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**A STUDY
ON
ALTERNATIVE USES OF MILITARY BASELANDS
FOR SUSTAINABLE NATIONAL DEVELOPMENT**

**PART I:
A Review of the "Integrated Bases Conversion Plan"**

As Prepared by Leonardo Mariano

**University Center for Integrative and Developmental Studies
University of the Philippines
Diliman, Quezon City
October 1988**

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Alternative Uses of Military Baselands
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Part I:
A Review of the "Integrated Bases Conversion Plan"
as prepared by Leonardo Mariano

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PREFACE

Upon the request of Senators Alberto G. Romulo, Wigberto E. Tanada and Joseph E. Estrada, the UP organized a research team to study the conversion of American military facilities in Philippine bases to productive use by Filipinos. The team is composed of professors from the Departments of Political Science and History of the College of Social Sciences and Philosophy, the College of Social Work and Community Development, the School of Economics, the School of Urban and Regional Planning, and the College of Engineering. The project is administered by the University Center for Integrative and Development Studies. The UP advanced the initial funding for this study.

This conversion study shall be in three parts.

Part One is a review of the Integrated Bases Conversion Plan (IBCP), prepared by Leonardo Mariano. On the basis of a critical assessment of the Mariano prepared IBCP, the team outlines the framework, the assumptions and the contours of a more viable alternative use for the American facilities.

Part Two will be on the communities' views on alternatives uses for these bases. The team strongly believes that the chances of a successful conversion programme will be increased if the communities that will be affected by the American withdrawal are involved in the formulation of the conversion plan. It will also include the views of the business sector on the matter. In this part of the study the team will assess the viability of the communities' and the business sector's preferred alternative uses for these facilities. This part of the study will be completed before the current year ends.

Part Three will cover the conversion plan proper. This conversion plan would attempt to reconcile the preferred uses of these facilities by the communities/business sector and the limitations imposed by the physical and geographical characteristic of the facilities as well as the prevailing international economic and political conditions.

On the whole the claim of the Integrated Bases Conversion Plan, prepared by Leonardo Mariano (heretofore the Mariano study), of presenting a serious economic alternative to the current use for the American military facilities in the Philippines is undermined by its lack of appreciation for interdependence among economic activities, particularly among investment decisions; the highly speculative nature of the projects it proposes; the unsatisfactory treatment it gives of existing and prospective property relations in the envisioned post-U.S. withdrawal period; and the lack of treatment of the equally important aspect of social development.

In a sense, these shortcomings were imposed by the implicit agenda that the Mariano study set for itself, which was simply to conjure up projects with returns that match (and if possible exceed) the current rental for the base lands and, in so doing, justify the magnitude of compensation being demanded by the Philippine negotiating panel. However, the short-term propaganda needs of a negotiating panel for a document to bolster its bargaining position are quite different from the need for a sober assessment of what can actually be done with the baselands.

The fallacy behind the idea of showcasing individual projects--as the Mariano study does--is that it is, in fact, always possible to develop any area in isolation, if one is willing to throw in enough money. This was precisely what was

so objectionable about Imelda Marcos' projects, i.e. not that they did not eventually function or "work" (though some did not even do that) but that they ultimately withdrew resources from more important projects.

In other words, because investable resources are limited, one must rank national projects according to priority, since each project undertaken means that others are in effect deprived of funds. Even granting that the sources of funds projected by the study materialise, it still has to be demonstrated that the projects it contemplates yield the highest social and economic benefits for the nation, and hence represent the best possible use of such resources. Putting the matter starkly, for example, if it is true, as contended, that P35 billion may be "freed" by selling AFP lands in Metro Manila and relocating AFP operations to Clark and Subic, what is the compelling reason for using this money to develop Clark and Subic rather than Samar or Bicol? For constructing a recreational and commercial centre rather than implementing agrarian reform? For building more roads for foreign investors in an export-processing zone rather than roads for poor farmers?

Such questions only mean to highlight the economics of the issue, which boils down to the need ideally to separate questions of investment from questions of financing. In political practice, of course, it is not completely possible to separate the financing from the investment decision, i.e.,

often enough some funds become available only because they have been priorly allocated. Secondly, some prior claims must be conceded to those immediately and acutely affected by the U.S. withdrawal, e.g. entertainers and others in services. But not even this point is made in the paper.

The points made above relate to interdependence among the financing decisions owing to funding constraints. Another kind of economic interdependence neglected in the paper is the effect of implementing the projects it proposes on the rates of return of investments already undertaken. It is wrong to focus on the benefits to be obtained from large public investments in isolation from the likely effects of their implementation on earlier investments, especially if they are competing in nature. This is so, since it is always possible for financially favoured public projects to earn on their own account by taking away resources and opportunities from earlier public investments. This is tantamount to taking money from one pocket and putting it in another. A typical example is the proposal to put up export processing zones (EPZs) in the baselands. There is little evidence--as the paper itself admits (D-1)--that the lack of EPZs is the factor constraining the entry of large foreign investments, or that the capacity of existing EPZs to accommodate investors is about to be exhausted. On the other hand, there is no doubt that with enough fiscal sweeteners thrown into the deal, sufficient current and potential investors could be

attracted into locating at some future Clark or Subic EPZs to make these operations show some revenue. (After all even Ford located at Bataan when offered subsidized local credit.) But this will have merely taken away from the existing and potential clientele of the other EPZs; the "gains" from any new EPZs should not be viewed in isolation but must be reckoned against the losses of existing investments. It is perfectly possible for some new operation to show an attractive income statement at year-end with the government--which must sustain both losers and winners--still losing money as a whole.

