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Teresita Ang See

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Dimensions of Economic Success: The Chinese in the Philippines

Teresita Ang See



From the barren hills of Fujian and Guangdong to the corporate boardrooms of Makati; from crude sweatshops to huge industrial complexes; from the barefoot vendors in tattered clothing to owners of state of the art megamalls; from illiterate peasants to prominent professionals—the Chinese in the Philippines have indeed come a long, long way.

Behind these triumphs however were the silent years of hardship and struggle, of blood, sweat and tears that brought them to where they or at least their children are today. While some of the poignant stories of the early immigrants have been documented, they are focused mostly on the success stories. What few people realize is that for every success story, there are more untold stories of failure and heartbreaks. They have remained undocumented because the Chinese are the last to remember or record incidents where they lost face. While we dissect the role of the Chinese in the Philippine economy in academic fora, it would also be worthwhile to recall the many, many, more untold stories behind each economic success that is presented.

The same economic success that pushed the ethnic Chinese minority into prominence also brought them the envy and resentment of the majority in the mainstream society. While the early immigrant Chinese paid a high price to achieve economic success, they and their children are once again paying a high price for this same success. The incidences of kidnapping that targeted the Chinese,¹ the recent moves against big-businesses, especially the ethnic Chinese-owned ones, and the tax-evasion examinations singling out the prominent Chinese taipans² are disturbing indicators that latent racism which

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has never been far from the surface is rearing its ugly head again. While these events may not all be racially motivated, the fact that the ethnic Chinese have been singled out as a sector to be the targets of such actions is widely perceived as a manifestation of undercurrents of racism.

The National Security Adviser of the Philippines, General Jose Almonte, in an interview with *Asiaweek* (20 October 1993, p. 57) said that "the country should not be a milking cow of the Chinese. In a forum before the Philippine Congress last September, Gen. Almonte was quoted by the media to have said: "The insurgency problem is not in the Sierra Madres of Quezon and Luzon provinces but in the boardrooms of Makati and Binondo where these titans plan out the conquest and total control of the country's socioeconomic and political power."³ Binondo is the heart of ethnic Chinese commerce and finance while Makati is the business center of Spanish-Filipino elites.

This note attempts to present the sociocultural and political dimensions of the economic success of the ethnic Chinese in the Philippines. First, the study points out lessons from the past to show that racial discrimination has never worked and in fact has often created as unexpected backlash that harms both the minority sector and the mainstream society of which it is an integral part. Then, the study examines the sociocultural dimensions of economic success by pointing out the conflicts in the Filipino and Chinese relationships. Misunderstanding of the true role of the Chinese Filipinos in Philippine economy leads to the erroneous conclusion that the success of the minority sector is prejudicial to the success of the majority. Finally, the study explores the political position of the ethnic Chinese businessmen vis a vis their economic status. Using the kidnapping menace as an illustration the study will show how the Chinese community responded to the problem. The weakness in the political position of the Chinese community and their initial hesitancy in taking part in any action that is interpreted as political in nature led to the indifference of government officials in helping to solve the problems. Only when the majority and the minority finally joined forces to act concertedly on the problem was the kidnapping menace at least abated if not eradicated.

Learning from the past

Anti-Chinese discriminatory policies have been resorted to officially since Spanish times, especially whenever government needed a scape-

goat for its economic ills. However, history has also taught us that never have such policies worked. The backlash of anti-Chinese discriminatory measures often created more serious problems for the country (Tan 1988).

Spanish policy towards the Chinese depended on the degree of their fears (Tan 1988), and the degree of their needs for the services of the local Chinese. A few years after the big massacre of the Chinese in 1603 and 1639 when almost the entire Chinese population was wiped out, the colonial economy came almost to a standstill. The same happened after every incident of mass expulsion. The colonial masters learned that while they hated the Chinese, they could not do without them because the Chinese traders, especially, became the indispensable backbone of the Spanish colonial economy. Hence, the Spanish authorities were always forced to encourage their return after a while.⁴

The Americans and the Japanese, likewise, learned how to make shrewd use of the Chinese traders to serve their own ends. The Americans made use of the Chinese distribution networks to sell U.S. made goods and at the same time to procure native products and raw materials cheaply for export to American outlets and factories. When the Japanese Imperial Army landed in Manila, their *kempetai* targeted the local Chinese first because after all, they were deeply involved in anti-Japanese activities even before Pearl harbor. After the initial pogroms against the Chinese, the Japanese colonials learned also that they needed the Chinese traders and their distribution networks for most of the cities' supply of basic necessities (see Jensen 1956).

