

Philippine Institute for Development Studies
Working Paper 81-11

FOREIGN DIRECT INVESTMENT IN THE PHILIPPINES:
A REVIEW OF THE LITERATURE

by

Charles Lindsey
in collaboration with
Ernesto M. Valencia*

Philippine Institute for Development Studies

October 1981

*Assistant Professor, Trinity College, Hartford, Connecticut, and Instructor, School of Economics, University of the Philippines, respectively. The research was largely carried out while Lindsey was Visiting Associate Professor at the School of Economics. Arnold Oliva, Teofilo Pilando, Jr., and Jose Raymund Vergara were research assistants; their efforts are appreciated.

The views expressed in this study are those of the authors and do not necessarily reflect those of the Institute.

<u>Contents</u>	<u>Page</u>
I. Introduction	1
II. Attitudes, Policy, and Regulation	4
III. Size of Foreign Investment in the Philippines	14
IV. Factors Affecting the Decision to Invest	25
V. Benefits and Costs: Some Preliminaries	29
VI. Capital Contribution	37
VII. Balance of Payments	51
VIII. Employment and Labor Relations	57
IX. Factor Intensity, Wages, and Profits	66
X. Technology Transfer	74
XI. Training and Skill Development	84
XII. Monopoly, Power, and Influence	91
XIII. Summary and Conclusion	108
References	112

I. Introduction

This is a review of the literature on foreign direct investment in the Philippines since independence. This demarcation is appropriate inasmuch as the difference in the sectoral pattern of foreign investment in the pre- and the post-independence periods, especially following the imposition of exchange and import controls in 1949, is quite large. (Columbia University 1958: 146-147) In the latter period, the greatest proportion of investment by non-citizens has been in manufacturing; therefore, we will primarily be concerned with this sector of the economy.

During the past 30 years direct foreign investment, other than by Chinese nationals, has been virtually synonymous with investment by transnational corporations (TNCs). We will use the terms almost interchangeably. Also, we do not feel that there is any useful distinction between the terms "transnational" and "multinational". Our preference is for the former, but we also use the latter on occasion.

In this century, at least prior to the decade of the 1970s, Americans and Chinese were the dominant non-Filipino owners of productive assets in the Philippines. Although the Chinese presence in the economy has figured prominently in discussions concerning the extent or the desirability of Filipino control of various sectors of the economy, particularly in the early post-independence period, the issue usually has been considered a subject

separate from that of foreign investment. The latter has focused more on the actions of Americans, Europeans, and Japanese. We will follow this pattern; Chinese investments will be referred to only in passing.

Neither will we be concerned with foreign investment in the form of loans, either public or private. The reason is not so much that investments of this type are unimportant; quite the contrary, particularly in recent years. Rather it is that the subject has not received substantial treatment in the literature. In addition, different questions may be raised about loans and equity investments. Therefore, we will concentrate on the latter.

We attempt to cover as much of the literature as possible, that written both in the Philippines and abroad. We consulted library catalogues of major universities and relevant government offices in the Metro-Manila area, indexes of the various social science disciplines, dissertation abstracts, and the Philippine Index of Periodicals. Reference was made to the bibliography by Pascua (1978) and to the work of others who have previously reviewed parts of the literature on foreign investment in the Philippines. This includes Espiritu (1977), Magallona (1977), Stauffer (1979), Subido (1975), Suva Martin (1972), and Tsuda, et al (1978).

We find that there is a quite sizable amount of writing on foreign direct investment in the Philippines, ranging from academic inquiry to political debate to

speeches for business groups. There is no easy rule to follow in deciding what to and what not to include. Facts and arguments that we feel are relevant to our purpose at times appeared in pieces that otherwise would not be considered serious work. But judgment has to be exercised. We include those items that can be classified as broadly economic in nature, that introduce new data or information or present new or different analysis, and that use a historical or analytical approach. Works of widely varying quality and sophistication are mentioned. We tried to be catholic, but our biases no doubt intrude. For this we apologize. As it is, however, we include somewhat over one-third of our initial bibliography (copies of which can be supplied to interested persons upon request).

The topics we cover are taken up separately in benefit/cost fashion; however, on occasion we go beyond this segmented approach and touch on more encompassing issues. We normally do not examine a particular author's work as such, but rather extract the data, facts, and conclusions that are pertinent to the particular issue under consideration. In a few places, however, we do critically examine the theoretical and analytical argument presented.

We have attempted to present the state of knowledge on the subject as it is currently in the Philippines. We cover considerable ground, but the reader should be aware that there are few areas in which the results appear incontrovertible. If only those pieces were included in

which the author presented sufficient data and argument to prove his or her point beyond dispute, the bibliography would indeed be very short. Many of the conclusions presented are open to doubt; we question some of them in the review ourselves. We encourage others to do likewise, hopefully improving on the quantity and quality of both the data and the discussion.

Lastly, we should mention that almost all the papers, articles, and books included in this survey deal specifically with the Philippines (at least the chapters or sections to which we refer). A major exception are the monographs of Thomas Allen, which cover all of Southeast Asia. Inasmuch as his study was commissioned by the Philippine government's Inter-Agency Working Group as part of its investigation of foreign investment in the Philippines, we feel it is relevant to this review.

II. Attitudes, Policy, and Regulation

There are at least three reasons why studies on foreign investment in the Philippines are important. First, both historically and currently, foreign investment has been of sufficient importance in the economy to have an impact upon the pace and pattern of the country's development. This we take up in the next section. Second, Filipinos perceive foreign investment to be significant and, consequently, hold strong views on whether its presence is desirable or not. And third, the policy of the national government has, with variations, been encouraging of

foreign investment since independence. We now take up the second and third points.

Economic nationalism traditionally has been an important ingredient of the intellectual and political climate of Philippine society. Since independence there has been a rapid Filipinization of much of the economy. Writing a decade and a half ago, Golay summarizes this movement.

Equally remarkable has been the rapid Filipinization of all major economic sectors. Importing, other than industrial raw materials and equipment for direct use, was steadily diverted to Filipino enterprises by import controls. Export production, with the exceptions of mining, where foreign capital and management are still prominent, and the production and processing of pineapples and manufacture of desiccated coconut by American-owned enterprises, today is substantially in Filipino hands. Internal commerce, with the major exceptions of the ubiquitous international oil distributing firms, is dominated by Filipino ownership and management and heavy nationalist pressures are being maintained on the remaining Chinese and Western interests. Retail trade and trade in rice and corn, long dominated by the Chinese, have been reserved by law to Filipinos and substitute Filipino marketing structures apparently have materialized with little dislocation. Similarly public utility services, including internal transport and communications, are today essentially Filipino-owned and managed. Finally the postwar period has seen the emergence, with government encouragement and subsidization, of a complex structure of money and capital market institutions owned and controlled by Filipinos. (1966: 103-104, emphasis added)

There have been changes since the mid-1960s but with the possible exception of the financial sector, it would be difficult to argue with what Golay has written. It should be noted, however, that no mention is made of manufacturing. Elsewhere, Golay specifically exempts manufacturing as an area being closed off to non-citizens.

The reason is that "Filipinos generally -- elites as well as the 'man in the street' -- have avowed persistently that foreign capital is necessary if economic development and expansion in employment opportunities are to keep pace with the growth in population." (1969: 64)

If by Filipinization one means the exclusion of non-Filipinos, then we would have to question Golay's thesis that "all major economic sectors" have become Filipinized. Those he excepted -- mining, pineapple production and processing, petroleum, and manufacturing -- are not unimportant areas of the economy. In fact, they are at the center of both discussion and policy in the area of economic development. For that reason the continued presence of foreign investment has been controversial.

Gleek articulates a view that is not limited to foreign observers.

The influence of the American-owned firm has historically been profoundly democratic in its hiring, training and advancement policies; in its emphasis on the importance of building a mass market; in its promotion of the spread of ownership (of either the local or parent company). This thrust was in the early years invested with heavily ideological content, but as time went on, its chief motivation was rationally based on visions of economic development and the broader markets it generates. Whether we think of Philippine Education, with the impetus it gave to education, the early Meralco and its extension of mass transit, the bus and embroidery pioneers, the exploration of mineral resources, consumer goods manufacturing, or the media industry -- all participating American firms spread education and income in ways favorable to economic development. (1975: 178)

Those holding contrary views -- and they are not of one mind -- often question the efficacy, if not of capitalism in general, at least of its unregulated operation

at the world level on the economic development of the Philippines. The dominant institution of international capitalism, the transnational corporation receives particular scrutiny.

Constantino for example, questions the benefit of TNC-led industrialization.

Instead of economic development which will benefit the people, there results a distorted development not responsive to the people's needs but profitable to the global enterprises. Instead of using its own resources for its own people, such a country is drained of its natural riches in exchange for a pittance in the form of temporarily higher employment levels and the chimera of technological know-how. For precisely, to assure the perpetuation of the captured country's dependence which is the basis for their own profits, the global enterprises will impart only such technology as suits their purposes. (1978: 231)

Magollona, on the other hand, is more concerned with the influence of TNCs on national decision-making. The issue to him is one of "national economic security."

The key factor in the problem is the foreign ownership or control which the TNCs hold in the country's means of production and distribution. Such form of domination shifts the whole fulcrum of the national economy, from the collective interest of the broadest ranks of the population in their own independent social progress and economic development, to the demands of global profit maximization of the TNCs. . . .

. . . . the government is likely to equate the development process with the profit strategy of the TNCs, whose dominant position in the economy creates further conditions for the government to reinforce their presence as a prerequisite to economic stability. (1977: 122, emphasis in original)

Lichauco brings in the role of the international agencies in establishing policies that are conducive to the internationalization of the economic life of the Philippines. He argues that the four basic policies that are deemed essential from the international perspective

are harmful to the national economy. These include keeping the economy open to international trade and capital, encouraging foreign investment, adhering to monetary and fiscal austerity, and using devaluation as the remedy to balance of payments difficulties. (1973:21-23)

Recently, Stauffer conducted what he calls an interview-dialogue with 26 informed individuals on the subject of TNCs in the Philippines, academics, people in the government agencies dealing with TNCs, and representatives of the business community. (1979: 16,36) He attempts to summarize the views of those generally in favor of foreign investment and those who are largely critical. On the pro side, the following comments were made: (1) there is little choice other than to have TNC investment; (2) critics of TNCs are fighting modernization and the need for industry, discipline, order, and rationalization; (3) TNCs help the Philippines in terms of better production, exports, skill development, healthy competition, encouragement of small and medium scale business, and (continuous) technology inflow; (4) there is no need for local R & D, although the presence of TNCs reduce attempts at self-reliance; and (5) the TNCs are needed for access to world markets and world brand names. (35-39)

The critics also made several points: (1) the Philippines could have gone for independent industrialization in the early 1970s; (2) TNCs kill off the national bourgeoisie, get the best brains, and have close relations (along with other large corporations) with Philippine

government agencies; (3) foreign governments intervene in Philippine affairs on behalf of TNCs; (4) TNCs have "national styles" (the Japanese are more aggressive than the Americans); (5) TNCs hurt small business and create a belief in the superiority of foreign products; and lastly (6) some business people feel that they can compete with TNCs. (39-42)

In reviewing a portion of the recent literature on foreign investment in the Philippines, Stauffer points out that much of it has been critical. He explains why this is the case. "The 'other side' to the debate, of course, exists in the established policies of the government's development program and the overarching 'business culture' that permeates society" (1979: 52) The need to lay out a larger vision, much less to subject to scrutiny, is, one suspects, not deemed necessary by the proponents of foreign investment.

The views of government officials are of particular importance. The policies they enact and the regulations they enforce have considerable impact on the economy. Both success and failure in the Philippines' development process has been laid at their door. One reason is that the government is a major actor in the economy. In addition, the 'business culture' of which Stauffer speaks does not include laissez-faire as a tenet. One of the earlier post-independence works on foreign investment in the Philippines described Philippine enterprise in the following way:

When the American business community in the Philippines uses the term "free enterprise," it is thinking of the same institutional set-up their counterparts in the United States are concerned with. When, on the other hand, Filipino businessmen talk of "free enterprise," they appear to think of a "private" rather than of a "free" enterprise economy. In other words, while they are, as a rule, opposed to direct government activities in business undertakings, except perhaps when the government is satisfied with the role of a junior partner, they clamor for government protection, subsidies, incentives, and discrimination (mostly against "aliens") to an extent to which appears more representative of a "corporate state" rather than of a capitalist free enterprise economy. (Columbia University 1958: 92)

Leaving aside the authors' view of American "free enterprise," it remains true that there is considerable involvement by the Philippine government in the economy, including those parts in which foreigners invest. Cagampang-de Castro (1977) provides a detailed examination of the legal framework surrounding private foreign investment. One chapter examines the impact of Philippine nationalism on law and regulation; another deals with foreign enterprise doing business in the Philippines, discussing definitions, capacity to sue and be sued, legal jurisdiction, forms of business, and mechanics of control of decision-making in the corporate form of business; and a third chapter focuses on specific regulations and legal problems that arise from a transnational corporation operating in a developing economy.

Bacungan (1978) has put together a collection of articles on the regulation of TNCs. The first half of his collection, extracted from Tsuda, et al (1978),

presents a historical overview of foreign investment in the Philippines as well as a considerable amount of data. Following, there are sections on the regulatory powers of government agencies over TNCs: the Central Bank, Board of Investments, National Economic Development Authority, and the Securities and Exchange Commission. The volume ends with a "critical appraisal" section on the need to regulate TNCs. The United Nations Joint CTC/ESCAP Unit on Transnational Corporations Working Paper No.11 (1980) is a summary of the Bacungan collection.

Robinson includes a chapter on the Philippines in his study of the regulation of entry of foreign investment in 15 countries. The Philippines, according to the author, "Has the most complex entry control system in the world." (1976: xix)

The very complexity of the system invites criticism. Indeed, members of the [Board of Investments] staff admitted that they themselves did not have a full understanding of all laws, regulations, and procedures. One suspects that, given this complexity, almost any project (assuming that foreign ownership be held with the appropriate limits) could be justified on some basis. (150)

Other articles describing government policy towards foreign investment and the relevant legal considerations include Allen (1973a, 1973b, 1973c, 1974), L. Bautista (1979), Canlas (1977), Draper (1974), and Virata (1972a). Allen (1974) and Draper have undertaken comparative discussions of foreign investment policies of ASEAN member governments. In addition, Allen lists suggestions made by Japanese and American investors whom he interviewed

as to what policies that they would like to see implemented in Southeast Asia. (1973: 43-44; 1973b: 40)

After pointing out that there is control over the entry of foreign investment in the Philippines, Virata makes a rather controversial statement: "Once the business is established, the companies, whether foreign or owned by Filipinos, operate on equal footing." (1972a: 262) Golay argues that, on the contrary, the implementation of exchange and import controls in the 1950s and the judicial interpretation of the Retail Nationalization Law, to cite two examples, resulted in Filipino businesses receiving favored treatment. (1969: 61, 68) Henares agrees with Golay that government policy was not neutral during the period of import and exchange controls, but he disagrees on who the beneficiaries were. He gives examples to buttress his position that in spite of a Filipino first policy by the Central Bank, foreigners were able to get foreign exchange "to preempt the most profitable business opportunities in the country." (1979a:147)

The termination of the Laurel-Langley Agreement July 4, 1974, brought to an end an American imposed provision whereby the Philippine government agreed to accord citizens of the United States national treatment in engaging in certain economic activities. The discussions and negotiations surrounding the adjustments in the status of Americans, particularly the legal problems of divestment of land ownership, are examined by Landes and

Landes (1977). The authors give two estimates of the amount of land to be divested: 3550 hectares as of 1972 and 2648 hectares as of 1974. They identify 117 U.S. firms that are affected by the end of the "parity" agreement. By mid-1976 84 of these firms had complied with the new legal situation, while 26 had not (leaving 7 unaccounted for). (II, 208-210)

Relevant Supreme Court rulings, the political climate of the time, government policies, and private sector views are discussed in chapter III. In chapter IV the actual process of divestment is described. Three options were available, each involving either sale or donation of the affected land or other assets. One entails no further interest in the property; another, a lease-back arrangement, and the third, the creation of a holding company with lease-back. Transferees include government agencies, charitable organizations, and "friendly" firms, on the one hand, and employees' pension funds on the other. (IV, 137-141)

A three part criteria is put forward by Landes and Landes to examine the various divestment mechanisms: "bona fide absolute transfer of property ownership, qualifications of transferee [i.e., transferee is a Filipino citizen], and minimization of the financing required for transfer [to avoid disruption of financial markets].^{*} (IV, 137) The authors question whether or not those transfers that involved pension funds meet the bona fide

requirement. (IV, 143-144)

They conclude that the change that took place with the expiration of the Laurel-Langley Agreement "did not take [the] form of either [a] mass exodus of US investors or the state escheat of US business or land holdings by [the] Philippine government. It seems then that, without resorting to these radical means by either side, both parties succeeded to gain [sic] what they wanted from the change." (IV, 147) Nevertheless, they go on to note that the rental on the lease-backed lands were often less than two percent of their value, reflecting "the relatively weak position of the Philippine government, which has chosen deliberately to minimize necessary finance [needed] for divestment." (IV, 148-149)

III. Size of Foreign Investment in the Philippines

The importance of equity investment by non-citizens has been a central issue in the literature. In this section we look at the relevant statistics. Although there is more to the question of the significance or importance than the data reviewed here, quantitative information is basic to the discussion. In addition, most of the contributions have not gone beyond looking at the numbers involved.

A major pre-independence discussion of the size of foreign investment in the Philippines is that of Callis (1942; also see 1943). His primary source of information was a survey by the United States Tariff Commission

(1937; also see 1931), although additional references were cited, particularly for non-American investment. Data on American investment during this period also can be obtained from publications of the United States Department of Commerce. Callis considered the Tariff Commission data preferable because the latter (1) was based on appraised value of assets rather than book value and (2) included investments of Americans resident in the Philippines, a significant component of investment by U.S. citizens in the Philippines at that time. (12) Other estimates of pre-independence foreign investment data can be found in Phil., Technical Committee (1944) and Inamura (1978). For discussions of the data in addition to that of Callis, see Golay (1966), Landau and Landes (1977), Subido (1975), Suva Martin (1971), and Tsuda, *et al* (1978).

Since 1948 major sources of statistics would include the Economic Census of the Philippines for the years 1948 and 1961 (Phil., Bureau of the Census and Statistics 1953; 1965), the "Study of Private Foreign Investments in the Philippines; Interim Report" (Phil., Inter-Agency Working Group 1972c; also see 1972b), and the Survey of Current Business and other publications of the United States Department of Commerce (1955; 1960; and no date). Itcheon (1958) cites data published by the Securities and Exchange Commission on newly registered firms, as well as information collected by the Central Bank on firms engaging in foreign exchange transactions in 1956.

Bantegui (1965) gathered statistics for the period 1956-1965 on 108 American firms of the 157 he says were registered in the Philippines at that time, and Poblador (1971) collected data for 1964 and 1965 on corporations with assets of at least ₱1.0 million. Valdepeñas (1970) gives as one of his data sources the "Survey of Foreign Participation in Philippine Industry," a report of the Industry Survey Committee (Department of Commerce and Industry, Bureau of Census and Statistics, and Securities and Exchange Commission), released March 1967.

The U.S. Department of Commerce statistics have the advantage of being a series so that changes over time can be observed. During most of the twentieth century, when American investments formed the bulk of non-Chinese, foreign investment in the Philippines, the pattern of U.S. investment was often used as a proxy for the total. However, as investments by Japanese firms are becoming a larger part of the total, reliance on American data is increasingly inadequate. Statistical information from Japan should be accessed. See the discussion in Tsuda (1978: 3).