Another major area in which the paper shows major deficiencies is its treatment of property relations in the base lands. Often one gets the impression that huge areas are simply lying unoccupied and idle, waiting for the government's initiative to develop them. It is doubtful whether this is in fact the case. What is unclear is the paper's conception of what property or tenurial relations should or will be in its proposed projects. This schizophrenia is clearest in its discussion of its agricultural projects. On the one hand, it seems to be aware [D-10] that under the agrarian reform law, government agricultural lands are a priority for redistribution. Hence, it speaks of the possibility of "contract growers" [D-12,16] for its scheme of both pineapple and papaya plantations, conjuring up the image of farmer-owners producing

independently but selling to some corporation. There is an immediate problem of control, however, for unless enough farmers over a contiguous area voluntarily concede to these contract-growing arrangements, there is that much less attraction for private corporations to invest. Transactions costs tend to decline the more contiguous the area covered is (e.g. witness the sugar centrals).

What is true is that viability of the proposed integrated corporate farms is highly sensitive to the assumed property relations. If one assumes land is redistributed to the farmers, then in theory one expects the choice of crop to be left to them, and there is no guarantee they would not rather plant rice or vegetables than pineapples or papayas. Will they in fact be allowed to do so? Does the paper contemplate that the corporation (or the government?) should impose sanctions on farmers who "misbehave" by planting other crops? (E.g. in some sugar areas, farmers are prohibited from planting food crops.)

In a sense, however, the paper seems quite aware of these difficulties (though perhaps not bold enough to draw the consequences from them), since it suggests mildly that the government ought to consider evading the spirit of its own agrarian reform law--whose implications the paper considers "purely political"--by recommending the setting up of corporate farms "in which the landless farmers are part or majority owners" [D-11]. Under this format, the land would be

"solely owned and managed by the same processing and canning entity" [D-12]. One can almost feel as an undertone that this alternative was indeed what was closest to the writers' hearts to begin with.

One misses here an appreciation of the problems involved in rural organisation, not to mention a genuine concern for economic democracy.

The Mariano study highlights the economic alternatives to the bases but fails to provide just treatment of the equally important aspect of social development, a parallel process and goal in the conversion of these bases for national development.

Its treatment of "social services" (reduced to five pages in the study) significantly reflects a bias and insensitivity to the social costs of the continuing presence of these military facilities in the country. Unlike the detailed treatment given the economic component of the Plan, the social counterpart is presented in brief and generic terms.

The Mariano study seems to assume that the baselands are all available for development. However, there are already a number of development projects that have been on-going from the time when vast portions of the baselands were returned to the Philippine government. For example, a careful review of the status of the Sacobia Resettlement Project which is in order was not included in the Mariano

study. Other on-going projects by government agencies need to be reviewed--the entire Zone F, for example, may have already been parceled out to various beneficiaries, and a number of development programs are already on-going, with some programs perhaps already completed.

Only in passing did the Mariano study mention the cultural minorities, the Aetas and the Balugas, who practically claim that the baselands, or most of it, is their ancestral land. Physical, as well as legal provisions will have to be prepared as to how this issue will be addressed.

While the study recognizes the fact that there are numerous existing communities in the baselands, there is very little on whether these communities will be allowed to stay where they are now, or whether they will be relocated elsewhere in the baselands, or in other places. In other words, a study on how these communities will be integrated physically or spatially into the comprehensive baselands plan will have to be made.

The Mariano study is not without merit. The transfer of some AFP camps from Metro Manila, as well as of the international airport, appears workable and logical, considering the previous use to which the bases were put. On the other hand, this is not the first time these ideas have been put forward.

The transfer of some military camps is desirable even for purely economic reasons, considering some of these lands

now command prime value. It is doubtful that the social contribution of the services rendered by the military on such lands greatly exceed the discounted present value of the potential rentals (or sale value) the government could derive from such lands.

There are significant gains to be had from relocating the airport further away from the metropolitan area, in terms of reduction of noise pollution, congestion, and danger to human life in heavily populated areas. Some extra expenditures would be needed, however, to upgrade the road network between the new airport and Manila. (E.g. a new circumferential road?)

On both counts, therefore, land sales could generate a substantial amount of funds for the government. How quickly or slowly these land sales may be arranged (and therefore how soon such funds will be available) is a matter not directly addressed. Even more important, however, it is quite a different question whether these funds should be devoted exclusively or even mainly to the Clark and Subic areas. The high proportion of public funds needed for the proposed projects (ca. 55% or P42.5 billion) is cause for worry, considering the dubious foundations for many of them.

The remaining sections of this critique will discuss in detail the UP study team's objections to the Mariano study, lessons we can learn from the American experience with converting military bases to civilian use and how the UP proposes to conduct the conversion study.

