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IN the last few weeks a good deal of passion has gone into allegations of economic imperialism in the Philippines. It is alleged in effect that foreign operators, particularly the Americans, are attempting systematically to dominate the Philippine economy. Perhaps it is time to consider the empirical content in such allegations, if only to make sure that it truly deserves all the emotion that has so far been applied to it and, if it does, to accelerate its application as a matter of course.

I take it that the issue here is not so much that foreigners do business in the Philippines as they do so to such an extent and in such a fashion that they are effectively easing Filipinos out of Philippine business itself, with all the implications that this process has for the monopolization of output and price, and ultimately control of the personal economic fortunes of 6.5 million Filipino households. What in fact is the extent of foreign participation in Philippine industry? In what specific industries are foreign operators doing proportionately more of the business than Filipinos? In those areas where foreign businessmen are relatively active, can one infer from their performance that they are in fact averse to hiring capable Filipino workers, and exploiting them in the sense that they are paid wages that

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fail to reflect substantially their relative contributions to output?

These are questions of fact. More importantly, they are matters of measurement. And where measures are concerned, it is not sufficient that one knows what they are. One must also know how they were obtained and, finally, how useful they are for the sort of things they try to measure.

Once stripped of much of its emotionalism, the issue of economic imperialism becomes analytically one of determining the degree of concentration in economic activities. Some of the measures that economists generally use in the study of economic concentration are the relative shares in 1) total value-added generated in a given period, 2) total level of employment, 3) total payrolls paid out and, 4) total outlays for new fixed assets such as machinery, equipment, plant and in some cases also land, or what is more commonly described as new capital formation. For our particular situation here in the Philippines, it is also meaningful to measure how the total outlays for imported materials and the total value of exports are distributed between Filipino and foreign businessmen? Finally, it is relevant to raise the further question whether after becoming a reality economic imperialism has actually grown insofar as this can be measured by the extent of foreign participation over time.

The basic source of information on all these measures is the *Survey of Foreign Participation in Philippine Industry*, a report of the Industry Survey Committee organized by the Department of Commerce and Industry from among the Bureau of the Census and Statistics, the Bureau of Commerce, and the Securities and Exchange Commission, and released in March 1967. As consultant to the Bureau of the Census and Statistics at the time and chief economist of the Industry Survey Committee, I had the opportunity to suggest the different measures of economic concentration that were subsequently taken up to define the extent of foreign participation in the country's industries.

These measures were obtained basically from business establishments which are individual plants, mines, mills, factories, shops or stores located at a definite place and characterized by a definite economic activity. Thus, the establishment as this term is used here is not to be equated with a company, a firm, or an enterprise, each of which can represent several establishments in different lines of economic activity.

In our considerations, a business establishment in any given period is defined to be Filipino if 60 percent or more of its capital is owned by Filipino nationals, whether the capital value is paid-up as in the case of a stock establishment or actually contributed as in the case of non-stock establishments. Otherwise, the establishment is foreign controlled.

Our idea of value-added is the difference on the one hand between the total value of goods produced and shipped by the establishment adjusted for changes in inventories and, on the other, the cost of produced inputs that went into their production. It represents, therefore, that establishment's unique contribution to the national stream of goods and services. The data on total employment includes paid and unpaid workers who worked in the establishment for at least a third of the normal working time. Payrolls are quoted pre-tax and before deductions for group insurance, union dues and so forth. They consist of salaries, wages, overtime pay, commissions, dismissal pay, bonuses, vacation and sick leave pay, and similar monetary remunerations as well as the cash value of payments in kind. Capital expenditures include outlays actually incurred or payable during the year for the acquisition of new additional fixed assets.

Data coverage has been limited to non-agricultural industries in the Philippines, although it comprises some 2,712 reporting establishments tabulated for the 1961 Economic Census and the 1965 Annual Surveys of Manufactures, Mines and Quarries, Electric and Gas Plants conducted by the Bureau of the Census and Statistics. However, it has not been possible to include information on such economic activities as banking and finance, insurance, real estate, storage and warehousing. Even so, the 1961 data represent 1,703 establishments employing an average of 50 workers or more and accounting for 65 percent of the total value-added or domestic output produced by the non-agricultural industries listed above. The 1965 data, on the other hand, cover 1,009 establishments with an average employment of 50 workers and representing 85 percent of the total value of the output of these same non-agricultural industries. Data for both periods are generally on a calendar year basis, except for employment which are averages of the number of workers reported for four periods of the year, inventories which are recorded, 1 January and 31 December of the year, and the paid-up or contributed capital which is quoted 31 December of the year.

It may have been somewhat tedious to go over the above discussion of methodology, but I find it necessary in an effort to reduce the danger of ambiguities that frequently creep into discussions of economic imperialism in this country and in these days.