Since 1968 Business Day has published yearly lists of the 1000 largest non-financial corporations in the economy. In some years (e.g., the issue for 1974) the annual includes articles which identify subsidiaries of transnational corporations. Those included are usually wholly owned; therefore, the lists should not be considered comprehensive.

For several years in the 1960s the Business Review (University of the East) compiled lists of the 100 and 150 largest firms in the economy (see the August issues beginning in 1963 and the one for December 1963). Both the Business Day and the Business Review publications have been used by researchers to identify foreign investment among the larger firms in the economy. Yoshihara (1971a, 1971b, 1971c, and 1971d), for example, gathered information on ownership for large firms listed in Business Day's 1000 Largest Corporations, 1968.

Tsuda, et al (1978) and MacDougald (1981) attempt to establish the population of firms with foreign-owned equity as well as the smaller group of firms with equity investments by TNCs. A quick glance is sufficient to see that the two lists are not the same. In addition to the two year difference in time periods in which ownership information was collected, the discrepancy is no doubt attributable to the difficulty in establishing the larger population from which firms with foreign-equity are to be selected, as well as obtaining the correct ownership information from the Securities and Exchange Commission or other sources. A related problem is that of identifying the nationality of the ultimate owner. For example, if firm X and firm Y are both incorporated in the Philippines, if firm X is 51 percent owned by firm Y, and if firm Y is 51 percent owned by non-citizens (the other 49 percent being owned by Filipinos in both cases), is firm X to be considered foreign owned? Poblador (1971:5), Lindsey

(1976:134-135), and Cagampang-de Castro (1977:74-77) discuss this question.

In recent studies of foreign investment in the Philippines, the terms foreign investor and transnational (or multinational) corporation have been used almost interchangeably. Some have provided definitions of TNCs, but most have not. Villegas, et al do provide a three part criteria and claim to have used it to identify TNCs among the 1000 largest firms in the country in 1975. (1977: 33) However, their sample appears to be limited to those TNCs listed in the 1974 issue of Business Day's 1000 Largest Corporations for which information is included in the 1975 issue of that publication.

Questions of quality of data, comparability of data sources, coverage, types of assets to be included, and percent of equity participation necessary for control or substantial influence, with a few major exceptions that we will refer to in the course of this review, have not been major topics of discussion in studies on foreign investment. The reader should bear this in mind as we briefly look at the statistics that have been presented in the literature.

Callis reports American investment in the Philippines at \$200 million in 1935, 80 percent of which was direct investment. It was "considerably below British investment in Malaya or Dutch investments in Netherlands India." Nevertheless, the U.S. was by far the largest investor in the Philippines, comprising about 50 percent of direct

foreign investment (40 percent if estimates of resident Chinese are included). (1942: 12-13, 22) Statistics presented by Inamura for the same year list the American total at a slightly higher figure than that given by Callis, but inasmuch as he includes Filipino as well as foreign ownership, the American share remains at the 50 percent level. Interestingly, the proportion Inamura reports owned by Filipinos (14.5 percent) and Spanish (6.7 percent) sum to approximately the proportion Callis attributes to the Spanish (22 percent). (1978: 39) No doubt there are substantial difficulties in assigning nationality.

U.S. Department of Commerce figures are much lower than those presented by Callis and Inamura: ₩92 million in 1936. At the end of the post-war recovery period, 1950, this source estimates American investment in the Philippines to be \$149 million. By 1960 it was ₩414 million almost triple the 1950 figure. In 1970 it was ₩640 million, and by 1979 it had increased to \$1,317 million. (Tsuda *et al* 1978: III, 31; Survey of Current Business August 1980: 27) If anything, the share of foreign investment owned by U.S. citizens has become even more significant than it was in the mid-1930s. In 1970 it was estimated that almost 80 percent of foreign-owned equity among 900 of the largest 1000 firms in the economy was American. (Phil., Inter-Agency 1972c: 16)

On the basis of the aggregate statistics, however, the Philippines has not in the past nor does it currently

loom large in the overall foreign investment of the United States. This point is stressed by Golay (1980). The investments are no doubt very important to individual U.S. citizens and firms, but not to the group of foreign investors as a whole. If there are specific areas of investment that are in some sense crucial or strategic to the United States, we have not seen the case made.

Landes and Landes calculate the portion of U.S. overseas investment located in the Philippines for selected years since 1929 as varying between 0.6 and 1.3 percent, with a declining trend. (1977: II, 184) Callis discusses the reasons for these low figures during the colonial and commonwealth periods: (1) American proximity to the raw producing areas of Canada and tropical Central America, (2) the lack of special incentives offered to Americans investing in the Philippines, (3) restrictive land holding laws, (4) problems of double taxation, and (5) knowledge that the United States might withdraw from the Philippines. (1942: 10-11)

On the other hand, prior to independence there is little question that foreign investment was a significant force in the Philippines. Inamura sets the share of Filipinos in ownership of other than agricultural lands and real estate in 1935 at less than 15 percent of the total. Golay on the other hand, places the American share of Philippine capital stock other than in agricultural lands, in the mid-1930s at 22.3 percent. (1980) If as Callis argues the Americans controlled about one-half of foreign

investments, the portion of the total owned by Filipinos would be approximately 55 percent. Although the foreign portion implied in Golay's calculations is much smaller than Inamura suggests, it is still quite substantial.

The Economic Census of the Philippines, 1948, reports that Filipinos controlled 52 percent of the total assets in the seven non-financial sectors of the economy in that year. Foreigners owned the majority of assets, however, in four of the seven sectors: electricity (82%), mining (58%), commerce (54%), and manufacturing (51%).

(Columbia University 1958: 51)

Since 1948, the issue has not been so clear. Overall, the share of productive assets owned by non-citizens has decreased. Surapath calculates that Americans' share in the assets of the 150 largest industrial and commercial firms in 1963 was 30 percent, and their equity share was 35 percent. (1965: 78) The Inter-Agency Working Group estimates non-citizens' share of the equity of 900 of the 1000 largest firms in 1970 (Phil., Inter-Agency 1972c: 16) to be 40 percent. If smaller economic units are included, no doubt the foreign controlled proportion would be even smaller. In addition, there has been a shift in the sectoral location of foreign investment.

Almost 80 percent U.S. direct investment in the Philippines as of 1935 was in mining (23%), public utilities (20%), sugar centrals (14%), plantations (12%), and merchandising (11%). (Callis 1942: 17) The investments of other major foreign participants in the pre-independence

period were in commerce and finance (Chinese, British), abaca plantations and base metal mining (Japanese), and gold and silver mining and tobacco (Spanish).

(U.S., Department of Commerce 1955:7-8) In the post-World War II period, however, manufacturing has become the principal recipient of foreign investment. In their study Tsuda, et al found that manufacturing accounted for 56 percent of total foreign investment in the mid-1970s, with finance and insurance, mining and quarrying, and trade accounting for between 12 and 14 percent each.

(1978: II 26-27) The Inter-Agency Working Group found very nearly the same distribution for 1970. (1972c: 21)

If attention is restricted to the larger firms in the economy the relative importance of foreign investment increases. For example, Poblador reports that in 1965 Filipinos owned 83.6 percent of the equity of firms in the non-financial sector of the economy with net adjusted assets of between ₱1.0 million and ₱10.0 million. However, the proportion was significantly less -- 60.2 percent -- for firms with assets of at least ₱10.0 million. The proportion was further reduced to 57.2 percent for the group of firms among the 100 largest. (1971: 22, 39) Lindsey finds a similar pattern in the ownership of manufacturing firms in 1970. Among the 5 largest or 10 largest firms, approximately one-half of the firm assets are owned by non-citizens, but for the 60 or 100 largest, the proportion is less than 40 percent. (1976: 136)

Foreign investment is not evenly spread in the economy as we have seen. Nor is it equally distributed among the manufacturing industries; its importance is greater in some than in others. Using data from the Economic Census of the Philippines, 1961, Valdepeñas looks at the percent of output attributable to foreign-owned firms (defined to be firms with less than 60 percent Filipino-owned equity). At the two-digit ISIC level of aggregation, in only four manufacturing firms is more than 50 percent of total output in 1961 attributable to foreign firms: metal products (52%), rubber products (58%), chemicals and chemical products (69%), and petroleum (100%). (1970: 549-550)

Restricting his analysis to larger firms, Lindsey finds foreign participation somewhat greater than did Valdepeñas: in eight of 20 two-digit ISIC manufacturing industries at least 40 percent of the assets of firms which are among the 100 largest is foreign-owned. (1976: 141)

Magallona also argues that foreign participation is significant in several industries. After examining the industrial location of TNCs as presented in Business Day's 1000 Largest Corporations, 1974, he makes the following observation: "Out of 15 industry lines in the manufacturing sector where TNCs are strong, they enjoy virtual monopoly in four, dominate four others, and are prominent in all other lines." (1977: 109)

Villegas, et al., using the 1975 issue of the Business Day publication, arrive at a similar conclusion. The 85 TNCs in their study can be placed into 22 industries at the three-digit level of classification. In 9 of these industries the TNC-affiliated firms account for more than 50 percent of the total assets for firms among 1000 largest. This leads the authors to speak of the "overwhelming presence" of TNCS. (1977: 39-40)

Summarizing, we find that the dominant position of foreign investment that existed prior to independence has been reduced substantially. Filipinization, at least in some sectors of the economy, is surely a reality. Nevertheless, foreign participation in the economy cannot be viewed as quantitatively unimportant. This is particularly the case if one's attention is restricted to the larger economic units. There has been a shift in the sectoral composition of foreign investment, with manufacturing becoming the major recipient of foreign-owned equity. Within manufacturing, foreign investment appears concentrated in certain industries, and in those industries foreign control looms large.

The significance of the pattern or evolution of foreign participation has not been addressed in this section. Here we have simply presented data. The quantitative information has a bearing on the significance, but the latter is a much larger issue. We shall take up the topic prior to concluding this review. Now we turn to more narrowly defined issues under the rubrics of determinants of

foreign investment and benefit/cost analysis.

IV. Factors Affecting the Decision to Invest

The decision-making process of investing firms, particularly the transnationals, is complex; no one reason can be singled out. At time global considerations dominated. One American executive put it this way:

After we consolidated our markets in the United States, we turned to Canada and South America. When we consolidated our market and facilities there, we turned to Europe. We have now consolidated our market and facilities in Europe and we will now turn to the developing countries of Asia and Africa.
(quoted in Allen 1973b:4)

A Japanese investigator described practices of firms from his country in the post war period until the mid-1970s as going into "enterprises which assured Japan of a steady or sustained supply of natural resources."
(Inamura, 1978: 55)

The concern with natural resources also played a role in early American investment in the Philippines.

In the past, external forces represented by needs of the United States for basic raw materials were clearly a major factor influencing the character of the bulk of foreign investment and the timing of such ventures. The development of sugar and coconut production, for example, came when there was a high demand for these products. (U.S., Department of Commerce 1955:9)

Allen (1973a; 1973b; 1973c) and Lindsey (1981a) utilize the interview and questionnaire approach in an attempt to gain an understanding of determinants of recent foreign investment. Both find the domestic market, its size and growth potential, is the major consideration of investors. Japanese respondents in Allen's survey list raw materials

as the second most important factor, while the Americans are more concerned about acquiring a low-cost base to manufacture for export. According to Allen this latter factor will become more important in the future in Japanese decision-making. (Allen 1973a: 11, 20; 1973b: 14-17)

The managers interviewed by Lindsey, on the other hand, mention tariffs and other trade restrictions as the second most important consideration in their firms' decision to invest. Third in the list of determinants are factors concerned with labor, both its cost and its skill. (1981a: 10-12)

Allen differentiates between reasons for investing and conduciveness of the investment climate. Political and economic stability is at the top of the list; without stability the respondents say they would "definitely not invest." There is also a general concern expressed for access to foreign exchange. Beyond these two considerations the Japanese appear to be more interested in the stability of the labor force, good joint venture partners, and access to local finance. On the other hand, lack of restrictions on equity participation and adequate support facilities are mentioned by Americans as being important. Allen asked his respondents what policies they would like to see the Southeast Asian Governments implement. He ends his monographs by summarizing the views. (1973a: 16-18; 1973b: 19)

Inamura also mentions political stability as a major concern of the Japanese. In addition he notes the importance of the termination of the Laurel-Lan, ley agreement and the ratification of the Japan-Philippine Treaty of Amity, Commerce, and Navigation. (1978:55-57) Other authors, including government officials, mention in passing both reasons for investing and the political and economic climate necessary. The chapter by Stikker in the Asian Development Bank volume Southeast Asia's Economy in the 1970s contains a rather extensive list. Entitled "The Impact of Private Foreign Investment," the section on the Philippines appears to be much more concerned with assessing the suitability of the Philippine economy for foreign investment. (Stikker 1971)

In the two surveys a few factors were mentioned as not being of major consideration. Lindsey's respondents marked government incentives (as contrasted with restrictions or requirements) as being unimportant, while Allen questions the significance of tax incentives. Interestingly, Allen does not emphasize profitability.

It was clear from the interviews that while profits are an underlying force in all [Japanese] investments, the return to a specific project in isolation plays a minimal role. The effect on overall consolidated accounts of the subsidiaries overseas and the home plants over a period of time is the more meaningful basis for consideration. (1973a:11n; similar comments are made in 1973b about American investors:18)

The one attempt to quantify the determinants of foreign investment in the Philippines is that of Cubido (1974; 1975). The author concludes, "On the whole, the findings from the

study provide empirical support to the hypothesis that the rate of return is the primary determinant of direct foreign investment." (1974: 257) She uses two sets of data for her investigation: a time series of American investment from 1950 to 1970 from the U.S. Department of Commerce, and a cross-section of all foreign investment 1965-1970 from the Inter-Agency Working Group.

In the time series analysis investment is explained primarily by profit rate and a dummy variable distinguishing the years of import and exchange controls from the period without controls. The coefficient for value added in manufacturing is not significant, and the nominal tariff and wage rate variables, although discussed in the text, are not included in the equations presented. The author interprets the statistical significance of the dummy variable as evidence "that decontrol had a positive effect on foreign equity investment." (1974:258) The fact that the average rate of growth of U.S. investment in the Philippines in the 1950s was double that of the 1960s seem to put her comment at variance with the historical record. (See Tsuda, et al 1978: III, 37.) Also, it would have been useful in interpreting the results to have had some explanation as to why the overall profit rate of American investment varied in the first place.

Subido uses a threshold model to explain foreign investment in her cross section model. Below certain levels the profit rate and growth rate of revenue are postulated to be positively related to the size of foreign investment;

above those levels, the relationship does not hold. The model is estimated for different cut-off points for 6 groupings of firms, and the results tended to confirm the threshold hypothesis, though more so for the profit rate than the growth rate variable. The effective rate of protection is not significant. On the other hand, long term debt is highly significant in almost all groupings. In her discussion the author refers to Allen's comment that both Japanese and American investors desire to use loan financing and concludes there will be a "direct relationship" between the variable and foreign investment, but she doesn't say in which direction or why. (1974: 249) Also the use of 1970 profit rates to explain 1965-1970 investment is bothersome; it would have been preferable in our view to have used 1965 profit rates.

Subido's work is important in part because her results differ substantially from those of Allen and Lindsey. They find market size and growth, tariffs, and low-cost production possibilities the major determinants of the decision to invest, while Subido does not. More work in this area is needed to reconcile the difference in survey and econometric work.

V. Benefits and Costs: Some Preliminaries

The debates between proponents and critics of foreign investment can usually be described in terms of benefits and costs. Even when this is not the case, these calculations are almost always a part of the argument.

Below are noted items that are often referred to in the literature. The list is not exhaustive, but it is representative. The reader will note that for every point, there are positions pro and contra.

Benefits of Foreign Investment

1. Provide needed capital
2. Improve the balance of payments through
 - a. Capital inflow
 - b. Exports
 - c. Import substitution
3. Transfer technology
4. Generate employment opportunities
 - a. Directly by hiring workers
 - b. Indirectly through purchases of materials and services for the production process and through employees spending incomes
5. Develop and upgrade skills of workers
6. Develop and upgrade management capabilities
7. Stimulate new industries
 - a. Directly through investment
 - b. Indirectly through purchases and sales (linkages)
8. Stimulate competition
9. Increase national income
10. Develop natural resource industries of the country
11. Contribute to the growth, development, and modernization of the economy

Costs (Limits to Benefits) of Foreign Investment

1. Utilize local capital at the expenses of domestic enterprise; use retained earnings rather than new capital
2. Worsen balance of payments by
 - a. Repatriating capital and remitting profits, royalties, technical and management fees, and other service incomes

- b. Restricting the exports of goods produced by local subsidiaries
 - c. Maintaining a high import content in goods produced by local subsidiaries
3. Transfer inappropriate and/or outdated technology; transfer only portions of relevant technologies; restrict dissemination of technology throughout the economy by patents, secrets, and other means; undertake only insignificant amounts of research and development locally
4. Limit employment generation
- a. Directly because of high capital intensity of production units
 - b. Indirectly because of high import content of production processes and because of limited direct employment
5. Confine skill development to a few areas because of limited demand for other than unskilled labor, and because of limited range of skills utilized due to simple nature of equipment and processes transferred to the local economy
6. Restrict development of local managerial talent because control of operations is to a large extent retained by the home or regional office of the foreign investor, and because expatriates are used in key positions
7. Contribute little to the stimulation of new industries because
- a. Investment by foreigners is usually in industries in which others - foreigners or Filipinos - are already producing
 - b. Linkage effects are limited due to high import content of goods produced by foreign firms and because local production is usually not of intermediate goods
8. Create monopoly preserves, driving out local producers, and use world wide economic power to intimidate potential Filipino competitors
9. Contribute to the skewness of the existing distribution of income
10. Deplete and exhaust the natural resources of the country for the benefit of foreigners
11. Distort the pattern of production; reinforce the existing pattern of wealth and power; infringe upon the sovereignty of the nation; and perpetuate and intensify the dependent, as contrasted with independent or autonomous, condition of the economy and society

Several comments should be made about the above list. First, few, if any have attempted a comprehensive benefit/cost analysis for the Philippine situation; what is listed is a compilation of the points of many writers. Second, the view of any one writer may include factors that fall both on the benefit side and the cost side. Also there has been almost no attempt to strike a balance (but see below); most writers have taken up only one or two of the points listed above. Fourth, not much is known about the impact of government policies.

"Relatively little is known about the interaction of industrial policies and foreign investment in the Philippines. The causal relationship has not been examined; the structure of industrial policies, not clearly defined until recently; and foreign investment data is often inadequate." (Subido 1978, as quoted in Tsuda, *et al* 1978: III,20)

Finally, the issues mentioned in the last item on each of the above lists -- development, modernization, dependency, and impact on social relations, wealth, and power -- go well beyond the normal benefit/cost calculus. They are the most important issues, the other more narrowly defined items, deriving their significance in large part from their relationship to these more difficult questions. The complexity of the analysis required to investigate them, however, is enormous. Even the best attempts must necessarily be conditional, and often the suggestive rather than the definitive must do. Inasmuch as a combination of sociological, political, and economic theory is required the chances for consensus are nil. The advantages of inquiring in to the more narrowly defined topics

thus presents itself. The results obtained can help limit the arena of debate over the more complex issues. Therefore, we largely confine this review to the former.

Cumagun is the only author of which we are aware who consciously attempts to use socio-economic criteria to evaluate the social impact of foreign investment. In addition he uses business criteria to assess private benefit. Industries are ranked by both criteria and divided into groups based upon whether their private and/or social benefit is high or low. High and low, however, remain undefined. The author looks at the concentration of transnational firm activity in each industry, concentration being measured in turn by sales, assets, and number of firms.