After the war and right after their colonial experiences, the Filipinos equated nationalism with being anti-foreign. At that time, the local Chinese were considered an alien and not an ethnic minority so they were the targets of a number of Filipinization measures aiming to wrest supposed "Chinese control" of some areas of trade for the Filipinos. The Chinese success in business was looked upon with envy if not with resentment. The growing role of the Chinese in Philippine economy was seen as a competitive force, if not an inimical one, to the success of Filipino businessmen. This thinking gave rise to the anti-foreign economic thrust such as the Filipino First Policy and the National Economic Protectionism Association (Tan 1981; see also Liao [1964] for the debates on the Filipino First Policy).

Foremost among the legislative measures adopted at the height of the Filipinization campaign was the Retail Trade Nationalization Law which prevented the Chinese from undertaking any forms of retail

trade (Agpalo 1961, 129-43). This measure was a big blow to the Chinese traders most of whom were small scale buy-and-sell businessmen tending the ubiquitous *sari-sari* style merchandising stores. During the initial years of implementation when the Filipinos had not fully taken over the retail business, some municipalities (especially small ones) reported a sharp decrease in the taxes collected for the year because the Chinese who used to pay those taxes had closed shops. On the other hand, while there were reports of the total failure of some businessmen to look for alternatives, quite a number learned to capitalize on the opportunity and went into small scale manufacturing concerns. This became a blessing in disguise that spurred Philippine industrial growth (Kunio 1985).

The Filipinization of professions was an entirely different matter with even more adverse repercussions. It effectively closed the door to an incalculable amount of human resources who could have been excellent doctors, architects, engineers, nurses, accountants and other crucial professionals much needed by a developing country. The young Chinese were forced to flock into business, the only opportunity open to them, or else choose to go abroad to practice their professions. It was only after the mass naturalization decree of 1975 that this situation was corrected (Ang-See 1990, 107-19). Hence, we are now seeing a lot of Chinese names in the roster of board toppers.

As we have pointed out earlier, there are valuable lessons to be learned from history. One lesson is that anti-Chinese discrimination has never paid off and undercurrents of racism, unless dissipated, could explode into unfavorable situations that harm not just the ethnic Chinese but also the country of which they are an integral part. Another important lesson, on the other hand, is for the local Chinese to learn that the socio-cultural dimensions of their economic success cannot be ignored either.

Sociocultural dimensions of success

Reviewing the lessons from the past, the ethnic Chinese should learn to analyze why the present situation prevails. Why must they continue to pay a price for their economic success? Weren't the sacrifices and struggles the ethnic Chinese went through in the early days enough to enable them to fully enjoy the fruits of their hardships?

In an earlier paper, I have raised the issue that Jollibee Hamburger (the biggest fast-food chain in the Philippines) with its *langhap-sarap*

Pinoy is not less Filipino because it is owned by Tony Tan; Mercury Drug (biggest drugstore chain) which serves both Chinese-Filipino and Filipino customers is not less Filipino because it is owned by Mariano Que; Hapee toothpaste which has wrested a sizeable share from the toothpaste market dominated by multinationals is not less Filipino because it is owned by Cecilio (Sy) Pedro and so on. But, unfortunately, this fact is not yet fully accepted as truth (Ang-See 1990, 107-19).

To a certain extent, the concept of the Chinese as an ethnic and not an alien minority has not yet taken hold. While they have progressed economically, a full acceptance of the local Chinese as an integral part of Philippine society is still elusive. Hence, a growth in the Chinese sector of the Philippine economy is not yet perceived as a growth in the domestic economy.

Until the mainstream society accepts the ethnic Chinese minority fully as co-equal partners in economic development, the *kayo* (you) vs. *kami* (us) mentality will prevail—meaning, the Chinese's success in Philippine business is translated as a challenge or competition to the native population's own success if not outrightly as the reason for the business failure of Filipinos. Likewise, the Chinese's share of the domestic economic pie is interpreted as the lessening or shrinking of the Filipino's share of the pie.

Moreover, because the Chinese Filipino businessmen are not considered part of the mainstream, they cannot fully enjoy the benefits of their economic success while a majority of the Filipinos live below the poverty line. This is illustrated by the fact that while the success of Filipino businessmen (including the Spanish Filipino elite) is accepted naturally. But that of the Chinese is often viewed not just with envy and resentment, but also seen as prejudicial to the native population's success.

