THE B.O.I. AND ECONOMIC DEVELOPMENT

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IN his State of the Nation message to Congress last January 27, 1969, President Marcos stressed, among others, one important point: that there is a critical necessity to diffuse the benefits of economic progress outside of the traditional centers of development into the provinces, towns and municipalities. The vigorous support given by the government to the Presidential Assistant on Community Development and the appropriation of ₱100 million for rural development projects made by Congress are only two of the more significant efforts towards the pursuit of this objective.

In September, 1967 a law was passed which will contribute immensely to the attainment of this objective. This law is R.A. 5186, otherwise known as the Investment Incentives Act. This piece of legislation specifically provides for the development of the national economy in pursuance of a planned, economically feasible and practicable dispersal of industries. No doubt the legislators had in mind the spreading of economic benefits to the other geographical regions of the country when this particular provision was specified in the law.

The planned development of the economy was to be achieved by encouraging the establishment of business ventures in certain areas which are to be declared as preferred areas of investment. The delineation of the preferred areas is the main responsibility of the Board of Investments, the agency which was created to carry out the intent and purposes of the law. The first delineation of preferred areas termed the Investment Priorities Plan was approved by the President on June 1, 1968 and immediately implemented by the Board. Up to December 31, 1968, a total of 151 applications had been filed. The second Plan for the year 1969 has already been submitted to the National Economic Council prior to its submission to the President for final approval.

The concept of industrialization as envisaged in the two Investment Priorities Plans is one that links the agricultural and mining sectors to the manufacturing sector of the economy. This policy maybe differentiated from our past developmental policies which had always stressed a particular sector over another in the determination of development objectives. To understand the implications of this divergence from past policies, let us take a quick glimpse of the past.

Our Past Development Policies

From 1946 to 1950 the Philippines had one overriding economic objective: rehabilitation of the stock of productive resources which were destroyed during the war. This period of rehabilitation was characterized by the presence of several constraints which held back the rapid development of the economy. These constraints among which are the slow recovery of the traditional export products giving rise to a low level of foreign exchange earnings and the continued rise in the demand for imported manufactured consumer items continued to be felt in the decade that followed the reconstruction year. In order to stem the outflow of the scarce foreign exchange that the country earns, the Philippine government had to adopt, first a policy of import controls and later on, foreign exchange control.

The import control policy gave impetus to the establishment of many import substituting ventures. Coupled with foreign exchange controls and the tax exemption privileges on certain industries the simple processing, assembly and packaging type of business operations later on became profitable. Thus, that period of our economic development saw the birth of business operations producing galvanized iron sheets and assembling appliances and many commodities which were previously imported. However, these operations which were spawned by policies of restraint depended heavily on the availability of imported raw materials. As such, decisions on the site of operations were governed more by the presence of auxiliary services like banking and port facilities rather than proximity to the source of raw materials or labor. Since auxiliary services were available only in the traditional centers of trade, new business ventures tended to cluster in these same traditional trade centers. As may be expected, most of the employment opportunities became available only in these same areas, notably the Greater Manila area. This state of unbalanced economic development coupled with the increased migration of the population, particularly the labor force, to the cities depressed agricultural production and ultimately retarded the growth of the rural areas. PM

(To be concluded)

"Miracle rice."