PHILIPPINE DEVELOPMENT POLICIES AND U.S. DEVELOPMENT ASSISTANCE: 1972-1980*

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This paper will discuss the Philippine economic development strategy from 1972 to 1980 which needed massive infusion of foreign capital and foreign resources in terms of aid, loans, trade and investments largely from the United States and determine how the two countries are affected by the relationship. For a helpful background, certain related events in the Philippines prior to 1972 are also explained.

In the Philippines, it has become a practice that a new President must immediately have a working economic development plan to guide his administration because his credibility as President of the Republic depended on his economic programs. Different presidential administration prepared development plans either for a four-year or a five-year period depending on the political intention of the leadership, the seriousness of purpose of the implementors, and the availability of funds to realize the plans. Often the funds from domestic sources were not enough for the economic programs in the development plan, thus, it became a practice to avail of external assistance from the U.S. government or from the International Bank for Reconstruction and Development (IBRD or World Bank).

When Ferdinand E. Marcos was inaugurated as President in 1965, one of his major concerns was the need for economic development of the country and committed his administration to the task of seeking solution to the economic problems. He said that the survival of democracy in the Philippines was dependent on how the country achieved a viable economy.[1] The President identified the country's pressing needs as: (1) the improvement of the economy towards sustained economic growth; and (2) the improvement of the quality of life of the Filipino people. In subsequent policy speeches, he recognized the need for funds for development as a corollary requirement of development. Thus, he considered possible sources of external development to include more countries and international financial institutions. It became apparent then, that economic development was a primary national interest of the country.

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The President and his economic planners perceived economic needs to have ranged from the basic requirements for subsistence such as food, clothing, shelter and the education of the urban and rural poor who constituted half of the total population – to situations of income inequality; unemployment and underemployment; the pressure caused by the rapid population growth; the instability of prices; the balance of payment problems; and the question of the disparity in the development and growth of the regions. Later, the need to cope with the energy crises as well as the maintenance of a healthy environment were added to the list of government commitments. From 1966 through the second presidential administration (1969-1972) and the martial law period (1972-1980), the Marcos administration attempted to bring about a massive program of economic development for the Philippines. Development plans were drawn based on an integrated rolled-over plan targets. In 1969, the President assessed his first four years in office as years of economic breakthroughs and expansion but accused partisan politics of obstructing democratic processes and hindering economic progress.[2] During the first two years of his second presidential term, the President reported to the nation that the government met economic difficulties, particularly the lack of capital funds for the development programs. What had been gained the previous years were diminished or lost. The government attempted to utilize more external sources of funds for development if they were available.

In January, 1971, faced by more economic difficulties and social agitations, the President announced the need for a true democratic revolution that would change the country's domestic and foreign policy as well as the social order.[3] On August 21, 1971, the President suspended the privilege of the writ of *habeas corpus* supposedly to curtail the "subversives" including the critics and dissenters. It also served as a test on people's reaction when civil liberties were limited. By September 21, 1972, the President placed the whole country under martial law. The subsequent events under a martial law government led to one important direction – it paved the way for an unobstructed implementation of the President's political and socio-economic programs.

PHILIPPINE DEVELOPMENT POLICIES AND STRATEGIES[4]

The development plans for the period 1972-1980 responded to the need for sustained economic growth by providing for the strengthening of the agricultural sector through agro-industrial productivity; the diversification of agricultural production; the improvement of rice production; the granting of incentives to old and new industries and the rehabilitation of ailing ones; the diversification of exports; the search for new markets for Philippine sugar in anticipation of the expiration of the Laurel-Langley agreement in 1974 and also for other Philippine products; and the continuous construction of infrastructures such as roads, bridges, railroads, water transports, power, rural electrification and water supply facilities intended to bring about the much needed economic growth.

As it appeared in the plan to improve the quality of life of the poor Filipinos, the government programmed rural and countryside development including community beautification; the implementation of land reform to distribute wealth; the construction of housing units, schools and hospitals for the low-income groups; and the expansion of industries and manufacturing areas to open more employment opportunities. It was the government's intention to bring about policies that will narrow the gap between the rich and the poor, promote lesser disparity in income and a more democratized distribution of wealth.

The objective of the government development strategies were to promote a balanced development of the regions and to increase the industrial and agricultural production by involving both the public and private sectors. The public sector assumed most of the infrastructure development while the private sector were encouraged to actively participate in the development of the agro-industrial investments. Agricultural development policies provided for the delivery of essential agricultural inputs such as credits, extension works, marketing facilities and infrastructures. The facilities for the marketing of goods allowed the formation of farmer organizations and cooperatives. Industry development policies provided for export productions, industrial linkages and the development of cottage and other small and medium scale industries particularly in the less developed regions of the country. These programs were conceived to absorb the unemployed and the underemployed. The strategy of trade diversification called for the expansion of exports as well as the rationalization of imports.

