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**REPORT
TO THE NATION**

By **PRESIDENT FERDINAND E. MARCOS**

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EDITOR'S NOTE

The Philippine Geographical Journal in its 19th year of publication takes pride in devoting this SPECIAL ISSUE exclusively to President Marcos' Report to the Nation covering the first to years of Martial Law.

Considered as an outstanding contribution to geographical thought, the Report is really in itself a very timely and relevant document that goes to the very heart of the author's cherished assumptions regarding the symbiotic relationship between politics and geography. In like vein as expressed once upon a time by French jurist-philosopher Montesquieu, the Report takes sufficient account of the all-pervading influence that geography inevitably puts to bear on political change and human conduct.

Verily, political geography is of vaster dimension than the uninitiated ever imagines; it includes geography, history, political science and international relations – and all these ingredients played a major role in shaping the events and developments of the past couple of years.

The Report is therefore recommended as required reading to students and teachers of Geography, History, Political Science and International Relations.

SALVADOR F. ZAIDE
Guest Editor

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To them we express our thanks.

Management

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PART I

INTRODUCTION

It is with deep anxiety that I speak to the nation today.

It is now two years since we took up the burden to transform this nation and build a New Society. On September 21, 1972, with the proclamation of Martial Law, we gave every man, woman and child in this country not only a new hope and a new promise, but also a new charge, a new responsibility. We gave our people a vision not only of what they are, but also of what they can be. We sought to teach them the meaning of one nation claiming the labors of all her children for a common sense, a common destiny. We sought to impart to them the meaning of sacrifice, dedication, duty.

The great masses of our people have made that sacrifice, shown much more than dedication, and kept faith with their duties. Their faith in the democratic revolution cannot be shaken by any temporary reversal or setback, however long this might delay its eventual victory.

But there are a faithless few, whose arrogance and indifference to our goals, are a source of anguish on the part of the many. It is a faithlessness that goes against the very root of our reforms and seeks to return us to the anarchy, corruption and privilege we have dislodged from our society.

I have spent many long nights on this persistent cancer of our society. I am sure many of you, like me, feel this with a deep personal affliction.

And yet this is a problem that cannot be wished away. We resolve it once, but it recurs, sometimes bigger and more difficult than it used to be.

Over the past year, I have travelled across our country. I have met with our people and talked to them of their expectations and dreams, what they want government to do for them, what they expect to get from the society. I have heard the same voice, repeating itself over and over, seeking an end to

exploitation, injustice, poverty and the reign of privilege. I have seen the same face, worn-out by betrayed promise and hope, begging for the attention that has been promised the small man for whom the democratic revolution was launched. I have seen the impatience and sometimes the frustration of farmers and workers who look to much more than what they are getting right now from the very men and women and institutions who are supposed to serve them.

And I have retained in my heart, the hurt lament of those who feel that only the President cares, only the President listens, only the President acts.

This is not the transformation we have sought. This is not the change we want. The society we seek is not one in which compassion, justice and duty come alone from the office of the President, but one in which all these may be expected from the smallest bureaucrat.

Our support for the New Society will be known not by what we say of our leaders in government, but by what we do to share their responsibilities. Our people need less of men who will say the New Society is good and more of men who will contribute what they can to give meaning to our efforts.

This is why I feel, more than ever, the need for us to close ranks. To unite in the awareness that the gravest threat to our nation today is not the problem of rising costs (though this is a serious one, indeed), but that of our slipping back into the mire of factionalism and selfish privilege. There are some who believe that once the efficacious powers of martial law had been applied on the violent threat to the state, they were free to make use of the improved situation to pursue, once again, the consequence of privilege.

This, to me, is a grave threat.

Where before we were a nation divided into disparate and mutually irreconcilable groups, today we seem to have divided into three factions, each one distinct from the other.

The first, which is in the majority, consists of those who feel wholeheartedly involved in the effort to make our New Society a lasting and viable reality. They are those who have put all their hopes and dreams with us.

The second is a combination of elements who questions the right of the people to benefit from any kind of change without having paid the price of blood. They are the subversives of the left, the conspirators of the right, the parroters of foreign ideologies, the secessionists in our midst. They have to be contained.

The third, though small in number like the second, has a role to play in the development effort, but does not have the zeal to build a strong, prosperous, disciplined and egalitarian republic. While martial law assures the safety of their properties, if not their lives, they see more profit for themselves in the restoration of organized corruption, privilege, in the social clash of selfishness and greed. They have not found their place in the democratic revolution, and have chosen to be left out. But by dissembling, they have made the revolution their sanctuary and their refuge.

These include, in high or low places, in government as well as in private sector, in the civilian as well as military establishment, those who traffic in power and privilege, who pay lip service to our reforms, yet place themselves and their interests above such reforms, especially where the latter exact self-abnegation, personal sacrifice or inconvenience.

They have caused much of the cynicism that has begun to be sown once more in our midst. They are to be feared more than those who seek to bring down the government and replace it with something that would transform our people into ideological robots. The latter at least enslave in the name of deliverance. But the enemies who lurk behind government desks or move in the corridors of power eat at the gains made by the patient toil, sacrifice, discipline and solemn faith of men and women who have put all their dreams and hopes in our cause.

If we concede it our duty to attain unity of purpose and of will to succeed, then we must now rid our ranks of the unreformed. Let all kinship and friendship in the democratic revolution now receive guidance from the philosophy and purpose of our revolution. Those who continue to go against the moral substance of our reforms must now answer to our people. Let them reform now, or face the avenging angel of the people's wrath. As instrument of the people's will, I shall dedicate myself in the next 12 months to the removal from government, of men and women who have misused their offices.

In this, I am confident of your support.

Only by putting this distortion out of the way, can our nation proceed to accomplish greater tasks.

The problems of our age are not ended by simple solutions. Few solutions today have any finality. Problems beget problems, and in many instances, solutions themselves beget new problems. This is an attribute of progress. There is no avoiding this.

More than this we must remain constantly aware that social transformation is not easily achieved, that a price must be paid by those who seek it.

PART II

THE MAKING OF A NATION

This must begin with a deeper understanding of ourselves, our nation, our past.

The Filipino nation is 76 years old, but it has a memory that is much older. Our history begins not with the white man's expulsion from our shores nor with our first taste of self-government, but it antedates even the great Asian migrations into our islands. This takes us across centuries of contact with the Indians, the Chinese, the Indonesians, to the time when European expansion finally claimed our islands for the kingdom of Spain.

We have long looked at these facts of recorded history as though they had come to pass by luck or chance. Yet geography tells us otherwise. We are an archipelago on the oceanic margins of Southeast Asia, and this unique position makes us part not only of Asia, but of the Pacific, which serves as a corridor to the other continents. It is not an accident of history that there should have come upon this archipelago a confluence of cultures, of the Orient and the Occident, that did not diminish but increased as the world was made smaller by the wonders of travel and communications.

Few islands, tossed as we are in the middle of vast oceans, are as fortunate, as we are, to become, in the course of time, a single political community. But we are one nation today as we were one nation fighting our colonizers yesterday. Long before the continental land masses of Asia ever thought of waging sovereignty and nationhood, we already bore the flag of nationalism and self-government. Long before the peoples of Asia marched to the cry of liberation and independence, we had already made our sacrifice. Revolution broke out in our island long before it caught the imagination of our Asian brothers.

But the revolution, unlike the French or the American, did not reach what one historian described as, "its appointed term." We proclaimed the Philippine Republic only to lose it to a new colonial power.

Time and again, we have asked ourselves why, after so much valor and sacrifice, we should fall short of our goal? Why, after having charted the course and framework of the Republic, our fathers should yield to yet another night of colonial rule?

The answers to these questions seem lost to the makers of our history. But there seems no doubt that between welding together a people into a nation and fighting an outside power that opposed that nationhood, the revolution was bound to falter.

To this, we must add a measure of betrayal of the revolution, an inability of our people to unite at the time of gravest need. In many, the seed of colonialism had been sown, and they found

in it a gain that mattered little if it was not shared by the homeland. This is a theme that would haunt us, all these 76 years.

Thus, we matriculated in the American school of self-government. For the next 26 years, we bought the idea, borne home to us by the new master, that for our people to rule themselves we must first learn how to govern. Many of us will continue to marvel at the irony that a people who had brought to world consciousness the historic right of revolution of a colonized people, now presided over the subjugation of another.

The Philippine revolution went underground, never to surface again. In time, the desire for independence would revive in petitions to the American colonial government, but it was never again to issue in a collective struggle. Instead, we negotiated our way to independence.

In 1935, the terms of transition from colonial status to self-rule were established. The Commonwealth government, under the leadership of Filipinos, was inaugurated; and we began to tinker with the mechanism of running our own affairs. The air was rife with dreams about to be fulfilled. But even then, there was to be noted the seed of an internal struggle in the new nation about to emerge. Colonialism had implanted a system of privilege and power, that inevitably divided the people into classes: Ruler and ruled, rich and poor, strong and weak. President Quezon perceived the flaw in the social fabric, and sought to implement a program of social justice.

The opportunity was there for the country to commence on the road of real democracy. But events and circumstances conspired to frustrate it. Hungry for independence and self-rule, in whatever form it may have been bequeathed to us, we looked only at the face of colonialism and did not bother to inquire about the fundamental issues of social life that would inevitably come with independence.

And then war broke out in Europe and finally in the Pacific. It was our fate to be drawn into that war. But while in other parts of colonial southeast Asia, Japanese militarism drove a wedge into the footholds of colonial empire and therefore en-

couraged nationalist collaboration with it, the Philippine response was fatefully different. With independence arranged for them by 1946, our people engaged not the entrenched occupant but the new Japanese invader.

But Japan, whatever her imperialist ambitions on southeast Asia, heralded the liquidation of colonialism in the region. The world emerged from the war with a different image of itself. And for the new nations, the road to development was to prove thorny and difficult. For us, who envisioned independence as an orderly course, the war left behind a painful awareness that the business of becoming a strong and progressive nation is wedded to the politics of other nations. The patterns of defense and security; the emergent confrontation between the ideologies of democracy and communism—these did not add to, but instead limited, the capacities of the new nations to pursue a single-minded course to national development.

War left devastation and confusion in its wake. Freedom brought many difficulties in its train. It was a setting that was not to prove kind to the experiment with western democracy in our land. Where the framework called for slow and orderly transition from the old to the new, from underdevelopment to development, the postwar problems were of a scale and magnitude that hankered for sweeping and radical measures.

The history of our country since 1946 tells us that such an orderly course would never take place. We grew, in the interval, from our innocent belief in the system to the recognition that no form of economic development could take root in our country, unless premised on the broader goal of social transformation. We tried to adapt to the system and launched one development program after another, and the sum of all these was a legacy of instability, chaos, and escalating problems.

It took many years for the government to perceive the defeat of the system, and it was understandable because there sat in high and powerful places of government the members of the oligarchy who alone profited from conditions prevailing in the country. Neither the determination of the United States to make democracy succeed in our country, nor the peaceful

electoral transfer of power from one national leader to another, availed. Worse, the failure only multiplied the problems, and by 1970, we faced a real crisis of survival. Growth was to be won through an inevitable convulsion of the national soul.

The convulsion began with the steady decay of social life. A political stalemate settled between those who would make needed reform and those who would block it by any means. Criminal violence, abetted by influence and privilege, reigned over our society. Necessary economic and social measures docked at the doors of the divided Congress, never to come out again. And the media recorded, magnified, and fanned the emerging flames of conflict.

Into this situation now came the chaos of ideologies and open assaults upon the government. The left, ever ready to seize the opportunity to overthrow the government, pursued a systematic campaign of demonstration, terrorism and sabotage. And from the right now issued a conspiracy to seize power, and perpetuate privilege and exploitation. Somewhere along the line, in a strange meeting of minds, the two otherwise clashing groups joined forces to sow anarchy, assassinate the president, and dissolve the Republic of the Philippines.

At this point, the government had employed all prescriptions of the Constitution, save one, I had called out the troops to quell the disorder and lawlessness, I had also suspended the Privilege of the writ of habeas corpus. Both had failed.

One choice remained: Martial Law.

