DISPARITY AND ECONOMIC SUBSERVIENCE

Have you ever seen a boxing bout between a heavyweight and a flyweight? I would not be surprised if none of you has ever heard of one. No boxing commission will ever allow such a fight. Otherwise, it will be a murderously one-sided fight. Not even the fact that both pugilists shall have the same rights in so far as delivering punches is concerned will make the fight equal. And even if boxing commissions shall authorize such fights, no flyweight in his right senses, unless he is tired of his life, will ever sign for such a bout.

I know of a certain country, however, which apparently is in her right sense and has no reason whatsoever for committing suicide, and yet rejoiced when she found herself in a situation similar to the flyweight's in a bout with a heavyweight. I am referring, I am sorry to say, to the Republic of the Philippines and her party agreement with the United States.

Way back in 1946, with her economy ravaged by the war, the Philippines badly needed American dollars to rehabilitate herself. To obtain this much needed help, she was compelled[1] to write in her statute book an agreement with the United States, giving the citizens of the latter the rights in parity with the Filipinos with regards to the exploitation and development of natural resources and the operation of public utilities.[2] Conspicuously absent in this so called parity agreement is a provision that will give the Filipinos the same rights as regards the exploitation of the natural resources of the United States.

Two years ago, the Philippine Economic Mission, headed by Dr. Jose P. Laurel, was able to obtain certain amendments to the Philippine Trade Act of 1946. Among these changes was Article VI of the Laurel-Langley Agreement, the pertinent provisions of which are as follows:

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[1] As explained by Montano Tejam, member of the Philippine Tariff Commission, "The United States come to the aid of the Philippines by approving the Philippine Rehabilitation Act known as the War damage Act. The Act would bring millions of United States dollars for the rehabilitation and construction of the country, subject, however, to the condition that no war damage payments in excess of $500 could be made until an Executive Agreement providing for the trade relations between the Philippines and the United States have been concluded between the two countries and the same shall have taken effect. The result was the Philippine Trade Act of 1946." *The Tariff System since* 1898, 1955 PROGRESS REPORT (Manila Times) 162 (1955).

[2] The Philippine Trade Act of 1946, §341. 42 O.G. No. 5, 1011 (1946).

"1. The disposition, exploitation, and utilization of agricultural timber and mineral lands of the public domain, waters, minerals, coal, petroleum, and other mineral oils, all forces and sources of potential energy, and other natural resources of either Party, and the operation of public utilities, shall, if open to any person, be open to citizens of the other Party and to all forms of business enterprises owned or controlled, directly or indirectly by citizens of such other Party in the same manner as to and under the same conditions imposed upon citizens, corporations, or associations owned or controlled by citizens of the Party granting the right."[3]

A thirsty man travelling in a burning desert may, in his desire to quench his thirst, see a mirage. The same thing may happen to a nation. For a nation, upon which a servitude has been imposed, may in her desire to ameliorate her condition, be misled to believe that she is already well-off if allowed to do certain acts. And this was the case of the Philippines when the above quoted provision was conceded to her.

Theoretically, the above quoted provision mutualized the parity relations between our country and the United States. Theoretically, Filipinos now are allowed to exploit and develop the natural resources of the United States just as Americans are allowed the privilege of developing and exploiting ours.

But whether mutuality in a relationship really exists or not greatly depends on the circumstances upon which the relationship shall be allowed to play and operate. The mutualization of certain aspects of a relationship does not necessarily make the entire relationship mutual or equal. Thus, as stated before, a bout between a heavyweight and a flyweight does not cease to be one-sided simply because the flyweight has as much right as the heavyweight in so far as trading punches and, eluding them if possible, are concerned. The handicap of the flyweight is too obvious. Under such circumstances, his right to punch is merely an illusion, a mirage.

And that precisely is the position of the Philippines in our parity agreement with the United States. We simply are not a match with America. The United States is a highly developed country. Ours is an industrially backward one. America's wealth is fabulous; she has the necessary means to exploit our natural resources. We are too poor. We lack the necessary capital which we can invest in a land which is thousands of miles away from us. As a matter of fact, we cannot even finance the development of our own natural resources. As it is, therefore, only the United States

[3] 51 O.G. No. 12, 6109 (1945).

can make use of the benifits of the parity rights, the Laurel-Langley agreement to the contrary, notwithstanding.

The perpetuation of the parity agreement has another pernicious effect on our economy—that of "de-filipinizing" the economic structure of our nation which, perhaps, may ultimately kill economic opportunity for the Filipinos in their own land. With the parity agreement and the avowed policy of the present administration of inviting direct foreign investments,[4] we are virtually inviting invasion by foreign capitalists.

It is not denied that alone or without outside help the Philippines will find it very difficult if not almost impossible to create for herself a viable economy. By force of circumstances, she must rely from without for the necessary capital for the industrialization.

It is submitted, however, that we do not have to ask for direct foreign investments. We do not have to waste our efforts and energy in inviting American investors to come to our shores. After all, what we need is capital, not foreign capitalists. And instead, we could direct our efforts towards securing long term loans from the United States and make the investment ourselves.

