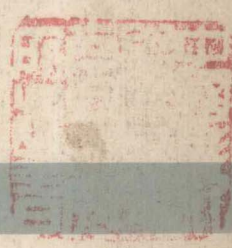


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# Background



REPUBLIC OF THE PHILIPPINES

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DEPARTMENT OF STATE

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# REPUBLIC OF THE PHILIPPINES

## INTRODUCTION

The first years of the independence of the Republic of the Philippines have been years of challenge and achievement. When the nation became independent in 1946, it had just emerged from the ordeals of World War II. It was faced with massive problems—physical devastation, the accompanying breakdown of law and order, and shortages of almost all of the material goods necessary to life. The Filipinos have rehabilitated and restored their ravaged land to a remarkable degree.

While the Republic was still engaged in this effort, its very existence as a free nation was threatened by the rise of a powerful Communist guerrilla movement. In several years of bitter fighting the rebels sought to seize control of the country through the use of terror and violence. This challenge, too, was met bravely and effectively by the young nation. Economic and social measures, combined with military action, have resulted in the virtual disappearance of the Communist-led dissident movement from the Philippine scene.

Filipinos today continue to face a number of serious problems similar to those confronting many developing countries. As yet the nation is unable to provide sufficient facilities to make education, adequate housing, and medical care available to every citizen. Backward methods of farming, insufficient rural credit facilities, inadequate irrigation systems, and an outmoded system of land tenancy have kept a large part of the rural population in poverty. Unemployment is a problem in some areas and underemployment is widespread. The Government has not yet addressed itself to the task of implementing a coherent industrialization program.

In the political field the course of this young Asian democracy has not always been smooth.

Charges of corruption have marred many Philippine administrations, and the activities of extremists have at times threatened to interfere with the orderly conduct of democratic institutions. The tragedy of postwar reconstruction is that two strong presidents have died in office since independence. Thus they were unable to carry through their programs and their leadership, particularly that of the dynamic Ramon Magsaysay, has been sorely missed.

Despite these problems Filipinos can look forward to the future with hope and confidence. Though there have been serious setbacks from time to time, the Philippine economy is, in general, characterized by growth and development. The nation has received and continues to receive substantial contributions toward its economic development from the United States and other nations. Unlike many other newly developing nations of the area, the Philippines does not suffer from population pressure. There is still plenty of unused and fertile land which can be turned to productive exploitation. In recent years the annual rate of economic expansion has been slightly greater than the rate of population increase, thus making possible rising standards of living.

Politically the Philippines has continued to grow in stature as a democratic nation and as a responsible and active member of the international community. Filipinos have proved their faith in democratic institutions and practices and their ability to utilize them effectively. Wide participation in orderly, free, and fair elections since 1951 has been clear proof of repeated triumphs of the democratic process.

In foreign relations the Philippines has earned the world's respect for its constructive role in the United Nations. It is continually expanding its diplomatic and economic relationships with other free-world nations, especially in Asia. The internal Communist menace has been diminished by

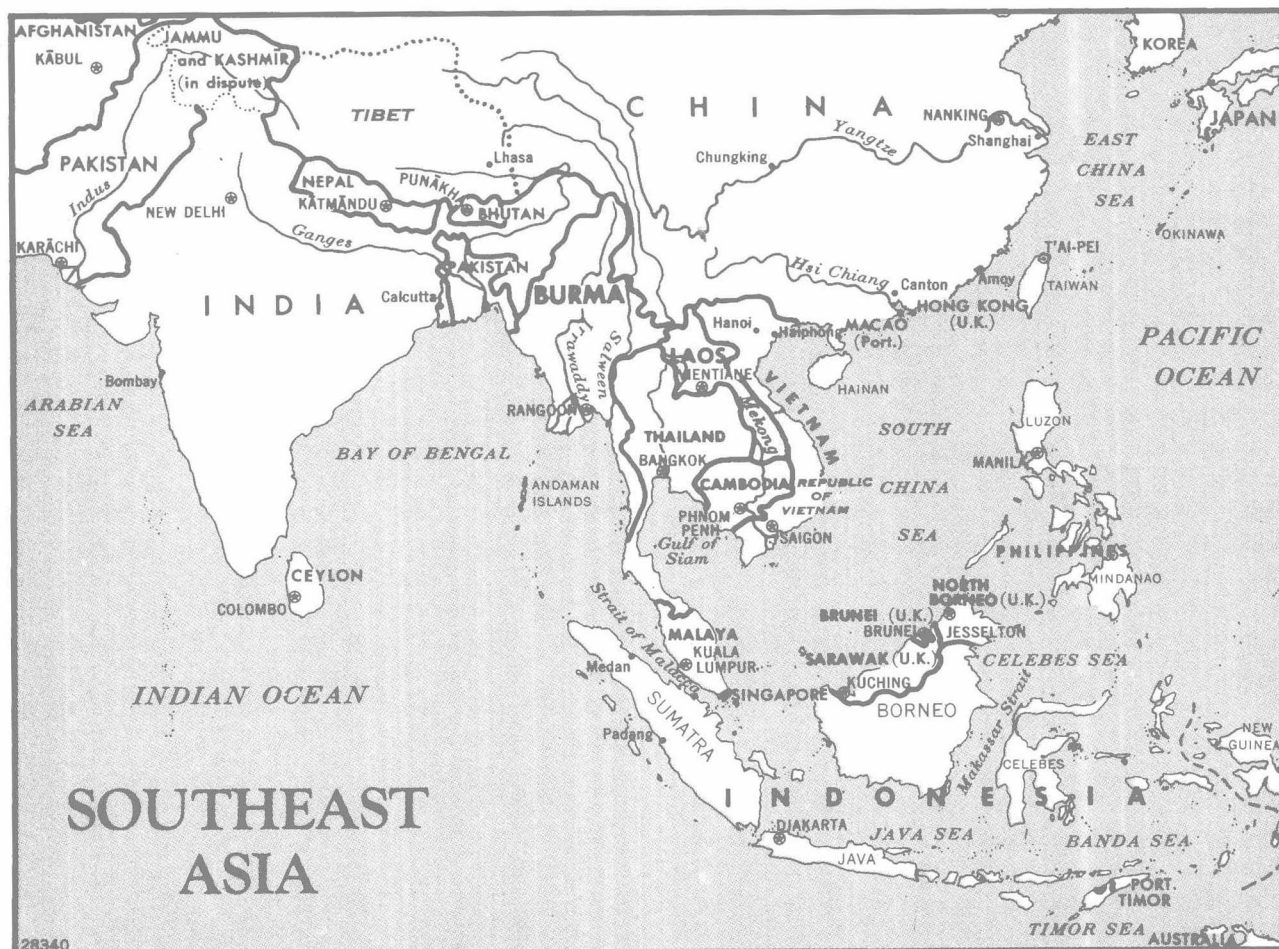


the nation's participation in free-world collective defense arrangements.