The object of the exercise, of course, is to relate industrial concentration to benefit and cost. Cumagun finds TNCs concentrated in the high public-high private and high public-low private groups of industries. Unfortunately, he does not say which concentration measure is used, nor does he put forth any explanation for the pattern that he found. (1979: 75-101) The results do, however, tend to support Cumagun's conclusion.

As a conclusion, this paper reiterates in the affirmative the original premise of the study: that multinationals have contributed positively to our economic growth, and that given the proper guidelines and perspective, MNCs can be harnessed to contribute even more in our country's quest for faster socio-economic development. (134)

If we look at Cumagun's indexes even more problems arise. For his socio-economic criteria, he uses 6 variables:

export orientation, import-substitution potential, forward linkages, backward linkages, value added per worker, and value added per capital. Beyond the inevitable questions of whether the proper variables were chosen or the proper weights employed, there is a more basic problem. The first four variables are all expressed as percentages of industry output; the last two, unfortunately, are not. In particular, value added per worker will be larger than the other variables by several orders of magnitude, and this is not compensated by the weighting scheme. If Cumagun's calculations are as he describes, the socio-economic criteria amount to not much more than dividing industries on the basis of value added per worker. Thus, although his approach is quite interesting, his results do not provide us with an understanding of the socio-economic contribution of multinational firms.

There has also been one attempt to construct a general equilibrium model of the foreign investment process in the Philippines. Although not strictly an effort in benefit/cost analysis, we take it up here because it addresses several issues simultaneously (and because there is no other place that a discussion of it can be conveniently inserted).

Bos, Sanders, and Secchi built a macro-economic model to examine the impact of private foreign investment in developing countries. Since the Philippines is one of the countries to which the model is applied, we shall examine their work. The authors' model consists of 38

equations divided into a foreign sector (13 equations) and the rest of economy and total economy (10 equations). (1974:74-78) It is a supply side model, dependent largely on the rate of growth of capital. All 13 equations in the foreign sector can be reduced to functions of the initial size of the stock of foreign capital, x_0 (constant) rate of growth of foreign capital, ε , and time, t .

The rest of the economy and total economy equations are somewhat more complicated, mainly for two reasons. First, the domestic component of investment is a residual, the difference between total domestic financial resource and that portion of domestic financial resources that foreigners wish to utilize. The assumption that foreigners have first access to domestic resources is fraught with implications that the authors do not take time to explore.

The second complicating factor is the balance of payments. There are no autonomous capital flows from abroad; all increases in foreign capital occur to offset current account deficits and bring the balance of payments into equilibrium. Remembering that foreign investment grows at a constant rate and that foreigners have first claim on domestic resources, the amount of domestic resources that they will actually claim depends on the balance of payments gap. Domestic investment appears as a residual based upon past history and the current actions of foreigners. Both those elements are variable.

Having developed their general model, Bos et al proceed to derive "marginal effect." According to the

authors, the marginal approach "is useful in many practical situations, with little data availability, or an irregular behavior of [the private foreign investment] sector." (108) To get their marginal effect, however, additional restrictive assumptions are necessary making it very difficult for the model to describe "irregular behavior".

The chapter on the Philippines utilizes the marginal approach because the requisite data is available only for 1964 and 1965. After discussing data difficulties and the simplifications necessary to estimate coefficients, and after pointing out that the results are sensitive to these assumptions, they present their conclusions: private foreign investment in the Philippines, although a small part of GNP, still contributes favorably to the growth of income; the balance of payments deficit that results from foreign investment is limited; and savings generated directly and indirectly by foreign investment is small. (229).

Given the limitations of their general model and the restrictive assumptions of the "marginal" approach, it is difficult to believe that their work provides any useful contribution to our understanding of the foreign investment in the Philippines. The authors seem to concur; they write in their chapter on the Philippines that "the exercise can be considered a 'case study of the Philippines,' but, most of all, it represents an empirical application of the methodology . . ." (228)

VI. Capital Contribution

Among the first items mentioned in most listings of the benefits of foreign investment is that of the contribution of capital funds. Given the relatively low level of per capita GDP in third world countries, it is argued that there is a lack of sufficient saving to undertake the investment necessary for development; assistance from the outside is needed. B. Villegas has been among the strongest advocates of foreign investment for this reason. In Villegas, et al he and his colleagues go so far as to define foreign direct investment as "the inflow of foreign currency into the country for investment purposes." (1977: 24) Given the debates, both for the Philippine case and elsewhere, on whether foreign equity investments entail significant inflow of funds, and given the broad nature of their discussion, it is interesting that the authors define the process in this manner. But it is indicative of the importance they and others place on financial flows.

They also argue that the bulk of foreign capital must be from direct investment rather than from loans. Several reasons are given: there are limits to what foreign creditors will lend; the Central Bank is monitoring additional loans because of the large size of the existing foreign debt; and Filipinos are unlikely to obtain foreign loans in areas such as pioneer or preferred projects. "It would be unrealistic to expect that foreign creditors would be willing to lend large amounts to Filipinos who

are venturing for the first time in new industrial projects." (17-18) A cursory look at balance of payments figures (see Table 1) shows that loans, both official and private, have been an important source of foreign capital for the Philippines, particularly since the mid-1960s. The position of Villegas, et al may have some relevance in the long term, but for the present and near future their first argument does not appear to hold. Their third point, however, is both the most important and the most intriguing. We would like to see the evidence.

Analysis of the flow and utilization of loan capital is an important topic. However, inasmuch as most of the literature on foreign investment in the Philippines deals primarily with equity participation, we shall refer to it only infrequently in this review.

From the official point of view, equity investments by non-Filipinos have been viewed as supplementary to local saving. "Our policy-makers realize that the bulk of investment comes from domestic savings and no matter how liberal the fiscal incentives may be, only a small number of foreign investors do come." (Virata 1972a: 263) The contentious point in the literature has been rather more basic; namely, has there been for any defined period of time a net inflow of equity-linked financial resources into the country. Although the statistics are not as complete or as precise as one would desire, the numbers have usually not been the issue. Rather, the debate has been one of definition and logic. See discussions in

TABLE 1

NET FLOW OF EQUITY AND LOAN
CAPITAL TO THE PHILIPPINES

(In US \$ Millions)

Year	Net Direct Investment ^a (1)	Net Long Term Loan Capital	
		Private (2)	Official (3)
1979	88.16	238.70	912.50
1978	171.00	209.25	681.86
1977	216.49	133.93	527.97
1976	143.68	336.48	703.42
1975	125.15	125.96	232.71
1974	28.02	32.23	112.45
1973	64.49	(5.10)	77.15
1972	77.02	(35.00)	82.35
1971	(3.90)	(3.00)	69.00
1970	(24.30)	69.52	41.36
1969	7.35	67.17	14.09
1968	(2.73)	105.68	36.10
1967	(16.00)	13.00	3.00
1966	(30.00)	(25.00)	1.00
1965	(10.00)	(23.00)	56.00
1964	(3.80)	19.10	9.90
1963	(10.40)	(39.00)	4.00
1962	(3.20)	(27.00)	9.60
1961	(47.90)	(58.20)	(14.30)
Total	766.53	1145.12	3561.76

^a Headings in the Balance of Payments Statements vary over the years; therefore, the items included no doubt are not the same throughout. The comparison between direct investment and loans must thus be interpreted as only approximate.

Source: Central Bank of the Philippines. Report. Various issues.

Bantegui (1965), Surapath (1965), Inter-Agency Working Group (Philippines 1972b, 1972c), Espiritu (1977), Magallona (1977), B. Villegas, et al (1977), E.M. Villegas (1978), Tsuda, et al (1978), Cumagun (1979), and Henares (1979a).

Three major sources on financial flows have been used: the survey by the Inter-Agency Working Group, balance of payments statistics from the Central Bank of the Philippines as published in its annual Report or from its Department of Economic Research, and the Survey of Current Business or other publications of the U.S. Department of Commerce. Although coverage and definitions differ, the results do not. When net equity capital flows are compared with income remittances by parent firms abroad, the latter is larger, often by one or more orders of magnitude. This is true for any reasonable time period since independence.

Tsuda, et al gathered data from the Department of Commerce publications for the period 1946 to 1976. In 7 of the 31 years (1957, 1963-1965, 1967, 1969, and 1974) net capital inflow was greater than income received by U.S. parent companies. In the other 24 years, this was not the case. For the entire period remittances were approximately double capital inflows. (1978: III, 31-33)

Statistics from the Central Bank are given in B. Villegas, et al for the period 1965 to 1971 (1977: 59) and by Magallona for the period 1964 to 1975 (1977: 115). Henares gives summaries for the 1949-1960 and 1964-1976 periods. (1979a: 164) Inasmuch as there are small

discrepancies in the information reported and the time periods presented are relatively short, we decided to gather the data ourselves (see Table 2). The reader will note that the classification of what is included differs slightly by column due to data limitations: investment inflow and capital repatriation refer to foreign-owned resources; portfolio capital movements include international transactions in Philippine securities by both foreigners and (presumably) non-resident Filipinos; and investment income, fees, and royalties are the gross outflows. Two totals are given. The first does not include management fees and copyright and royalty payments; the second does. The reason is that much of the payments in these categories are used to transfer income on investments by foreigners, but some of it is payment by Filipino firms. Thus, given the available statistics, the first total is an understatement of the situation, and the second may be an overstatement.

For the 20 year period beginning in 1961, using the more narrowly defined impact of foreign investment on domestic saving (Total I) in only four years (1973, 1975, 1976, and 1978) did net capital inflow exceed remittances. If the broader definition is used, outflows exceeded inflows every year except 1975. The total outflow is just short of US\$1.0 billion. For the period 1949-1960 Henares reported a net outflow of US\$207 million. (1979a: 164)

The Inter-Agency Working Group data for the period 1955 to 1970 on 900 large firms show that the net inflow of equity capital minus remitted incomes sums to -P379 million

TABLE 2

Net Flow of Foreign Direct Investment and
Remittances of Profits, Earnings, and Dividends
(in US\$ millions)

Year	Withdrawal of Equity Capital		Net Portfolio Capital Inflow ^b	Remittance of Profits, Earnings,& Dividends ^c	Management fees and Copyright and Royalty Payments ^c	Total I	Total II
	Direct Investment Inflow ^{a,b}	Invested in the Philippines ^{a,b}				(6) = (1)-(2) + (3)-(4)	(7) = (6)-(5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
1980	221.94	104.35	(0.10)	145.57	56.44	(28.08)	(84.52)
1979	62.07	65.07	13.22	90.70	53.68	(100.48)	(154.16)
1978	131.31	20.52	3.63	85.17	36.32	29.25	(7.07)
1977	130.48	12.08	6.26	158.50	29.70	(33.84)	(63.54)
1976	90.70	24.62	16.16	68.22	38.28	14.02	(24.26)
1975	116.39	17.53	27.31	72.77	37.35	53.40	16.05
1974	64.00	60.39	24.45	79.83	16.59	(51.77)	(68.36)
1973	82.74	28.73	11.32	59.51	12.25	5.82	(6.43)
1972	1.40	13.42	(1.53)	32.91	4.51	(46.46)	(50.97)
1971	3.13	4.12	2.07	26.32	2.74	(25.24)	(27.96)
1970	4.28	29.61	1.45	24.55	3.14	(48.40)	(51.54)
1969	6.17	4.25	1.57	47.39	4.67	(43.90)	(46.57)
1968	6.30	12.34	0.10	79.36	7.51	(85.30)	(92.81)
1967	5.60	17.91	(0.56)	55.01	5.85	(63.86)	(65.73)
1966	21.37	33.67	(0.73)	26.34	2.56	(39.37)	(41.91)
1965	15.96	25.99	-	17.03	3.34	(26.06)	(25.40)
1964	8.98	12.38	-	13.05	1.62	(16.46)	(16.06)
1963	6.56	15.53	-	12.55	0.46	(21.52)	(21.96)
1962	11.24	14.50	-	19.91	-	(23.17)	(23.17)
1961	1.80	51.30 ^d	-	40.93	-	(90.43)	(90.43)
Total	997.42	588.31	104.65	1,155.63	317.01	(641.87)	(958.88)
Total 1968-80	920.91	417.03	105.94	970.80	303.18	(360.98)	(664.16)
Total 1973-80	899.63	353.29	102.25	780.27	280.61	(111.58)	(392.29)

^aEntry is that of foreign-owned direct investment, not the sum of foreign-owned and Filipino-owned capital movements.

^bDirect investment (Columns (1) and (2)) refers to investments in firms outside of the stock exchange. Portfolio investment (Column (3)) refers to investments that take place through purchase and sale on the stock exchange, as well as other security transactions. It would have been desirable to exclude the latter.

^cEntry is gross outflows, not net flows.

^dIncludes sale of Meralco.

Source: Central Bank of the Philippines, Department of Economic Research.
Data for 1978 through 1980, from invisible receipts and disbursements accounts; data for other years, from balance of payments accounts.

or -US\$95 million. (Philippines, 1972c: 83-84)

All agree, more or less, on the numbers; however, the conclusions differ dramatically. Magallona, a critic, argues that foreign investments "entail a siphoning off of considerable scarce resources from the country." (1977:114) The proponents counter that reality could have been otherwise.

Some may use these data to prove one point: that we used to harass foreign investors with too many restrictions and with a very uncertain investment atmosphere. Consequently, foreigners invested very little additional capital in the Philippines. (Villegas, et al 1977:59)

A corollary of this counter-factual approach is that the situation could now be reversed on a sustained basis. Simulations to determine under what conditions and, importantly, for how long such a sustained inflow could occur, could further the discussion along these lines.

Currently, the more substantive debate, centers around whether the summing of capital flows and income remittances is legitimate. Some say not.

The comparison [between capital flows and remittances] does not prove that direct foreign investment is undesirable. The two sets of data are so completely unrelated that even if the entry of new capital would dwindle to zero, there is no reason for remittances of profits and earnings to also drop to zero. (Villegas, et al 1977: 59)

Critics always make statements like "\$8 were remitted for every dollar that was brought into the country." These statements are made because of the confusion between the concepts of flows and the concept of stocks. They are comparing remittances which are the returns for accumulated investments (stocks) against new investments (flows). (Cumagun 1979: 70)

Magallona, on the other hand, feels the comparison is appropriate.

It can be argued that the profit remitted for a particular year is not necessarily profit earned on investment of that same year. This argument might hold true if each year is taken separately and considered in isolation from each individual yearly record. The problem precisely is raised by a consistent negative net outflow over a number of years taken together. (1977:116)

As in many debates the participants are talking past each other, addressing different issues. Villegas, et al and Cumagun are, in part, incorrect as we shall show below. However, although their statements are vague, they do appear to make a legitimate point that could be classified as a long term balance of payments issue. Sixto K. Roxas III in NEPA (1974) states it more clearly.

All foreign finance must eventually be liquidated by a net export of real resources from the country. Whether the financing from abroad come in the form of loans or equity, ultimately the servicing of it and its eventual retirement or repatriation must be effected by a next export of Philippine goods and services. If the finance has achieved for the country, a net increase in production and productivity commensurate with the cost of it, then the foreign investment is self-liquidating . . . For a foreign investment to be advantageous, it must produce net real growth in the nation's capability to produce or earn or save foreign exchange.

We shall explore this issue in the following section. Here we are concerned with the capital, or saving, contribution of foreign investment. Since the flows are across national boundaries, they impact upon the balance of payments and can be analyzed by examining the balance of payments. Nevertheless, the capital contribution of foreign investment is a separate issue from the balance of payments contribution. Discussions of the former usually make reference to the work of J.S. Cairnes,

Some Leading Principles of Political Economy. Writing in the 1870s, Cairnes described the foreign investment process as constituting four stages: immature debtor, mature debtor, immature creditor, and mature creditor. It is the first two of these which are of interest in discussing the Philippine situation. (What follows is drawn from Gordon (1962: 18-21).)

In the immature debtor stage, the foreign investment involves a net flow of funds into the recipient country, allowing it to run a net import balance on goods and services (excluding profits and other service payments connected with the foreign investment). There is a transfer of capital. However, as profits and other remittances begin to occur and as capital is repatriated, part of any new investment must be used to offset the outflows. If the latter exceeds the former, the country becomes a mature debtor, the second of Cairnes' stages (it need not concern us here whether the stages should occur in strict order or the movement from one to another be reversible). The country is then no longer an importer of capital funds, net; rather it is on balance an exporter and consequently must run an export balance on the trade and service account as described above.

The question of whether the foreign investment process is making (or has made) a capital contribution to the Philippines can be translated to a question of whether the country is, with respect to foreign direct investment, an immature debtor or a mature debtor. The data reviewed

above show that, with the possible exception of a few scattered years, the economy has not been since 1949 a net importer of equity-capital related finance. Those who claim that the Philippines' domestic saving is being (or has in the past been) increased because of direct foreign investment are simply incorrect on the basis of the available information. They, like Villegas, et al., may feel that the problem is due to past restrictions and that with enlightened policies there could be a net inflow. But it is incumbent upon them to demonstrate the level of foreign investment that would now be needed and the rate at which it must grow for the country to return to the immature debtor stage. They should also give some indication of how long they expect the country to remain an immature debtor before it again reverts to the mature debtor stage.

Having made the point, some additional discussion is required. First, was the Philippines ever an immature debtor for a sustained period, or, to put the question differently, has foreign investment in the form of equity capital, net of the associated income payments, ever made a contribution to aggregate saving in the Philippines? If so, it would have to be prior to independence. We have not come across a data series that would throw light upon this important question. Many of the foreign investors during the American colonial period were resident in the Philippines, often beginning small and growing through reinvestment of profits and local borrowing. (For some vignettes of American-owned businesses, see

Gleek (1975).) It is quite possible that there was always a net outflow.

Second, according to Cairnes' typology, being a mature debtor is associated with an export balance on the trade and services account (other than remittances). Since the Philippines has persistently run a current account deficit, there must be a problem somewhere in the argument.. The answer is that we have focused on equity investments and related incomes. If loans are included, the Philippines has been an immature debtor for most of the past 30 years. A significant portion of the loans, however, have been to cover deficits on the trade and services account; they have not been for investment purposes. If we confine ourselves to private loans, there is not a concensus. Magallona presents Central Bank data on private loans, equity investment and the associated income flows that show an almost US\$3.0 billion net outflow for the period 1964-1973. (1977: 117) On the other hand, the statistics from the survey of the Inter-Agency Working Group indicate a net inflow of a little over ₱1.0 billion between 1955 and 1970. (1972b: [8]; 1972c: 83) Part of the difference may be because the last mentioned data refers to non-residents rather than foreigners, but not very much. The discrepancy is too great; this is an area that needs much more detailed examination.

Thirdly, there is a separate argument in favor of foreign investment as a source of finance that has nothing to do with foreigners' contribution to the aggregate level

of saving, although it is often confused with this issue. The discussion starts from the inability or unwillingness of local financial institutions and other wealth holders to provide funds for large projects through long term loans. It follows then that foreign sources, particularly equity sources, must be tapped. An example of this type of argument is found in Villegas, et al. After pointing out that the assets of multinational firms in their study in the petroleum and motor vehicle industries had combined total assets of over ₱4.9 billion in 1975, they go on to say:

Considering this staggering amount which is roughly around 42 percent of our international reserves of \$1.5 B in 1975, we could not have made any headway in these two sub-industries without any investments from the MNC's. It is precisely because of this that the Philippines welcomes foreign investments to help in the development and economic growth of the country. (1977: 41)

✓ Comparison of net capital flows and related income remittances are not relevant to this issue. Investigations of the control and utilization of wealth and finance, however, would be pertinent. For example, legislation provides that foreign investment greater than 40 percent of total equity is allowed in certain areas of the economy only if Filipino investors do not exploit the industry within a stipulated period of time. Why is it that in some of these industries Filipino capitalists are not investing when foreign firms are?