This entailed long and painful soul-searching. I consulted with my colleagues in government, in the military. I turned to my spiritual advisers. I spent long nights in silent vigil over the fortunes of our republic. The counsel I received was overwhelming. The republic must be saved. Its salvation lay, fortunately, in the Constitution itself. With a heart burdened by duty, and a conscience alive only to the sacred honor and salvation of the republic, I proclaimed Martial Law.

This weapon that was to save the republic would also be the same weapon to bring about the needed social change on our country.

What began as a response to the threatening collapse of the republic, became the instrument for its recovery and reform.

The gains we made during the first year of Martial Law are the pillars of our national life today. We can quantify the impact of reforms on our society. We can look at the record of the economy during that year—its rise from decay to productivity. We can examine again to what extent we overhauled institutions in our society—principal of which was the reorganization of the machinery of government. And we can retrace the extent of social services that went into the life of our communities.

But the best testament to that change lies in the impact of reforms on the individual situation of every person in our society, and on the course of the nation since.

PART III

REVIEW OF THE YEAR

With the economy performing well, the nation firmly on course, and overwhelming popular support for the reform program, we faced the second year of Martial Law with optimism.

But as it began, international developments rudely diverted us to the confrontation of crisis. The world economy was shaken at the foundation by a rush of events. Principal of these were accelerating inflation, food and fertilizer shortages, and the increase by 400 per cent in the world prices of oil and petroleum products. One by one the mighty economies of the industrialized West, almost at once, experienced a general decline of growth.

These were external developments to which we were vulnerable. For the changes in world conditions interacted through the system of foreign trade and capital flows to wash away on our shores. Recession abroad drastically reduced export prices and orders. Crude oil price increases raised our import payments. And the energy crisis engendered inflation.

There is no opportune time for crisis, but for our country, the events of late 1973 was especially untimely. For they came at a time when our international payments position was favorable; when our foreign exchange earnings were reaching new levels; when the economy was showing unprecedented activity in industry and agriculture; and an improvement in living standards was in sight.

Adding to these pressures were the demands generated by development itself. Gains made in various sectors had to be consolidated and secured; the momentum of reform had to be protected from the resurgence of old habits; and development targets in many areas had to be met.

Thus, early in the year, we faced a formidable convergence of unexpected pressures and difficult but necessary tasks. But we were nonetheless determined not only to survive, but to prevail.

In the process of responding to crisis, we strengthened the foundation for continued economic growth and enhanced the resiliency of the economy.

The Economy

In spite of the raging storms on the international front, the overall performance of the economy was favorable.

In real terms, the Gross National Product during FY 1973-74 posted a growth of 7.4 per cent, a growth of .9 per cent over the 6.5 per cent growth rate of FY 1972-73.

Our international reserves stood at \$1,188.95 million, an increase of \$313 million over that of FY 1973. Foreign exchange registered an overall surplus of \$198 million, a decrease of \$227 million for the same period last year. The decline was caused by a reversal of the trade balance from a surplus to a deficit.

Exports totalled \$2,294.3 million against \$2,412.6 million for imports, or a deficit of \$118.3 million. This is in sharp contrast to the favorable balance of \$223.6 million last year. The deficit was due mainly to the rise of oil prices.

On the other hand, investment activities in the country posted an increase during the first half of the year. Local and foreign investments amounted to P393.4 million for the first quarter of 1974, an increase of 20 per cent. Gross domestic capital formation, which gave the economy a big push, grew by 12 per cent.

Our per capita income is also expected to show an increase of at least 3.3 per cent this year.

Prices

During FY 1974, there was a sudden increase in the consumer price index, as compared to a 12 per cent rise in the previous fiscal year.

To cushion the impact of inflation on workers and farmers, we launched a socialized pricing program covering the most essential commodities. Under this program, the prices of essentials were closely policed to keep them from going beyond the reach of the poor. Two sets of commodities were subjected to price ceilings. The first set, which are first priority essentials, were rice, corn, wheat flour, some cuts of meat, canned fish, sugar, milk, cooking oil, clothing, ordinary fabrics, fuel and light, antibiotics and selected drugs and medicines, laundry bar soap, cement, fertilizer and animal feeds. The second priority set were lumber and plywood, GI sheets, and school supplies.

In addition, we ordered a drastic reduction in power rates.

Food Production

Basic to our stability and movement forward is our sufficiency in food. With floods and droughts alternating to rob us of our crops, we launched last year a series of nationwide programs to produce the maximum yield of staples from our land. Masagana 99, the objective of which was to raise 99 cavans per hectare, was launched with the total involvement of all our agricultural agencies, government financing institutions, rural banks, provincial and municipal governments and of course, the

people themselves. With Masagana 99, we also launched Palayan ng Bayan, which to date has identified for cultivation some 77,007 hectares of virgin public lands. Recently, we appointed food production regional managers to spur the food production efforts in all the eleven regions.

While government is actively engaged in this effort, we have sought the cooperation of the private sector, particularly the big corporations, in providing the basic food requirements of their own personnel. This effort to ensure sufficiency of food of great anxieties being felt around the world today over diminishing food supplies.

The building of infrastructure, such as the Pantabangan Dam in the Upper Pampanga River Project, which will irrigate 84,000 hectares of agricultural lands with an estimated annual yield of 650,000 metric tons, as well as the organization of credit facilities for various inputs like seeds and fertilizer is a high priority undertaking under our food production program. At the same time the Green Revolution project, involving family backyards and family-size farms has become a feature of life, not only in the countryside.

Industry

Industry, playing an important part in progress, contributed 27.5 per cent to the country's net domestic product (NDP).

Of the total NDP of P31,373 million, industry contributed P8,504 million, with P6,527 million or 20.8 per cent, from manufacturing alone. Construction, with P1,245 million, accounted for four per cent, while mining, with P732 million, 2.3 per cent.

Through timely policy decisions, we were able to institute both precautionary and remedial measures to cope with the oil crisis.

Although fuel rationing had to be instituted, negotiations for direct oil trade on a government-to-government basis assured the country of adequate supply of crude oil. Effective diplomacy brought about a re-classification of the Philippines as a "friendly

nation" to the Middle East oil exporting countries, and insured us of sympathetic treatment from the Arab suppliers. This enabled the Philippines to increase, even by a token percentage, its imperilled imports.

In 1973, the oil industry imported 65,149,543 barrels of crude oil; and 29,311,216 barrels during the first six months of 1974.

Meanwhile, giant strides have put us on the main track in the search for oil. A producing-sharing agreement formulated by government guarantees a company 40 per cent of the oil discovered and produced after operating costs. Responding to this incentive, eight foreign companies, and eleven holders of service contracts are now actively digging for oil in the country. \$72 million has been programmed for oil exploration over seven years.

To complement oil exploration, we created the Philippine National Oil Company. Aside from supervising the search for oil, the company's functions include assuring an adequate supply of oil and oil products.

In mining, the industry made significant gains during the last two years. Mineral production reached P3.5 billion in 1973, an increase of P1.3 billion or 57.4 per cent, over the past year. This was attributed largely to increases in copper, cement, gold, refractory chrome, silver, iron and zinc production.

To ensure maximum protection and growth of the wood industry, we decreed that exportation of logs and lumber cease after December 30, 1975. This ban would not only minimize abuses on our forest resources, it would also promote processing of wood, and make our economy more competitive.

In shipping, we have begun to respond boldly to our need for an efficient, economical and reliable shipping. We have commenced a program that will make it easier for us to distribute resources, disperse industries and markets and serve the social needs of our people through adequate inter-island sea transport.

The Board of Investments has listed shipbuilding as a preferred area of investment making it an attractive service and profit area for investors.

In Bataan, the Export Processing Zone has come to symbolize the pace of industrial activity in the country. Before the end of July this year, six out of 29 firms now registered with the Zone Authority, had begun to post their first export earnings.

Tourism

Now a ranking dollar earner, tourism made tremendous strides during the year.

Many worthwhile tourism projects have been launched, not only to earn foreign currency, but also to show the wealth of our country and our people to outsiders. The most successful of this is the Balikbayan program, which made it possible for thousands upon thousands of our countrymen abroad to renew their ties with their homeland. The gain we derived from this cannot be quantified in dollars. The same may be said of the Miss Universe Beauty Pageant which projected our country to the world.

For ten years, from 1962 to 1972, tourist growth stopped at 10 per cent per year. In 1973, however, tourist arrivals rose from 166,431 in 1972, to 242,800, an increase of 46 per cent.

During the first seven months of this year, close to 250,000 tourists came to the Philippines, contributing an estimated \$66 million to the national economy.

With the "Tourism Investment Program of 1974," we hope to exceed the goal of 400,000 tourists by the end of 1974.

Peace and Security

Underpinning our economic growth is peace and security. The continued vigil against crime, corruption and organized privilege accounted for the high morale of business and the gains of the economy.

Our anti-insurgency campaign has largely immobilized the armed elements against the state, whether they be fighting a secessionist war, or an ideological conflict aimed at the seizure

of state power. While we continue to fight off ambushes and short-lived occupation of remote towns and barrios in Mindanao, there is no armed threat within the country today that can supersede the authority or threaten the security of the duly constituted government.

We have aborted recent and continuing attempts to smuggle large quantities of arms, ammunitions and war materials, to manufacture explosives, and unite armed opposition to the government and the reforms of the New Society.

We are determined to deny success to those who seek the destruction of the New Society. While we have shown clemency to those who chose to bear arms against us, such clemency only extends to those who finally identify with our efforts to build a just and non-violent society.

In Mindanao, our policy has been, to show the counter-productiveness of conflict and this policy is being rewarded with good results. We have opened channels of effective dialogue, and those engaged in conflict can now talk, where previous bitterness or separatist commitment could only allow them to fight in the hills.

To help speed up national development, we have restructured our defense program so as to make the armed forces both a source and a base for much of our development manpower resources.

Even as we teach our armed forces a new self-reliant posture in our defense, we also find a need to bring them closer to social reconstruction and civic life by making them participate in building the infrastructure of many urgent and worthwhile community projects. A self-reliant citizen army is being developed with a wide base that supports it.

The self-reliance military program is now developing a logistic system to serve the logistical needs of the armed forces, from shell-casings, cartridges and basic types of weaponry to military vehicles and naval patrol craft. Prototype weapons and vehicles for eventual assembly-line manufacture, such as M-16 family of weapons, are now being produced. Production

of explosives and small arms ammunition has also been stepped up.

Under the Defense Department, the Philippine Atmospheric, Geophysical and Astronomical Services Administration, has embarked on various projects applicable to agriculture and industry, such as typhoon moderation and cloud seeding projects.

By virtue of his involvement in social reform, the Filipino soldier today is a better enforcer and guardian of the peace, a better friend of the common man and a better partner of the civilian authorities in government.

But there are human and social factors that point to a resurgence of common crimes. World-wide economic restraints, social change alert us to be on guard once more against rising urban crimes. Apart from the mandate of the Constitution, and the dictate of good policy, this is one compelling reason why I ordered the integration of police forces in the Greater Manila Area and other cities.

But, as I have pointed out on many previous occasions, the continuing battle against crime depends only to a small extent on police action; it depends more on citizen action.

The Machinery of Government

Our program of social transformation would come to naught without a government machinery to implement it. When we began the program, we had a bureaucracy mired in debt, overloaded with personnel, hopelessly confused in structure. Our first priority, therefore, was to overhaul and reorganize the executive machinery, to put it on a footing where it would enhance rather than obstruct our goals. In one year, we retrieved the bureaucracy from chaos and corruption.

But simply putting our house in order is not the full meaning of progress. Our goals are long-term, and so our reorganization program next had to move into the area of actual operations.

From the start, we have always maintained that government must initiate and be the purveyor of excellence. Trusting

merely in the creative interaction of forces in our society will get us nowhere. This we have learned from 26 years of living with the system. The government, to be effective, must be both strong in its leadership and able to implement the largest and the smallest of its projects. If it must face the largest development, then so be it, it will tackle it alone.

Thus, during the past year, our attention shifted from a campaign to rid the bureaucracy of undesirables and prevent wasteful operations, to the expansion of activities that will enhance production.

Basically, our policies and programs were addressed to the following:

1. The confrontation of new needs generated by the phenomenon of development, old ones that had been neglected in the past;
2. The deconcentration of governmental activity in the urban areas and its dispersal countryside, down to the village level;
3. The professionalization of the civil service and the advancement of the government employee; and
4. The improvement of fiscal administration and revenue collection so as to ensure the wise utilization of funds for our development needs.