The 1,100-mile-long Philippine archipelago, stretching along the southeast rim of Asia, is of strategic importance to the free world. It forms the southern link in a natural line of mutual defense running northward through Taiwan, the Ryukyus, and Japan. In recognition of their need for each other the Philippines and the United States signed a treaty of mutual defense in 1951. They also have an agreement for the establishment of military bases necessary for the implementation of the treaty. In addition to this bilateral alliance, we are fellow members of the Southeast Asia Treaty Organization, by which we are both committed to undertake defensive efforts to resist aggression in the area.

But all defense considerations aside, we in America have a deep human interest in the fate of the Philippines. For almost half a century the

Philippines was an American protege, and our language and institutions exerted a profound influence on the Philippine people. In 1935 the United States established the Philippines as a self-governing commonwealth, to become completely independent at the end of 10 years. However, this orderly progress toward independence was rudely interrupted by World War II and the Japanese occupation. During the darkest days of World War II the Filipinos were our staunch allies despite the military occupation of their country. Fulfilling a promise made many years before, the United States in 1946 demonstrated its good faith by voluntarily granting independence to the Philippines. We cannot help but hope that this young Asian democracy, with which we have been so closely associated, will continue to serve as an example of the human and material benefits possible under a representative form of government.





## THE LAND AND ITS PEOPLE

The Philippine archipelago consists of over 7,000 islands with a total area of 115,707 square miles, slightly larger than that of the British Isles. However, 11 of these islands account for 94 percent of the total land area and the bulk of the population. Luzon, the largest, is about the size of Kentucky. Manila, the capital and largest city,<sup>1</sup> with a population well over 1,200,000, is located on Luzon, approximately 15 degrees north of the Equator, some 6,200 miles from San Francisco and 630 miles from Hong Kong. The lowland areas of the Philippines have a year-round warm and humid climate. Manila's average annual temperature is 80 degrees.

The Philippine Republic has one of the highest birthrates in the world, but it has sufficient fertile land to accommodate its predominantly agricultural population for a long time to come if it carries out its planned resettlement and development programs. At present its population of some 24 million people is unevenly distributed. Most Filipinos live on the islands of Luzon, Cebu, Negros, Bohol, Leyte, and Panay. The other large islands—Mindanao, Mindoro, Masbate, Palawan, and Samar—are only sparsely settled and offer room for a greatly expanded population, as do parts of Luzon.

Like the United States, the Philippines has been a melting pot. The dominant racial stock is Malay and is believed to have reached the Philippines from Borneo, Sumatra, and Indochina. The original inhabitants are thought to have been the ancestors of the Negritos, a short, dark people, some thousands of whom still lead a primitive existence in the remote mountain areas.

Chinese, Americans, and Spaniards—in that order—constitute the largest alien minorities in the Philippines today. The Chinese, numbering from 300,000 to 400,000, are scattered throughout the country. They generally live in cities and towns, where they handle a large part of the retail trade and the export-import business, operate most of the rice and lumber mills, and serve as storekeepers and moneylenders. Americans, of whom there are now about 25,000, exclusive of government and military personnel, are prominent in export and



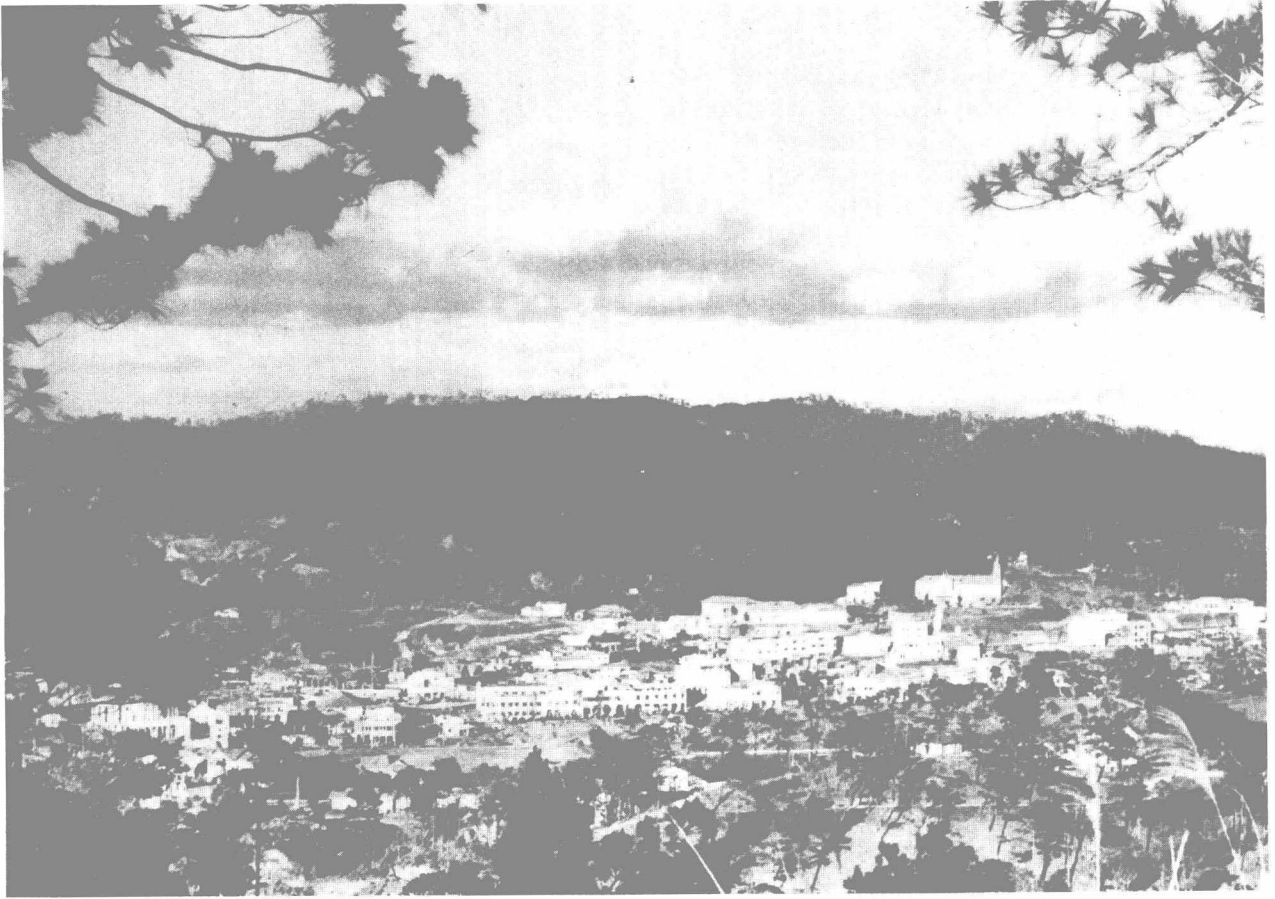
*A church in the Province of Bulacan on Luzon.*

