the policy shift. Chapter 5 starts with the feedback effects from the changing foreign economic relations after the implementation of AFTA and its impact on the domestic structure. It then discusses the domestic structure under the Ramos years that facilitated the sustenance of the trade policy reforms which was started by Aquino. Finally, the important role of the domestic political process to sustain the reform is discussed.

Chapters 4 and 5 work to examine the linkage between policy preference and institutions and their key role in trade reforms, as well as to analyze the crucial role of domestic politics and the external factors in the trade policy shift.

Chapter 6 summarizes the findings from the previous chapters, provides the conclusion and implications of the study. In the concluding chapter, I will revisit the policy preference, the institutions, the political dynamics and the external factors that enabled the trade policy reforms to succeed in the redemocratization years, as well as the policy implications and areas for further study.

1.4. Research methodology and materials

The main part of this study is a case study of a single country, the Philippines. Examination of this case contributes to identification of the sources of trade policy reforms and AFTA implementation in the redemocratization years during the time of Aquino and Ramos. While many researchers prefer multiple case studies or comparative case studies for the analysis of a particular theory or the presentation of empirical evidence, the single country case study approach is justified in the case of a heavily detailed study of a particular phenomenon, with the results examined from various viewpoints.

The Philippine experience of trade policy reform is rich and complicated, and thus deserving of detailed analysis. The Philippines has been one of the most protectionist countries in Southeast Asia, and past attempts to liberalize its economy met with failures and reversals. The failure to pursue coherent trade reforms in the past, and even the current choice of trade policy, had been taken as a sign of weakness of the state in its pursuit of independent foreign economic policy against transnational interests; or a sign of the state's lack of strength against the domestic elites who benefit from protectionist policy. However, as shown in this dissertation, despite impediments for transition to a more liberal economic regime during the time of AFTA establishment,

and despite the political cost attached to pursue trade reforms, the post-Marcos governments continued to implement the trade reforms. Thus the Philippine case is instructive for understanding how developing economies could engage in policy reforms in the face of political and economic impediments.

The quantitative data used in this dissertation were mostly generated from the Philippine government database and from international trade databases, particularly ASEAN trade data reports, the World Bank's World Integrated Trade Solution (WITS), and the IMF Database. Qualitative data were gathered from archived newspaper articles, speeches, official websites, government reports and legal documents, academic journals, books and interviews.

Information on preferences of state actors was gathered from speeches, official statements and memoirs of the President and the top advisers of Aquino and Ramos, technocrats and cabinet secretaries. Meanwhile, information regarding the policy preferences of the non-state actors was gathered from interviews with the private-sector people and conversations with government officials from relevant agencies. However, much of that information had been lost from memory. Books and newspapers filled the gap in providing essential information regarding the pulse of the private sector on the trade reforms during the redemocratization period. In particular, archived newspapers

featuring interviews with private sector groups supplied information on the sentiments of the private sector. Policy preferences are difficult to determine since they are not directly observable (Frieden 1999) and scientific method and empirical knowledge in determining policy preferences are still underdeveloped. I therefore need to use a combination of research materials, both primary and secondary.

Information about institutions was derived from legal documents, official agency reports, academic papers, books and government and private sector group websites. The official websites provided information on the history of the organizations, how the organizations were founded and the people involved in their establishment. Information about agencies established to support the policy reforms helped to reveal the parties included in and excluded from the trade reform process, indicating political fissures and cleavages.

Information on trade policy, its impact and outcomes was derived from both qualitative and quantitative data sources.

1.5. Main Findings and Contributions of this Dissertation

The approach and entry of the Philippines into AFTA constituted a turning point in the country's economic history and trade policymaking. This dissertation develops a political economy explanation of that trade policy reform by tracking the factors that

motivated the policy shift towards sustained implementation of AFTA. The results suggest that understanding trade policy reforms requires an examination of the domestic structure, internal politics, and the nation's external linkages. The domestic structure, particularly the preferences of actors and the institutions, provided the impetus for the trade policy reforms. The nation's external linkages provided both opportunities and constraints for reform. Domestic politics, such as coalition building, leadership and strategy, was crucial to removal of the impediments to the policy shift.

In terms of theory, this dissertation can contribute to the formulation of a comprehensive framework for analysis of foreign economic policy (shown by Figure 1-1). The framework's robustness was tested by analysing the Philippine trade reforms leading to AFTA accession and implementation, a most unlikely case of trade liberalization.

From a policy perspective, the study offers several lessons, particularly the importance of state actors in taking the lead for a unified stand in the reforms, innovative use of existing institutions, and building a supportive coalition by expanding the participation of both state and non-state actors in the reform process.

The findings also contribute to the literature on the political rationale for trade liberalization, through a revisiting of the factors that explain why and how states

embrace trade liberalization, despite the political and economic costs attached to the policy shift.

Chapter 2

Historical Antecedents of the Trade Reforms: From Colonial Period to the Marcos Era

To gain an understanding of the political economy of trade reforms in the redemocratization years, it is essential to examine the key events and policies in the past that shaped various actors' ideational proclivities and the economic and political structure of the country.

The first section of this chapter examines the US colonial years up to the granting of independence, identifies the key trade policies in that period, and the impact of those policies. The second section discusses the economic policies of the post war era, mainly focusing on the import-substitution industrialization (ISI) policy implemented by independent Philippine administrations. The third section discusses the Marcos period. The implementation of the martial law in 1972 was a turning point in the Philippine history, changing the institutions and many aspects of politics.

Trade policy had an important role in shaping the political and economic history of the Philippines. During the US colonial years, trade was one of the most important instruments used in deepening the economic and political ties of the Philippines with the US (Fabella 1968, 63). The import substitution industrialization (ISI) policy

implemented in the post-war/independence period intended to disengage from the economic policies of the colonial years.

2.1. Trade policy in the American colonial years

The Philippines was occupied by the US in 1898, after the Spanish-American war. In 1901, a civilian government was organized. This provided the early opportunity for training Filipinos to learn and implement the American style democratic system. In 1935, the Philippine Constitution was ratified and, with minor revisions, continued to be effective until it was abolished in 1973. The fundamental principles of the 1935 Constitution were restored in the post-Marcos Constitution of 1987. The 1935 Constitution articulated the basic structure of the government, stating that the Executive, the Congress, and the Judiciary are co-equal branches of government. It also stated that the Executive and the Congress are the main institutions for, with equal powers, determination of state policies (Rebullida 2006; Caoli 2006).

As for trade policy, the 1935 Constitution explicitly stipulated that the Congress, particularly the House of Representatives, held the power and authority in all matters related to trade policy. However, the lack of autonomy under colonial rule, and subsequently under the Bell Trade Act of 1946 (discussed in 2.1.2) limited Congress' trade policy making power.

Nonetheless, the landed class who dominated the Congress found no reason to challenge the limits imposed by colonial policy. The landed elite were given economic opportunities in exchange for protecting US colonial interests (Hutchcroft 1998, 13). Those special favors granted to the elite were reflected in the trade policy implemented during the American occupation (Fabella 1968).

a. Payne-Aldrich Tariff Act of 1909

The Payne-Aldrich Tariff Act of 1909 in the United States stipulated free trade between the US and the Philippines and granted duty-free status to Philippine products exported to the US, while also allowing zero tariffs on US exports to the Philippines. Philippine sugar and coconut oil exports were the primary beneficiaries, as they fetched high prices in the US markets. The Payne-Aldrich Tariff Act paved the way for a sharp increase in imports from and exports to the US and accelerated the growth of Philippine foreign trade between 1910 and 1940.

The deliberate encouragement of agriculture exports had a strong influence in shaping the political and socio-economic structure of the country. At the beginning, the export of coconuts was promoted as much as sugar. However, the US Congress imposed restrictions on the import of coconut; this made sugar the most lucrative agriculture export (Hedman and Sidel 2000, 76). Considerable volume of sugar export in the first

two decades of the 20th century substantially increased the wealth of the sugar exporters and created a strong and cohesive political bloc of landlords engaged in sugar production. They lobbied against land reform and other policies pertaining to wealth redistribution. The concentration of wealth in the hands of those few families enriched the landed elite and widened the income divide. In certain parts of the country, such as Southern and Central Luzon and Western Visayas, the policy favoring the traditional landed elite led to the concentration of economic activity, particularly the production of sugar, in the vast tracts of land owned by the landlords, and to the perpetuation of the landlord-peasant feudal economic system.

b. The Philippine Trade Act of 1946/Bell Trade Act 1946

The Philippine dependence on the US continued after the war and even after the Philippine independence. The post-war government faced a devastated economy in need of rehabilitation and reconstruction at an estimated cost of US\$1.1 billion (Ronas 2006, 491). The US government provided reparations of over \$500 million and tied this to the conditions set by the Philippine Trade Act of 1946 (a.k.a. the Bell Trade Act 1946).

The US Congress enacted the Philippine Trade Act of 1946 which imposed eight years of free trade between the United States and the Philippines. It also granted US

citizens and corporations parity rights to access Philippine natural resources, minerals, and fuel (Yap and Majuca 2013).⁴

The Bell Trade Act tied the Philippines to the United States in a continuous pattern of dependence; it also perpetuated the advantage of the landed elite who were engaged in the export of agricultural commodities, particularly sugar, further aggravating the income disparity between the landed economic elite and the landless masses. (Interview with Dr. Josef Yap, PIDS)

2.2. Import substitution industrialization (ISI) policy in the post-independence era

In reaction to the restrictive conditions left by the colonial government, the post-war Philippine governments moved to “*de-alienize*” the colonial legacies. According to Golay (1958, 579), “*the commercial policy of the Philippines in the post-war years was founded not in terms of accelerating economic growth, but in terms of economic nationalism or as determination to release itself from the policies inherited from colonizers.*” The ISI and economic-control policies were intended to create an economy independent of foreign capital, while also protecting domestic business interests. The nationalist senator Claro M. Recto referred to this program as “*nationalist*

⁴ Parity rights were implemented despite the provision in the 1935 Philippine constitution prohibiting foreigners from freely exploiting Philippine natural resources.

industrialization” or “*industrialization of the country by Filipino capitalists*” (Rivera 1994, 8, citing Constantino 1978, 269-310).

As the landlord dominated-Congress generally did not take the initiative in promoting reform-oriented policies, policy reforms became the domain of the executive, backed by a few progressive members of the congress (Carroll 1970; Rebullida 2006a, 135-145).⁵ The independent government introduced policies aimed at wealth redistribution. Most of the post-war presidents and technocrats were of the middle-class origin which must have inspired them to introduce policies to redistribute wealth and diversify the economy (Raquiza 2012).

One of the earliest initiatives was the implementation of the ISI policy through subsidies and incentives stipulated in the Republic Act No. 35, issued on 30 September 1946. In 1948, under President Elpidio Quirino (1948-53), the Philippines adopted import and exchange control on top of the existing fiscal incentives, which marked the onset of full-scale implementation of the ISI policy (Kind 2000, 7). The Quirino-era ISI restricted the entry of imports, especially luxury goods. It also initiated the policy of

⁵ According to Kawanaka (2010) many scholars argue that while the congress, ideally based on the constitution, has the same amount of powers as the president, it lacked interest in challenging the status quo which had been giving its members vast political and economic advantage.

foreign exchange allocation, requiring those who wanted to access foreign currency to get a license from the Import Control Board. The policy was designed to allocate foreign exchange to encourage import-substituting investment, with the end goal of supporting Filipino businesses (Power and Sicat 1970, 98).

The following administrations continued the protectionist policies. During the time of President Ramon Magsaysay (1953-1957), the Retail Trade Nationalization Act (RA 1180, 1954) was implemented. That law restricted to Filipino nationals certain retail sectors which were previously open to non-Filipinos. The priority program of President Carlos P. Garcia (1957-61) was called “Filipino First Policy.” The main thrust of the policy was for indigenous Filipinos to be given priority in foreign exchange allocation and assistance in their businesses. While President Diosdado Macapagal (1961-65) implemented decontrol of foreign exchange, he increased the level of duties of several commodities to offset the effects of decontrol. His export promotion program was also accompanied by import substitution (Power and Sicat 1970).

While the goal of the ISI policy was to advance the indigenous Filipino businesses in general, the policy eventually created huge opportunities for rent-seeking for the politically well-connected. According to De Dios and Hutchcroft (2003, 47), “*(ISI) became far less a tool of state industrial planning than an object of oligarchic*

plunder.” The dominant landowning Spanish and Chinese *mestizo* families were the main beneficiaries of government privileges such as loans, business concessions, and tax exemptions (Rivera 1994). With the family conglomerates attempting to diversify in various businesses, bitter competition took place for control of the privileges provided by the state (De Dios and Hutchcroft 2003, 48).

Anderson (1988) referred to the post-war period as the height of “cacique democracy” in the Philippines wherein the state was overwhelmed by the private businesses and considered a mere appendage of the predatory caciques. According to Anderson (1988), “*it was only a matter of time before someone would break the rules and declare himself as the supreme cacique.*”

As the income gap between the traditional elite and the masses widened, the large majority of the people became more frustrated with the unfair economic policies that favoured the elite. Marcos incited the people’s frustration against the traditional elite to gain support during the presidential campaign and even when he declared martial law.

2.3. Marcos and the martial law years

Ferdinand Marcos won the presidential election in 1965. Marcos was said to be aware that the traditional politicians and economic elites, whom he referred to as the

‘oligarchs’, were the root cause of underdevelopment. He pointed this out clearly in his book, *Notes on the New Society of the Philippines* (Marcos 1973). His early political objective, as he himself articulated, was to break away from the past pattern of traditional politics and a weak state.

2.3.1. Failure of early reforms

At the beginning, Marcos attempted to dismantle the ISI regime because he believed that it had failed to improve the country’s overall economic performance in general and the performance of the manufacturing sector in particular (Power and Sicat 1970).

However, in 1969, the country experienced a foreign exchange crisis due to the need to service the short-term debts that had financed trade deficits from previous years. The government responded by floating the peso in 1970 and eliminating exchange control. At the same time, Marcos enacted the Export Incentives Act. However, the government policy of decontrol was not pursued consistently. While the government decontrolled foreign exchange transaction to boost the economy, the entry of FDI was restricted. Additionally, while the government expressed its intention to boost industrialization, it implemented stricter regulatory measures on the issuance of license

of industrial and agro-industrial businesses through the Board of Investments (Bautista 1988, 89-90).

Under the continuous economic difficulties, the income disparity further expanded and radicalized some laborers and students in the urban areas (Villegas 1984). In the rural areas, particularly in sugar plantations where working conditions were brutal and wages were very low, the Communist Party of the Philippines (CPP) and its armed group, the New People's Army (NPA), found a breeding ground for recruitment for the fight against the government and the landed elite (Krink 2002, 40). The increasing insurgency and turmoil in the country became Marcos' justification for declaring martial law in 23 September 1972.

2.3.2. The technocrats and their limited roles

While technocratic influence in the government was already present in the immediate post-war years, it was not until the Marcos years that the technocrats gained a consolidated voice in policymaking. Marcos recruited technocrats to advance his export-oriented growth strategy, and supposedly as part of his strategy of professionalizing the government (Raquiza 2012; Dubsky 1993). The technocrats were pooled in the National Economic and Development Authority (NEDA), the government's central planning agency staffed by Marcos-handpicked economists.

The government's plans and programs had to pass the NEDA scrutiny; this enabled technocratic influence in many areas of policymaking (Dubsky 1993, 152). However, the technocracy lost its autonomy as Marcos and his cronies increasingly intervened in economic policymaking and circumvented the law to serve personal interests. Marcos was said to have mainly used the technocrats as smokescreen to justify his policies, including unlawful policies and actions (Dubsky 1993, 158; Tadem 2005, 8). With Marcos' own knowledge of legal matters and with the justification provided by the technocratic expertise, Marcos was able to make significant changes to trade laws to fit his agenda.

2.3.3. Changes in the trade laws during Martial law and the emergence of crony capitalism

After abolishing the Congress and assuming the full control of legislation through the *Batasang Pambansa*⁶, Marcos had unrestricted political control to pursue his agenda. Marcos took one of his first legislative initiatives by revising the Tariff and Customs Code (a.k.a Presidential Decree (PD) 34, signed October 27, 1972). The

⁶ During the martial law, a new constitution was ratified, which took effect on January 17, 1973. The new constitution altered the form of government from presidential to a 'modified' parliamentary. A unicameral National Assembly, known as the *Batasang Pambansa* replaced the congress. ("Evolution of the Philippine Legislative System." www.congress.ph)

Batasang Pambansa was notorious as a 'rubber stamp' assembly controlled by Marcos. See for example, Calonzo, Andreo. "Martial Law Legislation: Ex-assemblymen recall 'rubber stamp' legislature". *GMA News Online* (September 21, 2012), accessed at www.gmanetwork.com on 01 December 2017.

amendment simplified the tariff structure (Shepherd and Albuero 1990, 214). It also delegated to the President the authority to exercise what had been previously a congressional discretion.

Specifically, Marcos revised two key sections of the Tariff Code: Sections 401(Flexible clause) and 402 (Promotion of free trade) to expand his authority in tariff setting and foreign trade policy (see Appendix A)⁷. Under these amendments, Marcos delegated to himself (as the President), “*the power to set tariffs, enter into trade agreements, eliminate quantitative restrictions, and to select the goods with duty free status*” (Feliciano 2009, 328-329). The new laws changed the policymaking process and solidified the power of the executive in trade policy and controlling the economy (Feliciano 2009, 336).

Towards the end of the 1970s, real impacts of the Martial Law rule was already unravelling as a small favored group close to the President enjoyed the benefits of the highly interventionist system (Branigin 1986). While tariff liberalization was implemented, numerous exemptions to benefit the crony firms were applied since the cronies controlled the operations of many businesses in the coconut industry, the trade of rice and corn, the import of meat and electronics, the production of newsprint,

⁷ The Tariff Code was amended again in 1978, under Presidential Decree No. 1464. The key provisions of the 1972 Tariff Code (PD 34), particularly Sections 401 and 402, were retained in the 1978 Tariff Code.

broadcast communication, and other key industries (Branigin 1986; Shepherd and Albuero 1990).

On the other hand, Marcos abolished import restrictions of sugar products to hurt the sugar manufacturing industry. Sugar production was the business of many traditional elites who were against Marcos (Hutchcroft 1991).

2.3.4. IMF/WB-led Structural adjustment program (SAP)

Consistent with the strongman behavior, Marcos launched ambitious and big infrastructure projects during the martial law years. Those projects were funded by foreign loans. Some of the projects failed (e.g. the \$2.2 billion Bataan Nuclear Power Plant) and left the country with a huge debt bill (Aquino 1987; Hutchcroft 1991). By the early 1980s, the Philippines suffered from debt crisis and economic recession, which resulted in severe poverty and social unrest (Lim and Montes2001).⁸ With the government in fiscal turmoil and the economy on the brink of a collapse, the IMF intervened to rescue the economy.

⁸ The sugar industry declined and the sugar capital of the Philippines, Negros Occidental, experienced famine in the early 1980s. The province also became one of the strongholds of anti-government rebels and the local communist movement.

In the early 1980s, trade policy reforms were adopted by the Philippine government as part of the conditions of the Structural Adjustment Program (SAP) of the IMF and the World Bank. The IMF/WB-supervised-trade reform program began implementation in 1983. A major reform imposed under the SAP involved trimming the Central Bank's power by cutting down the list of products that needed import licensing or 'prior approval' from the Central Bank. However, the import liberalization program was suspended in response to the debt crisis. Comprehensive controls on foreign exchange and imports were re-imposed. This nullified the impact of the tariff reduction program under the SAP (Medalla, Tecson, Bautista and Power 1996). Towards the end of Marcos' rule, the GDP per capita growth of the Philippines became negative. The economic crisis aggravated the turbulent political conditions and eventually led to the downfall of Marcos.

Many scholars argue that despite the reform programs introduced by the SAP and the presence of experts and technocrats in the government, no genuine economic reform actually took place during the Martial Law years. There was no clear economic strategy, except for the one that would benefit Marcos and his cronies. Dubsky (1993, 158) noted that during the Martial Law years, the *"policy-making process was*

constantly undermined by economic and administrative practices that lacked rationality in the context of technocratic planning.”

Since the economic reforms were implemented by an already politically fragile government, sustaining them was difficult. Reversals were quick to follow. Many of those policy reversals were made to protect specific firms or industries important to Marcos and his cronies. This all the more agitated the business sector, and by the early 1980s many prominent businessmen, particularly in the elite business district of Makati City, had abandoned Marcos and joined the protests against him and his cronies (Dohner and Intal 1989).

Summary

The colonial policy which espoused free trade with the US and the dominance of the traditional landed elite resulted in strong anti-free trade sentiment in the post-war years. The post-war governments implemented the ISI to protect the Filipino businesses. However, the ISI failed due to the vulnerability of the government to corruption and rent-seeking by traditional elites.

Decades of policy failures and economic oppression led to the people's disillusionment with the government and their allied elites, which paved the way for the rise of Marcos. Marcos used the state apparatus to overwhelm his political opponents,

encroach on private businesses, and accumulate wealth for himself and his cronies (Hutchcroft 1998; Kang 2002). This displeased many people, including intellectuals, academics, political activists and even some business elites. These are the groups who eventually formed the backbone of the anti-Marcos movement in the early 1980s, and helped shape the policy reforms during the redemocratization years. “DeMarcosification” became a main goal of the Aquino government.

Chapter 3

Trade policy and AFTA in the redemocratization years

When the Marcos regime was toppled after the 1986 People Power, one of the first reform measures undertaken by President Corazon Aquino was economic reforms to complement the process of transition from dictatorship to democracy. Trade liberalization became a priority program. While trade liberalization had been initiated in the Marcos years, his government nullified many of these reforms by providing exemptions to cronies (Hutchcroft 1998; Bello 1982; Montes 1989; Cororaton 1999). Under Aquino, trade liberalization was implemented to gradually remove the trade restrictions that had been enforced by the past administration (Balisacan and Hill 2003). Those trade reforms were continued and strengthened under President Fidel Ramos, which paved the way to a more open trade regime for the Philippines.

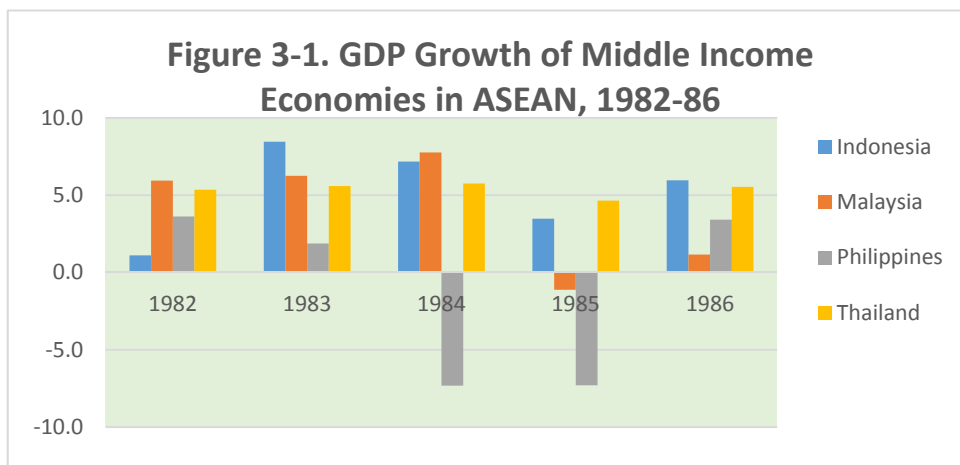
This chapter would tackle the trade reforms implemented during the Aquino and Ramos years. The impact of these reforms would also be discussed. The first section discusses the economic and political situation after the Marcos years. The economic constraints and political volatility that lingered limited the policy options of Aquino and hindered her government to pursue a more comprehensive reform program. However,

one reform that she strongly pursued was trade liberalization. Despite the opposition of some groups, Aquino and her top officials believed that this was important for structural reforms and was in tune with the government's agenda of removing the distorted policies of the previous administration. The second section presents the major trade policy reforms of the Aquino administration, which could be considered as a two-tracked strategy of reducing trade barriers unilaterally, while pursuing regional economic cooperation. President Aquino was one of the most active supporters of a free trade area in ASEAN (Gochoco-Bautista and Faustino 1994; Weatherbee 1987; Abad 2011). She saw this as an opportunity not just to achieve growth and efficiency-enhancing goals, but also to strengthen alliance with ASEAN (Presidential Management Staff 1992). The third section discusses the trade reforms under the administration of President Fidel Ramos. Ramos continued the trade reform programs undertaken in the previous administration. Under his term, the government initiated several reforms that would further reduce tariff barriers. The fourth section discusses the economic impact of AFTA on the Philippine economy. AFTA helped boost the trade relationship with ASEAN, as shown by data following the accession. Improved trade relations with ASEAN were crucial in the implementation of a more open trade policy and increasing the Philippine participation in international trade.

3.1. Economic and political situation in the aftermath of the martial law regime

When Marcos was deposed in 1986, President Aquino inherited difficult problems in terms of slowed economic growth and capital flight. GDP contracted by 9 % in 1984 and 1985 and the economy experienced severe economic recession. The most significant growth gap between the Philippines and other Southeast Asian economies took place in the 1980s, which had been referred to as the Philippines' lost decade. In sharp contrast to the Philippines, it was a period wherein other middle-income ASEAN economies enjoyed high economic growth, boosted by the massive relocation of Japanese FDI in Southeast Asia following the Plaza Accord in 1985. The Philippine economic growth lagged far behind its neighbors (Figure 3-1). Even after the new democratic government was installed in 1986, foreign investors avoided the Philippines due to persistently uncertain political conditions.

Figure 3-1 GDP Growth of middle income economies of ASEAN, 1982-86



Source: Author's calculation based on World Integrated Trade Solution, accessed April 30, 2014

President Aquino's term was imperilled by several coup attempts⁹ that came close to destabilizing the newly installed democratic government. This aggravated the economic condition of the country, which was still beset by numerous problems created by Marcos and his cronies. Given the volatile political environment, reviving the economy and bringing back investor confidence to create jobs for the people (who had been plunged into poverty after the economic crisis during the turbulent years of the early 1980s) was an extremely difficult undertaking.

