

NEO-IMPERIALISM: FACT OR FANCY? ¹

By
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The purpose of this paper is to examine the thesis expounded so forcefully by Mr. Alejandro Lichauco in a recent work entitled, *Imperialism and the Security of the State*.² I propose to present my discussion in the following order: first, I will examine briefly the theory of imperialism, especially as it is presented in its most effective form today, as part of Marxist-Leninist thought. Then I will look at Mr. Lichauco's paper itself, and finally, I will put forward some reflections of my own on the subject.

IMPERIALISM AS A CONCEPT

Mr. Lichauco quotes from the *Encyclopedia Britannica* for his definition of imperialism: "The policy of a state aiming at establishing control beyond its borders over people unwilling to accept such control." This is as good a definition as any.

The term "imperialiste" originated in France in 1830 and referred to a partisan of Napoleon's empire. In 1848, "imperialism" was used as a derogatory term to characterize Louis Napoleon's attempts to establish an empire. Napoleon III was similarly criticized as was Disraeli in England in the 1870's.

From the beginning, therefore, the expressions "imperialism" and "imperialist" were used for emotive purposes and as words of opprobrium. However, British and other writers tried to justify the building up of empires, by such notions as the White Man's Burden, the offering of a superior civilization to backward peoples, a means to preserve or expand markets and so on. Historians often refer to the period after the 1870's and up to World War I as the Age of Imperialism when Europe (and the United States belatedly and briefly) constructed their colonial empires.

It was the Marxist writers, however, especially in Germany and Austria, who attempted a more systematic exposition of a theory of imperialism. The culmination was in Russia when in 1917 Lenin's work – *Imperialism: The Highest State of*

¹ Adapted from a talk before a Workshop of the Public Relations Society of the Philippines, 31 May 1972.

² Alejandro Lichauco, "Imperialism and the Security of the State," 1972 (mimeographed).

Capitalism and, in 1918, Bukharin's *Imperialism and World Economy* were published. As the titles indicate, in the view of Marxist-Leninists, capitalist states have an irrepressible propensity to engage in imperialist expansion, although the Marxist-Leninists consider this to be merely an aberration which temporarily holds off the inevitable and final collapse of capitalism.

THE MARXIST-LENINIST VIEW

The criticisms of the theory take three forms: *first* is to reject the premise that wars are fought primarily for economic motives; for example, most historians regard as false and naive the notion that World War I was fought because of the machinations of armaments manufacturers. And no one will accept the intellectual turnabout that when Russia joined the Second World War, a struggle of capitalist economic imperialism suddenly became a patriotic war.

Secondly, critics deny that capitalism is especially prone to promote imperialistic drives; for, after all, wars and the putting together of empires were already taking place long before the rise of capitalism. Furthermore Russia, a non-capitalist economy, also exhibits expansionist tendencies. In fact, many commentators hold that economic development, consumerism and trade foster peaceful pursuits as they channel energies to competition in the market place.

Third, the attempt to ascribe late nineteenth-century colonialism to capitalist forces exclusively is called to question: other drives were certainly present, such as prestige, political motivations, a vague sense of mission (the White Man's Burden as was mentioned previously) and so on.

Thus, the Marxist-Leninist view of a monolithic capitalism relentlessly seeking imperialistic conquest is seen to be without valid scientific underpinnings. There is something disturbingly unscientific about a scheme which displays such remarkable elasticity as it tries to explain away the delay in the attainment of an end which is already predetermined anyway, namely, the inevitable collapse of capitalism.

Nevertheless, the efforts to keep alive the idea of imperialism continue. On the one hand, some writers try to make a very general theory which would label as imperialism any manifestation of political control or influence of one political community over another. Thus generalized, the attempts become vague, and, therefore, devoid of meaning. On the other hand, others try to be more specific to the point of being tautological: starting from one factor which the author has already determined in his mind to be important, everything is made to fit.

IMPERIALISM AS A SLOGAN

Imperialism is said to proceed from certain goals: for example, economic gain,

political power, ideology, diversion of domestic unrest. Methods of control can vary from peaceful practices (such as financial and economic transactions, cultural activities, diplomatic maneuvering) to more forceful methods and even outright violence. Imperialism is also said to be propagated by differing instruments: individuals, social groups or nations (for example, imperialism is seen as an extension of nationalism).