In each of these areas, policy and implementation have been unequivocal and productive.

New Agencies

During the year, we created three new departments, the Department of Public Highways, the Department of Natural Resources, and the Department of Industry. Each of these had become necessary because of new stresses in the national development program. Infrastructure development, exploitation of natural resources, and industrial activity demanded an entirely new approach consonant to economic targets.

At the same time, the pressures of rapid urbanization required us to face squarely the decay of our cities and the emergent problems of our physical environment. We therefore constituted the Human Settlement and Planning Commission, which eventually will gather together our program for housing, urban planning, and environmental planning.

New agencies, constituted in late 1973, such as the National Police Commission, the National Water Resources Council, and the Philippine Sugar Commission, began to cope with problems and programs envisioned for them.

Finally, our population control program went into full gear, with the implementation of new projects and the extension of services.

Regionalization

As envisioned in the Reorganizational Plan, there was an acute need for the dispersal of development activities and constant coordination of the work. Under the regionalization scheme, the new and old departments began to pursue programs through their offices in the eleven administrative regions. The net effect of this was to deconcentrate the load of the Presidency and the Manila offices, and provide immediate remedies to local problems.

Local Governments

The regional scheme was complemented by the program to strengthen the local governments and the 47,000 barangays throughout the country. The new system of apportioning funds to local governments increased dramatically the capacity of these governments to cope with problems and to participate in the national development program. The Department of Local Governments and Community Development continued to channel assistance in improving of local government administration, expanding community development projects, and cooperatives development.

Today, a total of 10,419 Samahang Nayons has been organized in 15,729 barrios located in 1,342 municipalities

throughout the country. These cooperatives have today a total membership of 559,054 and an accumulated capital of ₱5.6 million derived mostly from membership fees.

Barangay Development

In order to support further the barangay as the base of government, I issued a series of presidential decrees designed to increase the barangay's role in the implementation of development goals: PD 86-A, which defined and expanded the role of the barangays: DP 134, which provided the guidelines for the barangays' participation in the resolution of local issues; PD 201, which provided for a system of registration for barangay members; and PD 299, which declared barangay leaders as persons with authority.

But if our efforts to bring government to the doorstep of the citizenry registered significant advances, the professionalization of the civil service continued to be a major problem. The problem is so massive, that we can only approach it in stages. Last year, we launched the Career Executive Service Department Program, aimed at developing a corps of executives within the middle management echelons of the bureaucracy. The program is not designed to displace those who are already serving in government; it is rather a program to bring "technocracy," if you wish, into the heart of the government service.

Fiscal Administration

The most palpable example of change in the government machinery is illustrated in the management of the fiscal affairs of the government. For without this infusion of innovation and reform, the entire development effort could have run aground.

During the year, the Department of Finance broke all previous records in revenue collections. Starting from a level of ₱4,554 million in FY 1970, receipts have increased to ₱9,291 million in FY 1973, and for FY 1974, receipts totalled ₱15,080 million, or a gain of 62 per cent over 1973.

The increased collections made it possible for the government to further expand its expenditures for public services and development projects. From an expenditure level of P4,555 million in 1970, government expenditures rose to P8,574 million in 1973, and P14,072 at the end of FY 1974. On a functional level, expenditures for economic and social development rose from 30 per cent in 1973 to 54 per cent at the close of FY 1974. Capital outlays rose from the past average of 25 per cent of total expenditures of 43 per cent in FY 1974. The rise is in keeping with our goal of improving the productive capacity of the economy.

The rationale behind public spending is well-known to all, and it is the policy of the government to channel income to both social and public services and the economic development program.

The Budget Commission has figured prominently in our development program because of this stress.

Public Works and Communications

Of the P13.9 billion budget of government for the last fiscal year, P1,736,250,000 was committed to public works and infrastructure development. The increase in appropriation during the year was the result of new demands of the national development program and of the increased capacity of government to undertake massive programs.

Nothing perhaps provides greater testimony to the long-term aspects of our goals than the extent building we have undertaken in terms of road systems, ports, airports, irrigation, electrification, and telecommunications. The combined sum committed to this program runs into the billions in the span of two years, and the results have no precedents in all the previous history of this history.

Public works and telecommunications development embody our faith in the national economy, and our future: our capacity for growth and greater productivity.

It is not necessary for me to cite here statistics to show the extent of achievements in this area; indeed, I would prefer to put before you the extent of building that we still have to do. The remaining work that will demand much of our resources.

It will suffice to show here the goals we have followed:

First, we have placed heavy emphasis on the development of depressed areas of the country. It is noteworthy to note that the majority of our highway projects today are in Mindanao. On the one hand, it is a recognition of the vast and untapped potential of the second largest island of the country. On the other, it testifies to the government's full commitment to the social, economic and political development of our Muslim brothers.

Second, we have designed our projects for long-term duration. This has involved greater expenditures, but on the other hand, it has allowed us to contain the extent of damage to infrastructure facilities caused by cyclonic storms and floods.

Third, we have increasingly decentralized our programs for public works and telecommunications so as to cope with demands and ensure full implementation of projects. Early this year, I created the Department of Public Highways as a separate department from the Department of Public Works, Transportation and Communications, and allotted to it ₱2.78 billion of the ₱6.2 billion outlay for infrastructure development. In addition, we have increased the capacity of provincial and city governments to undertake infrastructure projects on their own.

Finally, we have undertaken more projects with the assistance of foreign governments and international organizations. These included the Pan-Philippine Highway, the International Bank for Rehabilitation and Development projects; the Asian Development Bank assisted projects; and the Japanese Commodity Loan projects.

But the infrastructure needs of the country are still to be fully satisfied. As we complete the on-going projects, we must initiate new ones. As we complete reconstruction of areas

damaged by typhoons and floods, we must implement plans to control the yearly havoc wrought by calamities.

Flood Damage and Rehabilitation

The total damage wrought by the recent floods on Greater Manila and Central Luzon this year reached ₱68.17 million, in infrastructure alone.

Reconstruction of infrastructure facilities is still going on in all the ravaged areas. In much of Manila, we have substituted concrete to asphalted roads destroyed by the floods. All over Central Luzon, infrastructure rehabilitation is proceeding at a fast pace.

In addition, a massive flood control program is being undertaken in Greater Manila and Central Luzon. The Manila flood control system is already nearing completion, and it is the most innovative control measure yet attempted in the city.

In Central Luzon, wherein illegal fishponds dikes have contributed to the high flood waters, destruction of these illegal constructions has been undertaken. Most of them have already been cleared away.

In addition to this infrastructure facilities, we have provided assistance to those who were hit hard by the floods, principally the fishpond owners. Credit assistance has since been channeled to them.

Relief assistance to flood victims continues even up to this date, and I am pleased to note that the private sector has participated wholeheartedly in the relief program.

Social Development

We have not neglected the share of every individual in the growth of the national economy and the increase in government finances. As we pledged at the start of this long and difficult endeavor, our national development must have, as its basis, social transformation.

Productivity and equity are the two faces of development. Having one without the other defeats the national purpose. For our programs would still fail, even with the economy booming and the government secure, if we failed to give every individual his measure of justice, land to till, an opportunity to grow in learning, a fair share of the means to life, and an environment in which he can be creative. Man's estate must be the cornerstone of our development program.

The pursuit of a social development program that seeks the good of the greatest number inevitably cast us in a terrain where we had to step on some people's toes, deprive some of privileges, and reduce the might of a few in our society. This was a price that had to be paid.

Land Reform

The most radical among the social reforms was the land reform program, which began the dismantling of the centuries-old tenancy system in our country. But we are deceived if we believe that having said in law that the tenant shall own the land he tills, the reality and beneficence of land reform had now fully come to pass in our country.

As of September 9, 1974, close to 700,000 tenant farmers cultivating 450,000 hectares of the landowning class have been interviewed for landownership transfer. But only 178,000 land tillers have received certificates transferring ownership into their hands. The figure may seem high, but it is not enough for a policy that seeks nothing less than the total liberation of the Filipino farmer.

By December this year, tenanted lands of 24 hectares will be distributed to farmers. This will raise the number of total farmer beneficiaries to the goal of one million.

Lest the distribution of huge estates result in the sharp decline of agricultural production, we have taken care to assist the farmer in the wise utilization of the land.

First, we have broadened credit sources for the farmers. Presidential Decree No. 450 extends long term loans to these

new landowners. The Central Bank has reduced the rediscount rate for rural bank papers covered by the Masagana 99 program.

Second, we began this year a four-year cooperatives development plan designed to increase the productive capacity of our farmers. Phase one calls for the organization of Samahang Nayan, of which there are now 10,000 organizations. Phase two is the building of full-fledged cooperatives, which is called Kilusang Bayan. And this will be the thrust of the plan in 1975.

Third, we adopted during the year an integrated approach to agrarian reform, wherein the tenurial shift is supported by legal assistance, farmer education, infrastructure development, electrification, land consolidation, financing, and cooperative organization.

Nor did we cast the landowners to the wayside in our effort to help the many. Payments for their estates have been expedited by the Land Bank and we are encouraging them to invest in industry now.

Our experience in the implementation of land reform has not exhausted the many possibilities in which creative action can bear fruit. This year, in the troubled area of Jolo, we embarked on a bold experiment with communal ownership of land. This will be placed before the people of the city for approval in a referendum.

As I spelled out in my Independence Day Address on June 12, we must now move towards a real form of land democracy in our country. For only in this manner can we reap the full bounty of the land and ensure the sharing of all.

Justice

As we are just in the sharing of resources so must we be just in sharing the protection of the law.

The overhaul of the machinery of justice and the speedy adjudication of cases were our main objectives in this area. With the removal of the corrupt and the incompetent from the bench and the Justice Department, the majesty of the law has gained new meaning in our country.

As ever, the Supreme Court remains the foremost guardian of the law, the Constitution and individual rights.

The transfer of administration of the courts from the Department of Justice to the Supreme Court confirms us in the wisdom of this policy.

The Department of Justice, largely because of the re-organization of government, has been able to deal with the tremendous volume of cases it receives every year. Cases received are now more swiftly investigated, and resolved.

We have not been indifferent to the cases of indigents who cannot afford the high costs of litigation. The Citizens Legal Assistance Office (CLAO), which is supported vigorously by the Philippine Bar, receives a monthly average of 1,391 cases. This form of legal assistance has contributed greatly to the administration of justice for the many who are poor.

The incidence of cases of this kind, where the poor are ranged against the rich, will diminish in proportion to the success of our efforts to liquidate privilege, to lift the lot of the weak, and to open doors of opportunity in labor and education.

Labor and Employment

Our labor policy has put us in a position where we can successfully mediate the rights of labor and capital without undue conflict; reduce the rate of unemployment of our labor force; and expand the ranks of skilled and technical workers. We continue to stress the establishment of labor-intensive industries, and our manpower resources will be the backbone of our modernization.

Today, our labor force stands at a little over 13 million. Fittingly, on Labor Day this year, we signed into law the Labor Code of the Philippines. The Code is historic, for it is not merely a charter of human rights but also a bill of obligations for the working class. As we take care to guard with the greatest vigilance the rights of the worker vis-a-vis capital, we also emphasize the obligations of labor to the growth of our society.

The growth of the economy during the past year did not fail to produce labor with its just share to the returns of greater productivity. The inflationary pressures that reduced the purchasing power of our working class moved us to adopt a policy of requiring business and industry to provide adjustments and allowances to the workers in order to meet the rise in cost of living. A total of 18,116 enterprises have already paid P37 million in emergency allowances to some 800,000 workers.

What we demanded of the private sector for the sake of labor, we did not fail to demand of government. Under Presidential Decree No. 390, we ordered the payment of emergency allowances to all government employees earning P600 or less per month. We followed this with still another decree raising by 10 percent the salaries of all employees and officials of the government.

Nor were our efforts concentrated merely on the protection and advancement of those who are already gainfully employed. The overall performance of the employment service at the close of FY 1974 showed remarkable improvement. Registration of jobseekers gained by 21.8 percent; vacancies reported, by 40 percent; referrals, by 43.1 percent; and job placement by 69.7 percent over the comparable period last year.