3.1.1. Challenges to a government in transition

While the government worked on rehabilitating the economy, it also faced pressure from the various anti-Marcos groups that had swept Aquino to power. These groups were composed of businessmen, military, the Catholic Church, the middle class, the radical and moderate left, and allied politicians, all of whom felt entitled to seeing their interests and demands fulfilled by the newly installed Aquino regime. Conflict was inevitable owing to the different interests and backgrounds of these groups (De Dios and Hutchcroft 2003, 50; Abinales and Amoroso 2005).

⁹ Chua-Eoan, Howard and Edward Desmond. The Philippines: The *Coup de tat* that Failed. *Time Magazine*. www.time.com. Corazon Aquino survived five major *coup de tat* attempts in her six-year term.

A pressing challenge was to introduce policy reforms amidst fiscal constraints and the large sovereign debt left behind by the previous government. The Aquino administration's failure to immediately come up with effective policy measures to address critical issues weakened the popularity of the government and had a negative impact on economic reform initiatives, particularly policies regarding payment of national debt and redistribution of resources such as the comprehensive agrarian reform program (CARP).¹⁰ Investor confidence thus remained low; the Philippines was fast losing the chance to attract foreign investment which could have supported economic recovery (De Dios and Hutchcroft 2003, 51-54).

¹⁰ As for the debt payment issue, see Mydan, Seth. "Jaime Ongpin, ex-Aquino aide, dies at 49, apparently suicide" in *New York Times* (December 8, 1987), accessed at www.nytimes.com/obituaries/jaime-ongpin on April 2, 2016. NEDA Director General Solita Monsod eventually resigned due to irreconcilable differences with President Corazon Aquino and turf invasion in NEDA by some of Aquino's favored officials. Finance Secretary Jaime Ongpin committed suicide allegedly due to depression after President Aquino dismissed him from service because of his strong stand to repay the nation's foreign debt obligations—a policy which was not popular with some left-leaning Aquino supporters. As for the Comprehensive Agrarian Reform Program (CARP), many scholars argue that since Corazon Aquino belong to the landed elite (Aquino-Cojuangco clan), her political decisions, especially on land reform, reflected the interest of her class (See Anderson 1988; Abinales and Amoroso 2006, 241). Some others argue that the failure of the CARP had more to do with Cory Aquino's lack of political shrewdness and her refusal to pressure Congress or even engage Congress on a dialogue. There are also those who argue that Aquino took the separation of powers literally, which made her avoid interfering with Congressional decisions (McBeth 1990, 37).

3.1.2. Trade reform as an important legacy of the Aquino administration

However, not all was lost in the efforts toward policy reforms. Towards the end of Aquino's time in power, she was able to rapidly dismantle the excessive tariff protection which used to be manipulated by Marcos cronies to protect their businesses (Tiglao 1990(a), 32). The Marcos regime had been known to favour cronies through the sponsorship of ambitious industrial projects and the monopoly control of trade in important products. One of the measures taken by the Marcos government was the imposition of a large number of import controls on various products. The Aquino government reversed many of those pro-crony trade policies, dismantled the import controls and the agricultural monopolies, and eliminated the policies that had created the special benefits for industries favoured by cronies, particularly tariff protection (De Dios and Hutchcroft 2003, 53). At the same time, the Aquino government also began negotiating accession to AFTA, which was expected to play an important part in locking-in the trade liberalization reforms of the country. These reforms, however, were not easily implemented, as the government had to deal with groups which resisted trade liberalization. This episode is discussed in detail in Chapter 4.

3.2. Trade Reforms under President Aquino

3.2.1. Unilateral trade reforms

Aquino's unilateral trade liberalization program was the continuation of the Tariff Reform Program (TRP) implemented in the early 1980s, which was a part of the IMF/WB-directed Structural Adjustment Program (SAP). The First Phase of the TRP was implemented in 1981-1985 but was interrupted by the People Power revolution. President Aquino restarted the TRP in 1986 and ended the second phase of reforms in 1989. Her government focused on an import liberalization program aiming at dismantling quantitative restrictions (QRs) on imports and reforming the import-licensing system. A key part of the program was the removal of the Central Bank's monopoly power to issue import licenses, a practice which had begun in the post-war government (Austria and Medalla 1996).

The quantitative restriction of imports was a key feature of the Marcos-era trade policy. From 1970 to the mid-1980s, the number of restricted items covered more than a thousand tariff lines, which represented more than 30 % of the total imported items (Austria and Medalla 1996). In 1985, there were 1,798 items in the restriction list (see the column of "Net restricted items" in Table 3-1). In 1986, 951 items—more than half of the restricted items—were liberalized and 28 items were re-liberalized. By 1989,

only 477 items were left as the net restricted items; it accounted for less than one third of the items restricted when the program started in 1986 (De Dios 1994, 7-8).

Table 3-1. The Import Liberalization Program, 1970-1989 (Number of Tariff Lines)

Year	Newly Restricted	Re-restricted	Newly Liberalized	Re-liberalized	Net restricted items
1970					1307
1980					1820
1981	2	0	263	0	1,559
1982	253	52	617	0	1,247
1983	598	28	48	0	1,825
1984	6	42	1	0	1,872
1985	0	0	70	4	1,798
1986	0	4	951	28	823
1987	0	2	170	4	651
1988	0	173	209	10	605
1989	0	0	56	72	477

Source: Medalla, Tecson, Bautista, Power and Associates (1996, 170), Table 1.1; De Dios, Loreli C. "A Review of the Remaining Import Restrictions." PIDS Research Paper Series No. 94-08, 1994.

Notes:

- 1) Net restricted items indicate the difference between the number of restricted items and the number of liberalized items.
- 2) Restricted, also known as regulated items, refer to goods requiring permits from government agencies including the Central Bank.
- 3) Re-restricted items are those once liberalized but regulated again. Increase in re-restricted in 1988 was due to previously encountered technical errors in classification and counting.
- 4) "Liberalized" means deregulated.
- 5) Re-liberalized items are those once liberalized but restricted and entered in the liberalized category again.

Buoyed by the relatively successful implementation of import liberalization, President Aquino approved the Executive Order (EO) 413, a bold measure that would further liberalize trade substantially. The law was a critical turning point in the government's liberalization program as it was intended to revamp the country's four-

decade-old tariff system. While the reduction of quantitative restrictions (QRs) was done item by item, the EO 413 was an across-the-board measure aimed to simplify the structure of tariffs by reducing the number of tiers or levels of the tariff classification (Tiglao 1990b, 42). It would thus affect all businesses, particularly those which had high stakes in the import substitution industry. The EO 413 was met by fierce opposition from members of the affected business groups and the Congress. In particular, some Congressmen felt slighted by the issuance of such an important reform while it was in recess (Montes 1992). The protectionist lobby found allies in Congress, which was all too willing to resurrect the controversial issues against trade liberalization (Tiglao 1991a, 48). The unpleasant experience of the Philippines with free trade during the US colonial years that favored US business interests and their allied elites, and the IMF/WB-backed trade liberalization in the Marcos years that worsened the economic condition of the country, continued to evoke hostility against policies that could potentially expose Filipino businesses to competition and stirred up nationalist sentiments (Shepherd and Albuero 1990, 146).

Eventually, the EO 413 was scrapped and was replaced by Executive Order 470 (EO 470) to appease the opposing groups (Tiglao 1990b, 42) (This episode will be

further discussed in Chapter 4). Under the revised program, the tariff reform would be dispersed to five years and milder tariff cuts would be introduced.

Table 3-2 below compares the tariff cuts in the EO 470 which were spread in five years (from 1991 to 1995), tariff cuts in the aborted EO 413, and the tariff schedule prior to the implementation of the EO 470. In the first year of the implementation of EO 470, the tariff rate would only fall by 3 percentage points in mining, 2 percentage points in manufacturing, and overall tariff rates would only fall by 2 percentage points. Tariff rate in agriculture would start to fall by 1 percentage point in the second year of implementation. Only in the fifth year of the implementation would the tariffs in mining and manufacturing under the EO 470 achieve the level of the reduction proposed by the EO 413. Tariffs in agriculture and overall tariff rates would remain higher than those scheduled by the EO 413.

Table 3-2. Nominal Average Tariffs (in percent)

	Prior to EO470	EO 413	EO 470				
			Year1 <i>1991</i>	Year 2 <i>1992</i>	Year 3 <i>1993</i>	Year4 <i>1994</i>	Year5 <i>1995</i>
Agriculture	35	25	36	34	32	30	28
Mining	14	11	11	11	11	11	11
Manufacturing	27	19	25	23	21	21	19
Overall	28	19	26	24	23	22	20

Source: Soriano, Ma. Cecilia. "Philippine Structural Adjustment Measures", PIDS Working Paper Series No. 92-10, October 1992, p. 26, Table 8.

The revised tariff program was still met by opposition which called for policy reversal. However, the executive branch of the government guaranteed to them that the program will be reviewed in the future (Montes 1992). Hardly had the struggle on the reform program settled when the Aquino administration moved to another initiative of economic liberalization: the ASEAN Free Trade Agreement (AFTA).

3.2.2. Regional trade liberalization under AFTA

During the ASEAN Singapore Summit on January 28, 1992, the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA) was endorsed. Its main objective was to reduce tariffs on trade in goods among ASEAN countries starting from January 1993 to the next 15 years. The Philippines was one of AFTA's pioneer signatories.

AFTA's primary tool is the Common Effective Preferential Tariff (CEPT) scheme, which provided a definite timeframe for tariff reduction for participating countries. The CEPT covers all manufactured goods, including processed agricultural products, but exempts raw agricultural products. CEPT has four main categories: products for inclusion, temporary exclusion list (TEL), sensitive, and general exception. The four categories allowed the participating countries the flexibility to decide which

products will be included in the tariff reduction program, which ones are excluded, and which will be included in the future.

The inclusion list contains two kinds: normal track and fast track. The normal track has two stages as follows. The products with tariff rates at 20 % or less ($\leq 20\%$) would be reduced to 0-5 % within 10 years, while those with tariffs above 20 % ($\geq 20\%$) would be reduced in two stages: (1) a reduction to 20 % within 5-8 years (first phase); and (2) then a reduction to 0-5 % in 7 years (second phase). The fast track program, on the other hand, involves the reduction of tariffs on 15 sectors, specifically, cement, ceramic and glass products, chemicals, fertilizers, gems and jewelry, leather products, pharmaceuticals, plastics, pulp, rubber products, textiles, vegetable oil, copper cathodes, electronics, wooden and rattan furniture. Concerning the fast track, the products with tariffs at 20 % and below ($\leq 20\%$) would be reduced to the 0-5 % level within 7 years, while those products with tariffs above 20 % ($\geq 20\%$) will be reduced to 0-5 percent in 10 years (Table 3-3) (Gochoco-Bautista and Faustino 1994, 37; Chirathivat 1996).

Table 3-3. Tariff Schedule Under the CEPT Scheme					
	Normal Track			Fast Track	
		<i>1st Phase</i>	<i>2nd Phase</i>		
Tariff Rate	$\leq 20\%$	$\geq 20\%$		$\leq 20\%$	$\geq 20\%$
Schedule (No. of years)	10	5 to 8	7	7	10
Target Tariff Rate	0-5%	20%	0-5%	0-5%	0-5%

While ASEAN governments were keen on pursuing AFTA, domestic business groups in ASEAN member countries initially did not share the government's enthusiasm towards this RTA (Nesadurai 2001). This resulted in a free trade agreement that involved the flexibility to temporarily exclude certain products or put them in the exemption list. Moreover, this resulted in uneven commitments among countries. Despite the official statement that AFTA will commence in January 1993, except for Singapore and Malaysia, most participating countries deferred the start of the implementation of tariff reduction (Nesadurai 2001, 98-99).

For all categories, the Philippines indicated that it would use its own schedule until 1995 (Based on Executive Order 470), referred to here as "unilateral," since that tariff reform program had been implemented before CEPT started (Table 3-4). (This is elaborated in Chapter 4). This arrangement guaranteed that ASEAN would not intervene with the Philippines' internal tariff policy until 1995, while also giving a guarantee to its ASEAN partners that CEPT would be implemented in the Philippines after 1995. While the Philippines did not get better treatment than other member countries, specifying that it would use its own unilateral tariff program until 1995 conveniently allowed the Philippine government to use an already existing tariff program, thus skirting domestic resistance that may have arose from business groups to delay AFTA implementation. At

that time, strong domestic pressures resulted in uncertain implementation of CEPT in Thailand and Indonesia and led their governments to request a substantial delay in the implementation of the normal track liberalization (ibid.).

The uneven obligations among members caused dissatisfaction in Singapore and Malaysia, which were committed to abide by the CEPT rules. It was not long before the special consideration granted to the Philippines, Thailand and Indonesia were challenged by Malaysia and Singapore. A new round of negotiations for tariff reduction schedule was proposed; eventually, senior economic officials agreed that AFTA would be relaunched, and tariff cuts would begin in January 1994 (ibid.).

	Fast Track		Normal Track	
	Initial Tariffs above 20% <i>(a)</i>	Initial Tariffs at or below 20% <i>(b)</i>	Initial Tariffs above 20% <i>(c)</i>	Initial Tariffs at or below 20% <i>(d)</i>
Brunei	n.a.	1995	1994	1996
Indonesia	1995	1995	1998	1996
Malaysia	1993	1993	1993	1993
Philippines	Unilateral (sectoral average 1995)*	Unilateral (sectoral average 1995)	Unilateral (sectoral average 1995)	Unilateral (sectoral average 1995)
Singapore	1993	1993	n.a.	1993
Thailand	1995	1995	1998	1999

n.a.=not applicable, no tariffs above 20%

Source: Nesadurai 2001, 98, Table 2.3, with modifications from author

Note: The Philippines specified that it has its own unilateral tariff reduction program which it will follow until 1995, subject to internal review/negotiations.

Technically, unilateral tariff reduction means independent reduction of tariff without reciprocal action by other countries (Irwin 2008).

*Refer to Table 3-2 of this Chapter for specific tariff rates and schedule of tariff reduction.

To commence implementation of AFTA in the Philippines, Aquino created the AFTA Multi-sectoral Commission (AFTA-MSC) on March 16, 1992 (Executive Order 510). AFTA-MSC was a technical body to develop the strategy for AFTA implementation in the Philippines (See Appendix B for members; AFTA-MSC is further discussed in Chapter 4). Since AFTA was signed in January 1992, a few months before the election, the tasks to sustain the Philippines' commitment to trade liberalization and AFTA were essentially passed on to the next administration.

3.3. Trade Policy under President Ramos

3.3.1. Continuity of trade reforms

President Fidel Ramos was elected on May 11, 1992 and assumed the office on June 30, 1992. He inherited the trade liberalization agenda of the previous regime and was largely responsible for completing the tariff reforms enacted by the Aquino administration. Ramos was also responsible for the dismantling of major monopolies in telecommunications and air transport, and the removal of many regulatory barriers in

some key industries (De Dios and Hutchcroft 2003, 54-57). Trade liberalization was an important part of the reform efforts of Ramos and was specifically included in the Medium-Term Development Plan (MTDP), which served as the economic blueprint of the government. Through a series of Executive Orders and Central Bank Memos to further reduce the tariff rates, the Ramos administration sustained the momentum for trade liberalization. Ramos also set up a Tariff Task Force to monitor the reforms and to come up with a long term tariff program that created uniform tariff structure by the end of 2003 (Austria and Medalla 1996).¹¹

3.3.2. Implementing AFTA during the Ramos administration

Under the leadership of Ramos, the strategy for AFTA implementation was developed. As the first RTA joined by the Philippines, AFTA became an important exercise in implementing an international trade agreement in the country. Considering that the Philippines was still completing the transition for redemocratization, it also became one of the early exercises for participatory economic policymaking.

Avoiding the mistake of the previous administration of passing laws without proper consultation with stakeholders, Ramos created special committees whose tasks were mainly to ensure the participation of the private sector. It was in these

¹¹ In particular, Executive Order (EO) 1, 2, 5, 8 and 61 and Central Bank Memos (CB) 10 1347, 1356 and 1365).

consultations with the private sector that problems concerning the revised tariff program under EO 470 were identified (Gochoco-Bautista and Faustino 1994). For example, it was found out that the pace of implementation of unilateral tariff reduction under Executive Order 470 was too slow and would not be able to meet the target set by the AFTA-CEPT. Alburo (1993) calculated the projected number of tariff lines that would be subject to reduction by 1995 and concluded that only 41.9% of all tariff lines would actually be reduced to 20% under the EO 470. More than half (58.1%) would remain to have higher than 20% tariff rates in 1995 (Table 3-5). This is far short of the initially planned target shown in Table 3-2. The share of tariff lines with 0-5% tariff rates would increase only by 0.2 percentage points between 1991 and 1995. If this trend continues, the Philippines would not meet the CEPT targets, which required that all products under the Inclusion List category should have a tariff rate of 0-5% in 10 years.

<i>Tariff Rates</i>	<i>1991</i>	<i>1995</i>
0-5%	6.0	6.2
≤20%	34.7	41.9
≥20%	65.3	58.1
No. of HS Lines	5,561	5,561

Source: Alburo, Florian. "A Study on the Implementation of the Philippine Commitments to the Fourth ASEAN Summit," 1993, as cited in Gochoco-Bautista and Faustino 1994, 93.

Notes:

- (1) 1991 is actual number of tariff lines; 1995 is projected number of tariff lines covered by EO 470.
- (2) HS is "Harmonized System."

To respond to this issue, Ramos created a forum to reopen negotiations between the government and the private sector through the Aquino-initiated AFTA Multisectoral Commission (MSC), which he renamed as the AFTA Advisory Commission (AFTA-AC). Also, the government and the private sector agreed to restart AFTA negotiations in April 1993 to clearly identify the products for inclusion and exclusion.

As a result of frequent dialogues prior to the negotiations and the active campaign launched by the government through the DTI, by the time the government and the private sector sat at the negotiating table to formally discuss AFTA, the private sector already had a certain degree of appreciation of its benefits; hence both the government and the private sector were able to focus on the technical issues of implementation. The government panel was composed of representatives from DTI and NEDA, with other members of the Philippine Council for ASEAN Cooperation (PCAC) as observers. The business side was composed of PCCI representatives and industry leaders led by Raul Concepcion, Oscar Barrera and Meneleo Carlos. Representatives from other business groups also attended as observers during the negotiations (Gochoco-Bautista and Faustino 1994, 73).

During the formal negotiations, the discussion was focused on identifying the products which would be included and excluded under the CEPT scheme. The business sector proposed 48 products for exemption. The government side responded by proposing refinements to the criteria of the selection. The list was later reduced to 39 products. After a gruelling discussion, there was a deadlock between the government and the business sector on the number of products that would be liberalized under AFTA. As expected, the government wanted to liberalize more products, while the business sector wanted to reduce the number in the inclusion list and put some items in temporary exclusion, an action that would slow down the implementation of AFTA.¹² To address the deadlock, the government, under the leadership of DTI, set the criteria for the exclusion list. The set of rules proposed by DTI became the anchor for identifying which products would be included in the CEPT liberalization (Gochoco-Bautista and Faustino 1994, 73-75). While the negotiations turned out to be tedious, progress was achieved to successfully meet the AFTA commitments and sustain the implementation (This episode is also discussed in Chapter 5). On 27 December 1993,

¹² Several exemptions were particularly requested by the private sector for products belonging to these categories: vegetable oils, cement, chemicals, rubber, copper, cathode and pulp, pharmaceuticals, rubber products and textile. This comprised of 9 out of the 15 (60%) products in the Fast track list of AFTA-CEPT (Gochoco-Bautista and Faustino 1994).

Ramos issued Executive Order (EO) No. 145 which mandated that the Philippine government commence implementation of AFTA effective 1 January 1994. The EO 145 nullified the earlier Philippine government commitment in ASEAN that the Philippine tariff reduction program would be based on the Aquino-era EO 470 unilateral tariff reduction program until 1995. Ramos' EO 145 was to be the first of the series of reforms that would accelerate tariff reduction.

Towards the end of Ramos' term in 1998, the government was able to include 91.6% of its tariff lines in the AFTA-CEPT (AFTA Reader 1998, 3). The Philippine inclusion list was remarkably lengthier than the ASEAN average (82.8% of total ASEAN tariff lines), although it was slightly smaller than ASEAN-5's inclusion lists (Table 3-6). Nonetheless, this was a dramatic improvement from the Philippines' initial commitment in AFTA, which covered less than 50% of the Philippine tariff lines.

Table 3-6. The 1998 CEPT Package (% of Total Tariff Lines)

Country	Inclusion	Temporary Exclusion List (TEL)	Sensitive	General Exception (GE)
Brunei	94.0	2.1	0.2	3.7
Indonesia	91.8	7.5	0.1	0.6
Lao	15.0	79.4	2.7	2.9
Malaysia	95.1	3.0	1.1	0.7
Myanmar	43.1	54.6	0.4	2.0
Philippines	91.6	6.7	1.2	0.5
Singapore	98.0	0.0	0.0	2.0
Thailand	99.1	0.8	0.1	n.a.
VietNam	57.0	37.9	0.8	4.3
ASEAN	82.8	15.1	0.6	1.5

Source: Author's calculation based on figures from ASEAN Secretariat, ASEAN AFTA Reader Vol V, December 1998, 3

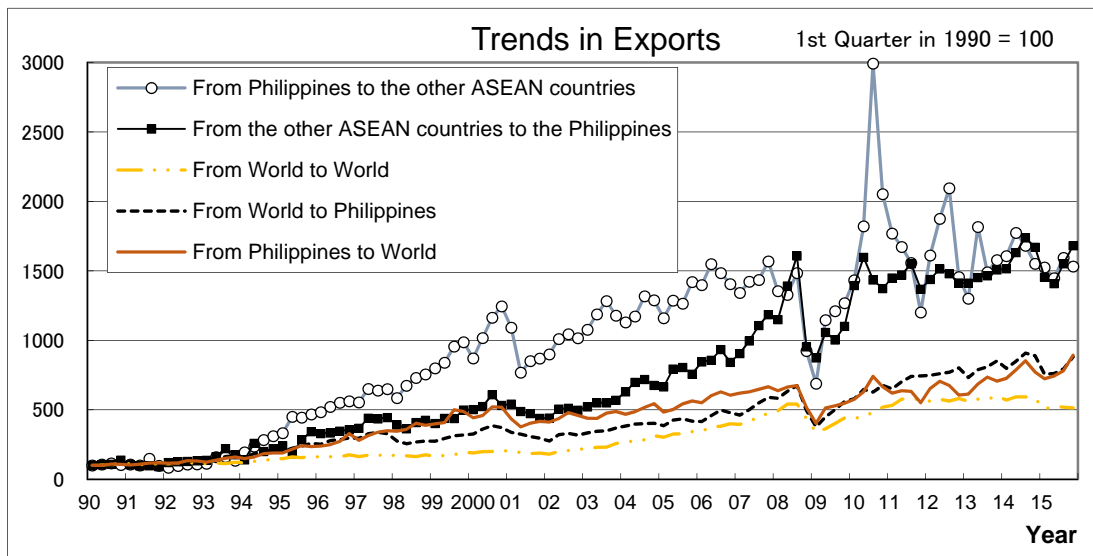
3.4. Impact of AFTA

3.4.1. Stronger trade relationship with ASEAN

The impact of this foreign economic policy shift was shown in actual trade with ASEAN in the Ramos years and afterwards. After the implementation of AFTA in 1992, the trade relationship between the Philippines and ASEAN improved dramatically. The data shows that exports to ASEAN countries had climbed steadily since the 1990s, coinciding with the implementation of AFTA in 1992 and the full implementation of the Common Effective Preferential Tariff (CEPT) Scheme of AFTA in 2002. Exports to ASEAN temporarily dipped in the early 2000 and 2008, owing to both domestic political problems and global financial crisis; however, the growth of exports with

ASEAN countries overall remained higher than Philippines' export to the world (Figure 3-2).

Figure 3-2. Growth trends in Philippine exports, 1990-2015



Source of basic data: IMF Direction of Trade Statistics (DOTS) accessed on May 16, 2016

3.4.2 Diversification of trade partners and composition

As for Philippines' trade partners, the US and Japan lost their shares while ASEAN gained them. In 1982, ASEAN's share of Philippine trade was merely 8.2% of exports and 8.9% of imports. ASEAN's share of exports dropped to 5.6% in 1992 while its share of imports increased to 9.3%. ASEAN became the Philippines' biggest trade partner by 2016, with a total trade share of 21.8% (Table 3-7). Between 1992 and 2012, the Philippines recorded a 168 % increase of intra-ASEAN trade, the highest among the

original AFTA member countries (Figure 3-3). Improved Philippine trade performance with ASEAN helped ease the bias against the trade liberalization resulting from the injurious liberalization policies of the post-war and Marcos years.