With such a wide range of forces considered, the concept of imperialism really becomes a part of the study of international relations. The above illustrations show the absence up to this time of a definite or scientific theory. In the words of one commentator, "the word 'imperialism' is, therefore, entirely at the mercy of its user."³ And so, just as at its very beginning, imperialism must be regarded as an emotive term — a slogan.

THE LICHAUCO PAPER

We have seen that the cry of imperialism is important in today's setting, not as a scientific theory but as a slogan. The same can be said of Mr. Lichauco's position paper: there is no scientific basis for it, but it is an important document, nonetheless, because it has been articulated by a well-known opinion maker and has received much publicity.

A SWEEPING DENUNCIATION

It will serve to convey the flavor of the paper if some typical examples from it are examined. There is probably no need to present at length his general theme: that imperialism is the cause of the poverty, inflation and unemployment in this country: it is the source of graft and corruption, indeed of practically every evil in this country.

His is a very sweeping denunciation, but can he sustain it?

To start with, consider Mr. Lichauco's attacks on what professional economists generally regard as good behavior. For two centuries now, economists have taught that the key to economic growth is capital formation (physical, human and technological capital). Furthermore, economic history shows that an industrial revolution cannot take place unless there is also an agricultural revolution (either prior to or simultaneous with the industrial development), otherwise there would be no labor for the factories, no food for the workers, no market for the mass consumption goods.

Economists believe in fiscal and monetary responsibility; that prudence for a

³Hans Daalder, "Imperialism," *International Encyclopedia of the Social Sciences*, Vol. VII, p. 108.

national economy, as with a family, dictates that the nation must live within its means; that when adjustments are necessary, discipline and sacrifice are called for. Yet Mr. Lichauco, in his paper, attacks these very concepts of thrift, financial responsibility, capital formation, agricultural progress alongside industrial progress – without showing how they are wrong.

He condemns the fiscal and monetary austerity which accompanied the two devaluations of 1962 and 1970 (p. 43). But it should be noted that the circumstances behind each devaluation were different – the one in 1962 was necessary so as to create a setting for free competition among our industrialists, while the 1970 devaluation was a readjustment to fiscal and monetary excesses in previous years. Nevertheless, in both cases, I should think it is easy to see that, as in an over-spending household or an overextended business, some belt-tightening was necessary – difficult as this may have been and harsh though the consequences in the short run.

INVALID PRESENTATION

One must protest too against a common fallacy which is repeatedly foisted on the public. On pp. 30 and following, Mr. Lichauco says that the capital inflow by foreign investors into the underdeveloped countries (Latin America, the ECAFE, the Philippines) is less than the amount taken out.

For example, in the Philippines, “\$7.08 were remitted for every dollar that was brought into the country.” Now this is an invalid presentation: Mr. Lichauco is comparing flows and ignoring stocks. Yes, it may be true that the inflow is less than the outflow (this only shows how restrictive policies discourage such flows), but what about the existing *stock* of capital in the country as well as the additions to the stock of capital from reinvestment or plowing back of profit? His concept of the “exploitation ratio” (p. 32) is therefore meaningless.

We may now move on to specific statements he makes. He says that “exchange controls is (sic) the first step towards effective assertion of economic sovereignty and independence” (p. 55). Is it the implication that the absence of such controls means the absence of national sovereignty?

Great powers like the United Kingdom, the United States, France, Germany, the Austro-Hungarian empire for long periods had no exchange controls. No one denied them ~~then~~ or now denies them their sovereignty. He decries decontrol and devaluation as instruments imposed by that imperialist tool, the International Monetary Fund (IMF) and protests against the austerity measures which the IMF advises. Yet we know that England, the United States, France and others have also decontrolled and devalued and have followed the advice of the IMF.

Here we have the spectacle of the imperialists being imperialized by their own

imperialist tool! Actually, as is well known, decontrol, devaluation, austerity are economic policies which in certain circumstances make sense no matter how small or big, powerless or powerful an economy is.

