Situating the Philippine Political Economy: Import-Substitution Industrialization in Comparative Perspective

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" [Filipinos are] not of the Orient, except by geography. We are part of the Western World by reason of culture, religion, ideology, and economics. Although the color of our skin is brown, the temper of our mind and heart is almost identical with yours.... We expect to remain part of the West: possibly as the ideological bridge between the Occident and the Orient....You have in us a protagonist of your political and economic system– a broadcasting station for Americanism."

–Manuel Roxas, the first President of the Republic of the Philippines, speaking in Washington in 1946 [1]

"The Philippines is neither rich nor poor, north nor south, east nor west, here nor there."

–Imelda R. Marcos

Situating the Philippines has long confounded many Filipinos and outside observers of the Philippines. The legacy of nearly four centuries of colonial rule, first by the Spanish and later by the Americans, has indeed set the Philippines apart from its Asian neighbors in many aspects of culture, religion, politics, and economics. Despite the professions of Pres. Roxas, however, it is from Latin America-- not North America-- where similarities are most often drawn: Catholicism and the traditional primacy of the landed oligarchy can be traced to common Iberian roots, for example, and analogous degrees of American influence deeply permeate the political, economic, and cultural spheres. Indeed, it may be as common for social scientists to draw comparisons from Latin America (from whence the Philippines was long ruled by the Viceroyalty of new Spain) as from Indonesia, Vietnam, or Taiwan. "Not for nothing," Benedict Anderson notes, "is it sometimes said that the Philippines is as much a part of Latin America as it is of South-East Asia." [2]

These comparisons are perhaps found most frequently in discussions of political economy. Bello et al. for example, write that the consumer-goods production spawned by import and exchange controls imposed in 1949 fits into pattern of "industrialization by accident" that is "similar to the experience of Latin American countries, where industrial sectors developed to make up for the shortfall in imports triggered by the Great Depression and the Second World War".[3]

A 1980 World Bank memorandum describes the Philippine business community's opposition to government economic policy in terms of the "comparable situations" found in the dissatisfaction both of Brazilian domestic manufacturers who were faced with "the threat of being squeezed between powerful multinational corporations and highly capitalized state enterprises" and of Argentinian industrialists who encountered the elimination of protective tariffs and subsidies.[4] An American banker, contrasts the

"Asian pattern" of successful export- oriented growth with the experience of the Philippines:

> Throughout both democratic and dictatorial periods, the Philippines has followed a different pattern, dominant in Spanish America. In that pattern, an unholy alliance of a traditional landed class, an inefficient and protected industrial right, and a pseudo-nationalistic left have combined to protect and subsidize a relatively uncompetitive and monopolistic economy, to emphasize import substitution, and to subsidize a labor elite at the expense of incredible unemployment and agrarian backwardness.[5]

Further comparison was nurtured in the 1980s as the Philippines and the major Latin American newly industrializing countries or NICs (Brazil, Mexico, and Argentina) all became mired in severe debt crises.

When the Philippines is discussed in relation to the East Asian NICs (Taiwan, South Korea, Singapore, and Hong Kong), the emphasis is usually on deeply contrasting patterns of development. An examination of Taiwan, for example [6], finds strong differences in the economic foundations that were laid in the 1950s. There was a period of import-substitution industrialization or ISI, and as in the Philippines and the Latin American NICs, it fostered the development of a class of industrialists. But the ISI period was accompanied by a sweeping land reform that effectively eliminated the landlords as a social class.[7] ISI was financed primarily by US aid, which provided 85% of the current-account deficit in Taiwan between 1953 and 1962. While foreign aid dependence was enormous, the participation of foreign investors was negligible.[8] Aid served to strengthen the state vis-a-vis domestic forces and enabled it to take advantage of its period of relative isolation from the international economy to create an industrial bourgeoisie. Because the state stood above the entrepreneurial elite it had fostered, it "could not be made to serve their narrow class interests" [9], and the state-led transition to export-oriented industrialization in the early 1960s faced little resistance from either labor or capital.[10]

The usual "situating" of the Philippine political economy, then, proceeds from the presumption that broad patterns of postwar development resemble those of many Latin American countries, and diverge from those of the East Asian NICs. Gary Hawes, in his book The Philippine State and the Marcos Regime: The Politics of Export, offers the most recent -- and most analytical -- statement of such a perspective. [11] He is perhaps as indebted to the ideas of Latin American theorists as any previous observer of Philippine political economy, and integrates ideas from the work of both Guillermo O'Donnell and Peter Evans to make many parallels between the Philippines and the Latin American NICs. Although Hawes' book does not focus on ISI, but rather on agricultural exports under the Marcos regime, its discussion of ISI nonetheless raises many issues worthy of further examination.

Hawes writes that "the sequence of industrialization by import substitution with a broadening of the political spectrum in support of a strengthening of the domestic market is typical of South America, especially of Argentina as analyzed by Guillermo O'Donnell. In the Philippines, as in several Latin American countries, economic stagnation, political conflict, and a rising left resulted in a political crisis. From that crisis emerged an authoritarian government determined to pursue a new path to development."[12] "O'Donnell's thesis", he remarks, " though not universally accepted , seems to be applicable to the Philippines." [13] Hawes also writes that "the Philippine class structure and the nature of its export economy make the country resemble not Northeast Asia but the NICs of Latin America -- with a large export sector and a politically powerful ISI sector" (p.54). In 1972, he further claims, "the Philippine class structure and political sphere were similar to those of several Latin American nations" (p. 151). Furthermore, in the early years after the declaration of martial law by President Ferdinand E. Marcos, Hawes sees the emergence of a "triple alliance of multinational, state, and local capital (similar to what Evans describes in Brazil) rather than a clearly dominant state that controlled the local and multinational capital, as in South Korea and Taiwan". [14]

Notwithstanding Hawes' quite sweeping applications of Latin American experience and theory to the Philippines, elsewhere in his book the reader encounters conflicting appraisals of just how similar the Philippine experience is to the major Latin American economies. The Philippines started the postwar era in a similar situation as Brazil and Mexico (as well as South Korea), Hawes argues at one point (p. 17), but at another point he explains that while in Latin America "the ISI sector arose from the crisis of world depression" (p. 149), in the Philippines the diversification of the economy and the class structure "appears to have been more tentative and gradual...than in other nations" (p. 148). Only in the economic crisis of the early postwar years, he continues, were conditions for ISI created. Hawes also points out that through the postwar years, the NICs of East Asia and Latin America have "far surpassed the Philippines in levels of industrialization and income", and the Philippines must be considered "distinctive, because it has in large part failed in its effort to make the transition to export-oriented growth" (p. 17). The Philippines, he later explains, "does not mimic" either East Asian or Latin American experience (p. 31). But if the Philippines is so "distinctive", one might ask, then how can its class structure, political sphere, and economy be so much the same?

Hawes breaks important new ground in our overall understanding of the Philippine political economy, but neither he – nor many other writers -- have been sufficiently explicit in highlighting the significant degree to which the Philippine case varies from its Latin American counterparts. It will be argued here that comparisons with Latin American NICs are often greatly exaggerated, and often downplay critical differences in the process of decolonization, the timing of industrialization, the patterns of popular mobilization, the role of state enterprises and the military, and the enduring strength of agrarian interests. This article focuses on comparisons with Brazil, rather than with the other two major economies of Latin America, Argentina or Mexico, because the Brazilian political economy seems to offer, on the surface, the greatest number of parallels to the Philippine political economy.[15] The temporal focus is on the 1950s and early 1960s, when ISI strategies remained largely successful in promoting industrial growth.