In this way, labor has been a major beneficiary of vigor in the national economy and the expansion of direct and indirect government assistance.

But the gains we have made in this area have merely reduced the bite of inflation on the workers' pocket book and reduced the rate of unemployment to 4.8 percent at the beginning of the second year of Martial Law. We must look beyond coping with the threats of inflation and unemployment towards the real enhancement of the working class.

Education and Culture

In education, we have faith that man will produce the goods of life if we first make him share the riches of life. One of such riches is education.

Almost a century ago, it was said in the Western world that there would be no need for schemes of economic redistribution as long as "an egalitarian education system assures to rich and poor alike a competence in those things which are the reach riches of a human being"—his learning, his skills, his opportunities to life. But history unfolds itself in ways that defy the most confident of our assertions. Rather than as an equalizer in society, the transmission of learning has often reinforced the inequalities of society. The pursuit of education can lead along paths that prove inimical to the realization of national development.

We pursue in our educational policies in liberating pulse of education: of facilitating social mobility, of being the driving force behind modernization, of making real the largest of our hopes.

This is no easy task. For there is a sense in which in the life of an individual, education is an ever-continuing ideal. There is a sense in which our educational goals must go beyond the domain of the schools and enter the domain of our entire cultural life.

When we look, therefore, at the educational system, let us look at it as the starting point of cultural change.

There are two faces to the state of education in our country.

One face shows us a country with a very high literacy rate of 84 per cent. A significant portion of our population—the very young—is in school. Our institutions of higher learning turn out 92,000 graduates every year. And a total of 342,867 of our people are in the service of our educational system.

The other face is dark: 4.4 out of every 10 people who go to primary school will never graduate from elementary studies. 7.5 out of every 10 students in high school today will not finish secondary school. 8.9 out of every 10 students in college studies today will not be awarded a degree. The mass of these drop-outs from the educational system swells the ranks of our unemployed, and being deficient in skills, they have little to look forward to in life.

Complicating this problem is the tendency, only recently attended to, of the educational system to produce graduates that do not fit the demands of our national development program.

The cost of our failure to anticipate and cope with these problems runs high, and it will take years before our educational reforms will reverse the tide in favor of our citizenry and our nation. But a beginning has been made, and we must not cease to tinker with the mechanism and bring it into new realms.

During the year, we started the following programs:

First, we implemented the National College Entrance Examinations, designed to upgrade the quality of higher studies and to channel the mass of our youth to proper studies within their capacities and inclination. Like all sweeping reforms, the tests must be administered with skill and insight so as to produce reorientation rather than confusion in the system.

Second, we began the reform of the educational curricula so as to include in educational studies and research the contemporary problems of our society: population, nutrition, land reform, and development.

Third, we gave a boost to vocational and technical studies with the approval of a \$12.7 million loan from the International Development Association. This fund, along with counterpart government funds, started the building of three post-secondary technical institutes, two agricultural high schools, six pilot village development schools, two social extension laboratories, 10 regional manpower training centers, five regional science teaching centers, two agricultural radio stations and an educational development center.

Fourth, we intensified the expansion of educational opportunity to the cultural minorities, including the Muslims of Mindanao. Apart from the building of more schools for these communities, we increased the outlay of the Scholarship Program for minorities from ₱3.5 million to ₱7 million.

These programs support the larger and all-inclusive program of cultural change. The psychology behind heavy

investment in education must be pervaded by long-term development goals and awareness that it is the level of intellectual capability which will hasten the modernization of our society.

This is the perspective in which we should view our program to promote the arts and learning. We should depart from the "honorific" view of culture, which sees it as something to offer the tourist as a souvenir, and to the Filipino as a facile explanation of himself. In its stead, we must substitute a vision of ourselves as a people: creative, proud, sustained by tradition but oriented to change. This must touch the life of each and every individual of our country, and this is why it is the First Lady herself who has, in my behalf, attended to the implementation of our most important cultural undertakings.

Population Control

The difficulties we encounter in the provision of individual welfare are further complicated by the multiplying millions of our people. Today, our economic and social development efforts are severely strained by the race between population and resources.

This problem is a priority consideration in the national development program. The national population today is estimated at over 40 million, and with our present growth rate, this figure will double by the year 2000.

The problem is complicated twice over by the fact that it is the poor among us who breed by the millions.

Our population control program has shown growing acceptance by our people. But we cannot deny that a substantial reduction of the growth rate must be accomplished if we are to win the race.

Health and Nutrition

The pressures of population take many forms in the national development program. They are perhaps felt heaviest in the system of social services provided by the government to the people, where resources, limited to begin with, are diluted in the effort to keep pace with numbers.

The effect of population explosion on health conditions is by now generally recognized. That it needs no restatement. The painful fact is that where our resources should be committed to providing more and better health services to the population, our medical care program has had to channel these additional funds to care of the new members. In the second place, the corps of medical health officers simply does not increase at the same rate as the population; and where our goal must be to provide more doctors and nurses to care for less people, the situation often proceeds in inverse proportion.

During the year, two programs have helped to meet this rising need: first, the new policy requiring new graduates of the medical and nursing profession to serve in our rural areas, added tremendously to the level and extent of rural medical services; second, the expansion of the medical care program to cover now half a million GSIS members and 3.5 million SSS members and their legal dependents, has made available a new package of medical services to the population. By next year, Medicare will cover non-members without social security, and this will swell the beneficiaries from the estimated 20 million today to almost all of the population.

Alongside our medical health programs, we have pursued a vigorous campaign to arrest the high rate of infant and children mortality due to malnutrition. The National Nutrition Council was recently established by Presidential Decree 491, and it will initiate and implement a national program.

Welfare Services

Welfare services continued to pursue a policy of self-help and employment assistance, rather than direct doleouts from government. The object of these services has been the handicapped, out-of-school youth, indigents, the aged and the mentally retarded. Where our services could place such people in productive labor, we have done so; where the problem demanded care, we have endeavored to give these unfortunate an environment in which they could receive attention.

Environmental Planning

All these social programs lead to an even larger consideration, which is the building of an environment in harmony with the hopes and dreams of the human individual. Work, education, health, mean little and become misdirected where the environment limits rather expands human life. Pollution engendered by industrialization is only one aspect of the problem. Inadequate housing is another. But the most disturbing aspect of all is the increasingly inhuman face of our cities.

The human individual needs more than bread to sustain him. He needs to satisfy an elemental urge for the aesthetic in life; the beauty of surroundings; the experience of order and peace. This is the concern of urban planning and housing programs. And it is for this reason that we have recently constituted a program for human settlements which will put in proper perspective the problems we face in our cities.

When we look at the sum of our social programs, no one will fail to be impressed by the effort to inject innovation and radical change into both the goal of social justice and more social services. We have dispensed these services and these opportunities equitably throughout our country, to our cultural minorities as well as to the Christian majority, and above all to the most deprived among our countrymen.

Yet, poverty, social inequality, ignorance and disease cannot be conquered overnight. The process of development in this area is long and laborious, and the needs of the human individual are multiple and complex for our resources to be able to fill them in so short a time. So we are left with a situation, which while having improved, demands more of creative action.

Mindanao

The national development program—in all its aspects, economic, social, political and cultural—reaches outward to every island and region of the archipelago. We have dispensed services and opportunities equitably among our people; com-

mitted resources to the development of regions and depressed areas. One region nonetheless must stand out in relief from the rest of the country, by reason of events and problems that confronts us there. I refer to Mindanao.

Our countrymen must now know that though we are in full control of the whole of Mindanao and the Sulu Archipelago, the test of whether we shall prevail there or not is not of a military nature. In a sense, it is the same, as elsewhere in our country: the successful introduction of socio-economic change and modernization will define the nature of the situation. Our Muslim brothers hunger, as all of us do, for the amenities of life, the blessings of national community, and the fruits of progress.

Military action may disarm the man who takes up arms against the state, but we recognize that it will not provide a final end to the fighting. Yet our sympathy for the lot of our Muslim brothers must not dim our perception of agitation willfully designed to frustrate government efforts. This has not diminished our vigilance. This has all the more sharpened the essential integrity of Muslim Mindanao as part of the Republic.

Today, we are engaged in a multi-sectoral effort of defense, rehabilitation, land reform, education and economic development in Mindanao. We have appropriated ₱406 million to finance priority development projects for the Reconstruction and Development Program. We have set up the Philippine Amanah Bank to fill the pressing need of our Muslim communities for credit facilities. And we have sought to build the base of managerial talent among the Muslims, the lack of which has always explained the comparative underdevelopment of Mindanao.

Foreign Relations

Pursuing a development-motivated foreign policy, our country has responded actively to changes in the international order.

A major change has been the breakdown of the old system of conflicts and alliances between groups of nations belonging to different social and economic systems. After establishing diplomatic relations with Yugoslavia and Rumania in 1973, we

widened our friendship among countries ruled by Communist and Socialist-Worker Parties by opening diplomatic relations with East Germany, Bulgaria, Hungary, Poland, Czechoslovakia, Rumania, in Eastern Europe, and the People's Republic of Mongolia in Asia. Active negotiations between the Philippines and China and the Philippines and the Soviet Union are going on. Cultural and trade missions from both countries have visited the Philippines. We will be expanding trade, cultural and diplomatic relations with more socialist countries in the coming months, in line with our policy of trade and friendship with all nations, regardless of ideology.

The last 24 months saw the strengthening of bonds of friendship between the Philippines and the Arab countries. The Philippines joined other states in condemning the continued unjust occupation of lands belonging to the Palestinian people. We opened permanent embassies in various Middle East and African countries and sent special Philippine missions to a number of Arab countries. Senior Arab and Islamic officials and diplomats have come to the Philippines, to help give the Muslim world a clearer picture of the problem of rebellion in Mindanao and gain for the Philippines the status of "a friendly country" to the Arab oil-producing countries.

We have constantly supported ASEAN and all moves within it to promote greater economic union of the five member countries. We are now exchanging data on basic commodities with fellow ASEAN countries. Communications and transport facilities between ASEAN members are being improved; plans for the adoption of a common telephone signalling system and a regional satellite communications system are nearing the implementation stage. We actively took part in negotiating with the European Economic Community for better terms in the trade between EEC member states and the ASEAN members. The Archipelago Concept, which we espoused with Indonesia in the Law of the Sea Conference in Caracas, Venezuela, was closely supported by the other three ASEAN members as well as by many third world countries.

The Philippines also pressed forward its proposal for an Asian Forum to include all countries in Asia.

I met in Menado with President Suharto of Indonesia to discuss vital issues affecting ASEAN and regional cooperation. We sent a team of Filipino Muslim observers to the Fifth Islamic Foreign Ministers' Conference, held in Malaysia, and received encouraging reports of the Islamic world's appreciation of our government's efforts to uplift the Filipino Muslim population economically, socially and politically. The Secretary-General of the Islamic Conference has visited Manila, and offered his good offices to arrive at conciliation with the rebels in Mindanao.

On much of our initiative, the Southeast Asia Treaty Organization, of which we are a member, has realistically shifted its attention to development work away from military matters. SEATO's socio-economic and cultural programs in the Philippines include the establishment of multi-purpose barrio centers, rice and corn mill projects, small-scale industry development, irrigation, and scholarships.

The treaty of amity, commerce and navigation with Japan has been ratified, signalling an increase in Philippine-Japanese trade and cooperation. We also signed the latest GATT agreement, which could lead to reductions or the total elimination of tariff and non-tariff barriers to Philippine exports to industrialized countries. We entered into a number of trade, finance and loan agreements with various friendly countries to support our development.

The year saw the expiration of the Laurel-Langley Trade Agreement under which preferential trade arrangements were set between the Philippines and the United States these past twenty years. A new treaty is being negotiated between the Philippines and the United States.

Aside from the visit of foreign ministers and senior officials of Arab and African countries, we hosted the visit of Prime Minister Lee Kuan Yew of Singapore, Prime Minister Kakuei Tanaka of Japan, Prime Minister Gough Whitlam of Australia, Prince Juan Carlos, the designated successor to Generalissimo Franco of Spain.

We also hosted the important meeting of the governing council of the United National Development Program, which

brought much goodwill for our country and incalculable support to our efforts.