Now to the empirical content in the allegations of economic imperialism. In 1961, the Philippines produced ₱2.8 billion in output of non-agricultural goods and services. Filipino-controlled establishments generated 62.7 percent of this total value, while foreign-controlled establishments accounted for the other 37.3 percent of the total output. A total of ₱3.6 billion in materials, supplies and services were absorbed in the course of production, with Filipino-controlled establishments representing 56.2 percent of this outlay, and the foreign-controlled establishments for 43.8 percent. Total sales (gross receipts) for the period amounted to ₱6.3 billion, 59.1 percent of which accrued to Filipino-controlled establishments and 40.9 percent to foreign-controlled establishments.

However within the structure of the domestic economy itself, the wholesale and retail trade as well as the mining sectors are predominantly foreign-controlled. Foreign operators accounted for 60.7 percent of the total output of ₱325 million in the wholesale and retail trade sector, and for 57.8 percent of the total output of ₱122 million in mining. As a result, they also absorbed 59.4 percent of the total inputs of ₱1.1 billion into wholesale and retail activities and 60.8 percent of the total inputs of ₱70.5 million into mining.

But in the area of manufacturing, Filipino establishments produced 59.8 percent of the total output of ₱1.8 billion while foreign establishments turned out the other 40.2 percent during 1961. However, in 4 of the 20 manufacturing industry groups foreign operators generated the greater proportion of the total output, viz., in the manufactures of metal products (except machinery and transport equipment) in which they accounted for 52.1 percent of the output, rubber products in which they contributed 57.6 percent of the output, chemicals and chemical products 68.9 percent, and in the manufacture of petroleum and coal products where foreigners have a 100 percent monopoly of the annual output.

At this point, therefore, and in terms of their relative share of the industrial output, foreign operators cannot be said to control Philippine industry in a meaningful sense, even as it is true that they generated a substantial proportion of the output during 1961. Put another way, Filipino establishments generally control the level and structure of Philippine industry, as indeed they should.

Now in the matters of employment and payrolls. Once more Filipino establishments accounted for 74 percent of the industrial employment totaling 376 thousand workers, and paid out 66.4 percent of the total industrial payrolls of ₱801 million. In manufacturing particularly, Filipino establishments employed 70.1 percent of the total work force of 190 thousand workers and contributed 67.2 percent to the total payrolls of ₱406 million. However, in wholesale and retail trade activities foreign operators employed 54.7 percent of the 25 thousand work force, consequently paying out 64.6 percent of $109 million in payrolls. Again, in the mining sector, they also accounted for 55.5 percent of the total employment of 24 thousand, and 67.2 percent of ₱48.7 million in total payrolls. As far as employment in other industries such as construction, utilities, business, recreational and personal services, forestry, logging and fishing, the contribution of foreign establishments ranged between 6.8 and 17.8 percent of the total, though in the payrolls paid out in these industries their relative contribution ranged from 9.1 to 24.1 percent. Thus, while foreign establishments in 1961 have generated 37.3 percent of the industrial output, they employed only 26 percent of the industrial work force and in the process paid out only 33.6 percent of the industrial payrolls.

What about the extent of foreign participation in expenditures on new fixed assets, i.e., in capital formation? Our 1961 data show that foreign operators generally accounted for 39.7 percent of the total outlays of ₱526 million for new machinery, plant and equipment. Filipino establishments, on the other hand, contributed 60.3 percent to the expenditures on new fixed assets. In mining, however, foreign establishments accounted for 60 percent of the new investment expenditures, 51.1 percent in manufacturing, and 50.7 percent in construction. Their relative contribution to new investment expenditures in the wholesale and retail trade sector was 30.1 percent, and in all the other sectors it ranged between 4.5 and 11.8 percent.

Up to this point, the discussion has been limited for the most part to levels of output, employment, payrolls, and new investment expenditures and their relative distribution between Filipino and foreign establishments. Comparisons in these directions are useful to some extent. It is also rather useful to compare both types of establishments in terms of relative efficiency in production. For this purpose, one can use such indices of efficiency as the magnitudes of the average product or output per worker, and average wage or wage per worker. The latter is measured as the ratio of total payrolls to the average number of paid workers, while average productivity is the ratio of total output to the average level of employment. A further measure in comparing the economic performance of the Filipino and the foreign operators is the average capital outlay, obtained as the ratio of new investment expenditures on fixed assets to the average level of employment.

Again in terms of data available from the 1961 Economic Census, the average wage per worker for all industrial establishments amounted to ₱2.1 thousand per year. However, the average wage among foreign establishments was ₱2.8 thousand. The comparable average wage among Filipino establishments was ₱1.9 thousand. It appears, therefore, that the foreign operator paid an average that was 47 percent greater than that paid out by the Filipino operator. This was the case across the entire range of Philippine industry: foreign establishments generally paid higher wages to their workers than did the Filipino establishments.

