

The American Presence in the Philippines

By RICHARD P. POETHIG

The Philippines stands in a unique relationship to the United States. She alone in the Third World has been administered as a colony of the United States. As such, the Philippines represents both the success and the failure of U.S. policy toward nations struggling for sovereignty.

At the turn of the twentieth century the United States, like her European neighbors, was swept along in the colonialist tide. In 1898 the United States was maneuvered into a war with a reluctant Spain by a jingoist press and expansionist politicians. The virile American nation easily toppled the aging Spanish colonial structure. Among the prizes of victory was the Philippine archipelago.

American high school history texts provide a vivid account of Admiral Dewey's one-sided victory over the Spanish fleet in Manila Bay, but few books elaborate on America's role in putting down the Philippine revolution that followed. Two years before the United States' entry into the war against Spain, the Filipinos had begun an insurrection against Spanish rule. When the United States joined the conflict, the Filipino rebels hoped for American support on behalf of their cause. They soon discovered they were contending with an aspiring colonial power. By the time the United States Army had gained control of the islands in 1902, 20,000 Filipino insurgents had been killed and nearly 200,000 civilians had died from the ravages of the war.

On this inauspicious note America's venture into Asian colonization began. The United States Government quickly sought to regain its democratic image. President McKinley reminded his people and the world that America's interest was not in colonies, but in a "benevolent assimilation" program which would train the Filipinos for self-government. In 1901, William Howard Taft, the first governor, set out to prove this point. Even before the last insurgents had laid down their arms, Taft had expanded the governing Philippine Commission to include three Filipinos. He set in motion the process for the election of a Philippine assembly as a lower house.

The keystone of Taft's program of democratization of the Philippines was the school system. Whatever mistakes the United States made in its early administration of the Philippines were offset in the minds of the common people by the opportunities for an edu-

cation. The American belief in social mobility, which was embodied in the public education system, caught the imagination of the masses. For centuries, Filipinos had been held down by hierarchial Spanish colonialism. Only a handful of pupils was enrolled in lower schools during the Spanish period. The number of students in the U.S.-established public schools rose from 182,000 in 1903 to over 500,000 in 1905.

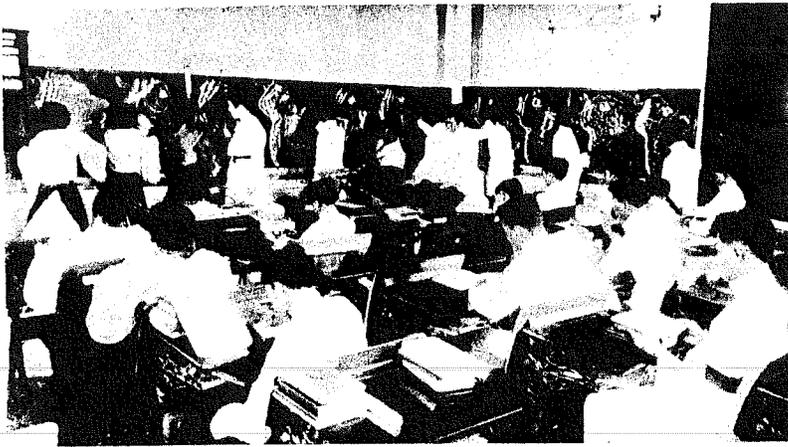
A two-way educational exchange developed early between the United States and its new colony. From all over America, young men and women responded to the call for teachers for the Philippines. In 1901, the first group of 600 arrived on the army transport ship *Thomas* to staff the first public schools. Sixty years ahead of the Peace Corps, the Thomasites, as they were called, went out to remote barrios to teach young Filipinos English syntax and industrial arts. Making good on its promise to train Filipinos for self-government, by 1904 the American colonial government had sent 200 Filipinos to the United States to prepare themselves for leadership in the fields of education, administration, and engineering. Over the years, American educational policy created a bureaucratic class to staff the machinery essential to modern democratic government.