Conclusion of the Review

Our achievements as a people during the last two years are modest in relation to our goals. But they have earned for us a place in the consciousness of people and nations in Asia and around the world. They have also instilled new pride in our people. But uncharted seas lie ahead, and we cannot be frail.

PART IV

PEOPLE AND PROGRAMS: THE STRATEGY FOR SURVIVAL

To speak of the gains we have made in the past two years is to speak of the power of the people. For nothing that has been done is the handiwork of any single man. By means of unity and discipline, and their new awareness of the future and its unremitting demands, the Filipino people have achieved a new power: the power to overcome obstacles and create new dimensions in their life.

The Barangays

This power comes through the Barangays.

The ancient virtues of the Filipino live again in the Barangays. Through the Barangays we feel and perceive, we discern and decide. In them we think and we act. The Barangays today are making the Filipino nation.

When I issued Presidential Decree No. 86 in December, 1972, just a few months after Proclamation 1081, I was aware that if Martial Law was to succeed in bringing about reforms in the structure and the ways of society, society itself must decide that these reforms are in fact possible and desirable. The Barangays created by that Decree have both the power

and the responsibility to shape Filipino society according to their vision. Martial Law merely provides them with a continuing opportunity to exercise that power and fulfill that responsibility in an atmosphere of peace and unity.

In specific terms, how do the Barangays serve the nation?

First, as a political unit, they are the organ by which the popular will is expressed, in the words of Presidential Decree No. 86-A, issued in January 1973, "the vehicle for expressing the views of the people on important national issues." For this purpose, they are vastly more representative than a national legislature consisting of a few score elected representatives who eventually become, in more senses than one, distant from their constituents. The Barangays have translated into reality the essence of democracy, which is simply citizen participation.

There are two elements in the Barangay that make it truly a forum of popular expression. These are the process of decision-making itself, which consists of direct expression by each citizen followed immediately by a consensus or a vote; and the broad membership of the Barangay, which includes citizens from the age of fifteen, whether literate or not. The second has a special significance. It demonstrates the importance that the developing New Society gives to the role of the youth, a subject which I shall presently discuss in more detail.

The other function of the Barangays is to serve as an instrument for greater production. I cannot over-emphasize the importance of this function. In a sense, it is in the exercise of this function that the Barangays are more intimately interwoven with the life of the nation, for it is a day-to-day function, an hourly striving to provide for the nation's subsistence.

The record of our importations of rice and various food products underlines the need to harness the energies of our own people so that, out of the vast resources of their land, they may fulfill the requirements of their own survival. This is the record:

Amount spent on importation of

Food Products—

1967—\$100,206,000
1968—\$132,712,000
1969—\$124,504,000
1970—\$103,539,000
1971—\$145,815,000
1972—\$174,963,000
1973—\$202,073,000
1974—\$175,917,000

Amount spent on the importation of rice—

1968
1969 no importation
1970
1971—P265.726 M
1972—P345.852 M
1973—P600.716 M
1974—P345.852 M

It is imperative, as we face inevitable new strains on the economy because of increased requirements from a growing population, that we turn our minds to the solemn task of accelerating agricultural production. For this purpose, we need every hand. We need total concentration and immediate action. We need the Barangays.

Realizing the crucial role of the Barangays, I am determined that they shall obtain greater authority and a more distinct personality, as well as steadier sources of income.

Under the Decree creating them, Presidential Decree No. 86, there shall be a Barangay in each Barrio in every municipality and municipal district, and in every chartered city. This has given the Barangays an imperfect mandate, inasmuch as, under the Constitution, the Barrio is designated by name as the basic political unit. Article II, Section 10 of the New Constitution, provides, and I quote: "The State shall guarantee and promote the autonomy of Local Government units, especially the Barrio, to ensure their fullest development as self-reliant communities."

Consequently, a certain degree of confusion has arisen concerning the distinction between the Barrio and the Barangay. As of today, this distinction ceases. I have here with me a Decree which constitutes the Barrio itself as the Barangay. I now sign this Decree in your presence and formally declare the fusion of the two units. *The Barrio is now the Barangay.*

Elections may be called where these are necessary.

There are today 33,956 Barangays all over the country which coincide with legally created Barrios, or Barrios under the revised Barrio Charter. In addition, there are more than 8,000 Barangays in the districts or wards of chartered cities, the so-called urban Barangays. These, I believe, provide a broader base of democratic action than had ever been experienced at any other time in the life of this country.

In further recognition of the importance of the Barangay in the nation's life, I have decided that the present income of Barrios be augmented.

At present, Barrios have three regular and five special sources of funds. The regular sources consist of:

a.) The Barrio share of 5 percent of the Real Property Tax Collection of the province and another 5 percent from the Real Property Tax Collection of the Municipality otherwise known as the Provincial and Municipal Aid under P.D. 464;

b.) The Barrio Development Fund under P.D. No. 144 and 477 which is the annual contribution of each province, city, or municipality in amount not exceeding ₱500 per barrio, to be used exclusively for community development projects which meet the requirements set forth by the Secretary of the Department of Local Governments and Community Development;

c.) License taxes and fees, service charges, contributions and market fees levied by the barrio under authority of P.D. 231, the Local Tax Code.

The Special Sources of Barrio Fund are:

- a.) The Rural Improvement Community Development Fund, consisting of P2,000 for every barrio, or a total of P68 Million a year;
- b.) Grants-In-Aid, given on the basis of approved projects, which amount to an average of P8 million a year;
- c.) Loans-In-Aid, consisting of P600,000 a year;
- d.) Seato-Assisted Projects, in the total amount of P325,000 a year;
- e.) Reparations pipes for barrio spring and waterworks development, amounting to P23,540,615.00 a year, or P2,958.70 per barrio.

In addition to these present sources of barrio funds, we are amending certain existing laws to provide new sources which will be available *directly* to the Barangays.

I am signing a Decree amending P.D. 144 to provide for the creation of a Barangay General Fund, to be given as direct share from the portion allotted to the province and municipality out of the National Internal Revenue Taxes.

Presidential Decree No. 436 is also amended to provide that one-fourth of the total accruals under the Decree shall be set aside, and apportioned annually among Barangays for the construction, improvement and maintenance of roads and bridges.

The measures we are undertaking to increase the financial resources of the barrios serve to complement the larger programs designed to strengthen the nation against the mounting economic pressures and uncertainties with which all the world is now confronted.

Threatened by such grave economic conditions, nations, almost by reflex action, respond by contracting their economy. As I have said in earlier assessments of the world situation, the traditional and orthodox answer to the problem of recession is the technique of withdrawal. Credit is tightened and economic activity is slowed down.

The strategy we have adopted is, on the contrary, to continue the momentum of our creative and productive activity. I see no wisdom in halting existing projects. Instead, wherever possible, especially with respect to short-gestation projects, we shall strive to expand the economy.

We will, however, spend with greater prudence and planning, making sure that money goes only into greater production.

Inasmuch as three-fourths of our people live in the rural areas and draw their sustenance from agriculture, we shall now, as a matter of the highest priority, endeavor to realize our full potential in agriculture, principally food production. Into this enterprise we shall bring the zeal and the energies of the young.

By so doing, we shall mobilize a tremendous force against stagnation and that terrible malaise which descends upon a people endangered by a turbulent economy. Approximately 65.2 percent of our people are below the age of 25. This fact speaks of a vast store of human power which can now, and in the next few years, be unleashed to do battle with the economic forces marching upon us.

The youth will be called upon to help in any one of various projects aligned to the goals of national development. Among the priority areas for such service are food production, the opening up and development of new areas in virgin lands, the promotion of small- and medium-scale industries, forest development, health extension work, community education, the rehabilitation of infrastructure, and cultural undertakings.

An integral part of National Development is Youth Development itself, to the extent that an unfailing indicator, or symptom, of a country's deterioration is a mass of aimless, dazed or dissipated young people. We demonstrated this to ourselves in the chaotic days before September 21, 1972 with the proliferation of lawless bands from the schools and colleges shouting themselves hoarse with epithets and slogans. For such spectacles, there can only be one explanation: The youth are cut off from the moorings, first, of parental authority, and next, of public authority.

Our Youth Development Program will instill in our young citizens the values of respect and discipline by engaging their heart and mind in work that will produce benefits for themselves and the nation. In this way, a mutual relationship between them and their country is developed, an extension of the relationship based on authority and affection which are indispensable to the welfare, growth and endurance of a family. You undoubtedly know that a family which pampers its children must be prepared to see them grow into wastrels and derelicts, having failed to teach them the value of sacrifice and responsibility.

This mutual relationship between the country and its youth, one providing for the other's welfare, each the other's guardian, is the essence of our youth development program.

To give the youth every possible opportunity, I am creating, as of today, a Department of Youth and Sports Development that will oversee the national youth program.

Such a department creates the venue for a national youth service program, which opens the way for our youth to serve our communities in need of their skills.

It provides for a national youth assistance program and the mobilization of the youth for concrete development projects so necessary in bringing in big numbers of volunteers and in bringing about specialization of skills.

This department also provides a training program for leadership in various sectors of the society, including government.

The Problems

As we enter the third year of our Democratic Revolution, we hear portents of more difficult times. Some economists warn us that 1975, and possibly 1976 and 1977, will be grim years of poverty and decline throughout the world.

Some economists are less pessimistic than others—they vary, however, only in degree, rather than in the nature of their assessment. Those who do not see a global depression, see a drastic fall in the rates of growth of the industrial nations.

They see the world economy still growing, but no longer in the pace of the last few years. These "optimists" reckon that in 1975 the growth of the economies of the advanced countries will only be 3.5 percent. This is lower than the average rate of growth of 5 percent during the past 10 years.

Indeed, the picture of the world economy looks bleak. Inflation and the price spiral are both not expected to burn out by 1975 and the ensuing years. Both pose problems for the economies of industrial countries as well as the underdeveloped. The first months of the years saw consumer prices up by 10.2 percent in the United States, 11 percent in Sweden, and 23.9 percent in Japan. These three countries used to have an average annual inflation rate of only 5 percent. Japan has been the hardest hit of all the advanced economies. But all of them are reeling from inflation and high prices. For the first time in years, the rich countries stand to find themselves at the end of the year with serious problems in their balance of payments.

Companies are threatened with closure, the specter of mass unemployment haunts many governments. The opulence of the West appears to be finally in crisis.

Flexible Economic Policy

We have anticipated these problems and made some provisions for them. As early as last year when the impending high cost of fuel became certain, we availed of foreign borrowing to cover any shortfalls in our export earnings in the short run while expanding our long-term export earning base. We succeeded in doing this through borrowings by the Central Bank from several consortia of world financing institutions.

But we are vulnerable, nonetheless, to this turbulence in the world economy. Slowdowns abroad have in fact caused the traditional buyers of our products to reduce the volume of their purchases. This decrease in demand reduced in turn the price the world market is willing to pay for them. This means that in the months ahead our exports will be cut down both in volume and in revenue. Copper, coconut products, wood products,

textile and garments and other export lines have declined. Only sugar has kept its strong market position. This situation suggests that we will not be able to maintain a favorable balance of trade this year—unless we make a superhuman effort to produce and sell more.

To combat inflation, fiscal discipline will be exercised fully. This means rearranging government priorities, cutting down on current expenses but continuing basic programs involving expansion of public facilities and services.

A flexible economic policy which would be more responsive to changes is now in preparation. A significant component of this is a continuous assessment of the position of government in the levying of taxes, in the level of expenditures, and in the use of monetary tools. The government, instead of levying new taxes, is prepared to sacrifice revenue in order to give greater incentives to production. By lowering the franchise tax on revenues of electric companies and of tariffs on crude oil processed into bunker fuel by these firms, the government has been able to effect cuts in power costs to all consumers. This has helped production.

But there is no easy way out of the problem. As long as our economy remains linked to that of the rest of the world, we cannot hope to avoid the effects of changes in the cost of raw materials and capital equipment, changes in the buying habits of the peoples of various countries, changes in the manufacturing and selling patterns of the industrialized nations. The only way to withstand these difficulties without suffering as much as the others is for us to be self-reliant, self-sacrificing, and less comfort-loving.

