

day work and in general helped to create a hatred of war and militarism. (With the hindsight of the 1970s it was not always correct work and sometimes quite harmful. For quite a time the Boys Brigade, Church Lads Brigade, Boy Scouts etc., were treated as semi-militarist organisations and as a result much hostility was created against the YCL by the YCL itself, resulting in isolation from quite important sections of young people.)

In addition there were a number of special campaign days or weeks and occasionally a month devoted to rousing the youth to the dangers of war and the need to fight for Peace. International Youth Day in September, and January 15, were both connected with exposing the machinations of the imperialists, the growth of armaments, the inevitable build up to war. August 4—the anniversary of the outbreak of the First World War—was a day of world-wide mobilisation of all peace loving people to demonstrate for peace and against war, to refuse to become cannon-fodder for the imperialist slaughter as in 1914. The YCL made that day its own.

The YCL also gave full support to other youth organisations working for peace and participated in their work. Nationally there existed the British

Youth Peace Assembly. In the bigger towns there were Youth Peace Councils and Committees.

The YCL did not prevent the outbreak of the second world war, neither did it bring Socialism to Britain within five years—a prophecy heedlessly made many times from many street corner platforms—it did not win the six hour day, but the Young Communist League of the pre-war days can be proud of the fact that it did not stand idly by and allow the warmongers and fascists to build towards war unhindered and unimpeded. Nor did it stand by and watch young miners, young cotton workers and other young workers fight the unequal industrial battles of those years. On the contrary it threw itself into all these battles without reserve, without counting the cost.

The YCL was devoted to the struggle of the working class youth. Its members faced harassment, batons, imprisonment, and some hundreds of them, Fascist bullets and bombs in Spain.

From my own personal experience I can testify to the youthful independence of the YCL of those days, to the initiative and boldness it displayed, and to the worthwhile contribution it made to the Working Class Movement of that day.

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## The Philippines— Neo-Colonialism in Crisis (Part 1)

W. J. Pomeroy

Twenty-five years after the proclamation of its independence on July 4, 1946, the Philippines stands at a crossroads. In this Asian island country the phenomenon of neo-colonialism has been pushed to an extreme, and its fruits are a growing crisis and mass discontent. At stake is the crucial question of whether the Philippines is to remain a neo-colonial preserve of American imperialism, in circumstances that have benefited only foreign interests and a tiny minority of wealthy Filipinos, or whether it will take a more genuinely independent path of national-democratic development that would advance the interests of the nation as a whole.

### The Nature of Independence

The Philippines was the first colony to obtain independence after World War II without having to engage in an all-out liberation war. When their

country was proclaimed a sovereign republic in 1946, the Filipino people had endured 425 years of colonialism, 377 years under Spain and 48 years under American imperialism. It was a long and tragic record, but it did not end when the stars and stripes were hauled down at the Luneta, in Manila, to be replaced by a Philippine flag. Mocked by the shade of their own banner, Filipinos for the past quarter of a century of “independence” have suffered immeasurably from what is perhaps the worst and most thoroughgoing form of neo-colonialism in the world today.

It should be kept in mind that the Philippines was not handed independence as a consequence of forces released by the anti-fascist liberationist features of World War II. During its nearly half century of colonial rule, American imperialism, in part under the pressure of its own domestic agricultural

producers who objected to privileged entry into the United States of similar Philippine products, in part due to unreadiness fully to contest the ground with rival imperialisms in Asia, and not so much under pressure of a Filipino freedom struggle, had deliberately fashioned a structure of neo-colonialism to follow the relinquishing of outright ownership, the date for which had been set during the Great Depression by independence legislation passed in the US Congress (the Tydings-McDuffie Act of 1934).

From 1909, a "free trade" policy had kept the Philippines as an agricultural producer of export crops dependent on the American market (sugar, coconut products, abaca, tobacco) and had simultaneously drowned the possibilities of industrial development in a flood of duty-free American goods. Under the slogan of "education for self-rule," collaborationist Filipino political parties and leaders were nurtured that became appendages of the dominant landlord-comprador groups benefiting from "free trade" relations. These were the main groups, strong sectors of which objected to the very idea of separation, with whom the Independence Act was negotiated. When it was adopted in 1934, the Communist Party of the Philippines denounced it as a fake measure that would preserve the domination of American capital and of its local allies and would change nothing for the masses of the people.

While it did not provide the springboard for Philippine independence, World War II did have a grave effect upon its nature. The powerful aggressive thrust that the war's outcome gave to American imperialism, encouraging ambitions for world domination, forced heavy modifications upon the original design of Philippine independence. The Philippines provided a secure established base for the expanded Asian sector of that world drive.