To this point our discussion has focused on the extent to which capital resources are flowing in from abroad. Another, equally important, issue in the literature has

been whether or not foreign-owned firms have made excessive use of domestic credit sources. Bantegui presents information on source of funds for 108 American-owned firms for the period 1956-1965. Eighty-four percent of the total was generated within the Philippines or from other non-U.S. sources. The remaining 16 percent includes net new investment and reinvested earnings. He argues that the foreign-owned firms were relying heavily on the local financial market. (1965: 8 and Tables VIII) Suva Martin arrives at the same conclusion. (1972:582) Alsaaty makes the point that firms lend as well as borrow. The thirteen foreign-owned firms in his study were net lenders of short term funds between 1966 and 1968, but were net borrowers for the longer period 1966-1970. (1973: 91, 95)

Henares reports that during the 1971-1976 period the 31 foreign-owned firms on which he obtained information financed 74 percent of their increase in local assets from local sources. He gives several examples, the most extreme of which is that of Ford Philippines. From their 1975 financial statement, Henares determined that Ford Motor Company had invested only ₱1.3 million which after losses was reduced to -₱4.8 million. Ford, however, had borrowed locally ₱168.5 million and had acquired the authority to issue short-term commercial paper for ₱252.95 million more. (1979a: 153-154)

Using data from the Central Bank, Villegas, et al examine the structure of borrowings of transnational firms. The ratio of local to foreign borrowings of the TNCs was

51:49 in 1970 and 49:51 in 1975. The authors note, however, that there are wide variations in the ratio, from 93:7 in the soap and detergent industry and 73:27 in the pharmaceutical industry to 10:90 in the chemical industry. (1977: 45,47)

The main reason for concern in this area is that firms with substantial foreign-owned equity, usually by TNCs, can obtain preferential treatment from financial institutions because their foreign owners possess high credit ratings. (Espiritu 1977:45) Dang, however, notes other factors that might have a bearing: devaluation risk, interest rate levels, and liberal remission policies. (Tran Thanh Dang 1977: 154)

The Philippine government has reacted to the case that foreigners are over-borrowing locally. The Central Bank issued a circular tying the maximum amount that could be borrowed by firms with foreign-owned equity to the size of foreign investment. Whether the pattern will change remains to be seen.

VII. Balance of Payments

In the previous section we examined the capital contribution of foreign investors, the most important aspect of which is the flow of money capital from abroad and the repatriation of earnings, fees, etc. Inasmuch as this is an international process, it impacts upon the balance of payments. In fact, much of the discussion in the literature about foreign investment in the

Philippines under the heading of balance of payments effects is limited to capital and profit flows. This is too narrow; the balance of payments effect of foreign investment covers a much wider area.

The most systematic attempt to examine the balance of payments impact of foreign investment in the Philippines in its broad context is the dissertation of Dasari. He undertakes a classification scheme, dividing the balance of payments impact into three broad areas: initial effects, recurrent effects, and terminal effects. (1972:5)

The difficult with attempts to estimate the balance of payments impact of foreign investment is that the process requires making (if only implicitly) counter factual hypotheses: what would have happened if the foreign investment did not occur. The researcher can envision a situation in which only one particular foreign investment project did not occur, in which a significant number of projects did not occur, in which no foreign investment had ever occurred, as well as many other alternatives. And, of course, he or she explicitly or implicitly situates their alternative in an economic, political, societal, and cultural environment which may or may not resemble what actually exists.

Dasari's alternative situations are only marginally different from the actual: (1) replacement of the level of output currently produced by the local subsidiary by imports at world prices; (2) replacement of the level of output by local firms; (3) replacement by imports in areas

where there does not currently exist domestic competition, and production by domestic competitors where they currently exist; and, lastly, (4) the same as (3) except that local output of competitors does not expand to more than double its current level. (93-95)

In his empirical work the author examines 17 firms with at least 51 percent foreign equity for the four year period, 1966-1970. Only under the assumptions of alternative (2) above does the balance of payments worsen as a consequence of the foreign investment. Otherwise, there are decided improvements, mostly as a result of import replacement. (101-102, 160-164)

It would be easy to suggest other equally, or perhaps more, desirable alternative scenarios. For example, one might look at the impact of foregone consumption, particularly of luxury items. Or, one might look at the impact of increased domestic value added. In his exercises, Dasari implicitly assumes that the consumption patterns do not alter and that domestic producers make production and other business decisions precisely in the same fashion as the foreign investor.

More important comments, however, can be directed at Dasari's data and the assumptions that he used. First, he has information for only 17 firms, and the impact on the balance of payments under each hypothesized alternative varies widely from firm to firm. The size of the variations in conjunction with the limited sample size lead one to question the usefulness of the averages that are

presented. This feeling is reinforced by the short, four year span that was investigated.

Given the time frame of the study, Dasari does not include under initial effects the original investments of the firms surveyed. He acknowledges that this presents a problem (122), pleading lack of data. It cannot be so easily dismissed, however. Inasmuch as he uses a firm level, micro approach, the consequence of not having information from the initial stage of the firm's activity onward is that any "initial effects" calculated are not meaningful.

Lastly, the author ascribes most of the benefit of foreign investment to reduced imports, but in his calculations he does not take into account the import content of domestically produced or, for that matter domestically purchased inputs. Although precise numbers would be difficult to find, attention should be given to this problem. Lindsey reports that many of the executives in the firms he surveyed mentioned that their locally procured inputs are heavily import dependent. (1981a: 74) This is particularly true of manufactured inputs as contrasted with raw materials. In addition the Philippines is heavily dependent at present on the world market for its energy supplies. Dasari collected data for a period prior to the escalation in energy costs. It would be interesting to see how much, if any, his conclusions would be altered by the changed situation.

Although we believe the criticisms of Dasari's work that we have put forth are substantive and raise doubts about the size, if not the direction, of the impact of foreign investment on the Philippine balance of payments, it must be emphasized that this is the only work with which we are familiar that has attempted a systematic analysis of the issue. It should be an inducement, if not a guide, for others.

So far we have not touched on the impact of exports on the balance of payments. Dasari has little to say about this. As has been discussed in many places, the Philippines entered an import substitution industrialization process shortly after independence. Since the mid- to late 1960s there has been ongoing efforts by the government to shift the economy toward an export orientation, in part for balance of payments reasons. It is argued that foreign investors, particularly the TNCs, could play a major role in this process. They have the requisite knowledge and world wide market connections. However the bulk of foreign investment in the Philippines today is of the import substitution variety. Among firms in this category there has been relatively little effort to increase the level of exports (Lindsey 1981: 83-84). Many TNCs go so far as to include clauses in licensing and other agreements with the local affiliate that forbid exports either entirely or to certain regions or, in some cases, without the consent of the foreign investor. (Virata 1972b) Although such arrangements are no longer allowed in the Philippine

there is little to prevent tacit agreements that result in one form of restriction or another.

Among a smaller group of mostly agricultural or mining enterprises or newer manufacturers, however, we do see significant exports. Cumagun reports that in 1975 almost 20 percent of the exports of firms registered with the Board of Investments (BOI) came from firms linked with TNCs. (1979: 50-58) Villegas, et al include a table showing that in 1975 TNCs registered with the BOI in the agro-based industries exported an equivalent of 89 percent of their sales. Those in the mining and minerals industry exported 76 percent; those in the metal-based industries, 43 percent; and in the chemical industries 74 percent of the sales of registered enterprises came from exports. (1977: 64)

Gross sales figures may overstate the TNCs contribution, particularly for those which are manufacturers. The Philippines has created a number of export processing zones (EPZs) to encourage the development of manufacturing industries that are oriented toward the world market. It is hoped that EPZs will generate a significant amount of foreign exchange. The reality, however, may be different. Snow reports that when queried, "a high EPZ official stated that the primary foreign exchange gains envisioned from foreign investors was the retention of the dollar equivalent of their overhead expenses. This consisted of wages to labor, rentals of buildings, and payments for utilities." (1977: 73) The zone, however, is advertised as being low

cost in terms of these items. Snow goes on to say that other officials mentioned the purchase of local raw materials and taxes as additional sources of foreign exchange. From his observations, however, he felt that these would not be significant. Whether he is correct depends partly on the volume of activity in the EPZs and partly on what the officials feel are adequate earnings.

VIII. Employment and Labor Relations

The major source of aggregate data on direct employment in firms with foreign equity is the Inter-Agency Working Group. Calculations were made in two ways. First, the sample of 900 firms is divided into three groups: those with foreign equity less than 30 percent of the individual firm's total, those with foreign equity of at least 60 percent, and those in between. Employment totals can then be obtained for each group. In 1970 there were 11,721 thousand persons employed in the Philippines, 102 thousand, or 0.87 percent, of which were employed in sampled firms in which foreign equity was at least 60 percent. These are usually referred to as foreign-owned firms. If we include all firms with foreign equity of at least 30 percent, the total rises to 144 thousand, or 1.22 percent of total employment. (Phil., Inter Agency Working Group 1972b: [6])

The second approach is to assume that the proportion of employment in a given firm that occurs directly as a consequence of foreign investment is equal to the share of that firm's equity that is foreign-owned. This method

produces an estimate of 120 thousand workers, or 1.02 percent of total employment. (Phil., Inter Agency Working Group 1972c: 59)

An exercise such as this cannot but involve numerous conceptual problems. For example, if one is interested in employment in foreign-controlled firms, the issue of what constitutes control occurs. In laws and regulations dealing with foreign investment in the Philippines, 40 percent foreign equity is often used as the official dividing line. This being the case, the breaking of the spectrum at 30 percent and 60 percent, as was done by the Inter-Agency Working Group, does not allow computations consistent with customary approach in the Philippines. It is probably safe to say that the two estimates provide useful bounds to the range of estimates of employment in foreign-controlled firms.

Alternatively, one could be interested in employment directly attributable to foreign investment. The second approach of the Inter-Agency Working Group appears to have had this in mind. The rule of thumb that foreign-generated employment is proportional to foreign-owned equity is a good first approximation. However, it ignores such questions as whether the particular firms would have been in existence if there were no foreign investment, whether other, domestically-owned firms, either entered or were driven out of the industry because of a particular foreign investment, or to what extent the firm's productive assets (to which total firm employment is related) were acquired

through loans rather than equity investment.

Finally, both estimates were from a sample of firms. Not all firms, or all firms with foreign equity, were included. However, it is probably safe to say that employment in firms with significant foreign equity that are not among the largest 900 (and hence not included in the Inter-Agency Working Group's sample) are sufficiently small so as not to appreciably affect the results.

The most significant conclusion that can be drawn from these figures is that foreign investment contributes relatively little to total employment in the Philippines. Whether one regards the 0.87 percent or the 1.02 percent of the 1.22 percent as the appropriate estimate, the total is not significant. The International Labour Office (ILO) in its study of the Philippines took the 1972 Bureau of the Census of Statistics estimate of open unemployment of 6.1 percent and added an "inadequate income measure of underemployment" to arrive at a total unemployment figure of roughly 25 percent. (1974: 6-7) The two unemployment estimates are 5 and 20 times the largest of our three estimates of employment due to foreign investment.

Looking at direct employment attributable to foreign investment by sector, in only mining and quarrying and manufacturing are the figures significant. In mining and quarrying, the estimate is quite sensitive to the alternative assumption chosen. In firms with foreign equity of at least 60 percent, the figure is 15.28 percent, but when the allowable foreign equity is reduced to 30 percent, the

proportion of sector employment in foreign firms jumps to 35.11 percent. For manufacturing it is 5.74 and 7.22 percent, respectively. (Phil., Inter-Agency Working Group 1972b:[6]) Using the proportional method of estimating employment due to foreign investment, the percentage in mining and quarrying is 17.4, and in manufacturing, it is 6.9. (Subido 1973: 254-255)

Care should be exercised in drawing conclusions from these figures. In particular, to shift the question of "employment contribution" from level of the overall economy to that of a sector does not lead anywhere. Although sectoral figures on the significance of foreign investment for such variables as ownership, output, revenue, and training may have meaning, this is not the case for employment. Since the subject of employment is generally raised in contrast to its opposite, unemployment, to hold otherwise would require one to assume, at the least, that the work force is highly immobile among sectors.

To this point we have been careful to indicate that is "direct" employment that is being discussed. There is in addition employment generated "indirectly" by foreign investment as a result of inter-industry linkages and the Keynesian multiplier mechanism. There does not appear to have been any attempt to estimate the former, although it is generally thought to be small.

...because of the nature of the industrialization in the past which is geared towards import-substituting and import-using goods, the backward and forward linkages established may have been few and the income effects limited. Thus, the employment opportunities

from this source may also have been minimal. (Subido 1973 : 265)

Torres concurs when he states that "indirect employment generation through the stimulation of local industries . . . by foreign firms has been very minimal." (1977: 164)

Using a simple four equation Keynesian-type model and data from Inter-Agency Working Group study, Subido obtains an estimation of the indirect employment effect of foreign investment of 448,645. (1973:259) Combined with the direct employment effect calculated using the second approach described above, the total employment effect is equal to 4.8 percent of the employed work force in 1970. To put it in a different way, it is equivalent to almost 80 percent of the measured unemployment that year and 20 percent of the total unemployment as calculated by the ILO. If correct, these figures imply that foreign investment has had a rather substantial impact on unemployment, at least as it is officially measured. However, some observations are in order.

Subido takes care to qualify her results, pointing out that given the simple model that she used, employment estimates should be viewed as potential rather than actual. Her model assumes instantaneous adjustment, with no rigidities in the supply side or imperfections in the labor market. (259) There are other difficulties, however, which should be briefly mentioned. First, she disaggregates by sector to take account of different labor-output ratios, but then assumes the Keynesian multiplier in each sector is the same

as the aggregate and that all income generated from an investment in a given sector occurs in that sector. Second, the estimated contribution of foreign investment is overstated unless the propensity to import capital equipment for projects with foreign participation is no higher than the aggregate propensity of the entire economy (not just for investment goods), an unlikely situation.

The major problem, however, is that the investment figure used is not the amount of expenditure by foreign capitalists in 1970; rather, it is the stock of foreign investment existing in 1970 as reported in the Inter-Agency Study. (257) The latter figure would obviously be only a fraction of the former, and would the resulting employment due to foreign investment in 1970.

There have been a few other references to employment due to foreign investment. Tsuda, et al identified 324 firms in 1976 among the 1000 largest which had at least some foreign-owned equity. These firms employed a total of 241,635 workers. Since this figure includes workers employed in firms with only, say, 1 percent foreign-owned equity, it can only be considered an extreme upper bound. (1978: II, 34)

Alsaaty (1973: 66-68) reports that the rate of growth of employment in foreign subsidiaries in his sample was greater than the increase in the index of employment in manufacturing as a whole. Morales (1975), on the other hand, found for her sample of firms in the food and chemical industries that on average, employment in TNC subsidiaries

grew at a slower rate than in Filipino-owned firms, although the former initially employed more workers.

It should not be surprising that in the Philippines, with its sizable population, largely rural, and its migration problems, foreign investment does not make a major contribution to employment and in doing so significantly reduce the rates of un- and under-employment. There are few places in the Third World where this is the case. In fact the Philippines has done better than the average.

The latest International Labor Organization [ILO] study shows that multinational enterprises have created 11 to 12 million jobs in industrialized host countries and two million in developing countries up to 1975. Since the figure for developing countries represents only 0.3 percent of the work force there, the impact does not appear considerable.* (Espiritu 1977: 12)

All this is not to gainsay the view that a job is a job and all the better. Rather it is only pointing out that foreign investment is not and, for that matter, will not make a significant contribution in the area of employment creation, direct or indirect, in the Philippines.

The second area that we wish to take up in this section is labor relations in firms with foreign investment. There have been only two or three studies in the Philippines that provide information on this subject. Kassalow (1978) compares labor relations in TNC subsidiaries in Malaysia, Singapore, and the Philippines. Union officials say that it is easier to unionize workers and bargain with management in TNC subsidiaries than in firms owned by nationals. They explain that the latter are more likely to be hostile. Some American-based TNCs, however, are

exceptions to this generalization. Kassalow feels that the management styles in the TNC subsidiaries reveal traces of their parent firm's national origin or, in some cases, company tradition. The executives tend to use the TNCs' job evaluation system and methods of wage determination. In addition, they often check with the home office before accepting settlements with unions.

Ramos (1974) reports that trade unionists in the Philippines are mainly concerned with immediate economic issues (what he calls "rice-and-fish" unionism). Inasmuch as TNCs generally pay higher wages than Filipino employers, Ramos' results would imply that foreign-owned firms would have relatively more peaceful labor relations. According to Torres this appears to be the case.

Out of 66 recorded strikes during the period from December 1975 to July 1976, only 4 (7%) were positively identified as occurring in multinational firms. We have no ready explanation though for this situation until sufficient studies have been made. Labor leaders, however, say that this relative absence of acute industrial strike [sic] in foreign firms could be accounted to the relatively better level of satisfaction of employees in these firms due to better compensation rates and benefits which foreign firms usually can afford to give. This assumption is bolstered by the fact that around 70% of the strikes that occurred last year involved wage-related issues including the granting of allowances and other fringe benefits. (1977: 167)

Part of the reason for the relatively good labor-management relations in TNC subsidiary firms is that these firms are relatively more powerful in their dealings with unions. Given their world wide operations, Torres points out that it would be difficult for a union to exert economic pressure on a subsidiary. The parent firm can shift production to other subsidiaries. (179)

In another paper Ramos compares the attitudes of workers in an American-owned factory with that of workers in a Filipino-owned factory. (Ramos 1978) The primary interest of workers in their unions in both plants is job protection. When problems arise for a worker, the kumpadre (ritual relative) system is resorted to. The workers in the Filipino-owned firm exhibit a higher propensity to form kumpadre relations with persons of influence and authority such as foremen. In the American-owned firm, supervisors are regarded more as bosses. However, as new, younger managers are coming into the Filipino firm, Ramos finds that the patron-client relations are eroding.

There are a few studies of problems of management in joint venture where the executives are from two countries with different cultures. In interviews with the management of several Filipino-Japanese joint ventures, Tsuda and David found considerable tension in the area of labor relations. Tsuda (1977) reports that Japanese investors feel sympathetic towards Filipino workers. In Japan, they say, the worker is perceived as a partner, while in the Philippines, he is considered a personal servant of the owner. Repression and "buying off" of the labor movement can only make workers submissive. Submissiveness produces apathy and, consequently, the workers are less productive. Instead there should be incentives.

In another paper David and Tsuda (1978) report that Japanese joint venture partners feel that their Filipino counterpart tries to protect profits through low wages and

lack of spending on health and safety. He has little concern for employees or their loyalty.

On the other hand, David and David (no date) cite management opinions that the entry of foreign personnel into a Filipino firm through a joint venture does not result in a change in the working conditions. Especially in Filipino-Japanese joint ventures, foreign executives seem to be totally excluded from policy making affecting conditions of employment.

IX. Factor Intensity, Wages, and Profits

A major theme in explaining the pace and pattern of industrialization in the Philippines is that investment in manufacturing has been overly capital intensive. Further, it is generally held by economists that the inappropriate factor utilization has been largely the consequence of (incorrect) government policy. Sicat makes the argument with specific reference to foreign investment prior to the devaluation of the peso in the early 1960s: "The major policy implication [of the study] is that policy towards the promotion of industrial activity, in whatever forms it has taken, was responsible for bringing in the specific pattern of foreign investments observed in this country." (1972: 213)

His position is a rather polar one in that it implies the government has overriding influence on the pattern of industrialization and, particularly, foreign investment. That being the case, it also must accept responsibility

for the pattern being other than that which is most desirable. The empirical work that has been undertaken unfortunately does not allow us to test Sicat's thesis. What has been done, however, give us some information on the capital intensity of industries in which foreigners invest and the differences in choice of factors in foreign- and Filipino-owned firms. In addition, there is data available on wages paid and profits earned in domestic and foreign-owned firms.

