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THE MARCOS COUP IN THE PHILIPPINES

BY ROBERT B. STAUFFER

The following article deals with only one aspect of the Marcos coup. Economic and social conflict in the Philippines has been intensifying since the mid-1960s, distinguished by militant anti-imperialist struggle against the U.S. war in Vietnam and the U.S. penetration and influence in the Philippines. The Marcos government's policy of terror against the Muslim population of Mindanao, to make room for the expanding logging industry and other plantation interests, as well as against the popular anti-imperialist movement, created further tension. It was also in the last few years that the New People's Army, the military arm of the Communist Party of the Philippines, was established and began guerrilla activity. In addition to these and other contributors to mounting economic and political crises, the ruling circles in the Philippines have been confronted with a nationalist coalition and legal developments that threatened the continuation of U. S. enterprise. The coup is examined here in the context of the latter development by Professor Stauffer who teaches political science at the University of Hawaii and has recently returned from a year of research and teaching in the Philippines. He adds by way of explanation: "The imposition of martial law by President Marcos in September 1972, is viewed in this paper as representing a seizure of power (by using the armed forces to eliminate the mass media, the Supreme Court, and Congress from the national decision-making process) sufficiently drastic to warrant use of the term *coup* to describe the event. In the first two months following seizure of power he manipulated the Constitutional Convention (sitting at the time to draft a constitution to replace the one dating from the American occupation) into (1) incorporating the policies of his "New Society" into the document, (2) extending his term as chief executive for an indefinite period subject only to his decision to hold new elections, and (3) making changes in existing constitutional safeguards governing the treatment of foreign private investment of a type designed to "attract" multinational corporations to invest in the Philippines."

The Editors

The central proposition advanced in this brief note is that various forms of foreign control over the Philippine economy, and especially over the growth patterns the economy is permitted to take, have held back economic development to the degree that conditions have been created making a resort to authoritarian political direction of the type recently imposed by President Marcos extremely likely. The economy, as a consequence of outside domination maintained primarily through private foreign investment supported by American public policies, has been forced to retain its colonial form, with limited shifts to industrialization largely controlled from the United States.

An economist, Frank Golay, who has written extensively about the Philippine economy repeatedly asserts that Filipinos have successfully gained control of their economy from aliens. In a recent article he writes that "Filipinization has been rapid and the transformation of the inherited colonial-type economy has been substantially completed." (Golay, 1972, p. 19) In a paper presented at a Georgetown University seminar on Philippine-American economic relations in 1971, the same economist reportedly stated that "Filipinos know that Filipinization of the economy has been steady over the past two decades, and the array of legislation, administrative regulations, and policies which have been pursued have reduced American participation in the Philippine economy to only modest proportions." (*Manila Times*, July 7, 1971) The implication of this analysis is clear: since the economy has been Filipinized and its colonial character "transformed," any failure of the economy to satisfy the aspirations of Filipinos is due entirely to the Filipinos themselves, not to foreigners who might still be manipulating the system for their benefit rather than for the economic development of the Philippines.

There is a counterview abroad in the land on the question of who controls the Philippine economy. The radical movement stridently asserts that the Philippine economy is dominated by Americans and other "imperialists." Respected nationalist spokesmen make much the same point but in language less attuned to the street. If there has been Filipinization of the economy, it has meant only that a small group of Filipinos work with foreigners in maintaining a set of economic relationships in which both groups are richly rewarded at the expense of the large majority of Filipinos. The demonstrators' slogan of

"Imperialism, Feudalism, Fascism" summarizes the relationship.

Clearly there are two vastly different views of reality reflected in these statements about the Philippine economy. Golay is of course correct on Filipinization if only because the Philippine government's drive to eliminate the resident Chinese from the retail trade added a significant percentage of economic activity to the Filipino side of the ledger. Other formalistic shifts have been made possible through the growth of joint ventures and various other devices designed to mask the extent of the foreign presence in the Philippine economy. Golay, however, must be challenged on his assertion that American participation in the Philippine economy has been reduced to only "modest proportions." It is this type of claim that is bitterly rejected by all nationalist intellectuals in the Philippines today.

From an economist's point of view, direct control of traditional sectors of the Philippine economy by Americans and American corporations may have diminished somewhat since Philippine independence, although Golay's discussion of the point (1969: 92-93) relies on data before decontrol and monetary devaluation produced, after 1963, a new spurt of U.S. direct private investment in logging and plantation agriculture, as well as in an expanding network of American manufacturing and commercial activities. Expansion in the latter two sectors had been taking place since the beginning of the independence era. Recent expansion into new fields (e.g. automobile manufacturing for the Southeast Asia market) and the continued presence of sizable American investments give rise to a question about the propriety of the phrase "modest proportions." The conservative publication *Business Day's 1,000 Philippine Corporations* (1971) stated that "American corporations in the Philippines continued to dominate sales, income, assets, and equity indicators for the 1,000 largest firms in the country in 1969." (p. 8) In that same year the top 50 American corporations in the Philippines had assets of approximately $1 billion: some 750 other American concerns are in business there. While the American Embassy attempts to play down the size of American private investment in the Philippines, claiming that it is only half a billion dollars, the Philippine Securities and Exchange Commission sets the figure at $2 billion. Quantitatively, the American equity in the country's top 50 corporations accounts for 42 percent of total stockholders' equity in all the 1,000 top companies.* Clearly the claim that the American presence in the Philippine economy has been reduced to only "modest proportions" requires considerable qualification.** The qualifications become arguments for rejection when other forms of American control over the economy are taken into account.