The Process of Decolonization

At the close of World War II, the Brazilian state long had enjoyed greater latitude for independent initiative than the Philippines, where the early post-independence state had no significant degree of autonomy from the agroexporters and their foreign allies, primarily American traders and investors.[16] Despite the heritage of Iberian, British and American influences that the Philippines shares with most of Latin America, an obvious but often overlooked difference must be highlighted: the Philippines remained a colony a century and a quarter after most Latin American countries had become independent states. Moreover, outside of French West Africa it would probably be difficult to find a newly independent state that retained closer ties to the former colonial power. Unlike elsewhere in Southeast Asia, a rising superpower rather than a declining European power was the grantor of independence, making it all more difficult for the Philippines to emerge as a truly sovereign nation. In addition to the continuance of close economic bonds, other ties were strengthened: the US was able to alter pre-war agreements and obtain highly advantageous rights to maintain huge military bases on Philippine soil. The US and the Philippine elite continued close patron-client ties even after independence, and decolonization proceeded at a snail's pace for at least a decade after independence, if not more.[17]

Both the agrarian elite and their American allies were determined to protect the free trade regime that had created such powerful links between the US and the Philippines. Since 1909, US imports had entered the Philippines duty-free, and Philippine trade dependence on the US actually reached a new peak after the granting of independence in 1946, as total trade between the US and the Philippines grew from the pre-war (1936-40) level of 72.9% to 76.5% in 1948.[18] Theodore Friend highlights the depth of these ties of dependence in the 1930s:

> Reciprocal free trade [bilateral duty-free trade] drastically limited Philippine ability to protect native manufacturing and radically stimulated a taste for American consumer goods. Money which might have gone, in a more austere culture, into capital investment, instead went into luxuries and prestige purchasing. The importing habits of the Filipinos would make economic independence always difficult to obtain, and their exporting habits even weakened the desire for political independence. Concentrating as they did on profitable agricultural exports, especially sugar, coconut oil, and hemp, and relying as they did on American buyers, many Filipino investors began to grow wary of independence unless it could be connected with continued free trade.[19]

The maintenance of bilateral free trade in the early post- independence era was guaranteed by the Bell Trade Act of 1946. Under the terms of the act, American goods could enter

the Philippines duty-free from 1946 to 1954, and duty-free quotas were instituted for sugar and other commodities imported by the US. At the same time, the peso exchange rate was pegged to the dollar (and could not be devalued without the approval of the US President), "parity rights" guaranteed US business equal access to invest in Philippine natural resources and public utilities, the Philippines was prevented from imposing export taxes, and the US President was given discretion to withdraw economic concessions granted to the Philippines. The quid pro quo for sacrificing Philippine national control of such key elements of economic policy came in the form of $620 million in US rehabilitation assistance for war damages. Clearly, the greatest Philippine beneficiaries were the agroexporters, who were guaranteed continued access to the US market.

The free trade policy of the Bell Trade Act created the conditions for a hemorrhage of foreign exchange to pay for duty-free imports; most of the rehabilitation assistance and other US government disbursement went to satisfy pent-up consumer demand rather than government-sponsored development efforts. Because of the restrictions of the Bell Trade Act, "the Philippine government could not, without US permission, put an end to the wastage of resources which the orgy of post-war imports of consumer goods represented".[20]

This capability finally came in 1949, in response to a major balance-of-payments crisis, when both an International Monetary Fund (IMF) mission and a US economic mission (the Bell Mission, arriving in early 1950) advised import and exchange controls. "What began as an emergency tactic in balance of payments policy," Power and Sicat explain, "became the principal policy instrument for promoting industrialization over the decade of the 1950s."[21] Foreign exchange was rationed on the basis of "essentiality", with capital goods and intermediate goods favored over consumer goods. The protection for local manufactures resulted both from the higher prices for competing foreign consumer goods, and from the relatively low prices for imported inputs, made possible by the continued overvaluation of the peso at its pre-war level. ISI thrived for more than a decade, until controls were lifted in 1962.

The Bell Mission also laid out a comprehensive program of economic reform, the implementation of which was encouraged by the placement of US advisors throughout the Philippine bureaucracy.[22] The US role as "non-sovereign tutor" [23] had an impact in many areas of economic policy making, even if in such area as land reform the US was unable to get its advice implemented by the landlord-dominated Congress.[24] The Constantinos aptly described the process in the terms: "One could say that for the small sum of $250 million the Americans were practically buying back a colony."[25] From another point on the political spectrum, Frank H. Golay's remarks on the post-1950 reforms are an equally revealing exposition of the weakness of the Philippine state vis-a-vis its neocolonial tutor:

> By the end of 1949, the government seemed willing to let the military go unpaid and the educational system wither for want of funds, and even to succumb to the Huk rebellion, rather than face up to minimum responsibility for governmental functions.... It is a depressing commentary that the reforms, when they did come, were to a considerable extent installed from the outside as a result of the Bell Mission and its recommendations.[26]

This level of dependency on the hegemonic power did not exist in Brazil. While the Brazilian economy did indeed develop in the context of dependency, as Evans makes clear, its state structure provided a degree of autonomy from foreign influence that the Philippines, even three decades later, often seems not to have attained.[27] The obstacles to genuine decolonization, which endure until the present, must be counted as a major limitation on the autonomy of the Philippine state.[28]

The Timing and Depth of Philippine Industrialization

Philippine industrialization did not get underway during the Great Depression and World War II, as in much of Latin America, but emerged only in the early postwar years. Although World War II interrupted the flow of trade between the US and its colony, during the Japanese occupation and subsequent US re-occupation the Philippines experienced economic devastation rather than the boost to ISI found in Brazil.[29]

In Brazil in 1920, 32% of the total value-added in manufacturing came from food, beverages, tobacco, and 37.2% from textiles, footwear, and apparel. These six categories, Evans notes, are "the first areas of import-substitution". The corresponding figures in the Philippines, in 1918, were 65.8% and 6.4%. By 1950, Brazilian production of these commodities had fallen to 25.5% and 24.4%, respectively, as more "modern" industries (metal fabrication, machinery, electrical equipment, transportation equipment, and chemicals and pharmaceuticals) constituted a full one-quarter of manufacturing value-added. Philippine manufacturing in 1948 remained dominated by the same product as in 1918, although there had been a slight shift from food, beverages, and tobacco to the garments category (60.6% and 9.2%, respectively).[30]

In the wake of World War II, then, the agrarian elite in the Philippines faced no significant competition from other segments of the bourgeoisie-- unlike in Brazil, where the ISI segment of the bourgeoisie had already emerged to promote its interests.[31] The dominance of these interests did not prevent initiatives toward industrialization, but progress was less than impressive. The Commonwealth Government had introduced direct state involvement in productive activity in the late 1930s, but except for the creation of the National Footwear Corporation in 1940, most efforts were in commerce, not manufacturing. The war soon interrupted these modest beginnings, however, and it was not until the late 1940s and early 1950s -- concurrent to the broader emergence of ISI -- that the government was involved in an "extensive list of manufacturing activities", as well as several other activities:

> By the early 1950s the national government was operating railroads, hotels, electric power, gas and water works, as well as directly producing coal, cement, steel, pulp and paper, textiles and yarns, operating a shipyard for both repairs and construction, and engineering shops. In addition, the government had majority equity interests in firms manufacturing incandescent bulbs and fluorescent tubes, and pulp paper, a "national" domestic and international airline, and a "national ocean-going" steamship line. Finally, the government through a government- owned holding company was, or had been engaged in production of nails, marble lumber, footwear, sugar, textiles and yarns, food preserving and packaging, and warehousing.[32]

In 1946, the newly independent government had also instituted tax incentives for "new and necessary industries", but it was not until the imposition of import and exchange controls in 1949 that emerging industrial entrepreneurs began to take advantage of the concessions (Golay, et al., 87).

Import and exchange controls, tax incentives, and tariffs (imposed in 1957) encouraged rapid growth in the Philippine manufacturing sector: 14.1% annual growth from 1949-53, 11.1% from 1953-57, and 5.7% from 1957-61.[33] Manufacturing increased as a proportion of net domestic product from 10.5% in 1946-50 to 14.8% in 1951-55 to 17.4% in 1956-60, where the level stabilized for a decade. The ratio of the value of imports to the gross value of production for all manufacturing fell from 1.13 in 1948-49 to 0.42 in 1960, where the level again stabilized until the late 1960s. Some of the most dramatic declines in this ratio came in textiles (from 6.32 to 0.22), paper and paper products (from 43.79 to 0.35), and chemicals and petroleum products (8.76 to 0.28).[34]

How successful was Philippine ISI in shifting the composition of Philippine imports away from consumer goods? In 1949, 37.3% of imports were in consumer goods, 2.5% of which were durable goods. By 1959-61, consumer goods made up only 13.9% of imports, of which 0.8% were durable goods. Capital goods increased from 9.9% to 19.7%, as low rates of protection on capital goods and intermediary inputs encouraged dependence on imported supplies. In Brazil, by comparison, 15% of imports in 1949 were consumer goods, 8% of which were durable goods. In 1961, the figure had dropped to a mere 9%, 2% of which were durable goods. Capital goods decreased from 38% to 29%. These figures reflect that the process of "deepening" to production of capital goods was already advancing by 1961 in Brazil; imports of capital goods as a percentage of total supply, in fact, dropped from 63.7% in 1949 to 32.9% in 1959 and 9.8% in 1964.[35]