import trade, industry, mining, and public utilities. Although the Spaniards number only a few thousand, they exercise a considerable influence in trade and manufacturing.

The Filipinos lack a common language. According to some anthropological estimates there are 43 distinct ethnographic groups speaking 87 languages and dialects. However, there are only 10 languages of regional importance, the principal ones being Visayan, spoken in the central islands, Tagalog in the area around Manila, and Ilocano in the northwest section of Luzon. Filipinos from different regions cannot readily understand each other's native languages and usually resort to English, which is the *lingua franca* of the islands. About 40 percent of the people speak or understand English, which is the language of school instruction and the dominant language of business and government. Only about 500,000 Filipinos speak or understand Spanish. In an attempt to develop a common language, the Government has made a national language based on Tagalog a required course in the schools. English, Spanish, and the national language are the official languages. Despite this multiplicity of tongues, the Philippines has achieved one of the highest literacy levels in the Far East.

About 75 percent of the population is Roman Catholic, 15 percent Protestant, 5 percent Muslim, and 5 percent other religions, mostly pagan.

<sup>1</sup> Quezon City, a suburb of Manila, has been declared the capital of the Philippines, but as yet the seat of Government remains in Manila pending actual transfer.



*A section of Baguio, summer capital of the Philippines.*

## THE MAKING OF A NATION

The Philippines bears the imprint of more than 300 years of Spanish rule, followed by approximately half a century of American influence. There was a basic difference in the philosophies of the two countries toward the Philippines. Spain regarded the islands as a colony to be ruled by and for the benefit of Spain. The United States, from the beginning, regarded its control as temporary, its mission as the preparation of the Philippines for eventual independence.

As a result of the Spanish occupation, the Philippines became the only predominantly Christian nation in Asia. From the Spaniards the Filipinos acquired a somewhat westernized outlook, Roman law, and a strong central government. At the same time common opposition to Spanish colonial rule helped to foster unity among the Filipinos. A serious revolution had already broken out and

been suppressed by the Spaniards before the United States went to war with Spain in 1898.

From the United States the Filipinos have inherited a democratic philosophy of government, a system of universal public education in English, a health and sanitation program, and—in 1946— independence.

Following the capture of the nationalist leader, Emilio Aguinaldo, in 1901 and the general establishment of peaceful conditions, the Filipinos advanced steadily toward independence, gradually learning to run their own affairs under American tutelage. In 1901 the military governorship gave place to a civil administration. A judicial system was established and local elections were held. In 1902 the U.S. Congress passed the Philippine Bill, which provided for a general election to be held 2 years after the completion of a census of the islands. There was to be a popularly elected assembly, which would later choose two resident

commissioners to hold seats without voting power in the U.S. Congress. The census was completed in 1905 and the first Assembly was elected in 1907.

At this time the powers of an upper house rested in the Philippine Commission, originally composed of five Americans appointed by the President to assist the Governor General. In September 1901 three Filipinos were added to the Commission, and in 1908 a fourth Filipino member was added. The Jones Act of 1916 authorized the replacement of the Commission by an elected Senate of 24 members, and at the same time it reaffirmed "the purpose of the people of the United States to withdraw their sovereignty over the Philippine Islands and to recognize their independence as soon as a stable government can be established therein."

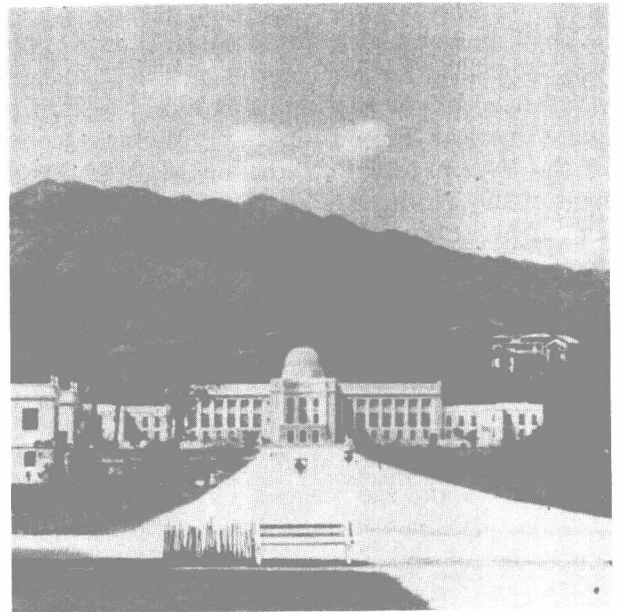
During his term of office (1913-1921) Governor General Francis Burton Harrison replaced Americans with Filipinos in the civil service as rapidly as possible and encouraged the development of government enterprises such as the Philippine National Bank and the Manila Railroad.

During this period the Nacionalista Party began a crusade for complete independence. Leaders of the movement were Manuel Quezon, elected to the Philippine Senate in 1916, and Sergio Osmeña, who became the first speaker of the Philippine Assembly in 1907. Quezon and Osmeña headed several of the special missions to the United States to argue the case for Philippine independence.