Subido briefly examines the industrial location of foreign investment, using data from the Inter-Agency Working Group. Selecting a capital-labor ratio of ₱10,000 as the (arbitrary) dividing line between capital and labor intensive industries, she finds almost 85 percent of foreign investment in 1970 is located in capital intensive industries. The author concludes that labor intensive industries have benefited little from foreign investment. (1974: 262-263)

Mason undertook a rather detailed study of factor proportions and productivity of American- and Filipino-owned firms in the late 1960s. His work is reported in the most detail in Mason (1969). Mason (1970) is a published version of part of the larger report. In Mason (1971) and Mason (1973) some additional data from Mexico is included, but the results are not substantially affected.

He reports that U.S.-owned firms in the Philippines are more heavily represented in capital intensive manufacturing industries than are non-American firms, a finding

similar to Subido's. However, among the 130 largest firms in the manufacturing sector, capital employed per worker in American-owned firms is not significantly different from that employed by other firms, when the comparison is made on an industry by industry basis. Nevertheless, in the nine manufacturing industries in which Mason surveyed firms (one American and one Filipino firm per industry), U.S. firms were found to employ more capital per worker. (1969: 17-18) Mason concludes: "U.S. firms operate differently than their local counterparts yet outcomes are not vastly different." (1971: 62) He also argues, without testing the proposition, that there is a serious misallocation of capital in the Philippines which is a consequence of factor market price distortion. (1969: 22; 1971: 61)

The author measures capital in five different ways, expressing a concern for problems of valuation. The particular choice of measure is of some importance, for in only 5 of the 9 surveyed industries does the same firm turn out to be the more capital intensive one by all 5 measures. Also, the nationality of the more capital intensive firm is dependent upon the choice of measures with the U.S.-owned firms being the more capital intensive in as few as 4 of the 9 industries and in as many as 7. One problem, Mason points out, is that Filipino firms tend to be older and possess more land, while American firms tend to have more buildings and equipment and carry a higher level of inventory. In addition, the composition of the work force in the two groups of firms is different.

Whether American-owned firms are more capital intensive than Filipino-owned firms thus depends upon the definitions used. (1969: 18-22, 114)

Mason also examines the productivity of the surveyed firms and the relationship between productivity and factor intensity. Four measures of productivity are used in order to maintain consistency between the definitions of productivity and capital. In 6 of the 9 industries, there is agreement among the measures as to which firm in an industry is the more productive, but in two of these the identity of the capital intensive firm is not constant. When using value added per employee as the productivity measure, Mason finds that under one definition of capital the majority of the more productive firms are capital intensive, but under another definition, they are labor intensive. (1969: 115)

To get around some of these difficulties Mason attempts to measure total factor productivity. Unfortunately, his measure is flawed. The numerator is the sum of the wage bill (with no adjustments) and a measure of capital services that he calculates, while the denominator is value added. (1969: 60) The ratio turns out to be different from unity to the extent that his measure of capital services is different from the actual share of value added going to capital. Since no attempt is made to make the firms comparable by using the same weights, there is, in reality no theoretical or empirical significance to his measure. The difficulty can be seen by referring to Mason's discussion.

As our measure of productivity, we can use the total value of factors employed per dollar of value added. We are not defining a production function in the usually accepted sense of the total exhaustion of output by rewards to factor inputs. Our definition allows for a residual or profit which can be either positive or negative. (1971: 32-33)

His conclusions, therefore, concerning the relation of factor proportions to productivity are not of use when flow concepts are used.

The Inter-Agency Working Group also looks into the question of factor intensity. Their results, at variance with the overall conclusion of Mason, show that Filipino-owned firms are more capital intensive than foreign-owned firms, both in the manufacturing sector as a whole, and in 15 of 20 two-digit ISIC manufacturing industries. (1972b: [9])

Explanations of factor intensity usually make reference to relative earnings. Here we find general agreements: foreign-owned firms, particularly American, pay larger wages and report higher profit rates than locally-owned (Filipino and Chinese) firms. Bulatao, using the data of the Inter-Agency Working Group, finds wages higher in foreign-owned firms, not only overall, but also when firms are disaggregated by sector and industry. (1973: 274, 275, 286) Mason arrives at the same conclusion for firms in the same industry when comparisons are made by job category. (1969: 135) Bulatao (289) refers to a study of 75 firms with results similar to Mason's. Tan finds workers in American-owned firms in the garment and textile industries have larger earnings than those in Filipino and Chinese

firms when they are divided into age groups. (1979: 289)

The Inter-Agency Working Group reports the median rate of return on equity of foreign-owned firms is about triple that of Filipino-owned firms. (1972b: [9]) Yoshihara ranks firms by rate of return. Foreign-owned subsidiaries are the highest, followed by joint ventures, Filipino-Chinese-owned firms, and Filipino-owned firms, in that order. The subsidiaries' average rate of return is about three times that of Filipino-owned firms. (1971e: 279) Lindsey's results are similar. (1976: 201) Many business people, however, are skeptical of the magnitude of the reported differences in profit rates, if not the direction. Nevertheless, since the published data is used by those whose writings we are reviewing and since no contrary statistics have appeared, we shall assume that data is at least qualitatively accurate.

The most obvious point that follows is that foreign- and Filipino-owned firms cannot be analyzed as if both are profit maximizers, operating efficiently under conditions of perfect competition, and with the same choices in technology available. Differences in technology, in efficiency, or in some other variable, in addition to the wage-profit ratio, must be brought into the explanation.

Bulatao suggests that foreign-owned firms are more productive either because of better technologies or because workers are better trained, and thus these firms pay higher wages. (1973: 288) Mason feels that U.S. firms generally produce more technically refined products; this

would point to a technology difference. (1971: 63) Tan points out that organizational decision-making and labor relations could be a factor. (1979: 236-239)

Villegas, et al., on the other hand, feel the difference is largely a matter of efficiency.

Admittedly, it is painful for a Filipino to recognize the truth about our relative backwardness in managerial and technical competence. But one has to be realistic. Our experience at industrialization is barely a quarter of a century old. The foreign firms we are dealing with have been at the game for more than a century. There is, therefore, nothing degrading about the evidence just unearthed [that Filipino firms pay lower wages and earn a lower rate of return]. (1977: 58)

These comment, however, do not explain why foreign-owned firms are over-represented in capital intensive industries. The theory of foreign investment put forth by Hymer (1976) and supported by Kindleberger (1978), however, is relevant. In addition it is consistent with the observed wage and profit rate statistics. Hymer argues that a foreign investor must have some type of advantage over which it has control in order to be able to compete with local investors. This monopoly position may be technologically based and, to the extent more advanced technology is associated with capital intensity, more likely to be found in capital intensive industries. Whatever the advantage, however, monopoly returns will accrue to the particular firm; therefore, both profits and wages should be higher than the norm. A related argument is made by Henares. He feels that as a consequence of both parity rights and attitudes of those in power in the Philippines, American investors were able to capture the most profitable

opportunities. The paint and rubber industries are given as examples. (1979a: 150)

The choice of production process within an industry is usually thought to be related to the wage-profit ratio. Other factors, however, may be of importance, particularly for TNCs with their world wide operations. Two-thirds of the responding firms in Lindsey's survey report that initially they used equipment similar to that being used in their affiliated TNC's home country plants at the time they started up operations. Half the remaining firms initially used equipment similar to that used in their TNC's home country plants at some prior period of time. (1981a: 19)

Ngo Huy Lien notes that 14 of the 24 foreign-owned firms in the Bataan Export Processing Zone with whom he spoke are using the same production method as is being used in the home country of their parent firm, while 7 brought in a production method that has been adapted in some ways for Philippine conditions. Only 3 of the 24 firms are using production processes that are different from home country plants of their parent company. (1980: 3)

Mason, on the other hand, finds that 11 of the 18 firms in his sample are using equipment that is different from that in the U.S. Two others did not have sufficient knowledge to make a judgment. The remaining 5, presumably foreign-owned, said that although their firms' plants in the Philippines are similar to the U.S., they are staffed differently and certain mechanized processes are excluded. (1969: 152)

Lasserre and Boiset gathered information on 21 plants built in the ASEAN region involving European TNCs. In only 4 cases was the plant design done locally. The other 17 plants were designed in Europe; however, in 7 cases adaptations were included that had been suggested by individuals in Southeast Asia who were connected with the project. (1980: 66)

X. Technology Transfer

There have been only a few articles specifically addressed to the subject of transfer of technology to the Philippines, and they have largely been overviews of the situation. (See Aseniero 1979, Constantino 1978, B. Villegas 1976, and Lasserre and Boiset 1980.) However, there have been case studies and references in other works that, together with the articles just referred to, give some indication of the nature and extent of transfer process currently. First, we will look at what is happening: what technologies are being transferred by foreign investors whether or not they are new to the economy, and to what extent a diffusion process is occurring. Second, we will briefly examine writings on the appropriateness of this technology for the Philippines.

Allen gathered information in interviews with American and Japanese investors in Southeast Asia on the type of the production processes being used in their firms' plants in the region. For both groups, simple process production accounts for a substantial majority of the projects,

although it appears that the proportion of projects that are multi-product and complex product processes is higher in the Philippines than elsewhere in Southeast Asia.

(1973a: 26-31; 1973b: 27-30) Snow (1977) reports that most of the plants he visited in 1974 in the Bataan Export Processing Zone are low technology, low skill textile, garment, and shoe factories. The Ford stamping plant is the major exception. Scale of production and the availability of needed skilled workers are mentioned as the most important considerations in the selection of products to be produced and process to be used. However, Allen adds that for the Japanese "emphasis was placed on trade (i.e., the flow of materials and supplies from Japan)" (1973a: 31)

Lasserre and Boiset differentiate between downstream and upstream technologies, arguing that there is more technology transfer in the latter. Interestingly they add that in the strategies of both European and ASEAN businessmen, "the acquisition of technology does not play a big role; market considerations are more important . . ." (1980: 4, 50)

Although for every piece of equipment or process there must be someone who first uses it, in the Philippine context this does not mean that every foreign investor brings in something new. In fact, the opposite may be more nearly the case. Almost 80 percent of the firms from which Lindsey obtained information said that equipment similar to that

being used in their plants is being used elsewhere in the Philippines. Only about one-third of the respondents claimed to be the first to use a particular piece of equipment locally. Further, almost 90 percent said that the equipment they are using is available on the open market. Approximately half of these make modifications of that equipment for their own use. This, however, has more to do with the quality and efficiency of production than with the ability to secure the necessary equipment for production in the first place. (1981a: 28-31) Control of or access to equipment does not appear to be the major source of advantage of TNCs or their major area of contribution.

Research and development is another area where the contribution of TNCs is a small or non-existent. Mason found that the firms he interviewed are not extensively involved in research. (1971: 64) Alsaaty reports that the firms in his survey spend on average 0.7 percent of net sales on R & D. Interestingly, 50 percent of local firms reported expenditures in this area, while only 30 percent of the foreign-owned firms did. (1973: 106) Half of the managers with whom Lindsey spoke said they are engaged in R & D; however, little of the activity is in basic research or in developing new products. Rather efforts are primarily directed toward quality control, process alteration, or marketing strategies. Adaptations often need to be made because of climatic differences between the Philippines and the country where the product was originally developed, or because of local preferences of color, taste, smell, and

even hearing. (1981a: 34-35; also see Allen 1971b: 33-34)

The significant element in the TNCs' transfer of technology to the Philippines (or, to put it a different way, the element that gives them a competitive edge over domestic producers) is in process technology, not equipment: process, experience, quality.

As one executive put it: the basic equipment is the kettle -- textbook technology. But then there is the art. This the MNF-affiliated firms felt was their strong point. Even if the process technology could be purchased, the accumulated experience of the MNF gave them an advantage. (Lindsey 1981a: 33)

Allen arrives at the same conclusion. (1973a: 36)

In his view, however, the situation is not as bleak as it would seem if we focus on the technology "package" rather than its components.

The package of technology is important as it is only with foreign investment that a group of technology components can be transferred. In fact the wider package--market, technology, organization, finance--constitutes a strong argument for foreign investments. The actual strength of the argument appears to be diminished when it is examined item-by-item. (1973b: 34)

This position is rather weak. Precisely what is it that is to be gained other than the sum of the components? Weak components when added together, unless they reinforce each other in some manner or interact to produce something that is different than their individual contributions summed, do not make more than a weak whole. The significance of Allen's work is that he went beyond the superficial view that the erection of a plant and its operation necessarily involves technology transfer to a more penetrating look at the substance of the process. It is unfortunate

that he draws back from the implications of his findings in his conclusion.

Cumagun, one of the few to undertake a case study of technology transfer, examines the advertising and pharmaceutical industries. In doing so, he provides an excellent example of how private welfare and social welfare criteria are confused.

The author begins by showing how subsidiaries of large, transnational advertising firms were able to take over the accounts of local affiliates of transnational firms from Filipino advertising companies because of contacts abroad between the two parent TNCs. The TNC advertising subsidiary, according to Cumagun, has a monopolistic advantage. Moreover, having captured the market, the advertising giants affect little transfer of technology. Cumagun argues that the advertising strategies of the subsidiaries are developed abroad; then, the package is sent to the Philippines and implemented locally. Even if the advertising subsidiary employees are Filipinos, there is little benefit to the country. All that is done at the subsidiary level is to extend or adapt an already existing plan. He goes on to detail the entrance of transnational advertising agencies, their rise in importance in the industry, and the TNC connection of their clients. (1979: 162-182)

In his second case study, Cumagun examines the pharmaceutical industry, noting that there is little transfer of technology and no R & D. Only in the areas of assembly and therapy is some transfer occurring. He then excuses the

transnational pharmaceutical firms by arguing that basic manufacture of drugs is expensive, economies of scale are involved, and, anyway, the firms are making available the benefits of science paid for elsewhere. Of course, this ignores the licensing fees paid by local subsidiaries, as well as profits and other equity related incomes that are remitted. (1979: 183-194)

In his discussion of the advertising industry, Cumagun takes a social perspective: success of the TNC results from monopolistic advantage and there is little transfer of technology. In looking at the pharmaceutical industry, however, the interest of the firms dominate.

Surely, in practice the private interests of the TNCs must be taken into account, or, rather, they cannot be totally ignored. But in analyzing their impact upon the Philippine economy, it should be from a social perspective. Economies of scale, for example, have little to do with why transnational pharmaceutical companies do not engage in intermediate production in the Philippines. For them the world is the relevant market, not the Philippines.

When it is in the interest of TNCs to establish large scale, basic industries in the Philippines, they do so. Espiritu (1977:15-16) and Constantino (1978: 238-239) mention the establishment of the Philippine Sintering Plant by Kawasaki Steel Corporation of Japan. Kido (1977) discusses the project in detail. Unfortunately, oft times the reasoning behind a TNC's establishing a plant producing intermediate or basic goods in a third world country is

outside the influence of local officials. In the case of Kawasaki Steel, as the authors point out, the sintering plant was not erected in Japan because of the widespread protest of the Japanese people over pollution associated with its operation.

Important as the initial transfer of technology, is the extent to which the TNC, as transferer, facilitates the movement of the new technology into the rest of the economy. This diffusion process can occur in several ways: licensing agreements, copying (with the TNC serving as a model), subcontracting, management and technical advice on a fee basis or otherwise, and transfer of employees to locally-owned firms, among others.

A study was undertaken in the early 1970s of licensing agreements between foreign firms and firms registered in the Philippines. (Virata 1972b) Magallona points out that the majority of licensing agreements identified are between a TNC and a local firm in which it has substantial equity interest. (1977: 121) In such cases, how useful is the transfer of technology to the society?

Diffusion of technology transfer, however, can not only come about in the direct manner Magallona speaks of, but also more indirectly by subsidiaries sourcing inputs locally and/or providing technical assistance to their suppliers or to other local firms. Mason believes that most of the influence of U.S. firms in the Philippines is indirect, exerted through competition. There are only rarely formal mechanisms to transfer technical or

managerial knowledge of U.S. subsidiaries to Filipino firms. He concludes that there is "little evidence that [Filipino] practices were strongly influenced by U.S. firms regardless of the type of relationship whether it be competitor, customer, supplier, or licensor." (1969: 169-170)

Lindsey's results are similar. Only one-fourth of the responding firms believe that their production methods have served as a model for other firms in the economy. Also, only seven managers said that their firms had assisted local companies over the past 5 years. (1981a: 30, 75) Finally, as we shall discuss in the next section, there appears to be relatively little transfer of workers and managers from TNC-affiliated to domestically-owned firms.

Overall the conclusion must be that there is relatively little transfer of technology occurring and that which is taking place to a great extent remains under the control of TNCs. If you will, it exists in an enclave. This situation is in part a consequence of the simple process-technology that is being transferred. There is little room for horizontal or vertical linkages or skill development.

(Allen 1973b: 29)

But, of course, there are other reasons. To the extent that the position of TNCs is due to their world wide system of operations, they are going to be reluctant to engage in local sourcing that might initially be less profitable. Also, they are going to be reluctant to part with technologies over which they have monopolistic control. For example,

Lasserre and Boiset point out that European TNCs in their investments and licencing agreements in the ASEAN region, use coding of raw materials, purchase agreements, know-how, and patents to protect their technologies. (1980: 60)

The subject of appropriateness of transferred technology is an important one in the literature, although it is not always discussed under this heading. We are using the term here in its general meaning, including but not limited to the intermediate technology usage. Some discuss the issue as one of correct factor proportions; the transferred technology is too capital intensive. Others argue that TNCs are transferring only labor-intensive, standardized technology to take advantage of cheap, unskilled labor.

The difference in views is to some degree one of insufficient information. More importantly, however, is that there are two issues involved, although this is not always apparent from the discussions. Those who argue that TNCs are using overly capital-intensive production processes -- taking either a neo-classical, factor proportions or an intermediate technology approach -- draw attention to the extent of unemployment (and perhaps skill availability) and the low level of saving in the Philippines. The important issue to this group is a domestic one, and the solution demands a more labor-intensive industrialization process than now exists. The literature on this topic is considerable, but since it is concerned with investment in general and not just that portion initiated by foreigners, we shall not take it up.

The dominant issue to those holding the other view is as much political as economic, international as domestic. Transferred technology is not compared with some hypothetical alternative in which the stock of machinery and equipment of the same valuation would fully employ the labor force. Rather, it is compared with the larger pool of technology that exists in the world or that is owned by TNCs. It is in this sense that the technology being transferred is labor intensive. Unemployment is not the issue. Rather, it is the "deleterious attempts of global enterprises to effect a new international division of labour" (Constantino 1978: 229) The present pattern of foreign investment by TNCs has created an undesirable situation for third world countries. "Technology, on which they rely as a means of achieving independence, becomes a medium of dependence. This trend, at any rate, prevents the host country from taking the path of independent development." (Magallona 1977: 129) Lindsey (1981b) argues that this technological dependence results from the partial nature of the transfers.

A discussion of the theories of development of those who take a more orthodox economic approach and those who bring in political and social factors, and an inquiry into the theoretical debates involved would take us far beyond our purpose. However, in ending this section, we will briefly summarize one investigation that used a political economy approach.