These measures curtailed Philippine freedom: A trade agreement (the US Congress' Bell Trade Act of 1945, later revised but not basically changed by the Laurel-Langley Agreement of 1955) extended graduated "free trade" arrangements for 28 years, until 1974. One of its provisions demanded an amendment to the 1935 Constitution that had originally specified a 60 per cent Filipino ownership of corporations; the amendment, ratified in a terror-ridden plebiscite in 1947, handed "parity" or equal rights to Americans in the exploitation of Philippine natural resources, rights later extended by the Laurel-Langley Agreement to all forms of business enterprise. A military bases treaty gave the United States 23 military base sites for a period of 99 years. A military assistance pact placed Philippine armed forces effectively under the control of a Joint US Military Advisory Group (JUSMAG) and made the Philippine army totally reliant on US arms and equipment. In succeeding years, other agreements or

arrangements put Philippine foreign affairs, financial policy, development programs, culture, education, labor relations and virtually all other aspects of Philippine life under American control.

In its foreign relations, the Philippines has been unable to function as a truly independent sovereign state. Reduced to a shameless pawn of US State Department and Pentagon policies, it became "more Popish than the Pope" in the aping of American imperialist cold war attitudes. Thus, from 1946 to the present the Philippines has had no diplomatic, trade or cultural relations with any socialist country, and has not been free to obtain developmental assistance from any but American-controlled or related sources. Pressed by the United States into the aggressive South East Asia Treaty Organisation, for which it provided the founding conference site, it has remained in the client state circle of such countries as Formosa, South Korea and South Vietnam. Philippines contingents were sent to Korea and to South Vietnam and Laos, in support of US wars against Asians. In recent years, the Philippines has played a leading part in creating the Washington-devised regional blocs, ASPAC and ASEAN, with the avowed intention of contributing to the "stability" of the "free world!"

In domestic affairs, direct American influence from top-level government departments to the economics and political science faculties of universities has fostered the concept of private enterprise capitalism and has prevented the growth of a public sector in the economy, hamstringing the country's development capacity. In the political sphere, the dominant role of foreign capital has caused massive corruption to permeate all strata of life, while the armed suppression of the Communist-led Philippine national liberation movement in the post-independence years of 1946-1956, through American aid and direction, and the outlawing of the Communist Party and "related organisations" have stifled democracy and the participation of the people in national development.

### Neo-Colonialism and Living Conditions

A quarter of a century after independence, a compost heap of retardation has produced the beginnings of a new revolutionary upheaval, the origins of which can be seen in the decaying conditions of life of the "independent" Filipino people.

Uninterpreted figures are presented to show that the Philippine gross national product rose by six times between 1946 and 1969, from P4,798 million to P27,783 million, and that per capita income (i.e., GNP divided by population) rose from P320 to P750 in the same period. An average growth rate of 5 per cent a year is claimed. These, however, are extremely misleading figures, masking leaping

inflation and enormously unbalanced incomes. By 1955 prices, the gross national product in 1969 real terms was no more than P18,500 million, and per capita income actually stood at P421, representing an average rise of no more than 0.9 per cent per year. In the predominantly Roman Catholic Philippines, population has been increasing at an annual rate of 3.5 per cent and has doubled since independence to a present level of around 38 million (projections indicate a rise to 55 million in the next decade). In whatever respect it is viewed, growth in the economy, without even considering inequalities, has barely kept ahead of population increase.

Income distribution is grossly unbalanced and makes the mechanically-derived per capita income figures wretchedly inaccurate. In 1948, 10 per cent of Filipino families received 30 per cent of the entire income of the country; by 1961, 10 per cent of the families were receiving 46 per cent of the nation's income. By 1965 the top 5 per cent of earners had as much as the 60 per cent at the bottom. In 1956 the bottom one-fifth of families accounted for 4.5 per cent of family income; by 1965 the share of the bottom one-fifth had shrunk to 3.5 per cent. (Congressional Economic Planning Office figures, released in 1970). By all indications, these trends have accelerated greatly since 1965.

When translated into actual incomes, the gap becomes more visible. In 1969 over 50 per cent of all families had incomes of less than P1,500 per year (by official exchange rates at that time, the equivalent of \$380, or £125). The average Filipino family has six members, which means that over one-half of the population had annual average per capita incomes of around P250 (i.e., about \$63 or £25). A *New York Times* survey in 1970, however, claimed the median income in the whole country as only \$50 per year. The difficulties of estimating the actual degree of poverty may be seen in the fact that in the lower income grouping there is an estimated one million families, or six million people, with literally no cash income at all. Of these, the leading Philippine periodical, *Philippines Free Press*, has said that they "are doomed to lead an animal-like existence for the rest of their lives."