Except for our peasants, workers and others, who have sustained their vision of a new society with great self-privation, many of us have been self-indulgent, morally weak, and wasteful. This cannot go on. On the third year of Martial Law, those of us who must wear new clothes and shoes and jewelry on every important occasion, lay out rich tables at every excuse for celebration, will have to learn to live more simply and regain the virtue of prudence.

Discipline must prod us to greater endeavor.

The cost of oil may rise even more this year. Our factory managers must learn to make their plants run more efficiently—and with less oil consumption. They should make technical innovation an important goal of their research, and seek ways of making oil and other imported materials go a longer way, while they produce more. We must cultivate the virtue of thrift, even in the use of electricity—which we produce only at the cost of so much imported fuel. In every home, it should be the duty of every member of the family to make sure that unneeded lights are not left on.

We have adopted an energy plan that envisages self-reliance for our fuel needs. We must intensify the search not only for oil, but also for natural gas, geothermal and nuclear resources. But this is still in the future.

For the present, we have to make sure that despite the high costs of energy we do not scale down our production. We have to produce more. We have to work longer hours and produce the most we can from every man hour.

I am aware that during the past 12 months, some of the rich and the upper classes have been “bellyaching.” The workers and the peasants have suffered without groaning. I should not call upon them, the workers and the peasants, to sacrifice anymore. They have sacrificed enough, and they will sacrifice some more—if we ask it of them.

But it is those in high place, who must now set the example.

Our efforts should be oriented not merely to controlling inflation, prices, imports and such other problems that the international monetary situation will engender. As we build strong defenses against these problems, we must look toward the bold pursuit of our national development program as the permanent solution to them. This means a high level of productivity and its equitable sharing among individuals and communities.

This strategy is embodied in the following programs and policies.

Capital Formation

For us to accelerate economic growth on a broad front—with agriculture and industry expanding and social services increasing—it is essential that net capital increase so as to meet the demands of national development.

Our yearly capital requirements is projected in the vicinity of \$400-\$450 million. We have four sources of capital: foreign exchange earnings; external sources in the form of foreign loans and foreign investments; domestic investments; and national savings. These components of the capital structure of the economy all registered decisive increases during the last two years. But international developments have begun to bring new pressures on this otherwise orderly formation of capital and stable growth of the economy. This implies adjustments in capital development.

First, substantial increases in the prices of petroleum products and capital equipment have reversed the favorable trade balance and severely strained the foreign exchange earnings of our country. At the end of the year, there will be an estimated \$38-million trade deficit. We are fortunate, however, that the high level of our international reserves—\$1.5 billion—cushions the impact of this blow and allows us time to cope with this difficulty. In the coming year, we must enlarge our efforts to increase our export earnings, setting for ourselves the goal of an annual growth rate of 15 per cent against an expected growth of 12 per cent in imports.

Second, the country's capacity today to service external debt has reached new limits because prices and demands for most of our exports have gone down. Our policy therefore is this: we shall avail of foreign loans only if it is within the capacity of our economy to serve them in an orderly and consistent manner. Government borrowings at this time must stand still. Instead, we have augmented guarantee facilities for long-term borrowings or deferred payments imports of the private sector. This has been done through the establishment of the Philippine Foreign Loan Guarantee Corporation, with an initial capital of P1 billion. The corporation will be an effective conduit of foreign capital for national development.

Third, the unprecedented volume of foreign investments that has entered the economy will be further stimulated by new incentives. Policies on sharing, repatriation of capital and tax exemptions, shall now be supplemented with more vigorous measures on an industry-to-industry basis. At the same time, we shall expand the areas in which foreign investments can take part to include more export-oriented projects. Portfolio investors will be encouraged through the transformation of more companies into truly public corporations, that will ensure easy cash conversion of investments.

Fourth, we must intensify the campaign to increase national savings and domestic investments. One of the most encouraging aspects of our economic development that set it apart from that of other developing countries is that we have always provided most of the capital requirements of our development needs—over 80 percent of capital resources today. For there is a connection between foreign capital inflows and domestic investments. Foreign financial resources rise in absolute terms because domestic savings maintain their growth. To further stimulate the savings support of economic growth, we have increased the interest rate in savings and time deposits.

The preceptual implication of this capital formation program is that we must export more and import nothing unnecessary; save more and consume less; make a virtue of efficiency and abandon, if not penalize, waste.

Industry Expansion

The vigorous formation of capital for economic development naturally implies that we must utilize to the fullest both national and foreign capital to achieve greater productivity in industry and agriculture.

In industry, our program must be flexible enough to balance the claims of international crisis and the demand of national development. On the one hand, we must adjust to the pressures of the energy crisis and increasing import costs of producer goods; on the other hand, these pressures must not revive the

mediocrity of past performance but rather spur us to new feats of productivity, particularly in our export industries.

Our basic approach to industrial development is the promotion of export-oriented industries, the encouragement of labor-intensive industries and techniques of production, the promotion of backward integration in the industrial sector, and the regional dispersal of industries. This strategy is a marked departure from the import-substitution policy of the past and the effect has been a general change in our industrialization pattern.

Adjustments in this sector must not affect the substance of this orientation, but rather firm it up against price fluctuations in the international markets and continue to bring about the full restructuring of industry.

A number of our industrial guideposts require renewed emphasis in terms of supportive programs and measures:

First, in regard to the problems of high costs of material requirements, high energy rates, and quality control, the government now stands ready to adopt measures to spur activity in the form of lower electric rates and other efficacious policies.

Second, on the matter of developing new processed imports, a system of research and product development assistance from the government will now be an integral part of our industrial development program.

Third, towards greater regional dispersal of industries, the government will open further venues in terms of capital assistance and incentives to industries operating in the rural areas.

Fourth, we shall go full swing on our efforts to develop alternative sources of energy such as hydro-electric, geothermal and nuclear-powered plants. We shall do this, even as we intensify oil exploration in the country.

Finally, the successful sectoral development programs shall be further expanded to include more new industries under the scheme.

As we look toward the next year, we must bear in mind not only a greater increase in the industry component of the Net Domestic Product, but the expansion of manufacturing

activity which is the pivot of our entire strategy. The present share of manufacturing in NDP of 20.5 percent must meet, if not exceed the 21.1 per cent target for FY 1974, and 23.2 per cent in FY 1977 at the close of the four-year development plan.

Foreign Trade

This industrial strategy is the keystone of our emphasis in foreign trade on non-traditional exports. Our aim is not abandonment of our strong traditional exports such as copra, logs, metallic ores and concentrates, but the end of our dependence on these, as unprocessed exports, for foreign exchange earnings.

The increase to 18 per cent of the share of non-traditionals in our export earnings, from 10 per cent a decade ago, must further go up. The performance of textiles, wood products, paper and paperboard products, and fixtures in the international markets is an indicator of opportunities for manufacturing.

Diversification and expansion must be the guide to our export program. As we encounter losses in lower copper prices and the phase-out of our lumber production, we must expand production of such exports as sugar and copra that command a high price in foreign markets and develop new markets for other products.

We have projected a growth in export earnings of 15 percent annually, but this is a conservative estimate that must be brought to higher levels.

On the other hand, we must face up to the race with import payments that have as dramatically increased through circumstances beyond our control. The importation of producer goods and capital equipment is a necessary part of our development effort, and there is no more effective way to balance trade in our favor than to outpace import costs with great export revenues. But much can be derived from a wise utilization of our resources in the importation of goods.

Ninety per cent of our imports today consists of producer goods: semi-processed and unprocessed raw materials, equipment and machinery. We can still reduce our total imports by bringing down importation of essential consumer items like rice and cutting down altogether on luxury items. Our food sufficiency program will make rice imports unnecessary, and luxury items have no place in our situation today.

Acceleration of the growth of our external trade will be pushed by the following programs:

- an integrated export promotions program abroad and efficient surveys of foreign markets;
- the rationalization of transport movement through pooling of export products, bulk import, and the establishment of terminal loading points in the country;
- the utilization of Eastern European Ships and non-conference liners in trade transport.

Agriculture

Our development program sets as an imperative, progressive resource utilization and a linkage between industrial and agricultural activity. The mining of the land and for raw materials, commercial produce, and food is the essential activity of this country.

Two-thirds of our export earnings are derived from the agricultural sector; one-third of the total goods and services produced in the economy is the direct result of farming of the land; and the majority of the population lives in the rural areas. Here, therefore, is a natural assembly of natural and human resources, always the base of the economy but never really exploited to their fullest extent.

The first of our goals in agriculture is the continued development of commercial produce to a level even higher than what it is today. The same inducements and assistance that we give in industry, we shall return in full measure to our farming and fishing communities. But as we tame the land to yield more,

through the application of technology, we must at the same time seek to process the harvest for our export markets. We are now considering a phase-out of copra exports within 3-5 years. The links between agriculture and industry are a necessary part of our modernization.

Yet, our eyes must not be fixed merely on immediate returns. Wealthy as we are in natural resources, the riches of our land are not exhaustible. We must turn our attention to the care of those resources that are being depleted by the predatory hands. The most important of these are our forest resources. The government has now ordered the phasing out of log exports by 1976 to bolster our wood industries and to initiate in earnest a program of forest conservation and reforestation. We must regenerate our forests, or at least learn to regulate their exploitation.

A mass education program on forest conservation must now be undertaken for the youth and other sectors of the society. Tree farming should be carried out in areas where this is possible, while park development should receive new impetus from the citizenry.

Food Production Program

In a land rich in natural resources, nothing can mitigate failure to achieve total food sufficiency, not even the fury of typhoons and floods.

The implementation last year of the Masagana 99 and Palayan Ng Bayan programs has sufficiently demonstrated our capacity to produce rice in vast quantities. We face no rice shortage this year despite the floods. And our total import of rice is only 93,000 metric tons, compared to 283,620 metric tons in 1973. But the absence of shortage is not enough. The importation of rice, however small in quantity, is not growth.

We set therefore as a high priority the total achievement of rice sufficiency in the coming years. And we shall fully support

this objective with even more credit assistance, more investment in farm equipment, and massive training of our farmers in farming technology.

The emphasis we give to rice and corn production, however, should not blind us to the need to bring up the levels of production in other crops. A parallel effort must now be launched to maximize vegetable, livestock, feed grain, and fishery production. I attach a high priority to this activity, particularly vegetable production, because of its natural connection to the nutrition campaign that we have recently launched. As this campaign sinks into the consciousness of our people, we shall consume less of rice because of its low nutritional value, and more of our vegetable produce. The venue for this need lies in the revival of the early vigor of the Green Revolution, which unhappily has waned under the drama of events.

Agrarian Reform

Our agricultural production program is intimately joined with the agrarian reform program, and any slowing down in the latter could have an adverse effect on production.

Our view and implementation of land reform must not transcend the rhetoric of ending feudalism and get to the business of truly transferring land ownership to the farmer and making the farmer and his farm more productive parts of the national life. The nobility of the measure should never lull us into the illusion that the bounty of the land will naturally follow from our good intentions. Any delay in the agrarian timetable will have the effect of exacerbating anxiety and tension. In the end this will be costly to all.

Let me therefore reiterate here our basic approach to agrarian reform. Our policy is to integrate the transfer of land to the tillers with the provision of support services for productive cultivation. There are four components of the plan: land tenure improvement, institutional development, physical development and agricultural development. Full integration of these activities and coordination of government service agencies is part of this plan. This must be the axiom of our work in this area.

Cooperatives Development Program

So that our agrarian reform program will be faithful to our hopes, so that it will liberate our farmers from bondage rather imprison them in failed expectations, we must now move swiftly in the rural areas to replace dead or drying institutions with new ones. The old system of ties based on paternalism must now slowly give way to broader fraternalism, in keeping with the spirit of our changing rural society. We must now provide new institutional mechanisms to make community action come to life.

One of our most important programs in this area is the development of cooperations. This will have the irreversible effect of broadening the economic base of the masses.

We have, as of today, a total of 10,419 Samahang Nayon in 15,729 barrios throughout the country. These have a total membership of 559,054 and an accumulated capital of P5.6 million derived mostly from membership fees. The Samahang Nayon is the first phase in the movement towards the building of cooperatives. After this, the Kilusang Bayan comes next. We have now entered this phase.

Through the Samahang Nayon we have broken ground for the emancipation of the rural worker from feudal inequities. As the barangay vests in him political power, the Samahang Nayon now vests in him economic power.