Other strategies included human resources development for the improvement of the physical, intellectual and material well-being of the population. The program provided for health and nutrition development; housing services; manpower development for both the domestic and overseas employment; the control and distribution of population; youth and sports development; welfare of the cultural minorities and the social security of workers. The strategy for environmental management promoted ecological balance and the conservation of the country's natural resources. The development efforts required maximum utilization of science and technology for agro-industrial productivity. At the same time, it was necessary to adopt a more economical way of utilizing energy in view of the energy crisis.

The need for capital funds was met by adopting policies to improve the financial position of the government such as raising the revenue through additional or increased tax and tariff policies; establishing more linkages with international financial institutions, foreign governments and the private sector of foreign countries who could extend loans and other development assistance as well as foreign investments and trade; expanding the export markets by encouraging export-oriented investments; implementing the Tourism Priorities Plan to attract more tourists to earn foreign exchange for the country; and seeking more international markets for Philippine products. The President also announced that Philippine foreign policy and diplomacy was made development oriented to bring about closer economic cooperation with countries, both former and new friends.[5]

FUNDING PHILIPPINE ECONOMIC DEVELOPMENT

The over-all financial aspect of the Philippine development strategies has been relying heavily on foreign sources for development funds. The reason was that government operation and development plan outlays cost more than the actual financial receipts of the government. This has been the case even with the earlier development plans of the government. The 1967-1970 plan, for instance, had a funding requirement of ₱30.9 billion. The domestic savings from revenues was only ₱ 17.3 billion. The government operation based on the existing tax rates had a deficit of ₱5.2 billion even if augmented by Japanese reparation funds of ₱126 million. The gap between developmental outlays and capital receipts amounted to ₱ 1.9 billion. There was also a debt service requirement of $504 million for the four-year period from the debt balance carried over from previous administrations which was $578 million for both the public and private sectors. Thus, with all the budget deficits of the government, the solution was to obtain a foreign loan of $500 million over the four-year period. The same thing was true for the second development plan (FY 1971-1974) which was originally intended to accelerate the growth of the economy by 6.5 per cent by

1974. The financial support was to increase the external debt by \$1.9 billion by 1974 thus enabling a sustained average annual growth rate of at least 5.5 per cent. At the same time, the government spread out the investments priority areas so that maximum productive benefits could be utilized. Traditionally, the "late" Philippine Congress had been very conservative about foreign borrowings. The last foreign borrowing law which it promulgated authorized the President to obtain only a \$1 billion direct loan and a \$500 million government-guaranteed indebtedness. During the martial law period, the availment of foreign loans was tremendously liberalized.

The Five-Year Plan for 1978-1982 depends on the funds from taxes and other revenues, domestic and voluntary savings, but mainly on external resources in the forms of development assistance, commercial loans and private investments. There is heavy reliance on loans from the World Bank and the Asian Development Bank, the United States and Japan as well as the U.S. AID. At the same time, the government continues to utilize all sources of development loans from countries or institutions willing to extend assistance. The record of the National Economic Development Authority, the government planning body, showed that to obtain adequate support for the plan, the rate of domestic saving had to be increased from 25.6 per cent in 1978 to 28.4 per cent of the GNP by 1982. To keep the country's debt burden within tolerable levels, an estimated inflow from concessional aid of \$800 million in 1978 was necessary. Increasing the annual assistance to \$1 billion within a ten year period would also be required.

It must be understood that since the post war period, the United States has played a special role in assisting the Philippines in its rehabilitation, reconstruction and development efforts, firstly, because the Philippines was an American colony when it was brought into the war with Japan, and secondly, it was an American post war foreign policy program to contain and combat communism in Asia in the ideological bi-polar competition between the United States and the communist world. It has become an American rationale to help the economic development of less developed countries to prevent them from veering left of the ideological fulcrum. This way, the American strategic line of defense in Asia could be strengthened. The Philippines has always played an important link in the American strategic line of defense in the Pacific. Lastly, helping the economic development of the Philippines can be more beneficial to the traditional economic interest of the United States in the Philippines namely the American investments in the country and the U.S.-Philippine trade.