Philippine statistics seem to reflect considerable success in horizontal ISI, with little significant movement into the vertical ISI that was taking place in Brazil. They say little, however, about how much of the manufacture of consumer goods actually took place in the Philippines. Economists note that the "new industrialization in the 1950s favoured the finishing and assembling of imported semi-manufactures", [36] and that "protection proved highest for less essential imports and established strong incentives for 'industries' that could perform some minor processing...."[37]

The relative lack of change in manufacturing value-added between 1918 and 1948 has been noted; what were the changes in the years of the controls, and how did they compare to Brazil? By 1960, one-half of Brazil's value-added in manufacturing came from the "modern" industries (metal fabrication, machinery, electrical equipment, transportation equipment, and chemicals and pharmaceuticals), and only 36.8% from the six categories (food, beverages, tobacco, textiles, footwear, and apparel) that had first fueled its ISI. The Philippines had made considerable progress in producing consumer goods for the domestic market, but still 41.2% was in food, beverages, and tobacco, and only 7.6% in textiles, footwear, and apparel--the latter figure representing a decline from 1948! Important gains were registered in three additional categories, however, which now counted for 26.2% of the country's manufacturing value added, compared to 10.7% in 1948: chemicals and chemical products, basic metal and metallic products, and miscellaneous manufactures.[38]

The relative importance of manufacturing to other sectors of the economy, particularly agriculture, is also an important indicator of overall change in the economy. The growth of manufacturing as a percentage of Philippine net domestic product was noted above: between the late 1940s and the late 1950s, it increased from 10.5% to 17.4%. Agriculture , meanwhile, declined from 38.6% to 30.7% yet remained substantially larger than manufacturing. In Brazil in 1960, manufacturing had already become larger (25.1%) than agriculture (19.2%).[39] On the basis of the statistics cited--even accounting for the natural advantage that Brazil enjoys in the larger size of its domestic market--one can conclude that Philippine industrialization was less advanced than that of Brazil, but that the Philippine economic structure did become far more complex during the period of ISI.

The relative share of foreign capital in the manufacturing industries of the Philippines and Brazil is also roughly the same, but the timing of its emergence to a prominent role points to an important difference between the two countries. While foreign capital in the former has penetrated even the consumer goods industries, in Brazil it became particularly significant only after Brazil began the project of deepening in the 1950s.[40] The domestic entrepreneurs in the Philippines, then, faced pressure from foreign capital at an earlier stage than their counterparts in Brazil. Bello et al. make this assessment:

> Import substitution might have created a national entrepreneurial elite, but it was a very fragile one. Lacking expertise and access to advanced technology, many Philippine industrialists were shunted onto the route of manufacturing US brand-name commodities under stringent royalty agreement with US firms.[41]

Even relatively simple products often had links with foreign capital. One American writer laments the position of the "new Filipino industrialists" by indicating the situation of one company headed by "one of the more open advocates of a nationalist policy". The company of Hilarion Henares, Jr., he writes, "unfortunately... manufactures almost everything under license of US brands and processes (Mongol pencils, Crayola crayons, Old Town carbon paper and typewriter ribbons, Valspar varnishes, and Universal and Reliable paints)".[42]

The data confirm these impressionistic accounts of the role of foreign capital in Philippine ISI. Prior to the war, because of the free-trade policy between the colonial power and the colony, Lindsey explains, "there was little manufacturing activity for either the domestic market or export". [43] On the eve of the import and exchange controls that set ISI in motion, however, 50.9% of manufacturing assets were foreign controlled, mainly by American investors. After the lifting of the controls in the early 1960s, foreign ownership had diminished somewhat, but remained very strong. In 1964 and 1965, foreign ownership accounted for 37% of the equity in manufacturing firms with at least 1 million pesos (roughly $250,000) in assets. In 1976, foreign investors owned 36.3% of the equity of manufacturing firms counted among the largest 1000 corporations in the Philippines (Lindsey, pp. 27-28). Yoshihara provides a breakdown of the largest 250 manufacturing companies in 1971, and reports that 38% of the 200 largest of these companies are foreign (80% of which are American), 28% are Chinese, and 28% are Filipino.[44] In Brazil in 1972-- long after the initiation of the deepening of ISI, a period in which one would anticipate a significant level of foreign capital -- 35% of the assets of the largest 200 non-financial (not necessarily manufacturing) firms were foreign-owned.[45] This is a level roughly similar to the Philippines, where significant deepening has yet to occur.

Hawes argues that "foreign investors dominated the ISI sector" in the Philippines (although he provides no data to back up his claim), because of differences in the timing and international environment of Philippine ISI. He correctly points out that Latin America, where ISI grew out of the world depression, the result was "a larger role for domestic entrepreneurs and an earlier escape from the confines of the colonial economy". [46] The above data seem to contradict his assertion of foreign investors' dominance in ISI (at least in terms of ownership of equity), but confirm that their role certainly was a powerful one. When one considers not only equity, but also the importance of licensing agreements in the manufacture of even simple consumer goods, Bello et al. and Hawes are correct to stress the weak role of Philippine domestic entrepreneurs vis-a-vis foreign capital. Unlike in Brazil, this weakness was present from the earliest stages of ISI.

Popular Mobilization

How do patterns of popular mobilization that accompanied ISI in the Philippines compare to those in Latin America? O'Donnell argues that in Brazil and Argentina, the rise of urbanization and industrialization that began in the 1930s "changed the distribution of political power and provided the basis for a broad 'populist' coalition... formed by relatively new sectors". This coalition had a clear sense of what it was against ("the old oligarchies, the highly visible foreign-owned firms mediating between the international and the domestic market, and the policies of free trade with which the old rulers had traditionally been associated") and of what it was for (industrialization and expansion of the domestic market).[47] "The populist period," he writes, generated a large urban electorate to whom political leaders could appeal -- mostly with promises of distributionist, populist-type economic policies.... The main assets of the popular sector were its electoral weight and its capacity to strike, demonstrate, and disrupt. As a consequence, the scope and intensity of its political activation grew markedly in both countries in the years preceding the coups" (1964 in Brazil and 1966 in Argentina) (p. 68).

The dissolution of the populist coalition was closely linked to the exhaustion of "easy" ISI (roughly 1960, according to O'Donnell). Yet, even after these governments had been removed from power, "there remained an urban popular sector with a high degree of organization... and ideological tendencies amenable to more radical formulations than anything proposed by Peron or Vargas during their years in power" (p. 57). With the rise of bureaucratic authoritarian regimes, this sector faced a process of "political exclusion" through repression and corporatist controls that attempted to block their "channels of political access" and "deactivate them politically".[48]

Hawes attempts a broad application of O'Donnell's thesis to the Philippine case, asserting that "diversification of the Philippine economy after World War II, especially during the period of import substitution industrialization in the 1950s, resulted in... an upsurge of popular political participation and nationalism" (p. 126), and assuming that in the Philippines, as in Brazil and Argentina, "the easy phase of ISI was built on nationalist, populist, and participatory policies" (p. 45).

Convenient though it may be to utilize Latin American theory to such a degree in constructing a framework for understanding the Philippines, it is not consistent with the historical record. In the Philippines during ISI, there were changes in the patterns of popular mobilization, but populism did not emerge. The expansion in popular mobilization was much more evident in electoral campaigns than in any programmatic scheme of the government, and was propelled not by mass demands, but rather by the desire to prevent the resurgence of radicalism in the popular sector.[49] Nationalism gained ground during the 1950s, but it was a nationalism of the elite, not the popularly-based nationalism. Contrary to O'Donnell, a process of political exclusion actually occurred prior to and coincident to the growth of ISI (as well as, of course, the exclusion that was to come with the declaration of martial law in 1972).

