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The World Bank and Philippines Telecommunications

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**The World Bank and
Philippine Telecommunications**

GERALD SUSSMAN

With the celebration of digital communications now in a somewhat more sober phase, it is an appropriate point at which to assess the impact of advanced technology transfers from social and political economic perspectives. It is no mere hyperbole to represent the recent proliferation of transborder high speed data services, international direct distance dialing, fiber optic oceanic cable, satellite broadcasting, teleconferencing, simultaneous transnational newspaper publishing and the like, as the harbinger of a "second industrial revolution." Nor is it exaggerated to consider telecommunications and informatics as the international "command and control" technologies of industrial and economic development. Their introduction has qualitatively changed the methods of production and discourse in industrialized as well as the less developed societies.

There is, however, an emerging debate on the meaning of their impending social transformations. Hucksters and idealists alike, on the one hand, see post-World War Two leaps in the sophistication of communicative apparatus as a new stage of life that has somehow transcended the political fray, and these writers have inscribed the last years of the twentieth century as the advent of a technologically-driven "global village" and "post-industrial" age. For others, with a more socially and historically-oriented vision of technological change, the evolution of information infrastructure and the global conquest of time and space are aspects of a long observed and continuous appropriation of science by empowered human actors through their expansionist institutional personalities. Such contrasting outlooks raise very different sorts

of questions and concerns in the minds of interested scholars, technocrats, popular writers and, ultimately, the public at large, although what might be considered a paradigm of technological fatalism is far more widely disseminated than alternative visions offered by critical humanism.

In this article, I wish to give consideration to the latter approach by focusing on the role of powerful individuals and institutions actively involved in the formation of an international information technology infrastructure. One historical landmark in world communications was the English banker Rothchild, who demonstrated the practical value of Channel-crossing carrier pigeons by converting the early news of Waterloo into a financial kill on the London stock exchange. U. S. telegraphy and telephony development and expansion similarly owe much to those who foresaw their exchange value as commercial infrastructure and became their earliest users — large brokerage houses, newspaper moguls, the railroad magnates and big-time gamblers. Much of the national and transnational character of electric (later, electronic) communication technology was, in fact, already presaged by Marx and some of his contemporaries in their cogent analyses of capitalist development. National capitalist consolidation by monopolies in the U. S. and elsewhere and the cultivation of mass consumption patterns were given great impetus by the advances in long distance communication technologies by the 1920s.

Communication scholarship in the 1960s and 1970s, triggered in general by the growing social awareness of the times, brought a rekindling of the critical tradition, and with it came an emerging political economic literature on the corporate management of news, television programs, advertising, etc. However, there still remains a largely hidden dimension of international information policy and its relationship to global production that begs for broader interest and investigation into how the larger communication landscape beyond "mass" communications is designed and constituted. For those curious enough to disassemble their IBM PC, Sony console or Western Electric headset, there are realities to be discovered in the social origins of their micro assemblage. Almost invisibly imprinted on the circuit board map, one finds such exotic corporate industrial havens as the Philippines, Malaysia, Taiwan and El Salvador. The more cosmopolitan video game player or COBOL programmer discovers that these otherwise ignored "off-

shore units" (as transnational corporations, TNCs, call them) of telecommunication and computer industries are pillars of the global "information society." So vital are these outposts to transnational production and distribution that without them it is almost inconceivable that such a consumerist society, as we currently know it, could function.

Who are the principal agents who are to be credited with arranging for data, natural resource and skill outflows from these Third World shores under conditions where land is virtually donated for transnational production ("export processing") zones and where labor sells on average at well below a dollar an hour? What does factory literacy in the Third World have to do with computer literacy in the First World? Will telecommunication infrastructure help lead countries such as the Philippines, Bangladesh and Ethiopia out of their grinding poverty, as promised by the World Bank, or might it indeed, as an alternative hypothesis, worsen their condition? Do such international communicative linkage foreclose options for national (and personal) sovereignty and decision-making?

THE WORLD BANK

One of the major actors in telecommunication planning in the Third World is the International Bank for Reconstruction and Development (IBRD), more popularly known as the World Bank. Created in the last months of World War Two, the Bank was organized to help rebuild the western European economy as part of the postwar Marshall Plan. Although it now has over 100 country members, the World Bank has by custom always had an American as its president, and control, almost 20 percent of voting (and veto) power, is still held by the U.S. In the 1960s and especially after Robert McNamara moved over from the Defense Department to head the Bank (1967-81), the focus and funding suddenly shifted toward the Third World at a time of growing authoritarianism in Asian politics.

In the early 1970s, although the Bank (IBRD), with its soft loan affiliate, the International Development Association (IDA), still considered itself in telecommunications "a lender of last resort," it began to look more carefully at this sector as part of the Third World state's requisite development infrastructure,

and by 1985 had extended loans to forty-five countries.¹ Using McLuhanesque imagery, the Bank portrayed "[t]elecommunication networks [functioning] . . . as the central nervous systems of complex societies, transmitting information and commands between their various parts."² Bank/IDA support for Third World telecommunications, though only 3 percent of their total lending since 1960, has nonetheless been considerable in the last twenty-six years, particularly in Asia, where the Bank has pressed upon host countries the necessity of "improv[ing] . . . the climate for foreign investment."³ For 1980-85 alone, telecommunication lending was over \$1.2 billion, 40 percent of the twenty-six year total.