In fact, some causes of tension in the Philippine-American relations in the post war period were economic in nature. One was the manner by which parity rights to protect American properties and investments was rammed down the throat of the Filipino people; another was how the Philippine Trade Act limited Philippine sugar and other traditional agricultural exports to the American market despite the ramification done in the Laurel-Langley Agreement; and thirdly, how American monopoly dominated the Philippine economy because of Philippine dependence on U.S. capital and investments. While the first two causes of resentment appeared to have found solutions, the last one still remains a problem.

In 1968, many Filipinos seemed to have welcomed President Marcos' call for the restructuring of Philippine-American relations. . . to place the relationship on a dignified plane. One apparent step towards that was the promulgation of policies intended to give financial support to the Philippine development strategies in such that there would be lesser dependence on the United States resources; instead, other countries were encouraged to provide the necessary development assistance. The Foreign Borrowing Law broadened the sources of Philippine development loans to include all other countries who are members of the United Nations and friendly to the Philippines.[6] The Investment Incentives Act encouraged other foreign investments to invest in the Philippines.[7] The American investments that used to be protected by the parity rights prior to its termination in 1974 were absorbed by the Investment Incentives Law. The non-renewal of the Laurel-Langley Agreement meant that the Philippine products, both traditional and new ones could compete in the international markets. At the same time, the Philippines adopted a policy of accepting aid from countries, both old and new friends, who were willing to provide the necessary assistance.[8]

In the midst of seemingly growing economic nationalism and resentment against American economic presence in the Philippines, American assistance kept coming in and was continuously accepted by the government. The four aspects of American financial resources that are relevant to Philippine economic development during the period 1972-1980 came under the U.S. AID, the development loans obtained from sources in the United States including the U.S. government, the capital that came from the American investments in the Philippines and the Philippine-U.S. trade.

U.S. Agency for International Development

The United States development assistance to the Philippines in terms of grant and loans has strongly supported the Philippine economic development activities in the field of agricultural and rural development as well as human development. In the immediate post war period, the first phase (1946 to 1952), which cost $850 million was primarily concerned with the repair of war damage and the physical rehabilitation of the country.[9] The second phase (1952-1965), which cost the U.S. government more than $300 million, came under the Quirino-Foster foreign aid agreement. The package provided for the development of government agencies as well as educational institutions and the training of administrative and technical personnel to carry out the functions of government. The U.S. economic assistance programs helped create agricultural institutions such as the Agricultural Extension Service, farm cooperatives, agricultural credit agencies, the National Irrigation Administration, the Bureau of Plant Industry, the Bureau of Soils and Forestry, a rural banking system and land reform. It also assisted in the training of the bureaucracies of these various agencies. The land reform under the Magsaysay administration was instrumental in the creation of a national development program that was supported by the U.S. for ten years.

The third phase which started in 1965 emphasized assistance for programs that stressed agricultural production, rural electrification, family planning, nutrition and integrated rural development programs in selected pilot provinces. The U.S. aid program also helped in the preparation of project feasibility studies to facilitate the flow of funds from international lending institutions and bilateral sources. In FY 1970, the U.S. economic assistance to the Philippines was $26.8 million distributed in the following amounts: $9 million for technical assistance and commodities for agriculture, rural development, family planning, malaria eradication, public safety and nutrition; $10 million in surplus agricultural commodities of cotton and tobacco on soft loan terms covered by PL 480 Title I; $5.1 million in food covered by PL 480 Title II and distributed through the facilities of four voluntary agencies – the Cooperative for American Relief Everywhere (CARE); Catholic Relief Services; Church World Services; and the Seventh Day Adventist Welfare Services. More than 90% of this food program were for the child feeding program and the disaster relief program.

The U.S. PL 480 Title I and Title II programs were significant integral parts of the U.S. aid Philippine assistance effort. The peso proceeds of the sales of agricultural commodities under these agreements which the Philippine government paid the U.S. government on deferred payment arrangement were used in the agricultural and rural activities of the U.S. assistance program in the Philippines, particularly the family planning and nutrition projects. For instance, the peso proceeds of the $10 million loans for cotton and tobacco under Title I signed on March 24, 1970 were allocated as follows: $4 million or ₱24 million was remitted to the U.S. Aid while the other $6 million or ₱36 million was used for mutually agreed agricultural and rural development projects of the country. In effect, the Philippines funded its own development programs from her payment of the U.S. aid grant at a floating rate of exchange. During 1978 and 1979, the total cost of wheat and flour in deferred payment arrangement, obtained by the Philippines was $13,748,267.37 or ₱91,563,424.25. The projects for agricultural production funded from the proceeds of these funds were farmer activities to improve the rural community, improvement of transportation, storage and handling facilities in the country; expansion of small scale irrigation projects, the establishment of rural service centers including equipment pools, production and distribution of improved seeds and the improvement of storate facilities for food grains.