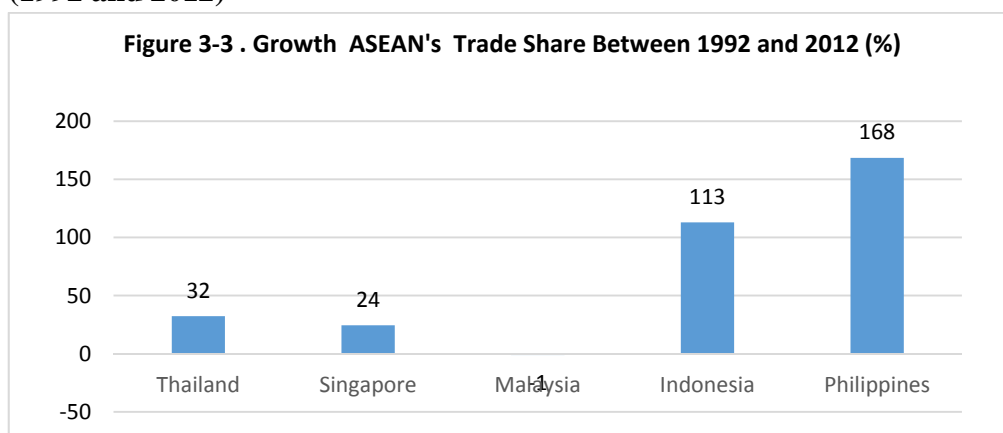
Table 3-7. Share of partner economy in the Philippine trade

Partner Country	1972			1982			1992		
	Export	Import	Total	Export	Import	Total	Export	Import	Total
ASEAN	1.5	5.2	3.6	8.2	8.7	8.5	5.6	9.3	7.9
China	0.1	0.2	0.1	1.1	3.2	2.4	1.2	1.3	1.2
EU	14.8	16.3	15.7	19.3	9.4	13.2	19.3	12.6	15.2
Japan	33.8	30.6	32.0	23.5	17.2	19.6	17.8	21.2	19.9
US	41.8	25.4	32.3	31.7	22.9	26.2	39.3	18.3	26.4

Partner Country	2002			2012			2016		
	Export	Import	Total	Export	Import	Total	Export	Import	Total
ASEAN	15.7	15.8	15.8	19.0	22.8	21.1	15.1	26.2	21.8
China	3.9	3.3	3.6	12.0	11.0	11.4	11.1	18.6	15.6
EU	18.4	8.1	12.9	11.5	7.5	9.3	12.2	7.9	9.6
Japan	15.1	19.3	17.4	19.1	10.6	14.4	20.9	11.8	15.4
US	24.7	23.5	24.1	14.4	11.7	12.9	15.6	9.0	11.6

Source: Author's calculation based on data from World Integrated Trade Solution (Accessed on 28 July 2017)

Figure 3-3. Growth rate of ASEAN's trade share to member countries in 20 years (1992 and 2012)



Source: Author's calculation based on World Integrated Trade System Data (WITS), accessed October 10, 2014

The composition of Philippine trade to ASEAN also changed to a great extent.

Whereas the top traded products used to be foods, they were replaced by machinery and equipment. These higher value-added products came to represent the biggest share of total Philippine trade with ASEAN by the beginning of the 2000s. In 2012, the sector accounts for 73% and 42% of total export and import, respectively (Table 3-8).

Table 3-8. Product Shares of Philippine Trade with ASEAN (Per cent of Total Phil Trade)

Product Description	1982		1992		2002		2012	
	Export	Import	Export	Import	Export	Import	Export	Import
Machinery and transport equipment	4	5	22	19	86	54	73	42
Mineral fuels, lubricants and related products	0	69	5	29	3	12	4	18
Chemicals	4	6	16	13	2	12	5	14
Food and live animals	13	8	5	4	2	6	4	10
Manufactured goods	8	4	5	10	3	7	6	7
Miscellaneous manufactured articles	2	1	3	2	2	3	5	3
Crude materials, inedible	1	0	2	8	1	4	1	3
Animal and vegetable oils and fats	1	0	4	2	1	1	1	2
Beverages and tobacco	0	0	1	1	0	1	2	0
Commodity & transacts. Not class.	66	8	37	13	0	0	0	0

Source: Calculated from Data based World Integrated Trade Solution (WITS), <https://wits.worldbank.org/WITS/WITS/> on March9, 2014 (Based on SITC1-3)

A similar pattern of change from raw materials and food products to machinery and processed goods is observed in Philippine trade with the world as a whole. Helped by the expanding trade with ASEAN, the Philippine industrial structure has been transformed to higher sophistication.

Hill (2003) argued that the success in ‘high tech sectors’ such as electronics helped establish a positive international reputation for the Philippines by showing that the country possesses capabilities to climb up the development ladder in the same way that other newly industrialized countries did. The Philippine performance in the regional production network has improved due to expanded access to the regional market, particularly in sectors (such as electronics) which have gained competitiveness (Table 3-9).

Table 3-9. Share of Total ASEAN Value Chain Trade, 1988-2012

Share of Total ASEAN Value Chain Trade	1988-1992	1993-1997	1998-2002	2003-2007	2008-2012
Singapore	41.7	35.2	26.2	21.2	18.8
Malaysia	27.3	31.7	32.5	32.6	30.2
Thailand	15.8	15.5	15.5	17.9	21.6
Philippines	9.0	9.4	14.9	14.9	11.1
Indonesia	5.7	6.7	7.3	8.0	8.0
Viet Nam	0.3	1.2	2.4	4.1	8.8

Source: Author’s calculation based on UN Comtrade data accessed on December 2013, and using a formula developed by Athukorala (2011) for computation of value chain trade share

3.5. Embedding the trade reforms

Strong government support for tariff reforms through AFTA helped break the pattern of policy reversals in trade reforms and created a path towards closer economic linkage to ASEAN and Asia. Improved trade ties with ASEAN provided a platform for the Philippines to engage in mutually beneficial economic cooperation with other Asian economies, which encouraged the government to further open the economy through regional trade agreements (Interview with Rafaelita Aldaba, Philippine Institute for Development Studies (PIDS) fellow and Department of Trade and Industry assistant secretary).

AFTA provided the blueprint for other FTAs that the Philippines entered into in the following years. The same gradual elimination of tariffs used in AFTA's CEPT scheme was used in other FTA engagement of the Philippines. ASEAN/AFTA commitments provided the model for the gradual scheduling of tariff reduction and the classification of products as 'normal and sensitive,' allowing the private sector to adjust to the process of liberalization. Moreover, AFTA helped the Philippines prepare to accede to the WTO in the sense that the main actors in the Philippines discussed and mostly agreed on tariff reforms consistent with the GATT/WTO rules. The Philippines had signed the GATT in 1980 during the Tokyo Round of negotiations. However,

GATT specifically needed the Senate ratification to be binding. GATT was eventually ratified by the Philippine Senate only in December 1994. This was almost one year after the negotiation between the government and the private sector on AFTA had been concluded. Ramos himself was said to have pushed the ratification (Rodriguez 1994; Southeast Asian Fisheries Development Centre 1994).

The table below shows the tariff reduction from 1981 to 2010 and the average nominal tariff rate in the key sectors: agriculture, mining and manufacturing. It can be seen that by 1995 overall tariffs fell dramatically, from 27.8% in 1990 to 15.9% in 1995 and were further reduced to half in the 2000s (Table 3-10).¹³

Table 3-10. Philippine Average Nominal Tariff, 1981-2010

Year	Agriculture	Mining	Manufacturing	Overall
1981	43.2	16.5	33.7	34.6
1985	34.6	15.3	27.1	27.6
1990	34.8	14.0	27.5	27.8
1995	28.0	6.3	14.0	15.9
2000	14.4	3.3	6.9	8.0
2005	11.9	2.5	7.3	7.8
2010	11.9	2.3	6.2	7.0

Source: Yap et al 2010, 52 based on Philippine Tariff Commission data

¹³ Tariff reduction programs were further advanced upon accession of the Philippines in WTO in 1995, also under the Ramos administration. Under WTO, all quantitative import restrictions on agricultural products, except rice, were eliminated.

The Philippine tradition of strong commitment to ASEAN and pursuit for deeper regional economic cooperation was continued by the succeeding administrations, under President Estrada (1998-2001), President Arroyo (2001-2010), and President Benigno Aquino, Jr. (2010-2016). Further reforms have been introduced to liberalize the economy based on the terms set by AFTA.

In February 2009, the ASEAN Trade in Goods Agreement (ATIGA) was signed. It replaced the CEPT-AFTA and included new elements to enhance freer trade in goods in ASEAN. The ATIGA was implemented on May 7, 2010 and had been one of the pillars of the ASEAN Economic Community (AEC). Under the ATIGA, 98.6% of tariff lines of the Philippines now have zero tariff rates, less than 1 percent has tariffs of 5 percent rate, 0.19 percent has tariffs above 5 percent rate, and 0.26 percent of the tariff lines are included in the General Exception list (Table 3-11). Sensitive agricultural products such as corn and meat products were also moved to the inclusion list for tariff reduction. Under the administration of President Arroyo, Executive Order 850 was issued in 2009 and made all products under the inclusion list duty free.

Table 3-11. Frequency Distribution of Philippine ATIGA Tariff Rates

ATIGA Rate (%)	Number of AHTN 2012 Tariff Lines				Percentage Share (%)				
	2012	2013	2014	2015	2012	2013	2014	2015	2016
0	9,683	9,683	9,683	9,683	98.6	98.6	98.6	98.6	98.6
5	74	74	74	92	0.75	0.75	0.75	0.94	0.94
10	0	0	18	0	-	-	0.18	-	-
18	0	18	0	0	-	0.18	-	-	-
28	18	0	0	0	0.18	-	-	-	-
35	0	0	0	19	-	-	-	0.19	0.19
40	19	19	19	0	0.19	0.19	0.19	-	-
GE*	26	26	26	26	0.26	0.26	0.26	0.26	0.26
Total	9,820	9,820	9,820	9,820	100	100	100	100	100

* General Exceptions=exempted from any tariff concessions

Source: Primer ATIGA, Philippine Tariff Commission

(<https://drive.google.com/file/d/0B6XF3AhfubONbEVyZU5faExjTWM/view?pref=2&pli=1>), accessed on 5/19/2016

Note: AHTN=ASEAN Harmonized Tariff Nomenclature, adopted in 2004 by ASEAN Member States based on the Harmonized System (HS) of the World Customs Organization. AHTN is an 8-digit commodity nomenclature that simplifies tariff headings to facilitate within the region.

Summary

The transition from a protectionist economy to a liberalized one was carried out as part of the economic reforms implemented in the redemocratization years. AFTA played an important role in the trade reform agenda pursued by the government, and accession to this trade agreement can be considered as a turning point in foreign economic policy in the redemocratization years.

It is clear that despite the initial lukewarm support for embarking on trade reforms and AFTA, the economy largely benefitted from this regional trade agreement.

Since the signing of AFTA in 1992, there have been opportunities for the Philippines to improve its trade relations with ASEAN. This subsequently provided the platform to expand Philippine trade with East Asia.

The economic opportunity provided by AFTA in terms of market access, trade expansion and regional connectivity provided overwhelming evidence of the benefits of an outward- oriented economy and encouraged many members of the private sector to support trade reforms in the subsequent years. This would not have been possible without the efforts of the actors who fought for trade reforms and the institutions that enabled the realization of those reforms, as well as the internal political dynamics and external factors that made possible the policy shift. The following two chapters provide detailed discussion of the actors, institutions, internal politics and external factors that instigated the trade reforms and AFTA implementation.

Chapter 4

Explaining trade liberalization and AFTA accession in the Aquino years

The government under President Corazon Aquino encountered many challenges during the years of transition. The repressive Martial law regime and the political upheaval prior to the people power revolution had worsened the economic situation of the country. The survival of the new administration depended mainly on its ability to revive the economy by developing policies to spur growth. Trade reforms were one of the earliest economic reform initiatives undertaken by the government; the decision to further liberalize the economy through AFTA could be considered as an important part of the Aquino government's efforts to rehabilitate the economy. These reforms, however, were not merely technical decisions, but also the outcome of dynamics within the domestic structure and its interaction with the international environment and domestic politics.

This chapter will discuss the explanatory variables for trade reforms in the Aquino years. The first section identifies the actors, their stake on the policy and preferences at that time, and the sources of those preferences. The second section describes the institutions that allowed the government to advance trade liberalization

and eventually accede to AFTA. The third section looks into the impact of the changing foreign economic relations to the domestic structure. The fourth section examines the critical role of politics in the policy reform process.

4.1. Actors and their preferences

In this section, I will examine the leading domestic actors in the trade reforms in the Aquino government. Both state and non-state actors had important roles in trade reforms in the redemocratization years of the Aquino administration. The main state actors were the executive and the technocrats. In the presidential form of government, “executive” refers to the president or to the chief executive and the top members of his/her cabinet (Carino 1992, 18). In the context of this dissertation, “executive” is interchangeably used with president. President Aquino could be considered as the principal actor in the trade reforms since her decision to open the economy was crucial to the entire process.

The technocrats were another important group of state actors in the Aquino years. Technocrats--non-elected experts appointed by the executive to formulate and carry out national economic policies--are economists closely linked to academic and research institutions. They also include some professional managers, recruited from the private

sector to serve as part of the upper level management team of the government (Teik, Tadem and Shiraishi 2014).

Non-state actors, particularly business groups, also figured prominently as both constituents and participants in the policy reform process in the Aquino years. No other president of the Philippines was more indebted to non-state actors than Aquino, since the non-state actors started the political movement that eventually propelled her to presidency.

4.1.1. State actors: the executive and the technocrats

4.1.1.1. The Executive: President Corazon Aquino

President Corazon Aquino restarted the trade reform program as soon as she was elected. Due to the nature of her ascent to power, there were high hopes that she would perform major reforms to rehabilitate the economy-- reforms that her predecessors had failed to implement. However, the economic reforms that she implemented were eventually limited due to various political and economic impediments.

Nonetheless, Aquino had always maintained that a key focus of her administration was “*to restructure the economy and get out of cronyism.*” Recalling her achievements as President, she stated in 1992 that “*this goal was achieved through*

liberalization of trade and investments that included removal of quantitative restrictions or QRs, lifting of price controls, lowered protectionist tariffs and liberalization of the foreign exchange market.” (Corazon Aquino speech, “Reflections on Our Development”, 1992).

The government’s trade liberalization agenda was echoed in her international engagements, especially in ASEAN. Since her first official appearance at ASEAN in the June 1986 ASEAN Economic Minister’s Meeting (AEM), three months after she began her term as president, Aquino brought regional economic cooperation to the negotiating table and made it one of her advocacy points in ASEAN. Her international popularity boosted the prestige of the Manila Summit in 1987 and gave the Philippines an opportunity to accelerate the economic reforms that she envisioned for the region. Through representation by then Philippine Trade and Industry Secretary Jose Concepcion Jr., the creation of a *‘duty-free zone in ASEAN by the year 2000’* (Weatherbee 1987, 1230), a regional trade arrangement resembling AFTA, was proposed by the Philippines. The Philippine government, through Secretary of Foreign Affairs Raul Manglapus, revived the idea in July 1990 at the ASEAN Ministerial Meeting (AMM) in Jakarta and proposed it in the form of the ASEAN Treaty on

Economic Cooperation (Gochoco-Bautista and Faustino 1994; Abad 2011, 118; Severino 2006, 15).

Aquino's aspirations for AFTA were reflected in her speech in the 1992 Singapore Summit of ASEAN, when she stated: "*I look forward to our early agreement on these important initiatives because they embody the ideas expressed in the Philippine proposal for an ASEAN economic cooperation*" (Abad 2011, 118-119). The Philippines became one of the founding members of AFTA, which was signed on January 28, 1992, towards the end of her presidential term and a few months before the general elections, wherein Fidel V. Ramos was elected president.

4.1.1.2. Technocrats

Technocracy emerged as an element of the post-war, newly independent Philippine state in the late 1950s and 1960s. The first batch of technocrats was a group of US-trained economists/experts tasked to modernize the economy and introduce new systems in governance (Ocampo 1971). Yet, during this period, technocrats were considered more as "middlemen" who sold new ideas to the public to legitimize policies (Arcega 1970; Calderon 1979). As mentioned in Chapter 2, during the Marcos period, the technocrats were actually given autonomy and privileged positions to influence policies. However, towards the end of the Marcos years, the technocrats lost this

privilege. As political outsiders, many technocrats started to express their disapproval of Marcos' policies. The Marcos-era NEDA Chief Gerardo Sicat supported the demand for a more open, democratic political system (Dubsky 1993, 180). Many technocrats also openly backed the political opposition's demand for a "free and credible" election to challenge the corrupt and interventionist Marcos government (The Philippine Economic Society 1985, 64-79).

The technocrats survived the transition from the Marcos regime and then became catalysts for the reforms in the redemocratization years. They espoused the same economic fundamentals which were implemented but undervalued in the latter years of the Marcos administration: liberalization, free competition, and free market. During the time of Aquino, the technocrats enjoyed considerable power as the President relied on them to resolve the economic problems surrounding the transition period. Aquino's distrust of the traditional politics and her inclination to remain non-partisan drove her to rely on the technocrats. Consequently, Aquino gave the technocrats extensive powers in economic policy making that allowed them to reflect their preference on policies (Dubsky 1993, 181).

Technocrats from the Marcos and post-Marcos years more or less shared the same background: US-educated and/or alumni of the University of the Philippines

School of Economics. They also shared common economic assumptions when they designed policies under the Aquino government (Tadem 2014). While some scholars argue that the post-Marcos technocrats merely continued the neoliberal agenda from the 1980s (Tadem 2014; Bello 2005), the redemocratization-era technocrats insisted that they were guided by development economics tenet (Paderanga 2005) and their policies were based on their ideals of “*promoting economic and political freedom, particularly freedom from state interventionism associated with Marcos*” (Tolosa 2005). Aquino’s top technocrats embodied these ideals.

(a) Jesus Estanislao

The leading technocrat in the Aquino administration was Harvard-educated Jesus Estanislao,¹⁴ often referred to as the president’s ‘economic czar’ (Tiglao 1991b). He is considered to be one of the Philippines’ “*high powered intellectual activists*” who were close to Aquino and took part in the campaign against Marcos (Bello 2009). Amidst the crisis atmosphere following an attempted *coup d’état* in December 1989, Estanislao became the symbol of stability as he led the meetings to discuss the country’s development plans and strategies for economic reforms. The participants of the

¹⁴ Estanislao would later become the first Dean of the Asian Development Bank Institute (ADBI) in Tokyo, Japan.

meetings included business leaders, members of the academia, and key government agencies (Tiglao 1991b; Montes 1992).

Estanislao was known to be the most trusted economic adviser of Aquino (Montes 1992). He provided the rationale for the government's economic direction, stating that democratic transition cannot be fully attained unless other aspects of governance are also changed. He insisted that economic transition must be guided by the same principles that guide the political and social transformation: *“it should provide the widest room possible for participation and contribution... (that will lead to) the creation of an open and free society”*. He highlighted that *“economic liberalization is part of the commitment to freedom and openness”* (Estanislao 2001, 72, 76).

Estanislao framed the economic reforms as *“liberalization and the opening of the economy.”* Trade liberalization and tariff reforms became one of the most important instruments to realize that goal. He acknowledged that many of the reforms implemented were controversial at that time; hence, they had to be delayed to give room for debate and negotiations. Looking back, he also stated that the execution of the reforms was not always ideal, and some of the policies introduced were even flawed. Nonetheless, Estanislao strongly believed that those who led the reforms were

guided by a common objective, which was “*a shared commitment to democracy*” (Estanislao 2011).

(b) Jose Concepcion Jr.

One of the most influential economic managers of Aquino in the early stages of reforms was Jose Concepcion Jr., Secretary of the Department of Trade and Industry (DTI). Concepcion, a close political ally of Aquino, headed DTI from 1986 to 1991, and was co-founder of NAMFREL (National Citizen’s Movement for Free Election) and first national chairperson. NAMFREL is the citizen’s election watch funded by the Catholic Church and leading business executives in the Philippines. NAMFREL exposed the massive cheating by Marcos and his supporters in the snap election of 1986, which fuelled the demonstrations in the same year (Coronel 2006).

However, unlike Estanislao who had a preference for liberal economic policies, Concepcion’s policy preference was less straightforward. He was indeed supportive of free trade at the regional level and in fact led the Philippine delegation during the Manila Summit of 1987, which called for free trade in ASEAN (Weatherbee 1987, 1230). On the other hand, he was said to be less supportive of the unilateral trade liberalization. Concepcion’s family had a high stake in protected industries, particularly the electrical appliance and processed food sectors (Montes 1992, 97-98). While he did

not block unilateral trade reforms directly, he did not show strong support for implementation of the program. This will be further discussed in Section 4.3.

4.1.2. Non-state actors

4.1.2.1. Private businesses

The policy preferences of many domestic actors, including private businesses, had evolved with the Philippines' changing domestic economic structure and international economic links since the Philippine independence in 1946. (The impact of this transformation will be further elaborated in Section 4.3.1.)

During the colonial years, the agro-exporting elite supported the free trade policy with the US. In the post-war years, the deterioration of terms of trade concerning agricultural exports to the international market drove many members of the agro-exporting elite to diversify their business operations. During that period, the ISI was also being implemented, and so, the subsidies and incentives provided by the ISI policy helped finance their business diversification. Due to the economic elite's political connections, they acquired priority access to the subsidy provided during the ISI years, which financed their business expansion to other more profitable sectors (Rivera 1994; Hutchcroft 1998; Kang 2002).

The economic diversification in the post-war years led to changes in interests and transformed the policy preferences of private businesses. Those who were heavily invested in the protected industrial sector supported the protectionist policies, while those who had smaller investments in the industrial sector, specifically in the protected manufacturing sectors, were less concerned about issues concerning industrialization and protection of the manufacturing sector. The Lopez family, sugar baron of “fused status” (being both political and economic elite) (Wurfel 1991) exemplified the successful economic diversification of the traditional elite in the service sector. The Lopezes diversified their business in the public utilities sector (print and broadcast media, telecommunications, power generation and distribution, real estate, infrastructure) (McCoy 1993, 429-536). Having little interest in the protected industrial sector, the Lopezes became part of a new breed of capitalists who had little objection to tariff-liberalization. Mr. Eugenio Lopez Jr., a scion of the older generation of Lopezes, was appointed Chairman of AFTA-MSA by Aquino, and played an important role in promoting AFTA, as discussed in Chapter 3.

The mid-1980s to early 1990s witnessed dramatic changes in the economic structure as a result of the fast-growing service sector. The service sector’s share of GDP increased from 37 to 45 % between 1984 and 1991, while the industrial sector

saw a decline from 38 to 34 % during the same period (own calculation based on the WDI data). The overseas Filipino workers (OFW) phenomenon pushed that structural change further towards a more service sector oriented economy, reducing business interests in the protected industrial sector. The consumption-driven economy, fuelled by remittances from OFWs, drew capitalists to invest in the more profitable and dynamic service-oriented businesses. The rise in number and influence of Filipino-Chinese businessmen engaged in the lucrative service sector (shopping malls, retail, restaurants, transportation) was part of the phenomenon of the changing domestic structure and the policy preferences of actors (Hedman and Sidel 2000).

As for the trade liberalization issue, the diverging preferences of private businesses were reflected in business associations. Two business groups with opposing outlooks, the Makati Business Club (MBC) and the Philippine Chamber of Commerce and Industry (PCCI), emerged as the private business groups with the strongest influence in the trade reforms.

(a) The Makati Business Club (MBC)

One of the most active private sector groups in the economic reform movement was an organization composed of Manila's corporate business elite, the MBC (Makati Business Club). The MBC which rose to prominence as a group of politicized business

executives, was composed of the largest and most dynamic corporations in the Philippines represented by senior executives who were also among the most educated businessmen in the country. The MBC is considered the lead private sector organization bringing together business leaders, government officials, and community leaders for discussion of economic reform issues (Tiglao 1991c).

MBC's role in political and economic reforms was significant because it was involved in the campaign against the Marcos dictatorship. The Club was founded in 1981 to be the platform for business leaders *"to speak out, support, or oppose, as a single voice, policies that affect national life"*. MBC's founder, Enrique Zobel, was a member of the elite Zobel de Ayala family, the family who constructed the country's financial district, Makati City (Buenaventura 1997).¹⁵

The MBC was the first organized business group to directly challenge the policies and corrupt practices of the Marcos administration (Buenaventura 1997). The MBC created a venue for private sector discussion of issues such as bailouts of crony corporations and the privatization policy of the government. It was also politically

¹⁵ However, Enrique Zobel and MBC ended up being on the opposite side of the political divide when Zobel gave the last minute support to the ailing Marcos (Tiglao 1991c).

active in encouraging people to challenge the authoritarian regime and in promoting freedom of the press (Tiglao 1991c).

MBC's capitalist/international orientation made it one of the most active supporters of free trade in the country after Marcos stepped down. While MBC's membership comes from diverse business sectors, many of its members are from businesses with minimal stakes in trade protection. The most prominent members of the MBC, those from the Zobel de Ayala family, are engaged in real estate, banking and telecommunications industry.

MBC's support gave government confidence because the latter's economic liberalization policy was backed by an influential group in the private sector (Tiglao 1991b, 83). The MBC later worked closely with the government on matters related to trade reforms and AFTA implementation (Gochoco-Bautista and Faustino 1994, 44).

(b) Philippine Chamber of Commerce and Industry (PCCI)

The PCCI was officially established on July 1, 1978, although its roots can be traced to the 1886 establishment of the *Cámara de Comercio de Filipinas*, an organization composed of the three largest companies in Manila owned by Spanish businessmen.¹⁶ The organization later expanded to include Filipinos and Chinese mestizos. The organization was known as the “spokesman of Filipino manufacturers” in

¹⁶ “History of the Philippine Chamber of Commerce & Industry.” www.pcci.org

the post-war years. It had a reputation for being “nationalistic and aggressive” and maintained a reputation for being protectionist even after ISI policy had become unpopular. (Interview with PIDS Senior Fellow Dr. Erlinda Medalla)

During the time of Marcos, he designated the PCCI as the official representative of the private sector (Letter of Instruction No. 780 July 1978). Historically, though, the PCCI did not have a consistent record of successfully translating its power into organized action to pressure the government or translating their influence into votes (Carroll et al 1970, 32). Thus, despite the official designation given to PCCI during the martial law years, the PCCI did not have a strong impact on the trade policy making process.

In the redemocratization years, the government tried to deepen the participation of the private sector in the policy making process, which provided the PCCI a renewed opportunity to increase its influence on economic policy and other aspects of governance (Gochoco-Bautista and Faustino 1994, 43).

The PCCI became the platform for many import-substitution businesses to oppose trade liberalization. Many of those businesses originated in the post-war ISI years; a number of them survived because of government subsidies, high tariff walls and

heavy government regulation. They enjoyed virtual monopolies and were said to have built an “unholy alliance” with labor unions to exploit nationalist sentiments against free trade policy to increase the pressure against the government’s trade liberalization policy (Tiglao 1991a).

4.1.2.2. Academic community

In addition to private businesses, the academic community, which included the country’s intellectual activists, university professors and researchers, played an important role in the debate on trade liberalization. The academic community and civil society were recognized as the “national conscience” with regard to the government’s implementation of its policies (del Rosario 2012).