Moreover, even in its advisory capacity, the guidance of the Bank in institutional and infrastructural development tends to be taken seriously by less developed countries (LDCs). As head of the "Consultative Group" of public and private lenders in many Third World countries, including the Philippines, the Bank's stamp of approval is an indispensable credit rating for governments wishing to avail of other sources of loans and of transnational trade and investment.

The Bank itself sees its role in telecommunications as strategic, given that it is, as the sector chief has said:

The principal multilateral source of financing for telecommunications in developing countries. The Bank has met part of the foreign exchange requirements for urban, local, long distance, and international telecommunications facilities, and has sometimes helped to bring in other sources of funds through cofinancing arrangements.⁴

And as one transnational firm explicitly has advertised, the "provision of first-class communications facilities . . . serves to attract multinational corporations to invest in the Philippines."⁵

1. World Bank, "Telecommunications: Priority Needs for Economic Development," *Energy, Water and Telecommunication Department Public Utilities Notes*, PU Report No. PUN 45A (Washington, D.C., June 1979), p. 8.

2. World Bank, *Telecommunications Sector Working Paper* (Washington, D.C., November 1971), p. 5.

3. Walden Bello, David Kinley, and Elaine Elison, eds., *Development Debacle: The World Bank in the Philippines* (San Francisco: Institute for Food and Development Policy, 1982), p. 138.

4. Robert J. Saunders, Jeremy Warford and Bjorn Wellenius, *Telecommunications and Economic Development* (Baltimore: John Hopkins, 1983), p. 66.

5. Eastern Telecommunications Philippines, Inc. "ASEAN Philippines-Singapore Cable System," Manila, n.d., ca. 1979. (Brochure.)

The Bank's policies in telecommunications, consistent with its other sectoral programs, are premised on preferences for trade "liberalization," private enterprise, government austerity and foreign investment. Ascribing objectivity to its role, the Bank views its Third World interventions as "the unbiased advice and overview on institutional development and the technical choices usually associated with multilateral financing."⁶

Certain critics of Bank policy, on the other hand, see the institution as being largely ignorant of or insensitive to the real human needs of most LDCs and disguising benevolent-sounding development jargon for its actual political economic intention of preserving market opportunities for itself, its sister agencies, including the International Monetary Fund, and transnational capitalism. At the same time, the Bank is seen as having selectively isolated those governments opting for more nationalist strategies of economic development: Vietnam after 1975, Argentina under Peron, Cuba, Sukarno's Indonesia, Chile under Allende and Peru under Velasco, among others.⁷

This article documents and analyzes World Bank policy in fostering telecommunication transfers to the Third World. I draw on key Bank documents (many of which otherwise are hidden from outside researchers, not to mention the public, despite the "public" image and funding of the Bank's activities) in attempting to explain the relationship of its communication infrastructure-building projects to its overall political economic goals for that part of the world. One Third World critic sees Bank secretiveness as harmful to Third World interests in that "[m]ost of the time, it is the peoples of the countries concerned, and their social scientists who are kept in the dark regarding matters of vital importance to their well-being" and argues that "[a]s a matter of principle, opening windows for the entrance of light and fresh air should always be encouraged."⁸

Taking heed of this injunction, I have selected for analysis one of the earliest and important Asia/Pacific telecommunication

6. Saunders et al., *Telecommunications and Economic Development*, p. 63.

7. Robert L. Ayers, *Banking on the Poor: The World Bank and World Poverty* (Cambridge, MA: MIT, 1983), p. 57.

8. Teresa Hayter and Catherine Watson, *Aid: Rhetoric and Reality* (London: Pluto, 1985), p. 75.

bases, the Philippines, which serves as a strategic communication hub for western commercial, military, propaganda and intelligence interests and home of major "command, control, communications and intelligence" facilities for resident U.S. nuclear installations and naval/air force "rapid deployment forces." The Philippines has long been an active "free world" ally and a critical, though somewhat unstable, investment area especially for U.S. and Japanese capital, and, as one of the most responsive (and indebted) advisees of World Bank "free trade" (and telecommunication) policy, is listed by the Bank as a "country of concentration."