At the other end of the scale, in 1969 only 2.6 per cent of families earned P10,000 per year or over (i.e., over \$2,560 or £1,060). Those in the "or over" category, numbering a mere handful with incomes ranging up to one million pesos and above, are the real power sector of wealth. It is estimated that 400 families control 90 per cent of the Filipino share of the economy, and that 500 millionaires, 200 of them sugar barons, are embraced by this family complex.

Said the *Philippine Congressional Economic Bulletin* in 1970:

"Nine out of ten of the country's population of

37 million are poor, with the majority barely able to make both ends meet; the rest, or less than 10 per cent, with a mere handful in control of vast sectors of the economy, make up the rich. There is no question but that perpetuation of a situation such as this, involving as it does millions, is untenable."

The income picture becomes clearer with figures on unemployment. These vary and are unreliable as an actual measurement of misery because the Philippine government has no accurate statistical methods for gauging the true situation, tending to base itself on registered unemployed and on those listed in agencies as actually seeking work. In 1968 there were 1,067,000 recorded in this category out of a labour force of 12,213,000, or 8.7 per cent. It is believed, however, that an equal number have long ceased to look for work and are not reflected in official statistics. Government agencies themselves estimate that 50 to 60 per cent of the labour force is either totally unemployed, partially unemployed (from one-fourth to one-half of the year), or seriously underemployed. (*Synopsis of Analysis of the Philippine Economy, Congressional Economic Planning Office, 1969.*) At least 50 per cent of the work force is considered to be non-productive or unproductive.

In the rural areas, where 70 to 75 per cent of Filipinos live, and where over 60 per cent of the nation's gainfully employed work on the land, the levels of income are much lower than the average. In 1968 the average yearly income of a rural family of six was P400 (i.e., about \$100 or £40). During the years of independence, conditions in the rural areas have greatly worsened. The rate of farm tenancy, which stood at 35 per cent before independence, had become 37 per cent in 1948, and had jumped to nearly 52 per cent in 1970. This has occurred despite the passage of repeated and much-publicised laws on "land reform." Mass poverty and mounting population pressure in the countryside have driven millions of people to the cities, where they endure a more oppressive unemployment and misery. In the swollen city of Manila two out of every five families (1,102,000) lived as "squatters" in patchwork shacks by 1968, without toilets, running water, electricity, drainage or household amenities.

#### "Free Trade" and Economic Controls

The neo-colonial "free trade" agreement, with its "parity" provision, has been the chief villain in the Philippine tragedy. It was initiated in the US Congress as early as 1944, before the Philippines was even reconquered from Japanese occupation. Embodying the most unequal of terms, it was literally forced on the Filipino people by the United States, which made promised war damage payments

conditional on its acceptance. Even then, acceptance, needing a two-thirds majority vote of approval in the Philippine independence Congress, was only obtained by the arbitrary ouster of six nationalist congressmen from their seats by the puppet comprador-landlord regime, a step that went far to precipitate the postwar armed struggle of the Huk movement.

As a consequence of "free trade," which overwhelmed the Philippine market with duty-free non-essential American commodities (with war damage payments going mainly to rehabilitate American companies and comprador export interests instead of toward development incentives), the new republic's dollar reserves were dissipated at an incredible rate. Within four years, from 1946 to 1949, the Philippines suffered a balance of payments deficit of \$1,088 million, of which \$1,067 million derived from trade with the United States. By the end of 1949 reserves fell below \$200 million, threatening the value of the peso (which had been irrationally tied to the dollar by the trade agreement at a 2 to 1 ratio). At this time, with the warning of the Chinese revolution freshly ringing and with armed struggle fed by economic deterioration surging in the countryside, the US was compelled unwillingly to agree first to strict import controls and then to relatively rigid exchange controls.

These controls lasted for over a decade. While they checked the more serious features of deterioration, they had an effect unwished for by American imperialism: they gave for the first time a modicum of protection to Filipino entrepreneurs, who seized on the opportunity to try to break from the neo-colonial straitjacket by setting up light industries to supply commodities now barred from importation; it created a base of sorts for an infant nationalist bourgeoisie that began to raise serious nationalist slogans. However, American influence, working all the levers of command in the government, managed to distort this trend by the fostering of industries mostly of a "packaging and assembly" nature, forced to rely on American capital goods, raw materials, manufactured parts and half-finished products, as well as on licensed American processes and brand names. In essence, a hopeful trend toward Philippine industrialisation was thus warped into merely a shift in the American export pattern, from "non-essential" to "essential" commodities. The 20 per cent of Philippine gross national product attributed to manufacturing today is mostly of this character. By 1968, 90 per cent of local manufacture was "import-oriented," with 47 per cent of imports comprising the raw materials for this semi-industrialisation, which embraced textiles, leather, paper and printing, rubber, chemicals, petroleum refining, transport assembly, electrical and mechanical equipment, even food packaging.