Tadem (1978) looks at the demand in Japan for fishery products available in the Philippines and the involvement of Japanese in the Philippine fishing industry. Trade involves fishery products flowing both ways: the Philippines exports raw fish and imports canned mackerel and sardines (quality fish in exchange for cheaper kinds). He argues that the Japanese foreign assistance, investment, and loans are not used to modernize the Philippine fisheries industry for the benefit of Filipinos, but are designed for increasing production for export for the Japanese market. The author draws particular attention to Japanese involvement in the development of the fishing port of Navotas and the displacing effect on Filipino workers and marketers. He concludes by emphasizing the need to view Japanese interest in the Philippine fisheries industry in context of the overall economic strategy of Japan towards the Philippines.

XI. Training and Skill Development

In almost any list of the beneficial effects of foreign investment, particularly by multinational firms, manpower development and training will be ranked rather high. There is a widespread view in the Philippines, both within the private sector and without, that transnational firms have played a key role in the development of high level manpower in the economy. There also appears to be a consensus that foreign investment contributes substantially to increasing the pool of skilled workers. In this section we will review the literature that makes reference to the subject.

It is a general complaint among industrialists in the Philippines that there are shortages of workers with required skills and that training institutions and universities do not provide sufficiently or properly trained technical graduates. Foreign-owned firms are no exception, although the shortages do not appear to be sufficiently acute, according to Mason, to require alterations in production methods. (1971: 57; also see Ngo 1980: 9) It should be mentioned, however, that in reading the literature it is difficult to separate complaints about insufficient numbers or training of entry level personnel of various skills, on the one hand, from complaints about the lack of experienced workers, on the other.

Moreover, the area of complaint must be rather small. In the firms Lindsey interviewed, unskilled workers account for an average of 42 percent of the firms' work forces, a figure that is increased to around 63 percent if the office staff is included. Skilled workers average just under 25 percent of the work force, while supervisors and professional and managerial staff accounted for 4 percent and 9 percent, respectively. (1981a: 38) This latter group, the ones to whom most training is directed, comprise only slightly more than one-third of the total.

Snow reports that of the 15 mostly small to medium sized firms that he interviewed in the Bataan Export Processing Zone (only 2 of which had no foreign-owned equity), 13 have no formal orientation program before sending

workers to the shop floor. The majority use supervisors, "line leaders," and others to teach new comers. The emphasis is on discipline and socialization to the standards of the work place. With the major exceptions of the Ford stamping plant and a textile mill, over 85 percent of the workers are women, usually young. The workers are generally taught only one specific task. If a worker learned to make an entire garment, one manager reasoned, she would probably leave the factory and set up her own shop. Snow goes on to say that "the managers of the companies operating in 1975, with few exceptions, confirmed that relatively few sophisticated skills were being taught". (1977: 97-101)

Allen notes that the technologies being used by American and Japanese investors are generally simple processes in which there is little development of the skill of the work force. In the export oriented industries, for example, Japanese firms usually manufacture products that are at the cheaper, less sophisticated end of the market where there is strong price competition. Cheap labor with few skills is employed. (Allen 1973a: 30-31; 1973b: 29)

Ten of the 18 firms surveyed by Mason provide some training: on-the-job, short courses, seminars, and specialized training abroad. Only 7 of them (4 American-owned and 3 Filipino-owned), however, have a formal budget for training, and it is small, ranging from 0.4 percent to 3 percent of the wage bill. (Mason, 1969, pp. 139-142)

Alsaaty reports that 80 percent of the foreign-owned firms in his sample have some type of training program, and half of this group has sent at least two Filipinos abroad during the 1966-1970 period. However, only about 9 percent of the workers in these firms had some training during the 1966-1970 period. Programs averaged 2 months in duration with most of the efforts directed towards management and technical personnel. The average budget for these programs was 0.2 percent of the firms' net sales. (1973: 66-73)

Nineteen firms surveyed by Lindsey provided information on their training practices. An equivalent of almost 40 percent of these companies' total 1979 work force received at least some training during the past 5 years. The significance of this figure, however, is lessened when job turnover is taken into account; the average duration of employment is only 6 years. A large majority of those trained (70 percent) are production workers, but they receive mostly on-the-job training. The training period for this group ranged from 2 to 3 days to over a year and a half, with an average of about two weeks.

On the other hand, professional and managerial staff, about 9 percent of the responding firms' work force, accounted for almost one half of the participants full-time training programs. The median duration of such programs is four to five weeks, double that of the on-the-job training programs.

Lindsey also found that there was a rather narrow range of skills demanded by TNC employers: mostly machine operators, carpenters, mechanics, and other repairmen. In most areas there is an existing pool of skilled manpower. The foreign-owned firm sees itself primarily as ungrading or "focusing" the skills, rather than enlarging the local pool. Finally, the employers reported that both skilled workers and managers are not, by and large, transferring from TNC firms to domestic firms. Those employees changing jobs, if they are not going abroad, are transferring to other TNC firms. (1981a: 46-59) Ngo Huy Lien (1980: 13) finds the same pattern.

Mason notes that American-owned and Filipino-owned firms differ in their staffing methods, skill mix, and perception of areas of skill shortage. U.S. firms employ a relatively larger proportion of their labor force in executive, technical and semi- or un-skilled categories, while Filipino firms used relatively more professional and skilled employees. He suggests that the difference might be partly because U.S. firms produce technically more sophisticated products. Standardization also plays a role.

U.S. firms have long experience in the production of technically refined products and have developed well defined procedures for their production under a wide variety of circumstances . . . they can employ lower level skills in the production process. At the same time however, to see that the procedures are being properly followed and implemented, a larger input of supervisory talent is required." (1969: 128-130)

At the beginning of this section, it was remarked that there is the general perception that TNCs have contributed

to the development of managers in the Philippines. Although this appears to be the case, at least in comparison with the extent of training of skilled workers, there has been considerable discussion as to whether Filipinos are actually allowed to assume the reins of power. See, for example, Espiritu, (1977: 13-14). This is in part a question of control, but it also involves training and development of managerial capabilities. So, we will take it up here.

Forty percent of the firms Alsaaty interviewed employ expatriate personnel, with the larger firms having the larger number. (1973: 74-76) Allen reports that in joint ventures with significant Japanese equity, Japanese personnel normally occupy the key positions, citing lack of trained manpower as the reason. American firms find it essential to bring in outsiders during the early stages of an operation. However, as locals are trained, the U.S. personnel are replaced. In addition, some local staff are sent abroad for training. (1973a: 25; 1973b: 25)

Lindsey also inquired into this issue. Twenty-six firms supplied information, 8 of which say they are completely Filipinized. Five more only employ a foreigner only in the top position. At the other end of the spectrum, three executives said that more than five expatriates are generally employed at one time in their firms. (1981a: 39-40)

The usual reason given for the employment of expatriates is the lack of qualified Filipinos. Lindsey found upon

inquiry that the situation is more complicated: company policy is important, as is home office judgement as to whether a local qualified person is available; some executives explained that hiring policies were currently changing and that foreigners were being phased out; a few referred to long standing prejudices (of their predecessors); and one was worried about the impact on the pay structure of Filipino employees if a Filipino was brought into a high paying position. Some, in justifying the local employ of foreigners, point to the seconding of Filipinos abroad. (1981a: 42-44)

In joint ventures the employment of expatriates in high positions raises unique issues; the distinction between training and doing it one's own way become blurred. A series of studies have come out of the Third World Studies Center at the University of the Philippines discussing the cultural and management problems of joint ventures in the Philippines, particularly between Filipinos and Japanese. (Tsuda 1977; David 1978; David and Tsuda 1978; and David and David undated; see also Lassarre and Boisot 1980) The Japanese feel that the family-run style of business is the source of much difficulty and is the most backward feature of Filipino business. They feel that Filipino owners are too authoritarian, personally making decisions, thereby not allowing the development of good managers. This is intensified by the lack of an institutionalized promotion process. The emphasis on short term growth is felt to be counterproductive at the micro level (long run profitability)

and at the macro level (development of the Philippine economy). The low pay of workers and repressive measures of Filipino employers result, in the view of the Japanese, in submissive workers who do not work hard or have a commitment to the firm.

Filipinos on the other hand see their Japanese counterparts as narrow minded and rigid. They feel that their agreements with them involve restrictive clauses and that often equipment from the Japanese partner are older models or second hand. The Japanese technical advisors at times "counter manage" the workers in the factory. And, the Japanese do not want the Filipinos to compete with Japanese firms on the world market. Finally, inasmuch as the Japanese often brings more to the joint venture than the Filipino -- loans, markets, raw materials, technology -- their relative power in the organization is greater than that which the Japanese/Filipino equity ratio would suggest.

XII. Monopoly, Power, and Influence

Many foreign investors, particularly the transnational corporations, are sufficiently large to have a significant impact upon the economic environments in which they operate. There is concern that the TNCs engage in business practices that are to their advantage in their world wide operations, but are detrimental for the economic development of the host countries. What precisely constitutes such behavior is not easy to define; L. Bautista, however, provides a description.

The precise coverage of restrictive business practices would not be possible. Restrictive practices have grown out of the circumstances in which the enterprises have found themselves. As a result, it has been very difficult to come up with the definition that would cover all restrictive practices. They are easier to define, however, when discovered. With the changing methods of trade and business, new types of restrictive business practices have surfaced. Based on existing practices there are five broad categories of restrictive business practices: (1) the collaboration of enterprises by means of restrictive agreements or the establishment of so-called "cartels" to impose conditions on the market, which are beneficial to themselves and frequently detrimental to other enterprises or consumers; (2) abuse of dominant market power; (3) growth in market through acquisitions, mergers and takeovers; (4) existence of monopoly or the growth of monopoly through internal expansion by the enterprise itself; and (5) practices directly affecting consumers. Of these practices, multinational firms in developing countries have often been accused of practices in categories 1 to 3. (1977: 142-143)

Espiritu mentions the following specific areas of concern in the Philippines: restrictions on exports of local firms (product, geographical market, and/or brand name), either at all or without prior approval of the TNC licensor; tied-in purchases of raw materials; restrictions on method of production; payment of minimum royalty and other fees; patent process improvement by licensee accruing to licensor; agreements construed and disputes settled according to laws of other countries; and restrictions on termination of agreements. (1977: 57-58)

Several studies have examined the possibility of monopolistic behavior by TNCs in the specific industries. One of these has been conducted on the banking industry. The opening of the commercial banking system in April 1973 gave rise to some concern. Lava (1976) examines the size of the resulting financial flows for the three-

year period ending in 1976, as well as the impact upon decision-making in the banking system. In 1976 he estimates that almost 30 percent of the net worth of the private commercial banks was foreign owned. The inflow of equity capital and counter-part loans for the three years was about 5 percent of total foreign exchange receipts. Although this might have had some positive impact on the balance of payments in the short term he questions the long term benefit. The capital inflow, he feels, did help to moderate the recession arising from the 1973 oil crisis, and it had little inflationary impact. Although the foreign banks probably influence the operations of the banks in which they invest, it does not appear that they are able to control bank policies. Finally, Lava argues that the solution to problems of stability of the banking system in the Philippines is not increased size of individual banks. Rather it is removing of corrupt or incompetent management.

Two studies deal specifically with the automobile industry. Both give a background on the development of the industry in the Philippines, including the creation of the Progressive Car Manufacturing Program. Laxa, et al (1979) discuss the state of technology in the local industry, including the increase in the amount of subcontracting. They examine the practice of using a deletion allowance approach to pricing and the impact on car prices as local content increases. They point out that although the TNCs in the industry have consistently reported losses, locally-owned

firms have reported profits.

Ohara is more concerned with the world strategy and operations of transnational auto manufacturers, and he looks at their operations in the Philippines in light of this: the Progressive Car Manufacturing Program (PCMP); the development of an "Asian" car; and the local content and pricing policies of the manufacturers. He examines the operation of Ford Motor Company in some depth, particularly their world market strategy. Ohara feels their strategy is based on two opposing principles. First, Ford attempts to maintain as direct a control over its overseas subsidiaries as possible. He quotes the President of Ford Asia-Pacific and South Africa as saying in 1972 that the company had no plans of selling stocks of Ford Philippines to Filipino investors, adding that "'the top managers of the company would not want any dilution in the management of Ford Motor Company's international operations.'" (1977: 176)

Second, the company tries to overcome the limits of national boundaries and cultural differences. As a vice-president of Ford put it, "'It is our goal to be in every single country there is. We at Ford Motor Company look at a world without boundaries. We don't consider ourselves basically an American company.'" (176)

Ohara identifies economic nationalism as it pertains to the automobile in terms of "a people's acquisition of the technological ability and the productive means to manufacture cars." (189) He then argues that the PCMP

and the operations of the transnational automobile firms do not significantly contribute to the realization of this aspiration. Rather, the TNCs try to present "the goal of world industry and the Filipino dream of nationalism . . . as one and the same thing." (189-190) It is, in Ohara's view, unthinkable that the specialized production in the Philippine automobile industry will be expanded by the TNCs under the PMCP guidelines to complete domestic production. On the other hand, attempts by the TNCs to tie nationalist aspirations to a consumption pattern based on a preference for foreign products and a vision of the Philippines as a "motorized society," has a distorting effect on Filipino culture and society. (193)

There has been one major investigation of licensing agreements, particularly those that potentially limit exports. The survey covers 527 firms with foreign-owned equity and/or technical collaboration agreements with foreign firms in the period ending in 1970. (Virata 1972b: 1-9) The sampling method is not discussed; therefore, one must be careful in drawing conclusions. For example, Magallona points out that the majority of the agreements summarized in the study are between TNCs and their local subsidiaries or branches and firms in which they hold the majority of the equity. He draws the following conclusion.

These points clearly show that transfer of technology in the Philippines, as dominated by the TNCs, is a misnomer. It is a misleading label for intracorporate transactions, indicating that if there is any technology transferred this is done by the TNCs to themselves. Licensing agreements in the hands of the TNCs are not arm's length transactions but are

contracts in which both the licensor and licensee are the same corporate interest or person. (1977: 121)

It is not with the logic of Magallona's point with which we quibble; in fact, we agree. Rather it is the link with Virata's data. Surely the sample is large enough to be of interest and importance. However, since we do not know the population or sampling method, we cannot make a judgement as to how representative the data is. More importantly, it is well known that subsidiaries and parent firms do not need formal agreements; they are, as Magallona points out, the same corporate interest or person. His point is as relevant to purported transfers of technology without agreements as it is to those with. Finally, it is a bad proxy, in our view, to use the number of licensing agreements as a measure of technology transfer. Without knowing their contents, as well as the extent of implementation, there is no way of knowing much about the nature or extent or usefulness of the technology covered by the agreement.

Virata provides a short summary of the royalty fees paid under the contracts (1972b: 10-12), but inasmuch as information was not available on 40 percent of them, it is difficult to arrive at conclusions.

The most important part of the work is that dealing with restrictive clauses. Half of the 254 agreements surveyed contain restrictive clauses: 82, or almost two-thirds involve export restrictions, and 67, over 50 percent, include tie-in purchases of raw materials. (12)

Examples are given for the automobile, pharmaceutical, and petroleum industries. "The [pharmaceutical] industry is

Foreign-dominated and details of licensing agreements between subsidiaries and parent companies have not been made public; most often, the agreements consist of informal instructions from a parent to a subsidiary." (1972b: 18, emphasis added) Lindsey finds the same type of informal arrangements with respect to exports in some of the firms that he interviewed. Managers say they can not export to many areas without encroaching on the market of their parent TNC or another of its subsidiaries or affiliates. (1981a: 84)

In the automobile industry, there is widespread use of "deletion allowances," the practice of subtracting the price of a part deleted from the overall price of an imported, completely knocked down automobile. Ohara points out that the deletion allowance is usually set at a price far lower than the price of the same component imported as a spare part. Thus, a process of transfer pricing exists. (1977: 175) Virata's concern is more with the impact on local manufacturing. "Since the major components are not available locally, it would be to the advantage of the licensee to import the entire package. . . ." (1972b: 17) He concludes by pointing out the seriousness of the issue of tied-in purchases since it involves very large amounts of foreign exchange. The same is true, of course, for restrictions on exports.

Others mention the problem of restrictive agreements in passing. David and David note that the Filipino partners of joint ventures with whom they spoke complain about the

restrictive clauses between the joint venture and the Japanese TNC partner. They give as example the need to obtain the expressed consent of the TNC before entering into business relationships with other companies, and controls over product development.

In 1977 and 1979, E. Bautista published articles on the drug industry in the Philippines, the latter one in collaboration with Clemente. The articles are quite critical, pointing to the dominant share of the market in the hands of TNCs, the limiting of domestic production to compounding and packaging (95 percent of the industry's raw materials being imported), the lack of local R & D, the unnecessarily high cost of imports (transfer pricing), the high profits, dividends, and royalties repatriated, and the overuse of brand, rather than generic, names. Examples of the cost of importation of specific drugs by TNC subsidiaries versus the cost of importation by non-TNC drug firms were given. (E. Bautista 1977; Clemente and Bautista 1979)

The Drug Association of the Philippines in an undated paper replied to the Clemente and Bautista paper. They argue that the expenditure on drugs in the Philippines is not unreasonable, that much of the data presented by Clemente and Bautista is wrong, and that the use of generic drugs is not to be preferred over brand name drugs. Unfortunately the debate has not been pursued. It is an important issue, and further inquiry would increase substantially our knowledge of the role of foreign investment

in the Philippines.

The issue of transfer pricing has been taken up by others. Langley examines the operations of the petroleum industry in the Philippines in the 1950s and 1960s. She concludes that the Philippines was a "captive market" of the oil TNCs and that the average f.o.b. price in the Philippines was substantially higher (\$0.30 to \$0.40 per barrel) than that paid by independent buyers or by countries with more bargaining power. Although the country gained by importing crude and refining it domestically (the industry estimated this at \$25 million in the mid-1960s), this gain was reduced significantly through the process of transfer pricing estimated by Langley to be in the order of \$10 million. (1970: 40-41)

Dang makes the following comment on price setting in joint ventures in Taiwan and the Philippines.

... the parent retained control of this function [price determination] although the degree of flexibility of the subsidiary varied from company to company. Some firms recommended a set of prices to the parent for approval. Others simply presented cost data to the parent who determined the worldwide pricing strategy for all affiliates. And still others adopted formulae provided by the parent in their dealings with distributors in overseas markets. Regardless of the degree of local autonomy, price policies were coordinated at regional meetings and ultimately were decided upon at the parent level. In one case, the poor profit performance of one subsidiary in the sample could be partially attributed to the fact that 95% of its exports had been made to or through the parent and affiliated companies and yet it was constrained in the determination of sales prices. (Tran Thanh Dang 1977: 102-103)

Dang also found that the TNC parent dominated both importing and exporting decision-making. They "exercised

a high degree of control over import versus local content policies. . .," and the bulk of the overseas sales of the local firm were made to related companies of the TNC. (108, 100)

Mention should be made of the study made by the Corporate Information Center of the National Council of Churches which "explores the nature and extent of American multinational investment in the Philippines and its relationship to the economic development policies of the Philippine government, and martial law." (1973: 6) The work includes several industry studies, including fruit products, automobiles, petroleum, rubber, banking, timer, mining, and sugar. Also there are chapters on the history of American investment in the Philippines and on the reaction of American firms to martial law. The material, while broad in scope and interesting, is largely introductory. Most of the information is from newspapers and other secondary sources.