The Economic Component of the Plan

The IBCP proposes that export processing zones, corporate farms, cattle/dairy projects, retirement zones, and commercial and recreation centers be established in the former baselands. In the first three cases (export processing zones, corporate farms, cattle and dairy projects) government participation is limited to "providing infrastructures (roads, electric and power supply, communication facilities...) and equity participation in certain ventures" [C-5, 6]. The retirement zone will be a government undertaking [C-6], while the commercial/recreational center(s) "will be basically a private sector venture" [C-7]. Underlying all of these is a need for a coordinated effort by government to make sure that these projects are started on time and properly financed.

The call for government participation in some of the projects seems to run counter to the current government's privatization thrust. Can the government afford to add to an already long list of government-owned and controlled corporations (GOCC)? It seems wiser to stick to the rule that government should not intervene in the economy unless it can do better than the private sector. The task of providing the infrastructure requirements called for by the IBCP is enormous enough to keep the government busy.

Foreign borrowings are important to the success of the IBCP since "a significant percentage of the total financing requirements for the implementation of this conversion plan is assumed to come from foreign loans" [F-21] Reliance on loans is a weakness, since it shows no private venture is willing to risk participating in the project.

Export Processing Zones

The study's optimism with respect to the Export Processing Zone project is both unbounded and incomprehensible, especially since the paper admits "it may seem superfluous to even consider the establishment of additional EPZs in the light of the fact that the existing four EPZs have had adverse publicity and are presently not fully utilised" [D-11]. What is the trend of investment flows from which the paper is proceeding? At what rate have the other EPZs been filling up, if at all? The paper mentions "serious inquiries by 65 foreign investors" in Bataan. How many of these actually materialised, and why or why not?

The paper also shows some naivete regarding the relative attraction of the Clark and Subic locations for foreign investors and the general policy thrust being pursued by the government. It states [D-4]: "the relative proximity of the Clark Air Base reservations to Manila will allow the use of the Manila South Harbour". But this seems to overlook the possibility that the Cavite EPZ is closer to the South

Harbour than Clark, or that in Metro Manila itself, exporters can take advantage of bonded warehouses which give them the same privileges vis-a-vis the tariff structure as the EPZs.

This brings up the question of the general policy environment. The main advantage EPZs and bonded warehouses bring to exporters is to exempt the latter, so long as they remain in such enclaves, from the existing tariff structure which would otherwise raise input costs. Hence the differential advantages gained by exporters from such devices are greater, the higher the protective structure is. In recent years, however, the government's policy has been towards a narrowing of the range and lowering of the levels of tariff protection. To this extent, the added attraction of locating in an enclave is diminished. In other words, if the whole country is already tending to become an EPZ, where is the peculiar attraction of locating in Clark and Subic?

In the event of the above happening, locational advantages may rather take the form of differentials in rentals, power, communication and transport costs. But these need not be systematically linked any longer to export enclaves, and magnitudes of benefits will likely differ.

Integrated Corporate Farms

The section of the Mariano study dealing with this project is remarkable for its misplaced concreteness. It details papaya and pineapple processing, but fails to

delineate the government's role in the project, i.e. whether the government upon obtaining these lands will (a) redistribute them to farmers; (b) allow some private corporation to own and manage them (with token representation from the farmers); or (c) directly engage in production with the farmers.

Unless the government intends actually to engage in production, the details of what crop to plant, how far to process it, what it costs, etc. are quite irrelevant. For unless the government decides to keep the land and work it, the decisions regarding the crop and the methods of production, the computations for net present values, etc. would be the prerogative of farmers themselves or of some private corporation, and the Mariano study should not have delved into these at all. Furthermore, upon settling the question of property rights, the returns from such private efforts should no longer form part of the government's cost-benefit accounting (except perhaps for taxes and rentals earned).

Strictly speaking, the possible income flows from the government should be distinguished according to whether any of the following three options is implemented: (a) land is redistributed to farmers, (b) a private corporation owns and manages it, or (c) government is directly engaged in production with farmers. If (a), then the flows would consist of possible amortisation payments by beneficiaries from the

redistribution. If (b), then the flows consist of either amortisation payments or leasehold payments, depending on what the arrangement with the private corporation is. Only in case (c) would the government (represented in some public corporation perhaps?) go through the type of project evaluation attempted in the paper. In the same manner, at present, the government is only enjoying the rentals for the use of the bases; the "tenants" (i.e. the U.S. forces) make full use of them for their own purposes.

It is evident, moreover, that under the constraint of a land redistribution, the net cash flows to the government's own account will be much less. Farmers-cultivators will hardly pay taxes, and amortisation payments on land (assuming it is sold and not simply redistributed for free--that 's another question) are likely to be negligible on an annual basis. The danger with the procedure adopted by the paper is that for this reason (i.e. low cash flows for the government) such a low-key alternative is ruled out. However, it is not self-evident that the government's main goal in the conversion should be to maximize its own net cash flows (although a high alternative cash flow might be what a negotiating panel would like to show the other side); rather one would think the goal was to maximize the people's well-being. Now who is to say this might not also be achieved simply by redistributing land?