If foreigners shall be allowed to directly invest in our country, whatever profit that may be reaped from such investments will naturally go to the foreigners themselves. By borrowing, however, and making the investment ourselves, the profit shall be retained by us. The only thing we have to lose if at all is the interest we have to pay for the loan. But what would that be compared to the loan. But what would that be compared to the profit that we could get from our investments? Perhaps, this point will be further clarified if we consider the *Central Bank Annual Report for* 1954. In that year, according to the report,[5] direct foreign investment was able to yield a profit of ₱61,100,000. Out of this huge amount of profit of ₱3,300,000.00 or 5.4% remained with us. The

[4] In his State of the Nation Address to the Third Congress of the Republic of the Philippines on January 25, 1954, President Ramon Magsaysay stated: "We also welcome foreign capital, assuring it fair treatment. In the past, it was perhaps discouraged by the uncertainty of our attitude, and I propose that we mark out clearly a stable basis on which foreign investors can put their capital to work in this country." 50 O.G. No. 1, 81 (1954).

Subsequently, President Magsaysay issued Executive Order No. 47 July 13, 1954; creating the Investment Assistance Commission, one the functions of which was "to promote and encourage the entry of foreign capital." 50 O.G. No. 7, 2005 (1954).

[5] Taken from materials given to students taking Economics 142, (Int. Economic Policies) College of Business Administration, University of the Philippines.

remaining 94.6% amounting to ₱57,800.000.00 went to the respective nations of the foreign investors.[6]

It is true that direct foreign investment has its own advantages. Most of these advantages, however, if not all, either are temporary, of little value, or are something which could be produced if we resort to borrowing and investing the money ourselves. It has been said that direct foreign investment will afford work and therefore alleviate the employment problem of our country. As of now, however, direct foreign investment runs into several millions of pesos already. And yet, how does our unemployment situation look like?

Even conceding that direct foreign investment affords ample employment, are we to be satisfied with being mere laborers with foreigners as our masters, and in our own country at that? Surely this must not be our attitude. We could not even take the position as a temporary sacrifice, of being more pawns in the development of our economy hoping that someday, we shall have enough capital for own investment. For that, in all probability, will never come to pass. Capital just does not grow from the wages of laborers.

Furthermore, the advantage of affording employment could also be obtained if the investment is done by the Filipinos themselves. Of necessity, laborers had to be hired, workers had to be employed. And this situation shall have an advantage of giving to us an inner satisfaction that we shall be working for ourselves—for our own benefit.

If we invite direct foreign investments, we shall also be strangling the infant industries which our countrymen are valiantly trying to put up. They need protection, not competition. Needless to say, before a highly financed competitor, they are be helpless.

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[6] This was explained by Mr. Filemon S. Rodriguez, one time Chairman of the National Economic Council, thus: "Direct investment of foreign capital involves a greater eventual outflow of our foreign exchange in the form of corporate earnings, at least part of the income of foreign managerial and technical personnel, and possible partial payment of the capital or eventual total return of the capital invested to its country of origin. It is entirely possible that, of the foreign capital is invested. It is entirely possible that, if the foreign capital is invested in an enterprise requiring expensive capital equipment and continuous use of imported raw materials and the employment of very few personnel most of whom are highly paid foreign managrment and technical personnel, the net benefit to our country will almost be nil and the benefits will largely accrue to the foreign investors." "The Role of Foreign Investments in the Philippine Economic Development," speech delivered at the University of the Philippines on July 22, 1955. Fookien Time Yearbook, 1955.

Direct foreign investment is not for us. Whatever its benefits are, they shall not in the long run, help our Philippines or any country for that matter. Let us take the case of Cuba, for example. At the termination of the Spanish-American War, Cuba was impoverished. Being in dire need of money, she allowed American capital to enter her country. Persistently, American interest grew until Cuba's internal economy was within the tight clutches of the Wall Street. Thus, as former Congressman Felixberto Serrano once said, "Cuba which was at first hailed to the world as an example of American altruistic policy is reduced to what is today a dormant suzerainty of the United States."[7]

Cuba's case is by no means an isolated one. Foreign investments have been used to further the national interests of the investors, perhaps with the ultimate intent of gaining political control. As observed by an American writer.

> "Investments have given rise to many and bitter international incidents. The United States occupied Haiti in 1915 — the reason at least in large part, to proect property owned by U.S. nationals. Germany, Britain, and Italy threatened Venezuela in 1902 for the same reason. Chiefly of the ground of protecting property of its nationals, the United States has justified repeated armed interventions in the area now called Panama and in Nicaragua and Sto. Domingo. All the great powers of the world have done the same sort of thing to a greater or less extent and the debtor countries have protected themselves from the danger. 'Yanqui' imperialism, British and German imperialism have all been denounced in the debtor and industrially weak regions of the world."[8]

Ours is a young republic. Ours is a virile nation. Its resources are rich; its potentialities, vast. It has a beautiful promise of prosperity for all of us. Shall we lose all these things by closing our eyes to the lesson that the Latin American countries have given to the world?

AUGUSTO S. SAN PEDRO

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[7] From the speech of Congressman Felixberto M. Serrano before a joint session of both houses of Congress in 1946, reprinted in part in I PHILIPPINE EDUCATIONAL FORUM 9, December, 1946.

[8] WENDELL C. GORDON, THE ECONOMY OF LATIN AMERICA 199 (1953).