

## **DATA VISUALIZATION AND STORYTELLING [DS 221]**

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# FORMAL REPORT ON THE IMPACT OF MARTIAL LAW ON THE MANUFACTURING INDUSTRY IN THE PHILIPPINES

## INTRODUCTION

The declaration of Martial Law by President Ferdinand Marcos on September 21, 1972, marked a period of significant upheaval for the Philippines. This era, lasting until January 17, 1981, and extending through the subsequent years of Marcos' rule until 1986, profoundly affected the country's economic, social, and political landscape. Before the imposition of Martial Law, the manufacturing sector was a robust contributor to the Philippine economy. The period leading up to the early 1970s saw a thriving manufacturing industry, which played a significant role in driving economic growth and development. However, this significant development also experienced a significant change.

This paper aims to provide an in-depth analysis of the adverse impacts of Martial Law on the **manufacturing industry**, highlighting the decline in economic performance, the role of *crony capitalism*, and the subsequent rise in national debt and poverty. The decline of the manufacturing sector during Martial Law was a pivotal factor that contributed to broader economic stagnation and social challenges, hindering the overall growth and development of the country.

In addition to discussing the direct effects on the manufacturing industry, this paper will explore how the decline in this sector served as a significant contributor to other systemic issues that halted the nation's progress. These issues include increased unemployment, reduced real wages, and the exacerbation of economic inequalities. Furthermore, this report will analyze the human and social costs associated with the economic downturn, including the rise in poverty rates and the impact on families and communities.

To visually represent these impacts, an accompanying infographic titled "**Unearthing Crisis: Martial Law's Grip on Manufacturing**" is used. This infographic provides a clear and concise visual summary of the key statistics and trends discussed in the report, utilizing a strategic design to enhance understanding and engagement. Using data visualization, we will be able to tell the story of the many lives, sectors and the grip martial law has left to the country.

# Economic Impact on the Manufacturing Industry

## Contribution to the Country's GDP Before Martial Law

Prior to the declaration of Martial Law, the manufacturing sector greatly bolstered the Philippine economy. In the years preceding the early 1970s, there was a flourishing manufacturing industry that substantially fueled economic expansion and progress.

### Key Statistics Before Martial Law

- **1965:** Manufacturing contributed approximately 27% to the GDP.
- **1970:** This contribution had increased to 39%, reflecting a period of industrial expansion and economic progress.

Table 1.0 - Manufacturing Sector Contribution to GDP Before Martial Law

Year	Contribution to GDP (%)
1965	27%
1970	<b>39%</b>

The data above highlights the manufacturing sector's critical role in the economy prior to Martial Law, providing a baseline for understanding the subsequent decline during the Marcos regime. However, this growth experienced a decline during the duration of martial law.

Table 1.1 - Manufacturing Sector Contribution to GDP During Martial Law

Year	Contribution to GDP (%) During Martial Law
1980	29%
1985	<b>25%</b>

With the imposition of Martial Law in 1972, the manufacturing sector began to experience a significant downturn. The economic policies and practices under the Marcos regime, including crony capitalism and mismanagement, led to a decline in industrial productivity and economic contribution.

### Key Statistics During Martial Law

- **1980:** The contribution of manufacturing to GDP decreased to 29%.
- **1985:** By the end of the period, it had further dropped to 25%.

