

TOWARDS ECONOMIC
ALTERNATIVES FOR
THE BASELANDS
A Preliminary Study

● UP Research Team



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RESEARCH TOWARDS ALTERNATIVE USES OF MILITARY BASE LANDS FOR SUSTAINABLE NATIONAL DEVELOPMENT

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Hon. Alberto G. Romulo
Hon. Wigberto E. Tañada
Hon. Joseph E. Estrada
Hon. Orlando Mercado
Senate of the Philippines

Dear Senators Romulo, Tañada, Estrada and Mercado:

I am pleased to submit to you the final Report of the team of faculty members and researchers of the University of the Philippines which I organized upon your request and with your support. The report embodies their study on the social and economic impact of the military bases in the country with US facilities, with a view to the alternative uses of the baselands and facilities and drawing up a conversion plan.

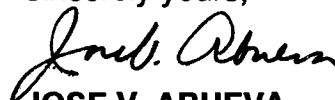
This research Report represents work done over the last twelve months. It evaluates existing conversion proposals and contains findings from consultations with the affected communities. The report also contains a set of recommendations for policy action. A third phase of this study was originally planned as the design of an indicative plan for the conversion process. However, this third phase has been overtaken by the organization of the Legislative-Executive Bases Council.

We in the University of the Philippines are glad about this opportunity to be of help to your work in the Senate.

Allow me to take this opportunity to thank you for the encouragement and support you have extended to this project. The University itself and the U.P. Foundation Inc. also contributed to the cost of the project including the printing of this Report.

Hoping you the best.

Sincerely yours,



JOSE V. ABUEVA
President

Attached: As stated.

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The team also acknowledges the unqualified support and research participation of President Abueva, and the UP Center for Integrative and Development Studies, headed by Dr. Carolina G. Hernandez, and the financial contribution of the U.P. Foundation, Inc.

Finally, the research team expresses its gratitude to all the individuals and groups from Angeles and Olongapo who shared their views on so vital an issue. In the final analysis, the success of a conversion plan will depend not only on Government's commitment to serious planning but also the cooperation and contribution of all the affected sectors in the base communities. For teaching the UP team, we thank you.

PREFACE

Upon the request of Senators Alberto G. Romulo, Wigberto E. Tanada, Joseph E. Estrada, and Orlando S. Mercado, the University of the Philippines organized a research team in September last year to study the conversion of US military facilities in the Philippines for productive use by Filipinos. The research, as envisioned by the UP team, would ideally consist of three parts, the first two of which are here presented.

Part One is a review of existing studies on the economic impact of the bases on the national economy and various proposals for alternative uses of Clark and Subic. The studies covered by the research include the Integrated Bases Conversion Plan, the settlement projects in the reverted base lands, and the New Town approach to conversion.

Part Two consists of the views of the base communities on the impact and possible alternative uses of the bases. The research also provides a socio-economic profile of Angeles and Olongapo cities which would be an essential prerequisite to any conversion study. The team strongly believes that the chances of a successful program will be increased if the communities affected by the withdrawal of the bases are involved in the formulation (and implementation) of the conversion plan.

The final part of the study will be the conversion plan proper. The conversion process consists of three phases, namely: the reduction of base-dependence of the communities around Clark and Subic, which the team believes can and ought to be started now even as the bases exist; the improvement of development projects in the reverted base lands, which started several years ago; and the conversion of the base facilities themselves, which can only be done when the bases agreement terminates in 1991, but which ought to be planned in the present.

This last part of the study has been overtaken by the establishment of the Legislative-Executive Bases Council. The council is tasked with drawing up the conversion plan. The University of the Philippines hopes to further contribute to the work of the Council.

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EXECUTIVE SUMMARY

Part One of this report was originally written last year during the negotiations leading up to the Manglapus-Schultz agreement. Its focus then was the Integrated Base Conversion Plan prepared by Mr. Leonardo Mariano for the Department of Foreign Affairs. However, as the research team conducted its consultations with the base communities after finishing up the first part, it realized the need to consider other studies, including estimates of the economic impact of the US bases and base-related grants. Hence the revised version of Part one.

This part begins with a review of various estimates of the bases contribution to gross national product and base-related assistance. The team finds that current studies tend to overestimate the bases contribution because of the application of a multiplier to the entire compensation package (including military equipment) and the failure to distinguish between the value of tradeable and non-tradeable base expenditures. Similarly, estimates of base-related grants tend to be rather generous because they do not consider the "flowback" element in consultancy services and goods involved in foreign assistance packages. Furthermore, the provision in the Manglapus-Schultz agreement which allows a part of the Economic Support Fund to be used for debt reduction (some \$100 million) also needs to be clarified. Although it will allow the Philippines to retire some \$250-285 million, it will not suffice to ease the country's net resource outflow. Indeed, for a cash flow problem, it hardly makes sense to use an inflow of \$100 million to reduce outflows by \$23 million.

This report also includes an assessment of the development projects in the reverted base lands around Crow Valley, namely, the Sacobia area and the Pag-asa Settlement Program. One question Government must answer when considering the conversion of the Clark and Subic bases is how successfully it has been able to reuse the lands returned to it since 1979.

Unfortunately, the development of the agricultural communities in the reverted lands has been strapped by a shortage of funds, the lack of infrastructure facilities, and poor soil (the most fertile reverted areas are military reservations held by the Department of National Defense). There is, too, the very real problem of beneficiaries (legitimate and not), most of whom are poor and unskilled. The team suggests that more serious attention be given the tribal communities who rightly look upon the area as ancestral land. It would perhaps be better to treat the land as a resource to be owned and developed by the community as a whole than as a commodity to be parcelled out to individual families.

Finally, this study takes into account the new town approach proposed for Region III in the 1987-1992 Development Plan for Central Luzon. The plan calls for the division of the Clark- Subic area into three inter-related zones: the nucleus of the new town (industrial-commercial-urban-residential area) mainly in Clark; the food bowl zone in the agricultural base lands; and the "green" zone or forest lands bordering the Clark-Subic area.

The team finds the new town approach has a valid conceptual and practical

basis, but emphasizes the need to consider as well when the existing facilities in Manila need to be complemented or replaced by those in Clark and Subic. The problems of funding, jurisdiction and administration are also likely to arise with the subdivision of the Clark and Subic area into three zones, since they incorporate the present cities of Angeles and Olongapo as well as the surrounding municipalities. Nonetheless the proposals for the agricultural and forest zones are necessary for the region.

The second part of the work plan was originally intended to be preparatory to the design of an indicative plan for conversion. It culls the views of the affected sectors and looks at the socio-economic implications of a pull-out by the US facilities from the area.

In the course of the evaluation conducted then, the research team realized one missing vital factor: the views of the affected sectors.

It will be recalled that in the immediate post-independence period, prior to the signing of the Military Bases Agreement (1947), the Philippine government undertook (or so it claimed) a series of consultations with base communities (Speech of President Manuel Roxas before the Philippine Senate, 1947). Unfortunately, no record of the consultations exist, although they were cited by Government then to justify its decision to maintain American bases on Philippine soil.

The consultations with the base communities undertaken in the present study serve no political purpose. Rather, the intent is to elicit and document the views of the surrounding communities and describe the socio-economic features of the base-dependent communities as a whole and by sector. Both the views of the sectors and the profiles of their communities are essential inputs into whatever plans might be implemented by Government in the conversion of the bases.