The main adverse effect of controls on American interests came from the exchange controls, which restricted the remittance of profits. During this period the Bell Trade Act was revised, in 1955, by the Laurel-Langley Agreement, negotiated mainly at Philippine initiative to stretch out the graduated tariffs on Philippine raw material exports to the US in order to augment depressed Philippine export earnings. In return, however, "parity" privileges, originally limited to the exploitation of natural resources, were extended for the benefit of American investors to cover all forms of business activity, an immeasurably greater boon to American interests and one designed to enable them to dominate the developing Filipino manufacturing and industrial trend.

Filipino manufacturing sectors, under the nationalist slogan of "Filipino First," fought for the retention of controls that gave them some protection from competition from US corporations. However, the powerful American Chamber of Commerce in the Philippines and the US Embassy, combined with Kuomintang Chinese and Japanese interests, as well as local comprador groups depending on quotas in the US market, secured the abolition of controls early in 1962 and, in addition, the devaluation of the peso to a rate of P3.90 to \$1, allegedly to encourage exports.

This victory for American imperialism literally strangled the independent, nationalist economic trend in its cradle. In place of economic controls, imperialism persuaded its subservient Filipino allies to base themselves on stabilisation loans from imperialist banking circles. Abdication from controls in 1962 was literally bought by a "stabilisation" loan of over \$300 million, urged on the Philippines by the US Treasury in collusion with the International Monetary Fund.

#### **"Decontrol" and Loan Slavery**

The results of the 1962 "decontrol" were disastrous for Philippine development. An unbalanced neo-colonial trade pattern worsened. For only two years out of the past 25 has the Philippines shown a slightly favourable trade balance, in 1959 and 1963. By the late 1960s the heavy deficits have reappeared, reaching \$301 million in 1968. All told, the Philippine balance of payments deficit during a quarter of a century of independence has topped \$3,000 million.

Of worse effect, the devaluation of the peso in 1962 dealt a severe blow to the infant Filipino industries. Their debts contracted at P2 to \$1 for the importation of capital goods and materials, mainly from US suppliers, now had to be paid off at the rate of P3.90 to \$1. A number of promising local enterprises were consequently forced to the wall and into the arms of American corporations.

One of the saddest of the victims was the Filoil

Corporation, set up in 1959 by Filipino entrepreneurs to break the hold of imperialist oil companies on refining and marketing. It was launched with the allowance of only a minority share to the US Gulf Oil Co., to ensure a supply of crude oil imports and technical aid. By 1964, decontrol and a tight government credit policy that was one of the terms of the US-IMF stabilisation loan, coupled, as Filoil officials bitterly commented, with "relentless competitive efforts of international oil companies to get a larger share of the market with the support of unlimited resources," had driven Filoil to bankruptcy and had led to a take-over by Gulf Oil of a 67 per cent share in the company.

At this time, American interests, secure in the reinforced "parity" rights position, launched a campaign for "joint-venture" arrangements with Filipino capital, a move to take advantage of debt-burdened and credit-starved Filipino enterprises. The situation of Filipino industry has since steadily worsened, the American joint-venture take-over trend carried to the point where a nationalist-inclined bourgeoisie have almost ceased to exist as a factor in the politico-economic perspective. At the end of 1970 the plight of Filipino enterprises was reflected in the total foreign debt of the private sector, which stood at over \$1,200 million, leaving local industry at the mercy of foreign creditors.

Reliance of the Philippine government itself on foreign loans from imperialist banking institutions to offset the balance of payments deficit has driven the nation into almost unmanageable debt. In 1962 the Philippine public external debt was \$275 million; by 1970 this had risen to over \$1,000 million. With original and moratorium interest, this calls for an annual repayment of \$120 million in interest alone. By the beginning of 1970, with over \$200 million of short term loans maturing within the year, the Philippines was in a critical situation. A return to economic controls was logical, but imperialist pressure against such a step prevailed. Short term loans were merely "restructures," a third tranche loan from the IMF was negotiated just to "roll over" interest payment on debts, and further stabilisation loans were sought from the US and Japan.