World War II did not deter the United States from keeping the timetable set for Philippine independence. In July, 1946, the Philippines was the first Asian colony to get her freedom. The nationalistic



Arrivals on the *Thomas*, 1901

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Philippine class on geography being taught by an American teacher (c.1905)

passions of the earlier aborted struggle for independence in 1896 had been tempered by the long years of preparation for self-government. Looking back on the American period, Filipino "old-timers" remember kindly America's tutoring in the democratic process.

But the tide has changed, and today's generation has few of the old memories. Over half of the present Filipino population of 37 million were born after independence. Among these young people, the image of America has changed. The United States is no longer admired for her role as political tutor and wartime liberator. Filipino youth are searching for their own identity as a people and a nation. Any intimation that the United States is still necessary to bolster the Philippine nation strengthens an uneasy feeling that the Filipino is not master in his own house. The result is periodic demonstrations at the U. S. embassy.

Student demonstrations in Manila, however, are never as massive or as disruptive as those which have taken place in Tokyo or Seoul. An ambivalence underlies demonstrations against the American military presence in the Philippines and against the Vietnam War. Filipino students recognize that the main issue for the Philippines is economic survival. The strong anti-Vietnam stance taken by Japanese students is a luxury in which only the economically secure can indulge.

Filipino students are concerned about jobs. Where are jobs going to come from? Every year more students graduate into a labor market that is crowded with their unemployed predecessors. With the population growing at a rate of 3.5 percent annually, the only solution appears to be heavy doses of capital investment in the industrial sector. But capital investment, to those of a realistic turn of mind, immediately suggests foreign domination of the economy.

A controversy raged in the 1969 presidential elections over the place of foreign investments in the Philippine economy. Senator Sergio Cameña, the candidate of the contending Liberal Party, took a strong stand in favor of foreign investment. In his campaign speeches, Cameña stated the problem plainly: "We must increase production in local goods, and the only way that can be done is by inviting foreign capital because local capital is inadequate to expand industry

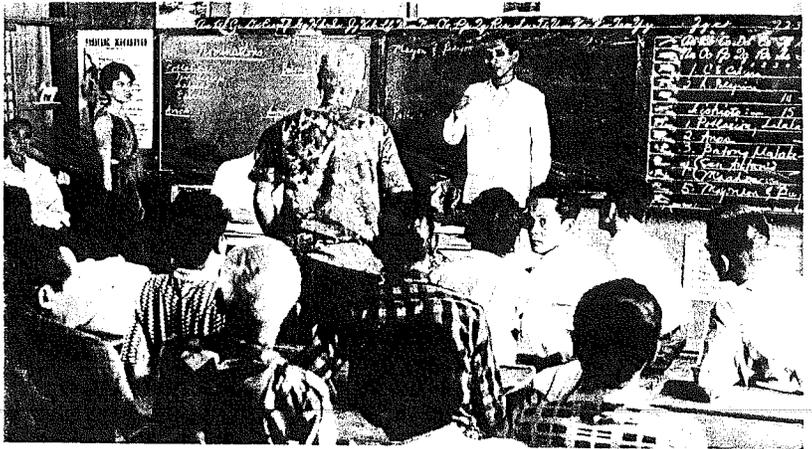
and to establish new industries." With a sidelong glance at the United States, Cameña counted on the "special relations" between the U.S. and the Philippines to lure American capital.

The Marcos administration, on the other hand, took a more restrictive view of the role of foreign capital in the economy. During the past four years of Nationalist Party control, foreign investment laws were passed which defined the terms under which foreign capital is welcome in the Philippines. Under the Investment Incentives Act of 1967, the areas and percentage of investment are carefully delineated. In areas such as the development of natural resources, the operation of public utilities, the running of banks and savings and loan associations, foreigners may only invest up to 40 percent of the capital stock. Foreigners may also invest in preferred pioneer and nonpioneer industries. These industries are determined by a Board of Investment which annually issues an Investment Priorities Plan. This plan lists the existing industries which need expansion and new industries which should be established. In the non-pioneer industries, foreign capital may participate up to 40 percent, and in the pioneer industries up to 100 percent. In the pioneer industries foreign capital must provide an opportunity for 60 percent Filipino ownership within twenty years.