For both foreign and Filipino establishments, however, the highest salaries and wages were paid out to workers employed in wholesale and retail trade. But here the average wage was ₱5.1 thousand among foreign establishments, and ₱3.4 thousand among Filipino establishments. The lowest salaries and wages, on the other hand, were paid to workers in the forestry, logging and fishing industries. This was generally the case among both the foreign and Filipino establishments, although once more the level of the average wage among foreign establishments was ₱2.1 thousand, and among Filipino establishments, ₱1.5 thousand.

Why have foreign establishments consistently paid a higher level of average wage than their Filipino counterparts? Further inspection of available data shows that output per worker or productivity among foreign establishments was generally greater, ₱10.7 thousand, than among Filipino establishments where it was ₱6.3 thousand. Moreover, precisely because productivity is greater among foreign than among the Filipino establishments, one can infer from this that the difference between the average output and the average wage whence profits emerge must be generally larger in the case of foreign establishments than in that of the Filipino establishments. One can say, therefore, that if foreign operators reap the largest profits in a given economic activity as apparently they do or did at least in 1961, it was primarily because they also turned out to be more productive organizers than their Filipino counterparts.

Productivity was generally highest in the wholesale and retail trade sector, where output per worker was ₱14.3 thousand among foreign establishments, and ₱11.2 thousand among Filipino establishments. After trade, manufacturing registered the next highest level of productivity, where output per worker among foreign establishments was ₱12.6 thousand per worker, and among the Filipino establishments, ₱8.0 thousand. The lowest level of productivity among Filipino establishments was observed in the construction sector where output per worker turned out to be ₱2.9 thousand. Among foreign establishments, it was in the service sector, i.e., business, recreational and personal service industries, where output per worker amounted to ₱3.9 thousand.

The next question that one can ask at this point is why foreign establishments seem to be more productive on the whole than the Filipino establishments. One important clue to a possible answer is the average capital expenditure per worker. The evidence on this shows that capital outlay per worker tended generally to be greater among foreign establishments where it was ₱2.1 thousand than among Filipino establishments where it amounted to ₱1.1 thousand. In effect, because the foreign operator succeeded in providing more tools and working space for his men than the Filipino operator did, he naturally ended up being more productive than his Filipino competitor.

Among the foreign establishments, capital outlay per worker was highest in manufacturing where it was ₱3.1 thousand, followed by mining at ₱1.6 thousand, and by wholesale and retail trade where capital outlay per worker was ₱1.1 thousand. For Filipino establishments, the highest capital outlay per worker was observed in the wholesale and retail trade sector where it amounted to ₱3.1 thousand, followed by manufacturing at ₱1.3 thousand, and by the utilities sector at ₱1.0 thousand.

Thus, in the matter of economic performance, the conclusion that emerges from the sort of statistical evidence adduced up to this point is this: that although foreign operators do not control industrial activity in this country, nonetheless they are more productive or efficient than the Filipino operators. They are more productive than the Filipinos because they can buy more capital implements for their work force. Because they are more productive, they also pay out higher wages even as they do not account for the larger share of the total payrolls generated each year since Filipino operators are more numerous. Because they are more productive, foreign operators also realize a higher rate of profit, even as they may not accumulate the larger portion of industrial profits since once more Filipino operators outnumber the foreigners.

But what has happened since 1961? If economic imperialism failed to become a reality in 1961, has it succeeded to be a reality since then? In analytical terms, has foreign participation in Philippine industry accelerated or decelerated since 1961? The most recent available data on this question relate to the year 1965, when the Bureau of the Census and Statistics conducted a survey of manufacturing, mining, electricity and gas industries. In what follows, therefore, the comparison between 1961 and 1965 will be limited to these industries, using generally comparable data characteristics and definitions. Even so, it involves only establishments with an average total employment of 50 or more workers, which actually account for 85 percent of the total industrial output.

In 1965, the total output of manufacturing, mining, electricity and gas industries totaled ₱2.8 billion, of which 29.8 percent was generated by foreign establishments, and the other 70.2 percent by Filipino establishments. The comparable foreign share for 1961 was 39.4 percent. In the matter of employment in these industries, foreign establishments accounted for 29.6 percent of the 265 thousand workers employed in 1965. Their relative share in employment during 1961 was 32.1 percent. A total of ₱723 million in payrolls was paid out in 1965, with foreign establishments contributing 31.3 percent. Their comparable contribution to the 1961 payrolls was 34.8 percent. Capital expenditure in 1965 amounted to ₱573 million, 24.7 percent of which was generated by foreign establishments. In 1961, they generated 44.1 percent of the total capital outlays in these industries. With respect to inputs absorbed in the course of manufacturing, mining and producing electricity and gas, foreign establishments contributed 32.4 to a total outlay of ₱4 billion in 1965. Their comparable contribution for 1961 was 39.9 percent. Finally, in the matter of total sales amounting to ₱6.9 billion in 1965, foreign establishments sold 31.3 percent of this value. In 1961, the comparable proportion they sold was 39.7 percent. It is clear, therefore, that foreign participation in Philippine industry insofar as one can tell from the general drift of developments between 1961 and 1965 among the manufacturing, mining, electricity and gas industries, has decreased rather significantly. That is, if economic imperialism was not a reality during 1961 it was quickly becoming a vanishing possibility by the end of 1965. The sharpest decline in foreign participation in the country's economy occurred in mining activities. It was virtually absent in the electricity and gas industries by 1965.

