However, a critical boost to the staying power of Americans in the Philippines was given by a provision which gave them "national treatment" rights in the development of *all* economic fields, in addition to the original raw materials and utilities provided for by the "parity" provision of the Bell Trade Act. In addition, the flow of foreign capital into the Philippines was aided by the elimination of a 17% tax on sales of foreign exchange in the Philippines. This made it cheap to bring in foreign currency for investment purposes. The end of the foreign exchange tax also worsened the outflow of dollars, since the tax had been an attempt to keep capital in the Philippines.

The Laurel-Langley Agreement was a blow against the Philippines' attempt to limit American involvement in its economy, since it provided an incentive for increased American investment and it hurt the program of "import substitutions" which sought to develop Philippine light industry as the first step in industrialization.

At the same time, the brief period of controls, established in the 1950's under President Carlos P. Garcia, plus import substitution policies, did establish a small light-industry sector, out of which has emerged a group of businessmen whose political potential is of great importance. Because their investments are in products which compete with foreign goods, these businessmen have an interest in "economic nationalism," which, in their case, means the development of the economy to create markets which they, rather than foreigners, control and exploit.

There are important contradictions between these businessmen and the landowning, export-based families of the traditional oligarchy. And they have, with their increasing financial and political power, fought within the system for greater economic independence. They could play an important role in the future, as have the "nationalist bourgeoisie" in many Third World nations.

Nonetheless, this group was not strong enough to stave off the pressure that the outflow of foreign capital, together with huge quantities of smuggling and election expenditures put on the Philippine government. The Philippine Government eliminated its controls over the economy and devalued its currency in return for an IMF-guaranteed "stabilization loan" of $300 million.

The end of controls was beneficial to American companies because it removed restrictions on the remittance of profits back to the U.S. According to a report of the Philippine National Economic Council, during the period from 1956 to 1965, 108 large U.S. corporations remitted more than $380 million in profits back to the U.S. This is six times the amount of *total* new U.S. investments in the Philippines during the same period. In addition to the American benefactors, the agricultural exporters benefited from the return of a free foreign exchange market which allowed them to convert their dollars, earned from exports, on a free-market basis rather than a fixed rate.

Since the beginning of the 1960's, there has been increasing nationalistic sentiment among Filipino youth and younger government officials. The expiration of the Laurel-Langley Agreement and the Military Bases Agreement are looked forward to by Filipino nationalists as cut-off points in the development of economic independence. The strength of this nationalist sentiment and the economic situation of the country will partially determine the nature of whatever new trade relations are established. The importance of nationalism was demonstrated by the shift of President Marcos from the strongly pro-American position of his first campaign.

Just how far the government will go in ending special American rights with the expiration of these agreements is unclear. But the establishment of a Board of Investments to oversee foreign investment, the strengthening of nationalist entrepreneurs, and the increasing role of the Japanese as an alternative source of goods and capital have provided an impetus to a more independent, industry-oriented economic policy.

The experience with greater government direction of the economy in 1962 and 1970 have highlighted the difficulty that any agricultural Third World country has in store in any attempt to industrialize and free itself from the imperialist financial network—as in Peru, Bolivia, Indonesia, and Cuba. Abrupt fluctuations in world commodity prices, widespread corruption, smuggling and overseas investment by the elite have crippled the formation of Philippine capital. These factors, together with the fact that most of the available capital is invested in sugar and copra exports, have limited the development of basic industry.

The profits from such industries as oil refining and marketing, mining, aluminum smelting, and even sugar processing have not been channeled back into Philippine development because, as is characteristic of the Third World, more money has gone out in remitted profits of foreign corporations than has entered in investments. In addition, competition from richer, more technologically advanced European, American and Japanese companies has prevented Filipino entrepreneurs from developing basic industrial facilities.