The Mariano study is equivocal on the role of farmers in the proposed corporate farms to be established in the converted baselands. It makes a gesture to CARP by making a distinction between 1) landownership and 2) ownership and management of the processing and canning entity. But it is unclear on exact relationship of the future farmer beneficiaries and the corporate farms. While the study raises the possibility of a cooperative type of plantation, a closer analysis of it shows a preference for contract growing arrangements with farmers.

After acknowledging the limitations imposed by the CARP, the study still holds out for corporate farms, sweetening the latter by saying that farmers will be part owners of the farms and they will have higher income. The IBCP declares:

However, divorced from the purely political implications of redistribution of government-owned lands to landless farmers immediately and physically, it is definitely worth considering the setting up of corporate farms in which the landless farmers are part or majority owners... Moreover, the integration of corporate farms with their own processing facilities, would definitely enhance further the potential income of the farmer. [D-10-11]

Yet, in the description of the specific corporate farm projects the study takes a different position:

Integrated into the plantation is a processing and canning plant expected to accommodate the regular volume of harvest from the plantation. The plantation may either be solely owned and managed by the same processing and canning entity; or may be on a contract growing scheme between the processing and canning entity and many individual farmers. [D-12]

The same idea is proposed in the discussion of papaya [D-16] and vegetable and spices [D-19] plantations. In this scheme the farmers are no longer "part or majority owners" of the plantations; they are either wage workers or contract growers of the processing and canning plants.

In another section of the IBCP, the idea of contract growing was again proffered, this time in the name of higher income for the farmers.

The establishment of the proposed integrated corporate farms within the Clark Air Base and Subic Naval Base reservations will provide viability support to the beneficiary farmers in that they will immediately have a market for their agricultural production. [sic] This will be so because the production of fresh pineapples, papayas, and vegetables and spices could be done through contract growing by the individual farmers who will be technically supervised by the proponents of the proposed integrated corporate farms. [D-25]

The assumption made by the Mariano study in projecting the development cost of a pineapple plantation is that "the growing of pineapples will be done on a contract growing arrangement with the individual farmers." [D-27] The same assumption was made for papaya [D-28] and vegetable and spices [D-29] plantation development cost.

It seems that the bias of the Mariano study is for the classic large-scale and privately-owned agricultural plantation. It even raises the possibility that the agricultural lands within the Clark and Subic reservations be exempted from the CARP [D-25]. Barring this, the preferred arrangement is contract growing. The issue of whether the future farmer beneficiaries would lose effective control over their lands in favor of the processing and canning firms as a result of contract growing arrangements was not addressed at all.

The crucial question of property relations is not adequately answered in this study.

International Retirement Zones

This remarkable proposal seems to have come out of the blue. On the whole it makes certain assumptions--regarding tourist or traveller behaviour; about the size of the market; and about the relative attractiveness of the base lands--which are difficult to sustain.

The scheme is to be implemented by issuing permanent resident visas to "retirees" who deposit \$50,000 in a local bank. The paper gives no reassuring data (e.g. at least even recent tourist flows into the Philippines) to substantiate its claims regarding the size of the market for this project. Indeed, a similar scheme, which was met with very poor response, was already introduced by Marcos in respect of

businessmen.

Some crucial questions which are not answered are whether the availment of the visa privilege is conditional upon the "retirees" settling in a "retirement zone", and whether the dwellings they occupy become their property (in which case may they be inherited by their children?) or simply rented.

Related to these questions is a lack of clarity regarding the ultimate goal of the project. Is it the aim simply to populate Clark and Subic? Or is it to derive the full benefits for the country from the so-called "grandfather boom" (assuming for the moment the phenomenon exists)? Assuming it is the latter, then it becomes inconsistent with this aim to make availment of the privilege conditional upon residence in some retirement village; that would restrict the market for it. Retirees might well prefer to live around Manila, or on Boracay, who knows? Why restrict their choices? After all a yen spent in Boracay is probably the same as one spent in Clark.

Or then again, even assuming that "retirement villages" are such a good idea, what peculiar attractions are there in Clark and Subic which recommend these sites? Especially after much of the "night life" has left with the U.S. forces. It should be remembered that portions of these lands will by then be occupied by the AFP, which is presumably a more "legitimate" NPA target than the U.S. forces ever were. This

is hardly the neighbourhood conducive to spending one's twilight years in peace.

The Social Development Component of the Study

The Mariano study proposes a mixed-use development plan for the baselands. The projections appeared optimistic of a regarding a smooth transition. But the study's optimism is not matched with a consideration of the mechanisms and social structures that could mitigate the initial, intermediate and long term effects of the bases' pull-out.

An angle of the proposed mixed-use development centers on the need for responding to a variety of social concerns expected to emerge. The study, however, fails to put in a larger context its response to the broad spectrum of social concerns and obviously concentrated on the economic alternatives.

The Mariano study's treatment of "social services" (all of five pages in the policy paper) suggests an insensitivity to the social costs of the continuing presence of the American bases in the country. Despite their magnitude and palpable relevance to the people's lives, such social problems as prostitution, drug traffic, crime, corruption, etc.--inevitable ramifications of the artificial development around the base areas--are not addressed with the same thoroughness as the economic issues in conversion.