The years following the First World War brought major differences of opinion on the issue of Philippine independence, not only in the United States but in the Philippines as well. Commissions to investigate and report on conditions in the islands shuttled between Washington and Manila. Harrison's liberal administration in the Philippines gave way to Leonard Wood's rigid one, from 1921 to 1927. While successive administrations in Washington took the position that the Philippines was not yet ready for complete independence, American economic and labor interests agitated for immediate independence to rid themselves of competition from Philippine free trade and the influx of Philippine workers into the United States. At the same time Philippine leaders became increasingly fearful of being cut adrift economically from the United States and of having to cope with American tariffs.

No answer to the problem that was satisfactory to both Americans and Filipinos was found until 1934. In that year the U.S. Congress passed the Tydings-McDuffie Act, which provided for the calling of a convention to formulate a constitution for the Philippines. It also provided for a 10-year transitional period before full independence. During this period the Philippines would have the status of a commonwealth with an elected president and full control over its internal affairs. An American High Commissioner would replace the Governor General as the representative of the President of the United States.

*Capital building, Province of Cebu.*



## GOVERNMENT AND POLITICS

### The Constitution

The Philippine Constitution developed in accordance with the Tydings-McDuffie Act was approved by President Franklin D. Roosevelt in March 1935 and by a Philippine plebiscite in May of the same year. As established by this Constitution and by the sweeping amendments of 1940, the present national government is republican in form and closely resembles the U.S. Government in structure. The Constitution provides for three



governmental branches—executive, legislative, and judicial—embodying the principles of checks and balances and separation of powers. The President of the Philippines, elected for 4 years, has all the powers exercised by the President of the United States, and more. For example, he may exercise an item veto on appropriations bills, and in times of national emergency he can be granted for a limited period broad powers to be exercised at his discretion.

The legislative branch is composed of a Senate of 24 members elected at large for 6-year terms and a House of Representatives of 102 members elected from single-member constituencies for terms of 4 years.

### **Political Leaders**

The Commonwealth was established on November 15, 1935, an anniversary which has been proclaimed by the Philippine President as Philippine-American Friendship Day. Manuel Quezon of the Nacionalista Party became the first President of the Philippines and Sergio Osmeña, Vice President. Both men were in office when Japanese forces attacked the Philippines on December 8, 1941. Shortly thereafter they were brought to the United States along with members of the Commonwealth Cabinet, whose functions were carried on in Washington until the liberation of Leyte in October 1944.

President Quezon died at Washington in August 1944 and was succeeded by Vice President Osmeña. In the elections of April 1946 Osmeña was defeated by Manuel Roxas of the Liberal Party, who became the first President of the Republic when the Philippines attained full independence on July 4, 1946. Dying in office in April 1948, Roxas was succeeded by Vice President Elpidio Quirino, who retained the presidency through a controversial election in 1949. When he ran for office again on the Liberal Party ticket in 1953, Quirino was overwhelmingly defeated by the Nacionalista candidate, Ramon Magsaysay.

Magsaysay, who rose to nationwide popularity in the early 1950's, was representative of a younger generation of progressive Filipino patriots. More than any other political figure in Philippine history, he embodied the aspirations of the humble Filipino for a better life, the confidence of his countrymen in democratic institutions, and their determination to make economic

and political democracy a reality for all of the people.

Unlike the great majority of Filipino political leaders, Ramon Magsaysay came from a middle-class family. He understood frugal living and hard work. He identified himself with the average Filipino and saw himself as the protector and advocate of the peasant. He first achieved fame as a daring guerrilla leader against the Japanese. In 1945 he became military governor of his home province of Zambales on Luzon. His popularity grew rapidly, and he campaigned successfully for Congress in 1946 and was reelected in 1949 by an overwhelming vote.

### **The Huk Movement**

During this period the Philippines was gravely menaced by the Huk guerrilla movement. Officially organized in central Luzon in 1942 with Communist backing as the Hukbalahap or "People's Army To Fight Japan," the movement was originally dedicated to resisting the Japanese and their Philippine puppets and to promoting social reform.

After the Japanese capitulation the Huk movement was converted to a war against landlords. Huk bands committed numerous crimes and practiced extortion and intimidation on a frightened people. Their hit-and-run tactics interfered seriously with normal farming activities on Luzon. President Roxas in 1946 and President Quirino in 1948 had been unsuccessful in attempts to negotiate with the Huks, offering amnesty in exchange for the surrender of their arms.

In 1949 the movement changed its name to "Hukbong Mapagpalaya Ng Bayan," or the "People's Liberation Army." Its leaders stated that their objective was the overthrow of the Government and the establishment of a Communist regime. The Huks then undertook large-scale raids in the vicinity of Manila and captured several important provincial towns. The movement spread rapidly, and by 1950 the Huks boasted a force of 10,000 armed men under disciplined Communist leadership.

### **The Anti-Huk Campaign**

At this juncture President Quirino appointed Ramon Magsaysay Secretary of Defense. Magsaysay realized that the Huk movement involved

much more than a simple military threat and that there were important social and economic reasons for its successes. The Filipino people, for example, had come to distrust the national army which was supposed to protect them, and they resented its undisciplined behavior and the high-handed techniques used in obtaining supplies from the population. One of Magsaysay's first steps was to reform the army, restoring its morale and efficiency and regaining the confidence of the people.

While carrying out vigorous offensive military measures against the Huks with the reinvigorated armed forces, Magsaysay also instituted measures to induce the rebels to surrender. Realizing that many of the rebels knew little or nothing of communism as an ideology but had been forced into desperate action by an apparently hopeless poverty, Magsaysay offered the Huk guerrillas a new way of life. He set aside government land in sparsely settled areas for the rebels. This land was cleared, basic community facilities were constructed with government help, and surrendering Huks were resettled. Large-scale surrenders of rank and file guerrillas, together with effective military and police drives against the "hard core" of Communist Huk leadership, led eventually to the disintegration of the movement. Today it has virtually disappeared.

### The Presidency of Magsaysay

In 1953, with the campaign against the Huks well on the way to success, Ramon Magsaysay resigned as Secretary of Defense to campaign for the presidency on the Nacionalista ticket. In a whirlwind grassroots campaign, Magsaysay won the support of millions of his countrymen. His platform embodied social and agrarian reforms, and he promised strong measures to combat corruption and inefficiency in government.