An assessment of the possible dimensions of dislocation after a US withdrawal shows significant similarities and differences between the two communities. Let us begin with the similarities.

Both Olongapo and Angeles suffer from the loss of the ESF, though both have received increases in internal revenue allotments. Both also suffer from competition from the bases in terms of housing, services and, in the case of Olongapo where Philseco operates, ship repair. In fact, both experienced "withdrawal symptoms" as early as the mid-seventies, when the end of the Vietnam war caused a reduction in American personnel frequenting the bases in the Philippines.

Finally, within both communities, sectors are affected by the bases in contradictory ways. In the case of Subic, for example, the Bataan provincial government complained that despite the base's presence in the province, the latter has gained little from the base. They added that the growth of the towns in the western part of the peninsula has been stunted by the presence of Subic. In Angeles, the construction of houses inside the base has adversely affected off-base real estate owners but benefited local contractors hired to build the housing units in Clark.

There are, however, significant differences between Angeles and Olongapo. Of the two, Olongapo is decidedly more dependent on the base and will therefore require greater assistance in conversion. It is isolated by natural barriers whereas Angeles is contiguous to the rest of the region. The proximity of Angeles to Manila is, in fact,

often cited as the most obvious reason for the transfer of the international airport to Clark air base. Furthermore, Olongapo has an unbalanced economy, with virtually no manufacturing industry and an over-represented services sector. The base labor in Subic is also more difficult to absorb than that in Clark because, among others, of their sheer number. Angeles, in contrast, has a thriving manufacturing industry in handicrafts, furniture, and ceramics.

This also might explain why Angeles has a more dynamic business sector that today has already begun to diversify its interests away from Clark air base. In Olongapo, on the other hand, it is striking that business associations are themselves named after the streets lined by entertainment establishments (e.g., Gordon Avenue Businessmen's Association, Barretto Businessmen's Association), for whom the business cycle coincides with ship arrivals. Finally, the educational conditions in Olongapo are relatively poor, while in Angeles, modest attempts at skills training, though few, are currently being undertaken by one university in the city.

A differentiated approach to planning for Olongapo and Angeles is therefore recommended. Such an approach would have to take into account the degree and type of each community's dependence on the base, the present structure of the local economies, and the sectors that will require immediate and specific assistance.

The overwhelming sentiment of the base communities, when faced with the prospect of the bases withdrawal, can be described in either of two ways: one is the outright fear of uncertainty, which ranges anywhere from the basic need to survive (for workers and women entertainers), to the need to shift or redirect present sources of income (for the business sector). The other is a refusal to even consider the possibility that the bases might go. This was especially true of the women entertainers. For most, therefore, the primary concern is employment.

Furthermore, while the communities are gravely aware of the probable impact of the bases withdrawal, they have not as seriously thought out the possibilities of conversion. Hence their tendency to depend on Government, except perhaps for the more dynamic and better organized groups such as the Angeles City Chamber of Commerce. The opinion expressed by nearly all the sectors was for Government to take a direct hold of the situation and plan for the future.

It is also important to note that nearly all the sectors consulted expect Government to seek their views and participation in the planning and implementation of a conversion program. Many of those consulted, particularly those outside of the local government, commented that except for the UP team, none of the planners or officials looking into conversion possibilities have consulted them. In this connection, they, too, expressed apprehension that Government's conversion plans might just benefit those already well-placed instead of those in need.

A survey of the experiences of communities in the US that have undergone conversion of military bases (see Chapter I) shows that the anticipated effects of withdrawal in Olongapo and Angeles -- dislocation, decline in the city's population, loss of jobs -- are a part of the conversion process. Moreover, the case of Sangley Point naval station in Cavite suggests that while the surrounding community may suffer a period of dislocation, recovery can be possible even without systematic government

support. While it is true that a good number of those dependent on Sangley moved to Olongapo and Clark, the city's revenue actually increased after the US abandoned Sangley Point.

But perhaps the most important lesson to be gained from the US conversion experience -- and it is noteworthy that this, too, was articulated by the sectors in Olongapo and Angeles -- is that the key to successful conversion lies in planning and community initiative and participation. It is evident from consultations with the communities around Clark and Subic that both elements, especially the need for a cohesive and organized community able to assert itself in the face of other (adverse) interests, have to be further developed in the base communities.

Regardless of the final arrangements that will be politically arrived at by Government, the research team is convinced of the necessity of beginning the economic conversion process now. The team specifically recommends that:

(a) Government establish a base lands development authority to oversee the coordinated development of the dependent communities, the reverted base lands and eventually, the base facilities themselves.

(b) Such an authority, apart from taking over jurisdiction of the reverted lands, design as well a regional development plan that anticipates the eventual removal of the US-occupied facilities.

(c) Such an authority initially function as the mechanism for surveying the skills requirements of potential investors in the areas as a guide for retraining local labor that may be displaced in the event of withdrawal.

(d) Government invite non-governmental organizations (NGOs) to take part in a variety of preparatory programs, ranging from skills training, credit schemes, livelihood projects, adjustment assistance to organization of sectors and communities.

(e) Finally, Government be prepared to compensate for the costs of dislocation under the principle of Pareto optimality, namely, that in the economic conversion of the bases, the benefits, while widely derived, are not clearly perceived, but the costs are acutely felt by the immediately affected localities. Where everybody will ultimately gain, the short-term losers must be compensated.

PART I

**REVIEW OF EXISTING STUDIES
ON BASES ECONOMIC
IMPACT AND CONVERSION**

(REVISED)

CHAPTER 1

SORTING OUT THE MACRO-ECONOMIC EFFECTS OF A BASES WITHDRAWAL

There have been several attempts at estimating the macro-economic effects of the bases. Most recently, US Ambassador Nicholas Platt announced that the direct benefits derived from the bases amounted to about 7 percent of the country's gross national product ("counting their 'multiplier effect'" (sic). He added:

You can't just rip that out in a year without having a disastrous effect on the economy ... It doesn't make sense to think in terms of simply shutting down your eighth largest trading partner. (*Manila Chronicle*, 23 September 1989.)

Platt's message was clear: the Philippines will not be able to take the dire economic effects of a withdrawal of the US bases. And from the point of view of the present study, herein lies one difficulty in using estimates of the bases' effects on the economy: the sensitivity of their results to the assumptions they make.

More serious estimates, however, such as those made by Cuyegkeng (1988), Economic Development Foundation (1989), and Lindsey (1989), need to be analyzed in order to arrive at a more accurate (and less politically loaded) estimate of the economic dimension of the bases presence. Another difficulty, though, arises from a review of these estimates mainly because of some unfortunate flaws in their estimation procedures.

1. BASES CONTRIBUTION TO GROSS NATIONAL PRODUCT

The direct economic contribution of the bases to the domestic economy, from the demand side, consists of payments to workers and contractors hired in the US facilities; payments for utilities and housing for base personnel; and spending by permanent or transient US personnel on their own account. Table 1 (next page) gives the latest available disaggregation of these expenditures and their magnitudes.

The table shows that base-related spending amounted to some \$507.2 million in 1987. Analytically, these expenditures may be regarded on the same level as exports of goods and services. To this extent,

and subject to some adjustments, it may be justifiable to apply a multiplier to these expenditures, as most studies do, in order to arrive at an estimate of the total (or "direct and indirect") impact of such expenditures on the national income.