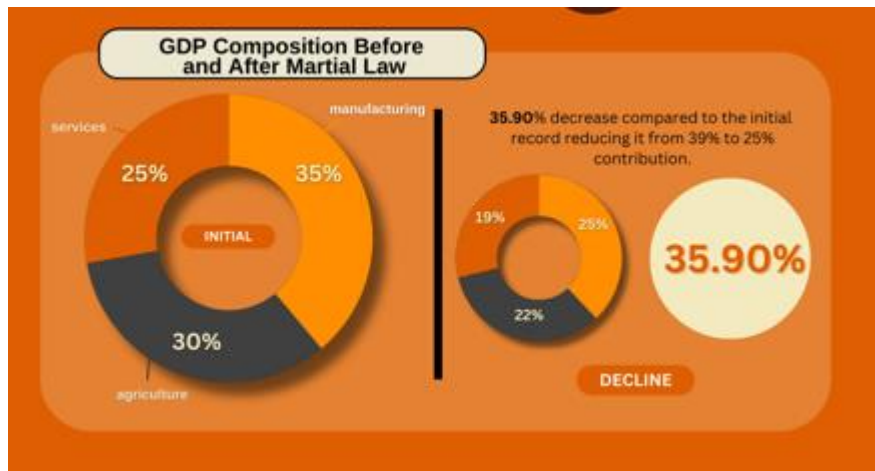


Figure 1.1 – GDP Composition Before and After Martial Law

The sharp decline from 39% in 1970 to 25% in 1985 underscores the severe impact of Martial Law on the manufacturing industry. This drop in the manufacturing industry’s contribution to GDP also resulted to the decrease of the wages of manufacturing workers. Data has shown a significant decrease with the wages of manufacturing working every year, inside the duration of 10 year, the exact timeline of martial law.

Table 1.2 – Real Wage Index of Manufacturing Workers During Martial Law

Year	Nominal Wage (\$)	CPI (1972=100)	Real Wage Index (1972=100)
1972	100	100	100
1973	105	110	95.45
1974	110	120	91.67
1975	115	130	88.46
1976	120	140	85.71
1977	125	150	83.33
1978	130	160	81.25
1979	135	170	79.41
1980	140	180	77.78
1981	145	190	76.32
1982	150	200	75
1983	155	210	73.81
1984	160	220	72.73
1985	165	230	71.74
1986	170	240	70.83

During the Martial Law era in the Philippines (1972-1986), several manufacturing companies and industries were significantly affected by the economic policies and the overall economic environment. Some of these companies and sectors experienced notable declines due to the corruption,

inefficiencies, and monopolistic practices that characterized the period. These situations resulted to the drop of wages among workers. Many notable industries and companies were really affected by the era.

## MAJOR MANUFACTURING COMPANIES AND INDUSTRIES AFFECTED

### 1. United Coconut Planters Bank (UCPB) and Coconut Industry

- **Impact:** The coconut industry, which was one of the largest agricultural sectors in the Philippines, faced significant decline. The establishment of the United Coconut Planters Bank (UCPB) by Marcos's crony Eduardo Cojuangco led to monopolistic control over the industry.
- **Result:** Mismanagement and corruption within the industry led to declining productivity and real wages for workers involved in coconut processing and related manufacturing activities.

### 2. National Steel Corporation (NSC)

- **Impact:** The NSC, one of the largest industrial firms in the Philippines, suffered from mismanagement and corruption. It was heavily indebted and faced operational inefficiencies due to cronyism and lack of proper investment in technology and infrastructure.
- **Result:** The company's productivity and profitability declined significantly, contributing to the broader industrial stagnation during the Martial Law period.

### 3. Sugar Industry

- **Impact:** Like the coconut industry, the sugar industry was dominated by Marcos's cronies, notably Roberto Benedicto. The monopolization led to inefficiencies and corruption.
- **Result:** The processing and manufacturing aspects of the sugar industry faced significant declines in productivity, leading to lower real wages and economic hardships for workers.

### 4. Philippine National Bank (PNB)

- **Impact:** The PNB was used by the Marcos regime to finance various crony-owned businesses and industries, including those in manufacturing. This led to significant financial mismanagement and non-performing loans.
- **Result:** Many manufacturing companies that were financed through PNB loans faced financial difficulties, contributing to the decline in the sector.

### 5. Textile and Garment Manufacturing

- **Impact:** The textile and garment manufacturing sector, once a significant part of the industrial economy, faced declines due to lack of competitiveness and investment. The shift from import substitution to export-oriented industrialization was poorly managed.

- **Result:** This led to stagnant productivity and declining real wages for workers in the textile and garment manufacturing sectors.

These examples illustrate how the economic mismanagement, corruption, and monopolistic practices during the Martial Law era led to significant declines in the manufacturing industry in the Philippines. Companies and sectors that were once vital to the economy suffered due to these adverse conditions, resulting in widespread economic hardship, declining productivity, and lower real wages for workers. These factors contributed to the broader economic decline and rising poverty experienced during this period.

## CRONY CAPITALISM

Crony capitalism which refers to a system in which close relationships between business leaders and government officials lead to mutual benefits, often at the expense of fair competition, economic efficiency, and public welfare. In a crony capitalist system, certain individuals or companies, known as "cronies," receive preferential treatment from the government in the form of subsidies, contracts, regulatory favors, and other forms of support is one of the major contributors with the decrease of manufacturing industry development during the martial law.