THE NEW PHILIPPINE ECONOMIC AND INFORMATION ORDER

The Philippines, the sixth largest recipient of Bank funds, and long-time showcase of the U.S. capitalist growth model, has become in scale of infrastructure the major international telecommunications subcenter in east/southeast Asia, a role borne of its long colonial and geopolitical attachment to the West, particularly the United States. The national telephone carrier, Philippine Long Distance Telephone Company (PLDT), was started by American telecommunication entrepreneurs during the colonial period, and not until 1967 did the then U. S. owner begin to divest its holdings in the company, although total foreign (mostly American) equity in PLDT as of 1986 was still about 40 percent. In the past decade, PLDT, the largest of fifty-three telephone operators in the country, began an \$870 million joint venture project with the Siemens Corporation of West Germany to upgrade and expand its facilities, mainly in Metro Manila, with backing from a syndicate of Asian and European banks and the guidance of the World Bank. During this period, PLDT's international circuits have brought in rapidly increasing revenues, relatively and absolutely, and helped make the company one of the most profitable in the Philippines and an attractive option on the American stock exchange.

Currently, the Philippines is linked to the rest of Asia via British Cable and Wireless-controlled submarine cable transmission links to Hong Kong and Okinawa (the OLUHO system), to Singapore (PHILSIN) and to Taiwan (TAILU), with plans to

establish connections to Thailand, Indonesia and Malaysia in the late 1980s. Its direct telecommunication links to the West are via the AT&T Pacific submarine cable (TRANSPAC-1) to Guam and Hawaii, domestically controlled by PLDT, and the geostationary Intelsat satellite hookups over the Pacific and Indian Oceans, through the local franchise, Philcomsat. In early 1989, the country, by way of an \$112 million participating equity share, will be the first in Southeast Asia to be linked to the new AT&T-sponsored fiber optic trans-Pacific cable. Three principal international record carriers operate in-country, and all are tied through 40 percent ownership and management contracts to RCA, ITT and Cable & Wireless. The introduction of domestic satellite (Domsat), with nationwide television transmission in 1980, privately controlled by close business associates of President Marcos (even after his political demise), have helped consolidate internal communication networks for commercial as well as political and ideological purposes and provides an important conduit for transnational advertising and ad agencies.

Submarine and space-borne transmission systems, alongside emerging digital terrestrial networks, implant upon the broad Philippine archipelago a "state-of-the-art" communication infrastructure, the strongest demand for which comes from existing and potential transnational corporate (TNC) investors. In another essay, the author documented the primary partners, suppliers, carriers, and end users of the major Philippine telecommunications media (data transmission, telex, long-distance telephone, broadcast sponsorship and programming) both on international and "domestic" circuits, and discovered a roster that looks like a Who's Who of the international "Fortune 500." Meanwhile, older, government-run postal and telegraph technologies serving "ordinary users" have not been upgraded in twenty to twenty-five years, causing them to drift into scandalous inefficiency, with rates extraordinarily out of line with wages. Telephone access is prohibitively expensive to all but the socioeconomic elite, which largely explains why with fifty-three operating companies across the country there are only 1.2 telephones per hundred population.⁹ President Marcos, himself, under Bank advisement.

9. *Bulletin Today*, 4 March 1981; Gerald Sussman, "Telecommunications Technology: Transnationalizing the New Philippine Information Order," *Media, Culture and*

enthusiastically endorsed the vision of the Philippine economy in terms of global telecommunication expansion as a necessary means, as he put it, "to achieve material advancement within the context of the world political economy, under orientations and conditions established by the revolution in communications . . . what McLuhan calls 'the global village.'" ¹⁰

Marcos conversion to "global village" doctrine upon his martial law declaration in September 1972 was well reciprocated by the Bank and the IDA, which extended total loans and credits to the Philippines in the FY1974-78 period, immediately following the state seizure, that was 4.5 times the value of all Bank/IDA assistance from FY1946-73.¹¹ That such concurrences took place was not fortuitous. As one comprehensive study on the World Bank in the Philippines has shown, the Marcos coup helped overcome obstacles put in the way of rapid foreign investment and integration of global production by those nationalist groups (including elements of the mass media) determined to slow down or reverse the pattern of external economic penetration and the Bank-supported "ideology of development." The study found the Bank's involvement "the first coordinated, broad-front experiment in technocratic, authoritarian modernization," which served as a "model for Third World development."¹² A landmark Philippine supreme court decision on the eve of Martial Law, the "Quasha Decision," terminated provisions giving Americans privileged landholding rights and momentarily flashed ominous signals for U. S. corporate interests. However, Marcos overturned it shortly after his martial law declaration and arrested most of his outspoken nationalist critics. The World Bank supported this new social and political climate as conducive to "reform" programs, welcoming "the renewed opening up of the economy to the inflow of foreign capital."¹³

Society 4 (October 1982); International Telecommunications Union, *Yearbook of Common Carrier Telecommunication Statistics*, (Geneva, 1986).

10. Ferdinand E. Marcos, "An Ideology of Development," in *The Ascent*, ed. Francisco S. Tatad (Manila: Department of Public Information, 1974), p. 3.

11. Walden Bello, "Development and Dictatorship: Marcos and the World Bank," in *Logistics of Repression*, eds. Walden Bello and Severina Rivera (Washington, D.C.: Friends of the Filipino People, 1977), pp. 93-95.