The price exacted for these loans and for an agreement to extend the repayment period on existing debts was another devaluation of the peso, taking the form of a "floating peso" policy in February 1970. Value of the peso promptly dropped to P6 to \$1, and continued to fall during the year to a 6.70 to 1 rate. Promulgated ostensibly as a means of cutting imports and increasing exports, it was in one respect an imperialist scheme to enable the cheaper buying up of the Philippine economy. For example, the Filipino private foreign debt that had formerly stood at the peso equivalent of P4,680 million now had been raised overnight to over

P8,000 million, greatly increasing the vulnerability of Filipino enterprises to foreign penetration.

### **The Tyranny of American Investments**

The trade-loan-devaluation cycle is only one neo-colonial process that has sapped the viability of the Philippine economy. A more significant one has occurred in the operation of "parity" that has brought the direct domination of American monopolies.

At independence, total American investments, resident and non-resident, stood at \$268 million, located almost wholly in raw material extractive industry, public utilities, and the import-export trade. Because of the economic and political crisis that developed soon after independence, followed by economic controls, American interests largely held back for a time and did not take much advantage of "parity". With the crushing of the Huk liberation struggle in the 1950's and decontrol in 1962, American investment groups, satisfied with the "favourable conditions" that had been created, stepped up their operations. By 1968, the US Department of Commerce estimated the direct American investment in the Philippines at \$700 million, while the US Embassy in Manila in the same year published figures indicating that the real figure stood at \$1,000 million. This does not include loans or portfolio investments (shares purchased in Philippine industries) but represents the book value of 187 American companies registered as doing business in the Philippines (their market value would be in the neighbourhood of \$2,500 million).

These 187 American firms accounted in 1968 for 40.9 per cent of the gross receipts of all business operations in the Philippines, for 43.8 per cent of the total import of materials, supplies and services, and for 37.3 per cent of the total production of non-agricultural goods and services. They paid P500 million in taxes in 1968 or 20 per cent of all taxes paid in that year to the Philippine government.

Impressive as these statistics may be, they do not fully indicate the salient role of the American investment stake, which is located in the strategic sectors of the economy:

—*The petroleum industry.* Five of the six oil companies in the country are American (Caltex, Mobil, Esso, Getty Tidewater and Gulf-Filoil), and the remaining one is British-Dutch (Shell). With a value (prior to the 1970 devaluation) of P1,500 million, the petroleum industry is 87 per cent foreign owned. Oil exploration rights in the Philippines, which is believed to lie over part of the extensive South East Asia oil deposits, are mostly American-held, and many Filipinos suspect that discoveries are withheld in the interest of present profits and of making the Philippines reliant on foreign oil sources.

—*The chemical industry.* This is controlled by the big international corporations in the field: Union Carbide, Esso Standard, Borden Chemicals, American Cyanamide, Dow Chemicals, Sherwin Williams, Dodge and Seymour.

—*The tyre and rubber industry.* It is fully in the hands of the big American companies, Goodyear and Firestone.

—*The drug industry.* Dominated by Abbott Laboratories, Merck, Sharpe and Dohme, Park Davis, Pfizer Laboratories, Mead Johnson, Winthrop Stearns, Vick International.

—*The metal fabrication and manufacture industry.* Controlled by Reynolds, Phelps Dodge, General Electric (US), Westinghouse, Singer, Rheem, Atlantic Gulf and Pacific Co., Earnshaw Docks and Honolulu Iron Works.

—*The communications industry.* International communications are in the hands of Mackay Radio Telegraph Co., Globe Wireless, RCA Communications, Eastern—all American. Domestically, the telephone system was until a few years ago owned by the US General Telephone and Electronics Corp.; when a Filipino combine was allowed to gain the largest block of shares, GTEC, which retains the next largest share, was permitted a ten-year option to buy back control.

—*Heavy equipment industry.* There is none in the Philippines, so this sector is dominated by foreign suppliers, mainly American, acting through branches and distributors. International Harvester dominates in farm machinery supply. No machine-tool industry exists; all capital goods have to be purchased abroad.

—*Iron ore.* The largest iron ore producer, Philippine Iron Mines, Inc., is controlled by two American firms, Atlantic Gulf and Pacific, and Soriano y Cia. Most iron ore goes to Japan, as does most of the rich Philippine copper ores.

—*Agroindustries.* Canned pineapple, among the ten principal Philippine exports, is an industry owned from plantation to packing to export by the American Dole Pineapple and Del Monte Corporations. The expanding banana growing and exporting industry has been taken over by the United Fruit Co. and Dole Corporation.

—*Soap and cosmetics.* Dominated by Procter and Gamble, Colgate-Palmolive, and Unilever.