There are also U.S. AID Regional projects in the Philippines involved in agricultural research and management training. These include the Southeast Asian Regional College of Agriculture (SEARCA), the Asian Institute of Management (AIM), the International Rice Research Institute (IRRI), the Asian Labor Education Center (ALEC) and the Asian Productivity Organization (APO). The U.S. AID has always been coordinating with the Philippine economic planning body on the kind of projects and programs in the Philippine development plans that it could give assistance to. It does not concern itself, however, with capital intensive development activities nor with large scale infrastructural and industrial development projects. AID provides loans which are repayable either in dollars or in the local currency. The AID and the Philippine government agree on project specifications, standards and expenses. Under the Cost Re-Reimbursement Plan of AID, the Philippine government undertakes the project with its resources. A joint inspection of the work while in progress and when completed is conducted. Finally, U.S. AID reimburses the Philippine government for the agreed cost of work when found by U.S. AID inspectors to have met the specifications. Substandard works and cost overruns are to be shouldered by the Philippine government.

The AID also sponsors investment surveys in locating specific investment opportunities to encourage potential U.S. investors. If the prospective investor decides to invest, he will have to repay AID the cost of the survey. If not, the survey becomes a property of the U.S. government to be made available to another potential investor. AID, in a way, gives assurance to American investors against certain political and business risks such as the convertibility of the U.S. dollars or the expropriation or confiscation of U.S. investments in the host country.

The U.S. AID programs for 1972-1980 remain oriented towards assisting Philippine development programs focused on rural development and the improvement of the economic and social welfare of the rural poor. In 1973, the U.S. Congress instructed the U.S. AID to collaborate more with host governments in the development of the programs and the strategies which would fit more the need of the host country. The projects that they had assisted in the Philippines were those on agricultural research, construction of irrigation facilities, rural electrification, family planning, nutrition, farm to market roads, community water system development, land reform, and an integrated area development program for the Bicol River Basin. The U.S. AID also provided support for the Government's Provincial Development Assistance project designed to help the local government to acquire the training and skills needed for improved project planning, budgeting tax administrations, social and economic analysis, road network organization, personnel and development administration. These U.S. AID programs were all reflected in the Philippine economic development plan. The cost of aid given to the Philippines for the period were as follows: 1972 – $72 million; 1972 – $113 million; 1973 – $58.7 million; 1975 – $65.1 million; 1976 – $77.2 million; 1977 – $95 million; 1978 – $116.1 million. In 1979 the Central Bank of the Philippines represented a U.S. AID loan balance of $318.5 million. The amount given in 1980 was $86 million. For the period 1975-1978, the U.S. AID total grants to the Philippines was $187.5 million and U.S. AID loans was $173.4 million.

The U.S. AID assistance to the Philippines has been valuable in the sense that it assumed the major financial responsibility in bringing to fruition the economic development program of the Philippine Government intended to improve the quality of life of the rural population. The achievement included the establishment of electrification, cooperatives situated in areas covering over 10 million people. The family planning program has assisted at least 60% of married couples and supplemental feeding has reached almost 600,000 of the nation's malnourished children. Road improvement assistance were given to 50% of the total Philippine provinces. There were training programs on the modernization of the provincial administration and the improvement of the tax systems. Bayanihan school buildings as community schools were constructed all over the Philippines. The agricultural programs has helped in increasing the income of the farmers.

One typical AID project within the concept of integrated area development is the Bicol River Basin Development Program. The Basin has an area of 300,000 hectares inhabited by approximately a million people. Families here have lower than average income. The AID assistance therefore, included technical and engineering support as well as funding the power transmission and distribution system, farm to market roads and a pilot irrigation project. The project was intended to benefit 270,000 people, at the same time increase rice production in the area.

However, while there are benefits derived from the U.S. AID assistance projects, there are also criticisms about the operation. One of these come from a very knowledgeable sector in the recent national convention (June 5, 1981) of the Philippine Agricultural Economics and Development Association (PAEDA). Dr. Burton T. Oñate, the Association President and a noted Filipino agricultural economist urged the Batasang Pambansa (Philippine Parliament) to consider ending the tenure of the International Rice Research Institute in Los Banos, Laguna and similar international research institutions for their failure to contribute to the real rural development of the country. He said that "there are reasons to believe that international research institutions financed by industrial powers, particularly the IRRI, are conduits of transnational conglomerates." The IRRI, he said, "has developed rice technology that has reduced the Philippine agriculture industry into a primary consumer of Western-made fertilizers, pesticides, mechanical power, water control technology and foreign technical know-how. The IRRI rice producing strategy for optimum production is hooked and dependent on technological mixes available only from industrial countries who incidentally are financing IRRI." As we have earlier noted, the IRRI is financed by the U.S. AID.