Benefits gathered from crony capitalism are typically obtained through personal connections, political influence, or corruption rather than through merit or competitive market processes. As a result, cronies can gain advantages over their competitors, accumulate wealth and power, and maintain their privileged positions in the economy. During Martial Law in the Philippines, crony capitalism had a direct and detrimental impact on the manufacturing industry. Under this system, close associates and allies of the ruling regime, particularly those within the inner circle of President Ferdinand Marcos, were granted preferential treatment, access to resources, and monopolistic control over various sectors of the economy, including manufacturing.

Crony capitalists received lucrative contracts, subsidies, and other forms of support from the government, often at the expense of fair competition and the broader interests of the economy. This led to the concentration of wealth and power in the hands of a select few cronies, while stifling innovation, efficiency, and growth in the manufacturing sector.

Moreover, the collusion between government officials and favored businessmen resulted in corruption, inefficiency, and mismanagement. Resources were misallocated, projects were often undertaken for political rather than economic reasons, and industries became vulnerable to economic shocks due to their overreliance on government patronage. Overall, crony capitalism during Martial Law weakened the competitiveness and resilience of the manufacturing industry, hindering its ability to thrive and contribute positively to the economy.

### Manufacturing Output and Economic Policies

- **Industrial Decline:** Despite initial efforts to boost the manufacturing sector, the contribution of manufacturing to GDP declined significantly. By the mid-1980s, manufacturing's share in GDP had dropped to around 20% from earlier highs
- **Import Substitution to Export-Oriented Industrialization (EOI):** The shift from import substitution to EOI was poorly executed, leading to minimal industrial growth and value addition. Export processing zones did not integrate well with the domestic economy, limiting their impact.

## Poverty and Unemployment

- **Rising Poverty:** The percentage of families living in poverty rose dramatically, from 43.8% in 1971 to 58.9% by 1985. This increase was due to the declining economy and ineffective industrial policies.
- **Underemployment:** While the unemployment rate remained relatively low, underemployment was a significant issue, with more than 20% of employed workers being underemployed starting from 1976. By 1983-1984, nearly one-third of workers were underemployed and these digits are all contributing factors to the declined performance of the manufacturing industry and vice versa how the manufacturing industry also contributes to this drastic change.

## Inflation and Real Wages

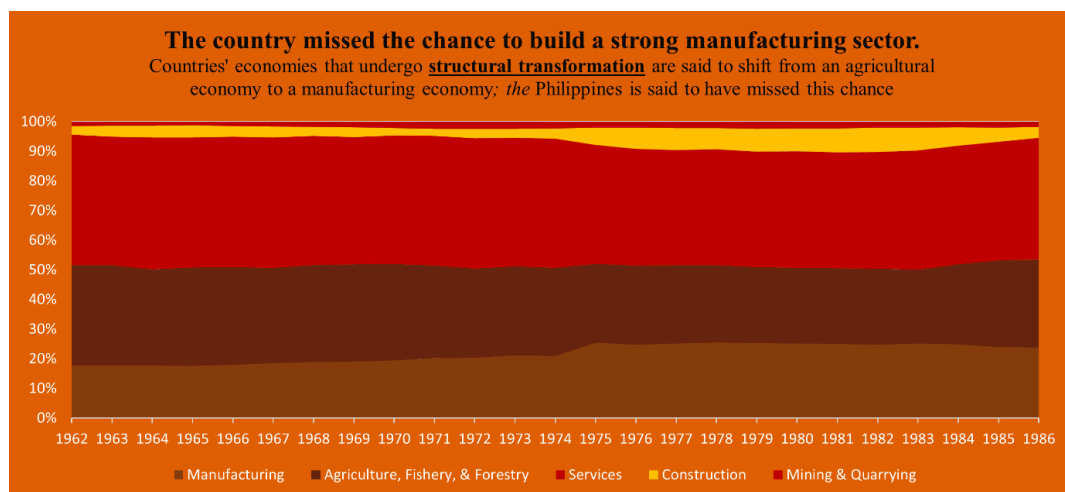
- **Inflation:** Prices of essential goods rose steadily during the Martial Law period, exacerbating the economic hardship faced by ordinary Filipinos.
- **Real Wages Decline:** Real wages for manufacturing workers dropped by approximately 30% from 1972 to 1986, indicating worsening living conditions for a substantial portion of the population.