This situation is dangerous and volatile because during times of political or social unrest, history tells us that it is often the minority which may be sacrificed. We have learned, however, that under the circumstances, it is not only the Chinese minority who will suffer but the majority even more.

Political Dimensions of Success

Another dimension of the ethnic Chinese economic success can be viewed from the point of view of their political acceptance. While the local Chinese have enjoyed unprecedented economic growth

especially in the last two decades, there has been no parallel growth in their political strength. In a previous study on political participation and political integration, I have pointed out that the ethnic Chinese can have more meaningful participation in the socio-economic development of the country only if they achieve full political integration (Ang See 1991). Unless the local Chinese learn to stand firm as full-fledged citizens of the Philippines, willing and able to fight and speak up for their rights and demand attention to their problems, they cannot always claim the just rewards of their economic endeavors.

The economic position of the ethnic Chinese will continue to be fragile without concomitant political backing. Political backing is taken here not in terms of patronage from Filipino politicians but in terms of strengthening their political position vis-a-vis their rising economic status. Without a stronger political base, real economic growth would not be easy to achieve because there will always be hindrances or deliberate impediments or harassments. Likewise, problems besetting the local Chinese community would often be seen only as narrow parochial concerns of the ethnic Chinese and not as problems that effect the national society which in fact have great impact on the Philippine economy.

This political weakness is reflected clearly in the community's response to the kidnapping problem as well as the government's treatment of the same. There are more than a thousand "Chinese" organizations in the country, but due to the traditional orientation of most of these groups, the leadership failed or refused to make use of organized action to make the community's demands felt. In fact, some of the traditionally-minded leaders in the community still persist in thinking that they live in a "foreign land" so they have to be wary about taking any action that could be interpreted as political in nature. Under such circumstances then, the local Chinese should not complain that they are being treated as second class citizens in this country.

The kidnapping menace which badly traumatized the local Chinese revealed the ineffectivity and lack of power of the traditional leadership in the community. Many of the leading traditional organizations used the old ways of meeting and discussing the problem even with the top ranking government officials who often demanded logistics or financial support for solving the problem. These organizations usually gave in to what the government officials demanded and provided equipment, transportation, financial help and other logistical support. Unfortunately, all such methods proved ineffective

in solving the kidnapping problem and restoring peace and order (Ang-See 1992).

Kidnapping continued to mercilessly claim victims and even lives despite government pronouncements to the contrary. At one point right after the 1992 elections and the Ramos government was sworn in, kidnapping incidents were happening one every other day. Events came to a head in September last year when two young students, Kenneth Go and Myron Uy Ramos were killed. The vulnerability of the Chinese community was never more evident than in this gruesome crime. First of all, the abduction happened in Chinatown itself. Secondly, the ransom payment did not ensure the safety of the victim's lives. Thirdly, the victims were badly tortured before they were killed. Lastly, Kenneth Go belonged to a low-key middle class family while Myron Ramos' father is a mere employee. It was the last straw that shocked the Chinese community and finally galvanized it into action.⁵

The Chinese community agitated to organize a temporary school close down and business strike to dramatize their demands for action on the kidnapping problem. Younger groups suggested the organization of "vigilante" or self-defense clubs for protection. Although the proposed school and business strikes did not materialize due to interference by the conservative groups and sabotage by pro-Taiwan groups, the public uproar and media mileage the events elicited finally helped to call attention to the problem. To a great extent, the events also led to the isolation of traditional organizations. The leading organization, the Federation of Filipino Chinese Chambers of Commerce and Industry in particular, was at the receiving end of public indignation for its failure to lead the community into taking mass action. Adding insult to injury was the fact that the Federation even expressed publicly that their members had confidence in the way the government is dealing with the problem. The helplessness of the traditional leadership was revealed and the community learned the lesson that the age old practice of solving problems through the so called *kuo min way jiao* or political patronage no longer works.

Following the September death of the two students was the death of yet another high school student, Charlene Sy on 7 January 1993. It was the catalyst that finally moved the Chinese Community into mass action. Members of the community could no longer be complacent and their impatience over past inactions could no longer be contained. It was therefore not difficult for the Kaisa Para Sa Kaunlaran, a newer and smaller organization made up of younger

members, to spearhead a mass funeral rally. The Movement for the Restoration of Peace and Order was formed by mobilizing community organizations to participate in the funeral march. The cooperative from the erstwhile unacquainted groups was unprecedented. During the funeral of Charlene Sy, many Chinese schools were closed and students were sent to join the funeral. Most business establishments in the Chinatown area closed down for the day. Even the automotive supplies establishments along Banawe street in Quezon City which used to open 365 days a year closed shop that morning to participate in the mass action. More than 25,000 people from all sectors and all walks of life joined the mass funeral rally in sympathy with the family of Charlene Sy. It was a significant milestone in Philippine history (Co and Ang-See 1993).