Joint ventures have been promoted as one means of transferring control of productive resources to local capitalists. In his study of joint ventures in Taiwan and the Philippines, Dang casts doubt on this view. Defining control in terms of the degree of autonomy of the local firm from its affiliated TNC and the relative roles of the local partner and the TNC managers, Dang concludes that there is no relationship between the proportion of foreign ownership and the extent of control exerted by the TNC. The reason is "simply because in

almost all cases, the local partners contribute little beyond capital investment Furthermore, the local partners are often not interested in management of the firm. Rather, they consider the investment as diversification strategy in their personal investment portfolio." (Tran Thanh Dang 1977: 225)

The implication here is that, one, economic resources within the Philippines are concentrated in the hands of a relatively few local capitalists, and two, it is these capitalists that are the primary joint-venture partners of foreign investors. Lindsey has shown that the structure of Philippine manufacturing is highly concentrated. For 1970 the three-establishment value added concentration ratio averaged 36 percent at the two-digit ISIC level of aggregation. In addition a significant part of the inter-industry difference in price-cost margins is explained by value added concentration. (1977: 308-309) Elsewhere he examines the relative size of firms in Philippine manufacturing. In 1970 over half of the total assets of the 500 largest manufacturing firms is accounted for by the 60 largest firms and over 60 percent of the assets of the latter is controlled by the 20 largest firms. (1979: 190, 192)

Doherty approaches the subject from a different direction, going beyond Lindsey's work by looking at the pattern of control over the corporate sector. He brings together a considerable amount of information on interlocking directorates between 12 commercial banks and

various corporations in the economy. It is not designed to be exhaustive; rather, as the title states, it is preliminary. None the less, the links between the banks, especially 5 of them, and the financial, manufacturing, commercial, and service sectors of the economy is considerable. The 12 banks have 634 director interlocks with 305 enterprises. (1979: 100)

Many of the identified enterprises are foreign owned or have foreign equity. Although not the major purpose of his monograph, Doherty does point to the interlocking directorates between these firms and the 12 banks, thus showing which local capitalists are linked with which foreign firms.

The work can be criticized in several ways. First, it is not clear why, in the Philippines, banks should be the organizing unit around which control and interrelatedness are examined. Second, given the importance of foreign investment in the economy, it could have been given more attention. Thirdly, some of the organization and exposition could be improved and some obviously incorrect comments omitted. Nevertheless, as a preliminary study the work by Doherty succeeds in providing a considerable amount of information.

Tsuda in a very interesting study of Japanese-Filipino joint ventures also shows the dominant participation of the Filipino elite. He identifies 25 "leading" Filipino partners and 21 "other" Filipino partners, on the one hand, and 6 major Japanese business groups (the kiwyo-shudan)

on the other. Sixty eight major joint ventures between the Japanese business groups and the Filipino partners account for 81.6 percent of Japanese investment in all Japanese-Filipino joint ventures. Fifty eight of these were with the "leading" Filipino partners, accounting for 78.4 percent of all Japanese investment. Forty of the 68 were among the 1000 largest firms in the Philippines in 1976, as were 4 other Japanese-Filipino joint ventures. (1978: 79, 151-152)

It should be noted that in attempting to view Japanese investment in the Philippines as dominated almost entirely by joint ventures, Tsuda includes Kawasaki Steel's Philippine Sintering Plant in Mindanao. Accounting for 44.7 percent of all Japanese investment in the Philippines at the time of Tsuda's study, its Japanese equity was ¥478.6 million. In contrast the Philippine government had invested ¥300; this is 0.0000627 percent of the total. (34) Obviously the Philippine equity participation is insignificant although the size of the sintering plant demands that it be included in studies of Japanese foreign investment in the Philippines. One could argue that the negotiations surrounding the investment by Kawasaki and the creation of Philippine Veterans Investment and Development Corporation to purchase the land on which the sintering plants sits, involves "jointness" in the investment project. (see Kido 1977) But the case is not made in Tsuda's work. This should not detract significantly, however, from the information that he has presented.

The concentration of Filipino joint-venture partners among the Filipino elite can be explained by referring to the factors that Japanese investors emphasize in selecting partners: access to capital, access to raw materials, access to markets (including third country markets), and durability and/or access to political influence. (David and Tsuda 1978) It is obviously the elite that has the wealth and business and political connections to meet these requirements.

Cagampang-de Castro discusses a legal reason for the concentration and suggests a possible solution.

The bias which the system has in favor of joint ventures supports the idea of a few large local and foreign enterprises dominating the business environment. In an economy where wealth is concentrated in a small percentage of the population and business organizations commonly in the form of close family corporations, these same interests continue to be the only available partners of foreign investors who can do business only through joint ventures with Filipino interests. As long as Philippine anti-trust policy is within the framework of penal law, prompt control of anti-competitive practices will not be possible. The establishment of a central administrative body charged with investigating and evaluating anti-competitive effects of certain business practices is necessary. (1977: 163)

Finally, we wish to refer to studies whose focus is not so much on the aggregate benefits and costs of foreign investment or on the traditional concerns of economists studying monopoly; rather the subject of these papers is the impact of the TNC on the lives of the people, and the environment in the immediate vicinity of its operations. The consequence of a very unequal power relationship is stark. Snow (1977) interviews workers, mostly emigrants, in Mariveles near the Bataan Export Processing Zone. He

presents information on their background, their attitudes, and their patterns of living. Kino (1977) discusses the displacing of entire barrios to make way for the Philippine Sintering Plant. The industry receiving the most attention, however, is fruit products: the pineapple and banana industries in Mindanao. It is not, perhaps, that the behavior of firms in this industry is significantly different from firms in other industries. Located away from industrial centers, however, the consequences of their actions are more apparent to the observer.

Friesen and Stolzfus discuss the impact of two subsidiaries of Castle and Cook, DOLEFIL (Dole Philippines) and SPANFILCO, on the areas in Mindanao where they operate pineapple and banana plantations. They describe the lease agreements between these two TNC subsidiaries and the government-owned National Development Corporation (NDC), on the one hand, and local farmers, on the other. The rental of ₱63 per hectare from NDC appears rather low to the authors. They argue that although General Santos City has become a business town, the lives of individual farmers involved with the 2 growers have not improved. Further they feel the ecology of the land is being upset by erosion and the use of chemicals. The high technology being used is inappropriate for the state of local development and needs of the community. In addition, the two firms exert monopoly control in the market for agricultural inputs such as fertilizer and the marketing of pineapples and bananas. The power of the TNC is such that there is little the local inhabitants can do.

Broad (1980), in an article provocatively entitled "Our Children Are Being Kidnapped," discusses the expansion of corporate farming in Bukidnon and its impact on the people being displaced. She focuses particularly on the activities of the local subsidiary of Del Monte, Philippine Packing Corporation. She details the role of land speculation, the connivance of individuals of the Bureau of Lands, the intimidation of the people, and the detailed language of the growers agreements.

Finally, the most comprehensive of these studies is the report on the banana industry by David, et al (1981). The development of the banana industry in Mindanao is explained; its dependence upon Japan and the vicissitudes of that market is discussed; and the technical, economic and social problems of production are explored. The three American and one Japanese TNC involved in growing and marketing use different approaches. United Brands is associated with only one grower. Del Monte uses nine corporate farmers, while the Castle and Cook subsidiary, STANFILCO uses 350 or so small growers. There are many complaints about the nature of the growers agreements, particularly with STANFILCO.

David et al, in contrast with the two articles just mentioned, link the impact of the TNC on the inhabitants of the pineapple and banana growing area with the economy at the world level. The authors explain that there are many problems associated with the rapid growth of Philippine operations, both because of the growing Japanese market and

because of the Philippines capturing the shares of Ecuador and other Central American countries. However, the market has recently peaked.

Rising input and falling market prices are placing a squeeze on both producers and marketers. David, et al argue that the agreements the TNCs have with the growers places most of the uncertainty on the latter. In addition the size of the TNCs give them the power to protect themselves at the expense of growers, many who are in debt and hence at the mercy of the TNCs.

XIII. Summary and Conclusions

To the average person on the street there is relatively little criticism of foreign investment, although particularly egregious acts are not ignored and the Japanese generally come in for more scrutiny than the Americans. The style of business with which the TNCs are associated, the apparent modernness of their factories, and, of course, their obvious success in identifying their products in the eyes of the consumer with success and development, are subject to admiration if not awe. All of this may be less today than it was 25 or 30 years ago, but it is there. However, when we turn to the literature, we find it to a considerable extent, critical. Why is there this discrepancy?

Part of the reason can be attributed to perspective. For some success at the individual level -- person, family, and/or firm -- is the dominant concern; all else is by the way. Others who try to take a social perspective feel there

is a close parallel, if not a one-to-one correspondence between the needs, priorities, and goals of foreign investors (or perhaps business enterprise in general) and those of the national economy. The problem is to place the latter in consonance with the former.

History and observation, however, have convinced many that the situation is better characterized in terms of incongruities and conflicts, than in terms of harmonies. The studies reviewed here by and large support this view. The argument that foreign investment has made substantial contributions to the economic development of the Philippines is a weak one; significant costs and minor benefits are more the order of things. It may well be that the particular topics which we reviewed in arriving at this conclusion -- and they are the ones which proponents and critics alike have focused -- are not the proper ones. If so, we would be interested in seeing both argument and data.

Not all the blame for current state of affairs should be laid at the door of the TNCs, however. For example, it is unrealistic to expect foreign-owned enterprises to contribute significantly to the reduction of un- and under-employment by hiring a large number of workers. Their presence is simply not that great. On the other hand, it is not too much to expect them to contribute more to employment indirectly -- as well as to industrial development in general -- by increased local sourcing.

In other areas it is unclear whether the contribution of TNCs should be improved; their capital contribution is a case in point. The data on net equity capital movements and the associated income flows, as well as transfer pricing and other monopoly rents, suggest that there may be an excessive drain of domestic resources. However, to completely reverse this outflow on a sustained basis would necessitate a very rapid growth of foreign investment. Whether this is practicable or desirable is surely debatable.

Management training is the one area in which there is general agreement that a substantial contribution has been made. Although home country personnel still staff the top position(s) in some TNC-affiliated firms, the use of expatriate does not appear generally to be a contentious issue. Rather it is concern about the locus of decision-making: to what extent does the local firm have autonomy in making decisions that are in its interest in the context of the local economy, and to what extent does the home office office of the TNC, with its global perspective and interest, control the actions of its affiliates.

Transfer of technology, including the development of a skilled work force, is an area of research in which the surface has just been scratched. What has been done, however, is not encouraging. The simple, last stage production processes that are employed, the insignificant diffusion of the transferred technology to domestic firms, and the monopoly advantages that accrue to the TNC-affiliated firms from their knowledge of the production processes, as

well as from their accumulation of experience, limit the potential benefit of foreign investment to the national economy. In addition, the concentration of wealth and control of productive assets that exists in the Philippines may have contributed to the current state of affairs.

In the introduction to this review readers were warned that few topics of the covered have been adequately researched, and in most areas our knowledge is rather thin. Nowhere is this more true than in the subject of the balance of payments contribution of foreign investment. There is adequate data on capital and associated income flows; the existence of a sustained net outflow is generally agreed upon. However, little is known of the impact of import-substitution, exports, transfer pricing, management, royalty, and other fees, and so forth on the balance of payments.

From our reading of the data we conclude that, at least in a quantitative sense, foreign investment must be considered a significant element in the Philippine economy. This is more true in an aggregate sense in the colonial and commonwealth periods than currently. But Filipinization notwithstanding, firms with foreign-owned equity are among the largest and most important in mining and in many manufacturing industries. How closely they should be identified with the pace and pattern of Philippine economic development, however, has not been sufficiently examined.

Another area that has been widely discussed but insufficiently described or analyzed is the role that government policy makers envision for transnational firms in their economic development plans, the purpose of the policies designed to impact upon the activities of foreign investors, and the relationship between the role envisioned and policies implemented, on the one hand, and the behavior of TNCs, on the other. It is unclear to us precisely what is desired or expected from foreign investment, and to what extent success has been achieved.

Neither is it clear what conclusions should be drawn from the critics of foreign investment in the Philippines: what alternative course of development is pictured; what must occur for it to succeed; what will be the role, if any, of foreign investment; and what are the chances for success? Crystal ball gazing or completely worked out scenarios are not necessary, but the presentation of ideas and analysis subjected to scrutiny would be useful. It is only when we understand the nature of the economic development process that both the proponents and critics of TNCs feel is most appropriate for the Philippines, and the role they envision for foreign investment in that process, can we place their analysis and conclusions in perspective.

As we have tried to show, there has been considerable analysis of foreign investment in the Philippines. However much more needs to be undertaken, and it needs to be linked with studies on other areas of the economy and with the economic development of the country in general.

R E F E R E N C E S

Many of the references listed below are, unfortunately, unpublished; others are not easily located. To minimize search efforts for those wishing to access these materials, we have indicated at which library in the Metro-Manila area we were able to find them. Only one library is listed for each document, although it may actually be found in several places. Some items are personal copies. They may be available in local libraries; we did not check. Also, we looked for a reference first at the School of Economics Library at the University of the Philippines. If it was not there, only then did we look elsewhere. The following abbreviations are used:

- UPAC -- University of the Philippines Asian Center Library
- UPALEC -- University of the Philippines, Asian Labor Education Center Library
- UPBA -- University of the Philippines, College of Business Administration Library
- UPLC -- University of the Philippines, Law Center Library
- UPMF -- University of the Philippines, Filipiana Section of the Main Library
- UPML -- University of the Philippines, Main Library
- UPSE -- University of the Philippines, School of Economics Library
- UPTW -- University of the Philippines, Third World Studies Center
- AIFC -- Ateneo de Manila University, Institute of Philippine Culture Library
- ARL -- Ateneo de Manila University, Rizal Library
- CRC -- Center for Research and Communication Library

Allen, Thomas W. 1973a. Direct Investment of Japanese Enterprises in Southeast Asia: A Study of Motivations, Characteristics and Attitudes. ECOCEN Study No.1. Bangkok: Economic Cooperation Centre for the Asian and Pacific Region. UPSE.

Allen, Thomas. 1973b. Direct Investment of United States Enterprises in Southeast Asia: A Study of Motivations, Characteristics and Attitudes. ECOCEN Study No.2. Bangkok: Economic Cooperation Centre for the Asian and Pacific Region.

Allen, Thomas W. 1973c. Direct Investment of European Enterprises in Southeast Asia: A Study of Motivations, Characteristics and Attitudes. ECOCEN Study No.3. Bangkok: Economic Cooperation Centre for the Asian and Pacific Region.

- Allen, Thomas W. 1974. "Policies of ASEAN Countries Towards Direct Foreign Investment." SEADAG Papers 74-4. New York: Southeast Asia Development Advisory Group of the Asia Society.
- Alsaaty, Falik M.H. 1973. "The Impact of Foreign Private Direct Investment on the Economic Development of the Philippines." PhD dissertation, New York University. UPMF.
- Aseniero, George C. [1979.] "Multinational Corporations and Technology Transfer." In "Multinational Corporations in the Philippines." Ed. by Wilfredo Clemente, Froilan B. Bacungan and Federico Laxa. [Makati]: Technology Resource Center. (Mimeoographed.) UPMF.
- Bacungan, Froilan, and Research Associates. [1978.] "The Regulation of Transnational Corporations in the Philippines." Quezon City: University of the Philippines, College of Law.
- Bantegui, Bernardino. [1965]. "Aspects of U.S. Investments in the Philippines: CY 1956-CY 1965." [National Economic Council]. (Mimeoographed.) UPSE.
- Bautista, Esteban B. 1977. "Multinationals and the Drug Industry in the Philippines." Law and Development (University of the Philippines Law Center), 181-198. Journal issue also published as Philippine Perspectives on Multinational Corporations by Augusto Caesar Espiritu, et al. UPSE.
- Bautista, Lilia. 1977. "Restrictive Business Practices of Multinational Corporations," Law and Development (University of the Philippines Law Center), 139-154. Journal issue also published as Philippine Perspectives on Multinational Corporations, by Augusto Cesar Espiritu, et al. UPSE.
- Bautista, Lilia. [1979]. "Multinational Corporations and Philippine Policies on Foreign Investment." In "Multinational Corporations in the Philippines." Ed. by Wilfredo Clemente, Froilan B. Bacungan, and Federico Laxa. [Makati]: Technology Resource Center. (Mimeoographed.) UPMF.
- Bos, H.C., Martin Sanders, and Carlo Secchi. 1974. Private Foreign Investment in Developing Countries: A Quantitative Study on the Evaluation of the Macroeconomic Effects. International Studies in Economics and Econometrics, Vol. VII. Boston and Dordrecht, Holland: D. Reidel. UPSE.

Broad, Robin. 1980. "Our Children Are Being Kidnapped." Bulletin of Concerned Asian Scholars, 32 (July-September), 2-9.

Bulatao, Edmundo. 1973. "Wage Effects of Foreign Investments." Philippine Economic Journal, 12, Nos. 1 and 2, 271-295. UPSE.

Business Day's 1000 Largest Corporations. Annual. Quezon City: Enterprise Publications. UPSE.

Business Review. (Manila: Faculty Club of the College of Business Administration, University of the East).

Cagampang-de Castro, Soledad Monteroso. 1977. Foreign Business Enterprise in the Philippines: A Study of the Legal Framework in a Developing Economy. Quezon City: Multiplex Publemark. UPSE.

Callis, Helmut G. 1942. "Foreign Capital in Southeast Asia." New York: International Secretariat, Institute of Pacific Relations. (Mimeo graphed.) UPMF.

Callis, Helmut G. 1943. "Capital Investment in Southeast Asia and Philippines." Annals of the American Academy of Political and Social Science, 226 (March), 22-31. ARL.

Canlas, Guillermo M. Jr. 1977. "The Legal Aspects of Foreign Investments in the Philippines." Philippine Law Journal, 52 (September), UPCL.

Central Bank of the Philippines. Annual. Report. Manila. UPSE.

Clemente, Wilfredo and Esteban Bautista. [1979]. "The Cost of Technology Transfer: The Case of the Philippine Drug Industry." In "Multinational Corporations in the Philippines." Ed. by Wilfredo Clemente, Froilan B. Bacungan, and Federico Laxa. [Makati] : Technology Resource Center. (Mimeo graphed.) UPMF.

Clemente, Wilfredo IX, Froilan Bacungan, and Federico Laxa, eds. [1979.] "Multinational Corporations in the Philippines." [Makati] : Technology Resource Center. (Mimeo graphed.) UPML.

Columbia University. 1958. "Joint International Business Ventures in the Philippines." Manila. (Mimeo graphed.) The material in this study was incorporated into Joint International Business Ventures, ed. by Wolfgang Friedman and George Kalmanoff. New York: Columbia University Press, 1961. Study undertaken by the following members of the Social Economy

- Association: Joachim Ahrensdorf, Juirico Camus, Jr., Amado Castro, Armand Fabella, Benito Legarda, Jr., Thomas R. McHale, and Sixto K. Roxas. UPSE.
- Constantino, Renato. 1978. "Global Enterprises and the Transfer of Technology." In Necolonial Identity and Counter-Consciousness, 227-245. By Renato Constantino. London: Merlin Press.
- Corporate Information Center. 1973. The Philippines: American Corporations, Martial Law, and Underdevelopment. New York: IDOC, Corporate Information Center of the National Council of Churches of Christ in the U.S.A., Report No. 57. UPSE.
- Cumagun, Antonio G. 1979. "Multinational Corporations and the Economic Development of the Philippines as a Host Country: The Need for a Policy Framework." Manila: Jose P. Laurel Memorial Foundation and Center for Research and Communication, (Mimeo graphed.) CRC
- Dasari, Dakshinamurthy. 1972. "Balance-of-Payments Effects of Direct Foreign Investment: A Case Study of the Philippines." New York: PhD dissertation, New York University. UPMF.
- David, Randolph. 1978. "Aspects of Filipino Experience with Transnational Corporations." Third World Studies Center. Philippines in the Third World Papers Series No.7. Quezon City: University of the Philippines, College of Arts and Sciences. UPTW.
- David, Randolph and Karina David. Undated. "Multinational Management in Ten Philippine-Based Corporations: A Sociological Study." UPTW.
- David, Randolph, Temario C. Rivera, Patricio N. Abinales, Oliver G. Teves, and Procopio S. Resabal, Jr. 1971. "Transnational Corporations and the Philippine Banana Export Industry." Third World Studies Center Commodity Studies No.2. Quezon City: University of the Philippines, College of Arts and Science. (Mimeo graphed.) UPTW.
- David, Randolph and Mamoru Tsuda. 1978. "The Policies of Major Japanese-Filipino Joint Ventures: A Sociological View." Third World Studies Center. Third World Paper Series No.8. Quezon City: University of the Philippines, College of Arts and Science. (Mimeo graphed). Also in Wilfredo Clemente, et al, eds., "Multinational Corporations in the Philippines." UPTW.