Based on these and earlier data, Lindsey (1989) estimates the direct and indirect effect of base-related expenditures at some 1.92 percent of 1985 GNP and some 2.29 percent of 1987 GNP. (The multiplier used was around 1.5, and a correction factor of 20 percent was applied in view of the import content of base-related spending.) One should note, however, that considering the depressed state of the economy for the period considered, these figures overstate the contribution of bases expenditure during more normal periods. Lindsey argues (as does Cuyegkeng, 1988) that with successful growth, this relative importance could decline even further.

Table 1. US Base-Related Expenditures, Fiscal Year 1987 (\$ millions)

	Subic	Clark	Total
Salaries to workers	65.9	30.5	96.4
Contracts with local construction companies	32.6	16.0	48.6
Local materials	115.8	18.0	133.8
Local service contracts	21.2	11.8	33.0
Utilities plus offbase rent/utilities	24.7	28.7	53.4
Civic action and community programmes	3.3	5.7	9.0
Spending by permanent personnel & dependents	25.1	28.4	43.5
Spending by personnel on liberty, leave or temporary duty	37.2	4.0	41.2
Allotment checks to dependents or retired personnel	33.9	4.4	38.3
Total	359.7	147.5	507.2

Source: Background on the Bases, Second Edition, 1988.

Cuyegkeng (1988:2) notes that the Manglapus-Schultz agreement of 1988

stipulates that the U.S. will buy more Philippine products not only for Clark and Subic, but also for the foreign areas of responsibility of the US Commander in Chief in the Pacific. Thus, Filipino businessmen can expect to unload about \$200 million more than the \$507 million they sold to the U.S. bases in 1987. (*underscoring supplied*)

Evidently, the reference above is to the \$507 million total in Table 1, but the impression conveyed is that the amount consists of trade in the form of actually exported or exportable products. In fact, however, much of that amount (\$374 million or 80 percent) is expenditure on nontradeables, such as services, construction materials, and utilities, and it is difficult to conceive how the "stipulation" that other US Pacific installations will "buy more Philippine products" can be applied to such items. (That is, unless one is willing to conjure up visions of Filipino construction crews, Philippine cement and lumber cargoes criss-crossing the Pacific basin.)

A generous estimate of expenditures on tradeables is the remaining figure of \$133 million. This is certainly an overestimate, since spending by US personnel and their families cannot all be on handicrafts and souvenirs; some are inevitably for nontradeables such as housing, food, and entertainment. To place in perspective the "about \$200 million more" in trade will require the US to accomplish more than double this expenditure. (Using various assumptions to infer missing data points, the EDF paper estimates the growth of base expenditures (excluding wages paid to workers) at 6.3 percent per annum for the period 1981-87 (EDF Appendix).

In any event, the point is that the figure of \$200 million in additional trade due particularly to the presence of the bases is difficult to substantiate. The figures suggest that for some unexplainable reason, expenditures rose steeply between 1985 and 1987. Much of this is undoubtedly construction expenditure,

and is unlikely to be persistent.

2. BASE-RELATED GRANTS

A second factor associated with the bases and which has an impact is the magnitude of US loans and grants arising from the bases. The study by Lindsey (1989) omits the matter of compensation entirely. On the other hand, the entire thesis in Cuyegkeng (1988) is that the importance of the bases to the economy has been raised owing precisely to the increase in the compensation package, a similar theme echoed by the EDF paper. In fact, the aspect of grants and loans is less easy to assess in a straightforward manner, mainly on two grounds: their political dimension and the technical matter of computing bilateral assistance flows.

2.1 Need for a Political Decision

First, a political assessment must be made: to what extent are these flows in fact related to the retention of the bases? On the one hand, the Philippine government maintains that these amounts, especially the Economic Support Fund, consist of "rentals" from the bases. On this reading, therefore, these payments would cease once the bases were terminated. On the other hand, some would argue that these flows might continue even without the bases. Ironically, this is not inconsistent with the official position of the US government, which maintains that the flows do not represent rentals but official development assistance.

Therefore, is a continuation of the bases crucial to a continuation of bilateral assistance flows? To what extent? How much of these flows would cease and how much would remain as a result of the termination of the bases? Answers to these questions are crucial in determining the economic effects of a base withdrawal.

Some observers (e.g., Cuyegkeng 1988 and EDF 1989) argue, for example, that owing to the recent large increase in the "rentals" on the bases as a result of the Manglapus-Schultz agreement, they have become more important. In doing so, however, there is an implicit assumption that a removal of the bases will amount to the disappearance by and large of these flows.

2.2. Technical Problem of Computation

The second difficulty in assessing the effect of the MBA-related payments is the more technical one of determining what the economic contribution of such foreign exchange receipts or credits are.

One thing is certain, however. It is misguided procedure on the part of some investigators (e.g., EDF 1989) to apply the same method followed above in the case of base-related purchases, wrongly assuming that the former have the same "multiplier effect" as the latter. There are several reasons why such a procedure is bound to encounter technical objections.

2.2.1 "Flowback" Element

To the extent much of the grants and credits involve a "flowback" to the donor country, their domestic impact is severely reduced. Pante and Reyes (1988), for example, estimate that

(f)or every dollar of assistance extended by the US, about \$0.33 represents the amount that flows back to the US. Of this component, 22.3 percent is devoted to consultancy services, and 77.7 percent to capital goods. Between grants and loans, the latter exhibit a lower amount of flowback to the US (\$0.27 per dollar of assistance).

2.2.2 Multiplier Effect of Military Equipment

The previous objection is strengthened in the case of the most recent "base compensation package," since much of the increases are in the form of military equipment.

Some 58 percent of the \$301 million increase in annual compensation is in the form of increased deliveries of military equipment. Now about the only "multiplier" effect of imported military equipment is that they might increase the body count several fold. On two counts, therefore -- namely, that they have a high import content and second, that they have minimal, if any, effect on current income and on future productivity -- the higher "base compensation" has no clear positive economic effects. (This is not to deny they may have political or military significance, but it is quite another thing to apply a multiplier to it.)

Table 2. Bases Compensation Package Prior to and After the Manglapus-Schultz Agreement (Annual Amounts in \$million)

	Prior to 1990	1990
Economic Support Fund	95	160
Foreign Military Sales Credits	60	-
Foreign Military Assistance Grants	25	200
Others	-	121
Total	180	481

Source: Manglapus-Schultz Agreement, 1988.

2.2.3 Application of Multiplier Effect to Entire Compensation Package

An important reason why some estimates of the macro-economic impact of the bases are overstated is that they apply the multiplier to the entire amount of the bases compensation package. For example, to estimate the economic importance of the bases for the year 1990, the EDF study takes the entire amount of the Manglapus-Schultz package, \$481 million, and adds to this an estimate of internal exports of about \$541.2 million, to arrive at a "direct contribution" of \$1,022.2. A multiplier of 1.8 (which is on the high side compared to Lindsey's) is then applied, and the figure of \$1,840 million ($= 1,022.2 \times 1.8$) is arrived at as the direct and indirect contribution of the bases to expenditures (what they call the "adjusted direct contribution"). Then, for an estimated GDP for 1990 of \$51,308 million, the conclusion is arrived at that the bases contribute some 3.6 percent of GDP (i.e., $1,840/51,308$).