Political participation of the academic community flourished during the martial law and their arguments against the excesses of the Marcos rule were used by the opposition’s campaign to oust Marcos. The University of the Philippines School of Economics (UPSE), in particular, became an influential force in the campaign against crony capitalism (Bello 2009). The UPSE was also the main source of top economic managers of the country. The post-Marcos directors of NEDA were all professors at UPSE. Even after Marcos, the papers written by UPSE professors and researchers continued to contribute to the shaping of the economic policies of the country (Tadem

2014), and many of the economists of the lead government think-tank, the Philippine Institute for Development Studies (PIDS), mostly also alumni of UPSE, provided significant technical inputs to important economic policies of the government, including implementation of AFTA.¹⁷

However, the academic community has also been divided on the issue of trade liberalization. The anti-trade liberalization movement, which was originated by the nationalist economists of the post-war years, had a wide base of support from intellectual activists and left-leaning groups who campaigned against the “neoliberal agenda and its variants”, and opposed the “neoliberal elites” and the so-called capitalist development espoused by IMF/WB (Tadem and Tadem 2003; Bello et al 1998).¹⁸ While not directly linked to formal policymaking, the anti-free trade groups were very articulate on the perils of free trade. Their public statements were followed closely by the media and they had supporters from Congress, the civil society, anti-free trade business groups, and part of the national bureaucracy (such as the Department of

¹⁷ Among the studies on AFTA conducted by PIDS were Pineda (1997a), Pineda (1997b), Azarcon (1997), DeDios (1997), Yap (1997), and Intal (1997). (See www.pids.gov.ph to access and for other related studies).

¹⁸ In a forum held at the University of the Philippines in 2005, development economics professor and activist Filomeno Sta. Ana stated that such “market fundamentalism” or “one-size-fits all model” had done more harm than good. Prof. Walden Bello, who is considered to be one of the leading scholars of the anti-free trade movement, maintains that dependence on foreign capital only lead to economic weakness and vulnerability (Bello 1998).

Agriculture) which was concerned about trade liberalization's impact on farmers and rural interests (Abad 2011).

A segment of nationalist scholars, however, lauded the Aquino administration for the importance accorded by the government to economic cooperation with ASEAN. AFTA was not only considered as a strategy to improve the economic position of the Philippines, but was also seen as the onset of the government's assertion of an autonomous foreign economic policy (Constantino 1997; De Dios 1998a).

The preferences of the domestic actors discussed above had direct and indirect influences on the shaping of the country's trade reform agenda during the Aquino administration. However, as mentioned in Chapter 1, actors' preferences alone are not enough to achieve a policy shift. Institutions played significant roles in the realization of those preferences into concrete policies.

4.2. Institutions that enabled the government to pursue trade reforms

The importance of institutions for policy reform is widely recognized. Institutions determine the rules, both formal and informal, that govern the way the actors interact (Rodrick and Rosenzweig 2009). Institutions played a significant role in the Philippine trade reform and AFTA accession. In particular, specific laws

pertaining to trade policy making and the structure of congress provided the opportunity to realize the trade reform goals of the government.

4.2.1. Laws that strengthened the presidential powers in trade policy making

The presidential prerogative in trade policy was bolstered by the laws that expanded the executive discretion regarding policymaking. Those laws provided the president with adequate power to design the tariff structure and enter into trade agreements.

Specifically, under the 1978 Tariff and Customs Code, enacted during the Martial law and continued to be used in the post-Marcos years, the president is allowed to increase or decrease import duties, within certain limits. (Section 401, Presidential Decree (PD) 1464) The Tariff Code also authorized the president to enter into trade agreements with foreign governments or international bodies, and to modify duties and other import restrictions. (Section 402, Presidential Decree (1464); email communication with trade lawyer Atty. Dorothea Lazaro 2015)

The Aquino administration maintained the discretion power of the president granted by the 1978 Tariff and Customs Code. While Congress filed Republic Act No.

6647 on 29 January 1988 to amend the Code, the amendment was quite nominal.¹⁹ Most of the content and key provisions of the 1978 Code were preserved in essence and still served as the main basis of the country's trade law. When Aquino implemented the tariff reform program, some Congress members expressed disapproval of President Aquino's failure to consult with the industry sector. However, unable to find a legal ground against the trade reform implemented by Aquino, eventually the only issue that the congress raised against the president's tariff program was her failure in consultation (Montes 1992, 106).

The above-cited provisions in the Tariff Code (Sections 401 and 402) were noted by Supreme Court Associate Justice Florentino Feliciano to be "*constitutionally flawed*".²⁰ Based on the 1987 Philippine Constitution, tariff-setting is basically assigned to the legislative branch of the government, and not in the president himself/herself,²¹ although the constitution authorizes the congress to delegate to the president, subject to

¹⁹ The Congressional amendment was limited to Section 104 of the 1978 Code, which prescribed new tariff rates for 31 categories of goods and prohibited the president from touching those categories while congress is in session (Feliciano 2009).

²⁰ Justice Feliciano acknowledged that in essence the law is constitutionally flawed because it eschews pluralism in policy making and could easily be subject to abuse given the virtual monopoly of power given to the president. However, he also stated that "*it made possible certain efficiencies and economies, if only because of fewer participants in the decision-making process...*" (Feliciano 2009, 336).

²¹ Article IV, Sec. 24 of the 1987 Constitution states that, "all appropriation, revenue and tariff bills, as well as bills authorizing increase of the public debt shall originate exclusively in the House of Representatives". The same law appears in the 1935 Constitution.

certain limitations and restrictions, the power to modify tariffs, quotas and other duties (Feliciano 2009, 84). For instance, Article VI, Section 28 (2) of the 1987 Constitution states:

“The Congress, may by law, authorize the President to fix within specified limits, subject to such limitations and restrictions as it may impose, tariff rates, import and export quotas, tonnage and wharfage dues and other duties within the framework of the national development program of the Government.”

This stipulation was one of the constitutional provisions that were reinstated, *ad verbatim*, in the 1987 Constitution from the 1935 Constitution of the Commonwealth of the Philippines (Article VI Section 22 (2)). The same stipulation also appeared in the 1973 Constitution promulgated during the Martial Law regime (Article VIII, Section 17(2)) (Annex A). The core logic of that stipulation is that *“the power to set tariffs is fundamentally a legislative power that was merely delegated to the president, subject to limitations established by the delegating authority”* (Feliciano 2009, 320).

On the other hand, while the Constitution states that tariff policy is mainly the domain of the Congress, the Tariff Code augmented the executive powers regarding policy making. As discussed in Chapter 2, during the martial law period, the congress was abolished and a rubber stamp legislature was put in place. Marcos thus gained the

full control of legislature and all its powers. Marcos then amended the Tariff Code (through Presidential Decree (PD) 34 in 1972, and PD 1464 in 1978, respectively), which removed many of the restrictions in the old 1957 Tariff and Customs Code and further expanded the presidential powers. The power to set tariffs was, in that way, effectively transferred to the president, thereby securing the executive's control of tariff-matters.

Using these laws, Aquino was able to avoid congressional inquiry concerning her trade reforms and AFTA accession. The Tariff Code thus protected the president from the Congress, and averted a potentially prolonged debate that could have derailed trade reforms and the AFTA accession (Feliciano2009, 327).²²

4.2.2. The Congress' weak interest in issues pertaining to trade policy reform

While the Aquino administration reinstated the Congress and its constitutional powers in trade-policy making restored, the Congress, for most of the time, maintained a peripheral role in trade policy reforms. Tiglao (1992, 83) explained that the Congress' weak interest in economic policy issues such as trade liberalization could be a

²² Specifically, the Tariff Code's Section 402 (Presidential Decree 1464) authorizes the president, *without needing to secure congressional approval*, to enter into trade agreements with other governments or international bodies, and to modify duties and other import restrictions as the president deems appropriate (Email communication with Atty. Dorothea Lazaro, December 2015).

consequence of how the Congress is structured. The senators (Upper House) are elected by national vote. Most of the time, the senators do not need a viable platform to win an election since the senatorial election has largely become a popularity contest. When elected, many of them eventually advocate safe, popular causes and distance themselves from politically controversial issues such as trade liberalization which could diminish their popularity among voters on the left.

Meanwhile, the House of Representatives (Lower House) has small constituencies limited to electoral districts. Satisfying the patron-client type relationship with constituents by providing them with local jobs and favors is most important for their re-election. Advocating policy that benefits the national economy does not affect their immediate political survival.

4.3. Impacts of external relations

The Congress' feeble interest in trade policy reform could also be an outcome of the domestic structure which had changed substantially since the post war years. Even before the trade reforms were implemented by Aquino, the preferences of the domestic actors had already been reshaped by the country's changing international linkages, as was discussed in Section 4.1.2.1. Meanwhile, the successful people power revolution of 1986 revitalized the partnership with the international community, helped the nation

rebuild its democratic institutions, and improved its economic prospects in the international economy, which prompted a more outward-oriented outlook in many sectors.

4.3.1. Deindustrialization and social preference

As pointed out in Section 4.1.2.1, significant changes in the international economy in the post-war years had a profound impact on the domestic structure. The preferences of the leading domestic actors, in particular, were substantially influenced by those changes.

The international trade structure changed dramatically after World War II as demand for industrial goods increased substantially. Meanwhile, the terms of trade of agriculture exports had deteriorated,²³ which prompted the landed elite to diversify in more profitable businesses. The ISI being implemented by the government provided the opportunity to finance that business diversification. Although a huge portion of the subsidy was moved to non-manufacturing-based businesses (e.g. natural resource extraction, real estate, construction, public utilities), investments were also made in the manufacturing sector, and so a manufacturing base was developed in the 1950s and 1960s (Rivera 1994, 52). However, the manufacturing sector that emerged was

²³ The import quota imposed by the US government in 1937 (Sugar Act of 1937) considerably reduced the prospects for growth of the Philippine sugar industry in the post war years (Hooley 1996, 289).

inefficient and inward-looking. Manufacturing value added was low and hardly improved over the years, which later led to growth stagnation of the industrial sector (Bautista and Tecson 2003, 138; De Dios and Hutchcroft 2003, 47-48).

During the Marcos years, the government implemented a mixture of ISI and export-oriented (EOI) policy. Financed by foreign loans, the government funded the businesses owned by many crony firms engaged in favored sectors. In addition, those businesses owned by cronies enjoyed privileges such as import duty exemptions and monopoly rights. Their special position removed the motivation to invest in productive, efficient and innovative activities (Rivera 1994, 129-130).

The uncompetitive state of the manufacturing sector became evident in the early 1980s, when the government engaged in trade liberalization as part of the Structural Adjustment Program (SAP) imposed by the IMF/WB on the Philippines. Many businesses in the manufacturing sector perished under the more open economic environment. The domestic demand for skilled labor sharply declined and many decent jobs were lost. Many professionals and skilled workers were forced to seek employment abroad, while a large share of the country's unskilled and low-skilled labor were driven to the informal sector. The increase of the OFW and the informal sector, both consequences of the 'deindustrialization' of the Philippines since the

mid-1980s, contributed to diminishing the constituency for policies that would protect the manufacturing industries. Subsequently, the deindustrialization and the OFW phenomenon decreased the pressure for the politicians to protect the outdated industrial sectors and the jobs they created.

As the Philippines embarked in trade liberalization, AFTA accession generated renewed optimism for Philippine industrialization. Professor Renato Constantino, esteemed nationalist historian, recognized AFTA as a better strategy for opening the economy and considered it a valuable element of the Philippine foreign economic policy to chart the country's contemporary industrialization (Constantino 1997, 13). Constantino's positive evaluation of AFTA reflected the Philippine academia's aspiration to build closer economic relations with ASEAN, and AFTA provided an opportunity to realize that goal. De Dios (1998a) stated that the support for AFTA by the elites across the political spectrum was rooted in the fact that AFTA was an ASEAN initiative and could thus be considered a part of the Philippines' effort to create a foreign economic policy independent from the United States and the IMF-World Bank.

4.3.2. External connections and institutional strengthening

The triumphant 1986 People Power revolution and Aquino's status as "icon of democracy" encouraged other democratic governments, particularly the United States,

Japan, and Western Europe, to support the economic transition of the Philippines (Montes 1992). A significant package of Overseas Development Assistance (ODA) known as the Multilateral Aid Initiative (a.k.a. Philippine Assistance Plan) including a \$6.7 billion-ODA boosted the domestic esteem of the government and helped finance the economic transition and institutional reforms (Dolan 1991; Montes 1992).

Among the early reforms initiated by Aquino were bureaucratic reorganizations to improve the government's efficiency, increase the people's participation in the government and prepare the government under a more open economic regime (Carino 1992; Executive Order 230 on July 22, 1987). Later on, as part of the Philippine commitment to the successful accession to AFTA, reforms in key agencies were undertaken to prepare the government for a free trade arrangement with ASEAN.

In order to understand the means behind the AFTA accession, it is imperative to begin with a discussion of the trade reforms undertaken before AFTA was implemented, which facilitated the policy shift towards a more liberal trade regime. The confluence of circumstances and actions from the implementation of the unilateral tariff liberalization played an important role in overcoming the impediments in AFTA accession.

4.4. The politics of trade policy reforms and the AFTA accession

The policy shift should have been easy for Aquino, given the domestic structure that favored trade policy reforms, particularly the ruling actors' policy preferences for trade liberalization, and the institutional conditions strengthening the Executive's power of trade policy making, as well as the external support that boosted the economy and political institutions. However, in reality, many obstacles had to be cleared before the trade reforms could be implemented. Estanislao himself recalled that "*the road to transition has not been easy and not short*" (Estanislao 2011). In prevailing over the opposition, strategy, timing and leadership had been vital in the political process.

4.4.1. Sequence of policymaking from unilateral trade reform to AFTA accession

AFTA accession was achieved on the heels of a hard-won battle for trade reforms by the executive against domestic opposition. By the time AFTA was signed, the government had already started to implement its unilateral tariff program, which the Executive was later able to use to weaken opposition to AFTA.

As mentioned in Chapter 3, the first attempt to implement steep tariff reduction (through Executive Order 413 issued in July 1990) was blocked by the private sector, specifically the Philippine Chamber of Commerce and Industry (PCCI), and their allies in congress. In the face of mounting opposition, the bold tariff reform program under

EO 413 was abandoned to accommodate the demands of the private sector, represented by PCCI, the most vocal critic of trade liberalization. In July 1991, the joint executive-legislative committee came up with a revised trade reform program, the Executive Order 470 (a more lenient tariff reform program), to be implemented over five years (Gochoco-Bautista and Faustino 1994; Montes 1992). Executive Order 470 had been found to be more acceptable by both PCCI and Congress (details of EO 470 are discussed in Chapter 3). While pockets of protest continued to exist, they were challenged by other actors supportive of the reforms such as the MBC.²⁴

Accession to AFTA was deliberated around the same time the government started to implement its unilateral tariff reform program. This sequence of policymaking was important for the private sector's acceptance of the AFTA in January 1992 because the government guaranteed to use the same unilateral tariff reduction program in lieu of the AFTA-CEPT rates until 1995. It also agreed to consult with the private sector (as it had done on the unilateral trade liberalization program) before any new tariff reduction program was implemented. Opposition eased, at least for a while, although dissent resurfaced a few months before the Presidential election and during the early months of

²⁴ According to former ASEAN Secretary General Rodolfo Severino, MBC had led “(*championing of*) *the cause of global and regional competitiveness of Philippine business and regional integration*” (ASEAN Secretary General Rodolfo Severino’s speech on “Symposium on AFTA and Beyond”, 30 May 2002).

the Ramos presidency (Narisma 1992, 8) (This episode will be discussed in detail in Chapter 5). The implementation of a mild tariff reduction and the government's assurance of consultation regarding the tariff reduction schedule contributed to the fostering of the private sector support for AFTA during the crucial period of AFTA accession (Llanes 1992, 2).

4.4.2. DTI Secretary Jose Concepcion's political plight

Under ordinary circumstances, the Department of Trade and Industry (DTI), which traditionally had a protectionist tendency, would have contested the tariff reform as it was expected to impact local industries. However, during the period of deliberation on trade reforms, DTI Secretary Concepcion was losing his political influence in the administration as a result of increasing public criticism of his alleged illegally profiting from his position by promoting his family's businesses.²⁵ Challenging the tariff reform agenda of the government represented by Estanislao (Aquino's most trusted economic official) was no longer a prudent move for Concepcion, who was

²⁵ Concepcion denied these allegations and challenged his detractors to subject him to thorough investigation. See for example, Tiglao, Rigoberto. 1990c. "The Knives are out for Aquino's Trade Minister: No way, Jose." *Far Eastern Economic Review*, June 21: 91.

fighting for political survival. With Concepcion's leadership weakened, DTI's role in the reforms being undertaken was also undermined.

The weakened political capital of Secretary Concepcion also affected the influence of the Philippine Chamber of Commerce and Industry (PCCI), which was closely tied to Concepcion. During the early years of the Aquino administration, the PCCI's close link with Concepcion gave the group the power to push for the opposition against trade liberalization. Concepcion was widely known to have the ear of the president, and so business groups, particularly the PCCI, attempted to influence economic policies through Concepcion (Tiglao 1990c, 1992; Gochoco-Bautista and Faustino 1994). When it became clear that Concepcion would not try to block the implementation of the tariff reform program, the PCCI issued a public appeal to President Aquino to stop the implementation of EO 413 on the basis of its adverse effects on employment and the lack of readiness on the part of Philippine industry (*Philippine Daily Inquirer*, 3 August 1990, p.11). However, without DTI's support and with little help from the congress, the PCCI's campaign to derail the implementation of tariff reforms was ineffective.

Consequently, Estanislao remained the central figure of the policy reform. With instructions from Aquino, Estanislao implemented a strategy of "*defer, and then disarm*

business objections” (Tiglao 1990b, 42). The Executive then organized a joint executive and legislative committee meeting and restarted closed-door negotiations. The committee was composed of members of congress, and representatives of key government agencies and the PCCI (Montes 1992, 103-105). After nine months of negotiations, a new tariff reduction program was pushed through by Estanislao’s group and was endorsed by DTI, with the support of the private sector (ibid.). The new tariff program was implemented and became the basis of the Philippine’s initial tariff reduction program in AFTA.

4.4.3. Aquino’s “consensus leadership” style as a facilitator for AFTA accession

President Aquino was considered by some observers as a weak leader who lacked clear vision and leadership (Esplanada 2011). Her tendency to avoid conflict and to try gaining the approval of as many groups as possible frequently delayed implementation and at times resulted in the abandonment of policies. The reversal of her trade policy from EO 413 to EO 470 was a manifestation of such vulnerability (*Philippine Daily Inquirer*, 29 August 1990, p.7).

However, this compromise by President Aquino eventually facilitated the AFTA accession because the new watered-down tariff program under EO 470 made possible a smooth transition from unilateral tariff liberalization to a regional strategy for trade

liberalization. As discussed in Chapter 3, the Philippine government requested its ASEAN partners to allow the Philippines to use its unilateral tariff liberalization program, allowing the country to delay the start of the AFTA-CEPT liberalization until 1995. The proposal to use the EO 470 in the first few years of AFTA implementation mitigated the resistance against the AFTA, at least temporarily. On that particular occasion, Aquino's "consensus-based" leadership style contributed to the weakening of the opposition and gave the government enough power to accede to AFTA.

After the Philippine accession to AFTA, consistent with her leadership style of building consensus, Aquino attempted to ensure that the initiative was backed by private sector support. This was seen in her personal efforts to reach out to concerned business groups to explain the benefits of AFTA. During the PCCI officers' induction ceremony, President Aquino made a speech assuring local business people that the government would consult them on the implementation of AFTA, while personally appealing for their support (*Manila Standard*, 4 February 1992). Through Acting Trade and Industry Secretary Lilia Bautista, the government met the private sector representatives for post-summit negotiations, wherein the government expressed its willingness to help industries affected by tariff changes, while reiterating that tariff reforms under Executive Order 470 would remain in effect until 1995 (*Business World*, 18 February

1992, p.2). Bautista also promised the PCCI that the government would work continuously with the private sector to design a strategy that would lighten the impact of AFTA on vulnerable sectors. Assurance from the government alleviated the fears of the private sector and helped build support for AFTA (Llanes 1992, 2).

Summary

This chapter substantiates the analytical framework presented in Chapter 1, which argues that the domestic structure has a significant role in the trade policy reform in the redemocratization years, and that external factors, as well as domestic politics, contributed in the trade policy shift. The first section presents the details of the policy preferences of the actors in the tariff reform program, and shows how those preferences forced the abandonment of the protectionist policy of the past and prompted the shift to a more open trade policy. Those policy preferences were expressions of both material interests (deMarcosification and potential gains from international trade) and ideational factors (liberal democratic ideals; and the commitment to ASEAN). President Aquino's decision to open the economy was an important factor in the realization of the government's economic and political goals. The technocracy then shaped the government's trade liberalization policy. Non-state actors, particularly business groups, also lent support to the policy shift, both as

participants in the policy reforms and by signaling support for a more open trade regime.

While the preferences of the key actors were crucial to the policy reform, institutions likewise played a vital role in the realization of the reforms. In Section 4.2, it was pointed out that institutional conditions had become more conducive to the trade policy shift. The strong executive powers in trade policy making, inherited from the Marcos years, helped advance the trade liberalization agenda of the Aquino administration and insulated the executive's trade policy from potential obstruction by the congress. Moreover, other than the trade laws that expanded the presidential prerogative in foreign trade policy, the post-Marcos congress was structured in such a way that weakened the incentive to advocate sensitive economic policies such as trade liberalization. Those institutional conditions provided an opportunity for the executive to consolidate its power to implement the trade reforms and accede to AFTA.

The external environment also had an impact on policy reforms. The changing Philippine linkage with the global economy contributed to weakening of the resistance to trade liberalization. Particularly, the decline of the manufacturing sector, expansion of the services sector, and the increase of OFWs from the 1980s onward

diminished the supporters on protectionist policies and lessened the pressure for politicians to fight against trade liberalization. Furthermore, the government's intent to deepen economic ties with ASEAN through AFTA also softened the anti-free trade stand of some nationalist scholars, since AFTA was considered as a part of the government's strategy to assert a foreign economic policy independent from the influence of US. Meanwhile, the domestic institutions benefitted from and were also transformed by changing external relations. The ODA granted to the Aquino government to support the economic reforms helped stabilize the transition government and financed the programs to rebuild the economy.

Given the strong policy preference for trade liberalization, and the institutional conditions that favoured the Executive in trade policy making, the government appeared primed to smoothly implement its reform program. However, the reform was challenged by some members of the private sector and their allies in Congress. At this point, domestic politics played an important role to support the policy shift. The sequence of events leading to AFTA accession, the political power of key actors, and the "consensus leadership" of the President were important in restraining the opposition. Those political factors consequently helped in the adoption

of the Aquino-backed trade reforms, which paved the way for a smoother AFTA accession.

With Aquino's endorsed presidential candidate, Fidel V. Ramos, winning the 1992 election, the legacy of Aquino seemed to be secured. However, Ramos emerged as the winner with a very narrow margin,²⁶ amidst allegations of irregularities in an intensely contested presidential election.²⁷ This posed a major obstacle against Ramos' attempt at sustaining the momentum of the reforms started by Aquino. The next chapter will discuss the challenges encountered by the Ramos government in the effort to sustain the trade policy reforms.

²⁶ Ramos only garnered 23% of total votes during the presidential elections, the lowest plurality win in the history of presidential elections. His *Lakas* Party only earned 39% of congressional seats, which was not big enough to back his reform agenda.

²⁷ The late Senator Miriam Santiago, who was leading the pre-election surveys among the seven contenders, alleged that she won the presidential election in 1992, but was cheated by Ramos using the government machinery. She filed an election protest afterwards, but the protest was dismissed by the Election Tribunal in 1995.

Chapter 5

Explaining the sustenance of trade reforms and AFTA in the Ramos years

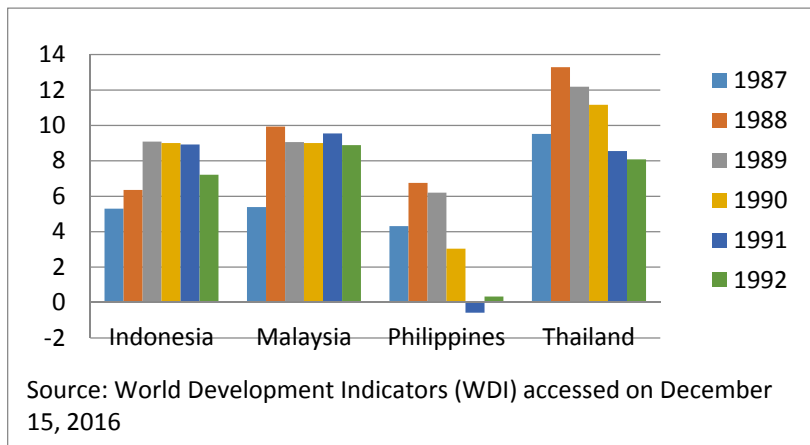
In stark contrast to Aquino who started with broad multi-sectoral support, Ramos ascended to power in an atmosphere marred by controversies. Although declared the winner of the presidential election, he found his legitimacy questioned. Moreover, as the appointed successor of Aquino, he was burdened with the obligation to sustain the reforms she had initiated on the basis of a still fragile economy reeling from the short-run effects of trade liberalization.

The reforms introduced by President Aquino did not significantly improve the economic condition of the Philippines due to the political instability that stalled the country's growth momentum. In addition, the protectionist inclinations of the 1987 Philippine Constitution barred the entry of some foreign investments.²⁸ Before her term ended, Aquino addressed this impediment by passing the Foreign Investments Act in 1991, but this proved inadequate to remove the obstacles in attracting FDI. Hence despite the trade reforms, the economic opportunities remained limited for the people.

²⁸ Particularly foreign equity restrictions in non-manufacturing sectors (Filipinos should own 60% equity in such businesses), minimum capital requirement for foreign investments (US\$200,000), prohibition of land ownership for non-Filipino citizens, and prohibition of entry of foreigners in the public utilities sector.