Its cavalier treatment of the human factor is the serious weakness of the study. The focus on the financial and neglect of the social and human dimensions lead to two dangerous biases: 1) The 'loss' from a withdrawal of the US from the bases is overstated, as well as the costs to the country of reversion. 2) The desire to simply hew as closely as possible to present use, this myopia with regards to social costs leads to proposals which tend to replicate the existing social conditions.

This imbalance may however, be understood in terms of the difficulty of arriving at measurable or quantitative indicators of the "benefits" of social development which could have significantly influenced the bias for financial repercussions. Nevertheless, there might at least have been serious attempts to arrive at certain measures indicating the reduction of social costs as by-products of the withdrawal. These could be in terms of 1) the minimum displacement of base workers, 2) reduced problems related to drug traffic, prostitution and crime, 4) changes in values and behaviors, demography, levels of aspirations, social relationships and other concomitant effects. Different scenarios of the affected base communities could have been advanced if only to highlight or evoke the variables likely to be influenced by the conversion plan. For instance, would the rate of social problems decrease over time?

While the Plan acknowledges and furnishes succinct

descriptions of the social problems and needs of the base communities, its approach to solving these is rather parochial, with "social services" reduced to nothing more than "support services" to strengthen the viability of the economic alternatives. Moreover, the data base available appears inadequate to warrant realistic planning, particularly of social development.

Because its concept of social development is no more than a necessary appendage to the economic conversion plan, the Mariano study minimizes the significance of the subjective human element and its ability to contribute to the conversion process. This restrictive view is perceived in effect to decrease the viability of a meaningful and systematic economic conversion particularly at the transition phase when acceptability of the programs significantly matters.

Here a different orientation is suggested, namely one in which social and human issues are paramount in deliberations of the conversion effort. The adjustive

mechanisms to ensure success in the transition or interim period, which the Mariano study failed to provide, should be in place to cushion the initial trauma of displacement and other subsequent adverse effects of the bases' pull-out. These mechanisms then become integral components of a transition program and should be able to concentrate on the empowerment of the communities to address their problems collectively. The transition program must be educative and facilitative borne out of a concerted effort to determine and prioritize resources, tasks and action that must take place.

Interpreting therefore this broadened concept of social development as people's participation in decision-making, providing equal access to resources and opportunities, relating to issues of social justice and equity would mean sustained interface with varying population sectors within the external of the base communities. This pluralist orientation would provide the forum for direct participation and assumption of responsibilities in the conversion process.

Concerns of displaced cultural communities must likewise be met with assurance of recognition and concern.

Community development must not be a co-opting effort but a people's desire to transform and reorient their lives. The strategy of community organization must be strongly pursued.

The mechanisms for community participation in the overall planning of the conversion plan merit serious

consideration with the possible agenda of defining roles and parameters of involvement in the various conversion phases, including management. Once in place, these mechanisms should increasingly shift the burden of implementation from a strictly governmental concern to diffused community responsibility. Admittedly, the success of the economic conversion process, not to mention the return of investment could not miraculously evolve without effective and responsive management structures but these the Mariano study, unfortunately, was vague about.

To complement therefore economic and spatial planning would be social planning with a strong data base support and with a wide latitude of community inputs. Its research component should provide data on the magnitude of social problems and needs as well as base facilities available for conversion into basic social infrastructures (e.g. hospitals, day care centers, schools for skills training, recreational facilities for children, youth and adults, etc.). Data on people's values and aspirations, levels of social awareness and community organization, consumption habits and patterns, skills and capabilities as well as existing community resources would also be valuable inputs in planning.

Social services programs should have a strong bias for non-formal and alternative education emphasizing values reorientation to reduce the impact of a foreign culture deeply imbibed in the base communities' systems.

In sum, the Mariano study requires serious reconsideration because of its eclectic approach to planning. Any future conversion studies should treat social services more extensively and incisively. Proposals for social services have to be substantiated with realistic interventions appropriate at different stages of the conversion plan and attuned to people's requirements and capabilities. The responsibility of implementation must be equally shared by government, the private sector and the citizenry.

The Military/Defense Component of the Plan

From the Philippine defense point of view, one of the strongest objections to the removal of U.S. military bases arises not so much from the so-called loss of security, but from the loss of rental that the bases bring in. Of the total compensation package of US \$900 million agreed upon by Mr. Marcos and Mr. Reagan in 1983, nearly 50 percent was designated for military assistance and foreign military sales credits. In 1988 alone, the U.S. government provided \$100 million in security assistance.

The prospect of losing not only financial flows but also equipment and other logistical assistance looms high with the removal of the bases. Any proposal for the conversion of the bases must therefore address this objection

squarely and suggest other alternatives that could even include new foreign policy arrangements with other (friendlier) nations.

Herein lies one weakness of the Mariano study, that it completely ignores this problem except to say that from the expected revenues to be gained from the conversion of the bases, 2.4 billion pesos would be allocated for the needs of the Armed Forces of the Philippines [D-94]. The actual source of funding for AFP needs is not clear. The total revenue to be gained by the government, according to the study, is 9.97 billion pesos [D-94]. In the same table but under a separate entry, the AFP military assistance fund, which is listed as 3 billion pesos, is also to come from government revenue. Is this AFP fund of 3 billion pesos then part of the larger government revenue of 9.97 billion pesos or separate from it? The table is rather ambiguous [D-94].