The upsurge of popular political participation and nationalism that the Philippines experienced in the late 1940s had already begun to decline in strength in the early 1950s. Its most powerful manifestation, the Huk Rebellion, had been effectively crushed by 1953.[50] This process of exclusion began in 1946, when representatives of the mass-based Democratic Alliance (DA) were prevented from taking their seats in Congress. This permitted the passage of the Bell Trade Act, which the DA had been instrumental in opposing. Along with other acts of repression, this moved the Left away from parliamentary struggle.[51]

The process of exclusion continued several years later, on the labor front, when the target was the Congress of Labor Organization (CLO), the dominant labor federation in the early postwar years. The CLO received significant organizing support from the Partido Komunista ng Pilipinas (PKP), and combined anti-imperialist political demands with frequent strikes for economic gains. The PKP initially concentrated its efforts in the urban areas, but after abandoning parliamentary struggle in 1948 (a full two years after the exclusion of the DA from the parliamentary process), devoted increasing effort to "projecting leadership over" the HMB, or Hukbong Mapagpalaya ng Bayan (People's Liberation Army), which was continuing the struggle for agrarian reform in Central Luzon that had begun in the 1930s. As the insurgency grew more fierce in the countryside, the CLO faced increasing pressure in Manila. In 1950, a vice-president went underground, and in 1951, the president and "scores of other Communist suspects" were rounded up. Their prosecution emphasized "communist infiltration" of the CLO, and the federation was disbanded. Meanwhile, in the countryside, an effective counterinsurgency strategy combined military force with government promises and reforms to defeat the Huk rebellion, which peaked in strength in 1951 but was already crushed by 1953.[52]

A key factor in the demise of the Huk Rebellion, Kerkvliet notes, was the popularity of Ramon Magsaysay, who served first as secretary of defense (1950-1953) and later as president (1954-1957). Magsaysay's administration, of course, also coincides with part of the heyday of ISI. Doronila emphasizes the "profound impact... (of his) direct mobilization of the Filipino lower classes into politics" in the early 1950s. [53] But Magsaysay was not a populist, if we follow the description of

The Philippines, Delia & Ferdinand Kuhn, 1966 populism James M. Malloy offers from the Latin American experience. Like O'Donnell, he shows that the populists had a clear sense of what they were for and against; populism was a middle class movement that "sought to control the state and use it to undermine the power of the local oligarchy, restructure external economic relations, and intervene in the economy to overcome the outward-oriented export model... mainly through policies of import substitution". One of their primary declared goals was to "assert national economic independence, for example, anti-imperialism". Populist ideology, he continues, "was at its base nationalist, statist, and elitist".[54]

Magsaysay was anything but an anti-imperialist; in fact, the influence of US advisers was significantly heightened during his administration. In addition, with the Laurel-Langley Agreement came an important renewal of close economic ties with the ex-colonial power, maintaining the longstanding interests of both US investors and Philippine agroexporters. Soon after coming to office, he welcomed further foreign investment. Magsaysay maintained close ties with the local oligarchy, and was even supported by the sugar bloc during the 1954 campaign.[55] Finally, Magsaysay was anti-statist, and began to disengage the state from a role in direct production.

Nonetheless, Magsaysay's importance in changing previous patterns of political mobilization should not be underestimated. His new style of "grassroots" politics, according to Doronila, was addressed primarily to rural voters, and involved the recruitment of the middle class.[56] "The Magsaysay thing" was a major reason for the HMB's loss of support in the villages of Central Luzon, one peasant leader told Kerkvliet. "All the reforms that were promised and partially implemented," he said, "even though small and show-case in nature, were encouraging for people." Magsaysay established a resettlement program to give land to Huk surrenderees in Mindanao, organized some agrarian courts, vowed to reduce rents, put a nominal land reform bill through the Congress, established a presidential program for community development, and generally projected an image of a government that cared about the welfare of the peasantry-- even if many of the reforms accomplished little.[57] The only significant nationalist measure to come out of the Magsaysay regime was directed not at the ex-colonial power overseas, but at the Chinese minority at home. The Retail Trade Nationalization Act, enacted in 1954, prohibited non-citizens from engaging in the retail trade. But the Americans were exempted because of parity rights.[58]

Nationalist actions against foreign investors did not come until the administration of Carlos P. Garcia (1958-62), whom the Constantinos note "did not represent any large vested sector, local or foreign... [and] was not beholden to the Americans... for his presidential victory". In 1958, the National Economic Council adopted the "Filipino First" policy, giving preferential treatment to Filipinos in foreign exchange allocations and providing official support for Filipino entry into a field controlled by non-Filipinos. The control measures were perfectly suited to this sort of preferential treatment. As Carroll explains: "the system of controls could be used to favor Filipino over alien manufacturers and one's friends, relatives, and political supporters over all others."[60] The surprising aspect of "Filipino First", perhaps, is that it came nine years after the imposition of the controls in 1949. Exposes of graft and corruption put Garcia on the offensive, however, and in the congressional elections of 1959 he responded with a powerful defense of the necessity of the controls to economic nationalist goals:

> To propose a completely free enterprise at this stage is like sending out an infant into the streets to engage in a free-for-all with the neighborhood gang. Government regulatory mechanisms in our stage of development exist pecisely to encourage and help Filipino business to grow to a point where it can hold its own against powerful alien competition... In other words, government participation in an underdeveloped country like the Philippines is a necessary pre-condition for nationalist growth and development. To allow the operation of a completely free enterprise today will mean... the preservation of... alien economic domination.[60]

But "Filipino First" nationalism remained an elite nationalism that did little to further a broad popular coalition in support of larger goals. The Garcia administration may have represented "the high tide of ISI political power",[61] but he lacked the nationalist-populist coalition that sustained his counterparts in Latin America. The nationalist leader Recto, who had run on the "Nationalist -Citizens Party" and lost to Garcia in the previous election, did develop close ties to Garcia and applauded the initiatives of his administration. Yet Recto himself lacked the base of a mass movement in support of the nationalist cause. Such a movement had existed a decade earlier, but would not emerge again until the late 1960s.

When Garcia's party lost ground in the 1959 election because of popular disenchantment with the corruption of his administration, the Constantinos explain, he quickly retreated "with repeated assurances that Philippine economic nationalism was 'not anti-alien, much less anti-American'". [62] Beginning the next year, Garcia's administration "bowed to internal and external pressures for devaluation and gradually freed the peso from the controlled exchange rate established in 1949...."[63]

This discussion of political mobilization must finally emphasize one additional divergence from the pattern of nationalist populist coalitions that were found in Latin American, but not Philippine,ISI:the much weaker role of labor in the Philippines. Brazilian labor has also been in a weak position, historically, but at certain points it was able to break loose from corporatist structures to emerge as an autonomous force in society. The Estado Novo (1937-45) left the legacy of an elite-dominated system of state-labor relations that continued well into the postwar years. At the same time, however, there was a competitive political system between 1946 and 1964, with two political parties that relied heavily on clientelistic ties. Unlike the Philippine two-party system, where the parties were indistinguishable in either composition or program, the Brazilian system was divided between the Brazilian Labor Party (PTB) and a second party (the PSD, or Social Democratic Party) that was composed primarily of landholders and the urban middle class and business interests. This system, writes Ruth Berins Collier, "provided a vehicle through which increasingly class-based antagonism could be carried out".[64] Erickson and Middlebrook explain that the populism of the 1950s allowed labor leaders to give their political backing to politicians, in exchange for material benefits. By the early 1960s, labor leaders were able to gain key political advantages for labor, in particular greater labor representation in national decision-making bodies. They were able to exert their influence as an autonomous sector and to create an extralegal (i.e., outside the corporatist structures) umbrella organization, the General Labor Command, to coordinate political strikes and labor mobilization.[66]

In the Philippines, the Industrial Peace Act of 1953 (one component of the US economic reform package) had paved the way for rapid unionization; between 1951 and 1956, the number of non- agricultural workers in unions rose from 151,000 to 500,000.[67] Nonetheless, unions were not considered a powerful force in society, either in economic or political terms. Magsaysay, it should be noted, is remembered not for his mobilization of the urban workers, but for the new links he forged with the peasantry. In 1967, an observer wrote that "the union movement is still basically weak" because of lack of unity, and had been "for quite sometime".[68] The post-CLO unions stressed economic demands (as one would expect under a labor law patterned after the US Taft-Hartley Act!), but were unable to prevent an erosion in real wages. Indexed to 1955 (with 1955=100), real wages fell from 100.7 in 1949 to 84.5 in 1951, rose steadily to the 1955 level, and then hovered in the 92 to 98 range until the 1962 decontrol, after which they remained below 90 throughout the 1960s (and plunged even lower in the 1970s).[68] As Doronila points out, the high levels of labor surplus in the postwar years "gave unions a weak leverage (sic) for bargaining with employers". In addition, their concentration in non-strategic industries (particularly light manufacturing) contributed to their weak position. The real wage statistics do not tell us whether the unions were successful in arresting what might have been an even greater decline in labor's purchasing power, but neither do they indicate a particularly strong labor sector that was able to increase real wages.