Under the roof of the Samahang Nayon, the farmer is able to locate himself permanently in a system that provides organized credit assistance that assures him of seeds, fertilizers and other inputs, as well as marketing assistance that assures him of better prices for his produce. Through the Samahang Nayon the individual capabilities of the small farmers and workers are pooled together so that they can provide for the future of their families through cheap insurance, banking and other schemes that may be capitalized from a share of their labors.

Through the mechanism of the area marketing cooperatives of the Samahang Nasyon, which have been organized in at least 10 provinces, we hope to see the farmer get more for his farm produce while at the same time cutting down the cost to the consumer. I consider it a grave crime every time an ordinary wage earner has to pay an additional 250 percent to the original cost of the food on his table, simply because we do not have the mechanism to reduce the number of times a particular agricultural product passes from one middleman to another. I feel it unjust that the laborer in Tondo should pay ₱1.21 for a kilogram of cabbage when the farmer gets only ₱0.44 for it from his farm in Baguio. We can no longer tolerate the fact that it is the middleman rather than the farmer who makes more money out of what the latter produces.

It is, therefore, a boon that through the Samahang Nasyon, we have devised a machinery through which the farmer who sells his cabbage will get not ₱0.44, but perhaps ₱0.60, while the consumer will pay for it not ₱1.21 but perhaps ₱0.80. Through this, we hope to effectively cut down the number of middlemen for the farmer's produce—from seven hands to three.

Our present objective in this program should be to accelerate our movement into the next phase of the cooperative idea, so that the Samahang Nasyon today will now evolve into full corporate entities, attaining economies of size, with one corporate plan, one management, one source of funding, where the members will not individually have to worry about their fertilizers and seeds and other inputs of production, or the marketing of their individual products, but where all this will naturally flow from tie-ups between producers cooperatives and consumer cooperative and the National Food Terminal Market.

In addition to this, we must now help bring about the conditions that will allow the farmer to get out of the case that had for so long imprisoned him in economic inequities, and make him participate within the limit of his initiative and means in sectors traditionally not opened to his class. We should encourage cooperative banking, insurance and other schemes that seek

to provide greater security to the farmer and his family, and create greater social mobility for farming individuals and communities.

I am gladdened by reports of the farmers' natural enthusiasm for the various features of the cooperative program, but a bit saddened too that their efforts to acquire equity from the rural banks and to establish a cooperative insurance system for themselves are reportedly being met with red tape, if not resistance.

Whereas, we have expressed the desire that farmers be allowed to buy up to 40 percent of the equity of rural banks, they have apparently been refused by the "gatekeepers" of this operation.

They have been consequently forced to organize their own cooperative rural banks—this time on the provincial rather than on the municipal level, with a capitalization of P500,000, instead of P100,000—the first one being in Nueva Ecija. Three more are coming up in Pangasinan, Isabela and Bukidnon.

But there are reports of unexplained delays in getting their authorization.

Similarly, the organization of a cooperative insurance system that would allow members of the Samahang Nayon some social security at cheap premium rates has met with similarly unexplained delay.

This is something our people do not and will not understand. This is something I myself do not understand.

It does not surprise me to find in what remains of the oligarchy some opposition to our efforts to democratize opportunity and open heretofore closed areas to the workingman. But I do not expect to find that same opposition, in whatever degree, in any personnel or institution of government.

Accordingly, therefore, I hereby direct the Central Bank of the Philippines and the Insurance Commission to extend full assistance to the two projects I have mentioned above with a view to making them immediately operational.

The claim of the cooperative development program on our support is not only urgent but total; we must give it all we can.

Employment Program

Economic reward must come not only to those who are engaged in occupations, but also to those who are either unemployed or underemployed.

Our employment stresses complementarity of approaches on two sides of the problem: generation of jobs in industry through the emphasis on labor intensive industries; and manpower and development skills so as to prepare the unemployed for employment.

Like any other economy, we must bring down our present rate of unemployment, both by providing skills to prospective employees and by providing expanded possibilities for employment through the dispersal of industries.

As a basic policy, however, the unemployed will now be used by the state for productive enterprises.

Human Settlements

As the economy expands and a swelling population spills from one congested area into another, care must be taken to create an environment that enhances a high quality of life for the communities. The poverty of the lower classes is not resolved in their favor by giving them low-cost housing that soon degenerates into slums or ghettos, nor are cities invigorated by the careless introduction of industrial features that hasten their death while giving the appearance of development.

The human settlements program must go hand in hand with the industry dispersal program and the satellite towns and cities that are now rising in the country. At the same time more money should be appropriated out of government resources to provide more homes to the lower classes.

Fiscal Policy

Despite the strain of external pressures on the economy and the national development program, the government will maintain the present level of taxes on the citizenry and the production sector. No new taxes will be imposed. The fiscal position of the government is good, there is adequate funding for our important projects, and there is every indication that revenue collections this year will surpass our targets. The local governments, and now the barangays, will share fully these resources.

Peace and Security

With new distortions resulting from the world-wide recession, we must take care that economic disturbances abroad do not adversely affect our security. Common crimes that have registered an increase in volume over the past 12 months are mostly those related to the individuals economy.

The integration of police forces, as mandated by the Constitution, will be progressively implemented, after Greater Manila, to develop greater efficiency in the national police force. Hand in hand with integration, the upgrading of professional training will continue, along with the regular channelling of assistance to deserving recipients.

In the armed forces, training and integration of paramilitary personnel for volunteer development work or home defense will continue to provide the military establishment with a big corps of development and defense personnel without having to have an increase of the budget.

A bigger share of the defense and military budget, however, will continue to be devoted to socio-economic expenditures, while decreasing the percentage growth of purely military expenditures.

Wider use of military personnel for construction and rehabilitation work and self-reliance posture in attaining arms capability for our troops will be given greater currency.

Foreign Relations

Next we must utilize our diplomacy to secure for us better terms of trade, economic assistance and collaboration with our neighbors. Diplomacy must spearhead the search for new markets for our exports, and new sources for technology and capital necessary for our development. It must help clear areas of cooperation and gainful commerce with tension or suspicion that could defeat bilateral efforts or regional exertions. It must also help rearrange our political, economic and social perspectives so that we would constantly see the realities of today with the clear vision of the present, rather than with that of the past.

Toward these ends, it shall be our policy to reach out to that portion of humanity, whose markets, capital resources, and technological knowhow had remained inaccessible to us for reasons of ideology. In a small way, we shall seek to make our own contribution to the *detente* that now makes it possible for the big powers to talk of wider cooperation.

As of today, Mrs. Marcos, acting as my special representative, is meeting with officials in the People's Republic of China on matters of culture and technology. She will also sign on behalf of the government the purchase of oil from the People's Republic. Inevitably, this should lead to our normalization of relations with that country, and also the Union of the Soviet Socialist Republics. This is a reality that cannot forever be deferred, and must sooner be faced. Postponing it indefinitely can constitute a loss rather than a gain on our part.

Naturally, there remain questions that must be answered by us. Foremost of these is: is this in consonance with our effort to end a communist insurgency in the country which had already made so many attempts to get arms, ammunition and war material and other logistics support from outside?

The answer to this—in spite of the manner in which that question may be put—is that a distinction must be made between the communist insurgency that we are trying to end at home,

and the Socialist governments who are seeking to make their own contribution to the cooperation among nations, the growth of commerce, and the progress of the world.

Our Republic has nothing to fear from its homegrown countries; we must rather fear our own ignorance of their real capabilities. Our refusal to know the Socialist and worker-party peoples and governments will not make them disappear, they will only render us vulnerable and weak, mainly for not knowing their own weaknesses and strengths.

Maturity of character and intelligence demands that we strip ourselves of all harmful illusions, that we wake up to the reality that differences do exist among peoples and among nations, without their being the worse for it.

PART V

CONCLUSION

Our nation faces a test once again. Continuing price increases have been felt in our country as a result of price increases almost all over the world because petroleum, raw material and machinery prices have increased in astonishing proportions. This situation of a rapid increase in prices is called "inflation."

Another factor to contend with is that while prices are rising, economic activity in major countries has slowed down somewhat. In some countries, this slowdown has even led to a reduction of total production or what we call "recession."

Oil Crisis

We are all familiar with the oil crisis of 1973. Oil was not available then and when it became available, prices were increased four times its original amount. We used to buy crude oil for even as low as \$2.00 a barrel. Today, a barrel costs almost \$12.00.

Increased food production is the key to the overall strategy of keeping prices down. Food constitutes about 50 percent of the basket of goods we consume. If we increase the supply of food, then prices will go down to more tolerable levels.

Infrastructure and Social Development Expenditure

To accompany our food production drive, we are intensifying construction on infrastructures that would expedite the marketing and distribution of essential commodities. Among them are farm to market roads, bridges and other feeder roads. The government is also devoting a large amount of resources for social welfare and development.

To improve incomes of low-salaried employee, we have required both private and public employers to give ₱50 emergency allowance to those who receive ₱600 or less. I have also increased salaries of national government employees by ten percent across the board.

You recall that I have recently reduced the franchise tax on electric utilities from five to two percent of gross sales and the tariff on bunker fuel oil used for generating electricity. These two measures will cut the cost of electric power to households and industries.

Need for Sobriety

Despite the steps we have undertaken, there is still a need for frugality and sacrifice. We need to be sober in the face of new trials because our ability to survive is being tested. We need to be more resilient in order to weather the crisis to come.

A flexible economic policy which would be more responsive to changes is being drafted. Changes in the tax and tariff system are ready to be made to encourage production and fight inflation. We will continue our search for oil our native soil and exploit other sources of energy such as hydroelectric and nuclear sources. We will continue to promote our exports and look for new markets. We will continue to encourage the use of domestic raw materials in amount of resources for social welfare and development.

We Will Survive

With our experience in projects like Masagana 99 which were undertaken in an endeavor to dominate a present problem or a coming crisis, I am confident that we have the competence and the endurance of spirit not only to survive but also to achieve a new measure of progress.

The crisis that faces us today was not unexpected. As early as January this year, we had anticipated the present problems, and accordingly prepared ourselves with new resources to cushion the shock of any slump in the economy. The policy of "dynamic flexibility" that I announced two months ago will give us further capability to readjust to changing situations.

I have complete faith too that provided we produce food there need be no fear that this nation will succumb to the most trying conditions.

As we face the terrible crisis mapped out to us by all these dark prognostications of the future, we must rely mainly on our own strength in order to overcome. There may not be enough hands to reach out to in the middle of these terrible times. But we will have found a strong one to reach to, if today—this very day—we would resolve, as a people and as a nation, never to turn to anybody else for comfort or aid, but only to ourselves. The difficulties we shall survive, the impossible things we shall conquer, after we have conquered ourselves. Let there be a will, let there be courage, let there be faith in our solemn undertaking, and let all of us resolve to make of ourselves something much more than what we are today.