In the same convention, Dr. Ricardo M. Lantican, Director of the Institute of Plant Breeding at U.P. Los Banos, Laguna, decried the subtle way by which technology from the industrial world has been creeping into Philippine agriculture resulting in the Philippines' subserviency to the interests of the transnational companies in terms of hybrid seeds, fertilizers, pesticides, hybrid chicks, feed additives, veterinary drugs, farm implements and machinery. As an alternative, he urged the scientific community to develop technology packages making use of indigenous resources that will serve the need of subsistence farmers.

LOANS FROM U.S. SOURCES AND U.S. – SUPPORTED INSTITUTIONS

The second aspect of the U.S. development assistance to the Philippines is in the form of development loans. As of 1980, the Philippines had an outstanding total external debt of $12 billion, $2 billion of which came from sources in the United States including the U.S. government, the U.S. commercial banks and private suppliers.[10] The U.S. sources has consistently provided the Philippines the biggest amount of development loans. Of the loans from the United States, 60% went to public sector infrastructure projects. The other 40% went to the private sector to finance the manufacturing and agricultural-oriented enterprises. Some of the Philippine infrastructure projects consisted of highways, airports and air navigation facilities, railways, port works and shore protection, irrigation, waterworks, sewerage and water supply, flood control drainage, power generation and transmission, rural electrification, telecommunication, school buildings, national buildings, hospitals, rural health units, and foreshore development. The construction of these infrastructures were programmed in the first development plan of the government in 1967 and became expanded on-going projects since then, covering many areas of the country. The U.S. support for the Philippines as a creditor has helped in bolstering her credibility as an economically viable country.

The bilateral agreement with the United States, which is similar with other countries, required that the loans obtained should be used to purchase the necessary capital equipment for development from the lender. The technical services for the operation of such equipment should also come from the lending country. In effect there was an assured market for U.S. manufactured equipment in the Philippines. If the Filipinos fail to learn the technical operation of these imported equipment in due time, they will have to depend on the American expertise and technical skills for quite a while. At the same time the spare parts for these equipment which are not produced in the Philippines must be purchased from the U.S. It was a requirement that the vessels of the lending country shall transport the goods to the Philippines. In buying the foreign equipment and supplies, the Philippines had to pay whatever price the lender-supplier conveniently proposed. The United Nation's study on bilateral assistance indicated that tying financial assistance to purchases in the country supplying the funds deprived recipients of buying from the most economical source of supply. The recipient had to pay for an inflated debt; at the same time comply with the interests on the loans and agree to *quid pro quo* arrangement when the need arises.

Loans were also obtained on a multilateral basis from international financial institutions where the U.S. is an influential member. Among them are the International Bank for Reconstruction and Development (IBRD or World Bank), the International Monetary Fund (IMF), the Asian Development Bank (ADB), the International Development Association (IDA), and the International Finance Corporation (IFC). The United States plays a major policy-making role in most of these financial institutions, particularly the World Bank and the IMF, by virtues of its role as a majority capital subscriber. The Philippine total debts to these international financial institutions reached a balance of $1.75 billion as of the period under study. Of the total loans, 75% went to the public sector projects and 25% to the private sector projects.

As required by the loan agreement, the policies of the international financial institutions granting the loans must be adhered to by the borrowing country. One effect was that the development framework of the Philippines was strongly influenced by the World Bank while the IMF supervised the Philippine monetary policy to be assured not only of productive rates of return for the country but also that the loans granted could be repaid. The Bank supervises all the projects it is funding and provides all the necessary technical advice on what should be viable priority projects. The Bank requires the Philippines to assume the peso cost of the projects which goes to local labor. It insists always on an integrated development concept wherein the socio-economic objectives are met altogether. The Bank requires a borrower country to adopt a population control program before it can avail of loans. The control on the population growth is a safeguard that the country's production will not all be used up for domestic consumption. It also advises that the educational curricula of a borrower country be geared towards the training of technical and vocational skills for manpower development. This training will fit the labor requirement of the foreign industries that are encouraged to come into the country. It is the Bank's requirement that international competitive biddings be conducted for all Bank supported projects. This way, member countries could participate and tend to benefit from the available contracts. For this reason, certain flag laws giving priority to Philippine made materials and Filipino contractors were abrogated. Contracts were opened to international bidding. Since the private sector of the Bank provides the capital for the Bank, it is natural for the business sector to do business in the borrower country. That is why, all countries availing of Bank loans must adopt open-door policies for foreign investments. Host countries must provide conducive economic and political environment for foreign investors. On the part of the Philippines, her laws were adjusted to the foreign investors' convenience. In fact, the martial law government in the Philippines has been effective in disuading whatever anti-American sentiment exists in the country.