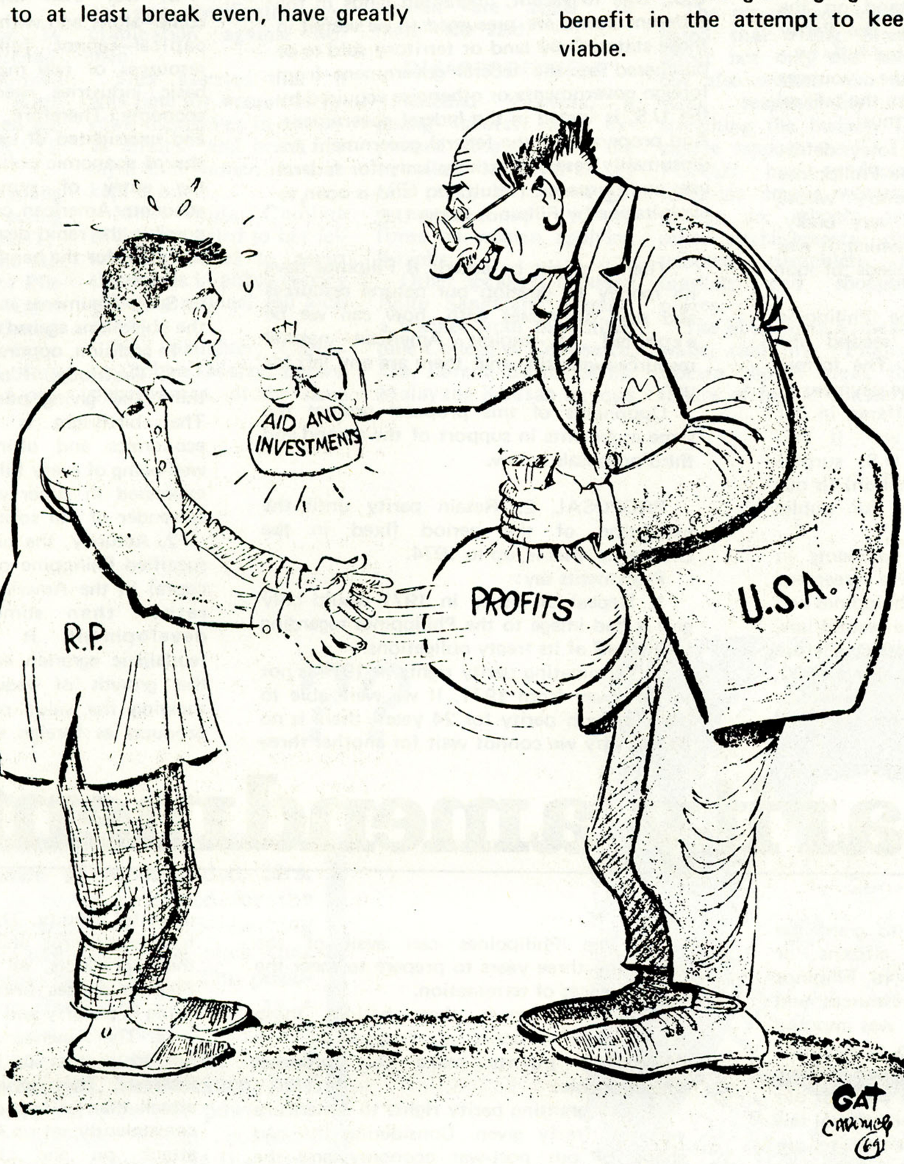
The slowness of diversification from an agricultural economy is largely due to the "agriculture first" development policies which the U.S. government, its advisors, and Western-controlled financial institutions such as the IMF and the World Bank have pushed in the Philippines. There is evidence that American international economic policy has shifted since the mid-1960's, but between the end of the war and that time, loan institutions, advisors and American businessmen have continually emphasized the export of raw materials and the importation of manufactured goods. The U.S. argues that development of agricultural production to its fullest potential would produce enough capital for the gradual conversion, aided by direct foreign investment, to a semi-industrialized economy.

In the mid-1960's, the International Rice Research Institute in the Philippines, financed by the Ford and Rockefeller Foundations, developed what looked like one of the best counter-insurgency, agriculture-first programs of the century: "miracle rice." Once the Institute began to develop the seeds, the Agency for International Development, always looking for a "program" with some credibility to it, developed both a rural credit system and an agricultural advisor program, involving the use of Esso fertilizer, which was all aimed at vastly increasing the country's rice production. This would eliminate the need for rice imports, thereby saving foreign exchange, and would put much more money in the hands of the farmers. They would in turn be grateful to the Americans and their government, and would also have greatly increased purchasing power. This would all amount to a tremendous, agriculture-first shot in the arm for Philippine economic development.