## Comparative Economic Performance

- **Regional Decline:** While the Philippines was one of the more developed countries in Asia during the 1950s and 1960s, it fell behind its neighbors by the mid-1980s. Countries like South Korea, Malaysia, and Thailand surpassed the Philippines in terms of economic performance and per capita income.

While neighboring countries had already experienced a significant growth when it comes to GDP and the rise of their manufacturing sectors, Philippines was left behind as one country grappling with underdevelopment.

Figure 1.2 – Data of the structural transformation of other sectors compared to manufacturing.



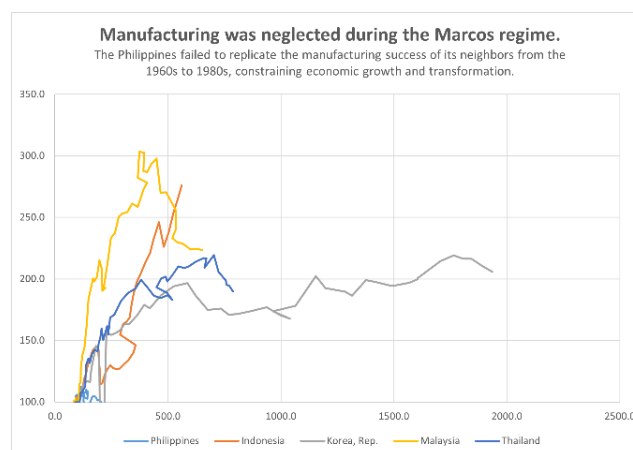


### GRAPH ANALYSIS:

The income per person reached its highest point in 1982 and then fell sharply. It took until 2003 to recover to 1982 levels. The text blames the decline on the Marcos era, which lasted from 1965 to 1986. It is possible that the decline in GDP per capita was caused by a decline in manufacturing. Manufacturing is a sector that can generate a lot of income for a country. If the manufacturing sector in the Philippines declined during the Marcos era, this could explain the decline in GDP per capita shown in the graph.

The country has missed the chance to undergo a structural transformation, compared to its neighbouring countries, the manufacturing industry in the Philippines is undoubtedly behind compared to all other sectors that has seen growth from year 1962-1986. With reference to Figure 1.2, the shift to agricultural industry has minimized the capability of the manufacturing industry to rise higher than its peak of 20%. This data has also been presented during the comparison of the manufacturing growth for several notable Southeast Asian countries.

Figure 1.3 – Manufacturing industries performance during martial law.



### GRAPH ANALYSIS:

Even though the manufacturing industry in the Philippines has a significant contribution of 39% in the countries GDP before the Martial Law era, it was neglected during the crucial period. This neglecting phase has caused for the country's economic performance and the chance for structural transformation to decline.



The graph shows GDP per capita steadily increasing from 1970 to 1982, then dramatically dropping in 1983. This decline is the steepest in the period shown and is labeled “Biggest decline of income per person in our history” in the image. The economic output began to recover in 1986 and reached pre-decline levels by 2003.

The text blames the economic decline on the Marcos era. While the graph does not explicitly mention the manufacturing industry, a decline in this sector could be a contributing factor. Manufacturing can significantly impact a nation’s GDP per capita, and the Marcos era is known to have neglected this sector.

Figure 1.4 – Stagnation of manufacturing resulted to the decline of GNI



The decline in the manufacturing sector meant reduced production and economic output from industries involved in manufacturing goods. As a significant contributor to the economy, particularly in terms of generating income and employment opportunities, the downturn in manufacturing had ripple effects on overall economic performance.

## UNEMPLOYMENT AND UNDEREMPLOYMENT

The manufacturing industry has also faced drastic changes due to projects that largely failed due to the lack of investors and the high cost hindered manufacturing growth. This resulted to many of the Filipino people, especially the manufacturing workers losing job, not getting paid enough or worse not get any job at all. Data shows that 1/3 of the manufacturing workers were greatly affected due to these situations. In a clearer scale, it is said that 3 out of 10 Filipino people are underemployed while in fact 25% of the whole scope of the industry sectors that should have offer employment is the manufacturing industry. However, due to the losing grip of hope with this industry, many Filipinos has suffered. No job means no pay, and with no pay, it is expected that the needs of the people especially in every Filipino household will increase that will eventually result to the rise of poverty.