Following the arguments made above, however, at best only the ESF component of the bases package should be included in multiplier exercises, and even this is subject to the "flowback" to the US which Pante and Reyes noted. If this is done, even taking the EDF data at face value, one arrives at a different conclusion. Then we would take ESF and "internal exports" together to arrive at \$741.2 million ($= 160 + 541.2$) as the direct contribution to expenditure, and \$1,262.2 million as the total contribution. This amounts to only 2.46 percent of (EDF's estimated) GDP for 1990. If we use Lindsey's multiplier of 1.5, this is reduced even further to 2.17 percent of GDP.

Finally, if we apply a factor of 0.67 to the ESF in recognition of the "flowback" to the US, the direct contribution becomes reduced to \$648.4 million, and the total contribution to \$972.6 million ($= 648.4 \times 1.5$), which is 1.9 percent of the GDP estimate being used.

Cuyegkeng (1988) expresses the concern that the new amounts achieved in the Manglapus-Schultz accord considerably raise the "benchmark" and therefore also the opportunity costs of removing the bases. The above illustration should serve to place this in perspective. Even with the new compensation package, the magnitude of the bases contribution is not very different from (it is even smaller than) Lindsey's estimate for 1987. And it is certainly much smaller than what US Ambassador Platt would have us believe.

2.2.4 ESF for Debt Reduction

The provision which allows a part of the ESF (some \$100 million) to be used for debt reduction also must be clarified. At the going discount of 60-65 percent on the secondary market, this will allow the country to retire some \$250-\$285 million. What is worthwhile to point out is that with this magnitude, the provision will not suffice to ease the country's net resource outflows. With a Libor of some 8 percent, some \$23 million per annum is saved. But for a cash flow problem, it is, in fact, not such a good idea to use an inflow of \$100 million to reduce outflows by \$23 million.

The question of course is what the alternative would have been. A different negotiating strategy on the debt would have rendered the bases money rather superfluous. Other observers delineate more remote and less easily quantifiable contributions, such as:

(a) Savings in defense expenditures. The argument is that the Philippines would have had to spend a correspondingly larger amount on defense if the US bases were not here. On the other hand, to the extent the bases are an important cause of the insurgency, their departure would doubtless contribute to a reduction of the "required" defense expenditures.

(b) Confidence to foreign investors. This is based on the notion that some investments would have been foregone if not for the US bases. This is debatable, however. In an earlier article, Cuyegkeng (1988b) finds in a survey of investors that of 11 economic factors, the bases ranked only 10th in importance, and of 10 political factors, only sixth.

CHAPTER II

INTEGRATED BASE CONVERSION PLAN

The Integrated Base Conversion Plan (IBCP), prepared by Mr. Leonardo Mariano in 1988 under the auspices of the Department of Foreign Affairs, offers a variety of alternative uses for the Clark and Subic bases. The study is not without merit. The transfer of some AFP camps from Metro Manila, as well as of the international airport, appears attractive and workable and has been proposed before. The transfer of some military camps, for example, is desirable even for purely economic reasons, considering some of these lands now command prime value. There are also significant gains to be had from relocating the airport farther away from the metropolitan area in terms of reduction of noise pollution, congestion, and danger to human life in heavily populated areas. However, the actual feasibility of these transfers has yet to be studied.

The purpose of this chapter is to evaluate the study in terms of the following aspects: economic, social development, and military and defense. In a sense, the fundamental weakness of the study was imposed by its implicit agenda, which was simply to conjure up projects with returns that match (and if possible exceed) the current rental for the base lands. As this chapter and this study as a whole tries to demonstrate, the question of conversion cannot be reduced simply to matching the anticipated benefits with the present compensation package. For one, some of the benefits, as are the costs arising from the presence of the bases, are not easily quantifiable (e.g., preserving the ecological balance in the Crow Valley area).

The IBCP study showcases individual projects ranging from integrated corporate farms to export processing zones and international retirement villages. The problem with showcasing individual projects, however, is that it is, in fact, always possible to develop *any* area in isolation if one is willing to throw in enough money. The question is, how does one rank the investable resources, which are by nature limited? 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 center 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 of conversion, 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, for often enough, some funds become available only because they have been priorly allocated. Moreover, some prior claims must be conceded to those immediately and acutely affected by the U.S. withdrawal, such as entertainers and others in services.

The points made above relate to interdependence among the financing decisions owing to funding constraints. Another kind of economic interdependence unforeseen in the IBCP paper is the effect of implementing the projects it proposes on the rates of return of investments already undertaken, especially if these 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. All this is, of course, tantamount to taking money from one pocket and putting it into another.

A typical example is the proposal to put up export processing zones (EPZs) in the base lands. 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 to move into some future Clark or Subic EPZs. But this will have merely taken away from the existing and potential clientele of the other EPZs. In fact, it is perfectly possible for some new operation to show an attractive income statement at year-end with Government -- which must sustain both losers and winners -- still losing money as a whole.

For a more in-depth treatment of the study, let us consider it in its various aspects.

1. ECONOMIC COMPONENT

The IBCP proposes that export processing zones, corporate farms, cattle/dairy projects, retirement zones, and commercial and recreation centers be established in the former base lands. 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 these is a need for a coordinated effort by Government to make sure that the 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, however. Can Government afford to add to an already long list of government-owned and controlled corporations? 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 Government busy.

In addition, 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-12)

But off hand reliance on loans especially by the government is a weakness, since it shows no private venture is willing to risk participating in the project.

1.1 Export Processing Zones

The feasibility of converting part of the bases into export processing zones is limited by the paper's own admission that

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 utilized. (D-1)

It is not quite clear from the paper what trend of investment and export flows it proceeds from. For instance, at what rate have the other EPZs been filling up, if at all? The paper mentions "serious inquiries

by 65 foreign investors" in Bataan. But how many of these have actually materialized, and why or why not?

The paper also assumes the relative attraction of the Clark and Subic locations for foreign investors and the general policy thrust being pursued by Government. It states: "the relative proximity of the Clark Air Base reservations to Manila will allow the use of the Manila South Harbor" (D-4). 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, Government's policy has been to narrow the range and lower the levels of tariff protection. To this extent, then, 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, location 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 thus likely differ.

1.2 Integrated Corporate Farms

A fundamental question that needs to be resolved with respect to the proposal for corporate farms (e.g., papaya and pineapple processing) is the determination of property relations. What, for example, should Government do upon obtaining these lands? Will it:

- (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 Government intends to actually engage in production, the details of what crop to plant, how far to process it, what it costs, etc. would be quite irrelevant. For unless Government decides to keep the land and work on 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, which would be beyond the pale of the IBCP study. Furthermore, upon settling the question of property rights, the returns from such private efforts should no longer form part of Government's cost-benefit accounting (except perhaps for taxes and rentals earned).

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

It is evident, moreover, that under the constraint of land redistribution, the net cash flows to Government's own account will be much less. Farmers-cultivators will hardly pay taxes, and amortization payments on land (assuming it is sold and not simply redistributed for free -- that is 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 Government), such a low-key alternative is ruled out. However, it is not self-evident that Government's main goal in the conversion should be to maximize its own net cash flows. Rather, one would think the goal is to maximize the people's well-being. Now who is to say this might not also be achieved simply by redistributing land?