Closely following the mass funeral was another significant breakthrough in the history of Filipino and Chinese relations. For the first time, Filipinos and Chinese Filipinos joined forces in an unprecedented historic mass action. A mass rally was spearheaded by the Filipino middle class through a multisectoral aggrupation called the Citizens Action Against Crime. It was held on 16 February 1993 to coincide with the closing ceremonies at the national summit on peace and order held at the Philippine International Convention Center (PICC). While the government sponsored multisectoral summit was being held inside the PICC, outside, more than 100 organizations, a large percentage of which came from the Chinese community, were mobilized to express their anger and protest against rising criminality and the unabated kidnappings. Even the more conservative traditional organizations in the Chinese community sent their representatives and identified their groups as participants in the rally (Co 1993, 8-9).

The PICC rally showed above all that the Chinese community alone cannot solve a problem of such magnitude. The community needed the strength of the majority, the people behind CAAC, to really prod the masses into action and get the government's full attention. It especially called attention to the fact that the destiny of the Chinese community is closely tied with the majority. The kidnapping menace, being a national problem, can be solved and faced only together with the Filipino people. Likewise, another significant lesson that the Chinese community learned was that only when they stand firm on their identity as Filipinos and are willing to speak up, to articulate their own problems, to fight for their rights, and to work together with the majority can there be hope that the problem would be minimized if not completely solved.

The mass action produced effective results. The President ordered the total revamp of the Philippine National Police (PNP) especially its top personnel.⁶ Kidnapping incidents particularly in Metro Manila drastically abated in the following months of March and April. The first recorded kidnapping of a Chinese in Metro Manila after the mass rally was on 11 May 1993 when a Taiwanese, Jack Chou, was abducted with a ten million ransom paid through Hong Kong. Three other cases involving Chinese Filipino victims were reported in June, two in July and two in September. While kidnappings in Metro Manila somewhat abated, it turned worse in Mindanao. In just one week from 8 November to 15 November there were seven victims. The last one was an American researcher with the Summer Institute of Linguistics (SIL), Charles Walton.⁷

Re-examining present options

The kidnapping menace wreaked havoc, not just in the lives of its victims, but also in the Philippine economy. The economic dislocation caused by the businessmen who opted to close shop and move elsewhere, by the victim whose families pulled out of the country, and by domestic investors who shelved their plans for expansion, cannot be quantified. Compounding the problem was the capital flight and the hesitancy of foreign investors to come in due to the hostile business climate. Central Bank figures for the first six months of 1993 showed a 43.4 percent increase in capital outflow from the country compared to the same levels in 1992.

The Chinese economic growth or success is highly dependent on the environment. No matter how good they are supposed to be in doing business, how much they pursue good business practices or how hardworking they are, as long as the Chinese continue to feel their lives are being threatened due to the kidnapping problem, there will be no inclination to think of doing business, much less think of expansion or growth. A Chinese community beset with fears cannot grow, and the society to which this minority sector is a part will likewise be directly affected by the stagnation and demoralization in the Chinese business sector. The capital flight and re-migration caused by the trauma and fears spawned by kidnapping not only showed that the economic success of the Chinese cannot be protected if it is not backed by a strong political base. It also showed that the political and economic destinies of the two people are inseparable. Hence,

when the Chinese community learned to join forces and work together with the mainstream society towards solving their common problems, a more viable solution was found and their fears were somewhat eased.

Now, even before the local Chinese have recovered from the trauma brought about by the kidnapping menace which singled them out to be victims, they are currently beset by fears that the government is again singling them out as sacrificial lambs in its lacklustre anti-tax evasion campaign.