In essence, the program looked like it could save the government from an agrarian-based revolution, because peasants would have more money, more goods, and, supposedly, be able to buy their own land and reverse the increasing trend toward tenancy. Production *has* increased, and the foreign exchange has been saved. Token rice exports have occurred, but not enough to come near meeting the glowing prediction that the Philippines would be one of the major rice exporters in Asia through the miracle of "the green revolution." To succeed, the program demanded continuing expenditures which the Philippine Government would not pay.

But the returns on the rice program, to which the first Marcos Administration gave a large proportion of its budget, are not yet in. The high costs of fertilizer, and the consequent need for mechanized farming equipment to make enough profit to at least break even, have greatly deflated the "miracle" in the view of peasants. The chemicals used to grow the new rice are upsetting the ecological balance. A recent article in Manila's *Daily Mirror* reports that fish and domestic animals have died in the rice fields and nearby streams. These fish were an important part of the peasants' diet. The high cost of production has kept many farmers in debt to rural banks—banks usually owned by landlords from whom they used to have to borrow anyway. So the trend of increasing tenancy (29% in 1903 to more than 50% in 1964) has hardly been reversed. On the contrary, some observers argue, the profitability of large-scale, mechanized rice farming for "agri-business" firms, both American and urban-controlled, is resulting in even greater dispossession of land for many peasants. The trend of impoverished peasant families moving into the miserable "squatter" slums around the major cities in search of work is hardly a comforting thought for American and Filipino counter-insurgency specialists.

The high cost of production, the trend toward monopolization of previously decentralized rice production by mechanized farming, the necessity of developing a costly irrigation system, the removal of peasants from their land, and the overload on the country's marketing mechanisms have made this glowing agriculture-first program of little benefit in the attempt to keep the current government viable.



Whether the capital investment by the government (borrowed from consortiums of American banks, the IMF and the World Bank) poured into the rice program over the past five years will yield a minimal return in terms of social stability in the Philippine countryside remains to be seen. Meanwhile, the plight of the country's economy, which must be seen in an international context, remains a critical factor in the chances of survival of the Philippine government.

the parity amendment

Our Constitution says:

The disposition, exploitation, development and utilization of our natural resources and the operation of public utilities shall (if open to any person) be open to citizens of the United States. This privilege is also granted to all business enterprises owned or controlled, directly or indirectly, by American citizens. The life of this provision shall not extend beyond July 3, 1974. (Ordinance amending, and appended to, our present Constitution)

PROPOSAL 1. Abrogate parity by repealing the Ordinance.

Advocates say that without a short historical background, their stand on the Ordinance, otherwise known as the Parity Amendment, cannot be appreciated fully by our citizenry, particularly the younger generations of Filipinos who form the bulk of our populations. They sum it up thus:

After helping the U.S. armed forces defeat the enemy in World War II, the Philippines emerged a war-devastated country whose economy needed rehabilitation very badly. U.S. Congress passed two Acts which, it was thought then, answered the needs of our people.

The first is known as the Philippine Rehabilitation Act, and the second the Philippine Trade Act of 1946. The former appropriated P800 million for the payment of property losses and damages suffered in our country as a result of the war. It also authorized the turnover of U.S. surplus property (amounting to P100 million) to our government and P120 million for public works.

The same Act prohibited payments in excess of $500 until an executive agreement was entered into between the Philippines and the U.S. in accordance with the second law, the Philippine Trade Act of 1946. Before being compensated for damages above $500, Filipinos were required by the Act to abolish a policy of economic nationalism they had written into their Constitution.

It required the Philippines to grant the same rights to American citizens or corporations as those granted to Filipinos with respect to our natural resources and public utilities. In short, parity was imposed upon our people as a condition of payment for damages in a war not of our own making.

Since this Act obviously ran afoul of our Constitution, amending our fundamental law became a necessity—so it appeared to our leaders then. The Parity Amendment embodied in a resolution passed by Congress was submitted to the people in a plebiscite on March 17, 1947. Prodded by our leaders, the electorate approved it.

Advocates of Proposal 1 say:

1. The Parity Amendment or "Ordinance Appended to the Constitution" is a denigration of Philippine sovereignty—a humiliating vestige of subservience to a foreign power. At the same time it doesn't speak well of the American people whose foreign-policy makers took advantage of a loyal if impoverished ally on a take-it-or-leave-it basis.