In the 3 short years before his tragic death in an airplane crash on March 16, 1957, Magsaysay worked toward the fulfillment of his pledges to his people. Making the machinery of government accessible to the most humble Filipino, Magsaysay helped to restore confidence in representative government and its ability to carry out the needed economic expansion and social reform. During his administration important beginnings were made in such fields as industrialization, improved agricultural methods, irrigation, school construction, land reform, resettlement to less crowded

areas, roadbuilding, and the development of rural credit facilities. Adhering to a policy of firm friendship for the United States, Magsaysay dedicated himself and the people to the ideals of Philippine patriotism and independence. He believed in the necessity for collective security measures to thwart the Communist military threat. At the same time, his adherence to democracy was a vital and positive force based on a profound understanding of the nature of democratic institutions and the essential requirements for the building of an effective democratic society which would live in cooperative harmony with other free nations.

Upon his death Magsaysay was succeeded by the Vice President, Carlos P. García, a veteran member of the Nacionalista Party. In November 1957 President García was elected to a full 4-year term after a very active election campaign in which his principal opponents were José Yulo of the Liberal Party, Manuel Manahan of the Progressive Party, and Claro Recto of the Nationalist-Citizens Party.

### Political Parties

Traditionally the Nacionalistas and the Liberals have constituted the two major political parties in the Philippines. Both parties tend to be basically conservative in outlook with their leadership most often drawn from the wealthy, landowning class.

The *Nacionalista Party*, now led by President García, currently holds a majority of the seats in the Senate and the House of Representatives. The majority of provincial governors and mayors are also members of this party.

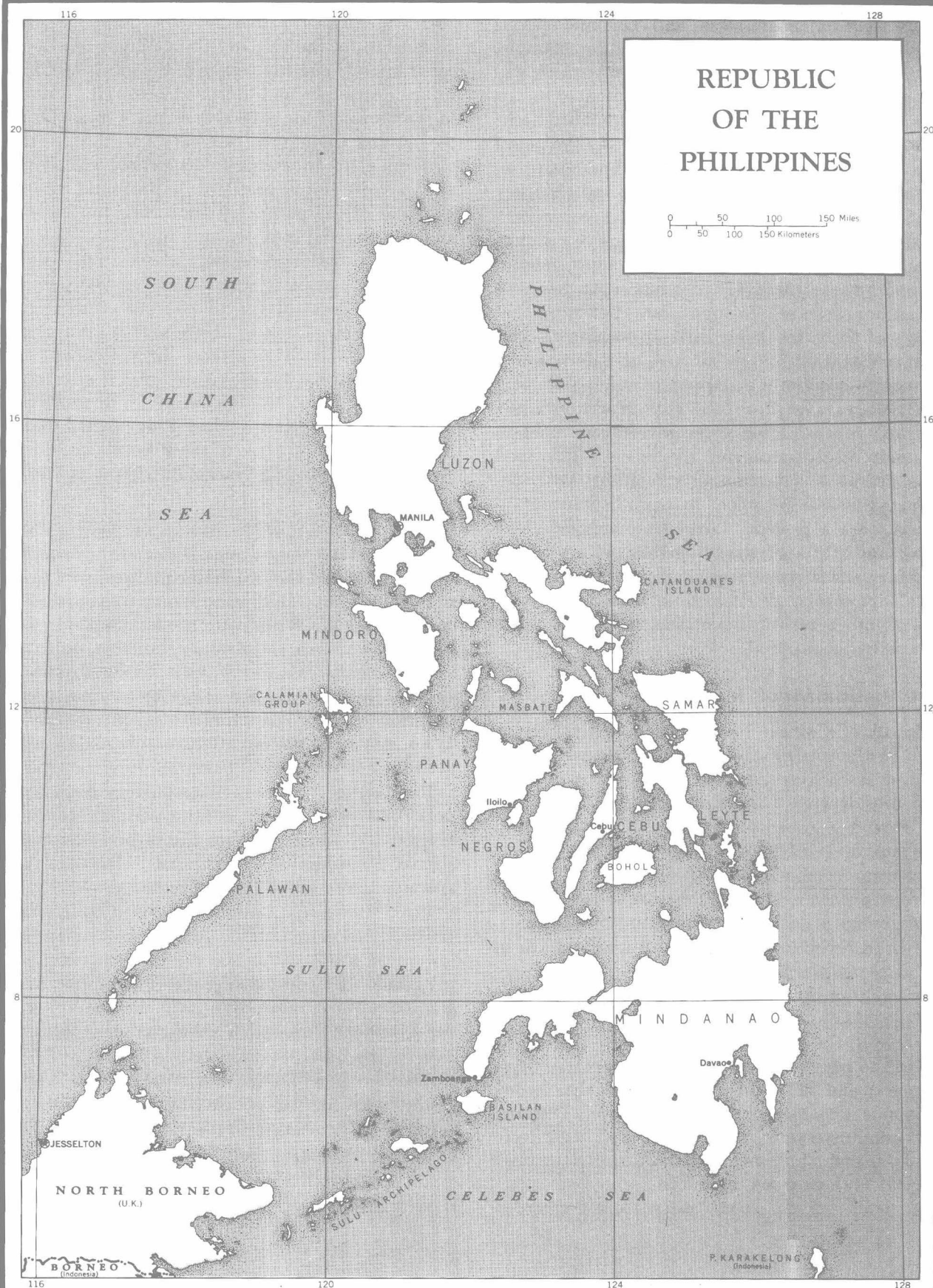
The *Liberal Party* was in ascendancy from 1946 until 1953, when it lost its most popular member, Magsaysay, to the Nacionalistas and saw him elected President on their ticket. The Liberals are now the dominant minority party.

The *Progressive Party* was formed during the 1957 election campaign by some of the closest followers of the late Magsaysay to perpetuate his program. It made a strong showing, polling over a million votes, more than half the number cast for President García and almost as many as were cast for the Liberal candidate.

Another new party, the *Nationalist-Citizens Party*, was formed by Senator Claro Recto to support his candidacy in the 1957 elections. The campaign statements of this party reflected its extreme nationalist orientation and its support for a neutralist foreign policy.