—*Insurance.* Seventeen American insurance companies, headed by the big Phil-Am Life Insurance Co., dominate the field, accounting for P30 million in premiums in 1968. Over P2,000 million of Filipino savings are tied up in the American-controlled insurance business.

—*Banking.* Two of the biggest banks in the country are American, the National City Bank of New York, and Bank of America. They have assets of over P550 million.

—*Advertising.* Three American advertising agencies (J. Walter Thompson, Grant Advertising and McCann) control 19 per cent of Philippine advertising and revenues, in a field of 50 agencies.

A key industry that feels the burden of American influence is *steel*. In 1955 the Philippine government passed a law authorising a government corporation, the National Shipyards and Steel Corporation (NASSCO), to establish, finance and operate a steel industry. When a Philippine application for an implementing loan was made to the US Export-Import Bank, the American bank insisted on a condition that it must be a joint private-government venture, with a 49 per cent private stockholding. This was yielded by the Philippine government in 1960, and a Filipino group headed by the Jacinto interests subscribed the capital. Following the 1962 decontrol, further pressure compelled a complete turnover of the industry to private hands in 1963, the Iligan Integrated Steel Mills, Inc. being established. The Export-Import Bank loan of an initial \$62.3 million did not come through until it was fully a private venture, in January 1964, and actual construction did not start until May 1965. American loan machinery had been used not only to thwart the building of a public sector steel industry but had delayed it for over a decade. Today American delays in providing technical assistance cause half of the constructed plant to lie idle. By the end of 1970 the Iligan Integrated Steel Mills was in a bankrupt condition due to inability to repay a foreign debt of over \$200 million that had become abnormally swollen by the February 1970 "floating" devaluation.

Extensive in size and control as the American investment is, it actually does not represent a very considerable flow of American capital to the Philippines. It has been built up much more through a soaking up of Philippine savings, an absorption of painfully accumulated Filipino capital. American firms, utilising their "risk" power based on size and backing, borrowed from Philippine banks and savings institutions the sum of over P8,000 million between 1962 and 1968. Philippine local sources of capital and credit have thus been drained by the dominant foreign corporations.

A survey of 108 American companies in 1969 by the Office of Statistical Co-ordination of the Philippine National Economic Council discovered that they had remitted to the US \$386 million in profits from 1956 to 1965, compared with a total inflow of \$79 million in American investment in the same period. The high rate of remittance was made possible by heavy borrowings of Philippine savings. American firms were using Philippine capital resources to funnel out of the country many times more than they were bringing in.

These sums are declared earnings. Further

investigation has shown that total outward remittances of all kinds from the Philippines from 1962-1968 reached \$2,216,850,000, an average of \$316,690,000 per year. *In addition*, dollar payment outward for "miscellaneous invisibles" from 1962-1969 were \$2,133,750,000, an average of \$304,820,000 more per year. These fantastic figures of drainage of the Philippine economy, going mainly to American companies and banks, include loan repayments with interest, royalty payments, licensing fees, misdeclared values of imports and exports, other forms of earnings and profits, and losses through smuggling operations that have been carried on on a grand scale (one of the big smuggling-black market leaks is through the duty-free American military bases).

### The Military Burden

The draining of Philippine resources that could otherwise go into genuine development has been worsened by the huge burden of military expenditure, assumed in order to conform to American concepts of internal and external security. This process began with the military suppression of the Huk movement, carried out to American specifications by American advisers. The Philippine army of 54,000, plus a paramilitary national police force (the Philippine Constabulary) of 10,000, created at such a level of strength at that time, has been maintained at such a size, designed wholly as an instrument of internal suppression that can be drawn upon also to carry out the same role elsewhere (as in Vietnam).

In the period 1946-1969, over P5,000 million has been spent by the Philippine government at American encouragement (it is part of South East Asia Treaty Organisation planning) on the country's armed forces, P221 million for military intelligence alone. Direct US military aid in the same period, in addition, amounted to a reported \$525.1 million. For the fiscal year 1971-72, the present Marcos administration asked Congress for P988 million for the army.

The type of army that has been built has maximised the cost. A senatorial investigation in 1965 revealed that there were only 534 privates in the whole army, led by 12 generals, 106 colonels, 417 lieutenant-colonels, 915 majors, 2,397 captains and 1,275 lieutenants, the remainder being sergeants and other non-commissioned officers. Under American control, this top-heavy officers' club has posed the continual threat of military take-over to Philippine governments that have constantly to cast their eyes at it over their shoulders.