But even assuming that the expected revenues are realistic, the amount of 2.4 billion pesos for the AFP would only answer for direct military assistance. What about the foreign military sales credits? It is to be noted, for instance, that in the 1983 amendment to the Military Bases Agreement, Mr. Reagan pledged to secure from Congress US \$300 million credit on the basis of a ten-year grace period and a repayment period of twenty years. While one could assume that such an arrangement would continue after the bases are removed, one could also assume the opposite. Where then

would the AFP obtain not only equipment but even very basic needs such as uniforms and combat supplies?

None of these questions are answered by the Mariano study. Moreover, the study suggests that part of the sources of funding for the conversion of the bases is to come from the proceeds from the sale of AFP camps in Metro Manila: Camp Aguinaldo, Camp Crame, Fort Bonifacio and Villamor Air Base. The expected proceeds would amount to some 50 billion pesos which, together with other sources, would then be used to implement the IBCP [P-7]. No amount, however, has been allocated for the relocation of the AFP camps, unlike the case of the NAIA airport, for which an amount has been set aside for relocation purposes [F-2].

In fact, the study later assumes that the AFP might decide to retain some of its facilities, thereby reducing the expected proceeds from 50 to 35 billion pesos or even to as low as 23 billion pesos [F-4, C-1, to C-2]. (There is also an inconsistency here between the figures cited in C-1 to C-2 and F-4.) Even so, no provision is made for the cost of relocating whatever sites might be sold. If included, the actual amount to be gained from the sale of these camps would be substantially reduced.

Since the Mariano study does not address these questions, it is suggested that a complete conversion program also include solutions or alternatives to the possibility of losing some \$425 million (based on the 1983 amendments) in military assistance and foreign military sales credit.

The US Experience with Conversion

The communities surrounding US military facilities in Clark and Subic, which have become so dependent on these bases, are expected to resist the closure of these facilities. This was true in the United States as well. The strongest resistance to the closure of military bases came from communities where these bases were located. Community resistance comes from the feared economic dislocations that would occur when the bases leave. But as the US experience itself has shown, base closures need not mean turning affected communities into ghost towns. Indeed there are some cases where communities around the bases experienced an economic boom after the military facilities were closed.

The "Summary of Completed Military Base Economic Adjustment Projects" from 1961 to 1981, prepared by the (US) Office for Economic Adjustment (OEA) at the Pentagon, reports that

A total of 123,777 civilian jobs are now located on the former Defense facilities to replace the loss of 87,703 former (Department of Defense) or contractor jobs. Within this total 109,262 are new jobs, with 14,515 jobs relocated from the communities to improved facilities on the bases. Another 9,362 new civilian jobs off-base are directly attributable to the economic adjustment effort--through the reuse or through Federal grants or loan assistance at the time of the closure.

While the big picture is generally good, the individual stories are different. The Chippewa Air/Industrial Park, in

the former Kincheloe Air Force base in Michigan, is among the more successful military to civilian use conversion. When Kincheloe AFB closed in 1978, 650 civilian jobs, a \$40 million payroll and 25% of the population were lost. In 1985 the Chippewa Air/Industrial park employed about 1400 employees. On the other hand, the conversion from military to civilian use in Glasgow, Montana was a failure. 4,000 jobs were lost and the population plummeted by 50% when the Air Force closed the base in 1968. There is only one tenant in the converted industrial park.

The overall American ratio of more than one civilian job created for every one military job lost is reassuring for the Philippines. But the American success at converting military bases rests on careful planning, efficient mobilization of resources and community initiative.

The OEA is a Federal government office assisting in converting military bases to civilian use. Its tasks include the following: 1) providing an information center for federal, state and local officials; 2) helping communities plan future growth; and 3) assisting the affected communities with redevelopment. Within the OEA is the President's Economic Adjustment Committee (EAC), with the following member departments/agencies: Defense, Agriculture, Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, Transportation, Council of Economic Advisors, Office of Management and

Budget, Arms Control and Disarmament Agency, Environmental Protection Agency, General Services Administration, Small Business Administration, Office of Personnel Management, White House Office of Intergovernmental Affairs. In the states and counties where conversion is to take place, there are offices whose function is similar to the OEA.

The number of departments/agencies involved in the EAC betrays the huge amount of work and resources that goes into a successful military to civilian use conversion. But the key to a successful conversion is local community initiative and support.

It is instructive to recount the New York Naval Shipyard story. When the shipyard was closed in November 1964, 9,000 jobs in the New York metropolitan area were lost. The closure of the yard was not unexpected. From 1961 to 1964 there were various discussions on the possible closure of the yard. The New York City community chose to resist the yard's closure and poured all available resources into the "Save the Navy Yard Committee". The community disregarded a Columbia University proposal, submitted in early 1964, entitled "Utilization of the New York Naval Shipyard Area for an Ultramodern, Economically Viable Shipbuilding Enterprise". The community's shortsightedness led to major economic dislocations by the time the yard's closure was completed in 1966. The city government eventually commissioned a

redevelopment study in 1967 which was submitted to the US Department of Commerce in 1968. As certain as jobs will be lost when the bases leave, no jobs will be created if the community refuses to plan alternatives long before the announced withdrawal of the bases.