Electorally, the labor sector showed clear signs of impotence. Working class support was not able to elect non-elite politicians to national office, and the concentration of unionized workers in Manila gave them "light electoral weight" and created "an electoral bias against [them] as a potential political constituency". [69] Jimenez also observes the absence of a "labor vote" and explains the failure of the "Worker's Party" in 1963 by "the lack of political solidarity among the labor class".[70]

In summary, the patterns of political mobilization in the Philippines during the height of ISI vary substantially from patterns found in Brazil and elsewhere in Latin America. Populism was absent, and nationalism was less pronounced. Neither the oligarchy nor foreign capital faced any concerted challenge, and because of the previous political exclusion, the popular sector was actually weaker than it had been prior to the emergence of ISI. New forms of popular participation, which sought to ensure against radical re-mobilization of the popular sector, perhaps were encouraged as much by ever-present American advisers in the Palace as by existing popular pressures in Manila factories or Central Luzon barrios.[71]

The Role of State Enterprises and the Military

A key difference between the industrialization process in the Philippines and Brazil can be found in the role of state enterprises. The development of a direct role for the Philippine state in productive activities, beginning in the Commonwealth period but more importantly in the late 1940s and early 1950s has already been noted. One of the first actions of the Magsaysay administration, however, was to begin the sale or lease of government manufacturing plants to interested private investors and "to liquidate public enterprises with a wide variety of price support, marketing and land colonization functions".[72] The policy was among those recommended by the 1950 US economic mission, which called on the Philippines to "sharply limit direct governmental entrepreneurial activity". The stated motivation was to eliminate corruption, mismanagement, and nepotism in government enterprises.[73] In Brazil, the contrast is dramatic: state enterprises were central to national economic development policy. Evans discusses the "pivotal" role of Vargas in "creating a state apparatus able to participate in the process of accumulation required by dependent development" beginning with the Estado Novo in the 1930s and continuing after Vargas' return to power in the 1950s. The state's share of gross fixed capital investment (including state enterprises) rose from 25% in the 1953-56 period to nearly one-half by the end of the decade.[74]

Many of Brazil's state enterprises, Evans explains, had been developed with the direct encouragement of the military. "The most important single factor " in the process of creating the national steel industry between 1931 and 1941, he writes, was pressure from the military.[75] The military was part of the populist coalition in Brazil and Argentina, according to O'Donnell, finding "direct appeal" in the "nationalism cum industrialization argument".[76] In the Philippines, on the contrary, military pressures seem to be almost entirely absent from the industrialization process. A key factor, one might speculate, has been the close relationship of the Armed Forces of the Philippines (AFP) to the US, and the reliable source of military hardware that the AFP finds in its creator and sustainer.[77] Hernandez's study of the Philippine military discusses a role of the AFP in the Lansdale-Magsaysay counterinsurgency-motivated socio-economic projects. But this expansion of the military's role, she concludes, "was attended by careful monitoring of the military establishment... to safeguard civilian supremacy". The expansion of the military's civic action functions, furthermore, came at the initiative not of the military but of the civilian government. Not until the martial law regime did the military go beyond socio-economic projects to direct involvement in administering important productive sectors of the economy.[78]

The Continuing Strength of Agrarian Interests

"The beginning of the end of the golden age of the import substitution industries"[79] came in 1960, when Garcia began the process that freed the peso from the controlled exchange rate set in 1949. Both economic and political pressures led to decontrol, which culminated in the devaluation of the peso in 1962. The "exhaustion" of ISI can be seen in the statistics on the growth of value added in manufacturing: rates of growth in 1952-56 were more than twice those of 1959-60, and there was further decline in the years 1960-64. Economic pressures can be attributed most immediately, however, to the persistence of current account deficits from 1951 to 1961--the very factor that had led to controls in 1949. Despite the imposition of tariffs in 1957, reserves slipped to dangerously low levels in 1959; additional tightening of import controls, according to Sicat and Power, would have likely depressed output and employment "because of the dependence of the new manufacturing industries on imported inputs".

In addition to foreign exchange shortages, a second constraint was "the limited size of the domestic market for consumption goods". Neoclassical economists see two options when such limits are reached: "backward linkage import substitution", (what this paper refers to as deepening), or the export of manufactures. [80] Some analysts on the left however, argue that a key reason for the exhaustion of ISI was the absence of any serious program of income distribution — most importantly land reform that could have enlarged the domestic market. [81]

To understand the direction that the Philippine economy actually moved towards, it is essential to examine the political pressures that encouraged the end of the controls. It will be argued that the very forces that had been easily able to resist comprehensive land reform throughout the 1950s--the agroexporters-- displayed their continuing influence during the lifting of controls.

Although the process of decontrol began under Garcia in 1960 with the establishment of a multiple exchange rate system, it was under the administration of Pres. Diosdado Macapagal that-- under IMF guidance -- exchange controls were substantially lifted and the peso was floated to a new exchange rate of P3.90 per dollar. Pressures from exporters and foreign investors, as well as disenchantment with the corruption involved in the control system, led to the dismantling of the system that had nurtured rapid growth in the Philippine manufacturing sector. Jurado views the decontrol as "the triumph of the traditional export sector and foreign investments, and the subordination of the interest of the emerging Philippine industries".[82] Agroexporters reaped windfall profits, enjoying a 75% increase in their peso proceeds per dollar earned.[83] Foreign investors, who had been chafing at the 1957 imposition on strict restrictions on profit repatriation, were now able to remit their earnings home.[84]

The agroexporters, of course, remained a powerful force throughout the period of controls. In 1955, for example, they were powerful enough to be able to reclaim a part of the foreign exchange earnings that were deprived them under the control system. The control system had greatly reduced their domestic purchasing power, so they pressured to have a law passed that enabled some exports to be bartered for imports outside the control system.[85] This created windfall profits for exporters but not yet of the huge proportions they enjoyed in 1962.[86] During the negotiations for the Laurel-Langley Agreement in 1955, agroexporters had no problem protecting the access to the US market that was vital to their prosperity.

After 1962, coconut oil exports regained the levels achieved before World War II, and hectarage planted to sugar climbed from levels of 206,000-216,000 hectares in 1959-1962 to 264,000-327,000 in 1962-1969. This rise in sugar production, Hawes explains, is primarily due to new sugar quotas assigned to the Philippines by the US after the Cuban Revolution; combined with their newly-reclaimed ability to grab all the foreign exchange earnings of their exports, the "agricultural exporters were able to reassert their political and economic authority".[87]

Such assertions of the power of the agroexporters would have been impossible at this time in Brazil, where the power of the agroexporters had been eclipsed decades earlier. In the " 'Revolution of 1930', a group of self-styled 'nation-builders' challenged the power of the dominant agricultural elite and significantly altered national political institutions".[88] As Collier explains, this marked the "collapse of the 'ancien regime' [or]... the end of the political dominance of the export oligarchy", as the economy was in transition from an agricultural export economy to an ISI economy, and an urban industrial sector was emerging with interests distinct from those of the agroexporters. The "revolution", she emphasizes was not a popular revolution, but an expression of "intra-elite cleavage". This cleavage, however,

> was not extremely intense, and there was no real sectoral clash between the agricultural and industrial sectors.... Though the relative power of the industrial sector was increased, the revolution did not represent a frontal attack on the agricultural export sector.... The revolution, then, added new groups to the social bases of politics, but, did not end the political power of the old oligarchy, forcing them rather to share it within the framework of a widely noted accommodationist style of elite interaction....there were clearly differences of interest...[but] the two shared power....

An elite consensus, she adds, was formed on "two fundamental points": the "taming" of labor and the absence of land reform.[89] As O'Donnell points out as well, the agroexporters continued to be the "provider of international currency" throughout the period of "easy" ISI.[90] Despite their continuing influence, however, Brazil's agroexporters had long since given up their dominant position in the economy and society.