The IBCP study is also equivocal on the role of farmers in the proposed corporate farms to be established in the converted base lands. It makes a gesture to CARP by making a distinction between land ownership and ownership and management of the processing and canning entity. But it is unclear on the exact relationship of the future farmer beneficiaries and the corporate farms. While the study raises the possibility of a cooperative type of plantation, it holds out for corporate farms, saying that farmers will be part owners of the farms and they will have higher income.

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 its description of the corporate farm projects the study shows a preference for contract growing arrangements with farmers.

Integrated into the plantation is a processing and canning 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, again 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)

In fact, the assumption made by the 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 the bias of the IBCP study is for the classic large-scale and privately-owned agricultural plantation. It even raises the possibility that the agricultural lands within Clark and Subic might be exempted from CARP (D-25). Barring this, the paper's 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 unfortunately not addressed at all. This is a policy question that any conversion plan must consider, if it is to make the benefits of conversion accrue to those who must need it.

1.3 International Retirement Zones

The proposal for international retirement zones is perhaps most attractive to the base-dependent services and industries that hope to extend their lives beyond that of the base. The proposal, however, makes certain assumptions -- regarding tourist or traveller behavior; about the size of the market; and about the relative attractiveness of the base lands -- which are difficult to sustain.

For example, the scheme is to be implemented by issuing permanent resident visas to "retirees" who deposit \$50,000 in a local bank. But the paper gives no reassuring data (e.g., not even recent tourists 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 emerge from the study, such as 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 the ultimate goal of the proposed retirement villages. Is it simply to populate Clark and Subic? Or is it to derive the full benefits to 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? And 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 "retirement villages" are a good idea, what peculiar attractions are there in Clark and Subic which recommend these sites? Especially after much of the "night life" will have left with the U.S. forces? It should be remembered that portions of these lands could by then be occupied by the AFP, which is presumably just as "legitimate" an NPA target as the U.S. forces ever were. This is hardly the neighborhood conducive to spending one's twilight years in peace.

2. SOCIAL DEVELOPMENT COMPONENT

As the IBCP study proposes a mixed-use development plan for the base lands, one angle it fails to consider is the need to respond to a variety of social concerns expected to emerge in the course of transition, particularly, the mechanisms and social structures that could mitigate the initial, intermediate and long term effects of the bases closure.

The study's treatment of "social services" (all of five pages), for instance, tends to overlook the social costs of keeping the bases. The focus on the financial aspect and neglect of the social and human dimensions can lead to two dangerous biases:

(a) An overstatement of the "loss" from the US withdrawal as well as the costs to the country of reversion; and

(b) The desire to simply hew as closely as possible to present uses, which could replicate rather than alter or improve 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 significantly influence the bias for financial repercussions. How, indeed, does one measure the reduction of social costs such as the minimum displacement of base workers, reduced problems related to drug traffic, prostitution and crime, ecological balance in forested areas, changes in values and behavior, demography, levels of aspirations, social relationships and other concomitant effects of a bases withdrawal? While the plan acknowledges the social problems and needs of the base communities, its approach to solving these views social services exclusively as support services to strengthen the viability of the economic alternatives, rather than as services to which the people are entitled regardless of any alternatives.

Because its concept of social development is no more than a necessary appendage to the economic conversion plan, the study minimizes the significance of the subjective human element and its ability to contribute to the conversion process. As Part Two of this study shows, both from the conversion experiences in the US and from the local base communities themselves, the social and human issues are paramount in deliberations of the conversion effort. The adjustment mechanisms to ensure success in the transition or interim period are necessary 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.

In this connection, the concerns of displaced cultural communities must likewise be met with assurance of recognition and respect for indigenous methods of development, while at the same time providing the communities access to Government services. 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.

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 as perceived by the base communities themselves, along with whatever ideas the latter might have regarding conversion possibilities. This, essentially, is what Part Two of this report aims to provide.

In sum, the IBCP study requires serious reconsideration because of its eclectic approach to planning. Any future conversion study should, however, 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.

3. MILITARY/DEFENSE COMPONENT

From the point of view of defense officials, one of the strongest objections to the removal of US military bases arises from the loss of compensation, a large part of which represents military assistance and hardware. Of the total package of US \$900 million agreed upon by Messrs. Marcos and Reagan in 1983, nearly 50 percent was designated for military assistance and foreign military sales credits. The 1988 pledge in the Manglapus- Schultz agreement gives military assistance even greater importance, for although it removes foreign military sales credits (with a promise to seek congressional "forgiveness" of repayment of \$29.4 million in unused sales credits), military assistance actually rose from \$125 million (in 1983) over a 5- year period, to \$400 million over 2 years. For the first time, then, direct military assistance (which now stands at four times the annual amount in 1983) exceeds the ESF (which, in contrast, fell from 1983 levels).

The prospect of losing financial flows and other logistical assistance must therefore be addressed by a conversion proposal. To answer this objection, the IBCP study estimates that from the expected revenues to be gained from the conversion of the bases, P2.4 billion 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, however (D-94). And even assuming the expected revenues are realistic, the amount of P2.4 billion for the AFP would only partially answer for direct military assistance.

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 P50 billion 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 international airport, for which an amount has been set aside for relocation purposes (F-2).

In fact, the study goes on to assume the AFP might eventually decide to retain some of its facilities, thereby reducing the expected proceeds from P50 to P35 billion or even to as low as P23 billion (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.

The research team believes that even as the potential loss of military assistance and hardware needs to be faced squarely in light of a bases withdrawal, the alternatives, however, need not necessarily come from the actual conversion process (e.g., giving the military a share of conversion proceeds) but could and perhaps ought to lie in the policy level as well, such as new foreign policy arrangements with other (friendlier) nations.

4. CONCLUSIONS AND RECOMMENDATIONS

There are a number of lessons to be gained from the study under review. One is that a conversion plan must take into serious account the dimensions of social dislocation. While the IBCP study provides an extensive accounting of the topological features of the base lands, for example, it does not give as much importance to the specifics of manpower and skills training that would be needed to see the proposed conversion program through. Measures to alleviate the initial impact of displacement and social policy and planning are also essential features of a conversion plan.

Another lesson is that a conversion plan would also have to provide for some mechanism to oversee the entire process and coordinate the various agencies tasked to implement the conversion. As the experiences of base conversion in the US show (Chapter I, Part Two of this study), an official planning network that is both effective and coordinated must exist to make conversion work.

Finally, and this is a lesson derived from a basic point made by the IBCP proposal, a conversion plan cannot afford to abstract the conditions and process of conversion from the larger economy. Though the actual conversion might itself be localized, its general direction and intended benefits have to be viewed in the light of larger economic (and even political) considerations.

Consider, for example, the tendency of the study to transform the base lands into an enclave economy. Would a converted economy insulated from the larger national economy and sustained largely by foreign capital inflows necessarily bring about the maximum utility of the area for the benefit of Filipinos? Proposals for economic conversion, to be realistic, therefore, have to consider the backward and forward linkages of the military facilities with the larger economy. The same lesson applies to the proposal for export processing zones in the base lands.

The proposal to reuse the base facilities as port and storage facilities ought to be seriously pursued for the following reasons. If one assumes the present rate of economic growth is carried into the early nineties, the Philippines could 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 instructive on this aspect.