The Philippines continued to lag behind its middle income ASEAN neighbors in terms of economic growth (Bautista and Tecson 2003, 158; Almonte 1998) (Figure 5-1).

Figure 5-1. GDP Growth of Select ASEAN Countries, 1987-1992 (%)



Moreover, many of the programs implemented to cushion the impact of the reforms were stymied by lack of congressional support or policy reversals due to political pressure (Habito 1998). For Ramos, this impediment posed an even greater challenge because his status as a minority president was anticipated to be a major obstacle to the gathering of consensus and support for the continuation of the reforms and implementation of his own priority programs.

During the Ramos period, constitutional change was floated to amend the protectionist clause. However, this was met by fierce opposition, and many groups accused Ramos of using the proposed constitutional amendments as a strategy to expand

his power and extend his term as President. Lacking sufficient congressional support and mass base, it was not easy for the Ramos administration to push for his major reforms at first.

Despite the obstacles, Ramos was able to successfully implement major reforms to open the economy and improve the country's economic performance. Driven by the necessity to improve the economic situation of the country, and also the need to deepen the redemocratization started by Aquino, Ramos proceeded to build coalitions to support and sustain the reforms that were started by the previous administration, and work in the areas that would expectedly improve the trade and investment environment of the country. One of the earliest initiatives was to build support for trade reforms and AFTA implementation.

This chapter analyzes the means by which the Ramos administration pursued implementation of trade reforms and AFTA obligations. As pointed out in the framework elaborated in Chapter 1, trade liberalization can increase exposure of a country to the international economy, changing many aspects of the domestic structure. The Philippine accession to AFTA had significant impacts on the actors' preferences and institutional reforms. In order to understand the extent of the impact of the policy

reforms, it is important to examine, at the outset, how the trade liberalization by the Aquino administration and other changing external relations of the Philippines influenced the domestic structure. The first section of this chapter discusses the impact of international factors, specifically by looking at how the AFTA accession changed the policy preferences of actors, and how the country was influenced by other international conditions at that period. The second section then identifies the leading actors in trade reforms and their policy preferences which guided them in the pursuit of their policy objectives. The third section examines the institutions built by Ramos to sustain the AFTA implementation. The previous chapter discussed that as the transition president, Aquino was able to take advantage of existing institutions that were left in place by the previous governments to pursue her trade reforms and accede to AFTA. Before her term ended, Aquino established new institutions that would help sustain the implementation of her administration's policy reforms. The responsibility of strengthening those institutions fell on Ramos. During his term, those institutions were expanded to widen and deepen the political support for a more open and outward oriented economy. Finally, the fourth section examines the politics behind the reforms that bolstered sustenance of trade reforms and AFTA.

5.1. Impacts of external relations

5.1.1. Feedback effects from AFTA

As shown in Chapter 3, the AFTA accession paved the way to expand Philippine regional trade. With ASEAN becoming an important trade partner, the private sector became more aware of the benefits of accessing the vibrant regional market. This provided an encouragement for local businesses, particularly the export-oriented businesses, to support AFTA (Soledad 1992; Interview with PCCI Executive Director Ambassador Donald Dee). An observation of the Indonesian Foreign Minister Izhar Ibrahim was that AFTA had taken much more significance since it was launched in 1992. The private sector in the ASEAN countries became more enthusiastic on AFTA's potential. He noticed that the Filipino private sector, which was among the most protectionists in Southeast Asia and had been vocally against AFTA in its early days, showed increasing interest and openness for the AFTA implementation (McBeth and Tiglao 1994, 31).

According to former Makati Business Club (MBC) Executive Director Guillermo Luz, many private businesses appreciated the merit of increased regional trade, which subsequently changed the approach of the private sector to conduct their

business.²⁹ Easing regional trade through AFTA expanded the horizon of many local businesses.

However, the trade reforms also entailed adjustment costs that had to be borne by the Ramos administration. As the implementation of AFTA drew near, vulnerable sectors became more outspoken in their protests against AFTA. The negative impact of trade liberalization—particularly displacement and social exclusion of some sectors—became more evident, and this in turn gave rise to renewed anxiety over trade liberalization (Tanada 2005; David 2001).

5.1.2. Other external impacts

The end of the Cold War and the spread of regional integration arrangements in the world were other external factors that contributed to strengthening the support for the AFTA in the Philippines.

The collapse of the USSR reinforced the argument of many nationalist groups that the US military presence was no longer needed in the Philippines (Oberdorfer 1991). In September 1991, less than one year before Ramos was elected, the Philippine

²⁹ In “Liberalisation of the Philippine economy is moving forward,” by businessman Guillermo M. Luz, Associate Director of Ayala Corporation Co-chair of the National Competitiveness Council for the Private Sector (2014) and former MBC Executive Director during the Aquino and Ramos administrations. Full interview is available at <http://asiahouse.org/liberalisation-philippines-economy-moving-forward-says-leading-businessman/>

Senate voted to terminate the US Bases treaty in the Philippines. This had a huge impact, not only on national security, but also on the economy of the Philippines (Romulo 1993; Almonte 1996). Not only did the security provided by the US presence cease, but the termination meant the loss of hundreds of millions of dollars generated from the lease of the Subic Bay Naval Station and the Clark Airbase (Hutchcroft 1998, 23). Strengthening old alliances and establishing new ones became a matter of utmost importance for the Ramos administration, and AFTA was crucial for the diplomatic maneuver (Almonte 1996; Siazon 1998). At this point, the government focused on a foreign policy based on, *“increasing economic openness, which made broadening of new contacts and friendships necessary for the Philippines”* (Almonte 1998, 137). The leading state actors believed that economic cooperation with ASEAN through AFTA had gained more importance.

At around the same period, regionalism looked strengthening its influence in many parts of the world. On 7 February 1992, 12 countries in Europe signed the Maastricht Treaty (a.k.a. the Treaty on European Union). The Treaty was implemented on 1 November 1993, officially establishing the European Union.³⁰ In North America, the negotiations for NAFTA began on 5 February 1991. The Agreement was signed in

³⁰ “Five things you need to know about the Maastricht Treaty”. *The European Central Bank System*. Accessed at www.ecb.europa.eu.

1992 and came into force in 1994.³¹ In Latin America, MERCOSUR was formed in 1991. In East Asia, de facto regionalization progressed to a great extent, and in 1992, AFTA was signed.

The global events had a huge impact on the economic policy formation of many countries (Longhammer 1992). The leading technocrats in the Philippines believed that economic alliance with ASEAN was imperative as a defensive strategy to give the Philippines a much stronger position in the international economy (Habito 1998). As the Philippines' first RTA, AFTA essentially provided the springboard for the new foreign economic policy direction of the Ramos administration to adapt to the changing international environment (Almonte 1998, 137; Siazon 1998). As stated by Ramos' Foreign Affairs Secretary, AFTA became the initial test of the redemocratization years to *“re-channel foreign policy into a ‘balancing act’ between pressures imposed by regionalism...and domestic demands and interests”* (Romulo 1993).

The Ramos administration's effort to adapt to the changing global environment changed many aspects of governance and provided the opportunity to improve the country's economic competitiveness. For example, trade facilitation measures were introduced to ease trade with ASEAN and to catch up with the best practice in the

³¹ “About NAFTA”. Accessed at www.naftanow.org

region. Other macro-economic reforms were implemented which aimed to improve the trade and investment environment of the country to emulate the strategy of the fast growing economies of the region. Bureaucratic reforms were implemented to prepare the government under a more globalized setting and to create a platform for the government and the private sector to engage in discussions on pressing economic issues (details will be discussed in Section 5.3).

New agencies were created; particularly the WTO/AFTA (World Trade Organization/ASEAN Free Trade Area) Advisory Commission (WAAC) was tasked to review and reconcile the external commitments with domestic laws, and to implement the action plan of the government to comply with its WTO and AFTA commitments, and later with its obligations under APEC (Tillah 2005; Executive Order No. 193, 2 August 1994). The Bureau of Customs (BOC) was upgraded so that it could play new roles concerning AFTA and WTO. (Interview with Ms. Nelly Icasiano, Philippine Bureau of Customs)

In short, the changing external relations of the country following the trade liberalization and AFTA accession had huge impacts on the preferences of actors and on the institutional reforms. The full extent of the impacts of the changing external relations on the domestic structure will be discussed in the next two sections.

5.2. Actors and their preferences

5.2.1. State actors

As pointed out in Chapter 4, the government circle considered the implementation of AFTA as an important step to lock-in the trade reforms, and to spur the economic growth of the Philippines through trade expansion in ASEAN. Hence, many state actors believed that, despite the burgeoning discontent over trade liberalization, it was important to successfully implement AFTA. During the Ramos administration, the leading state actors, President Ramos and his top adviser, Secretary Almonte, believed that trade liberalization was necessary to complete the structural reforms and democratic transition (Ramos 1992; Almonte 1996, 1998; Bernas 1999).

5.2.1.1. President Fidel V. Ramos

West-point educated General Fidel Ramos, who was endorsed by Aquino as her successor, won the presidential elections in June 1992. Unlike Aquino, Ramos was not part of the traditional landed elite. Although his father was a former Foreign Affairs Secretary, Ramos described his family as middle class. He considered his economic background to be modest, which was said to have shaped his preference for policies that would open up economic opportunities for the people (Villacorta 1996).

Not being part of the landed upper class gave credence to Ramos' 'anti-oligarchy' rhetoric when he and his top adviser, General Jose Almonte, announced that the government's overarching goal was to demolish the monopolies and the oligarchy that had long existed in the country, and to eventually liberalize the economy.

Ramos stated that the Philippines' economic problems could be traced to the monopoly of wealth by a few individuals and groups. He believed that the only way to remedy the situation was to free the economy and open the market for competition (Thompson and Villacorta 1996; Bernas 1999; Almonte 1998). Ramos believed that structural change could only be achieved through economic openness, and thus made it his key reform agenda. He stated that, "*When the market is free, elite control could be crushed and political and economic power would be transferred from a few individuals to the people*" (Ramos' Inaugural speech on June 30, 1992).

Ramos summarized the vision of his administration as two fundamental goals: to deepen democratization and to make the country more globally competitive (David 2001, 200). He was determined to remedy the country's poor economic performance in previous decades (Philippine Daily Inquirer, 14 December 1992, 20). The success of the Asian newly industrialized economies (NIEs) served as an inspiration; Ramos and his

advisers regarded the NIE as a development model to emulate (Hutchcroft 1998, 23; Almonte 1996). Under his administration, economic reforms were to be introduced that echoed reforms undertaken by NIEs: economic liberalization accompanied by privatization and eradication of cartels and monopolies (Thompson and Villacorta 1996; De Dios and Hutchcroft 2003, 57-58).

Ramos' outward-oriented economic vision led him to develop a foreign policy supportive of this economic agenda, focusing on what he referred to as "*diplomacy for development*," which he considered to be his "*administration's central foreign policy thrust*" (Siazon 1998). Ramos had always emphasized the importance of a foreign policy centered on "economic diplomacy", which he defined as "*maintaining stability and security...while also transitioning towards more investment, trade and cooperative arrangements with (our) neighbors and the rest of the world.*" (Tasker and Tiglao 1992). Ramos' 'diplomacy for development' project was specifically aimed at deepening the trade ties with ASEAN.

AFTA provided the springboard for Ramos' diplomacy for development project, which prompted his government to undertake active participation in ASEAN economic integration, as well as to deepen economic relations with regional and global powers

(Siazon 1998, 22). During the 24th Annual Meeting of the ASEAN Economic Ministers on October 22, 1992, Ramos delivered a message wherein he reiterated the importance of economic openness and AFTA to the Philippines. In this speech, he said that his economic recovery program is anchored on liberalization and greater economic openness, and hence, he stressed that, *“In this spirit, we subscribe to the concept of an ASEAN free-trade area (AFTA), to which my distinguished predecessor, President Corazón C. Aquino, committed the Philippines in Singapore last January”*.

The Ramos administration was committed to improve the Philippine economic environment. Ramos stated that, under his term, the Philippines would shape up and *“put the economic house in order so as not to be a drag on ASEAN’s brisk economic pace”* (Ramos speech 1992). In implementing trade reforms and the AFTA obligations, Ramos continued many of the reforms started by Aquino. Some of the technocrats from the previous administration were retained, but Ramos also brought his own team which was composed of a more diverse background. President Ramos’ top adviser and confidant, Secretary Jose Almonte, a retired brigadier general who had been an intelligence officer for most of his military career, became the main person in the so-called *“unofficial power centre of the government”*.

5.2.1.2. Secretary Jose Almonte, National Security Adviser and President Ramos' top adviser

Secretary Jose Almonte was considered to be Ramos' 'ideologue' who advocated liberal democratic ideals over authoritarianism. Almonte stated that the reforms he envisioned were based on the rule of law, improvement of bureaucratic capacity, and building of social consensus (Almonte 1998, 231; Tiglao 1995).³² While Almonte may not fully admit active involvement in the major reforms under Ramos, political analysts have pointed to his key role, in both domestic and foreign policy reforms (Tesoro and Lopez 2000; Coronel 2011; Asia Foundation 2011; Balisacan and Hill 2003, 54- 59).

While Almonte spent his career in the 1960s as an intelligence officer in the military,³³ in the late 1970s, his career took a turn when he did post-graduate studies in the University of the Philippines (PhD in Political Science), where he also became head of the think-tank, Philippine Center for Strategic Studies.³⁴ He was part of the Reform

³² In an interview conducted with an anonymous ranking government official, the Cabinet officer stated that, "*Ramos is basically a man of action, the engineer type, "He reads piles of reports and newspaper clippings, but I've never seen him read a real book. It is Almonte who has the big theoretical ideas".* (Tiglao, Rigoberto. "Right-Hand Man: Ramos' ideologue takes aim at oligarchy". *Far Eastern Economic Review*. November 2, 1995).

³³ Almonte was a Captain for the Philippine Civic Action Group assigned in Viet Nam. Lt. Col. Fidel V. Ramos was his commanding officer.

³⁴ Tesoro, JM and A. Lopez. "From Behind the Throne: A Top Adviser Quietly Struggles to Reshape a Nation." *Asiaweek*, November 30, 2000. Philippine Center for

the Armed Forces Movement (RAM), a group of young officers who orchestrated a *coup d'etat* against Marcos in 1986 that led to the People power revolution (Almonte and Vitug 2015). As one of the most trusted men of Ramos in the military, General Almonte was appointed head of both the National Security Council (NSC) and the National Intelligence Coordinating Authority (NICA).

Like President Ramos, despite his military background, Almonte veered away from authoritarianism, and was critical of the so-called Asian-style democracy popularized by strongmen in East Asia. He stated that authoritarianism is not suitable for the Philippines because it is not part of the Filipino values and tradition (Almonte 1996). According to Almonte, his aspirations to see the Philippines becoming as prosperous as its NICS neighbor did not mean that he wanted the Philippines to follow the same political path as its more affluent neighbors. His preference for the liberal democratic model was evident in his pride in the restoration of democratic institutions after the People power revolution of 1986. While he admitted that economic reforms may not be swift under a liberal democratic framework, he stated that it remained the most appropriate political paradigm for the Philippines. Almonte reiterated Ramos' vision of a "democratized economy"—that is, a free and open economy not controlled

Strategic Studies advised President Marcos on national security matters. The Agency was later dissolved due to allegations of links with leftist groups.

by a few wealthy and powerful families. Echoing Ramos, Almonte contended that, “*economic liberalization was one of the easiest and fastest strategies for structural reforms—by opening the economy to more competition and weakening the resources of the old oligarchs who held monopoly of key industries*” (Almonte 1996). He emphasized that the economic policies undertaken by the Ramos government are meant to further *democratize the economy*, or in his words, “*basing (the policies) securely on the free market*” (Almonte 1996).

He stated in his memoirs that the country’s international commitments, such as AFTA, GATT-UR and APEC played important roles in bringing “outside pressure” to sustain the economic reforms. He specifically highlighted the significant role of ASEAN and AFTA in the economic reforms, which he acknowledged to have essentially shaped the foreign economic policy of Ramos (Almonte and Vitug 2015, 137).

5.2.1.3. Technocrats in NEDA and DTI

The National Economic and Development Authority (NEDA) is the central economic policy planning agency of the government; but, traditionally it has no operational powers, since its main task was to formulate the country’s development plan

and to provide support for the development projects of the government, as a whole. NEDA's lack of political muscle was changed after the appointment of Jesus Estanislao. The role of Estanislao in economic reforms during the Aquino years was explained in Chapter 4.

During the time of Ramos, Harvard educated Cielito Habito was appointed to be the NEDA Director General. Under the leadership of Secretary Habito, NEDA became a bastion of Ramos' trade liberalization reforms. In his memoirs, Almonte recalled that Habito ardently supported and guarded the Ramos economic reforms. Under Habito's leadership, NEDA fought lobbies that threatened to reverse the trade reforms (Almonte and Vitug 2015, 226-227). Habito was also a staunch supporter of strengthening economic alliance with ASEAN to boost the economic opportunities of the Philippines. Habito believed that implementation of AFTA would improve the economy by providing access to the private sector to expand in the dynamic ASEAN region, and to improve the competitiveness of local industries with the entry of new players (Habito 1998).

The source of political power and influence of the Department of Trade and Industry (DTI) is rooted in its influential constituency—the industrialists who are

economically powerful and well organized. However, close association with industrialists also created a reputation for DTI as a protectionist agency, which ran into conflict with its mandate to lead trade reforms (Liao and Pasadilla 2005). In the past, this conflict of interest had disturbed the smooth implementation of trade reforms.

During the time of Ramos, the DTI was designated as the main agency tasked to implement AFTA. This mandate changed its economic orientation from a protectionist agency to advocate of trade liberalization. DTI became a key player in linking the government and the private sector in AFTA implementation.

5.2.2. Private sector/Business groups

While the policy preference of the state actors to implement AFTA was increasingly unified, the Ramos administration had to contend with the more fragmented preference of the private sector. With the tariff reduction obligations under the AFTA schedule drawing near, lobbying against AFTA intensified and some business groups became more vocal in opposing AFTA implementation.

5.2.2.1. Pro-AFTA groups

Even though the PCCI continued to express anxiety over trade liberalization, under the leadership of Ramos, it had become relatively more supportive of the government's strategy to implement AFTA. Speaking on behalf of PCCI, Jose T. Pardo, PCCI President, expressed his cooperation to the Ramos administration and his optimism that *“implementation of economic reforms initiated under Ramos government will help local industries cope with the challenges of AFTA”* (Manila Bulletin, November 19, 1992, B-1).

Meanwhile, the Makati Business Club (MBC) gained a more prominent place in the reforms. As discussed in Chapter 4, the MBC had actively espoused economic liberalization and became one of the private sector groups which strongly advocated AFTA and economic liberalization. During the time of Ramos, some of his top executives in the government were recruited from MBC.

To consolidate the position of export-oriented businesses, a pro-free trade group, the Philippine Exporters Foundation (PhilExport), was founded by the business groups in 1992 to strengthen the country's export industry thru promotion and development of exports, and by calling the government's attention to areas that need immediate

improvement in the country's trade prospects in the international market.³⁵ While it advocated trade liberalization, PhilExport also pointed out the problems which needed immediate resolve, particularly improvement of the business environment for traders and improvement of trade facilitation measures (*Philippine Daily Inquirer*, 18 December 1992).

5.2.2.2. Anti-AFTA groups

Ramos had to contend with the growing opposition against AFTA from various industry associations. The local pulp and paper industry sent an appeal to the Tariff Commission for exclusion of several products in the CEPT scheme. The letter of appeal, written by the Pulp and Paper Manufacturers Association of the Philippines (Pulpapel) claimed that the industry would suffer from more competitive products entering the market due to poor business environment such as high energy cost, frequent black outs in the country, uncompetitive exchange rate, and tight credit in the Philippines (De Belen 1992, 9). Meanwhile, the sugar and coconut industries protested the inclusion of their products in the AFTA-CEPT scheme. The Coconut Oil Refiners Association (CORA) declared that the local coconut industry was not ready for AFTA inclusion and

³⁵ <http://www.philexport.ph/about-philexport>

would ask for exclusion. The sugar industry was concerned about AFTA's impact on sugar prices once cheaper syrups become available in the market (Soledad 1992, 7).

Moreover, some business leaders had anxiety that the PCCI, which was supposed to protect the private sectors' interest, was cozying up with the government. Given that PCCI also represented the trading groups whose interests were not consistent with the industrial sector, the Federation of Philippine Industries (FPI) had gained a more important role in representing the private businesses.³⁶ The FPI, founded in 1991 as an alternative forum for industry leaders, called itself the "*Voice of the Industry*." In 1993, industrialist Raul Concepcion, twin brother of former DTI Secretary Jose Concepcion, became President of FPI. While Raul Concepcion may have strong personal interests in protectionist policy as a businessman, he was also a known consumer rights advocate, and was said to be open to policies that could improve the economic prospects of the country in the long term (San Juan 2012). Concepcion was a key figure in facilitating the dialogue between the government and the private sector during the AFTA negotiations. This is further discussed in Section 5.4.2.

³⁶ "About FPI." <http://www.fpi.ph/index.php>

5.3. Institutions that deepened and widened support for trade reforms

Ramos inherited the institutions that gave strong prerogatives to the president with respect to external trade matters. He was thus able to implement further tariff reforms through executive orders (See Chapter 3, Section 3.1). However, saddled by fragile legitimacy as a minority president, Ramos found that his real challenge was garnering popular support for his policies. Building institutions that would promote social consensus to support trade reforms and AFTA was of paramount importance for him.

In practice, the AFTA accession created a new opportunity for the government to work closely with the private sector and to build formal channels for interactions to persuade businesses to tap the opportunities from the vibrant ASEAN market. The leadership of Ramos in initiating dialogues and consultations with the private sector not only contributed to enlarging constituencies for AFTA but also helped institutionalize a more participative policymaking process.

5.3.1 New institutions that changed the rules of interaction of actors

As soon as Ramos started his term as President, he and his chief adviser, Almonte, began informal talks with the business sector regarding his economic policy

reforms (Hill and Balisacan 2003, 56). One of the first groups personally convened by Ramos during his first month in office (in July 1992) was the PCCI. Ramos discussed with the business group his blueprint for economic recovery and initiated talks on trade reforms (*Manila Bulletin*, 27 July 1992). This was followed by several meetings, wherein Ramos encouraged the PCCI to “*help the country move forward*”, and reminded them that the only way for the Philippines to develop was for “*political and economic leaders to do away with parochial quarrels and protectionist economic policies*” (*Manila Chronicle*, 19 November 1992).

On the other hand, the Philippine Business Council (PBC), the annual conference founded by the PCCI, started dialogues with the government. The PBC would later become an important venue for the private sector and the government to exchange information and discuss key issues and plans to mitigate the impact of AFTA to the private sector (*Manila Bulletin*, 19 November 1992, B-1).

During the initial deliberations, both the Ramos government and the private sector groups agreed to review and revise the tariff program of the Philippines. Discussions eventually started to create new ideas on how the government and the

private sector could work together to effectively implement the agreement (*The Philippine Star*, 14 December 1992).

The discussions on trade reforms were initially characterized by informal talks in both public and private sector-initiated dialogues. Since the talks were largely informal, no binding commitments were actually made on how to push forward trade reforms and how AFTA would be implemented. This created several informal channels which undermined the position of the government. It became increasingly apparent that Ramos could not rely on an informal system of dialogue to get things done, since the information given by each individual or group was laden with their biases (Tiglao 1992). Moreover, given the call of ASEAN to speed up implementation of CEPT, the demand for faster implementation of trade reforms became crucial; the informal structures became less reliable. It was clear that appropriate solutions to this issue could only be derived from more formal channels for negotiations. To counter the proliferation of informal talks, the DTI was designated to start the official meetings between the government and the private sector. The DTI then became the focal point in the consultation and negotiations with the private sector (*Manila Chronicle*, 15 November 1992, 9).

One of the initial steps undertaken by Ramos was the amendment of the Aquino-established AFTA-MSC. The AFTA-MSC was expanded to include a more balanced mix of private sector representatives, government agency representatives, NGOs and the legislative branch of government (Gochoco and Faustino 1994, 59). It was renamed as AFTA-Advisory Commission (AFTA-AC). The AFTA-AC provided a formal platform for interaction between the Executive branch of the government and the private sector. It was linked to the Executive as an advisory commission for the Philippine Council for ASEAN Cooperation (PCAC), which was Philippines' lead agency in ASEAN matters (Executive Order 38 Series 1992).

The private sector membership of the revamped AFTA-AC was expanded. The industry, services and finance sectors were represented, as well as the trade and industry sectors. Membership was also dispersed, and representatives outside of the capital city, Metro Manila, were appointed to participate in the AFTA-AC (See Appendix C for list of members). This indicated an increasing confidence in the government to engage the private sector deeply on its reform effort.

As the agency at the forefront of trade reform implementation, the DTI was designated as Chair of the AFTA-AC. The PCCI was appointed as permanent member

and as Co-Chair. Subcommittees were created which acted as Technical Working Groups and served as channels of exchange and interaction between the relevant government agencies, business groups and industry leaders (Executive Order 38 Series 1992, as cited in Gochoco-Bautista and Faustino 1994).

The AFTA-AC was an important platform in establishing deeper linkage between the government and the private sector. It encouraged sustained private sector cooperation and support in AFTA implementation, and institutionalized the network for interaction between the government and the private sector.

5.3.2. Expanding participatory governance

During the time of Marcos and Aquino, NEDA and DTI were the venue of turf wars and power struggle between the government and the private sector. To improve the image of the agencies and insulate them from politics, Aquino had subjected both agencies to reorganization.³⁷ The reorganization boosted the technical capacity of the

³⁷ To reorganize the NEDA, Aquino implemented Executive Order 230 on July 22, 1987. It resulted in the creation of the NEDA Board, chaired by the President and composed of top members of the cabinet. The NEDA Board is responsible for approving all the major economic plans and policies of the government and became an early mobilizer for economic reforms in the country. The DTI, which was also a creation of the Marcos administration through Executive Order 709 on July 27, 1981, was also reorganized. During the time of Marcos, its main role was coordinating and regulating body for trade, industry and investment activities. Aquino reorganized DTI

two agencies and prepared them in their new role under a more open economic regime (Tillah 2005). The bureaucratic reforms were continued during the time of Ramos to strengthen the capacity of the relevant agencies to implement policies that promoted the government's economic objectives.