Aside from the World Bank's influence in the country's development, the IMF's impact as a loan facilitator made the Philippines adopt a floating rate or a devaluation policy since 1970. The Philippine membership to the IMF pegged the peso to the U.S. dollar. From 1970 to 1981, the exchange rates fluctuated from ₱6.00 to ₱7.95 to a U.S. dollar. This created adverse effects on small industries, mostly Filipino-owned, which could not meet the financial obligation for their imported capital goods requirement, the fuel costs and the maintenance of labor wages. Many of these small industries were forced to close up and workers were laid off. A devaluation policy, generally is favorable to American investors who with a few hundred dollars could afford the capital for the raw materials and cheap labor in the country. In effect, the devaluation policy is another incentive to foreign investors in the Philippines, particularly the Americans whose dollars are the standard currency. The devaluation policy has only strengthened more the U.S. dollar.

The IMF as an international monetary regulating body, always recommends stabilization policies for a borrower country in order to give direction to that member country's monetary operation. This include the adjustment of the rates of exchange, decontrol and state trading as well as the application of domestic anti-inflationary programmes such as control of bank credits, higher interest rates, higher reserve requirements for banks, control of government deficits, curbs in spending, policy on increasing taxes, increasing prices charged on public enterprises, abolition of consumers subsidies, control on the rise of government wages and the dismantling of price control. Since the Philippines has availed of IMF loans from both the General Account and the Special Drawing Rights, naturally she has to comply with most of the IMF stabilization policies. However, the developing status of the Philippine economy which is dependent on IMF concessions, in the final analysis, will only end up in more IMF concessions, continuous dependency and perhaps, in begarring the country.

U.S. INVESTMENTS

The third aspects of development resources for the Philippines from the United States are the American business investments to help augment the capital need of the country. As earlier mentioned, foreign capital had been encouraged into the country to establish pioneer enterprises that are capital intensive and which can utilize substantial amounts of domestic and raw materials in joint venture with Filipino capital. The government thus promulgated the Investment Incentives Law (R.A. 5186) on September 16, 1967. This was amended on January 6, 1973 by Presidential Decree 92 to allow the inclusion of American investments governed by the parity clause of the Laurel-Langley Agreement in the new investment law. By 1975, there were 362 registered investments with the Board of Investments, the body created to supervise the entry of new investments into the country. Of this number, 150 were former American corporations covered by parity.

For the period 1968-1978, the total foreign investments capital in the country was ₱ 4.769.863 thousand. The largest investments belong to the U.S. with 35.01%; Japan ranked second with 24.39%; followed by U.K., 8.51%; Swiss, 4.64%; others, 11.25%; Taiwanese, 3.90%; Korean, 2.95%; Australia, 4.13%; Chinese, 2.50%; German, 1.36%; Hongkong, 1.36%. The distribution of American investments were in mining and mineral processings, 21.7%. Chemical-based, 17.39%, metal-based, 17.42%; agro-based, 13.71; others, 29.73%; and public utilities, .04%. American capital has exceeded other foreign capital in the Philippines for reasons, namely: the expansion of the projects undertaken by the U.S. multinationals in the field of automotive, chemicals and pharmaceutical manufacturing; the increased American investments in agriculture; the U.S. investments on energy and energy-related fields; the government requirement to increase capital investments to comply with the debt equity rule since these foreign investments were allowed to borrow from Philippine banks; and the additional investments formerly covered by the parity provisions.

In terms of the general effect on the economy, the American investments tend to maintain a dominant hold on the Philippine economy considering that they are also the biggest foreign investors in extractive industries.. Mining and mineral products in recent times, rank third among the top three exports of the country. During the colonial period, the Americans discovered the extractive minerals and had held on to their equity shares in these industries today. In

1979, the subscribed capital of American investments in mining and mineral processing under the Investment Incentives Act was ₱26,704 thousand. Those in the agro-based and chemical based sectors was ₱28,754 thousand. American investors are also engaged in banking, electronic manufactures and pharmaceuticals. In 1980, the Central Bank of the Philippines recorded the American investments amounting to $744.49 million or 55% of the total foreign investments in the country. Japan came second with $230.70 million or 17% of the total foreign investments.