Since 1967, with the renewed development of a popular movement, the emphasis on a military suppressive force has been extended to the militarisation of local police forces. Trained by American police chiefs, supplied through US aid agencies,

local police forces have been drawn under a centralised control and equipped with the latest riot control weapons and techniques, perfected in US cities. In Manila, a special military-style Metropolitan Command (Metrocom) has been set up to deal with demonstrations. In the rural areas of Central Luzon, where peasant unions have been reorganising, government funds have gone into setting up over 1,000 armed suppressive bodies, recruited from lumpen elements, called Barrio Self-Defence Units.

### American Manoeuvres to Retain "Parity"

As the termination of the Laurel-Langley Agreement in 1974 draws near, including the termination of the "parity" provision that is a part of it, American corporations have been engaged in complex manoeuvres to retain their privileged position indefinitely. Preliminary talks on renegotiating the Agreement were held in 1967 and 1968. The joint Philippine-US preparatory committee that met in 1967 issued a report that said in its Paragraph 26:

"Both groups agreed that reciprocal *national treatment* should be included to the maximum extent possible in any future agreement between the two countries, and the Philippine panel stated that it would give consideration to this question with a view to determining the extent to which exceptions to *national treatment* would be required by the Philippines. With the exception of certain areas such as natural resources, public utilities and retail trade, where most-favoured nation treatment should be accorded, the two groups believe that a provision should be worked out."

Progressive and nationalist groups in the Philippines have denounced this formulation, contending that "national treatment" (i.e., giving Americans equal right with Filipinos) is nothing more than "parity" in another dress, and the readiness of the Philippine negotiating panel to agree to this position has been linked with the fact that the head of the panel has held an executive post in the biggest American insurance corporation in the Philippines.

Suspicious have been further aroused by the suspension of the Laurel-Langley talks while a Philippine Constitutional Convention has been organised, designed to amend the American-influenced pre-independence Constitution of 1935. One proposal put forward for the Convention has been for a constitutional guarantee of national treatment for American businessmen. Since a sizeable number of Convention delegates are or have been legal counsel for, or board members of, American corporations, while the Convention is dominated by the neo-colonial allies of American interests, it is apparent that those interests hope to have their desires ratified by a Filipino body that can be termed less questionable than a negotiating panel.

Under the articles of the old Constitution, the ending of "parity" would make it necessary for Filipinos to hold at least a 60 per cent share in all corporations. American interests and their neo-colonial allies are now contending that Filipinos in either the private or public sector lack the means to achieve this through buying out the enormous American investment stake with a book value of over \$1,000 million and a market value two or three times that amount. The belief has been voiced in some quarters that the "floating rate" devaluation of the peso forced in February 1970 was designed in part to reinforce this argument, since the prior peso value of US investments was around P3,900 million while the post-devaluation worth leaped to at least P6,400 million, an amount about one-fifth of the present Philippine gross national product. This is allegedly far beyond Filipino purchase capability and therefore the Americans by untouchable *force majeure* ought to be given national treatment.

While American interests are pressing hard for the retention of their privileges under the Laurel-Langley Agreement, the possibility of Filipinos being extended further "free trade" preferences in the American market have grown slimmer with each year. The key Philippine sugar exports, which have been paid a price in the American market almost double the world price, now face curtailment. In 1971 the new US Sugar Act cut the Philippine quota by 10 per cent. The US has been engaged in a shifting of its sugar quotas to the strategically more important Latin American countries (Nelson Rockefeller in 1970 stunned Filipino sugar producers by advocating that *all* US sugar quotas be given to Latin America). Economic protectionism rather than free trade has been the trend in the US, which in general is turning its preferences to products of developed rather than developing countries anyway.

A continued American domination of the Philippine economy after 1974 would amount to a perpetuation of the imperialist argument about Philippine development, which is that the Philippines is an agricultural economy, that it should foreswear basic industries and confine itself to light industries at the most, and that concentration as in the past should be on export-oriented industries. This view coincides with that of the American partner-rival in Asia, Japan, as seen in a speech of 1969 by President Watanabe of the Asian Development Bank (which has equal dominant control by American and Japanese bankers):

"There was a time when less realistic thinking about economic development was propagated. Hasty industrialisation was hailed as the only

salvation of poor nations, without due regard paid to the other sectors, and without adequate awareness of the human and technical and related factors which must constitute the foundation for successful industry. Today it is recognised, however, that major gaps in infrastructure are yet to be filled; that changing educational needs must be met; and that big entities, which can be established and run economically only as large-sized units, require capital funds—which are scarce—and careful consideration, which is time-consuming. Therefore, the number of such big industrial plans that can go into operation in the near future will be limited, and the impact on the industrialisation of the various countries of those that are realised will also be limited."