5.3.3. Reforms in the National Economic and Development Authority (NEDA)

The NEDA had to overcome the image left behind by its association with Marcos, under which the agency was considered a pool of highly centralized technocrats that merely justified the policies of the executive. During Aquino's time, while NEDA's reputation recovered, it still carried that stigma (Tiglao 1992; Habito 1998).

Ramos rehabilitated NEDA's image from that of a 'technocratic monopoly' to that of an agency which involved stakeholders in the decision making process of the government's key policies and programs. To that end, one of the first things the Ramos administration did was to task NEDA to establish a consultative and participatory process that involved both the private sector and the civil society in the administration's implementation of the Medium Term Development Plan (MTDP) for 1993-1998, which

and added functions that enhanced its technical capacity to implement the economic reforms of Aquino's liberalized economic regime.

served as the primary roadmap of *Philippines 2000*, the blueprint of the Ramos government's economic reform program (Habito 1998, 48). At the heart of the *Philippines 2000* agenda was the economic liberalization and privatization strategy of the government to speed up economic growth and enhance the country's competitiveness.

5.3.4. Involving Congress in policy reforms

In the past, many of the reforms endorsed by NEDA were delayed or blocked because of the lack of consensus or due to the gridlock between the executive and the congress (Habito 1998, 48). Ramos needed to overcome this impediment to succeed in his reforms. Working in that direction, he pursued Congressional support by establishing the Legislative-Executive Development Advisory Council (LEDAC) (Republic Act 7640, December 9, 1992), a forum to achieve coordination between the Executive and Congress. LEDAC is housed in NEDA, and the latter operated as its Secretariat. Getting NEDA and Congress to work together was a clever strategy to "recruit" congressional allies for the reforms, and was also symbolic of the willingness of the Ramos administration to engage opposition in policy debates and encourage their participation in the decision-making process. It kept the Congress engaged with experts

in the bureaucracy, and helped in improving the technical capacity of the legislative staff. Congressional participation was also encouraged in discussions on trade reforms; representatives from Congress were appointed in the AFTA-AC to participate in the technical discussions with the Executive and the private sector.

5.3.5. Increasing private sector participation in the AFTA process through the Department of Trade and Industry (DTI)

As pointed out in Section 5.2, under Ramos, the DTI was given the mandate to strengthen government-private sector linkage by encouraging the active participation of the business sector in the discussions. The DTI became more active in facilitating talks with the private sector and in getting their feedback on the implemented reforms (Bautista 1998, 635). The DTI started an industry-by-industry consultation with an end view of encouraging the private sector to support AFTA and also to get their opinion on how to improve implementation. This also became a preliminary approach to ending the product-by-product consultation approach pursued by past administrations. That approach was highly vulnerable to lobbying (Gochoco-Bautista and Faustino 1994).

The DTI introduced policies that would help the private sector cope with and mitigate the negative impact of AFTA. It prepared an industrial restructuring program to stimulate the local industries, particularly the 15 sectors that would be included in the

CEPT scheme. The restructuring program was a two-step approach that mainly aimed to “*scale down and revitalize the uncompetitive sectors and accelerate and sustain the competitiveness of existing industries.*” The program also involved a comprehensive set of macroeconomic reforms aimed to improve the business environment (Marcello 1992).

The redemocratization years could be remembered as a period of rebuilding institutions to fulfill the goal of improving governance and widening participation in the government. These political objectives were evident in the institutions built to support trade reforms and AFTA. The table below sums up the key institutional reforms introduced during the Aquino and Ramos years. Aquino built institutions to “redemocratize” the government, while Ramos deepened and expanded those institutions to support the reforms that were started in the previous administration. The institutional reforms did not only change the structure of policy making, but also changed the rules of the game by increasing the stakeholders and expanding their voice in policymaking. The institutional innovations introduced by the Ramos administration to further improve the earlier reforms fostered political and economic stability at that time, and helped in building the trust of the private sector in the government.

Table 5-1 Institutional reforms to sustain trade liberalization and AFTA

	Aquino (1986-1992)	Ramos (1992-1998)
<i>Building formal institutions to deepen private sector involvement</i>	Established the AFTA-Multi Sectoral Commission (AFTA-MSC), an interagency body for AFTA implementation.	Revamped AFTA-MSC and established AFTA-AC, which served as a special Advisory body to the Executive. AFTA-AC membership was expanded to include members of Congress and broader private sector representatives.
<i>Widening participatory governance</i>	Reorganized NEDA and DTI to respond to its new role as lead institutions in economic liberalization and trade reforms	Continued the bureaucratic reforms, with an emphasis on enhancing collaboration with other agencies and increasing participation of non-state actors in the policy reform process. Mechanism to involve Congress was created through the LEDAC (Legislative Executive Development Advisory Council). Private sector and civil society participation in policy discussions were increased.

5.4. The politics of trade liberalization and AFTA in the Ramos years

Domestic politics served as a crucial factor in sustaining AFTA implementation.

In the concrete, the leadership skill of Ramos in building the coalition and policy brokerage by influential persons such as Raul Concepcion and Jose Almonte were vital to garnering support for AFTA.

5.4.1. Ramos' political savvy and collaborative leadership style

While Ramos continued many of the reforms of Aquino, the two presidents differed in character and style of leadership. Aquino primarily relied on working with her close political allies. In contrast, Ramos worked with a more ideologically heterogeneous group of people, and encouraged their participation in the policy making process. While Aquino avoided conflict, Ramos encouraged groups with dissenting opinions to participate by creating venues to involve them in the decision-making process, as discussed in Section 5.3. While Aquino sought consensus, Ramos focused on collaboration,³⁸ which he nurtured by developing platforms for interaction between the government and the business sector.

A distinct characteristic of Ramos was his hands-on management style, which immersed him in interactions with stakeholders (Siazon 1998). Ramos met business group members and listened to their opinions on his policies. This would eventually pave the way for closer ties between the government and the private sector. The

³⁸ Consensus-based leadership aims to achieve group agreement; collaborative leadership is more concerned with participation, discussion and dialogue (Ibarra and Mortensen 2011).

network established by Ramos and the business sector helped in sustaining the implementation of AFTA.

Moreover, Ramos recognized that the support from Congress was necessary to further expand his constituency and to institutionalize his reforms (Tasker 1995). As mentioned in Section 5.3.4, a joint legislative and executive committee was built so that the Executive and the Congress could work together in addressing economic issues. The approach of involving Congress in executive-initiated reforms was also used in the AFTA implementation. The revamped AFTA-AC included representatives from Congress. Senator and later President Gloria Macapagal-Arroyo and Representative Felicito Payumo (both professionally trained economists who advocated trade liberalization) and Senator Leticia Ramos-Shahani and Representative Albertito Lopez were appointed as the committee members (Executive Order No. 38 Series of 1992, November 27, 1992).

The alliance with Congress would later become instrumental in the signing of a comprehensive law on trade reforms during the time of Ramos. In 1996, Congress passed the Republic Act (RA) 8178, a law which lifted all quantitative restrictions (QRs) imposed on agricultural products except rice. This was one of the most sweeping

acts of liberalization done by the government, and one of the few times that Congress participated in wide-scale trade liberalization (Aldaba 2013, 6-7).

Ramos was considered a strong leader who got things done.³⁹ His skills in navigating complex domestic politics, as well as his use of policy brokerage to resolve conflict and to seek support for his policies, were essential for the successful implementation of many of his reforms.

5.4.2. Policy brokerage

5.4.2.1. Brokering the deal: the role of Raul Concepcion

AFTA negotiations between the government and the private sector started in April 1993. As pointed out in Chapter 3, the negotiation between the government and the private sector was tough, as the private sector resisted inclusion of many products for AFTA liberalization. The DTI played an important role in the negotiations process by setting the criteria for product inclusion and helped in establishing a more objective

³⁹ In assessing the success of the Ramos economic reforms, Jaime Zobel de Ayala, head of the biggest business conglomerate in the Philippines, was quoted saying that the Ramos reform was “*a breathtaking ride our country has not known since...independence in 1946...The Philippines is faring better today because we have literally changed the road map to the future.*” (*Businessworld*, October 1 1996, as cited in Balisacan and Hill 2003, 72).

selection process. Policy brokerage from an unlikely member of the business sector was also essential to clinching a compromise between the government and the private sector.

The role of Raul Concepcion as representative of PCCI, President of FPI and MBC member was important. Concepcion was well-placed to serve as intermediary among business groups to gather support for the government from the private sector due to his interlocking membership in the business groups. Concepcion's willingness to support AFTA and trade reforms, despite his family's interest in import substitution business (from food to appliances), put at ease some businessmen who were in similar predicament of having business interests that could be affected by trade liberalization (Gochoco-Bautista and Faustino 1994, 77).⁴⁰

As a concession to the private sector's support, the government decided to slow down tariff reduction on vulnerable sectors since many members of the private sector, especially those sectors involved in agriculture and food production, had already declared that they were not yet ready for full liberalization. This was also one of the good results of the participatory exercise. It prompted the government to make more effort to listen to the private sector and adjust policies based on their needs. Some

⁴⁰ In the same book, the authors also stated that some businessmen who participated in the negotiations questioned Concepcion's motives and his apparent bias during the discussions by "*listening only to his friends*" (Gochoco-Bautista and Faustino 1994, 74).

business groups tried to appeal for postponement but the government informed them that the Philippines had to abide by a schedule and that the dialogues on tariff reforms between the public and the private sector would continue (Gochoco-Bautista and Faustino 1994, 74-79).

5.4.2.2. Jose Almonte's role in building the reform coalition

While Almonte's official work was concerned with national security, he had a critical role on key economic reforms of the Ramos government. Ramos relied on Almonte to oversee the implementation of many economic reforms, and the latter kept close contacts with "champions" of reforms—government officials and members of the private sector-- who were closely involved in the priority programs of the government (Almonte 1996).

As part of the Ramos administration's campaign to encourage the cooperation of the private sector, Almonte held follow-up meetings with the business groups and civil society leaders to explain the economic reform agenda of the government and to seek their support to help the government successfully implement its priority programs (Almonte and Vitug 2015, 224-226; Balisacan and Hill 2003, 56).

In some instances, Almonte allegedly intervened personally to make sure that reforms were not derailed. He accounted in his memoir that at one time, he asked NEDA Director General Habito to talk to the petrochemical industry and farmers' groups who wanted to increase the tariff rates in their products to convince them to support the government's tariff liberalization program (Almonte and Vitug 2015, 26).

Summary

The changing external relations after AFTA accession had a huge impact on the Philippine politics and economy. The potential and actual economic benefits brought by trade liberalization, as well as the opportunity to build closer regional economic cooperation with ASEAN at a period when regionalism was rising, enhanced the support for AFTA. However, trade liberalization's impacts varied in different sectors and segments of the population; those who were disadvantaged by the trade policy reforms opposed its implementation.

Nonetheless, despite the brewing opposition against AFTA, the Ramos administration firmly continued the implementation of this foreign trade policy. The preferences of the dominant actors to sustain implementation of AFTA were guided by both material interests (strengthening regional alliance; trade expansion in ASEAN) and

ideational goals (emulation of success of NICs; pursuit of liberal democracy). The Ramos administration aimed to strengthen the economic partnership with ASEAN, as well as establish an open, competitive and outward-oriented economy to emulate the economic path of newly industrialized economies, while completing the process of democratic transition which started in the Aquino years. While there were vulnerable sectors which called for slowing of implementation of AFTA, private sector groups which had benefited and those who saw potential benefits of this foreign trade policy showed strong support for AFTA, which provided the positive signal for the government to sustain its implementation.

To respond to the changing domestic and international environment following the AFTA accession, institutions were built to secure the participation of state and non-state actors, and to institutionalize the networks and linkages developed in the process of coalition-building. AFTA was one of the early reform initiatives that encouraged deeper participation of the business sector in the policy making process. Frequent interaction between the government and the private sector to discuss implementation of reforms was instrumental in strengthening the network for public-private cooperation. Moreover, the government agencies involved in economic policymaking became more actively engaged in the implementation of reforms, and bureaucratic coordination was

improved. The participatory institutions established during the Ramos administration became pillars of a more democratic policymaking process, and contributed to the sustenance of the trade reforms. In sustaining the implementation of AFTA, domestic politics played a crucial role. The collaborative leadership skill of Ramos was important, as it was crucial to encourage actors with diverse interests and opinions to work together on a common goal of supporting the trade reforms. Also, policy brokerage from leading actors facilitated the consensus to support the government's new foreign trade policy.

Chapter 6

Conclusion: Summary of findings, implications, and areas for further research

The path-breaking reforms to liberalize trade and accede to AFTA during the Aquino and Ramos administrations paved the way to a more open economic environment and made the Philippines one of the region's most outward-oriented economies. After AFTA accession, the country actively participated in the regional trade agreements (RTAs), and significantly increased its international trade.

That trade policy shift, however, presents a puzzle. The nationalist and protectionist sentiment in the Philippines has been strong from the post-war years up to the contemporary period. Moreover, the government has been readily regarded as a 'weak state,' incapable of effectively sustaining reforms. Also, the democratic transition years during the Aquino and Ramos period were beset by difficult economic and political challenges. Their path to trade liberalization and accession to AFTA must have gone through a series of unique policy reforms under a fragile political environment.

In this dissertation, I provided an analytical framework for examination of the factors that drove the trade policy reforms in the redemocratization years. Chapter 1

identified the key factors such as the domestic structure (composed of the actors and their policy preferences and institutions), the domestic politics (the process through which the political objectives were achieved), and external factors, particularly the changes in foreign economic relations.

As pointed out in the section concerning the analytical framework, in order to understand the factors that influence the policy shift, it is necessary first to identify the actor preferences that guide the pursuit of specific outcomes from a trade policy. It is also important to recognize that preferences alone cannot generate a policy shift. Preferences could only be reflected in the actual policy if institutions (formal or informal) allow implementation of that policy preference. Hence, an examination of the interaction between the policy preferences and institutions is important to systematically analyse the policy shift. However, in reality, even with a favorable domestic structure, policy reform can fail if there are pressing international constraints and/or hostile internal politics. On the other hand, seemingly insurmountable obstacles rooted in domestic structure may be overcome if domestic politics and external relations can mitigate the status-quo constraints. Political factors, such as strategy for coalition-building, leaders' popularity and political skills, and timing of implementation, could have impacts on effective policy shift. External factors also need to be examined since

the international environment and its change can influence actors' preferences and relevant institutions.

6.1. Summary of the main findings

6.1.1. Significance of the domestic structure

(a) The role of policy preferences

As mentioned, an examination of the policy preferences is essential to understand the motivation behind the policy reforms. During the Aquino period, the preferences of the main actors provided the rationale for the trade reforms and AFTA accession. The primary goal of the Aquino administration was to rebuild the democratic institutions (*redemocratization*) and deMarcosify the political system by purging the remnants of Marcos and his cronies (*deMarcosification*). Trade liberalization was part of the reforms intended to realize those political objectives, with the end goal of creating impartial economic policies that would eliminate the economic bias that favored crony capitalists. Under the leadership of Aquino, the technocrats implemented their ideas of trade liberalization, in line with the government's goal of creating a more open economic environment. The reforms were supported by business groups who had international orientation and had been seeking a more neutral business environment.

As with the successful AFTA accession, ideational factors had been crucial for widening the support from different political spectrum. The Philippines' strong ties and commitment to ASEAN were shared by top political leaders as well as some nationalist intellectuals and citizens who believed that AFTA was not only important for its economic benefits, but also for what it represents to the Philippine identity as a post-colonial state, which is asserting an autonomous foreign economic policy (De Dios 1998; Abad 2011).

The policy preferences of the dominant actors likewise played an important role in sustaining the reforms during the Ramos period. The new administration's main objective was to deepen the democratic reforms started by the previous administration and address the structural problems in the economy. Similar to the previous administration, the policy preferences of the state actors in the Ramos administration were also guided by ideational tenets (*liberal democracy*). On the other hand, the policy preference of the private sector was heavily influenced by the interest in business expansion in the growing regional markets.

(b) The role of institutions

Existing institutions were important in providing the opportunity to realize the policy preferences of the dominant actors. During Aquino's time, the successful trade

policy shift and AFTA accession was made possible by the trade laws that gave the executive substantial leverage in pursuing trade reforms. Ironically, those laws had been created in the martial law years, when Marcos, in his bid to control all aspects of policymaking, widened the presidential prerogative in trade reforms and foreign trade policy.

Other than the legal framework favouring the president, executive dominance of trade policymaking was also bolstered by the Congress' weak interest in the trade reform issues. This can be explained by the structure of the Congress which did not provide enough incentives for its members to take part in issues concerning trade policy reforms. Advocacy of trade reforms were not important for the political survival and reelection of congressmen and senators, given the diminished interest of majority of the Filipino voters in trade liberalization issues.

Similar to the Aquino years, during the Ramos administration, the existing institutions (trade laws) were maximized to sustain the reforms. Ramos used the broadened powers of the president in trade policy to come up with a long-term tariff program that further reduced and simplified the tariff structure of the Philippines. Moreover, the innovations in the institutions succeeded from the previous administrations played a significant role in organizing the support base for the trade

reforms and AFTA. Platforms for formal interaction and cooperation between the government and the private sector, as well as the civil society, were developed. Participation of the legislative branch in the policy deliberation was also established. The innovations introduced in the redemocratization years resulted in widened participatory institutions.

6.1.2. Influence of external relations

The preferences of actors and the institutions were also influenced by the changing international economic links of the Philippines. The preferences of the traditional economic elite had been reshaped by changes in the international economy since the post-war years. After the war, the demand for industrial goods soared, while the business prospects for sugar export declined. Many members of the agro-exporting elite diversified their businesses to keep up with the changing times. The import substitution industrialization (ISI) policy implemented by the Philippine government in the post-war period helped finance that diversification (Hutchcroft 1991; Rivera 1994). With the economic elite diversifying their business interest, the economy expanded and a manufacturing base was developed (Raquiza 2012). However, policy failures, rampant rent-seeking, and lack of investment in innovation resulted in the deterioration of many government-backed businesses and projects. By the 1980s, the economic recession and

political upheaval resulted in the collapse of many businesses and capital flight. Many professional and skilled workers left the country for jobs abroad. Consequently, the supporters of the outdated industrial sector and the jobs they created were substantially diminished, decreasing the pressure for politicians/congressmen to advocate policies that would protect the outdated industrial sector.

The successful people power revolution in 1986 and the installation of a democratic government revitalized the Philippines' external relations as the country garnered international support from many democratic states. Financial and technical assistance were provided by the international community for the Philippines in rebuilding the domestic institutions, improving the economy, and alleviating the economic hardships of the people. Stronger links with the international community motivated the Philippine government to pursue further reforms to open the economy and invest in improving economic competitiveness. Trade reforms had been one of the reform measures implemented to modernize the economy.

During the Ramos period, the influence of the external environment on the domestic structure had become stronger as trade liberalization came into effect. The feedback from the changing external environment regarding the benefits of AFTA accession had a more direct role in shaping actors' policy preferences and institutions.

While the opposition against trade reforms existed, many private sector groups had become more enthusiastic about the potential of business expansion in the growing regional markets.

Furthermore, stronger trade links with ASEAN had become critical for the government given the security vacuum and revenue loss caused by the termination of the US bases in the Philippines in 1991, and the emerging regionalism after the Cold War (Romulo 1993). The influence of the international environment was manifested in the material interests of dominant actors, particularly in the aspiration of the private sector to participate in the dynamic regional trade. To support the internationalization of the Philippines, the Ramos administration introduced institutional upgrades that prepared the government in its new role in a more open and outward-oriented economic environment (Tillah 2005).

6.1.3. Crucial role of domestic politics

Despite a domestic structure and an external environment that favored the policy shift, many obstacles remained to be addressed. Particularly, there were strong protests by the private sector groups that would be affected by trade reforms. Aquino's initial attempt for drastic tariff reduction was foiled by the protectionist segment of the private sector and their allies in Congress. Aquino chose to appease the opposition by trimming

her initial plan of sharp tariff reduction and implementing a milder tariff reform program. In quelling the potential dissent against AFTA accession, the process of domestic politics functioned well. The sequence of implementation of policy reforms, particularly implementation of unilateral tariff liberalization prior to AFTA and the government's guarantee to the private sector of mild tariff reduction in the initial years of AFTA implementation, eliminated a possible resistance that could have derailed AFTA accession. The opposition against liberalization was further weakened when its supporter in the government, the DTI, encountered leadership crisis. Moreover, the 'consensus leadership' style of Aquino had been successful in gathering adequate support of the private sector for AFTA.

In May 1992, several months after the signing of AFTA, Fidel Ramos, was elected next president. With Aquino's endorsed candidate winning the election, the Aquino-initiated reforms seemed to be secured. However, Ramos won the election with a small margin; in addition, his party formed a minority in the congress. Moreover, the economy remained in bad shape following the series of *coup d'état* that almost destabilized the government. Many people did not see real-life benefits in major reforms (including trade liberalization) and the opposition was getting stronger. In order to sustain the reform momentum, the Ramos administration had to rise up against the

political and economic challenges. Politics had become more important in overcoming the growing structural constraints. His collaborative leadership style was effective for galvanizing the state and non-state actors to support the on-going policy reforms. Ramos encouraged the participation of both allies and opposition in the policy process and developed platforms for their interaction. Also, during the negotiations between the government and the private sector regarding the implementation of AFTA, policy brokerage was crucial to reaching a satisfactory compromise between the government and the private sector, and to encourage a concerted support for AFTA. An unlikely member of the private sector who had a huge stake in the protected sector brokered the agreement with the private sector to support AFTA. Meanwhile, Ramos' top adviser's follow-up meetings with the private sector and his active pursuit of approval from stakeholders, even when the reforms were already running, helped in securing broader support for a more open trade policy.

6.1.4. Summary

The above discussion supports the argument made in Chapter 1 that understanding foreign economic policy decisions requires an examination of the domestic structure, internal politics, and external factors that facilitate the reforms. Domestic structure was a significant factor in the policy shift and AFTA

implementation. The policy preference of the dominant actors provided the rationale towards political action to achieve the policy objectives; the institutions enabled the policy shift to be realized, and transformed the policy objectives into sophisticated policies. International factors, particularly the Philippines' changing external linkage, influenced the preferences of actors and institutions. The domestic structure and external relations provided both constraints and opportunities for reforms. In dealing with the structural constraints, domestic politics played a crucial role. Politics, particularly the strategy and timing in launching the reform, leadership style, and skills in coalition-building, was important in eliminating the constraints in the successful and effective policy shift.

6.2. Policy innovation in a seemingly weak state

The analysis here indicates that classifying states as either weak or strong is too simplistic. States possess both strength and weakness, depending on the issue and how that issue is linked to the ruling actors' preferences, institutions, internal politics and external factors. As for the Philippines, despite its reputation as a weak state and the presence of strong opposition against trade liberalization, state strength was shown in the trade policy shift during the Aquino and Ramos years when the combination of

domestic and external factors facilitated the effort by reformist actors and technocrats to develop and implement outward-oriented economic policies.

Specifically, politics has an important role in seizing opportunities provided by domestic structure and external relations, and in overcoming structural impediments. The policy innovations in the Philippines during the redemocratization years expanded the participation of state and non-state actors in the reform process; links among the stakeholders in the new policy created a constituency to sustain policy reform. The political leadership utilized the existing institutions and tapped the support of the domestic actors who espouse reformist goals. The skill of coalition building was critical, particularly for harnessing the support of the many members of the private sector to participate in and contribute to all the stages of the policy debate and negotiations. The popularity of the leaders was put to good use in attracting international and domestic support in crucial periods. The timing of the implementation of various events and management of those events was important. Sequencing the reforms to minimize risks and opposition helped to reduce the political constraints, as well as the administrative/technical problems that could have disrupted the policy shift.

In many aspects, trade reform and the implementation of AFTA became cornerstones of the creation of a more participatory policymaking process in the

Philippines, and contributed to building formal institutions linking government and the private sector. With AFTA accession, the government created an opportunity to work closely with the private sector to enable the latter to take advantage of the opportunities from the vibrant ASEAN market. A constituency for reform was established, with many members of the private sector coming out in support of AFTA accession, and subsequently of joining the ASEAN Economic Community (AEC) (Wignaraja, Lazaro and De Guzman 2009; Yap, et al. 2010).

6.3. Need for further research

a. Need for additional information

Although full efforts for information gathering were made, it cannot be claimed that primary information is adequate, especially about actors' preferences and political process. I had to rely on a few primary sources and interviews. The minutes and other documentation of the meetings would have provided a richer account of the actual events, but they were still classified at the time I was doing research. The passing of the Freedom of Information (FOI) (Executive Order No. 2, series of 2016) provided the chance to access primary information. However, AFTA meetings and negotiation minutes are not included in the FOI, to date. Efforts must be continued to obtain

additional information to enrich the analysis in this dissertation and make it more conclusive.

b. Future research related to AFTA

Trade reforms and AFTA accession opened many opportunities for the Philippines for economic expansion and regional cooperation. However, trade liberalization also left many sectors vulnerable as the country opened to international competition. Unfortunately, the Philippine government has been remiss in addressing the concerns of the vulnerable groups, which led to demoralization and despair of many people who were marginalized and left behind.

Certainly, the government succeeded in sustaining the trade policy reform itself, which boosted the economic growth of the country in the past decades. On the other hand, it has been too slow in coming up with complementary policies to address the problems encountered in the new economic structure and to promote inclusive growth.

In sum, this research answers one question, but leaves other questions to be addressed in the near future, particularly. it is important to examine how trade liberalization and AFTA can be utilized more effectively so that the promised opportunities can be accessed by a wider sector of the population, and what social

policies are desirable to alleviate the conditions of those who have not benefitted enough from the policy reforms examined here.