12. Bello et al., eds., *Development Debacle*, p. 200.

13. World Bank, "Political and Administrative Bases for Economic Policy in the Philippines," memorandum from William Ascher to Larry Hinkle, Washington, D. C., 6 November 1980, p. 3.

A major impetus to dictatorial control of the policy and information system came with the transformation of a more domestically-oriented ("Filipino First") economy to one, starting in the late 1960s, based on "Export Oriented Industrialization" (EOI). A favored global project of the World Bank in Third World countries, the EOI program in the Philippines created special free trade ("export processing") zones that its planners hoped would attract a wave of new foreign capital, employment, technology and exchange. In support of EOI the World Bank gave the Philippines an initial loan of \$12.5 million to "help fund the creation of new export processing zones, modernization of industries for exports."¹⁴ Marcos' leading western-trained technocrats, responded with incentives that included approval of 100 percent foreign ownership of new industries in the zones, the hosting of foreign technicians and consultants, priority for access to foreign exchange, restriction-free imported materials, and tax exemptions on capital gains, capital equipment, raw materials and, for "pioneering industries," on sales of finished products.¹⁵

By 1975 the World Bank had bypassed the U. S. as the leading lender to the Philippines, a shift that permitted U. S. bilateral sources of assistance (the Agency for International Development, the Pentagon, etc.) to adopt after the Vietnam withdrawal a less visible profile in the region. As an "international" agency, the Bank was in a better position to represent its relationship as "nonpartisan" and "multilateral." Also, the Bank is putatively more concerned with integrated, cost-efficient, noncontroversial means of extending loans and credits. As one Bank division head has expressed it:

The World Bank can provide a developing country with an independent, unbiased technical and financial overview, and can serve a significant coordinating function.¹⁶

14. Santi Mingmongkol, "The World Bank and Thailand: New Wine in an Old Bottle," *Southeast Asia Chronicle*, December 1981, p. 23.

15. Ohara Ken, "Bataan Export Processing Zone: Its Development and Social Implications," *Ampo* (special issue): *Free Trade Zones & Industrialization of Asia* (Tokyo: Pacific-Asia Resources Center, 1979), pp. 97-98.

16. World Bank, "Financing of Telecommunication Expansion," *Transportation, Water and Telecommunications Department: Public Utility Notes*, P.U. Report No. PUN 48, Washington, D.C., September 1979, p. 4.

COORDINATING TELECOMMUNICATION FUNCTIONS

Central to the operation of free trade and other industrial zones, not only in the Philippines but around the world, is the need for the functionally integrative links that advanced telecommunications provide. With reliable and instantaneous information channels, global finance and industrial capital (from the Chase Manhattan Bank to Dutch Shell to Mitsubishi) can maintain continuously upgraded data on marketing, financing, inventory, accounting, management, even natural calamities and rebellions, with the confidence that comes with technological and marketplace hegemony. Also, the largest U. S. overseas air force and naval facilities, both in the Philippines, rely on "leading edge" communications for "command, control, communications and intelligence" coordination of its global nuclear war arsenal and for landing "rapid deployment forces" in Asia, the Indian/Pacific Ocean regions or the coast of east Africa.

Given the stakes, TNCs, the U. S. military, the World Bank and others have urged and helped provide the upgrading of information and voice communications in the Philippines to "world class standard." The war in Indochina and particularly the "electronic battlefield" paradigm served, as wars always have, as the test site for many of the commercial applications of computer-based information and intelligence technologies that have followed. Increased World Bank interest in southeast Asian telecommunications (primarily the Philippines and Thailand) corresponded to the winding down of the U. S. military adventure in Indochina, the political isolation of Vietnam and the search for new international productive investment areas and ways of supporting fragile, local militarized economies left in the wake.

Robert McNamara was one of the key links in the chain of command carried over from military to "developmentalist" applications of communication technology in the region. In 1966, when McNamara was still defense secretary, his Department's Defense Communications Agency (DCA) arranged to have Intelsat voice channels set up in the Philippines for the conduct of the expanding war in Vietnam. The Marcos government complied with the DCA by hastily organizing a management firm to run the local satellite corporation, "Philcomsat," nominally to be headed by the country's former undersecretary of defense. In fact,

however, it was U.S. military communication officers from Clark Air Force Base together with executives from GTE who were called in to manage Philcomsat. The U.S. military-GTE group also began planning a regional satellite consortium called EASAT (East Asian Satellite Association) that was to include the ASEAN countries together with South Vietnam.¹⁷

The collapse of the Thieu regime put an end to part of the EASAT plan, but Philcomsat still had the bulk of its satellite business tied to the U. S. military, which currently remains its largest single end user. Following the withdrawal of the U. S. military bases in Thailand and South Vietnam, TNCs eventually came in to fill the Philippine circuit allocation on Intelsat as well as on its international submarine cable connections.