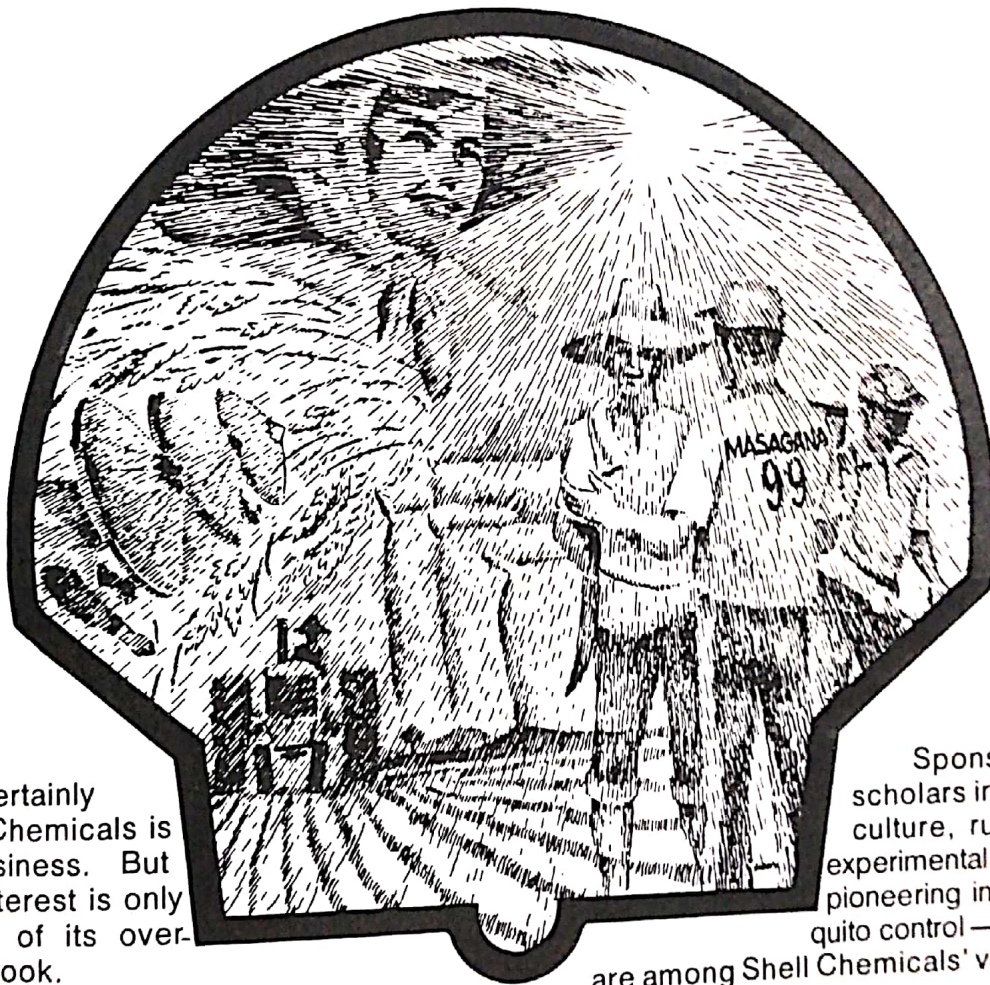
We have made a pact—you and I—to gift the men and women of our time a New Society. We are forging ahead with that society. But we have also made a pact to give that society a new kind of man—a man who will find in himself not only one, but a fraternity of men, to meet all the adversities of our time. This is the sort of men we have sought, and find among you—in the heart of our nation—today.

Thank you and good day.

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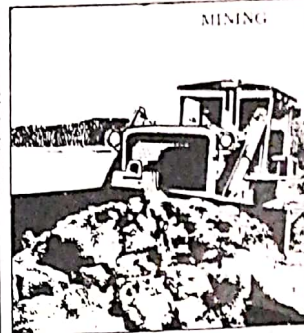
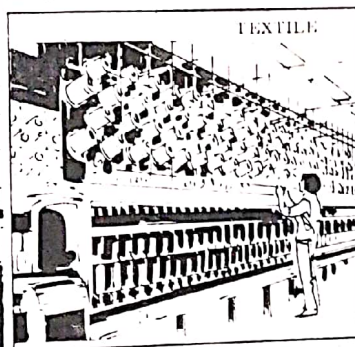
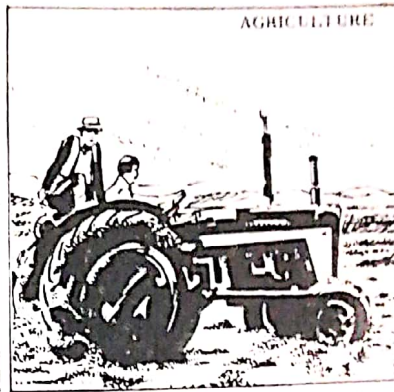
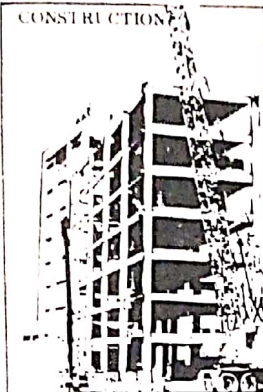
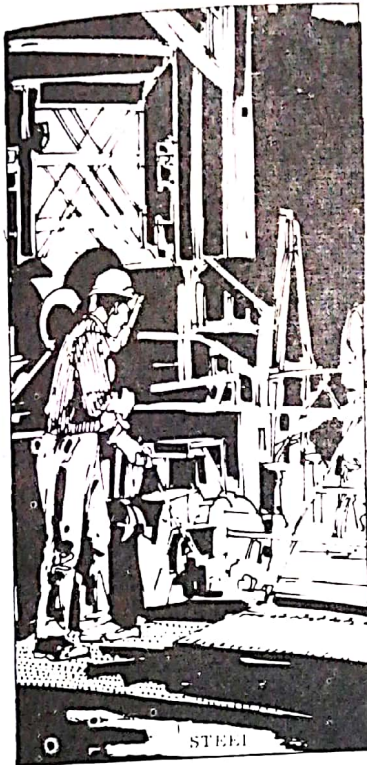
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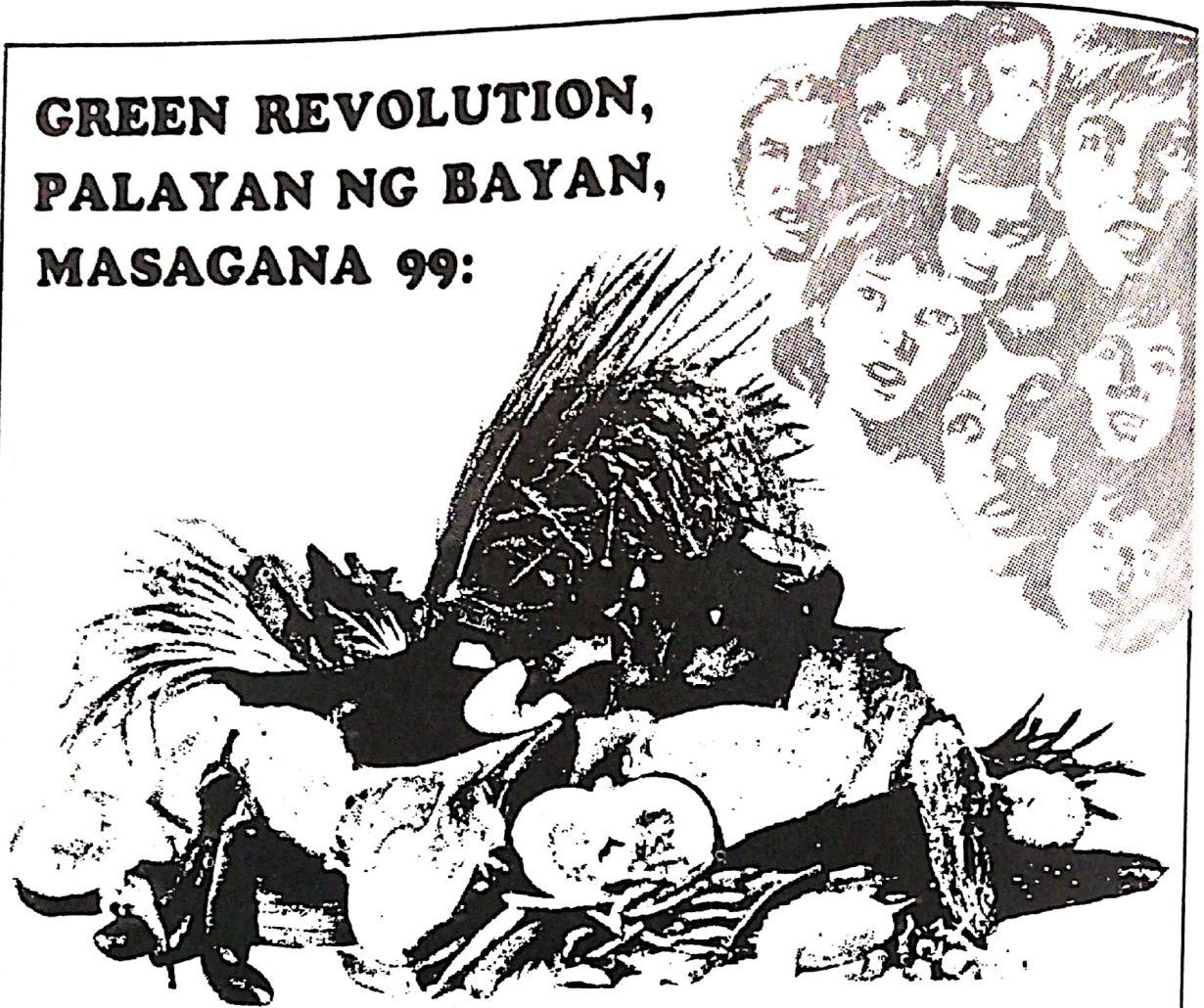
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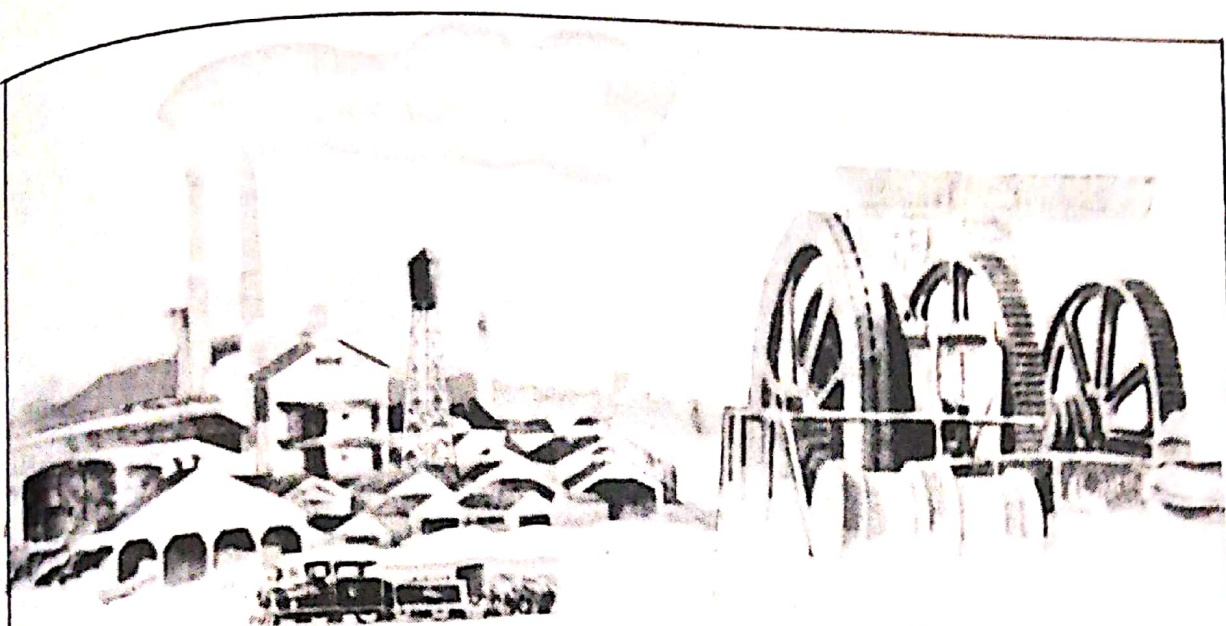
More Food for 40 Million Filipinos

Today, there are 40 million Filipinos. By 1980, we will be 56 million people; by the year 2000, 89 million. To produce enough food for our people, the government has launched massive food production programs: The Green Revolution, Palayan ng Bayan and Masagana 99.

We are deeply committed to support these programs. By cooperating with the government in supplying fertilizers to farmers at socialized prices. By providing farmers with effective, economical and safe pesticides to protect crops against destructive pests and diseases. By producing information materials for the implementing agencies. And by giving farmers technical aid and soil analysis services free of charge.

The private sector is working closely with the government in support of these vital programs. In a cooperative effort for a common goal: abundant food for our people, and a brighter future for us all.

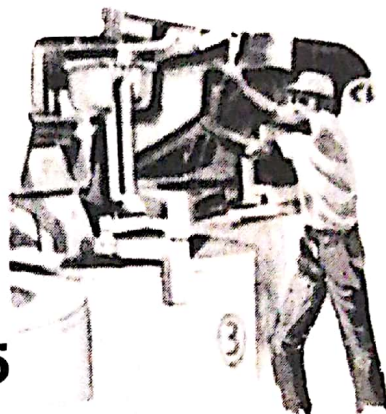
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