After several years of remarkable growth, Thailand's economy is now strapped by the shortage of port and cargo handling facilities. Bangkok's docks and storage yards are overcrowded, proving to be a bottleneck for further economic expansion. The problem can be solved but over time and at great cost in terms of public investments in new infrastructure. Such costs, in turn, will draw capital resources away from industry and retard the timetable of economic expansion favorable to the country.

The Philippines, anticipating these infrastructure problems, can plan to convert Subic along these lines. The bay is deep and ideally suited for international shipping. There is no harbor close enough to complement the Manila harbor as the one in Subic. The conversion of the Subic naval facility could also solve one of the main problems plaguing the Mariveles industrial estate: its distance from the Manila international ports. The use of Subic could decongest existing container yards at the heart of Manila and decrease container van traffic moving overland through the city to outlying areas.

The conversion of the Subic naval facility to commercial use will therefore soon be an economic necessity for the Philippines. But it may have to 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 can provide for transshipment from ships to cargo aircraft to inland points. Note that Subic is also ideally located to allow a ferry system to take cargo up to the Northern Luzon cities.

It could be strongly argued, then, that putting the base lands and the developments made in them by the US into the mainstream of the national economy, rather than transforming them into economic enclaves, would be best for the Philippines. That, at least, would diminish the dependence brought about by the bases. 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 the extent it is possible to reduce dependence now, the conversion process must commence at the earliest possible time.

The conversion of the base lands into industrial and/ or 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 an agricultural plantation run like a cooperative, where farmers and workers are themselves owners of the plantation and the processing and canning firms.

This is not to say 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.*

CHAPTER III

USES OF THE REVERTED BASE LANDS

The reverted base lands refer to parcels of land that previously formed part of the US military reservation and were "returned" to the Philippines in 1979. A review of the development of these lands is necessary not only for the purpose of assessing Government's performance in converting them but of relating their development to the conversion of Clark air base as a whole. The desired policy objective is the formulation of an integrated rather than piece-meal conversion package.

The reverted base lands surround the Crow Valley (also referred to as Zone C) and occupy a total land area of about 35,936 hectares. They are located immediately north of the air base proper in Angeles city and in parts of the municipalities of Botolan, Capas and Bamban. The area has been divided into six parcels or zones which, in turn, have been administered as three distinct areas (see map), namely:

(a) *Pag-asa* Settlement Project, comprising zones E, F and G, with a total land area of 11,609 hectares (32% of the total reverted lands);

(b) Sacobia area under the Sacobia Development Authority, with an area of 5,612 hectares (16% of total area); and

(c) Philippine military reservations under the Department of National Defense, comprising zones B and D, with an area of 18,715 hectares (52% of the total).

1. PAG-ASA SETTLEMENT PROJECT

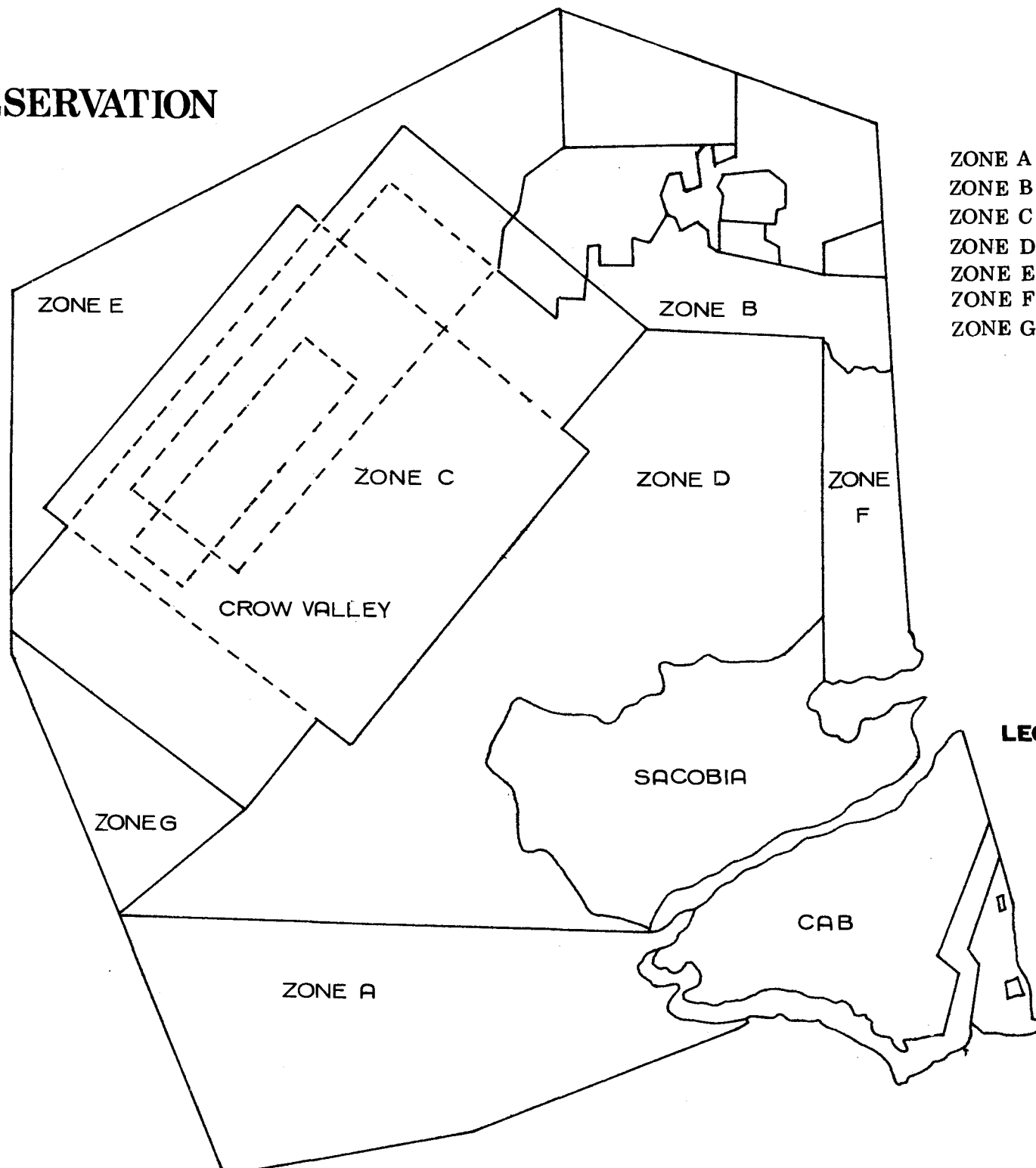
The *Pag-asa* Settlement Project (previously known as the *Bagong Lipunan* Settlement Project) was created under Proclamation 554 on May 5, 1969, and formally opened five years later. It was renamed the *Pag-asa* Settlement Project on December 20, 1988. The project covers an area of 11,609 hectares, composed of three zones and occupied by 1,576 approved settler families:

Zone E (7,007 hectares in Capas), with 818 settler families;

Zone F (1,694 hectares in Capas and Bamban), with 616 families; and

Zone G (1,908 hectares in Botolan and Baman), with 142 settler families.

CAB RESERVATION



ZONE A = 11,477.7 Ha.
ZONE B = 4,311.7 Ha.
ZONE C = 17,854 Ha.
ZONE D = 19,109.3 Ha.
ZONE E = 7,007 Ha.
ZONE F = 1,749 Ha.
ZONE G = 1,969 Ha.