- Doherty, John F. 1979. A Preliminary Study of Inter-locking Directorates Among Financial, Commercial, Manufacturing, and Service Enterprises in the Philippines. Manila.
- Draper, Charles. 1974. Private Foreign Investment in ASEAN: A Study of Trends, Policies, Incentives and Impediments. ECOCEC Study No. 7 Bangkok: Economic Cooperation Centre for the Asian and Pacific Region.
- Drug Association of the Philippines. Undated. "A Case Study on the Pharmaceutical Industry: Reply of the Drug Association of the Philippines to the Case Study Included in the Volume: Multinational Corporations in the Philippines." (Mimeo graphed.)
- Espiritu, Augusto Cesar. 1977. "A Filipino Looks at Multinational Corporations," Law and Development (University of the Philippines Law Center), 1-97. Journal issue also published as Philippine Perspectives on Multinational Corporations by Augusto Cesar Espiritu, et al. UPSE.
- Espiritu, Augusto Cesar, et al. 1978. Philippine Perspectives on Multinational Corporations. Quezon City: University of the Philippines Law Center. This book is the 1977 issue of Law and Development (University of the Philippines Law Center). UPSE.
- Friesen, Dorothy and Gene Stolzfus. 1978. "Castle and Cook in Mindanao." Third World Studies Center. Third World Studies Discussion Paper No.5. Quezon City: University of the Philippines, College of Arts and Science. (Mimeo graphed.) UPTW.
- Gleek, Lewis E. Jr. 1975. American Business and Philippine Economic Development. Manila: Carmelo and Bauermann. UPNF.
- Golay, Frank H. 1966. "Economic Collaboration: The Role of American Investment." In Philippine-American Relations, 95-124. Ed. by Frank H. Golay. Manila: Solidaridad Publishing House. Originally published as The United States and the Philippines. Englewood Cliffs, New Jersey: Prentice Hall, 1966. UPSE.
- Golay, Frank H. 1969. "The Philippines." In Underdevelopment and Economic Nationalism in Southeast Asia, 21-110. Ed. by Frank H. Golay, et al. Ithaca: Cornell University Press. UPSE.
- Golay, Frank. 1980. Talk at 1980 Tagaytay Seminar (sponsored by the U.S. Embassy). Punta Baluarte, Batangas. July.

Gordon, Wendell C. 1962. "Foreign Investment." University of Houston Business Review (Fall).

Henares, Hilarion M. Jr. [1979]. "Financial Structure and Capital Movements of Foreign Corporations in Philippines." In "Multinational Corporations in the Philippines." Ed. by Wilfredo Clemente, Froilan B. Bacungan and Federico Laxa. [Makati: Technology Resource Center. (Mimeoographed.) UPNF.

Henares, Hilarion M. Jr. 1979b. "Multinational Corporations and Foreign Agencies." In "Multinational Corporations in the Philippines," Ed. by Wilfredo Clemente, Froilan B. Bacungan and Federico Laxa. [Makati: Technology Resource Center, (Mimeoographed.) UPNF.

Hymer Stephen H. 1976. The International Operations of National Firms: A Study of Direct Foreign Investment. Cambridge and London: The MIT Press. UPSE.

Inamura, Raiji. 1978. "Philippine Industrialization: Plant Imports and Direct Investment from Japan and the United States." Monthly Report (Tokyo: Research Institute of Overseas Investment, The Export-Import Bank of Japan), Special Issue (March).

International Labour Office. 1974. Sharing in Development: A Programme of Employment, Equity and Growth for the Philippines. Geneva: International Labour Office, and Manila: National Economic Development Authority. UPSE.

Itchon, G. 1958. "Statistical Inquiry into Postwar Foreign Investments in the Philippines." Manila: M.A. thesis in Statistics, University of the Philippines. UPSE.

Kassalow, Everett M. 1978. "Aspects of Labor Relations in Multinational Companies: An Overview of Three Asian Countries," International Labour Review, 117 (May-June), 263-287. UPSE.

Kido Junko. 1977. "Philippines: Kawasaki Steel Corporation's Sinister Plant in Mindanao." In Free Trade Zones and Industrialization of Asia, a special issue of EXPO: Japan-Asia Quarterly Review (Tokyo), 120-138.

Kindleberger, Charles P. and Peter H. Lindert. 1978. International Economics, 6th ed. Homewood, Ill.: Richard D. Irwin, Inc. UPSE.

Landes, Haru and James E. Landes. 1977. "Divestment of U.S. Equity and Land Holding in the Philippines, 1970-1976." Reprint from Aoyama Keizai Ronshu [Aoyama Economic Review], 29, No. 2-4 and 30, No. 1 (October, 1977-June, 1978). (In English.)

- Langley, Kathleen M. 1970. "The Economics of the International Petroleum Industry and the Economy of the Philippines." The Philippine Review of Business and Economics, VII (June), 29-58. UPSE.
- Lasserre, Philippe and Max Boiset. "The Transfer of Technology from European to ASEAN Enterprises: Strategies and Practices in the Chemical and Pharmaceutical Sectors." Fontainebleau, France: Euro-Asia Centre, INSEAD (European Institute of Business Administration), 1980.
- Lava, Horacio C. 1976. "Transnational Banking Corporations in the Philippine Commercial Banking System." Quezon City: University of the Philippines, College of Business Administration. (Mimeo graphed.) UPSE.
- Laxa, Federico, Egidio Cordenas, Ramon Federizon, and Marcia Gesmundo. 1979. "The Philippine Automobile Industry." In "Multinational Corporations in the Philippine." Ed. by Wilfredo Clemente, Froilan B. Bacungan, and Federico Laxa. [Makati]: Technology Resource Center. (Mimeo graphed.) UPMF.
- Lichaoco, Alejandro. 1973. The Lichaoco Paper: Imperialism in the Philippines. New York: Monthly Review Press. UPSE.
- Lindsey, Charles W. 1976. "Concentration in Philippine Manufacturing, 1960-1970." Austin, Texas: PhD dissertation, University of Texas at Austin. UPSE.
- Lindsey, Charles W. 1977. "Market Concentration in Philippine Manufacturing, 1970." Philippine Economic Journal, XVI, No.3, 289-312. UPSE.
- Lindsey, Charles W. 1979. "Size Structure, Turnover, and Mobility of the Largest Manufacturing Firms in a Developing Country: The Case of the Philippines." Journal of Industrial Economics, 28 (December), 189-200. UPSE.
- Lindsey, Charles W. 1981a. "The Development Contribution of Multinational Firms in the Philippines: A Summary of A Survey of 28 Firms." Discussion Paper 8106. Quezon City: University of the Philippines, School of Economics. UPSE.
- Lindsey, Charles W. 1981b. "Technology, Skill, and Economic Development." In process. AIPC.
- Magallona, Merlin M. 1977. "Transnational Corporations: Toward a Definition of a National Economic Security Problem and its Resolution," Law and Development (University of the Philippines Law Center). 98-135. Journal is also published as Philippine Perspectives on Multinational Corporations by Augusto Caesar Espiritu, et al. UPCE.

- Mason, Robert Hal. 1969. "The Relative Factor Proportions in Manufacturing: A Pilot Study Comparing U.S.-Owned Subsidiaries and Local Counterparts in the Philippines." Discussion Paper. Washington: United States Agency for International Development, May. (Mimeographed.) UPSE.
- Mason, Robert Hal. 1970. "Some Aspects of Technology Transfer: A Case Study Comparing U.S. Subsidiaries and Local Counterparts in the Philippines." Philippine Economic Journal, 9 (First Semester) 83-108. UPSE.
- Mason, Robert Hal. 1971. The Transfer of Technology and the Factor Proportions Problem: The Philippines and Mexico. UNITAR Research Report No. 10. New York: United Nations Institute for Training and Research. UPAC.
- Mason, Robert Hal. 1973. "Some Observations on the Choice of Technology by Multinational Firms in Developing Countries." Review of Economics and Statistics, 54 (August), 349-355. UPSE.
- McDougald, Charles C. 1981. "Multinational Corporations in the Philippines, 1978." Prepared for the American Chamber of Commerce in the Philippines. (Mimeographed.) The 1980 draft of this paper contain a more encompassing list of firms with foreign-owned equity.
- Morales, Rhodora S. 1975. "Employment and Wage Effects of MNCs in the Philippines." Quezon City: Undergraduate thesis, University of the Philippines, School of Economics. UPSE.
- NEPA (National Economic Protectionist Association). 1974. "Papers and Proceedings of the Forum on 'The Role of Foreign Investments in National Progress.'" March.
- Ngo Huy Lien. 1980. "Transfer of Technology Through Foreign Firm: Possibilities and Limitations." Paper presented to the Joint Seminar of the Institute for Development Studies, University of Santo Tomas and Institut fuer Entwicklungs-politik, University of Freiburg, Federal Republic of Germany. Manila, March 17-21. (Mimeographed.)
- Ohara Ken. 1977. "Strategies for the Asian Regionalism - World Auto-Industries and National Governments." In Free Trade Zones and Industrialization of Asia, a special issue of Ampo: Japan-Asia quarterly Review (Tokyo), 169-197.
- Pascua, Maria Divina Almocadic. 1978. "Multinational Corporations in the Philippines: An Annotated Bibliography." Quezon City: M.A. thesis, University of the Philippines, School of Library Science. UPML.

- Paterno, Vicente. 1977. "Multinational Corporations and Host Governments," Law and Development (University of the Philippines Law Center), 134-148. Journal issue also published as Philippine Perspectives on Multinational Corporations, by Augusto Deer Espiritu, et al. UPSE.
- Philippines. Bureau of the Census and Statistics. 1953. Economic Census of the Philippines, 1953. Manila. UPSE.
- Philippines. Bureau of the Census and Statistics. 1965. Economic Census of the Philippines, 1961. Manila.
- Philippines. Industry Survey Committee. 1967. "Survey of Foreign Participation in Philippine Industry." Manila.
- Philippines. Inter-Agency Working Group. [1972a]. "Foreign Investment Study: Case Study of 70 Firms in the Philippines." (Mimeo graphed.)
- Philippines. Inter-Agency Working Group. [1972b]. "Study of Private Foreign Investment in the Philippines (as of December 31, 1970)." (This is a pamphlet summarizing information in the "Interim Report" and other studies.) UPSE.
- Philippines. Inter-Agency Working Group. [1972c]. "Study of Private Foreign Investments in the Philippines; Interim Report." (Mimeo graphed.)
- Philippines. Technical Committee to the President of the Philippines. 1944. American-Philippine Trade Relations. Report TC-1. Washington. UPIL.
- Problador, Niceto. 1971. Foreign Investment in the Major Non-financial Corporate Sector of the Philippines, 1960 and 1965. Quezon City: University of the Philippines, School of Economics. UPSE.
- Ramos, Elias T. 1974. "Trade Unions and Multinationals." ALC Report (Asian Labor Education Center, University of the Philippines), IV, No.1, 7-12. UFALEC.
- Ramos, Elias T. 1978. "The Union, the Kumpadre System and Dualistic Plant-Level Industrial Relations." Philippine Review of Business and Economics, XI (June), 34-56. UPSE.
- Robinson, Richard D. 1976. National Control of Foreign Business Entry: A Survey of Fifteen Countries. New York: Praeger Publishers. UPSE.

- Sicat, Gerardo F. 1972. "Incentives and Foreign Investments." Chapter 10 of Economic Policy and Philippine Development. Quezon City: University of the Philippines Press. UPSE.
- Snow, Robert Thomas. 1977. "Dependent Development and the New Industrial Worker: The Case of the Export Processing Zone in the Philippines." Cambridge: PhD dissertation, Harvard University. AIPC.
- Stauffer, Robert B. [1979]. "Transnational Corporations and the Transnational Political Economy of Development: The Continuing Debate." (Mimeographed.) Philippine Journal of Public Administration. (forthcoming.) UPTW.
- Stikker, Dirk U. 1971. "The Impact of Private Foreign Investment." In Asian Development Bank, Southeast Asia's Economy in the 1970s. New York: Praeger Publishing. UPSE.
- Subido, Chita Tanchoco. 1973. "Employment Effects of Direct Foreign Investment." Philippine Economic Journal, 12, Nos. 1 and 2, 251-270. UPSE.
- Subido, Chita Irene Tanchoco. 1974. "Determinants of Direct Foreign Investments." Philippine Economic Journal, 13 (Third Trimester), 231-259. UPSE.
- Subido, Chita Irene Tanchoco. 1975. "Determinants of Direct Foreign Investment in the Philippines." Quezon City: PhD dissertation, University of the Philippines, School of Economics. UPSE.
- Subido, Chita Tanchoco. 1977. "Industrial Policies and Foreign Investment: The Philippine Experience." In Industrial Policies, Foreign Investment and Labor in Asian Countries. Proceedings of the 1977 Asian Regional Conference on Industrial Relations. Tokyo: The Japan Institute of Labor. UPALEC.
- Surapath, Tiamchai. 1965. "U.S. Direct Investments in Philippine Manufacturing Industry." Quezon City: M.A. thesis, University of the Philippines, School of Economics. UPSE.
- Suva Martin, Felipe. 1972. "United States Direct Investment in the Philippines." Cambridge: PhD dissertation, Massachusetts Institute of Technology.
- Tadem, E.L. 1978. "Japanese Interests in the Philippines' Fishing Industry." Third World Studies Center. Philippines in the Third World Papers, Series No.6. Quezon City: University of the Philippines, College of Arts and Science. UPTW.

- Tan, Edita A. 1979. "Media for Skills Formation." Philippine Economic Journal, 18, No.3, 230-255. UPSE.
- Torres, Rubern. 1977. "Multinational Corporations and Philippine Labor," Law and Development (University of the Philippines Law Center), 162-180. Journal issue also published as Philippine Perspectives on Multinational Corporations by Augusto Caesar Aspiritu, et al. A different version of this article appeared in Wilfredo Clemente, et al. "Multinational Corporations in the Philippines." UPSE.
- Tran Thanh Dang. 1977. "Ownership, Control and Performance of the Multinational Corporation: A Study of U.S. Wholly-owned Subsidiaries and Joint Ventures in the Philippines and Taiwan." Los Angeles: PhD dissertation, University of California at Los Angeles.
- Tsuda, Mamoru. 1977. "Understanding Industrial Relations in the Philippines: The Perspective of Resident Japanese Investors." Tala Industrial Relations Bulletin, 2, Nos. 2 and 4. UPLW.
- Tsuda, Mamoru. 1978. A Preliminary Study of Japanese-Filipino Joint Ventures. Quezon City: Foundation for Nationalist Studies. UPAC.
- Tsuda, Mamoru, Rigoberto D. Tiglao, and Edith Sangalang Atienza. 1978. "The Impact of Multinational Corporations in the Philippines." Part I: "Profile of TNC Corporations and their Philippine Operations"; Part II: "A Study of Major Foreign and Foreign-Affiliated Corporations in the Philippines"; Part III: "A Review of Foreign Investment in the Philippines"; Part IV: "Bibliography of Materials on the TNCs in the Philippines." Quezon City: University of the Philippines Law Center and the U.N. Asian and Pacific Development Administration. (Mimeo graphed.) UPLC.
- United Nations. Joint CTC/ESCAP Unit on Transnational Corporations. 1980. "Monitoring and Regulating Transnational Corporations in the Philippines." Working Paper No. 11. Bangkok.
- United States. Department of Commerce. 1955. "Investment in the Philippines: Conditions and Outlook for the United States." Washington. Study prepared by Ada V. Espenshade. UPSE.
- United States. Department of Commerce. 1960. "U.S. Business Investments in Foreign Countries." Washington. UPBA.

United States. Department of Commerce. "Revised Data Series on U.S. Direct Investment Abroad, 1966-1974." Washington.

United States. Department of Commerce. Survey of Current Business. (In recent years foreign investment statistics have appeared in the August issue.) UPBA.

United States. Tariff Commission. 1931. United States-Philippine Tariff and Trade Relations. Report No. 18, second series. Washington, D.C. UPMF.

United States. Tariff Commission. 1937. United States-Philippine Trade. Report No. 118, second series. Washington, D.C. UPMF.

Valdeñas, Vicente Jr. 1970. "Foreign Operators in the Philippine Economy." Philippine Studies, 18(July) pp. 546-557. UPSE.

Villegas, Bernardo M. 1976. "Multinational Corporations and Transfer of Technology: Or How to Squeeze Every Ounce of Appropriate Technology from the Multinational Corporations 'Toothpaste Tube'." (Mimeo graphed.) Published in Economics and Society Series A (January, 1976). CRC.

Villegas, Bernardo M., Pastor Lorenzo, Jr., and Leonardo F. Mendoza, Jr. 1977. "The Multinational Corporation in the Philippines." Manila: Center for Research and Communication. (Mimeo graphed.) CRC.

Villegas, E.M. 1978. "Foreign Investments and the Multinational Corporations in the Philippines." Philippine Social Science and Humanities Review, 42 (January-December), 27-55. UPTW.

Virata, Cesar. 1972a. "Foreign Investment in Developing Countries: The Philippines." In Direct Foreign Investment in Asia and the Pacific, 258-268. Edited by Peter Drysdale. Canberra: Australian National University Press. UPSE.

Virata, Cesar. 1972b. Restrictions on Exports in Foreign Collaboration Agreements in the Republic of the Philippines. New York: United Nations Conference on Trade and Development.

Virata, Cesar. 1975. "A Ministerial Opinion." Asian Finance, 1 (July), 42-43. UPSE.

Yoshihara, Junio. 1971a. "Foreign Business Interest in the Philippines: The Compilation of Data on Ownership by Nationality." Quezon City: University of the Philippines, School of Economics, February. (Mimeo graphed.) UPSE.

- Yoshihara, Kunio. 1971b. "The Philippine Manufacturing Corporations: The Compilation of Financial and Ownership Data." Quezon City: University of the Philippines, School of Economics, March. (Mimeo graphed.) UPSE.
- Yoshihara, Kunio. 1971c. "Foreign Business Interest in the Philippines: The Compilation of Data on Ownership by Nationality (Revised.)" Quezon City: University of the Philippines, School of Economics, April. (Mimeo graphed.) UPSE.
- Yoshihara, Kunio. 1971d. "The Control of Philippine Manufacturing and Mining Corporations: Data Compilation." Quezon City: University of the Philippines, School of Economics, May. (Mimeo graphed.) UPSE.
- Yoshihara, Kunio. 1971e. "A Study of Philippine Manufacturing Corporation." The Developing Economies, 9 (September), 268-289. UPSE.



This work is licensed under a
Creative Commons
Attribution – NonCommercial - NoDerivs 3.0 License.

To view a copy of the license please see:
<http://creativecommons.org/licenses/by-nc-nd/3.0/>