The success of the Chippewa County Air/Industrial Park is largely due to the pulling together of the community. But this did not occur until after the base was closed and jobs were lost.

The offices created by the City and County of Chippewa to manage the converted facilities is the Chippewa County Economic Development Corporation (EDC). This office was charged with the following tasks: 1) to transform former bases suitable for industrial occupants; 2) to identify and attract prospective tenants; 3) to develop a long-term strategy for retaining jobs and assisting tenants that want to expand; and 4) to obtain immediate and long-term financing to solve these problems and accomplish its mission. An observer noted that the EDC's use of imaginative incentives, aggressive marketing, creative financing and sophisticated leadership was the key behind the success of the industrial park.

The EDC's "gap" financing policy is an example of creative financing that also involves the community. The EDC used the \$2 million provided by the Federal Government's Economic Development Administration (EDA) for industrial

loans to finance the gap between the money needed by the future tenants of the industrial park and the amount of money that could be raised through the local banks. In choosing not to finance the whole package, the EDC complemented and did not compete with local banks in serving the financial needs of the industrial tenants who would relocate to the Chippewa County Air/Industrial Park. This scheme not only ensured community participation but also ensured that more tenants would be able to avail of the \$2 million given by the EDA.

The New York Naval Shipyard and the Chippewa Air/Industrial Park stories, and many others like them, show that community resistance only led to dislocations and not more jobs. Had these communities planned ahead of the actual bases closure, the economic dislocations they suffered could have been avoided.

The Mariano IBCP fails to grasp one important lesson from the successful US experience at converting military bases to civilian industrial parks: the crucial role of an independent management authority to oversee the conversion and manage the facilities. The massive amount of work involved in conversion planning and execution, and promoting the new industrial/agricultural park requires an agency that would coordinate and monitor its progress. The Mariano study does not provide for such an authority. This is all the more

surprising since the conversion of Clark Air Base and Subic Naval Base, as called for in the Mariano study, will be done in stages.

There is a need to look at what is the most appropriate body to manage and monitor the conversion as well as to promote the converted base. The relationship of this body to various national government agencies as well as the local governments must be clearly delineated. Both the national and local governments must be represented in this body because any project must take into consideration not only a successful conversion from military to civilian use but also its effect on its host communities and on the national economy. The private sector must also be involved in the planning. Finally, the participation of local businessmen, professional groups, and other sectoral groups must be ensured. Only when all these groups pull together will there be a successful conversion.

There might be resistance from the private sector to a "Baseland Development Authority" (BDA) if this will be a government agency. Given the track record of the government bureaucracy to (mis)handle important projects one might well anticipate this criticism and try to avoid it. The solution might be to incorporate the Baseland Development Authority as a government corporation. The BDA must have the flexibility and efficiency of a private organization and the power of a government organization to mobilize resources.

From the US experience at conversion and the magnitude of work involved, the creation of "Baseland Development Authority" is important to any hoped for conversion of the US military facilities to productive Philippine civilian use.

Towards Realistic Alternatives

As have been previously noted, the Mariano Baselands Conversion Study abstracts the conditions and process of conversion from the larger economy. Because of this, the proposed programme of conversion is both extremely localized and highly speculative. It is an exercise that simply matches estimated costs with conjured benefits.

Even as it is such an exercise, the Mariano study fails to take detailed account of the dimensions of social dislocation. While it provides an extensive accounting of the topological features of the baselands, it fails to consider the specifics of manpower and skills conversion, measures to alleviate the initial impact of displacement and the social planning necessary to make the conversion process viable.

Finally, it fails to propose an adequate mechanism that would oversee the successful conversion of Clark Air Base and Subic Naval Station to civilian industrial/agricultural parks.

For all intents and purposes, the Mariano study is useful only in terms of the momentary publicity impact of its claims but does not provide the framework for the blueprinting of the economic conversion process.

Proposals for economic conversion of military facilities, in order to be realistic, must make a comprehensive accounting of the backward and the forward linkages of the facilities with the larger economy. The Mariano study fails to convince us that transforming the baselands into an enclave economy insulated from the larger national economy and sustained largely by foreign capital inflows would allow the maximum utility of the area for the benefit of the Filipino people.

Although certain facilities in the baselands could be conducive to the establishment of special economic zones, it could be better argued that the bulk of the facilities of Subic and Clark would be useful for national purposes. While opening up the baselands to foreign investments would result in economic benefits in the short-term, the potential of the facilities over the longer term is best realized if they are kept under Filipino control.

If it is assumed that the present rate of economic growth is carried into the early nineties, the Philippines shall face an acute shortage of port, storage and cargo handling facilities necessary to support a bigger volume of trade.

The present problems faced by Thailand are quite instructive on this aspect. After several years of remarkable economic growth, Thailand's economy is now strapped by the shortage of port, storage and cargo handling

facilities. Bangkok's docks and storage yards are overcrowded, proving to be a bottleneck for further economic expansion. Constricted trade facilities have begun to discourage additional investments in the Thai economy.