Responding to U. S. troop reduction from the region by the mid-1970s and Nixon's "Vietnamization" strategy, the Marcos government announced, in borrowed Pentagon lexicon, the "setting up [of] a communications system with instant and reliable communications for presidential command and control under all conditions."¹⁸ This was to be part of a \$200 million five year telecommunication expansion program, supervised by the U. S. military-GTE group, that was now to develop "a project for a new domestic satellite communications network" (Domsat). The plan was to implement the government program "for the integration of telecommunications" and to make use of television, telephone, telex, high speed data and facsimile. A confidential memorandum to President Marcos from the sponsoring Philcomsat group, headed by a GTE executive, Charles J. Horne, further enticed his endorsement by noting that

Project Domsat also envisages the use of transportable earth stations, which can be air-transported and quickly set up in any area of the country in support of communications for the Chief Executive, for mining or oil explorations and for the military in connection with the national security and national disasters.¹⁹

17. Philcomsat, "A Project Study on a Domestic Satellite Communications System for the Republic of the Philippines," Manila, n.d., ca. 1973.

18. Gerald Sussman, "The Political Economy of Telecommunication Transfer: Transnationalizing the New Philippine Information Order" (Ph.D. dissertation, University of Hawaii, 1983), ch. 6.

19. Philcomsat (Domsat), Memorandum to President Marcos, 8 February 1974. The Chief Executive, Marcos, did eventually get his satellite earth stations, including a

It was at this juncture that a World Bank group arrived in the Philippines to conduct an evaluation of the country's telecommunication infrastructure and to propose a long-term development program. In an 11 June 1973 memorandum distributed among Philippine telecommunication officials, the Bank expressed serious reservations over the finding that

franchises for the operation of telecommunication systems in the Philippines have been approved by Congress on a non-exclusive basis Lack of control and coordination in the sector has resulted in uneconomic duplication of facilities, poor network design, high costs and indifferent standards of service.²⁰

The memorandum called for a national telecommunication network:

The correct long-term solution for reorganization of the [telecommunication] sector is considered to be full integration of all services. If this is not immediately possible, then as a first step the integration of local networks should take place and they should in future operate on an exclusive [monopoly] basis. The number of entities operating local systems should be reduced as operations are consolidated [emphasis added].

To assure Bank/IDA supervision and control over the proposed integration plan, through the official authority of the State, the memo added:

As a condition for Bank lending we should require acceptance of the principal [telecommunication] sector objectives by Government and of the individual entities being required to meet the Bank's normal management and procurement requirements and being able to function in a viable manner [emphasis added].

Within a year a Philippine government "inter-agency committee on telecommunications," under the office of the presidential executive secretary, repeated the Bank recommendations, and

portable one, but they were supplied by NEC and not from GTE, which became embroiled in an embarrassing illegal payment expose with the Philippine Long Distance Telephone Company in the mid-1970s. Domsat provided long distance telephone service but was largely used to transmit national television broadcasts from a station controlled by a Marcos frontman, Roberto Benedicto, who reportedly failed to pay for services rendered. The Domsat operation is currently in deep arrears to the Indonesian authorities who leased them space on their "Palapa" satellite and is now used only sporadically.

20. World Bank [IBRD] IDA, Office Memorandum, C. R. Dickenson to C.P. Vasudevan, Washington, D.C., 11 June 1973.

called for a policy to "achieve an integrated development of the industry." The inter-agency report also shared the Bank's view that a telecommunication monopoly would bring about "sooner modernization" [sic] and a "desired level of development as the other vital sectors of the economy."²¹

One of the World Bank proposals adopted by the Philippine government in 1981 was the merger of the two largest telephone entities, PLDT and Retelco. The Bank's view was that:

Together, P.L.D.T. and Retelco provide 91.6% of existing telephone service. If they merged, and if the resulting private (or public) company adopted the public service objectives listed under paragraph 4 above, and were managed as an efficient public service development enterprise, [sic] the national development objectives of the sector might be achieved. The resulting company would have to initiate a rapid integration and expansion of long distance and local facilities, could buy up or absorb existing smaller companies, and could accelerate expansion into unserved areas of the country.²²

Within eight months the merger had proceeded accordingly, with PLDT taking over Retelco automatic telephone exchanges in the greater Manila area.²³

Other Bank directives have also found their way into Philippine telecommunication policy and planning. For example, increases of telephone connection fees by PLDT in the Manila area were a direct result of recommendations made in a World Bank telecommunications mission report in July 1980, which complained that "inefficient" telephone calling habits caused by the "extensive use of party lines" was blocking the fuller provision of long distance service. The Bank's prognosis has been to price out the inefficient users. As the mission report stated, "price is not used to efficiently allocate scarce network call traffic capacity."²⁴ The then World Bank chief of telecommunications, Robert Saunders,

21. Office of the Executive Secretary, Philippines, "Policy Study on the Telecommunications Industry," Inter-Agency Committee on Telecommunications, Manila, 29 July 1974, pp. vi, 27.

22. World Bank/IFC Office Memorandum, C. R. Dickenson to Robert J. Saunders, Washington, D.C., 6 June 1980.

23. *Bulletin Today*, 28 February 1981.