2. Parity has led to alien, especially U.S., domination of the Philippines economy.

3. U.S. investments in the country are not helping us any; on the contrary, they are undermining our economy. American companies doing business here remit huge profits, in dollars, to the U.S. as dividends to American stockholders.

4. Parity is one-sided. Many of the rights the Ordinance grants to Americans cannot be enjoyed by Filipinos in the U.S. from both legal and economic points of view. Legally speaking, only natural resources subject to federal control are open to Filipinos, as stipulated in the Philippine Trade Act. In the U.S., title to vacant, ungranted lands in the different states are presumed to be vested in those states. Only land or territory sold to or purchased by the federal government from foreign governments or otherwise acquired by the U.S. is vested in the federal government. And properties of the federal government are presumably reserved strictly only for federal uses and purposes. Result: no land is open to exploitation by Filipinos in the U.S.

Then it might be asked: If Filipinos have no money to develop our natural resources and new businesses with, how can we be expected to exploit American natural resources—granting that there are any left for us?

Opponents of this proposal present the same arguments in support of the second and third proposals below.

PROPOSAL 2. Retain parity until the expiration of the period fixed in the Ordinance, that is, up to 1974.

Proponents say:

1. Repeal of parity in 1971 would only give a bad image to the Philippines regarding fulfillment of its treaty obligations.

2. Terminating parity rights in 1974 is not so far away from 1971. If we were able to bear up with parity for 24 years, there is no reason why we connot wait for another three years.

3. The Philippines can avail of the remaining three years to prepare to meet the consequences of termination.

Opponents argue that, besides those advanced in support of Proposal 1, the following points make this proposal objectionable:

1. Our granting parity rights to Americans was not freely given. Considering the bad shape of our post-war economy and the overwhelming bargaining position of the other party, we were actually dictated upon to surrender a principle. Hence there is no valid treaty obligation that we are bound to respect.

2. The dreaded consequences of termination are more illusory than real. Assuming they exist, they could easily be avoided by entering into trade agreements with other countries.

PROPOSAL 3. Retain parity and extend it even beyond 1974.

Pros:

1. Parity rights would invite American investors to help industrialize the country.

2. The Philippines might also get an extension of preferential trade agreements with the U.S.

3. It is only natural that we grant American citizens parity rights otherwise not given other foreign nationals because Americans are no foreigners to us. They have always been our liberators and protectors.

4. With U.S. investments expected to flow in because of parity, its military bases would not be removed from the Philippines, thereby assuring the Philippines protection against Communist aggression.

5. More American investments in the Philippines mean more jobs for Filipinos.

6. Our own capital in the years to come—alone and without the aid of American capital—cannot fully develop our rich resources of raw materials indispensable to basic industries needed by the Philippine economy. Therefore, it would be very selfish and nearsighted of us, indeed it would be an absurd economic policy, to close our doors to the entry of sympathetic, helpful and adequate American capital that would make possible the rapid development of our natural resources for the benefit of both countries.

Cons:

Same arguments in favor of Proposal 1 and the objections against Proposal 2.

In addition, opponents argue:

1. Gratitude, if called for at all, is one thing and giving our birthright is another. That birthright is directly connected to economics and ultimately to the general well-being of every Filipino. Gratitude may be expressed in other ways not amounting to surrender of our sovereignty and to servility.

2. Actually, the preferential treatment of specified Philippine products (like sugar and copra) in the American market has hindered rather than stimulated our economic development. It has perpetuated our feudalistic agrarian economy, and prevented the growth of industrialization. Statistics showing the value of these preferred farm products as foreign exchange earners are of doubtful validity. The only beneficiaries are a few hacenderos and middlemen dealing in these products, all at the expense of the Filipino masses (including sacadas) who are living in poverty and misery.

3. The American military bases are here not to protect us but to guard American interests. They serve more as magnets for attack than as bastions of security. They are conveniently set up here to stave off a direct attack on the U.S. mainland. As for Communist aggression, it is just a bogey created by American decision-makers to serve their interests and imperialistic designs. Independent-minded Americans have said so and these statements have been written into the Congressional records in either or both the Philippines and the U.S.

PROPOSAL 4. Provide that the rights acquired by U.S. citizens and by corporations owned or controlled by U.S. citizens shall terminate on July 3, 1974.

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