REPUBLIC  
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The *Communist Party*, previously declared illegal under the constitution by a court ruling, was formally outlawed by the Anti-Subversion Act which became law in June 1957. This act sets up specific penalties for Communist activity. Since the breakup of the Huk movement and the consequent destruction of Communist military strength in the Philippines, the Communists have turned to exploiting extreme chauvinism and neutralism in the belief that they will eventually be able to gain control of movements which espouse these causes.

## THE ECONOMY

The Philippine economy is characterized by underdevelopment, coupled with a high potential for expansion and growth. Many of the obstacles in the path of rapid fulfillment of this potential are common to other newly developing nations—underindustrialization, a shortage of domestic capital, lack of sufficient numbers of trained technicians and experienced managerial personnel, inadequate basic power and transportation facilities, and the lack of comprehensive data about the country's natural resources and potential for development.

The Philippine economy is predominantly agricultural. Sixty percent of a labor force of almost 9 million derives its income from the land. In the postwar period and despite the existence of serious economic problems, every sector of the economy has expanded, with the fastest growth taking place in manufacturing and mining. By the end of 1957 total production was double that of 1949, and the 1958 gross national product was about \$5.3 billion or about \$220 per capita. Basically a private enterprise system, the Philippine economy is guided by such government regulations as extensive exchange controls.

Certain weaknesses in the Philippine economy stem directly from its centuries as a colony. During the colonial period the emphasis had been on production of a limited number of primary products for export to the mother country—originally gold, then other minerals, then copra, sugar, abaca, and other agricultural and forest products. The development of consumer industries and the cultivation of food products for domestic use were neglected.

The Philippines today still bears the marks of this period, importing consumer goods and foods which it could produce for itself. These import demands, combined with the demand for imports of capital equipment to promote economic development, have contributed to chronic shortages of foreign exchange. And the Philippines has continued to export a limited number of primary products, mainly agricultural commodities, minerals, and metals. Its prosperity is, therefore, heavily dependent upon world markets and price levels.

During the period of reciprocal free trade with the United States from 1909 to 1946, the Philippines was dependent principally upon the United States as a market for its exports and a source for its imports. This imbalance is now being corrected in anticipation of the expiration, in 1974, of the preferential treatment that has been accorded the Republic. Trade agreements, signed in 1946 and 1955 by the Philippines and the United States, provided for a period of gradual transition from mutual free trade to normal trade relationships, which are to be reached in 1974.

One of the major objectives of the Philippine Government is the broadening of its trade and foreign economic relations both in terms of products and trading partners. In recent years new trade arrangements with other free-world countries have steadily lessened Philippine economic dependence upon U.S. markets.

Among the Philippines' economic problems is the need for land reform. Though progress has been made and is continuing, too few farmers own the land they till. Because of this insecurity of tenure there is little incentive for them to make permanent improvement on the land. Another problem is the uneven distribution of the population. Certain areas of the Philippines are overpopulated; other potentially fertile areas are hardly used at all. The lack of adequate transportation facilities is a problem which must be overcome before new, potentially fertile areas can be exploited.

### Agriculture

Though agriculture is the mainstay of the Philippine economy, accounting for 40 percent of the national income and providing the main source of foreign exchange, only some 22 percent of the land is under cultivation. There is considerable potential for the expansion of production and for

diversification of crops through the improvement of techniques to increase yields, as well as through the cultivation of presently unused land. Most farms are small, and insufficient farm credit facilities place many farmers at the mercy of money-lenders who charge high interest rates. However, in some areas such as Central Luzon and Negros, there are very few farmowners, most of the farmers being tenants of the large landlords.

Rice is the main food crop and the diet staple for some 70 percent of the nation's people. Although about 40 percent of the total crop area is devoted to rice, production is not sufficient and a significant amount of rice must be imported each year. Corn ranks second in importance, and a variety of other vegetable and fruit crops is also grown. Coffee and cacao are produced on a small scale.

Coconuts head the list of export crops as the largest single earner of foreign exchange. More

than half of the total production of copra (dried coconut meat) is sold to Western European countries, and over one-third is marketed in the United States. Sugar, once the country's principal export, now ranks second in importance as a dollar-producing export. Production costs are high by world standards though efforts are being made to reduce them. Sugar production is limited by quotas established by the Philippine Sugar Quota Administration. The major part of the nation's production is set aside for export to the United States, where an annual quota of 952,000 tons has been established for the Philippines.

The Philippines is the world's primary producer of abaca or Manila hemp. Though this crop is still a major source of export earnings, output has declined sharply from prewar levels because of competition from sisal and synthetic fibers and because of the damage done to the abaca plant in the Philippines by a plant disease.

*The Ifugao rice terraces—one of the wonders of the world.*



Cigarette tobacco production has increased sharply since 1954, and domestic production has now virtually replaced former imports of U.S. leaf tobacco. The traditional cigar tobacco is still grown and manufacture of fine quality cigars continues, but exports have never recovered their prewar position.

The livestock and dairy industries are small, and imports of canned and prepared meats and canned milk are substantial. Fish provide the major source of diet protein, but the fishing industry is as yet largely undeveloped and imports are required to supplement the domestic catch. Expansion of fisheries will require a substantial capital investment for replacing and supplying modern equipment and for the development of distribution facilities and canneries.

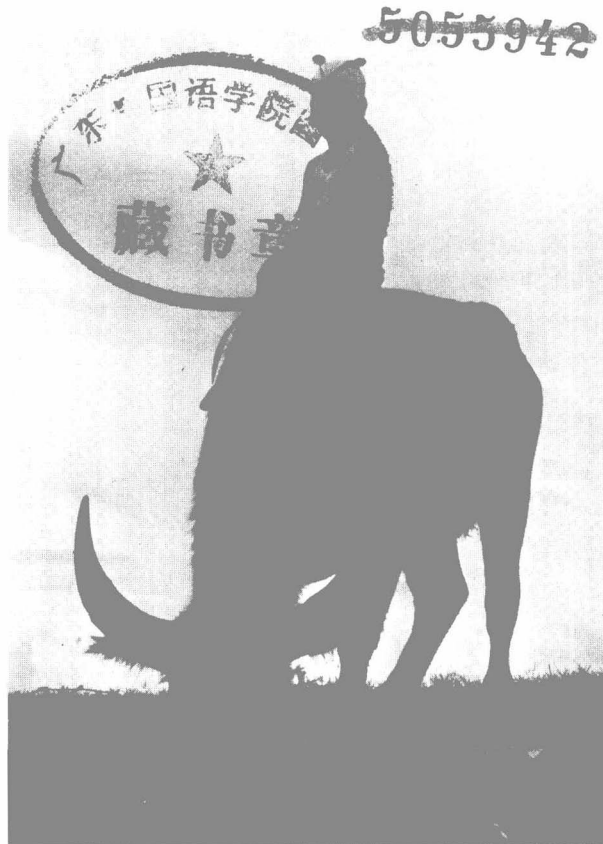
Tropical forests, largely public owned, cover more than half the total land area of the Philippines and make an important contribution to the country's foreign-exchange earnings. More than 2,000 different species are found, with evergreen hardwoods being the most important commercially.