24. World Bank, Philippines Telecommunication Sector Memorandum, Transportation, Water and Telecommunications Department, Washington, D.C., 31 July 1980, p. 4.

said that the solution to the problem of

large telephone and telex waiting lists and system call traffic congestion during daytime business hours [is] . . . a pricing and investment strategy which includes relatively high connection fees and monthly rentals for urban area subscribers and accompanying high busy hour call charges.²⁵

In a rare concession of the political economic nature of the Bank's planning considerations, Saunders added:

Ideally, monthly rentals should be the primary means for attempting to allocate telephones to *high value subscribers* since rentals can influence existing subscribers as well as new ones. *Politically, however, it is usually much easier to increase access charges* to those who are demanding connections; than rental charges to those who already have service [emphasis added].²⁶

In early 1982 PLDT's access charges were doubled to \$415 for residential private connection and \$305 for party line (when the GNP per capita income was \$783).²⁷

In line with such World Bank integration efforts, based on what it calls the "ability to pay" principle, the Minister of Transportation and Communications under Marcos, Jose P. Dans, expected the Philippines to spend \$1.5 billion "to modernize its communications system" and confidently predicted that "within the next four or five years [1982-87] transportation and communication will have one of the biggest budgets in the national government in terms of infrastructure."²⁸ However, despite the prevailing influence of the Bank in redesigning Philippine telecommunication infrastructure, relatively little financial support has yet materialized, although a provision of \$50 million initially was included in the 1984 lending program and subsequently increased to \$125 million as part of a national telecommunications twenty-year expansion program.²⁹ Minister Dans, himself, confidentially

25. Robert J. Saunders, "Telecommunications in Developing Countries: Constraints on Development," paper presented at the Economics of Communication Seminar, East-West Center, Honolulu, 15-18 June, 1980.

26. Ibid., p. 9n.

27. *Time Journal*, 20 April 1982.

28. *Philippines Daily Express*, 7 February 1981.

29. World Bank, Philippine Telecommunications Sector Memorandum, p. 1; Arthur D. Little, et al., *National Telephone Program - Phase I*, Report to the Ministry of Transportation and Communications, Republic of the Philippines, 9 vols. (Cambridge, MA, November 1984), vol. 7, p. 14.

acknowledged that the transformation of the country's telecommunication system was being pushed by the World Bank. In a letter to the then Finance Minister, Cesar Virata, Dans reported that the national telecommunications master plan

has been prepared as the basis for a request for assistance in securing funds for, first, a technical consultancy arrangement and, second, the development of a comprehensive telecommunications backbone system for the country. *It is submitted that the conditions imposed by the World Bank, in its 1973 and 1976 official reports and in its unofficial report, have been or are in the process of being met [emphasis added].*³⁰

The Bank's interest in providing financial assistance is quite explicitly based on the demand for overall control of general infrastructural planning (and "institution building"), which it feels it had not sufficiently attained despite extremely cooperative efforts of Filipino technocrats. In response to PLDT requests for Bank assistance, for example, the Bank's response in 1973 was as follows:

PLDT considered that there might be a case for Bank financing of cable and telephones in its present financing plan and up to an amount of perhaps U.S. \$7.5 million. *Limited financing on this basis would not give the Bank sufficient leverage in institution building.* Before funding could be considered we should require PLDT to accept the policy changes outlined above [emphasis added].³¹

The earliest proposals in this direction came in the 1950s from the International Cooperation Administration (predecessor of U.S. AID) and the International Telecommunications Union (ITU), and Marcos in 1969 responded by setting up a "reorganization committee" that recommended full control of the telecommunication system by the private sector. In 1973, following the advice of ITU, the Philippines established a new Communications Board similar in design to the U.S. Federal Communications Commission.³² The Bank determined in 1980, however, that the Board's regulatory power, especially over the common carriers, was too weak to provide "adequate standards of service" (ironically at a time when the prevailing political-economic current in

30. World Bank, Office Memorandum, Dickenson to Saunders.

31. World Bank, Office Memorandum, Dickenson to Vasudevan.

32. Ibid.

its home country was for deregulation).³³ Also signalled was the Bank's impatience with the inadequacies of the then eight-year old dictatorship:

As a result of the inadequate [!] legislative framework and poor control the telecommunications sector suffers from fragmentation, uneconomic competition, failure to obtain scale economies in procurement, and difficulty in obtaining finances for essential development.³⁴

The Bank's role in Philippine telecommunication infrastructure until recently has been largely advisory, but this is scheduled to change with the national expansion loan project, now targeted for 1988. The planning for this project was set forth in a Bank/International Finance Corporation mission report in June 1980, in which a joint telecommunication infrastructure project of the Bank/IFC-Ministry of Transportation and Communications was proposed, adding its

recommendation . . . that in view of the adverse effect of underdeveloped communications on the economy, the present inefficiencies and *the considerable contribution the Bank/IFC can make in institution building*, during the period of rationalization, Bank/IFC participation in financing the consultants and in future development of the sector is appropriate [emphasis added].³⁵

In its in-house 1985 appraisal report issued in support of an immediate \$4 million "telecommunications technical assistance project" for the Philippines, the Bank explained its decision in rather explicit dependency terms:

Without Bank involvement, the momentum of institutional and policy reforms [in the telecommunications sector] is unlikely to be maintained, and the efforts made during the last few years would be lost.³⁶

Looking beyond the neutral-sounding semantics of World Bank technocratic literature, the core question is: Who principally stands to benefit from having the Bank play a central role in the formation of "national" telecommunication policy?