First, President Fidel Ramos tried to entice the country's prominent taipans to form a consortium to invest in the Philippines. After the group agreed, the government hit Lucio Tan for being a Marcos crony, for using his Marcos connection to build up his businesses and later for tax evasion. Not content with hitting Lucio Tan, the government's Bureau of Internal Revenue (BIR) later released a list containing eight names of alleged tax evaders. Six of the names in the list were those of the prominent taipans who accompanied President Ramos on his China trip and promise to form a consortium for Philippines investments.⁸

Aside from the name of Lucio Tan, the list included Henry Sy, John Gokongwei, Alfonso Yuchengco, George Ty, Andrew Gotianun, William Gatchalian, and Dencio Buen. Apparently reacting to the accusation that the Chinese were being singled out in its tax campaign, the government later announced that it would also go after the tax cases of Japanese and other multinational businesses. The popular conclusion in the business circle is that the administration is surrounded only by military minds who have little knowledge of economics and finance.⁹

The government's action in singling out the prominent Chinese taipans as examples in its anti-tax evasion campaign elicited a strong backlash in terms of adverse public opinion. Senators Blas Ople and Nikki Coseteng hit the anti-Chinese campaign being waged by the government. Even others who found the tax evasion examinations laudable criticized the overt racism behind the government's move. Days after the list of the Bureau of Internal Revenue came out, in an apparent attempt at damage control, the government first denied that it was singling out the Chinese in its tax campaign and much later on denied outright that such a BIR list including the names of the taipans existed.

Many local Chinese, especially the successful ones, are re-examining their options now. Many have invested in China because of poor

business climate in the Philippines in contrast to the persuasive lures of China's growing open market. Not only the much ballyhooed six taipans—Lucio Tan, Henry Sy, George Ty, John Gokongwei, Alfonso Yuchengco, and Andrew Gotianun—have blazed a trail to China, even the middle-class businessmen are making a beeline especially to their hometown Fujian. Philippine-based architects like Gilbert Yu are cashing in as contractor-developers of properties financed by Chinese Filipinos. Garments, food, and other light industry manufacturers are starting to reap profits too. In fact, some are even more willing to try out their new ventures in Vietnam rather than the Philippines.

China's attractive business climate is not the main reason for this transfer of investments out of the country. The power crisis is more than enough to shake one's confidence in the viability of doing business in the country. Added to that is the crisis of confidence in the government's ability to fight criminality, stop kidnapping and restore peace and order. While most businessmen purchased generators as temporary measures to ease the power crisis, the peace and other situation, though much better in recent months, has not yet erased the fears and the paranoia which have demoralized and driven many businessmen away.

Conclusion

The Philippines is at a crucial crossroad at the moment. The inconsistencies in government policies—trying to lure investments on one hand but driving away its own domestic investors on the other hand—have serious long-term implications that must be pointed out especially to policy makers and planners so that viable solutions can be found.

On the other hand, the most valuable lesson the ethnic Chinese should learn now is that the days for being mere bystanders or fence sitters are over. One cannot merely focus one's energies purely on business or on just earning money. If the ethnic Chinese refuse to get involved politically, politics will still come knocking at their doors. One can either choose to sit down and accept whatever "fate" brings or choose to confront the political waves head-on. They can either continue to isolate themselves and attempt to attend to their own concerns or choose to fully integrate themselves with the mainstream society and face national concerns together. Either way there will be

great risks but the choice will determine the future direction of the local Chinese community—either they will continue to be considered as the favorite milking cows or convenient scapegoats of politicians or they are truly citizens who actively participate in determining their own future and the future of their nation.

Notes

1. See cover stories of *Tulay-Monthly Chinese Filipino Digest* for the months of August 1992 to February 1993 for more exhaustive reports and updates on the kidnapping issue. See also *Filipinas Magazine*, January 1993, pp. 42–48 for articles of Teresita Ang See, Jacqueline Co and Go Bon Juan on the Kidnapping problem.

2. "Chinese-Filipinos alarmed by Tax Crackdown" *Philippine Daily Inquirer* (30 September 1993) and other clippings of *Philippine Star*, *Manila Bulletin* and other newspapers from September to November 1993.

3. Budget hearing, House of Representatives, as reported by the press release of the *Philippine News Agency* and published in *Manila Bulletin* and also quoted in the *Philippine Star* column of Max Soliven, 19 September 1993.

4. For a description of the situation of the Chinese during Spanish times, including the two incidents of massacres, consult the two-volume work by Alfonso Felix Jr.

5. See *Tulay's* cover stories (11 October 1992) "Kidnapping: A national disaster" Anger and terror grip community; "After the execution"

6. Headline news from *Manila Times* "President warns defiant warlords" 14 September 1993.

7. News clippings from *Philippine Star*, *Philippine Daily Inquirer*, and others from 14 November to 7 December reporting news of Charles Walton's kidnapping. He was released on 7 December 1993.

8. "Government execs defend tax campaign," *Philippine Daily Inquirer*, 17 September 1993.

9. "BIR tax drive not aimed at particular group-officials," *Philippine Star*, 17 September 1993.

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