#### Return of the Japanese

The vaulting of Japan in recent years into a front position as trading partner and loan source for the Philippines has caused comment that Japan is replacing the United States as the neo-colonial master. The US share in Philippine trade dropped from 76 per cent in 1949 to under 40 per cent in 1970, while the Japanese share went from virtually nothing in 1949 to about 40 per cent in 1970, edging out the US. As the US balance of payments deficit has crippled its capital export operations, Japan has moved to become the main Philippine source of "stabilisation" and other loan facilities. Japanese trade and aid, however, have pursued, if anything, an even narrower neo-colonial course than that of the US, confined almost wholly to the import-export trade, to raw material extraction (mainly ores), and to the "infrastructure" operations of which Watanabe spoke (highways, railroad extension, ports and other facilities that aid this pattern).

The figures showing a decline of the US trade share in relation to Japan are deceptive. Since 1962 scores of American corporations that formerly exported consumer goods to the Philippines have set up Philippine subsidiaries or "packaging and assembly" branches that not only maintain or have increased their share in the Philippine market but also act as bases for exporting to other Asian areas. The big American international Del Monte Corp. which has large banana and pineapple plantations and packing plants on the Philippine island of Mindanao, is a case in point. Said the chairman of its board in San Francisco, Alfred Eames, Jr., in July 1971:

"The Philippine operations are taking on new significance as a strategic base for supplying fast-growing Japanese and other Far Eastern markets."

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## Discussion Contributions on:

# Socialism, Democracy and the One-Party System

G. Hayes

I am regularly surprised to note how different comrades all claiming to use the Marxist method, often quoting from the same sources (articles by Marx and Lenin), whilst attempting to explain a relatively recent development, arrive at entirely different conclusions.

Our comrade, Andrew Turner, quotes from Lenin's "Bourgeois and Proletarian Democracy" to prove, presumably, that certain aspects of present Soviet democracy are more than a million times more democratic than certain aspects of bourgeois democracies. We are urged to consider that if Lenin wrote after one year of Soviet power that Soviet democracy was one million times better than bourgeois democracy what is the position today after 50 years? Surely we are expected here to take out our pencils and do a little sum . . . 50 x 1 million . . . and we automatically arrive at a modest 50 million times bettr'n you!

But would Lenin have done this? Would Marx? Between them they exhausted all their own language sources of material for their studies, they learned foreign languages by the half-dozen so as to be able to read sources in the original. Would Lenin have presumed to discount 50 years of history? We are urged by the nature of the question that Andrew Turner poses to believe that he would, but I suggest that we cannot believe any such thing of Lenin or Marx.

Before I continue with the 50 x 1 million thesis I hope the reader will permit me a relevant quote from Lenin's *State and Revolution*—Chapter 2 in relation to the *Communist Manifesto*.

"The question as to how, from the point of view of historical development, the replacement of the bourgeois state by the proletarian state is to take place is not raised here. This is a question Marx raises and answers in 1852. True to his philosophy of dialectical materialism, Marx takes as his basis the historical experience of the great years of revolution 1848-1851. Here, as everywhere, his teaching is the summing up of experience, illustrated by a profound philosophical conception of the world

and a rich knowledge of history. The extent to which Marx held strictly to the solid ground of historical experience can be seen from the fact that in 1852 he did not concretely raise the question *what* was to take the place of the state machine that was to be destroyed. Experience has not yet provided material for the solution of this problem which history places on the agenda in 1871".

### It Must Not Happen Again

Lenin died in 1924 and 10 years after his death, in 1934, the overwhelming majority of the delegates to the Victory of Socialism Congress of the CPSU were put to death as "enemies of the state" by Stalin. Only very few of the delegates survived, presumably, because they could not be found. These were the men and women of "October"—Stalin had them all killed and from the Congress he moved on to the Central Committee, from there to the officers of the Army, Navy and the Air Force. The dreaded knock in the night became a regular feature of this period in the USSR. These awful crimes our comrade Turner glides over with a well turned phrase—"temporary setbacks and mistakes created by the personality cult". It must have been a very efficient and numerous type of cult to have created such an awful havoc of personal suffering with socialist democracy and international socialists suffering grave blows as a consequence. Some of the effects of these crimes against Soviet human rights we have still to recover from.

We can say quite certainly that Lenin would not glide so glibly over these 50 years of history. As a factual, enthusiastic report of one year of Soviet power after Tsarist darkness our comrades quote is correct but his ossification of Lenin is unforgivable, even though it may be understandable. Our comrade could do good to once again read Lenin's letter of 24th December 1922, where he writes of Stalin: "I suggest comrades think about a way of removing Stalin from that post", i.e. General Secretary (page 704 *Selected Works in Three Volumes*, volume 3).