The renewed show of strength by the Philippine agroexporters in the 1960s, however, did not mean that ISI entrepreneurs were somehow wiped out by the proponents of decontrol. In fact, they remain a powerful force to this day. At the same time he lifted controls and floated the peso in 1962, Macapagal "took special care... to inform the business community that the government... wished merely to substitute tariff protection for the protection provided by the control system".[91] But the tariffs did not entirely counteract the damage caused by devaluation and decontrol, Baldwin emphasizes, because of the internal reallocative effect of the devaluation. The net effect was to leave ISI in "a relatively stagnant state", without creating the foundation for "a new type of export-oriented growth" (Baldwin, p. 62).

In summary, the agroexporters enjoyed a resurgence in their relative influence within the bourgeoisie, but the Filipino entrepreneurs in the ISI sector were far from vanquished. The Philippine elite had developed more complexity in its structure in 1962 than in 1949--when the agroexporters were clearly dominant-- and cleavages became increasingly important over the coming decade. Filipino manufacturers had gained increasing strength in Congress in the 1950s [93] as reflected in the 1957 tariffs and the 1958 promulgation of the "Filipino First" policy. But in the early 1960s, the Philippine agrarian elite proved how enduring their influence can be.

The cleavages between agroexporters and ISI entrepreneurs can easily be exaggerated, however, as many authors point out. A closer look at the role of the exporters, in fact, serves to heighten one's appreciation of their enduring influence. Many of the new enterprises emerged from land-based wealth, as the agrarian elite diversified its interests in manufacturing enterprises. Carroll concludes "that the old elite did not precisely withdraw from the struggle and become an aristocracy" but rather became,"in proportion to its size, the most fruitful single source of manufacturing entrepreneurs".[93] In fact, as Doronila explains, the penetration of manufacturing interests by the landed oligarchy served to weaken the development of an independent industrial bourgeoisie:

> The convergence of old and new wealth in the entrepreneurial formation muted their antagonism over controls policy at the heart of which was... a conflict over the distribution of wealth within the upper class. The moderation of the conflict may be explained largely by the fact that although the agricultural producers were not getting the full value of their exports because of the artificial exchange rate, those of them who had diversified their interests were also benefitting from windfall profits in industry. Furthermore, the agricultural exporters were enjoying profits from the preferential access of their products to the protected US market.
>
> The political implication of the mixture of new and old interests within the entrepreneurial bourgeoisie is that it prevented the development of an independent class with clearly delineated interests from those of the landlords-- a condi-

tion seen as essential for mounting political action along class lines as exemplified by the formation of an autonomous bourgeoisie in England. One must also consider that the limited growth of the manufacturing sector's share in the economy could only have inhibited the development of a larger political base for the bourgeoisie.[94]

O'Donnell notes a similar process in Argentina and Brazil:

Some members of the old oligarchy shifted part of their activities toward domestic market-oriented industrial production. In this sense they participated in, and benefitted from, the new economic policies, but a substantial proportion of them, including their associations, maintained their former activities and openly opposed the new policies.[95]

As discussed above, however, the old oligarchy in Brazil did not retain the enormous degree of influence that its counterpart in the Philippines has enjoyed until the present.

Conclusion

As this article attempts to show, there are critical differences in the political economy of import-substitution industrialization in the Philippines and Brazil. First, one must contrast the decolonization process in the two countries. Second, Philippine industrialization came later, and lacked the depth of industrialization in Brazil. Moreover, there are variations in the role played by foreign capital. Third, the populism found in Brazil was absent in the Philippines, labor was a weaker force in Philippine society, and appeals to curb the power of the oligarchy and foreign firms were not prominent among Philippine government leaders who formulated ISI policies. Fourth, unlike in Brazil, Philippine state enterprises were curbed rather than promoted during the ISI period, and the military was a marginal force in the process of industrialization. Finally, agrarian interests remained far more powerful in the Philippines than their Brazilian counterparts and were even able to regain a dominant role in the 1960s. Although outside the scope of this study, one could also examine how the nature of the regime that followed the declaration of martial law in 1972, as well as the direction of economic change it pursued, varied substantially from that of the bureaucratic-authoritarian regime that came to power in Brazil in 1964.[96]

What difference do all these differences make? At the least, this analysis hopes to highlight important problems in drawing close parallels between the political economy of the Philippines and the political economies of the Latin American NICs. Correctly situating the Philippines is critical to our understanding of the Philippine political economy, not least because it is so often put in the wrong place. Scholars of the Philippines are enriched by insights from Latin America, but it is a mistake to presume that theories from across the Pacific can provide answers to understanding Philippine political economy. [97] All they can provide are questions, and their analytical frameworks must be flexible enough to fit the historical particularities of the Philippines. These particularities are legion, and should alert us to the importance of situating the study of the Philippine political economy more firmly within the archipelago itself.

NOTES

1. Quoted in Renato Constantino and Letizia R. Constantino, *The Continuing Past* (Quezon City: The Foundation for Nationalist Studies, 1978), p. 196.

2. Benedict Anderson, "Old Corruption", *London Review of Books*, February 5, 1987, p.3.

3. Walden Bello, David Kinley, Elaine Elinson et al., *Development Debacle* (San Francisco: Institute for Food and Development Policy, 1982), pp. 128-129.

4. Bello et al., p. 171.

5. William H. Overholt, "Pressures and Policies: Prospect for Cory Aquino's Philippines", in Carl H. Lande, *Rebuilding a Nation: Philippine Challenges and American Policy* (Washington: The Washington Institute Press, 1987), p. 110.

6. As Stephan Haggard and Tun-jen Cheng argue, "critical differences among the four cases should not be overlooked", but their "common pursuit of an export-oriented development strategy differentiates the East Asian NICs from the large import-substituting NICs of Latin America, including Brazil, Mexico, and Argentina". Haggard and Cheng, "State and Foreign Capital in the East

Asian NICs", in Frederic C. Deyo, *The Political Economy of Northeast Asian Industrialization* (Ithaca: Cornell University Press, 1987), p. 84.

7. Alice H. Amsden, "The State and Taiwan's Economic Development", in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), p. 85.

8. Haggard and Cheng, p. 87.

9. Richard E. Barrett and Martin King Whyte, "Dependency Theory and Taiwan: Analysis of a Deviant Case", *American Journal of Sociology 87* (1982): 1082.

10. Amsden, "The State", p. 98.

11. Gary Hawes, *The Philippine State and the Marcos Regime: The Politics of Export* (Ithaca: Cornell University Press, 1987).

12. Hawes, p. 38. See also Guillermo O'Donnell, *Modernization and Bureaucratic Authoritarianism* (Berkeley: University of California Institute of International Relations, 1973) and O'Donnell, "Reflections on the Patterns of Change in the Bureaucratic Authoritarian State", *Latin American Research Review 13* (1978). O'Donnell begins with an analysis of the character of "easy" ISI in Brazil and Argentina, during which a broad "populist" coalition challenged the old oligarchy, policies of free trade, and foreign economic interests. With the exhaustion of "easy" ISI, however, this coalition broke down as "most of the propertied sectors" collaborated in a solution that led to the political exclusion of the popular sector (*Modernization*, p. 69). This solution was the emergence of "bureaucratic-authoritarian" regimes. These regimes, dominated by persons from the armed forces, the public bureaucracy, and large private firms, practice political and economic exclusion of the popular sector and encourage a process of "depoliticization" ("Reflections", p. 6). Their emergence, he argues, coincides with the "deepening" of ISI to "vertical" industrial projects in producer rather than merely consumer goods.

Subsequent critiques of O'Donnell have introduced data that challenge aspects of the B-A argument. Of particular relevance to this study are two conclusions found in Robert R. Kaufman's important response to O'Donnell, in "Industrial Change and Authoritarian Rule in Latin America: A Concrete Review of the Bureaucratic-Authoritarian Model", in David Collier, ed., *The New Authoritarianism in Latin America* (Princeton: Princeton University Press, 1979). First, he concludes that "there did not seem to be a uniform relation between regime types and phases of industrialization, with populist regimes occurring in the initial phases and B-A rule later on" (p.247). Deepening, for example, had begun in Brazil prior to the emergence of the B-A regime in 1964. But populist pressures (if not regimes) did generally coincide with the early stages of industrialization, he explains. Second, Kaufman concludes that "B-A regimes did not in general come to power in order to pursue the objective of deepening" (pp. 247-248). Other development strategies, such as export- oriented industrialization, were more important in some cases, and in the short-term, stabilization was "usually the overriding initial concern" (p. 248). Despite these important caveats, Kaufman is able to support a core element of the O'Donnell thesis: quoting O'Donnell, he writes that "important new social problems, developmental bottlenecks, and policy issues did seem connected to higher levels of industrialization, creating 'problem spaces' in the advanced Latin American countries which were significantly different from those that existed prior to their horizontal industrial expansion and from those existing at lower levels of modernization in other South American countries'" (p. 248).