33. World Bank, Office Memorandum, Dickenson to Saunders.

34. Ibid.

35. Ibid.

36. World Bank, Telecommunications Technical Assistance Project, "Report and Recommendation," Report No. P-3891-PH, Washington, D.C., 28 January 1985, p. 14.

BANKING ON TELECOMMUNICATIONS

It is not surprising to find high demand within Manila's business, tourist and affluent residential districts for better local communication services. If placing a call or transmitting data over an international phone circuit in these settings is about as simple and reliable as in New York or Tokyo, a crosstown or even cross-campus connection requires Promethean endurance. With 13 percent of the population (9.64 telephones/hundred population) and 80 percent of the country's telephones concentrated in Metro Manila, telecommunication service outside of the capital region (0.4 density) is even less of a presumption again divided between the privileged few and disenfranchised majority.³⁷ These disparities are not unique to the Philippines. In fact, three-quarters of the world's telephones are concentrated in just nine industrial capitalist countries. Within ASEAN, only Singapore begins to approach the metropolitan standard.

Although the World Bank pays lip service to these inequalities, its underlying rationale for lending and advising in this sector based on supposed correlations of economic growth to telephone density, is tautological.³⁸ Moreover, its results over the past twenty-five years show little evidence to support such reasoning. Among the forty-five less developed countries which have received varying degrees of Bank telecommunication assistance since 1962, none has demonstrated any remarkable degree of public telephone expansion, with the exception of Taiwan and Singapore, and only five of them have densities greater than 10 per 100 inhabitants (Singapore, 39.41; Taiwan, 23.50; Costa Rica, 12.09; Uruguay 11.29; and Yugoslavia, 13.15).³⁹ These might be compared to other nonhegemonic economies that have received no Bank assistance to telecommunications, such as: Hong Kong, 40.26; Finland, 59.19; Iceland, 52.50; Bermuda, 92.30; New Zealand, 63.98; or Bulgaria, 20.00. All have achieved economic stability and service efficiency with high residence/business telephone allocation ratios. Singapore and Taiwan

37. Philippine Electronics and Telecommunications Federation, *Electronics and Telecommunications, 1985-1986* (Makati, 1986), p. 20.

38. Saunders et al., *Telecommunications*, ch. 1.

39. International Telecommunications Union, *Yearbook*.

represent special cases of small economic unit growth patterns, and there is not much basis for concluding that their telephone expansion has been a cause rather than result of capital accumulation. For that matter, the same could be said of the United States, Britain, Sweden, France and Holland, which were certainly "developed" by 1870, before the telephone even existed.

In the Philippines, the once higher proportion of residential to business telephones has reversed over the past decade. This is a trend encouraged by the World Bank's partiality to private monopoly ownership of telephone operations and emphasis on the "ability to pay," rather than "universal," access principle, that has led to higher installation and tariff rates and the locating of exchanges and specialized services for corporate users. Similarly, the growing ratio of national long distance and, increasingly, international revenues to local telephone service indicates a priority favoring TNC users, with U.S., Japanese and U.K. entities holding 65 percent of all international circuits.⁴⁰ Domestic telex and data operators have complained of the growing encroachment upon scarce frequency allocations by the three international record carriers, RCA, ITT and Cable & Wireless, in the secondary cities, such as Cebu, which, they argue, is a violation of the "gateway" city (Manila) provision established in 1979 to protect domestic carriers from foreign domination.⁴¹

A 1982 eleven-volume "National Telecommunications Development Plan" for the Philippines, written by Arthur D. Little and other international consultants in conjunction with and funded by the World Bank, projected long-term (twenty-year) telephone exchange capacity of 1.76 million lines in the Metro Manila region out of 3.56 million for the entire country, or half the national calling capacity. Even accepting the improbable assumption that the less incorporated areas of the country will have this high a share, the projection suggests continuing economic concentration in the capital region by the start of the twenty-first century. The "Draft World Bank Project Document" section of the Plan recommended an all-private national telephone mono-

40. Arthur D. Little jointly with Teleconsult International, Inc. and Sycip, Gorres and Velayo, Inc., *The National Telecommunications Development Plan for the Philippines*, 11 vols. (Cambridge, MA, December 1982), vol. 7, p. 42.