Figure 1.5 – Illustration of Underemployment rate during Martial Law Period



## ECONOMIC IMPACT ON FAMILIES

### Poverty Rates

- The poverty rate increased significantly during the Martial Law period. In 1971, about 43.8% of families lived below the poverty line. By 1985, this figure had risen to 58.9%.
- The economic policies and corruption led to a decline in real wages and employment opportunities, pushing more families into poverty.

## FAILED PROJECTS

The prevalence of failed projects during Martial Law in the Philippines was a result of a combination of political, economic, and social factors that undermined the manufacturing industry's growth and development.

Many manufacturing infrastructure projects were initiated based on political connections rather than sound economic principles or feasibility studies. Projects were often awarded to *cronies* or politically connected individuals, leading to inefficiency and mismanagement. The authoritarian nature of the regime stifled accountability and transparency. With limited checks and balances, there was little oversight of government projects, allowing for corruption and mismanagement to flourish. Resources were often misallocated towards projects that were politically motivated rather than economically viable. This resulted in investments in industries or infrastructure that may not have contributed significantly to the manufacturing sector's growth or productivity. Projects were frequently implemented without proper planning or execution strategies in place. This lack of foresight led to cost overruns, delays, and ultimately, failure to achieve intended objectives. Additionally, certain economic policies implemented during Martial Law, such as import substitution, may have inadvertently hindered the manufacturing industry's development. Protectionist measures aimed at fostering domestic industries sometimes resulted in inefficiencies and limited access to global markets. The political instability and suppression of dissent during Martial Law created an environment of uncertainty, deterring potential investors and hindering business confidence. This instability has contributed to project failures and stalled economic development initiatives.

While this may sound like a common struggle to every country, this has significantly shown that the manufacturing industry was really neglected during the era of martial law. And while it was neglected, it contributes to many other factors that hinders both the sustainability and development of the country. **These failed projects may seem like just failed projects, but the capital investments that was put up into these resulted to the increase of the countries debt, and added challenge, an investment with no return.** The period saw a dramatic increase in national debt, from \$600 million in 1965 to \$28.26 billion by 1986. Much of this debt was misallocated, failing to stimulate economic growth or improve industrial infrastructure.

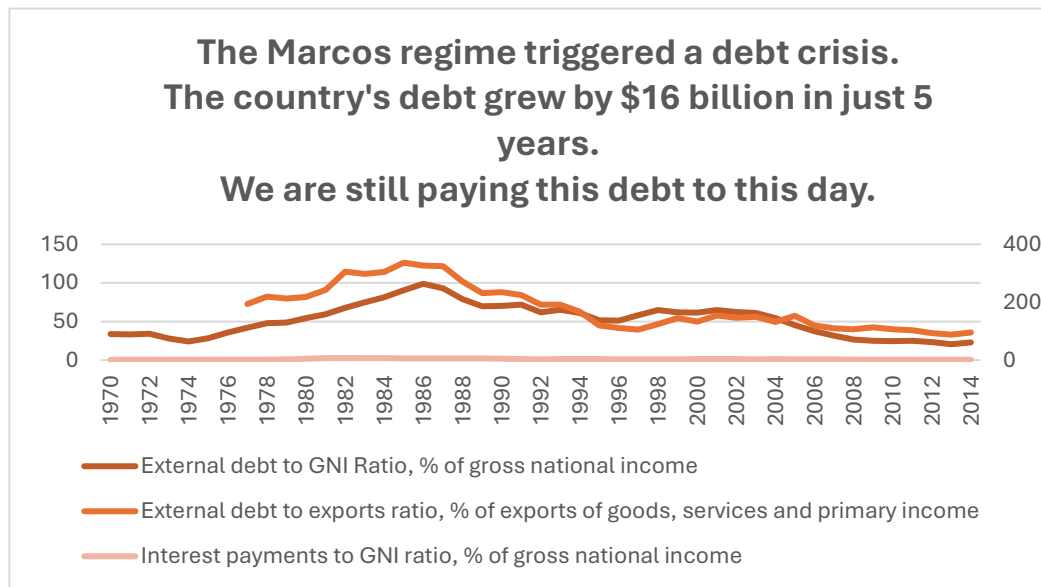


Figure 1.5 – Debt crisis during the martial law.

### GRAPH ANALYSIS:

The line for the Philippines remains relatively flat across the graph, indicating a stagnant manufacturing sector throughout the period. In contrast, the lines for Indonesia, Malaysia, Thailand, and South Korea show a significant increase in their manufacturing-GDP ratio, indicating substantial growth in their manufacturing sectors.