Exports of logs and lumber in 1957 amounted to over 90 million pesos (\$45 million), some 10 percent of the total foreign exchange earnings. Most logs are purchased by Japan, while lumber, plywood, and veneer are marketed mainly in the United States.

The country's timber resources have provided the basis for the development of many new manufacturing activities such as the production of wall-board, toys, and furniture; and interest in the expansion of the pulp and paper industry is increasing.

## Industry

The diversification and expansion of industrial production is one of the major goals of the Philippines and presents the country with one of its most serious problems. A 5-year economic and social development program for the period 1957-1961 was adopted by the National Economic Council in 1957 but has yet to be acted on. In summing up the problem facing the Philippines, like most other developing economies, the report noted that underproduction for consumption and export and the high rate of unemployment and underemployment were the most immediate difficulties to be resolved.



*Carabao on Luzon.*

Although manufacturing increased by 60 percent between 1950 and 1956 and now accounts for 15 percent of the gross national product, it still centers around the processing of export products and the production of certain consumer goods. Along with these activities assembly plants are in operation, and cotton spinning and weaving mills and medium-sized shipyards are at work. The demand for internal capital formation and investment and capital investment from abroad still far exceeds supply. Until industrialization has progressed to well beyond its present state and a program for national development is implemented, the Philippine economy will remain unbalanced, with its resources mainly channeled into producing products for export and meeting subsistence requirements only for consumers.

As incentives to assist the development of manufacturing industries, the Government employs such measures as tax exemptions, liberal credit, foreign exchange allocations, and protection from foreign competition.





*Jones Bridge at Manila. To the left across the Pasig River is the Bureau of Posts; in the distance to the right is the City Hall.*

## Mining

The Philippines is richly endowed with mineral resources which are still largely undeveloped. A number of recent surveys, some undertaken with U.S. assistance, have further expanded the known reserves of a number of minerals.

Copper mining is of major importance and is being expanded at a rate which may soon make the Philippines the most important copper producer in the Far East. Though most of the ore is exported unrefined at the present time, commercial interest has been expressed in the development of a processing and refining industry.

A major world producer of chromite, the Philippines exports most of its production of this valuable ore to the United States. Iron ore, now marketed mainly in Japan, is another important resource, and preliminary steps have been taken to-

ward the development of a Philippine steel industry to use domestic ore. Production of gold and silver, though still important, has declined in recent years. Manganese, lead, zinc, mercury, and pyrites are also mined, in addition to a wide variety of construction and other nonmetallic minerals. Recent surveys have established the existence of considerable nickel deposits, and a number of private firms are engaged in exploratory drilling for petroleum. Several oil strikes were made on Cebu in 1959.

## Power, Transportation, and Communications

Close to 13 million people of the Philippines now have access to electric power. The country is still troubled by power shortages, particularly for industrial use, but the recent development of hydroelectric power facilities and plans for fur-

ther construction of both thermal and hydroelectric facilities are gradually overcoming this shortage.

Shipping is the principal means of transportation between the islands, carrying goods and passengers between some 600 Philippine ports. Fifty of these are important distribution centers. Over 125 ships on regular routes ply the coastal waters, supplemented by myriads of smaller boats which carry primarily local freight. Most of the foreign trade of the Philippines is carried in foreign ships, and it was not until 1956 that a government-owned Philippine shipping line was inaugurated. The Philippines now has a fleet of eight modern combination cargo-passenger freight ships in international service.

On land, highways are the principal means of transportation especially in the more remote and sparsely populated areas, and roadbuilding is one of the important priorities in the country's economic development plans. Railroad facilities serve Luzon and a few other populous islands and are also being modernized and developed. With the rapidly growing volume of both domestic and international air traffic, aircraft terminal facilities and services are being expanded.

Telephone service is provided by the Philippine Long Distance Telephone Company, which serves over 150 cities and towns, by the Government telephone network, and by various smaller private companies. Radio or telegraph facilities—or both—connect the capital with virtually all parts of the Philippines. There are television stations in operation in Manila, and in June 1959 there were an estimated 532,000 radio receiving sets and 23,000 TV sets in operation.

### U.S. Assistance

The United States between 1951 and 1958 authorized or obligated some \$416.8 million for economic aid to the Philippines, mostly in the form of grants. Loan credits made available to the Philippine Government during this period totaled \$241 million. Of this, \$56.1 million has been dispersed. Philippine repayments totaled about \$7.4 million at the end of 1958. In the case of many U.S.-assisted projects, the value of Philippine peso expenditures has exceeded the dollar expenditures of the United States.

U.S. assistance has been channeled to virtually every sector of the Philippine economy with the

largest single amount being used for equipment, materials, supplies, and technical assistance to promote industrial development and mining. Among the important projects in this field is the establishment of an Industrial Development Center, which gives financial and technical assistance to private manufacturing firms. A number of surveys of Philippine mineral resources have made important contributions to the development of mining enterprises. The establishment of the Industrial Guarantee and Loan Fund has served to encourage the development of new industries, and a program to encourage cottage industries has opened up a new source of income for the unemployed and underemployed.

*A boy learns the principles of air pressure in a science workshop.*



The amount of U.S. aid granted for the purpose of expanding agricultural production is second only to that allocated to industry and mining. A large part of this assistance has been used for gravity and pump irrigation, for the encouragement of the use of fertilizers, for agricultural extension programs, for the development of cooperative credit and marketing facilities for farmers, and for the work of the University of the

Philippines College of Agriculture and Central Experiment Station. U.S. funds, together with larger amounts of peso support, have been used to assist activities such as land resettlement, the improvement of landlord-tenant relations, research on the control of crop diseases, the organization of Farmers' Extension Clubs, Rural Improvement Clubs, and 4-H Clubs, and for programs to promote the effective utilization and conservation of forestry resources.