41. Interview with Santiago Morales, president, Philippine Chamber of Communication Industries, 24 August 1986.

poly under PLDT, the merging under PLDT of the domestic satellite corporation, a single, all-private national long haul record carrier, integrated with the voice carrier (PLDT) "when-ever possible," consolidation toward a single private international record carrier and fully deregulated data communications and other value-added services. The study anticipated that restructuring and expansion would initially bring telephone operating losses of \$270,000 in the first five years, between 1983-87.⁴²

In an economy as debilitated and unstable as the Philippines', such a projection would not seem to be encouraging.

Although there are some credible arguments for establishing integrated national/international telecommunication infrastructure, the experience of the Western industrial countries suggests that there is nothing "natural" about a private or a monopoly operating entity. On the other hand, a national private monopoly entity, particularly one whose loans are backed by government guarantees, facilitates the World Bank's direct access and guidance in policy making. The Bank's extensive role not only raises sensitive questions about national and cultural sovereignty but more fundamental ones about the material outcomes of its social and economic biases. The noted colonial historian J. S. Furnivall might have added telecommunications when he cautioned that the intrinsic value of physical infrastructure is an "illusion":

Public works in general, whether roads, railways, airways, ports of irrigation, serve to expedite development, and thereby enhance the difficulty of protecting natives against its evil consequences.⁴³

PLDT, which a few years ago was the first private corporation in the Philippines to secure a major government-guaranteed, private international bank consortium loan, and which is the monopoly entity that the Bank supports, has clearly oriented its telecommunication expansion program primarily toward serving the transnational community. In its 1985 annual report, PLDT proudly points to its long distance revenue, 161 percent higher than local service, with international tolls showing the highest rate of

42. Arthur D. Little et al., *The National Telecommunications Development Plan*, Part D, p. 56 and Part B, vol. 6, p. 182.

43. Cheryl Payer, *The World Bank: A Critical Analysis* (New York: Monthly Review, 1982), p. 91.

traffic growth. PLDT's choice of off-the-shelf digital switching, apart from indebting the company to foreign banks by \$1.5 billion as of 1984 and,⁴⁴ according to published reports, allowing millions of dollars in illegal commissions from TNC suppliers to be skimmed off by Marcos, depends upon expert (often foreign) technical and managerial know-how as well as specialized, value-added service clientele. A liberalized debt swapping foreign equity owning scheme introduced by the Aquino government is intended to draw in more external bank capital, which already constitutes the biggest user group of the country's deregulated data communications. And the new trans-Pacific fiber optic cable link, scheduled for 1989, will bring an additional \$112 million indebtedness. Its backing by the U. S. Eximbank gives some indication of the utility of the investment to the U. S. business (and military) sector.

The elitist pattern of communication investment and usage has brought deteriorating quality of local telecommunication services and telephone rates that effectively disconnect most Filipinos from information lines and social mobility, while transnational subsidiaries have never had better channels of information. As such scholars as Cees Hamelink, Herbert Schiller and Jorg Becker have argued, advanced communication technology is helping consolidate economic transnationalization, with little evidence from most Third World economies demonstrating the benefits of these linkages. In a country traditionally succored by warm climate and rich agricultural land, some Filipino nationalists fear that the intensifying commodification and monopolization of the information component of primary products (i.e., agriculture) is likely to leave the majority of their peasants and farmers out in the cold and hungered by relative and relevant knowledge deprivation.⁴⁵

It is early to predict the changes that may occur under the Aquino government, but the transnational and World Bank/IMF ties to the economy appear to be, if anything, even tighter than under Marcos. The Constitutional Commission that met in mid-1986 to draft a new national charter retained the right of TNCs to hold 40 percent equity in public utilities, including telecom-

44. *Ibon*, 15 May 1985.

45. Renato Constantino, *Synthetic Culture and Development* (Quezon City: Foundation for Nationalist Studies, 1985).

munication firms, an option not enjoyed in such neighboring pro-TNC havens as Singapore or Malaysia. Debt-equity swaps will be used to lure more transnational banking investment. Many protected manufactured items under the previous regime have been opened to foreign competition. And fresh World Bank/IMF loans of \$808 million were obtained following Aquino's highly touted U. S. visit in September 1986.

Telecommunication policy cannot be understood in isolation from the broader political economic demands and directions of which generally it is in consonance. The World Bank's espousal of export-oriented industrialization and the pressures put upon the Marcos, and now Aquino, government to remove barriers to "free trade" hold for the communication sector as well. This direction has meant dependence of scarce Filipino capital upon advanced imported technology, contributed significantly to the country's \$26.3 billion foreign indebtedness, focused development projects in areas that offer the quickest returns, to the neglect of the rural population (70 percent of the total), and made communication location and access a matter of "ability to pay," thereby favoring TNCs and their local partners over national capital formation. An all-digital telecommunication infrastructure of this sort serves to help restructure the economy, supporting the absorption of Philippine human and material resources into subsidiary, largely marginal, "trickle down" relationships in an emerging new international division of capital and labor. TNC- and World Bank-driven telecommunication projects and policies that have been called "national" can be better understood in the light of the dynamics of a transnational political economy.