13. Hawes, pp. 44-45. Hawes here refers to O'Donnell's *Modernization and Bureaucratic Authoritarianism*. In his accompanying footnote, Hawes cites the article of Fermin Adriano, "A Critique of the 'Bureaucratic Authoritarian' Thesis: The Case of the Philippines", *Journal of Contemporary Asia 14* (1984), which rejects the applicability of O'Donnell's thesis to the Philippines largely because of the relative absence of "deepening" under the Marcos regime.

14. Hawes, p. 41. See also Peter Evans, *Dependent Development* (Princeton: Princeton University Press, 1979). Evans, like O'Donnell, puts considerable focus on the period of "easy" ISI, as he traces Brazil's transformation from "classic dependency" to "dependent development". The initial period of ISI is followed by vertical industrialization, or what he calls the "internationalization of the domestic market", a process in which the involvement of the multinationals intensifies and "import substitution moves from consumer nondurables to consumer durables, intermediary goods, and some capital goods" (p. 30). A "triple alliance" of multinational, state, and local capital "is a fundamental factor in the emergence of dependent development" (p.32), which becomes dominant during this second phase of ISI.

15. Argentina diverges most from the Philippine case; whereas nearly two-thirds of the Argentines were living in urban areas in 1947, over two-thirds of Filipinos are living in rural areas even in the 1980s. [See James R. Scoble, *Argentina: A City and a Nation* (New York: Oxford University Press, 1971), p. 186; Robert A. and Beverly H. Hackenberg, "The Urban Working Class in the Philippines: A Casualty of the New Society, 1972-1985", in Lande, p. 220.]. Peasants and landless workers predominate in the Philippine countryside, but in Argentina there is no peasantry. Massive immigration resolved the historical problem of labor shortage in Argentina, while emigration has long been an important pattern for the Philippines' huge reserve army of labor. Rural revolt has long been the primary form of radical discontent among the Philippine popular sector, but worker agitation has been the expression making organized labor a key actor in Argentine society throughout most of the century. [See Thomas E. Skidmore and Peter H. Smith, *Modern Latin America* (New York: Oxford University Press, 1984), pp. 74, 79, 81.]

Mexico's revolutionary tradition, and the institutional structures that emerged in the decades after the 1917 Revolution, constitute major divergences from the Philippine or Brazilian path. In the latter two countries, there has been no comprehensive land reform program, and the dominance of the landed oligarchy was never seriously undermined by a challenge from below. The agricultural resource base of the Philippines and Brazil is much greater than in Mexico, and both have historically enjoyed the luxury of an expanding agricultural frontier that permitted a portion of land tensions to be channelled toward internal migration rather than more overt forms of rural discontent. Furthermore, this land frontier has permitted growth in agricultural output without necessarily requiring the boost in agricultural productivity that has been essential in the case of Mexico. [See Douglas H. Graham, "Mexican and Brazilian Economic Development: Legacies, Patterns, and Performance", in Sylvia Ann Hewlett and Richard S. Weinert, *Brazil and Mexico: Pattens in Late Development* (Philadelphia: Institute for the Study of Human Issues, 1984), pp. 36-37; Richard Hooley, "Report on the Discussion: The Philippine Economy, Its Problems, and Some Suggested Policy Approaches", in Lande, p. 190.]

16. Hawes also makes this point: "National independence gave the South American countries a freedom to maneuver not available in Philippines still under colonial rule; none of these countries was forced into conditions as blatantly neocolonial as those specified in the Philippine

Trade Act [of 1946, discussed below]" (p. 31). Unfortunately, as noted in the introduction, Hawes contradicts this with other assertions that the Philippines "started the post-World War II era in similar situations" as Brazil and Mexico (p. 17).

17. David Wurfel, "Problems of Decolonization" , in Frank H. Golay, ed., *The United States and the Philippines* (New York: The American Assembly, Columbia University, 1966) p. 171. Wurfel explains that "the easy American abandonment of sovereignty helped to create an atmosphere in which vestiges of the colonial era were tolerated.... by the late 1950s, when Filipinos were beginning to be exposed to the political curents of the region, they found theselves behind, rather than ahead, in the march of decolonization.... In any case... the push for decolonization is now evident." For an excellent historical review of the development of the close bonds of US-Philippine relations, see Ruby Paredes, ed., *Philippine Colonial Democracy* (Quezon City: Ateneo de Manila Press, 1989).

The concept of decolonization is differentiated by Biersteker as follows: political decolonization involves attaining control over the institutions and mechanisms of governance, while economic decolonization involves attaining "national control over natural resources, enterprises, markets, information, and development paths". See Thomas J. Biersteker, *Multinationals, the State, and Control of the Nigerian Economy* (Princeton: Princeton University Press, 1987). While Biersteker provides a helpful start to a definition of decolonization, it does not go far enough. First, political independence alone does not necessarily connote political decolonization, if the ex-colonial power continues to exercise considerable control over the institutions and mechanisms of governance. Second, the definition ignores the important arena of culture, where the process of decolonization is likely to prove most difficult.

18. Shirley Jenkins, *American Economic Policy toward the Philippines* (Stanford: Stanford University Press, 1954), p. 169.

19. Theodore Friend, *Between Two Empires: The Ordeal of the Philippines, 1929-1946* (New Haven: Yale University Press, 1965), p. 6.

20. Cheryl Payer, *The Debt Trap: The International Monetary Fund and the Third World* (New York: Monthly Review Press, 1974), p. 53.

21. John H. Power and Gerardo P. Sicat, *The Philippines: Industrialization and Trade Policies* (New York: Oxford University Press, 1971), pp. 33-34.

22. Constantino and Constantino, pp. 229-230.

23. David Wurfel, "Trade Union Development and Labor Relations Policy in the Philippines", *Industrial and Labor Relations Review 12* (July 1959), p. 593.

24. Stephen Shalom, *The United States and the Philippines: A Study of Neocolonialism* (Philadelphia: Institue for the Study of Human Issues, 1986), pp. 84-85.

25. Constantino and Constantino, p. 230.

26. Frank H. Golay, *The Philippines: Public Policy and National Economic Development* (Ithaca: Cornell University Press, 1961), pp. 71-72.

27. Evans, *Dependent Development*, pp. 83-94.

28. The concept of state autonomy is clearly discussed in Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research", in Evans, Rueschemeyer, and Skocpol, pp. 3-37, and in Dietrich Rueschemeyer and Peter B. Evans, "The State and Economic Transformation: Toward an Analysis of the Conditions Underlying Effective Intervention", in Evans, Rueschemeyer, and Skocpol, pp. 44-77.

29. "Of all the war-ravaged areas of the world", a 1945 US congressional report observed, "the Philippines is the most utterly devastated from the standpoint of the ration of damaged or destroyed [and] the effect of destruction on functional economy...." Quoted in Jenkins, p. 42. Jenkins also explains that "Japanese economic policy during the war was not based on any long-term plan; as conquerors who had major battles still to fight they sought as much loot for as little expenditure as possible. Only minimum standards of living were allowed for occupied peoples..." (pp. 41-42).

30. Evans, p. 72; Robert E.Baldwin, *Foreign Trade Regimes and Economic Development: The Philippines* (New York: National Bureau of Economic Research, 1975), pp.39-40.

31. Any discussion of the segmentation of elites-- either in the Philippines or Brazil-- must take into account the high degree of overlap among segments (for example, between the agroexporters and the industrial bourgeoisie). This is discussed in greater detail below.

32. Frank H. Golay, Ralph Anspach, M. Ruth Pfanner, and Eliezer B. Ayal, *Underdevelopment and Economic Nationalism in Southeast Asia* (Ithaca: Cornell University Press, 1969). pp. 56-57.

33. Romeo M. Bautista, John H. Power and Associates, *Industrial Promotion Policies in the Philippines* (Manila: Philippine Institute for Development Studies, 1979), p. 6.