## BEYOND THE NUMBERS

The previous analysis provided a solid foundation, but let's delve deeper into the human cost and the specific challenges faced by the manufacturing industry during martial law.

### Social Unrest and Labor Silencing

- **Labor Repression:** Martial law suppressed labor unions and protests. Workers' rights were disregarded, leading to a decline in worker morale and productivity. Fear of persecution stifled innovation and initiative within the workforce.
- **Increased Militarization:** Factories became subject to increased military presence, creating a tense and hostile work environment. This discouraged foreign investment and disrupted normal production processes.

### Shifting Policies and Investment

- **Focus on Mega-Projects:** The Marcos regime prioritized large-scale infrastructure projects with questionable economic viability. These projects often diverted resources away from developing the manufacturing sector and supporting small and medium-sized enterprises (SMEs).
- **Import Substitution Policy's Failure:** The government attempted to promote domestic manufacturing through import substitution policies. However, these policies were often poorly designed and resulted in inefficient production, high prices for consumers, and limited international competitiveness for Filipino-made goods.

## Case Studies

To illustrate the impact on specific industries, consider these examples:

- **Textiles and Garments:** A previously thriving sector faced a decline due to cheaper imports, a shift in global demand, and government neglect. Labor unrest, high production costs, and inefficient machinery further hampered competitiveness.
- **Electronics:** Although there were initial attempts to develop an electronics industry, limited investment and a lack of skilled labor impeded its growth. The industry remained largely dependent on foreign companies and technology.

## Long-Term Consequences

The decline of the manufacturing sector during martial law continues to have a lasting impact on the Philippines:

- **Missed Opportunities in Regional Growth:** Compared to neighboring countries in Southeast Asia who experienced rapid industrialization during this period, the Philippines fell behind.
- **Dependence on Foreign Investment:** The lack of strong domestic manufacturing capabilities increases the Philippines' dependence on foreign investment and imports, making the economy vulnerable to external shocks.

# Timeline of Manufacturing Industry Decline During Martial Law (1972-1986)

## Early 1970s

- **1972:** Martial Law is declared by President Ferdinand Marcos. Initial economic policies focus on **infrastructure projects** and establishing monopolies controlled by Marcos' cronies, which includes significant segments of the manufacturing industry.
- **1973:** Implementation of import substitution industrialization (ISI) aimed at promoting local manufacturing. However, this policy soon faces challenges due to inefficiencies, corruption, and lack of competitive practices.

## Mid-1970s

- **1975:** Manufacturing sector contributes approximately 30% to GDP. The economy starts showing signs of strain as monopolies and corruption lead to inefficiencies.
- **1976:** The decline in the competitive edge of the manufacturing sector begins. External debts start to accumulate, indicating poor financial management and investment in unproductive sectors.

## Late 1970s

- **1978:** Shift from ISI to export-oriented industrialization (EOI) under pressure from international financial institutions. However, poor implementation and lack of industrial upgrading limit the success of EOI. Manufacturing output begins to stagnate.

- **1979:** The decline in real wages begins, particularly in the manufacturing sector. This reflects the broader economic hardship and declining industrial productivity.

### Early 1980s

- **1980:** Manufacturing sector's growth further stagnates. External debt now stands at approximately \$17 billion, heavily burdening the economy. Corruption within the manufacturing monopolies continues to drain economic resources.
- **1981:** The share of manufacturing in GDP starts to decline as other sectors, such as services, begin to grow. The inefficient manufacturing industry cannot compete internationally.
- **1982:** Introduction of measures to stimulate labor export as a response to the declining local employment opportunities in manufacturing and other sectors.

### Mid-1980s

- **1983-1984:** Political instability following the assassination of opposition leader Benigno Aquino Jr. exacerbates economic problems. Manufacturing sector's contribution to GDP declines to around 20%. Underemployment and poverty rates rise significantly.
- **1985:** Manufacturing's contribution to GDP falls to approximately 20% from an earlier high of about 30%. The sector suffers from years of mismanagement, corruption, and inadequate policies.
- **1986:** People Power Revolution leads to the ousting of Marcos. By this time, the Philippines' external debt has ballooned to \$28.26 billion. Manufacturing remains in decline, contributing less to the economy compared to the early 1970s.