Much of the control over the Philippine economy results not only from foreign business but also from the growing indebtedness of the Philippines to other nations and to multilateral banking institutions. This indebtedness has been encouraged from outside and by Filipino economists who share the same developmental models as the foreign lenders.*** By 1970 the Philippines owed a total of $1.96 billion to some 25 nations and international institutions and would have had to pay $480 million that year in interest and amortization payments had not a major "restructuring" of the debt been negotiated. Had the $480 million been paid, it would have represented 33 percent of the expected receipts from exports of goods and services for 1970. (*Manila Times*, Banking Supplement, October 29, 1971,

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* The figure is 18.5 percent when computed on total assets. The difference between this and the 42 percent of total stockholders' equity suggests the measure of success U. S. business has had in gaining control through stockholdings and then raising most of the needed capital through bonds and other forms of debt.

** It should be noted that the *Business Day* statistics do *not* include American banks and insurance companies, and that the calculations in this paragraph were based on only the 50 top American corporations, not on all those in the Philippines.

*** Tristan Beplat, President of the Philippine-American Chamber of Commerce of New York and Vice President of the Manufacturers Hanover Trust, a leading bank in the 23-member American Bank consortium dealing with the Philippines, contends that the Philippines is in good shape financially and that the debt load is not excessive. By implication he argues for a larger debt, since the total is "about equal to the value of one year's exports," a figure he assures the Philippines is low. He states that the Philippine debt problem is that the nation is "overextended on short-term debts and underextended on long-term debts," a problem that "restructuring" could easily solve. (*The Journal of the American Chamber of Commerce of the Philippines*, February 1970, p. 4) His solution to the problem is the same one adopted by the economists from the Philippines who negotiated the debt "roll over" in 1970.

p. 10) The rapidly mounting debt load and its associated balance-of-payments problem brought strong pressure from the International Monetary Fund, ultimately forcing the Philippines to devalue its currency and adopt a "floating rate" for the peso.

Further indebtedness is being encouraged by the World Bank group and, concomitantly, support is being given to the Marcos administration's request for new taxes to raise sufficient money to pay the Philippine counterpart funds demanded before new World Bank loans will be extended. (*Manila Chronicle*, March 16, 1972) To this influence over the key decisions affecting the Philippines can be added the increasing role being played by the IMF, the World Bank, the Asian Development Bank, the UNDP and a host of related United Nations agencies over the types of development projects that will be "encouraged" in nations like the Philippines. To the degree that outside agencies are permitted to exercise control over the types of "development" projects a nation can carry out, these agencies will determine the direction in which its economy will move. The evidence is conclusive that the web of controls exercised by these agencies is designed to assure only extremely gradualist modifications in the economic system, to keep the Philippines a steady source of the products it has traditionally supplied to the world market and especially the minerals that it has been supplying in ever larger quantities in recent years, and to maintain as much openness in the Philippine market for goods manufactured in the industrial nations as possible. The limited moves towards manufacturing are frequently those demanded by the powerful multinational corporations.

Other foreign influences over the economy exist. For more than two decades the United States has maintained a specialized bureaucracy in the Philippines for the express purpose of influencing the nature of the development process. During this period extreme pressure has at times been applied on the Philippine government to force it to adopt specific policies thought beneficial by the Americans: an example was the demand for tax reform in the early 1950s (Wurfel, 1959); another was the pressure applied in 1962 to devalue the peso. (Lichauco, 1968, p. 35) Routinely the programs supported through the years by USAID and its predecessors have been of a type to perpetuate the existing economic system and its role in the world economy, and in no sense to promote developmental activities that would significantly alter the nature of the Philippine economy or its pattern of relations with the industrial nations of the world.

The last of the external sources of influence over the Philippine economy that deserves attention is Japan. As has been frequently noted by American economists, Japan has now surpassed the United States as a trading partner of the Philippines. The suddenness of Japan's move to first place, aided as it was by the flow of reparation goods to the Philippines, was made possible by Japan's competitive price position, by abundant credit offered by the Japanese, and by the availability in the Philippines of conditions that would permit long-term exclusive contracts to be made for the supply of raw materials urgently needed by Japanese industry. For various reasons, including the absence of a treaty to regularize trade and commerce between the two nations, Japanese corporations have not invested heavily as yet in the Philippines through direct private investments, although they have indirectly by extending credit. The overall effect of the Japanese on the Philippine economy seems to be in the direction of reinforcing the controls exercised by other external agencies, namely, to assure that any development of the Philippine economy be supportive of the interests of the industrial nations.