The problem could be solved only over several years and at great cost to Thailand in terms of public investments in new infrastructure. Infrastructural investments shall draw capital resources from industry and retard the timetable of economic expansion in a period favorable to it.

The Philippines, anticipating these infrastructural problems, can plan to repossess the harbor at Subic along with its extensive port facilities and the airstrip and storage facilities at Clark.

There is no other harbor close enough to complement the Manila harbor as the one in Subic Bay. The conversion of the Subic naval facility to commercial use will soon be an economic necessity for the Philippines.

Subic bay is ideally located to service economic expansion in the Central Luzon plain, a region second only to Metro Manila in population density. With its deep harbor, it is better situated to handle international shipping. The piers, cargo handling and the storage facilities make it a ready complement to the Manila harbor. The latter may be confined to inter-island shipping which is likely to increase dramatically in volume as economic expansion spreads.

Ocean-going vessels may dock at Subic instead to decongest the Manila port and allow a greater volume of cargo to be processed or stored. This should decongest the existing container yards at the heart of the metropolis and decrease container van traffic moving overland through the city to the outlying areas.

Subic may also be linked by an overland route through the construction of a short access road to the coastal highway, allowing some of the cargo to be moved by trucks. With its own airstrip, the Subic naval facility allows transshipment from ships to cargo aircraft to inland points. Subic is ideally situated to allow a ferry system to take cargo up to the Northern Luzon cities.

Facing the China Sea, Subic can be further developed as an international transshipment center servicing the booming economies of the East and Southeast Asian regions.

The conversion of the Subic naval facility will, on the side, solve one of the main problems plaguing the Mariveles industrial estate: its distance from the Manila international ports.

It could be strongly argued that putting the baselands, and the developments made in them by the US, into the mainstream of the national economy, rather than transforming them into economic enclaves, is an economic necessity for the Philippines. It is a necessity dictated by the requirements of economic growth.

On this point, there is no need to enter into the debate on the composition and ultimate direction of economic growth. The conditions in the East and Southeast Asian regions are favorable to expanded trade and production in the Philippines--the presence or absence of the US bases here being a marginal factor to the general prospects for growth.

The main argument of the UP study is that the maximum utility of the bases facilities in the succeeding period lies in economic conversion and linkage with the rest of the economy. To achieve the best possible use of the facilities, the conversion process must commence at the earliest possible time.

Existing calculations of the costs and benefits, including those favoring the dismantling of the bases, tend to be strapped in a static view of presently pertaining variables. The Mariano study, as an illustration, takes no account of economic expansion and ends up designing an economic Disneyland in a stagnant setting.

The UP study shall distinguish itself from the other existing studies in that it shall be anchored on a realistic understanding of the dynamism of the Philippine economy. It shall argue on the grounds of pragmatism and long-term national interest.

Locating the advantages of economic conversion in the context of sustained growth shall allow us to deal squarely

with the costs, in the short-term, that shall inevitably be incurred and how to minimize them. The Mariano study is weak in this particular aspect. It tends to gloss over the inevitable social dislocation that will follow US military withdrawal from the baselands.

The UP study will also be participatory. It will conduct multi-sectoral consultations in the communities to be affected by base withdrawal and will try to elicit from them alternative uses they want for the bases. It will then meet with various business groups in Manila and Makati to ask them what it would take for them to go to the affected areas. In short it will attempt to reconcile, through a realistic conversion plan, the interest of the communities and business and the requisites of the national economy.

The conversion of the baselands to industrial/agricultural parks is also a perfect opportunity for government and the private sector to explore alternative modes of ownership and control over industries and/or plantations. Since there are no farmers in place in the agricultural lands for the proposed corporate farms, there will be no push for distribution of individual plots to beneficiaries of land reform. This is an opportunity to try agricultural plantation that is run like a cooperative, where farmers and workers are owners of the plantation and the processing and canning firms. The UP study will explore realistic alternatives for the bases.

This is not to say that the whole conversion project will be turned into a grand experiment; it is simply that we must also explore other ways of organizing production, one that would be more sensitive to ownership and control of firms and farms by the producers themselves. For in the final analysis we are not only interested in more jobs but a better life for Filipinos.

The Geopolitics of Conversion

In the same way that the economic benefits of conversion shall be located in the more favorable conditions of the nineties, the geopolitical arguments offered by the Americans must also be confronted by offering a post-Cold War international situation at the time the bases shall actually be dismantled.

Recent trends do indicate a gradual but consistent relaxation of tensions between the superpowers. The Philippines may make an independent contribution to this process of relaxation by closing down US military facilities in its territory.

Even if the premise of gradual relaxation of superpower tensions comes under challenge, it is undeniable that the technologies of superpower confrontation at present indicate the decreasing utility of the bases for US strategy (unless the bases assume a role of deployment of submarine-based nuclear weapons). At some point in the foreseeable future,

the bases shall prove to be unnecessarily expensive for the US (or, given the above qualification, the Philippines acquiesces to becoming a major nuclear staging ground for the Americans).

It would serve Philippine interests if the bases are dismantled according to a timetable set by us than if they are closed by the US on bureaucratic whim without a ready conversion process in place. A timetable of gradual and segmented dismantling may be worked out according to both economic and political conditions pertaining.