What has been reaped by the Philippines so far were the employment facilities for some of the country's labor force and the pertinent taxes and revenues for the national coffers. But the question of raising the capability of the Filipino capital to a sufficiency level remains dim at the moment. Even today, the Filipino private sector has not generated the right capital capability to even entertain the prospect of displacing American equity participation. On the other hand, the demands created by the implementation of the policy to encourage foreign investments involved special concessions and fiscal costs such as the repartriation of profits, tax incentives and other revenues waiver. There is also the need to expand extensively and expensively the development of the public infrastructure services to make the facilities in the country more convenient for foreigners. Since the foreign investments could also avail of loans from the government financial institutions, the government, in effect, subsidizes partially the inputs of the foreign investments. Generally, the American investors tend to benefit because of the continuous strengthening of the U.S. dollars against the floating peso rates. A few thousand dollars investment can go far in the Philippines where cheap labor and raw material resources are available.

PHILIPPINE-U.S. TRADE

In international trade, the United States maintains her premiere position as a Philippine trade partner. She has been accustomed in controlling Philippine export prices and export quotas. Finally, when there was a chance for the Philippines to launch into a more liberalized trade setting, she thought she could turn the situation in her favor by expanding her export markets for a more profitable balance of trade. In 1972-1980, steps were taken toward this direction. She developed new markets with other countries including the Socialist countries while she maintained her traditional trade partners. At the same time, she also shifted her efforts toward the development of new exports. The Generalized System of Preferences (GSP) whereby the industrialized donor nations granted special treatment to the exports of the developing beneficiary countries in the form of a reduction or total elimination of custom duties on their products has helped the Philippine export trade. As a beneficiary of the U.S. and the Japanese development assistance, most of her exports were sold to these countries. We find the U.S. and Japan, therefore, competing as the top trading partner of the Philippines. The U.S. shared 35% of the country's trade for the period.

The U.S. export to the Philippines consisted of heavy equipment and machinery, cereal products, cotton and tobacco, transportation equipment, electrical appliances and apparatus. The Philippine imports include the goods tied down with her loans from U.S. financial institutions and deferred payment arrangement with suppliers from the United States. The Philippine exports consisted of sugar, copra, coconut oil, plywood and woodcraft, gold bullon, cooper ores and gold concentrates, bananas, pineapples, nickel and nickel alloys, abaca fibers, chrome ores and garments. Some of these goods could serve as raw materials for other forms of production. But the continuous trade relations has not helped much the Philippines in meeting her balance of payment commitments. There had been continuous trade imbalance for the Philippines partly due to the importation of machineries and equipment tied down to her loans with the U.S. The general trend of Philippine-U.S. trade consists of a 52.9% import trade and a 47.1% export trade. The trade deficit for the country for 1979 is $18 million and $197 million for 1980. Up to this time, the U.S.-assisted Philippine industrialization process has not gained for her a significant balance of trade capability.

CONCLUSION

It cannot be denied that the United States has been playing a vital role in the economic development of the Philippines, though from time to time, there may have been attempts by Filipino policymakers to draw away from her dependent economic status. As this paper has indicated, in terms of aid, loans, investments and trade, it has always been the United States that remains at the apex of countries having substantial economic linkage with the Philippines. But while the economic development of the Philippines is enormously assisted by the American development resources, the situation has created a dependency status for the Philippines that has become quite detrimental to her international image as an independent sovereign state. She also takes the risk of submitting to political demands as part of the usual *quid pro quo* arrangement between givers and receivers of dole outs.

Economically, she suffers because her resouces are exploited by American investors without much promise of maximum beneficial returns for her. At the same time, she is heavily indebted to the U.S. sources of development loans and suppliers credit. In a sense, it has become difficult for the Philippines to pull away from the U.S. development assistance without risking adverse effects on her economy. As cited, the Philippine government continuously suffers from budget deficits, remedied only by the infusion of foreign borrowings. It must also be noted that the more than three decades of Philippine dependence on U.S. assistance since the past war period did not help generate sufficient economic capability for the country. This is where critics of U.S. development assistance oftentimes raise doubts about the U.S. sincerity in the method of giving assistance. However, the U.S. development assistance has helped the political regime attain a level of legitimacy through the realization of its commitment to economic development.

Psychologically, the Philippines suffers for failing in her effort to draw away from her dependency status. In recent times, Philippine decision-makers who cry for economic nationalism and anti-Americanism are not taken seriously. They seem to have lost their credibility because of the reality of the Philippine economic dependence on the U.S.