JAPAN AND CHINA

Mr. Lichauco has much to say about how foreign firms doing business in this country *bleed* the economy when they borrow from local banks (p. 37). Paradoxically, when Filipino firms doing business in this country do exactly the same thing, that is, borrow from local sources, that is *not bleeding* the country. Now, where lies the distinction? I do not know how he would characterize the situation when Filipino firms doing business in this country borrow from abroad.

He brings up as examples of successful industrialization without foreign aid two Asian countries – Japan and China. While this is not completely true – for example, the Japanese did borrow heavily to share up their international reserves and also received large short-term credits – let us accept the fact that the two nations have developed largely through their own resources. But in the case of Japan he neglects the fact that she did not develop overnight in the decade of the 1950's; Japan's industrial revolution took place for over at least three generations or at least seventy-five years and it involved much sacrifice, much inequity as well as iniquity, much oppression and repression, not to mention militarism and imperialism.

In the case of present-day China, the coercion, the denial of freedom and other social and political costs of her development are too well known to require elaboration here. Needless to say it is an open question, in fact it is highly doubtful, that Filipinos would accept the Japanese and Chinese methods of accomplishing an industrial revolution. Incidentally too, China's development is marked by great attention given to agriculture in addition to industry.

ERRORS OF FACT

Apropos his discussion of China and Japan, he says that "the two countries in Asia who have been most permissive and generous in their treatment of foreign investments are the two countries with the most backward economies" (p. 59).

As applied to the Philippines, at least the statement is factually wrong: This is not the most generous country in regard to foreign investments; it is the most restrictive among the ASEAN countries. Also this is not the most backward economy: not in terms of per capita GNP, or share of manufacturing in economic activity, or number of telephones per capita or other measures.

Surely, the accomplishments of the largest native entrepreneurial class in South-east Asia belie the supposed backwardness of this country in comparison with others.

This leads us to other errors of fact in the paper. We have space for only a few illustrations. He says "the structure of the economy has not changed since 1898" (p. 60). I need not spend any time refuting that; structural change has been the characteristic of this economy, especially in the postwar period — he admits as much when he says (p. 44, ff.) that in the 1950's industrialization began. He says we still have a policy of free trade (p. 63) — how can any businessman accept this when he has to pay tariffs of up to 250% on his imports?

He says that in 1945-46 the American High Commissioner, Mr. Paul McNutt, advocated twenty years of free trade (p. 65). To place things in perspective, here are quotations from Mr. McNutt himself; it is not necessary to believe him completely, although official Congressional and Philippine records bear him out:⁴

That commission (the Joint Philippine Rehabilitation Commission of 1944-45) met in joint session only a few times. It appeared from the first that there was a wide divergence of views between the Filipino members and the American members as to the economic formula for post-independence Philippine-American relations. The Filipino members, in consultation with President Osmeña, arrived at the conclusion that the ideal formula was perpetual free trade between the Philippines and the United States. The Filipino members prepared a number of brochures to illustrate the mutual benefits which would be derived from such a program. The American members believed that in the first place, such a proposition was politically impossible, and, in the second place, that inasmuch as it ran counter to America's international advocacy of most-favored-nation treatment, perpetual free trade was out of the question . . .

In September 1945, Representative C. Jasper Bell . . . introduced a bill which had the support of the Philippine Commonwealth Government and of some of the (U.S.) administrative departments. It was H.R. 4185 and provided for 20 years of free trade after independence . . .

President Osmeña addressed a letter to the (House Ways and Means) committee indicating full support of the measure . . .

In the discussion of the revised Bell Bill (H.R. 5185) "there was at no time any inquiry into the exact reciprocal benefits which the United States might derive from this legislation, although it was recognized that American producers and manufacturers had a legitimate interest in maintaining trade with the Philippines. The Bell Bill was conceived to be a formula for a grant of unusual concessions to the Philippines, the only grant of preferential trade relations to any country in the world other than Cuba."⁴

⁴Seventh and Final Report of the High Commissioner to the Philippines, pp. 31-4.

PROCRUSTEAN OPERATION

It is not possible here to examine the many other matters brought up in Mr. Lichauco's highly stimulating document. Suffice it to say that, as is in keeping with its Marxist-Leninist origin, there is no scientific evidence presented for the web of relationships which Mr. Lichauco tries to weave. It is a painful Procrustean operation he is trying to perform: to start with a predetermined conclusion and try to fit everything to it.