U.S. assistance has made an important contribution to the efforts of the Philippine Government to improve health and sanitation facilities. Dollar assistance for the rehabilitation of hospitals alone has been over \$2 million. There are now 83 government hospitals throughout the archipelago which treats some 300,000 patients per year. There has been a marked reduction in the incidence of, as well as deaths from, malaria. Infant mortality is declining. Tuberculosis, still a major problem, is being controlled by a vaccination program, improvements in environmental sanitation, and an increase in the facilities for detection and treatment of the disease. The training of medical personnel is being accelerated.

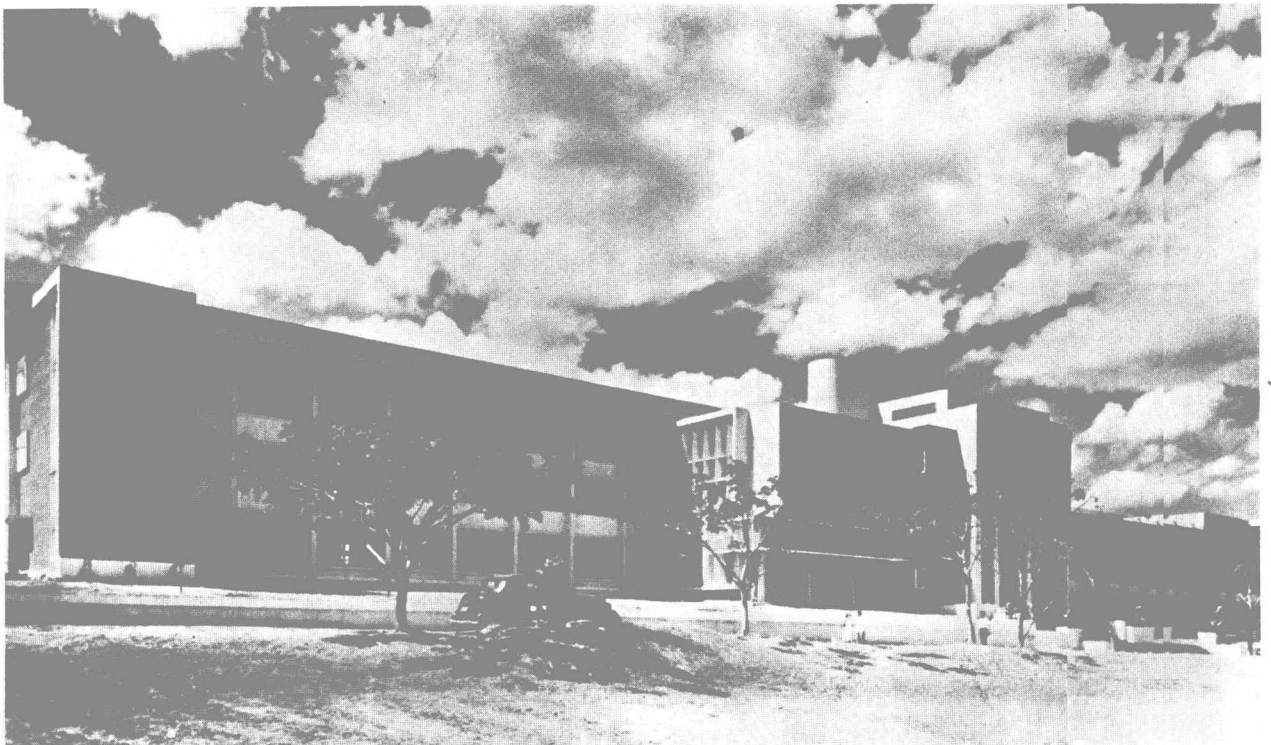
There are today some 12,000 physicians in the Philippines. Philippine universities are graduating some 600 new doctors each year. About 2,000 medical practitioners of all types are doing post-graduate work or receiving specialized training in the United States.

Economic and technical assistance has also been granted for roadbuilding, the development of hydroelectric power facilities, the expansion of educational opportunities at all levels, the improvement of public administration, the training of labor and trade union leaders, and for community development.

The International Cooperation Administration program of grant aid for the Philippines in a recent year amounted to about \$18 million, of which \$3 million was for technical cooperation and \$15 million was classified as "defense support." This latter category includes not only military construction but also many projects such as road and bridge building and construction of power plants, which benefit the civilian economy as well.

The United States Development Loan Fund through December 1959 approved loans of \$5 mil-

*New Liberal Arts Building of the University of the Philippines.*







*Civic leaders discuss the model of a community development scheme.*

lion for the small industry fund and \$18,750,000 for public works such as bridge construction and highway improvement. In addition, a total of \$14.3 million was approved for three loans to private companies.

Loans to the Philippines authorized by the U.S. Export-Import Bank between 1950 and 1959 totaled \$168.2 million. These are being used primarily to foster private industrial development and for the construction of government-owned and operated hydroelectric power facilities.

Under the terms of Public Law 480, the Agricultural Trade Development and Assistance Act, the Philippines has received over \$10 million worth of raw cotton and some \$4 million worth of rice from U.S. surplus stocks. The peso proceeds received from the sale of these commodities in the Philippines are used either for loans to foster industrial development or for the local costs of U.S. military construction. During a recent fiscal year an additional \$9 million was allocated to the Philippines under P.L. 480, mainly for the purchase of raw cotton.

## Other Assistance

Between 1945 and 1958 the Philippines had received a total of more than \$1 billion in grants, credits, and reparations from all foreign sources, including the United States.

An estimated \$66 million had been received from various international governmental and private voluntary organizations. From the United Nations and its specialized agencies the Philippines received over \$10 million, largely from the U.N. Children's Fund (UNICEF), in the form of fellowships and scholarships awarded through the U.N. Expanded Program of Technical Assistance.

Between 1952 and the end of 1958 the Philippines received about \$600,000—mainly in the form of fellowships and scholarships—through the Colombo Plan, Australia and New Zealand being the principal contributors. The Philippines is also a contributor to the Plan and has awarded fellowships in the fields of agriculture, geology, hygiene, public health, labor, education, and pub-