LEGEND:

U.S. FAC BOUNDARY
PHIL BASE BOUNDARY
RRF BOUNDARY
CROW VALLEY RANGE

Only about one-third of the land is arable and disposable (see Table 3), while a much larger portion (63.1%) is classified public forest (timber land or forest reserve).

Table 3. Land Classification of Pag-asa Settlement Area

Classification	Area (ha.)	Percent of Total
Arable and disposable	3,315.0	30.0
Unclassified public forest	768.9	6.9
Classified public forest:		
Timber land	2,836.0	25.7
Forest reserve	4,128.0	37.4
Total	11,047.9	100.0

Source: Alejandro M. Fernandez, "Bagong Lipunan Settlement Project: an Executive Brief," 1987.

The resettlement project is an integral part of the agrarian reform program. The general objective is to "develop a self-sustaining and socio-economically viable community," while the specific objectives are:

(a) To allocate farm and homelots which will be developed by settlers who will eventually be issued titles of ownership;

(b) To provide infrastructure facilities for the settlers' socio-economic welfare; and

(c) To assist the settlers in their efforts to attain higher incomes through greater productivity, with government assistance in the form of technical services by Department of Agrarian Reform (DAR) officers and fund-sourcing activities for the settlers' livelihood projects.

The project's development activities include physical development, such as construction of roads and bridges, irrigation, housing, social and community facilities; land distribution, including land surveys, creation of home and farmlots, siting and setting up of community centers and facilities, allocation and distribution of lots and, in due time, preparation and issuance of land patents; agri-business and institutional development; and loan assistance to settlers (with a three to five-year grace period for interest-free loans).

A total of 11,037.9 hectares have been subdivided into 2,371 farmlots under the Farm Area Subdivision Plans approved in 1971 (see Table 4 next page). Barangay Site Subdivision Plans were also prepared, and as of 1984, a total of 160 hectares (or 1,363 homelots) were already approved.

The settlers are classified into the following groups:

(a) Pioneer, or original residents at the time the area was proclaimed a settlement, numbering 1,027 settlers or 65.2% of the total number of approved settlers;

(b) Self-propelled, or residents who came in at their own effort and expense after the settlement was proclaimed and approved for settlement (for whom there are no figures because these include squatters);

(c) Local, or actual residents in the settlement or in surrounding areas whose applications are approved by the DAR Secretary, numbering 391 settlers or 24.9% of the total;

(d) Moved-in settlers, or those recruited, processed, screened and approved by the Secretary and transported by the DAR from their places of origin to the settlement, numbering 156 settlers or 9.9% of the total; and

(e) Rebel returnees (*balik-kapatid*) or surrendered dissidents certified by military authorities.

The total amount of loan assistance given to settlers has so far amounted to P10.8 million. However, total collections are only P0.22 million (or 2 percent of total loans). In addition, improvements have been made in the settlement, which include 93.1 kilometers of constructed roads; 18.7 kilometers of repaired roads; 11 new bridges; 463 new units, including 442 settler houses and 2 school houses; 50 irrigation pumps;

and 258 units of waterworks, including 2,224 pitcher pumps and 32 deep wells.

Table 4. Subdivision of Pag-asa Settlement Area Since 1971

Farm Area Subdivision Plans			
	Date Approved	Area (ha.)	No. of Farmlots
Zone E	Nov. 4, 1971	7,434.8	1,470
Zone F	Jul. 26, 1971	1,695.1	540
Zone G	Nov. 18, 1971	1,908.0	361
Sub-Total		11,037.9	2,371
Barangay Site Subdivision Plans			
	Date Approved	Area (ha.)	No. of Homelots
Zone E	Nov. 4, 1971	50	463
Zone F	Jul. 17, 1976	60	500
Zone G	Feb. 17, 1984	50	400
Sub-Total		160	1,363
Total		11,197.92 ha.	

subdivided into farmlots and homelots as of November 1984.

Source: *Ibid.*

The settlement project, however, suffers from problems in implementation arising from the following:

- (a) Declaration of the entire area as alienable and disposable land;
- (b) Subdivision of the area regardless of slopes;
- (c) Growing number of absentee settlers;
- (d) Insufficient funds for effective development; and
- (e) Loss of the project's share of the Economic

Support Fund, which is now used to plug the national budgetary gap.

Among the recommendations made by the Project Director, Dr. Alejandro M. Fernandez, to improve the project are:

- (a) Implementation of the area development plan of the settlement with full logistic support;
- (b) Use of ESF funds for improvement of the socio-economic condition of the communities around the bases, including the settlement;
- (c) Implementation of the memorandum of agreement with the Bureau of Forestry Development (BFD) for the reforestation of denuded or logged-over areas at the BFD's own expense (as previously agreed);
- (d) Provision of basic necessities to project staff, such as staff housing, car pool, motorbikes, etc.; and
- (e) Fielding anew of the Legal Task Force to complete its work on abandonment proceedings.

A number of feasibility studies and development plans, some as recently as 1988, have been prepared for the Pag-asa Settlement Project. They are summarized in the appendix.

2. SACOBIA DEVELOPMENT AREA

The Sacobia Project, encompassing an area of about 5,612 hectares, falls under the Sacobia Development Authority, a government agency directly under the Office of the President. The Authority was created by the Marcos government after the lands were reverted back to the Philippines and administered by the Ministry of Human Settlements.

Although there are development plans prepared for the area, these are not readily available. The research team therefore had to rely on the Executive Director, Mr. Arsenio Malvar, as the principal source of information. He was interviewed on January 19, 1989, at his office in Don~a Syjuco Building.

According to Mr. Malvar, the development policies for Sacobia have shifted since 1986. During the Marcos years, project funding was directed towards the construction of large infrastructures. The current policy, however, is concentrated on smaller projects with long-term vision, i.e., agro-forest programs, which account for 70% of the projects, with the remaining 30% for infrastructure. This is almost the reverse of the proportion during the Marcos regime.

Mr. Malvar commented that it would cost a tremendous amount of money to turn Sacobia into a viable area, although he did not specify the amount needed to do that. He added that one peso of investment in Negros would be more productive, with a better return on investments, than one peso invested in Sacobia. This is mainly due to the low fertility of the soil in the area and the lack of infrastructure facilities.

Note that the current budget for the area is only P5 million, a tiny fraction of what is required to develop Sacobia. In a sense, this amount reflects the kind of priority that Government gives the project. According to Mr. Malvar, if the plan fails, at the very least there will have been some effort at ecological conservation and safety with the agro-forest project.

At present, there are about 1,200 persons in the Sacobia Resettlement Program. Ownership of land is generally granted by leasing out two hectares of land with free inputs for agro-forest development. The produce is expected to be exported (not yet started) and the tenants are guaranteed certain profits. The problem with this strategy, however, is that the beneficiaries, who are generally poor, are not interested in the profits that they will derive five years hence, but in immediate revenues for daily sustenance. It is not surprising, therefore, that only 5 out of 100 families under the agro-forestry program are actually "developing" the land. Most of them have had to find employment outside in order to supplement their incomes at Sacobia.

Apart from the agro-forest program, another major program is directed towards such activities as poultry, piggery, and other small-scale, backyard operations. There are some discussions on the possibilities of privatizing these operations, but the economies of scale and infrastructure problems do not make them attractive to investors.