SOME THOUGHTS ON PHILIPPINE DEVELOPMENT AND FOREIGN INVESTMENT

At this point, it seems appropriate to present some thoughts of my own on Philippine development and the role of foreign investment and in doing so, it is hoped that one's love of country will not be questioned.

Everyone acknowledges and sympathizes with the aspirations for the economic development of the country — for higher living levels as well as more equitable distribution of income — and also for the desire to have larger Filipino participation in the economic affairs of our country. Now, the first striking phenomenon I would like to point out is that there is ground for confidence in the ability of Filipinos to accomplish these.

FILIPINO PARTICIPATION UP

Leaving aside the question of economic growth which is not the subject of this paper, we may now examine the extent of foreign investments in this country. The relevant data are available from a study by Prof. Niceto S. Poblador, from the recently concluded Central Bank-Board of Investments survey of foreign investment which had the cooperation of 1,466 firms (a larger sample than Dr. Poblador's) and finally, from compilations by Mr. Arnulfo Ramirez, a Ph.D. student at the U.P. School of Economics. The message is clear and unanimous from these: that Filipinos largely own their economy (about 2/3 of it). The foreign participation in the Philippine economy is, on the whole, at about the same level as (and in some respects lower than), for example, in Australia or Canada, and certainly less than one would expect from a former colony.

Furthermore — and this is what should give Filipinos confidence — the Filipino participation is going up — from 70.7% in 1955 for subsectors A and B (firms owned 51% or more by Filipinos) to almost 77% in 1970. Filipino firms have had rates of growth higher than have non-Filipino controlled firms (from 1955-1970) 18.5% as against 16.0%). Moreover, this progress has been accomplished peacefully, legally — without antagonizing others. There is no reason to believe that these trends will be reversed in the future.

It is the Filipino businessmen, who are in the forefront of the battle for Filipinization, who are every day grappling with competitors – Filipino and foreign – who are in the best position to assess their own situations. Those Filipino businessmen who are dynamic and successful – and there are many of them – can attest that the Filipino has the capacity and can hold his own against others. It is these Filipinos who have self-confidence, in the midst of those pessimists in Philippine society as well as outside, who weep and wail about the future of this country.

BENIGN HAND

I think too that it is the businessmen who will recognize in the patterns of behavior that Mr. Lichauco complains about, not the imperialism that he sees, but rather the normal, legitimate and understandable workings of business competition. When a foreign businessman maneuvers to get a business advantage – through his technology, his tight and efficient management, his financial acumen, his imagination, energy, and hard work – Filipino businessmen will accept this without misconstruing it as “imperialism.” Their response will be to try to beat him at his own game. And they know they are able to do it, especially since they have one distinct advantage: the Philippines is their own country. Theirs is a sovereign nation, armed with all the necessary legislative and regulatory powers to protect national interests. Their government decides its own policies; at times these may be bad decisions, but their government is independent enough even to make its own mistakes.

Finally, Mr. Lichauco sees as “imperialism” the fact that technocrats apply to the problems of our country lessons which have been learned elsewhere. Would it not be more just and accurate to see in this not a nefarious hand but a benign one: the truth that scientific knowledge and technology, which have had their well-springs in the advanced countries of the West, are nonetheless universal? Put in this way, the situation, which he spends 167 pages decrying, takes on a different complexion. At the same time, it becomes foolish and futile to do battle against that universal science and technology intruding into our own little corner of this one world.

TABLE III-A₁
DISTRIBUTION OF TOTAL EQUITY IN THE MAJOR NON-FINANCIAL CORPORATE
SECTOR OF THE PHILIPPINES BY CITIZENSHIP OF OWNERSHIP, 1964
(AMOUNTS IN THOUSAND PESOS)

Citizenship of Ownership	Sub-Sector I		Sub-Sector II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Filipino	1,673,766	81.8	2,050,153	59.4	3,723,919	67.7
American	162,890	8.0	1,098,010	31.8	1,260,900	22.9
British	22,679	1.1	111,130	3.2	133,809	2.4
Chinese	47,969	2.3	64,347	1.9	112,316	2.0
Spanish	89,242	4.4	91,243	2.6	180,667	3.3
Others	50,322	2.4	37,757	1.1	88,079	1.6
TOTALS	2,047,050	100%	3,452,640	100%	5,499,690	100%

Percentages may not add up to 100% due to rounding.