References

- “15 Industry Sectors Face Restructuring, All Affected by CEPT Scheme.” 1992. *Manila Bulletin*, November 19: B-1.
- Abad, M. C. Jr. 2011. *The Philippines in ASEAN: Reflections from the Listening Room*. Manila: Anvil Publishing, 2011.
- Abt Associates Inc. 2002. *Clientelism, Patrimonialism and Democratic Governance: An Overview and Framework for Assessment and Programming*. Report prepared for the US Agency for International Development. Cambridge: MA.
- Abinales, Patricio and Donna Amoroso. 2005. *State and Society in the Philippines*. Rowman & Littlefield.
- Abueva, Jose. 1997. “Philippine Democratization and the Consolidation of Democracy Since the 1986 EDSA Revolution: An Overview of the Main Issues, Trends and Prospects.” In *Democratization: Philippine Perspectives*, edited by Felipe B. Mirada. Quezon City: University of the Philippine Press.
- Acemoglu, Daron and James Robinson. 2012. “Cacique Democracy”. *Why Nations Fail Blog*, December 6. Accessed on January 30, 2015 at <http://whynationsfail.com/blog/2012/12/26/cacique-democracy.html>.
- “Action Plan for Tariff Reforms Set.” 1992. *The Philippine Star*, December 14.
- AFTA won’t hurt local industries – DTI Chief.” 1992. *Business World*, February 18: 2.
- “AFTA: Off the ground—finally?” 1992. *Business World*, November 19:10.
- Aguirre, Alexander P. 1998. “Executive Direction and Coordination.” In *The Ramos Presidency and Administration: Record and Legacy (1992-1998)*, edited by Jose V. Abueva, M.C. Alfiler, M.O. Domingo and E. Nicolas, Leadership, Citizenship and Democracy Program, College of Public Administration, University of the Philippines, 17-44. Quezon City: University of the Philippines Press.
- Alburo, Florian A. 1993. “A Study on the Implementation of Philippine Commitments to the Fourth ASEAN Summit.” Pasig City: National Economic and Development Authority.
- Alburo, Florian. 1994. “A Philippine Perspective on AFTA and Beyond.” Paper submitted to the Conference on AFTA and Beyond: An ASEAN perspective organized by TDRI, Bangkok, April 27-28.
- Aldaba, Rafaelita M. 2005. “Policy Reversals, Lobby Groups and Economic Distortions.” *Discussion Paper Series 2005-04*. Makati City: Philippine Institute for Development Studies. Accessed at <https://dirp4.pids.gov.ph/ris/dps/pidsdps0504.pdf>
- Aldaba, Rafaelita M. 2013. “Twenty Years After Philippine Trade Liberalization and Industrialization: What has happened and where do we go from here?.” *PIDS*

Discussion Paper Series 2013-21. Makati City: Philippine Institute for Development Studies.

- Almonte, Jose T. 1996. "The Philippine Framework for Policy Reform." In *The Philippine Road to NICHood*, edited by W. Scott Thompson and Wilfrido Villacorta. Manila: De La Salle University and Social Weather Station Inc.
- Almonte, Jose T. 1998. "National Security." In *The Ramos Presidency and Administration: Record and Legacy (1992-1998)*, edited by Jose V. Abueva, M.C. Alfiler, M.O. Domingo and E. Nicolas, Leadership, Citizenship and Democracy Program, College of Public Administration, University of the Philippines, 193-201. Quezon City: University of the Philippines Press.
- Almonte Jose and Marites Danguilan Vitug. 2015. *Endless Journey*. Quezon City: Cleverheads Publishing.
- Anderson, Benedict. 1988. Cacique Democracy in the Philippines: Origins and Dreams. *New Left Review* I/169, May-June 1988. Accessed at <https://newleftreview.org/I/169/benedict-anderson-cacique-democracy-and-the-philippines-origins-and-dreams>
- Aquino, Belinda A. 1987. *Politics of Plunder: The Philippines under Marcos*. Quezon City: Great Books Trading and the University of the Philippines College of Public Administration.
- Aquino, Corazon Aquino. 1992. "Reflections on Our Development." Delivered at the Peninsula Hotel. June 23, 1992. Accessed at: <http://www.officialgazette.gov.ph/1992/06/23/speech-of-president-corazon-aquino-on-the-reflections-on-our-development-june-23-1992/>
- Aquino, Corazon. 1986. "Speech in the United Nations General Assembly on September 22, 1986." <http://www.officialgazette.gov.ph/1986/09/22/speech-of-president-corazon-aquino-at-the-41st-session-of-the-united-nations-general-assembly/>
- Arcega, Victoria. 1976. "Technocrats in the Philippine Rice Program: Middlemen in Masagana 99." *Philippine Journal of Public Administration*, April.
- Ariff, M. 1993. "AFTA: An Outward-Looking FTA". PITO Econ Brief (East-West Center, Honolulu). No. 14.
- ASEAN Secretariat. 1993. "AFTA Reader: Questions and Answers on the CEPT for AFTA." Vol. I, Indonesia, November.
- ASEAN Secretariat. 1998. "AFTA Reader Vol V." *The Sixth ASEAN Summit and Acceleration of AFTA*.
- Athukorala, P. 2011. "Production Networks and Trade Patterns in East Asia: Regionalization or Globalization?." *Asian Economic Papers* 10(1):65-95.

- Austria, Myra and Erlinda Medalla. 1996. "The Study on Trade and Investment Policies in Developing Countries: The Case of the Philippines." Tokyo: Institute of Developing Economies.
- Austria, Myrna. 1991. "Policy Adjustment to Exploit Opportunities in WTO, APEC and AFTA: Tradable Goods Sector." *PIDS Discussion Paper Series 99-11*. Makati: Philippine Institute for Development Studies.
- Baldwin, Robert E. 1975. "An Overview of the Philippine Economy and Its Foreign Trade Regimes." In *Foreign Trade Regimes and Economic Development: Philippines* by Robert E. Baldwin, 1-16. Washington: National Bureau of Economic Research.
- Balisacan Arsenio and Hal Hill. 2003. "An Introduction to the Key Issues." In *The Philippine Economy: Development, Policies and Challenges*, edited by Arsenio M. Balisacan and Hal Hill, 3-45. Quezon City: Ateneo de Manila University Press.
- Bautista, Cesar. 1998. "Trade and Industry," In *The Ramos Presidency and Administration: Record and Legacy (1992-1998)*, edited by Jose V. Abueva, M.C. Alfiler, M.O. Domingo and E. Nicolas, Leadership, Citizenship and Democracy Program, College of Public Administration, 625-643. Quezon City: University of the Philippines Press.
- Bautista, Romeo and Gwendolyn Tecson. 2003. "International Dimensions." In *The Philippine Economy: Development, Policies and Challenges*, edited by Arsenio M. Balisacan and Hal Hill, 136-175. Quezon City: Ateneo de Manila University Press.
- Bautista, Romeo. 1988. Impediments to Trade Liberalization in the Philippines. Thames Essay No. 54. Trade Policy Research Centre. London: Gower.
- Bello, Walden, David Kinley and Elaine Elinson. 1982. *Development Debacle: The World Bank in the Philippines*. Institute for Food and Development Policy.
- Baylis, John and Steve Smith. 2001. *The Globalization of World Politics: An Introduction to International Relations*. 2nd Edition. Oxford: Oxford University Press.
- Bello, Walden, M. De Guzman, M.L. Malig and H. Docena. 2005. *The Anti-Development State: The Political Economy of Permanent Crisis in the Philippines*. London and New York: Zed Books.
- Bello, Walden. 1984. Benigno Aquino: Between Dictatorship and Revolution in the Philippines. *Third World Quarterly*. Vol. 6, No. 2 (Apr., 1984), pp. 283-309. **Taylor & Francis, Ltd.** Stable URL: <http://www.jstor.org/stable/3990982>
- Bello, Walden. 1998. Back to the Third World? The Asian Financial Crisis Enters its Second Year. Accessed from www.focusweb.org.

- Bello, Walden. 2009. "Neoliberalism as hegemonic ideology in the Philippines: rise, apogee and crisis." *Focus on the Global South*. Accessed on April 5, 2015. www.Focusweb.org
- Bernabe, Riza. 2011. ATIGA Unbound. AsiaDHRRA/Trade Advocacy Group. http://asiadhrra.org/wordpress/wp-content/uploads/2011/01/atiga_unbound.pdf
- Bernas, Joacquin S.J. 1999. *A Living Constitution: The Ramos Presidency*. Manila: Anvil Publishing Inc.
- Branigin, William. 1986. "Philippine Official Admits Marcos' Kin Owned Company He Led." *Washington Post*. April 4.
- Buenaventura, Cesar. 2007. "Creating the Forum for Constructive Ideas." Speech delivered during the 15th Anniversary dinner in honor of MBC founder Enrique Zobel. Accessed at "History." www.mbc.com.ph.
- Calderon, Aurelio E. 1979. "American-Trained Technocrats: Preliminary Views and Trends," *Philippine Journal of American Studies*.
- Calonzo, Andreo. 2012. "Martial Law Legislation: Ex-Assemblymen recall 'rubber stamp' legislature." *GMA News Online*. September 21. Accessed on 01 December 2017.
- Caoli, Olivia. 2006. "The Philippine Legislature." In *Philippine Politics and Governance by Noel M. Morada and Teresa Encarnacion Tadem*, 249-299. Quezon City: Department of Political Science, CSSP, University of the Philippines.
- Capannelli, G. and Kawai. 2014. The Political Economy of Asian Regionalism: Issues and Challenges. In *The Political Economy of Asian Regionalism*, edited by G. Capannelli and M. Kawai, 1-18. Tokyo: Springer.
- Cariño, Ledivina V. 1992. *Bureaucracy for Democracy: The Dynamics of Executive-Bureaucracy Interaction during Governmental Transitions*. Manila: University of the Philippines, International Center for Economic Growth, and Philippine Institute for Development Studies.
- Carroll, John J., Francisco Araneta, Carlos A. Arnaldo and John T. Keane. 1970. *Philippine Institutions*. Manila: Solidaridad Publishing House.
- Chirathivat, Suthipand. 1996. "ASEAN Economic Integration with the World Through AFTA." In *AFTA in the Changing International Economy edited by Joseph L.H. Tan*. Singapore: ISEAS.
- Chua-Eoan, Howard and Edward Desmond. 2001. The Philippines: The Coup de tat that Failed. *Time Magazine*, June 24. Accessed at www.time.com/content

- College of Public Administration Research Team. 1973. *Development Policy and Planning: The Philippine Experience*. Manila: College of Public Administration University of the Philippines.
- Constantino, Renato. 1997. *The Invisible Enemy: Globalization and Maldevelopment*. Edited by Joan Orendain. Quezon City: Foundation for Nationalist Studies.
- Constantino Renato and Letizia R. Constantino. 1978. *The Philippines: Continuing Past*. Quezon City: Foundation for Nationalist Studies.
- Cooper, Richard. 1968. *The Economics of Interdependence: Economic policy in the Atlantic Community*. McGraw-Hill Book Company.
- Coronel, Sheila. 2006. "Remembering EDSA: 20 People and their Lives 20 Years since People Power." *Philippine Center for Investigative Journalism*. Accessed at: <http://pcij.org/stories/remembering-edsa/>
- Cororaton, Caesar, B. 1999. "The Philippine Tariff Structure: An Analysis of Change, Effects and Impacts. Discussion Paper Series No. 99-08. Makati City: Philippine Institute for Development Studies. Accessed at: <https://dirp4.pids.gov.ph/ris/dps/pidsdps9908.pdf>
- "Cure or Kill, An Appeal to President Aquino." 1990. *Philippine Daily Inquirer*, August 3: 11.
- David, Randolph. 2001. *Reflections on Sociology and Philippine Society*. Quezon City: The University of the Philippines Press.
- De Belen, Lorelei. 1994. "Keep tariff wall, paper firm ask". *Manila Chronicle*, April 14:9.
- De Dios, Emmanuelle. 1998a. Philippine Economic Growth: Can It Last? Accessed from <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN005106.pdf>
- De Dios Emmanuel and Paul Hutchcroft. 2003. Political Economy. In *The Philippine Economy: Development, Policies and Challenges* edited by Arsenio M. Balisacan and Hal Hill, 45-76. Quezon City: Ateneo de Manila University Press.
- De Dios, Emmanuelle. 1998. "Between Nationalism and Globalization" In *The State and the Market: Essays on a Socially Oriented Philippine Economy*, edited by Filomeno S. Sta. Ana. Quezon City: Action for Economic Reforms.
- De Dios, Loreli C. 1994. "A Review of the Remaining Import Restrictions." *PIDS Discussion Paper Series No. 94-08*. Makati City: Philippine Institute for Development Studies.

- Del Rosario, Albert. 2012. A Principled Foreign Policy. Posted at Aug 16 2012 05:51 PM. Accessed at <http://news.abs-cbn.com/insights/08/16/12/principled-philippine-foreign-policy>
- Dohner, Robert and Ponciano Intal Jr. 1989. "The Marcos Legacy: Economic Policy and Foreign Debt in the Philippines." In *Developing Country Debt and Economic Performance, Volume 3: Country Studies—Indonesia, Korea, Philippines, Turkey*, edited by Jeffrey Sachs and Susan M. Collins., 343-400. Chicago: Chicago University Press.
- Dolan, Ronald. 1991. *Philippines: A Country Study*. Washington: US Government Publishing Office (GPO) for the Library of Congress. www.countrystudies.us/philippines
- Dubsky, Roman. 1993. *Technocracy and Development in the Philippines*. University of the Philippines Press. Diliman, Quezon City.
- "Economic Blueprint of FVR". 1992. *Manila Bulletin*, July 27.
- Endriga, Jose N. 2003. "Stability and Change: The Civil Service in the Philippines." In *Introduction to Public Administration in the Philippines: A Reader*, edited by Victoria A. Bautista, 393-41. Quezon City: National College of Public Administration and Governance.
- Espalanada, Jerry. 2011. "US cable: Cory Aquino an 'icon' but 'tarnished', 'weak'". *Philippine Daily Inquirer*. August 29.
- Estanislao, Jesus P. 2011. "Transition to democracy: the Philippine experience". *Philippine Daily Inquirer*. 21 November.
- Estanislao, Jesus. 2001. "Southeast Asia: Development, Finance and Trade." In *Reinventing ASEAN*, edited by Simon SC Tay, Jesus Estanislao and Hadi Soesastro, 67-103. Singapore: ISEAS.
- Executive Order 230. July 22, 1987. (An Act Reorganizing the National Economic and Development Authority (NEDA)) Accessed at <http://www.officialgazette.gov.ph/1987/07/22/executive-order-no-230-s-1987/>
- "Executive Order 413, A Costly Experiment." 1990. *Philippine Daily Inquirer*, Aug 29:7.
- Executive Order No. 193 August 1994. (An Act Creating the World Trade Organization Advisory and ASEAN Free Trade Advisory Commissions, Defining its powers and functions and for other purposes). Accessed at <http://www.officialgazette.gov.ph/1994/08/02/executive-order-no-193-s-1994/>
- Executive Order No. 38 Series of 1992, November 27, 1992 (Reconstituting the ASEAN Free Trade Area (AFTA) commission and providing funds therefore). Accessed at <http://www.officialgazette.gov.ph/1992/11/27/executive-order-no-38-s-1992/>

- “Exporters ask government to simplify import procedures.” 1992. *Philippine Daily Inquirer*, December 18.
- Fabella, Armand V. 1968. *An Introduction to Economic Policy*. Philippine Executive Academy. Manila: College of Public Administration University of the Philippines.
- Fabella, Raul V. 2011. “Development Thinking and the Rise of Human Agency.” In *Built on Dreams, Grounded in Reality: Economic Policy Reform in the Philippines* edited by Raul V. Fabella, Jaime Faustino, Mary Grace Mirandilla-Santos, Paul Catiang, Robbie Paras, 225-253. Makati City: The Asia Foundation.
- Faustino, Jaime and Raul V. Fabella. 2011. “Development Entrepreneurship.” In *Built on Dreams, Grounded in Reality: Economic Policy Reform in the Philippines* edited by Raul V. Fabella, Jaime Faustino, Mary Grace Mirandilla-Santos, Paul Catiang, Robbie Paras, 253-273. Makati City: The Asia Foundation.
- Feliciano, Florentino. 2009. “Deconstruction of Constitutional Limitations and the Tariff Regime of the Philippines: The Strange Persistence of a Martial law Syndrome.” *Philippine Law Journal* [VOL 84, 2009) 311-337.
- Ramos, Fidel V. 1992. 24th Annual Meeting of the ASEAN Economic Ministers. October 22. Accessed at <http://www.officialgazette.gov.ph/1992/10/22/speech-of-president-ramos-at-the-24th-annual-meeting-of-the-association-of-southeast-asian-nations-economic-ministers/>
- Formanes, Bel. 2010. The Impacts of AFTA on the Philippine Economy and Small Scale Producers. Southeast Asian Council for Food Security and Fair Trade. http://www.seacouncil.org/seacon/images/stories/publications/afta_philippine.pdf
- Francois, J. and G. Wignaraja. 2008. Economic Implications of Asian Integration”. *Global Economy Journal*, 8 (3), 1-46.
- Frieden, Jeffrey. 1999. “Actors and Preferences in International Relations. In *Strategic Choice and International Relations*, edited by David A Lake & Robert Powell. Princeton University Press, 1999. Web. Copy at <http://j.mp/NnV5j5>.
- “FVR okays new tariff liberalization.” 1994. *The Manila Times*. January 6.
- Garrett, Geoffrey and Peter Lange. 1995. “Internationalization, institutions and political change.” *International Organization*, vol. 49, No. 4 (Autumn, 1995), p 627-655. The MIT Press. Accessed at www.jstor.org/stable/2706921 on March 4, 2014
- Garten, Jeffrey E. 1991. “Asia and the New Economic Order,” *Far Eastern Economic Review*, April 11: 54.
- Gochoco-Bautista, Ma. Socorro and Faustino, Jaime M. 1994. *AFTA and the Philippines: National Economic Policymaking and Regional Economic Cooperation*. Quezon City: Institute for Strategic and Development Studies, Inc.

- Golay, Frank H. "Obstacles to Philippine Economic Planning," *The Philippine Economic Journal*, IV:2 (Second Semester 1965), 287.
- Golay, Frank H. 1958. "Commercial Policy and Economic Nationalism." *The Quarterly Journal of Economics*. vol. 72, No. 4, 574-587. The Oxford University Press. <http://www.jstor.org/stable/1884337>. Accessed 18/052012 3:12
- Gonzalez, Eduardo T. 1998. Equity and exclusion: The Impact of Liberalization on Labor. In *The State and the Market: Essays on a Socially Oriented Philippine Economy*, edited by Filomeno Sta. Ana III, 162-190. Manila: Action for Economic Reforms.
- Gourevitch, Peter. 1978. "The Second Image Reversed: The International Sources of Domestic Politics." *International Organization*, vol 32, No. 4. Pp. 881-912. Accessed: November 7, 2014. Stable URL: <http://www.jstor.org/stable/2706180>.
- Habito, Cielito. 1998. Social and Economic Development Planning. In *The Ramos Presidency and Administration: Record and Legacy* by Jose V. Abueva, M.C. Alfiler, M.O. Domingo and E. Nicolas, Leadership, Citizenship and Democracy Program, College of Public Administration, 45-59. Quezon City: University of the Philippines.
- Haggard Stephen and Robert Kaufman. 1995. *The Political Economy of Democratic Transitions*. Princeton University Press.
- Hedman, Eva-Lotta E. and Sidel, John. 2000. *Philippine politics and society in the twentieth century: colonial legacies, post-colonial trajectories*. London and New York: Routledge.
- Hill Hal and Jayant Menon. 2010. "ASEAN Economic Integration: Features, Fulfilments, Failures and the Future." *ADB Working Paper Series on Regional Economic Integration*. No. 69.
- Hill, Hal. 2003. "Industry." In *The Philippine Economy: Development, Policies and Challenges*, edited by Arsenio M. Balisacan and Hal Hill, 219-254. Quezon City: Ateneo de Manila University Press.
- Hill, Hal. 1995. "ASEAN Industrialisation: A Stocktake". Paper presented at the Seminar '50 Tahun Indonesia Merdeka dan 40 Tahun Fakultas Ekonomi Universitas Gadjah Mada, Yogyakarta." 15-16 September.
- Hooley, Richard. 1996. "A Century of Philippine Foreign Trade: A Quantitative Analysis," In *Choice, Growth and Development: Emerging and Enduring Issues*, edited by Emmanuel S. de Dios and Raul V. Fabella, 255-304. Quezon City: University of the Philippines Press.

- Hutchcroft, Paul and Joel Rocamora. 2003. "Strong Demands and Weak institutions: The Origins and Evolution of the Democratic Deficit in the Philippines." *Journal of East Asian Studies* 3: 259-292.
- Hutchcroft, Paul D. 1991. "Oligarchs and Cronies in the Philippine State: The Politics of Patrimonial Plunder." *World Politics* 43, no. 3: 414-50. doi:10.2307/2010401. <http://www.jstor.org/stable/2010401> accessed on May 18, 2012.
- Hutchcroft, Paul. 1998. *Booty Capitalism: The Politics of Banking in the Philippines*. Ithaca: Cornell University Press.
- Ibarra, Herminia and Morten Hansen. 2011. "Are you a collaborative leader?." *Harvard Business Review* nos. 7–8 (2011): 68–74. 13.
- Irwin, Douglas. 2008. "International Trade Agreements." In *The Concise Encyclopedia of Economics*, edited by David Henderson. Available at www.econlib.org/library/Enc/InternationalTradeAgreements.html.
- Jurado, Gonzalo. 1995. "The Philippines in AFTA: Opportunities and Challenges." *Development Research News*, vol XIII No. 5-A. Makati City: Philippine Institute for Development Studies.
- Kang, David. 2002. *Crony Capitalism: Corruption and Development in South Korea and the Philippines*. Cambridge: Cambridge University Press.
- Katzenstein, Peter J. 1978. *Between Power and Plenty: Foreign economic policies of advanced industrial states*. Madison: The University of Wisconsin Press.
- Katzenstein, Peter J. 1996. *The Culture of National Security*. New York: Columbia University Press.
- Kawai, Masahiro and Ganeshan Wignaraja. 2009. "Asian FTAs: Trends and Challenges." ADBI Working Paper Series No 144. Tokyo: Asian Development Bank Institute
- Kawanaka, Takeshi, 2010. "Interaction of powers in the Philippine Presidential System." IDE Discussion Papers 233. Tokyo: Institute of Developing Economies, Japan External Trade Organization(JETRO).
- Keohane Robert and Helen V. Milner. 1996. *Internationalization and Domestic Politics*. Cambridge: Cambridge University Press.
- Keohane Robert Owen and Joseph S. Nye. 1977. *Power and interdependence: World politics in transition*. Boston: Little, Brown.
- Keohane, Robert Owen and Joseph S. Nye. 1989. *Power and Interdependence: World Politics in Transition*, third edition. Boston: Little-Brown.
- Kind, Hans Jarle. 2000. "The Philippine—The Sick Man of Asia? Economic development in the Philippines after 1946." *Centre for International Economic*

- and Shipping Working Paper No. 24/00*. Foundation for Research in Economics and Business Administration.
- Krasner, Stephen. 1978. *Defending the national interest: Raw materials investments and US Foreign Policy*. New Jersey: Princeton University Press.
- Krinks, Peter. 2002. *The Economy of the Philippines: Elites, inequalities and economic restructuring*. London and New York: Routledge.
- Lawrence, Robert. 2003. Regionalism, Multilateralism and Deeper Integration: Changing Paradigm. In *International Political Economy* (2nd) edited by C. Roe Goddard, Patrick Cronin and Kishore C. Dash. Boulder: Lynne Rienner Publishers, Inc.
- Liao, Christine Marie and Gloria Pasadilla. 2005. "Does the Philippine Need a Trade Representative Office?" *PIDS Discussion Paper Series*. Makati City: Philippine Institute for Development Studies. Accessed at https://econpapers.repec.org/paper/phddpaper/dp_5f2005-26.htm
- Lim, J and M. Montes. 2001. "Structural Adjustment Program after structural adjustment, but why still not development in the Philippines?" Paper presented at the Asian Economic Panel Meeting in Seoul, South Korea.
- Llanes, Mary Jane. 1992. "AFTA is vital but not enough time." *Business World*, March 18:2
- "Local firms reject free trade plan for ASEAN." 1992. *Malaya*, May 27.
- "Local traders assured on ASEAN trade pact. 1992. *Manila Standard*, February 4.
- Longhammer, Rolf J. 1992. "Shaping Factors & Business Conditions in the Post-Fourth ASEAN Summit Period." In *AFTA the Way Ahead*, Edited by Pearl Imada and Seiji Naya. Singapore: ISEAS.
- Lumauig, Romulo. 1998. Executive-Legislative Relations. In *The Ramos Presidency and Administration: Record and Legacy*, edited by Jose V. Abueva, M.C. Alfiler, M.O. Domingo and E. Nicolas. Leadership, Citizenship and Democracy Program, College of Public Administration, 59-79, Quezon City: University of the Philippines Press.
- Magaloni, Beatriz and Vidal Romero. 2008. "Partisan Cleavages, State Retrenchment and Free Trade: Latin America in the 1990s." *Latin American Research Review*, volume 43, Number 2: 107-135.
- Manapat, Ricardo. 1991. *Some Are Smarter than Others: The History of Marcos' Crony Capitalism*. Manila: Aletheia Publications.
- Marcello, Ellen. 1992. "15 Industry sectors face restructuring". *Manila Bulletin*, November 19:, B-1.