The "foreign investment" issue throws into bold relief the ambiguity of the American presence in the Philippines. Following the devastation of World War II, it was hoped that the United States would help the economically prostrated Philippines to its feet. To encourage the investment of American capital in the rebuilding of the Philippines, President Roxas and his advisers favored the inclusion of "parity rights" for U.S. citizens in the Philippine constitution. Under the Philippine constitution, Americans are given rights equal to Filipinos in the ownership of property and in the exploitation of natural resources. The Laurel-Langley agreement of 1954 extended these rights to commercial activities, by providing for preferential treatment of United States and Philippine exports in each other's market.

As the time for the renegotiation of the Laurel-Langley agreement draws near, Filipino nationalists

A contemporary Philippine adult education class dealing with local political structure and community development



have looked upon the "parity clause" as an infringement of Filipino sovereignty. One of the most perceptive nationalists, Senator José Diokno, points out that even with "parity," U.S. capital has not come into the Philippines in any appreciable amount. In the ten-year period from 1958 to 1968, new direct U.S. private investment in the Philippines has averaged \$3 million annually. On the other hand, U.S.-owned companies have repatriated four times more dollars than they have retained in the Philippines. A survey of American business earnings for the period from 1962 to 1966 shows that U.S.-owned companies sent home \$185 million while retaining only \$45 million in the Philippines. This was before the 1968 request of the U.S. Department of Commerce to American overseas companies to return more of their earnings in an effort to offset the deficit in the U.S. balance of payments.

Recently a large number of articles critical of the Philippine economic climate have appeared in American magazines. Philippine commentators regard this as subtle pressure by American business interests to get changes in the laws regarding foreign investments. In defense of the foreign investment laws, Cesar Virata, the executive director of the Board of Investments, asserts that since their passage there has been no dropping off in foreign investments in the Philippines. He backs up his statement by some practical economic observations. "Foreign companies want a market for their products," explains Virata. "If a developing country has no restrictions, then the developed country can achieve its end by trading its goods. If there are restrictions and the foreign company wants its goods sold overseas, then it will invest in that country. In order to keep their product before the world public, they will organize overseas subsidiaries or make franchise arrangements with local manufacturers."

The shapers of present Philippine economic policy do not desire a curtailment of foreign investment in the economy. Their goal is the assurance that Filipinos can control their economic destiny. Americans are favored partners in this venture if, while doing business, they are also concerned with the development of the Philippines.

Even the most ardent nationalist recognizes the contribution that the U.S. business organization has made to the people it has touched. Among the developing nations, the Philippines is blessed with an increasing number of highly skilled managers and technicians. Many of these people have been trained in the U.S.-owned companies. A 1968 survey showed that 187 U.S.-owned companies in the Philippines employed on a full-time basis 100,274 Filipinos, 426 Americans, and 146 people of other nationalities. The achievement-orientation of the American firm spurs on the development of thousands of Filipinos. Many of those who have worked in U.S. companies go on to provide leadership in Filipino firms. Some leave their positions to begin companies of their own. Still others rise to top managerial positions in U.S.-owned companies. Each year more management positions in these companies are turned over to Filipino personnel. One case in point is Philippine Manufacturing Company, a subsidiary of Procter and Gamble. In 1957, PMC had nineteen Americans in top management positions. In 1969 there were only two Americans in the managerial structure, and four of the seven directors of the company were Filipinos. Presently, Procter and Gamble has seven Filipinos serving in management positions in its network of subsidiaries around the world.

Before he left for a three-month business trip to the United States, an avant-garde Filipino publisher assessed the American presence in the Philippines for me. "When the Americans came to the Philippines," he explained, "they aligned themselves with the elite. After World War II, when we gained our independence, the elite still came out on top and the gap between rich and poor has grown. I am going to the United States to tell Americans, particularly businessmen, that they are still needed in my country. They are needed to take part in the social revolution. Not in the old way, by supporting the elite, but by helping to develop an independent middle class. Both the poor and the rich in this land are conservative. Change will not come through them. It is the middle class who are breaking free from the old inequities that tradition has sanctified. This is what the American knows; this is where he can aid the Philippines."