Note: Sub-Sector I consists of firms with adjusted net assets of P1 million or more, but less than P10 million; Sub-Sector II is made up of business entities with adjusted net assets of P10 million or more.

Source: Niceto S. Poblador, *Foreign Investment in the Major Non-Financial Corporate Sector of the Philippines, 1964 and 1965*, U.P. School of Economics, 1971, p. 21.

TABLE III-A₂
 DISTRIBUTION OF TOTAL EQUITY IN THE MAJOR NON-FINANCIAL CORPORATE
 SECTOR OF THE PHILIPPINES BY CITIZENSHIP OF OWNERSHIP, 1965
 (AMOUNTS IN THOUSAND PESOS)

Citizenship of Ownership	Sub-Sector I		Sub-Sector II		TOTAL	
	Amount	Per Cent	Amount	Per Cent	Amount	Per Cent
Filipino	1,773,647	83.6	2,449,685	60.2	4,223,332	68.2
American	137,147	6.5	1,286,080	31.6	1,423,227	23.0
Chinese	23,860	1.1	123,624	3.0	147,484	2.4
Spanish	51,183	2.4	67,401	1.6	118,584	1.9
British	83,986	4.0	96,616	2.4	180,602	2.9
Others	51,068	2.4	47,168	1.2	98,236	1.6
TOTALS	2,120,891	100%	4,070,574	100%	6,191,465	100%

Percentages may not add up to 100% due to rounding.

Note: Sub-Sector I consists of firms with adjusted net assets of P1 million or more, but less than P10 million; Sub-Sector II is made up of business entities with adjusted net assets of P10 million or more.

Source: Ibid., p. 22.

TABLE 2-A
EQUITY INVESTMENTS IN 1,466 RESPONDING FIRMS
BY NATIONALITY OF INVESTORS

As of the End of 1970

All Nationals	P11,106.0	100.0%	
Filipino	7,161.6	64.5%	
All Foreign	3,944.4	35.5	100.0%
American	3,005.3	27.1	76.2
Chinese	201.8	1.8	5.1
Spanish	137.9	1.2	3.5
British	101.7	0.9	2.6
Dutch	97.8	.9	2.5
Japanese	58.1	.5	1.5
German	6.5	-	0.1
Others*	335.3	3.0	8.5

*The term "Others" has been used to represent investments by nationalities other than those already specified and of those nationals which were not identified by the responding firms. Hence, it may also include investments of Filipinos, Americans, Chinese, etc.

Source: *BOI-CB Foreign Investment Survey*, ch. 1, p. 14
(mimeographed).

**BOI-CB FOREIGN INVESTMENT SURVEY
NATIONAL SUMMARY
PAID UP CAPITAL**

Values
(Million Pesos)

	1955	1960	1965	1970
Subsector A	421.955	917.962	1930.894	5412.252
Subsector B	15.080	50.992	109.777	160.329
Subtotal A & B	437.036	968.955	2040.672	5572.582
Subsector C	181.048	368.554	925.352	1682.604
Total A, B & C	618.084	1337.509	2966.025	7255.187

Percentage Shares

	1955	1960	1965	1970
Subsector A	68.26	68.63	65.10	74.59
Subsector B	2.43	3.81	3.70	2.20
Subtotal A & B	70.70	72.44	68.80	76.80
Subsector C	29.29	27.55	31.19	23.19
Total A, B & C	100.00	100.00	100.00	100.00

Compound Annual Rates of Growth

	1955-1960	1960-1965	1965-1970	1955-1970
Subsector A	16.8	16.0	23.0	18.5
Subsector B	28.0	16.6	7.9	17.1
Subtotal A & B	17.3	16.1	22.0	18.5
Subsector C	15.3	20.0	12.7	16.0
Total A, B & C	16.7	17.3	19.6	17.8

Note: Subsector A consists of firms which are 60-100% Filipino-owned;
Subsector B consists of firms which are 51.0-59.9% Filipino-owned;
Subsector C consists of firms which are 0-50.9% Filipino-owned.