In terms of policy repercussions, while in the pre-1974 period, the Philippine dependent economic ties with the U.S. could easily be blamed on the Laurel-Langley agreement and on the parity rights application, this time, the so-called restructuring of Philippine economic policies towards a multilateral outlook leaves the country to assume the full responsibility for whatever unfavorable implications there may be for her economic decisions. There has been no significant reduction in the nature of U.S. influence in the Philippines in the post parity period. The adjustments that the Philippine government must make on certain domestic policies in compliance with the requirements of foreign development partners, in effect, emasculated the political sovereignty of the country. But over and above all these, the traditional U.S. intention and interests in the Philippines are served.

APPENDIX

U.S. DEVELOPMENT RESOURCES FOR THE PHILIPPINES

Period	AID (Millions)	LOANS (Millions)	INVESTMENTS (Thousands)	TRADE, PHIL.-U.S. EXPORTS (Thousands)	IMPORTS (Thousands)
1946–1952	$850				
1952–1965	371				
1965		$437.8		$348,745	$274,115
1966		476.8		346,355	284,500
1967		626.1		352,609	362,673
1968		638.5	₱57,492	391,463	372,167
1969		731.4	54,409	360,327	320,244
1970	26.8	790.9	41,798	440,172	315,083
1971		842.7	78,986	459,460	291,184
	(Grants)				
1972	16.6	909.9	188,599	446,551	312,625
1973	77.3	907.3	203,257	671,308	449,492
1974	22.1	1,016.9	208,310	1,151,467	730,692
1975	22.6	1.450.8	88,713	654,791	753,622
1976	45.7	2,097.9	196,633	915,341	801,289
1977	61.1	2,432.4	162,145	1,102,554	798,456
1978	58.1	3,028.4	291,229	1,142,819	994,966
1979		3,701.3	137,142	1,384 (million)	1,402 (million)
1980	80.0			1,588 (million)	1,786 (million)
			Total ₱1,708,993		

Sources: Trade and Investment: NEDA, 1980 Philippines Statistical Yearbook, p. 519; 477-488.
Central Bank of the Philippines, 1980 Annual Report, pp. 65-66; 277, 278; 128 & 129.
Loans: CB, Statistical Bulletin, 1974, 1979.
U.S. Aid: U.S. AID Annual Reports for period covered.

NOTES

1. Ferdinand E. Marcos, "The Nation in Crises", *A President's Call to Greatness. A Collection of Speeches of Ferdinand E. Marcos.* Vol. I, Book I (January 24, 1966). Manila: Bureau of Printing, 1968, pp. 45-53.

2. Ferdinand E. Marcos, "The Return of Economic Confidence and Achievement", Marcos, *op. cit.*, Vol. II, pp. 230-277.

3. Ferdinand E. Marcos, "National Discipline: Key to Our Future", *op. cit.* (January 26, 1970); *Today's Revolution; Democracy* (September 7, 1971).

4. National Economic Council, *The Four-Year Economic Programs for the Philippines, FY 1967-1970; FY 1971-1974;* (June, 1970); National Economic Development Authority, *Development Plans, FY 1972-1975; FY 1974-1977; and FY 1978-1982;* Ferdinand E. Marcos, *Notes on the New Society II* (Marcos Foundation Inc., 1976), pp. 59; 60-69.

5. Ferdinand E. Marcos, "A Nation of Achievers", January 22, 1968. State of the Nation Message. Speeches of President Marcos, Vol. III, pp. 66-68.

6. R.A. 4860, September 8, 1966.

7. R.A. 5186, September 16, 1967.

8. Ferdinand E. Marcos, "Our Foreign Policy," Speech, President's Night. Manila Overseas Press Club, February 24, 1968. Published by the Malacañang Press Office.

9. U.S. AID. *Assistance to the Philippines: 1946-1970; 1974-1976;* Ramon Magsaysay Memorial Center, Manila, Philippines, September, 1970; *Assisting in Rural Development,* January 12, 1978; NEDA, *1980 Philippine Statistical Yearbook,* pp. 492-493; Central Bank of the Philippines, *Thirty-First Statistical Bulletin,* 1979, p. 128.

10. Central Bank of the Philippines, *Statistical Bulletin,* December 1980, pp. 127-128.

Explanation of Terms

AID	– Assistance given by the U.S. AID, For the period 1972-1978, only U.S. grants are recorded. The U.S. AID loans are included under the "Loans" from the U.S. AID itself.
Loans	– Loans given by the U.S. government through the U.S. AID and the Export-Import Bank; the U.S. supported financial institutions, the IMF, the IBRD and IDA; U.S. Commercial Banks and deferred payment, arrangement from U.S. suppliers.
Investments	– BOI approved American investments. The total investments is 35% of total foreign investments in the Philippines.
Trade	– General trend of Philippines-U.S. Trade:

Philippine imports: 52.9%
Philippine exports: 47.1%