In the meantime, Filipino establishments have not only increased and consolidated their control of Philippine industry. Their economic performance or relative efficiency has also accelerated. Productivity or output per worker rose from ₱8.2 thousand in 1961 to ₱10.7 thousand in 1965. This was partly due to an increase in capital outlay per worker from ₱1.6 to ₱2.3 thousand. As a result, the average wage paid by the Filipino establishments also rose from ₱2.1 to ₱2.7 thousand per worker. Compared to his foreign counterpart, however, the Filipino operator continued in 1965 to be relatively less productive, in spite of the decrease in capital outlay per worker among foreign establishments over the period.

The 1965 survey of manufactures also shows that foreign establishments generally depended on imported materials for 53.4 percent of their total material requirements. The comparable import dependence among Filipino establishments was 35.9 percent of total material requirements for manufacture. On the whole, manufacturing has depended on imported materials for 41.5 percent of total requirements. Because Filipino establishments accounted for the bulk of manufacturing activity in 1965, their share of 58.8 percent of the total bill for imported materials far exceeded that of foreign establishments which accounted for the other 41.2 percent. Both among foreign and Filipino establishments, dependence on imported materials was greatest in the manufacture of petroleum and coal products (97.9 percent) followed by rubber products (81.5 percent), basic metal products (75.5 percent), transport equipment (75.1 percent) and the textile products (64.5 percent). In the manufacture of beverages, tobacco products, wood and cork products, and furniture and fixtures, the dependence on imported materials was less than 13 percent of the total requirements.

The proportion of manufacturing products that get exported averaged 13.4 percent in 1965. Among foreign establishments it was 7.4 percent, and among Filipino establishments, 16.2 percent. In terms of the total value of manufactures exported, foreign establishments contributed 17.6 percent while Filipinos generated 82.4 percent. For both kinds of establishments, though, the exported proportion was highest in the case of footwear manufactures (49 percent), followed by wood and cork products (29.4 percent), and food manufactures (21.2 percent).

Finally, in the matter of paid-up and contributed capital, i.e., direct financial investment in manufacturing, mining, electricity and gas industries, foreign nationals contributed 27.5 percent and Filipino nationals, 72.5 percent of the total reported investment during 1965. United States nationals accounted for 17.5 percent of the foreign share, Chinese 6.6 percent, and other nationals for the other 3.4 percent. As much as 91.6 percent of the foreign owned direct financial capital was invested in manufacturing, 8.3 percent in mining, and 0.1 percent in the electricity and gas industries.

In conclusion, there is no evidence either from 1961 or 1965 industrial data that supports allegations of economic imperialism in the Philippines, much less of the American sort of economic imperialism. What is true is this: that a fair share of industrial production in this country gets generated by foreign operators, and some of it happen to be in such strategic areas as the production of industrial fuel like petroleum and coal products. Moreover, of that which they do produce, foreign operators appear to do so more efficiently than Filipino operators.

This brings me to a final point: if there is little empirical content to allegations of economic imperialism, why is there so much fuss about it? Part of the answer is implicit in the previous observation that foreign operators appear to be more productive or efficient than Filipino operators. In a system of economic organization such as ours, where initiative and private enterprise determine who run the businesses and who do so on a more or less permanent basis, the more efficient or productive tend to eliminate the less efficient in the long run.

In short, the great hue and cry that is raised these days about economic imperialism in this land is primarily motivated by the fear that unless clear and visible restraints are applied to foreign businessmen, they are likely to grow big and eventually come to control economic life over time.

What does or can one do with this fear, unfounded as it may be at this point? Since it is due ultimately to our being not as productive or efficient as the foreign operators seem to be, I suggest that we try to discover why we seem to be lagging generally. Once the sources of lags in productivity are known, the next sensible thing to do is to remove such lags through initiative, imagination and sustained effort. Hopefully we can then compete effectively with foreign operators on comparable terms and should they decide to leave, they will have done so because of competition, not coercion. This is one way of conquering the fear of economic imperialism. The other alternative is to legislate foreign businessmen out of this country. In a way, this is simpler to do. But it would have sent foreign businessmen home with some sense of victory and in the knowledge that they were too good for Filipino talent to cope with.