## FINAL REFLECTION

In reflection upon the period of Martial Law in the Philippines, it becomes evident that the decline of the manufacturing industry bore profound repercussions, echoing through various facets of society. As we delve into the details of this era, we unearth a narrative of economic stagnation, social disparity, and systemic challenges.

During Martial Law, the manufacturing industry, once a cornerstone of economic vitality, experienced a marked decline. This decline, wrought by factors such as crony capitalism, mismanagement, and political instability, reverberated across the socioeconomic landscape. With manufacturing as a significant contributor to the Gross Domestic Product (GDP), its faltering output exerted downward pressure on national economic performance. As GDP dwindled, the ramifications cascaded, exacerbating underemployment and stifling opportunities for meaningful employment and economic mobility.

Furthermore, the diminishing contribution of the manufacturing sector to the GDP underscored a broader trend of economic contraction and structural imbalance. The disproportionate reliance on other sectors, coupled with the erosion of manufacturing prowess, rendered the economy vulnerable to external shocks and internal upheavals. Consequently, the fabric of society strained under the weight of burgeoning poverty, as dwindling economic opportunities failed to uplift marginalized communities.

Moreover, the decline of the manufacturing industry during Martial Law precipitated a troubling escalation in national debt. Borrowing to fund unsustainable projects and mitigate economic stagnation compounded the fiscal burden, ensnaring future generations in a web of indebtedness. The interplay of economic mismanagement, political expediency, and entrenched interests precipitated a debt spiral, shackling the nation's fiscal health and constraining avenues for sustainable development. Through data, we sort of witness the era and the unearthing crisis during the period. The whole grip of martial law towards the manufacturing industry.

In summation, the decline of the manufacturing industry during Martial Law represents a sobering chapter in the nation's history, marked by economic malaise, social disenfranchisement, and fiscal precarity. As we reckon with the legacies of this period, it behooves us to confront the systemic challenges that precipitated such decline and to chart a course towards inclusive growth, equitable opportunity, and fiscal prudence. By learning from the past, we empower ourselves to forge a future defined by resilience, prosperity, and shared prosperity for all.

## SOURCES

In constructing this report, a comprehensive array of reputable sources has been diligently consulted to furnish a thorough understanding of the subject matter. Among these invaluable references, scholarly works such as *James K. Boyce's* seminal piece, "***The Political Economy of Growth and Impoverishment in the Marcos Era***," have been instrumental in elucidating the intricate dynamics underlying the economic landscape during Martial Law.

Furthermore, insights gleaned from ***International Labour Organization (ILO)*** reports on the Philippines have enriched the analysis, providing nuanced perspectives on labor dynamics, employment trends, and their interplay with broader economic conditions. These reports offer invaluable insights into the multifaceted challenges faced by the workforce amidst the tumultuous backdrop of Martial Law.

Additionally, historical economic reports from the ***National Economic and Development Authority (NEDA)*** have served as indispensable references, offering empirical data, statistical analyses, and policy assessments that have lent depth and rigor to the analysis. These authoritative reports provide a contextual framework for understanding the macroeconomic trends and policy dynamics shaping the manufacturing sector and its repercussions on the broader economy.

Moreover, the inclusion of data and visual insights derived from the provided infographic has enhanced the clarity and accessibility of the report, offering readers a visual roadmap to navigate the complexities of the subject matter. Through compelling visualizations and data-driven narratives, the infographic distills key findings and highlights salient trends, enriching the reader's understanding and engagement.

Lastly, the invaluable datasets and resources available through the ***Martial Law Museum*** have offered indispensable archival materials, firsthand accounts, and historical perspectives that have enriched the narrative with depth, context, and authenticity. By drawing upon these diverse and authoritative sources, this report endeavors to present a comprehensive and well-rounded analysis of the decline of the manufacturing industry during Martial Law, contextualized within the broader socioeconomic landscape of the era.

### ADDITIONAL NOTES:

- Essential Truths about the Economy during the Martial Law Era (1972-1986)(<https://library.martiallawmuseum.ph/essential-truths-about-1972-1986-martial-law-era-the-economy-during-the-martial-law-era/>)
- Martial law and the Philippine economy - UP School of Economics Discussion Papers(<https://econ.upd.edu.ph/dp/index.php/dp/article/view/1543>)
- Philippines: The Marcos debt(<https://www.cadtm.org/Francais>)