It is not the purpose of this note to discuss the rapidly expanding awareness on the part of a very wide range of the Filipino articulate public of the conditions described above. This awareness has produced a signal increase in critical writing on economic conditions in the Philippines, and especially on the destructive role played by foreign private corporations, and has helped spark the powerful protest movements that have been so much a part of the Manila political scene in the past several years. Americans in positions of power vis-à-vis the Philippines have had remarkably uniform response patterns to these Philippine developments. The president of the Philippine-American Chamber of Commerce of New York, after reviewing the "problems" faced by private foreign investors in the Philippines, urged that the Philippine government take forthright steps to resolve the uncertainties in American-Philippine relations and to create a climate more favorable to foreign business. (Beplat, 1971, p. 45) This same point of view has been argued with increasing frequency in material printed in the American Embassy's publications, and especially in articles proclaiming the creative powers of foreign private investment appearing in *Free World* (Jacoby, 1971; Gaud, 1971; Holway, 1972), and in the *Journal of the American Chamber of Commerce of the Philippines.*

While the alleged advantages of placing greater reliance on private foreign investment for economic development were being touted by the Americans, the role of foreign business in the Philippines was being argued in the streets and behind college barricades on the bitter issue of whether or not Filipinos were to have any control over the price of oil products sold in their nation. Foreign oil companies (about 80 percent of the oil business is in American hands) had been successful in imposing price increases twice in a year despite mounting opposition from a variety of sectors of the community, and then proceeded almost immediately to submit petitions for a third increase. The last request corresponded with the most violent phase of the student demonstrations agains the government and ended in a temporary postponement of the new price increase demands from the oil companies: hearings on the issue were delayed until after the 1971 elections. American business, and especially the oil corporations in the era of confrontation politics, has contributed massively to the political radicalization of the younger generation of Filipinos, of important sectors of the working class, and of those engaged in the mass media. American public and private pressure to extend and expand the system of foreign corporation control of the Philippine economy has contributed to the polarization of politics between the President and a loose nationalist coalition that has incessantly pressed its demands to break away from foreign control of the Philippine economy.

In view of the conflict between growing pressure from the Americans to resolve the uncertainties surrounding private foreign investment in the Philippines in a manner favorable to their continued—and expanded—operation in the future, and on the other hand the strong private and public pressures in the

Philippines to impose increasingly strict controls over foreign business,* President Marcos was forced to make a choice: join the nationalists in seeking a rapid elimination of foreign investments and foreign controls over the Philippine economy, or join the foreign—and especially American—interests in altering the constitutional system so that the special position of American business can be extended past the 1974 deadline. President Marcos chose the latter option, and to implement his choice he had to resort to martial law as a device through which the nationalist coalition could be silenced if not destroyed, and the constitutional changes begun to permit his continued rule past the appointed termination of his second—and final—term as President, and to weaken the power of opposition forces to challenge executive action. Whatever the short-run outcome of martial law may be, one thing seems certain: President Marcos has begun a process that at least for the present should guarantee the interests of American business in the Philippines. For the first time in the history of the Philippines as an independent nation, martial law and the coup have been made a

* Congress had become increasingly critical of foreign business in recent years and had passed a number of bills placing restrictions on areas in which new investments might be made. The Supreme Court, in a stunning decision on August 20, 1972, declared that all American property acquired in the Philippines under the "parity" amendment and the Laurel-Langley Agreement would revert to the Philippines at the termination of the agreement in 1974. This means that the Americans would not only lose their "special right" to buy property and to engage in extracting raw materials from the Philippines, as well as to engage in any type of business, but would also lose what they had acquired during the life of the "parity" arrangements. I would anticipate that with a greater perspective of time from which to view the events of 1972, this Supreme Court decision will be held to have been the single most important event determining when—but not why—the coup occurred.

The new draft constitution reverses the August 1972 decision of the Supreme Court and reasserts the right of Americans to retain title to any land or property that otherwise could not have been acquired legally except for the special provisions accorded them as a result of "parity." (Article 17, Section 11, approved by the Constitutional Convention on November 29, 1972.) The constitution was to have been submitted to a national plesbiscite January 15, 1973. At the last moment President Marcos cancelled the plebiscite and ordered "citizens' assemblies" to discuss issues related to martial law and the constitution. On the question of the new charter he secured a 97 percent "vote" (by show of hands) in favor. He immediately proclaimed the constitution "ratified" and himself president *and* prime minister. Reports indicate he intends to postpone elections for seven years.

part of the governing process: the beginning of the "Latin Americanization" of Philippine politics has begun.

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