34. Figures for the proportion of manufacturing in net domestic product derived from Baldwin, p. 3; ratios come from Baldwin, pp. 126-127.

35. Power and Sicat, pp. 39, 104; Joel Bergsman, *Brazil: Industrialization and Trade Policies* (New York: Oxford University Press, 1970), pp. 16, 92.

36. Power and Sicat, p. 18.

37. Golay et al., p. 87.

38. Baldwin, p. 124; Evans, p. 72.

39. Derived from Baldwin, p. 3; Graham, p. 21.

40. Peter Evans and Gary Gereffi, "Foreign Investment and Dependent Development: Comparing Brazil and Mexico", in Hewlett and Weinert, pp. 121-123.

41. Bello et al., p. 129.

42. William J. Pomeroy, *An American Made Tragedy* (New York: International Publishers, 1974), p. 58.

43. Charles W. Lindsey, "The Philippine State and Transnational Investment", *Bulletin of Concerned Asian Scholars 19* (1987): 27.

44. Yoshihara Kunio, *Philippine Industrialization: Foreign and Domestic Capital* (Quezon City: Ateneo de Manila University Press and Singapore: Oxford University Press, 1985), p. 40. Yoshihara divides Filipinos into Chinese and non-Chinese Filipinos; thus, "Chinese" means Filipino Chinese, whereas alien Chinese are grouped in the "foreign" category. Filipino Chinese include China-born businesspersons and their children who are Filipino citizens. (pp. 13, 16-19).

45. Graham, p. 32.

46. Hawes, p. 149.

47. O'Donnell, *Modernization*, p. 54.

48. O'Donnell,"Reflections," p. 6.

49. Frances Lucille Starner, *Magsaysay and the Philippine Peasantry: The Agrarian Impact on Philippine Politics, 1953-1956* (Berkeley: University of California Press, 1961), p. 29.

50. Benedict J. Kerkvliet, *The Huk Rebellion* (Berkeley: University of California Press, 1977 and Quezon City: New Day Publishers, 1979), p. 247.

51. Constantino and Constantino, pp. 203, 207, 223.

52. Kerkvliet, pp. 174, 180, 218, 237-247; Wurfel, pp. 588-589.

53. Amando Doronila, "The Transformation of Patron-Client Relations and its Political Consequences in Postwar Philippines", *Journal of Southeast Asian Studies 16* (March 1985), 103.

54. James M. Malloy, "Authoritarianism and Corporatism in Latin America: The Modal Pattern", in Malloy, ed., *Authoritarianism and Corporatism in Latin America* (Pittsburgh: University of Pittsburgh Press, 1977), pp. 11-13.

55. Shalom, pp. 86-102.

56. Doronila, p. 108.

57. Kerkvliet, p. 238; Constantino and Constantino, p. 264.

58. Golay et al., pp. 66-67. A major impact of the act, apparently, was to force ethnic Chinese to shift from the retail trade to manufacturing enterprise. See Robert T. Snow, "The Bourgeoisie Opposition to Export-Oriented Industrialization in the Philippines", *The Philippines in the Third World Papers, Series No. 39* (October 1983). Quezon City: University of the Philippines Third World Studies Center, p. 21.

59. John J. Carroll, S. J., *The Filipino Manufacturing Entrepreneur: Agent and Product of Change* (Ithaca: Cornell University Press, 1965), p. 34.

60. Constantino and Constantino, pp. 309-310.

61. Snow, p. 23.

62. Constantino and Constantino, pp. 302-310.

63. Snow, p. 23.

64. Ruth Berins Collier, "Popular Sector Incorporation and Political Supremacy: Regime Evolution in Brazil and Mexico", in Hewlett and Weinert, p. 83.

65. Kenneth Paul Erickson and Kevin J. Middlebrook, "The State and Organized Labor in Brazil and Mexico", in Hewlett and Weinert, pp. 213-234.

66. Doronila, p. 105.

67. Ramon T. Jimenez, "Trends in Philippine Labor Relations", in *Labor Relations in the Asian Countries* (Proceedings of the Second International Conference on Industrial Relations, Tokyo, Japan, June 1967), (Tokyo: Japan Institute of Labor, 1967), p. 248; see also Wurfel, p. 607.

68. Baldwin, p. 148; Bello, p. 217.

69. Doronila, p. 106.

70. Jimenez, pp. 238, 243.

71. Although outside the scope of this paper, it is noteworthy to consider patterns of popular mobilization that developed in years subsequent to the period analyzed in this paper. In one sense, the popular mobilizations of the late 1960s and early 1970s in the Philippines parallel a process described by O'Donnell: after the waning of the populist period in Argentina and Brazil, he notes, the urban popular sector continued to be an important force and had more radical ideological tendencies than such former populist leaders as Vargas or Peron (121). In the Philippines, as well, radical mobilization coincided with the period of stagnation in ISI and halting attempts to effect a transition to a new economic strategy. Despite the similarities in radical ideology, there remains a key difference: the radical urban sector in the Philippines was dominated not by workers, but by students. This reflects how the popular upsurge in the Philippines was not built on the same foundation of a nationalist-populist coalition as was its counterpart in Brazil.

72. Golay et al., pp. 57-58.

73. Golay, p. 356. Hawes (p. 150) dates the "dismantling of the state's role in direct economic production" to the Macapagal administration (1962-1966), after the IMF role in the decontrol process. Although some sales did take place in the mid-1960s, Golay asserts that the "radical change" in government policy toward state manufacturing enterprises began in 1954.

74. Evans, pp. 86-94.

75. Evans, pp. 88-89.

76. O'Donnell, *Modernization*, p. 55.

77. For detailed accounts of US support for the AFP, see Walden Bello and Severina Rivera, *The Logistics of Repression* (Washington, D.C.: Friends of the Filipino People, 1977); and Shalom, especially pp. 68-85, 103-110.

78. Carolina Galicia-Hernandez, "The Extent of Civilian Control of the Military in the Philippines: 1946-1976", Ph. D. dissertation, State University of New York at Buffalo, 1979, pp. 195-198, 222-223.

79. Snow, p. 23-24.

80. Power and Sicat, p. 39-40.

81. Bello, pp. 129-130.

82. Gonzalo M. Jurado, "Foreign Trade and External Debt", in Jose Encarnacion, Jr., ed., *Philippine Economic Problems in Perspective* (Quezon City: University of the Philippines School of Economics, 1966), p. 274.

83. Power and Sicat, p. 44. As Payer (p. 68) explains $1000 of export earnings provided P2000 before decontrol and P3250 after decontrol. By 1965, Hawes reports (p. 91), exporters' earnings climbed even higher when they were able to retain 100% of their foreign exchange earnings.

84. Golay et al., p. 108.

85. Baldwin, p. 44. This law was called the "No-Dollar Import Law of 1955".

86. Amado A. Castro, "Philippine Export Development, 1950-1965", in Theodore Morgan and Nyle Spoelstra, *Economic Interdependence in Southeast Asia* (Madison: University of Wisconsin Press, 1969) p.194.

87. Hawes, pp. 91-92.

88. Erickson and Middlebrook, p. 214.

89. Collier, pp. 57-66.

90. O'Donnell, *Modernization*, p. 55.

91. Baldwin, p. 62.

92. Snow, p. 22.

93. Carroll, p. 100.

94. Doronila, p. 105. Hawes (p. 34) makes a similar observation, without drawing Doronila's "political implication" for Philippine class structure: "differences between exporters and import- substituting industrialists were muted because often they occurred within single families that had interests in both sectors of the economy. Yet differences over policy implementation did develop and were an important source of political conflict during the 1950s and 1960s."

95. O'Donnell, *Modernization*, p. 54, n.4.

96. For further discussion of the nature of state and regime under the Marcos dictatorship, see my "Subject of Neglect, Object of Plunder: The State in the Philippine Political Economy", presented at the Third International Philippine Studies Conference, Quezon City, 13-17 July 1989.

97. The concerns raised in this article over comparisons with Latin Amerian NICs, of course, are not intended to discourage further comparative work examining the Philippines and Latin America -- as long as such scholarship is firmly grounded in the realities of each setting. For example, as Peter Evans himself has noted, there are interesting parallels that can be made between the Marcos dictatorship and "the Latin American tradition of the *caudillo*". See his "Class, State, and Dependence in East Asia: Lessons for Latin Americanists", in Deyo, p. 213.