- Marcos, Ferdinand. 1973. *Notes on the New Society of the Philippines*. Manila: National Media Production Center.
- Mariotto, F.L., Zanni, P.P. and Moraes, G. 2014. *What is the Use of a Single-Case Study in Management Research*. Rev.adm.empres. vol. 54 no. 4 Sao Paulo July/Aug.
- McBeth, John and Rigoberto Tiglao. 1994. "Profitable Partnership: Business Weighs in with the Ballast for Regional Grouping," *Far Eastern Economic Review*, July 28:22-23.
- McBeth, John. 1990. "A Congress of Words, not Acts," *Far Eastern Economic Review*, July 12:35-37.
- McCoy, Alfred. 1993. "Rent-seeking families and the Philippine State: A History of the Lopez Family", In *Anarchy of Families: State and Families in the Philippines*, edited by Alfred McCoy, 429-536. Madison: University of Wisconsin Center for Southeast Asian Studies.
- Medalla, Erlinda M. 1992. "Towards a Competitive Philippine Industry." Development Research News. vol. X No. 2- 20. Makati City: Philippine Institute for Development Studies.
- Medalla, Erlinda M., Mantaring, Melalyn C. 2009. "On Free Trade Agreements (FTAs): the Philippine Perspective." *PIDS Discussion Paper Series*. Makati City: Philippine Institute for Development Studies.
- Medalla, Erlinda, Gwendolyn Tecson, Romeo Bautista and John Power. 1996. *Catching Up with the Tigers*. Makati City: Philippine Institute for Development Studies
- Medalla, Erlinda. 1983. "On the Use of DRC Criterion in Selecting Projects." *PIDS Discussion Paper Series*. Makati City: Philippine Institute for Development Studies.
- Migdal, Joel. 1988. *Strong Societies and Weak States: State Society Relations and State Capabilities in the Third World*. New Jersey: Princeton University Press.
- Milner, Helen V. and Keiko Kubota. 2005. "Why the Move to Free Trade? Democracy and Trade Policy in the Developing Countries." *International Organization* 59(1): 107-43.
- Miranda, Felipe. 1997. *Democratization: Philippine Perspective*. Quezon City: University of the Philippine Press.
- Montes, Manuel. 1989. "Philippine structural adjustment, 1970 to 1989" in *Philippine Macroeconomic Perspective: Development and Policies*, edited by M. Montes and H. Sakai. Tokyo, Japan: Institute of Developing Economy.

- Montes, Manuel. 1992. "The Politics of Liberalization: The Aquino Government's 1990 Tariff Reform Initiative." In *The Politics of Economic Reform in Southeast Asia: the experience of Thailand, Indonesia and the Philippines*, Edited by David G. Timberman, 91-116. Makati City: Asian Institute of Management.
- Montinola, Gabriella. 1999. "Politicians, parties and the persistence of weak states: Lessons from the Philippines." *Development and Change* Vol. 30, 739-774.
- Moravcsik, Andrew. 1997. "Taking Preferences Seriously: A Liberal Theory of International Politics." *International Organization* 51, no. 4: 513-53.
<http://www.jstor.org/stable/2703498>.
- Mydan, Seth. 1987. "Jaime Ongpin, ex-Aquino aide, dies at 49, apparently suicide." *New York Times*. December 8. Narisma, Corrie S. 1992. "RP joining ASEAN tariff reduction plan in 1996." *Philippine Daily Inquirer*, December 18: 8.
- Nesadurai, Helen Sharmini. 2001. "The political economy of the ASEAN Free Trade Area : The dynamics of globalisation, developmental regionalism and domestic politics." PhD Dissertation. University of Warwick. 306 leaves.accessed at <http://wrap.warwick.ac.uk/id/eprint/36396>
- North, D. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
- Oberdorfer, Don. 1991. "US Base Rejected in the Philippines." *The Washington Post*. September 10.
- Oberdorfer, Don. 1998. *From the Cold War to a New Era: The United States and the Soviet Union, 1983-1991*. Baltimore and London: Johns Hopkins University Press, 1998
- "Obstacles to growth formidable." 1992. *Manila Bulletin*, November 19: B-1.
- Ocampo, Romeo B. 1971. "Technocrats and Planning: Sketch and Exploration." *Philippine Journal of Public Administration*. July-October.
- Paderanga, Cayetano Jr. 2005. "Perspectives: Neoliberalism?." *Kasarinlan: Philippine Journal of Third World Studies* 20(2): 173-186.
- Pelorina, Renato. 2013. Decontrol and Its Effects on Philippine Economy (1962-1966). *International Refereed Research Journal* Vol.-IV, Issue-1(1), January 2013(23).
http://www.researchersworld.com/vol4/vol4_issue1_2/Paper_04.pdf
- Petri, Peter A., Michael G. Plummer, and Fan Zhai. 2012. *The Trans-Pacific Partnership and Asia-Pacific Integration*. Washington DC:Peterson Institute for International Economics.
- Philippine Economic Society. 1985. "Report on a Survey of Opinions of the Membership of the Philippine Economic Society of the Current Economic Crisis." *Philippine Economic Journal* 24 No. 1: 64-79.

- Philippine Exporters Confederation Inc. 2007. *ASEAN for Philippine Business*. Pasay City: PhilExport.
- Philippine Institute for Development Studies. 2010. "The ASEAN Economic Community and the Philippines: Implementation, Some Issues and Policy Options." PIDS Discussion Papers. 2010-03. Makati: Philippine Institute for Development Studies.
- Plummer, Michael G., 2010. "EU-Asia Free Trade Areas? Economic and Policy Considerations," *ADB Working Papers* 255. Tokyo: Asian Development Bank Institute.
- Power, John and Gerardo Sicat. 1970. "Industrialization in the Philippines." Institute of Economic Development and Research. Discussion Paper No. 70-11. April 24.
- Presidential Management Staff. 1992. The President's Report, 1986-1992. Office of the President,
<http://www.coryaquino.ph/coryaquino/assets/images/ThePresidentReport.pdf>
- Ramos, Fidel V. 1998. "The Philippines Comes of Age." In *The Ramos Presidency and Administration: Record and Legacy* by Jose V. Abueva, M.C. Alfiler, M.O. Domingo and E. Nicolas. Leadership, Citizenship and Democracy Program, College of Public Administration, University of the Philippines. Quezon City. University of the Philippines Press.
- Ramos, Fidel. 1992. "Inaugural Speech June 30, 1992." Accessed at <http://www.officialgazette.gov.ph/1992/06/30/inaugural-address-of-president-ramos-june-30-1992/>
- "Ramos: Quarrels hinder growth." 1992. *Manila Chronicle*, November 19.
- Raquiza, Antoinette. 2012. *State structure, policy formation, and economic development in Southeast Asia: The political economy of Thailand and the Philippines*. London and New York: Routledge.
- Rebullida, Ma. Lourdes. 2006. "Executive Power and Presidential Leadership: Philippine Revolution to Independence." In *Philippine Politics and Governance* by Noel M. Morada and Teresa Encarnacion Tadem, 117-153 . Quezon City: Department of Political Science, CSSP, University of the Philippines.
- Rebullida, Ma. Lourdes. 2006. "Martial Law, Constitutional Authoritarianism and the Marcos Administration." In *Philippine Politics and Governance* by Noel M. Morada and Teresa Encarnacion Tadem, 153-179. Quezon City: Department of Political Science, CSSP, University of the Philippines.

- Rebullida, Ma. Lourdes. 2006. "Philippine Executive and Redemocratization." In *Philippine Politics and Governance* by Noel M. Morada and Teresa Encarnacion Tadem, 179-217. Quezon City: Department of Political Science, CSSP, University of the Philippines.
- Reyes, Danilo. 2003. "Public Administration in the Philippines: History, Heritage and Hubris." In *Introduction to Public Administration in the Philippines: A Reader* edited by Victoria A. Bautista, 33-68. Quezon City: National College of Public Administration and Governance.
- Rivera, Temario. 1994. *Landlords and Capitalists: Class, Family and State in Philippine Manufacturing*. Quezon City: University of the Philippines Center for Integrative and Development Studies.
- Rivera, Temario. 1998. "Democratic Governance and Late Industrialization." In *The State and the Market: Essays on a Socially Oriented Philippine Economy*, edited by Filomeno Sta. Ana III, 250-261. Manila: Action for Economic Reforms.
- Rodriguez, Pepper. 1994. Philippines ratifies GATT. Accessed at <https://www.upi.com/Archives/1994/12/14/Philippines-ratifies-GATT/6176787381200/> on 2/27/2018.
- Rodrik, Dani and M.R. Rosenzweig. 2009. *Handbook of Development Economics vol. 5*. North Holland. Rodrik, Dani. 1992. "The Limits of Trade Policy Reform in Developing Countries." *The Journal of Economic Perspectives*. 6 (1): 87-105.
- Romani, John H. 1957. *The Philippine Presidency*. Manila: Institute of Public Administration.
- Romulo, Roberto R. 1993. "Philippine Foreign Policy: New Policy in a Changing World Environment." *The Fletcher Forum of World Affairs* 17(2): 131-143.
- Ronas, Malaya C. 2006. "Philippine Foreign Relations, 1946-1972." In *Philippine Politics and Governance*, edited by Noel Morada and Teresa Encarnacion Tadem. Quezon City: Department of Political Science, CSSP, University of the Philippines.
- Rosellon, Maureen and Josef T. Yap. 2010. "The Role of the Private Sector in Regional Economic Integration: A View from the Philippines." *PIDS Discussion Paper Series No. 2010-23*. Makati City: Philippine Institute for Development Studies.
- San Juan, Thelma Sioson. 2012. "Retelling the story of the country's most prominent twins". *Philippine Daily Inquirer*, February 26.
- Severino, Rodolfo. 2006. *Southeast Asia in Search of ASEAN Community*. Singapore: Institute of Southeast Asian Studies.

- Shepherd G. and FA Alburo. 1990. "Liberalizing foreign trade in the Philippines." In *Liberalizing Foreign Trade*, edited by D. Papageorgiou, M. Michaely and A. Choksi. Massachusetts: Basil Blackwell.
- Siazon, Domingo Jr. 1998. Foreign Affairs. In *The Ramos Presidency and Administration: Record and Legacy* by Jose V. Abueva, M.C. Alfiler, M.O. Domingo and E. Nicolas, 211-234. Quezon City: Leadership, Citizenship and Democracy Program, College of Public Administration. Quezon City: University of the Philippines Press.
- Soledad, Genevieve. 1992. "Sugar, coconut sectors oppose tariff reduction". *Business World*, April 8: 7.
- Solis, Mireya, Barbara Stallings and Saori Katada. 2009. *Competitive Regionalism: FTA Diffusion in the Pacific Rim*. Palgrave Macmillan.
- Soriano, Ma. Cecilia. 1992. "Philippine Structural Adjustment Measures." *Working Paper Series No. 92-10*. Makati City: Philippine Institute for Development Studies.
- Southeast Asian Fisheries Development Center, Aquaculture Department. (1994). GATT issues and Philippine agriculture. *Aqua Farm News*, 12(6), 1-15.
- Stoll, Heather. 2004. "Social cleavages, political institutions and party systems: putting preferences back into the fundamental equation of politics". PhD diss. Stanford University.
- Tadem, Teresa Encarnacion. 2005. "The Philippine Technocracy and US-led Capitalism." In *After the Crisis: Hegemony, Technocracy and Governance in Southeast Asia*, edited by Takashi Shiraishi and Patricio Abinales. Kyoto: Kyoto University Press and Melbourne: Transpacific Press.
- Tadem, Teresa Encarnacion and Noel M. Morada. 2006. *Philippine Politics and Governance: Challenges to Democratization and Development*. Quezon City: Department of Political Science, University of the Philippines.
- Tadem, Teresa Encarnacion and Eduardo Tadem. 2003. "Anti-Globalization Movements in Southeast Asia." Accessed at www.asj.upd.edu.ph.
- Tadem, Teresa Encarnacion. 2014. "Philippine Technocracy and the Politics of Economic Decision-Making: A Comparison of the Martial law and Post-Martial Law Periods," *The Politics of Technocracy in Southeast Asia* (August 2014) vol. 3 No. 2: 345-383.
- Tanada, Wigberto. 2005. "AFTA and WTO: Liberalization and Development for Whom?". FairTradeWeb. Accessed at

<https://fairtradeweb.wordpress.com/2005/10/25/afta-and-wto-liberalization-and-development-for-whom/>

- Tasker Rodney and Rigoberto Tiglao. 1992. "Ready, Steady Wait: Ramos' Priorities Based on Ensuring Political Stability," *Far Eastern Economic Review*, December 24-31: 22-25.
- Tasker, Rodney and Rigoberto Tiglao. "Interview/Fidel Ramos: Tactical Outline". 1992. *Far Eastern Economic Review*. December 24-31.
- Tasker, Rodney. 1995. "All Aboard: Opposition politicians flock the Ramos bandwagon." *Far Eastern Economic Review*. February 16:18.
- Teik, Khoo Boo, Teresa Tadem, Shiraishi Takashi. 2014. Technocracy and Economic Decision Making in Southeast Asia: An Overview. *Southeast Asian Studies*, 3 (2):241-253.
- Tesoro, JM and A. Lopez. 2000. "From Behind the Throne: A Top Adviser Quietly Struggles to Reshape the Nation." *Asiaweek*. November 30.
- The Ramos Administration's Development Plan". 1992. *Philippine Daily Inquirer*. December 14: 20.
- Thie Kian Wie. Export-oriented industrialization and foreign direct investment in the ASEAN countries. http://archive.unu.edu/hq/academic/Pg_area4/Thee.html
- Thompson, W. Scott and Wilfrido V. Villacorta. 1996. *The Philippine road to NICHood*, Manila: De La Salle University and Social Weather Stations.
- Tiglao, Rigoberto. 1991. "Manila to Revamp Rules on Foreign Investment: Change of Attitude," *Far Eastern Economic Review*, April 25: 58-59.
- Tiglao, Rigoberto. 1990. "Power to the Plutocrats," *Far Eastern Economic Review*, July 12. 40-41.
- Tiglao, Rigoberto. 1990a. "Despite Political Crises, the Economy Thrives: The Philippine Paradox". *Far Eastern Economic Review*, July 12.
- Tiglao, Rigoberto. 1990b. "Duty Bound: Philippine government retreats on pledge to cut tariffs." *Far Eastern Economic Review*, September 13.
- Tiglao, Rigoberto. 1990c. "The Knives are out for Aquino's Trade Minister: No way, Jose," *Far Eastern Economic Review*, June 21.
- Tiglao, Rigoberto. 1991a. "Lords of privilege." *Far Eastern Economic Review*, September 11.

- Tiglao, Rigoberto. 1991b. "Luck, Loans and Last-Gasp Reforms Push Philippines towards Recovery: Cory comes good." *Far Eastern Economic Review*, April 11.
- Tiglao, Rigoberto. 1991c. "Philippines Tycoon Returns to Prominence: Catching the wind". *Far Eastern Economic Review*, February 14.
- Tiglao, Rigoberto. 1992. The Dilemmas of Economic Policymaking in a 'People-Power' State," In *The Politics of Economic Reform in Southeast Asia: The Experiences of Thailand, Indonesia, and the Philippines*, edited by David Timberman. Makati: Asian Institute of Management.
- Tiglao, Rigoberto. 1995. "Right-Hand Man: Ramos's ideologue Takes Aim at Oligarchy," *Far Eastern Economic Review*, November 2.
- Tigno, Jorge V. 1996. "Electoral and Party Politics in the Postwar Period." In *Philippine Politics and Governance*, edited by Noel Morada and Teresa Encarnacion Tadem, 77-97. Department of Political Science, College of Social Sciences and Philosophy, University of the Philippines.
- Tillah, Mir. 2005. "Globalization, Redemocratization and the Philippine Bureaucracy." *PIDS Discussion Paper Series*. Makati City: Philippine Institute for Development Studies. Accessed at <https://dirp3.pids.gov.ph/ris/dps/pidsdps0509.pdf>.
- Tolosa, Benjamin Jr. 2005. "Perspectives: Neoliberalism?." *Kasarinlan: Philippine Journal of Third World Studies*, 20(2): 173-186.
- Tongzon Jose. 2005. "Role of AFTA in an ASEAN Community." In *Roadmap to an ASEAN Economic Community*, edited by Denis Hew. Singapore: Institute of Southeast Asian Studies.
- "Trade department set to end protection enjoyed by domestic industries." 1992. *Manila Chronicle*, November 15: 9.
- Trinidad, Dennis. 2006. "Understanding Policy Shift: Class interests, exogenous pressure and policy reform in the Philippines." *Philippine Political Science Journal*, 27:50, 31-60. Routledge.
- Turner, Mark. 1984. "The Political Economy of the Philippines: Critical Perspectives," *Pacific Affairs*, 57:3.
- Villacorta, Wilfrido. 1996. The Democratic Road to NICHood: The Philippine Model. In *The Philippine Road to NICHood*, Edited by W. Scott Thompson and Wilfrido Villacorta. Manila: De La Salle University and Social Weather Station Inc.
- Villegas, Bernardo M. 1993. "Implications of AFTA on Philippine Labor Export." *Asian and Pacific Migration Journal*, 2 (3), 285-301.
- Villegas, E.M. 1984. *Studies in Philippine Political Economy* (2nd ed.). Manila: Silangan Publishers.
- Vos, Rob and J. T. Yap. 1996. *The Philippine economy* :

- East Asia's stray cat? : Structure, finance and adjustment.* New York : St. Martin's Press.
- Vos Rob and Josef T. Yap. 1996. *The Philippine Economy: East Asia's Stray Cat?*. New York: St. Martin's Press.
- Wade, Robert Hunter. 2008. "Globalization, growth, poverty and inequality." In *Global political economy*, edited by J. Ravenhill. Oxford: Oxford University Press.
- Weatherbee, Donald E. 1987. "The Philippines and ASEAN: Options for Aquino." *Asian Survey*, Volume 27, Issue 12, 1987, pages 1223-1239.
<http://www.ucpressjournals.com/journal.asp?j=as>
- Weible, Christopher and Paul Sabatier. 2009. "A Guide to the Advocacy Coalition Framework." Accessed at
<http://www.ucdenver.edu/academics/colleges/SPA/FacultyStaff/Faculty/Documents/Weible%20and%20Sabatier%20ACF%20chapter%20in%20Fischer%20et%20a1.%202006.pdf>
- Wignaraja, Ganeshan, Dorothea Lazaro and Genevieve De Guzman. 2009. "Factors Affecting Use or Nonuse of Free Trade Agreements in the Philippines." *Journal of Development*, Number 67, Second Semester 2009, volume XXXVI, No. 2.
- Wurfel, David. 1991. "Elites and Agrarian Reform in the Philippines." Accessed at www.davidwurfel.ca on January 12, 2005.
- Yap, Josef, Erlinda Medalla, Rafaelita Aldaba, Gilbert Llanto Dorothea Lazaro, Lorraine Zafe, Melalyn Mantaring & Francis Mark Quimba. 2010. "ERIA Study to Further Improve the ASEAN Economic Community Scorecard: The Philippines." *PIDS Discussion Paper 2010-24*. Makati City: Philippines Institute for Development Studies.
- Yap, Josef. 2011. Policy Coherence and Critical Development Constraints in the Philippines. *ILO Regional Office for Asia and the Pacific*. Bangkok: International Labor Organization. Accessed on January 12, 2014 at http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/documents/meetingdocument/wcms_101735.pdf
- Yap, Josef T. and Majuca, Ruperto. 2013. "Aspirations and Challenges for Economic and Social Development in the Philippines Toward 2030." *PIDS Discussion Paper Series*. Makati City: Philippine Institute for Development Studies.

List of interviewees, title, institutions/company

1. Dr. Erlinda Medalla, Senior Research Fellow, Philippine Institute for Development Studies, Makati City, Philippines – Makati City, Philippines, December 2012
2. Dr. Rafaelita Aldaba, Assistant Secretary, Department of Trade and Industry (DTI)—Makati City, Philippines, December 2012
3. Dr. Josef T. Yap, former President of the Philippine Institute and Development Studies—Makati City, Philippines, December 2012
4. Dr. Ganeshan Wignaraja—Former Research Director, Asian Development Bank Institute (ADBI) –ADBI, Tokyo, 2014
5. Ambassador Donald Dee-Former Executive Director of the Philippine Chamber of Commerce and Industry—PCCI Office, Makati City, Philippines, December 2012
6. Atty. Dorothea Lazaro—Former Economics Affairs Officer, UNESCAP, 2015 (Email correspondence)
7. Atty. Titus Villanueva, Former Commissioner, Bureau of Customs, Manila, Philippines, December 2013
8. Ms. Nelly Icasiano—Division Chief, Bureau of Customs—Port Area, Manila, Philippines, December 2013
9. Mr. Randy Arquiza – Acting Director, ASEAN Economic Community, Department of Foreign Affairs (DFA)– Roxas Boulevard, Philippines, December 2012
10. Mr. Ronnie Yambao—Subic Bay Metropolitan Authority (SBMA), Subic Freeport, Philippines, December 2012
11. Mr. Ramel Abellanes- Juken Sangyo (Philippines) Corporation, Subic Technopark, Subic Bay Freeport Zone, December 2012
12. Staff, Bureau of International Trade Relations (BITR), Department of Trade and Industry—Makati City, Philippines, December 2012

Appendix A.

Presidential Decree No. 1464, the Tariff and Customs Code of 1978,

Section 401(Flexible Clause) a. In the interest of national economy, general welfare and/or national security, and subject to the limitations herein prescribed, the President, upon recommendation of the National Economic and Development Authority (herein referred to as NEDA), is hereby empowered: (1) to increase, reduce or remove existing protective rates of import duty (including any necessary change in classification). The existing rates may be increased or decreased to any level, in one or several stages but in no case shall the increased rate of import duty be higher than a maximum of one hundred (100) per cent *ad valorem*; (2) to establish import quota or to ban imports of any commodity, as may be necessary, and (3) to impose an additional duty on all imports not exceeding ten (10%) per cent *ad valorem* whenever necessary; Provided, That upon periodic investigations by the Tariff Commission and recommendation of the NEDA, the President may cause a gradual tariff reduction of protection levels granted in Section One Hundred Four of this Code, including those subsequently granted pursuant to this section.

Section 402 (Promotion of Foreign Trade) a. For the purpose of expanding foreign markets for Philippine products as a means of assistance in the economic development of the country, in overcoming domestic unemployment, in increasing the purchasing power of the Philippine peso, and in establishing and maintaining better relations between the Philippines and other countries, the President, is authorized from time to time: (1) To enter into trade agreements with foreign governments or instrumentalities thereof; (2) To modify import duties (including any necessary change in classification) and other import restrictions, as are required or appropriate to carry out and promote foreign trade with other countries; Provided thereof that in modifying import duties or fixing import quota the requirements prescribed in subsections “a” of Section 401 shall be observed: Provided further, That any modification of import duties and any fixing of import quotas made pursuant to this agreement on ASEAN Preferential Trading Arrangements ratified on August 1, 1977 shall not be subject to the limitations of aforesaid section “a” of Section 401.

Appendix B. AFTA Multi Sectoral Commission

AFTA Multisectoral Study Commission Members (AFTA-MS)		
Business Leaders	Business, Labor and Farmers Organization	Government Officials
Laila Larkin (Transportation)	Jose Pardo -Business leader	Gov. Cuisia, Bangko Sentral ng Pilipinas
Sylvia Santos (Leather goods)	Bernardo Villegas-Academic, Economist	Sec. Bacani, Department of Agriculture
Antonio Cojuangco (Telecommunications)	Ricardo Romulo-lawyer, business leader/Manager	Sec. Factoran, Department of Energy and Natural Resources
Victor Chionbian (Logistics)	Felipe Alfonso-lawyer, businessman	Sec. Bautista, Department of Trade and Industry
John Gokongwei (Various, including telecommunication, transportation, manufacturing, retail)	Rizalino Navarro-businessman, business leader/Executive	Chairman Ocampo, Development Bank of the Philippines
Oscar Hilado (Real Estate)	Yao Eng Hue-President of FilChinese Chamber of Commerce	Sec. Follosco, Department of Science and Technology
Narda Capuyon	Johnny Tan	Pres. Abueva, University of the Philippines
Dante Santos (Logistics, Banking and Finance)	Democrito Mendoza-lawyer, labor leader, President of Trade Union Congress of the Philippines	Sec. Gen. Paderanga, National Economic and Development Authority
Luis Lorenzo, Sr. (Food and Beverage)	Ben Cruz- National Farmers Council	Sec. Confessor, Department of Labor and Employment
Roberto Villanueva, Sr. (Engineering and Construction)	Sergio Cruz	
Federico Borromeo (Agribusiness)	Alejandro Herrin-Economist, Academic	
Alfonso Yuchengco (Banking and Finance, Education)	Octavio Espiritu-Banker, Executive	
Jaime Zobel de Ayala (Banking and Finance, Real estate, Telecommunications)		
Vicente Paterno (Retail, real estate)		
Raul Concepcion (Industrial goods export, white goods)		
Corazon de la Paz (CEO of various top companies)		

Sources: Executive Order 510; Various websites; Gochoco-Bautista and Faustino 1994

Appendix C. AFTA Advisory Commission

AFTA Advisory Commission Members		
Private Sector	Public Sector	
	Executive Branch	Legislative Branch
Jose Pardo	Sec. Rizalino Navarro, co-Chairman	Sen. Gloria Macapagal-Arroyo
Jesus Estanislao	Sec. Roberto Romulo	Sen. Leticia Ramos-Shahani
Eugenio Lopez	Sec. Ramon del Rosario DOF	Representative Albertito Lopez
Yao Eng Hue (FFCCI)	Sec. Roberto Sebastian DA	Representative Felicito Payumo
Octavio Espiritu (Banking and Finance)	Sec. Nieves Confessor DOLE	
Ernesto Martilino (Agribusiness)	Sec. Jesus Garcia, Jr. DOTC	
Dante Santos (Industry)	Sec. Angel Alcala DENR	
Leonardo Suguion-Reyes (Tran and Com)	Sec. Cielito Habito NEDA	
Corazon de la Paz (Services)	Sec. Roberto Garcia DOST	
Raul Concepcion (Energy)	Sec. Vicente Carlos DOT	
Paterno Dizon (Exporters)	Sec. Delfin Lazaro DOE	
Victor Chongbian (Visayas)		
Vicente Paterno (Mindanao)		

Source: Executive Order No. 38, S. 1992 (Reconstituting the AFTA Commission and Providing Funds Thereof); Gochoco-Bautista and Faustino 1994, 59