3. MILITARY RESERVATIONS

Two zones (B and D) make up the area reserved for the military, under the Department of National Defense, with a land area of 18,715 hectares or 52% of the total reverted lands. These areas are the most fertile of the reverted lands and should perhaps immediately be considered for redistribution under Government's land reform program. There are no studies of these areas, however.

4. ANALYSIS OF OVER-ALL DEVELOPMENT EFFORTS

The reverted lands have been the subject of separate and continuing development planning efforts (except for the military zones) by both the *Bagong Lipunan* or now the *Pag-asa* Settlement Project and the Sacobia Development Authority for some time now. The entire area has practically been subdivided into farm and homelots and presumably, awarded to beneficiaries or settlers.

In meetings with Dr. Alejandro Fernandez of *Pag-asa* and Mr. Malvar of Sacobia, there seem to be common problems in the implementation of both development projects. These include the lack of funds, insufficient physical and social infrastructure support, low agricultural potential, and problems with beneficiaries.

According to Dr. Fernandez, for example, there are not enough funds to support even the project team, much less, the development programs and projects. For Sacobia, the lack of infrastructure (also true in the *Pag-asa* area) greatly limits development efforts. The lack of funding speaks clearly of Government's (lack of) support for these projects.

The inadequacy of funds leads to poor social and physical infrastructure which are essential in any development effort. The difficulty in providing infrastructure may be aggravated by the area's generally rough terrain and the presence of the New People's Army in the area, among others. Such infrastructure is necessary given the few productive zones in the reverted lands. Most of the area has been logged over and is now barren and denuded. There are steep slopes, and the top soil has been washed off. On the whole, the soil is generally not fertile. Presumably, these constraints could be overcome by better agricultural management, but this will require greater personnel and funding, both of which are not possible or realizable at present.

Finally, the reverted lands have two sets of beneficiaries: legitimate beneficiaries, who include cultural communities who claim the area as their ancestral lands and settlers who have lived in the area for some time or were "resettled" in it; and other "beneficiaries," mainly squatters who appear to have flooded the area (although there is no data as to their actual numbers), and NPAs who are hidden in the area. There are too many absentee beneficiaries in both *Pag-asa* and Sacobia, which may be due to the problems stated above. Luring them back to the settlements will require more effort on the part of development planners and, of course, more funds.

5. PRELIMINARY CONCLUSIONS AND RECOMMENDATIONS

The development of a new agricultural community requires massive infrastructure support, substantial agricultural, managerial and other expertise, and tremendous funding. Moreover, because the beneficiaries are generally expected to be poor and diverse in culture and attitudes, they will likely require training not only in productive skills but also in basic community relations. All these conditions apply to the development of agricultural settlements in the reverted base lands. But in addition, there is a need to take a hard look at the development potentials of the areas themselves, in relation to the entire development efforts of the region and of the nation as a whole. Mr. Malvar may well be right in saying that development efforts and funds would be better spent in other areas of the country rather than in the reverted lands.

Since the project exists, however, development efforts in the reverted lands might best be directed primarily at the development of the tribal communities and the restoration of the ecology of the area. Present plans to develop the reverted lands into a "resettlement area" partly for "urban settlers" may not in the end be appropriate. In the first place, typical development policies on remaining vacant lands (e.g., subdivision of lands into farmlots and homelots, occupation and development by individual families, redistribution of lands to beneficiaries) should be reviewed. A more integrated development effort designed at treating the reverted lands as an integrated whole rather than as small parcels might perhaps be more appropriate.

The formulation of an integrated approach would further require a thorough site analysis for the entire reverted base lands, which will look into the inherent limitations and potentials of the area and identify zone areas for the following purposes: conservation and preservation, including ancestral lands of tribal communities; areas suitable for immediate and long-term development (expansion areas) into rural and even limited semi-urban settlements; areas highly suitable for agricultural development, where corporate farming may be introduced; and other development areas or zones (such as an agro-industrial zone, if this is feasible and a suitable area can be found or located).

This integrated approach will generally treat land as a resource to be owned and developed by the community as a whole, and not as a commodity to be parcelled out to individual families.

CHAPTER IV

THE NEW TOWN OPTION FOR THE BASE LANDS

The concept of a new town area development was formulated "initially in the context of the development vision for Region III as intimated by the 1987-1992 Development Plan for Central Luzon." Its rationale derives from the costly nature of the current linear development along the highways and major thoroughfares because "agricultural prime lands are converted into other uses which may imply large economic and social costs." Thus in the view of the new town proponents, the Clark-Angeles-Mabalacat area is

ideally located because of its optimal distance to Metro Manila and the Subic Port to become the alternative metropolis for decongesting Metro Manila and servicing Northern Luzon.

1. DEVELOPMENT STRATEGY

The plan's development strategy is to divide the Clark-Subic area into three inter-related zones or functional areas, namely: the industrial-commercial-urban-residential zone, the food bowl zone, and the "green" zone.

The built-up area in Clark will be the nucleus of the new town, which will offer urban services, light industries and commercial activities. In the Clark area, the focus of development will be the proposed conversion of the existing Clark runways into an international and domestic airport, while in the Subic Bay area, it will be the construction of an international domestic shipping port and the continuance of the ship repair facilities, which reputedly can service twelve ships at a time and generate ancillary industries.

The second zone -- the food bowl zone -- will be devoted to agricultural production. As such, it will consist of:

- (a) 22,904 hectares of land in Clark air base;
 - (b) 17,814 hectares in the Crow Valley Weapons Range; and
-

(c) 2,523 hectares of agricultural land in Subic.

The last zone, the so-called green zone, will consist of all forest lands immediately bordering the Clark-Subic area and its neighboring towns and cities. The entire area is intended to be

reforested, conserved and protected so that potable and irrigation water is assured, agricultural production is not damaged or lost, and environmental amenities are enjoyed by the residents of the New Town.

As a start, the New Town proposal recommends the identification of "core economic activity alternatives" or a set of various industries which together would

immediately put to use the base lands and facilities and ... initiate the long-term development and growth of economic activities in the affected areas ...

The proposal also seeks to study the conversion needs in both the long and short-term, physical infrastructure for the alternative metropolis, the manner of disposition of land, various implementation, management and jurisdictional schemes, and the policy requirements which "will guide and spur urban development processes of the planned city."

2. COMMENTS

2.1 Conceptual Basis

The idea of new towns started in Great Britain around 1902, with the publication of a book entitled *Garden Cities of Tomorrow* by Ebenezer Howard, the father of the New Towns Movement. In essence, the idea is to create a brand new city outside of existing congested urban centers as alternative places to live in and work. The new town or garden city was to be a "marriage of all the advantages of the city and the countryside" with none of their disadvantages.

Thus the new town would have all the amenities offered in urban centers such as employment, high wages, social opportunity, good drainage, and plenty of water and power supply. At the same time, it would enjoy the ambience of the countryside -- fresh air, pure water, open space and gardens -- in short, the beauty of nature. As such, the New Town was envisioned to be "self-contained," with people living and working in the same community, reducing the great distances for travel, and eliminating congestion and traffic problems that often plague urban centers.

Since the publication of the book, a number of new towns were created in Great Britain and in the United States. Some of them have been quite successful. But current planning of new towns, especially in Great Britain, reveals that some of the original concepts have had to be revised or upgraded to suit current development conditions. For example, the planned population of 32,000 residents for new towns in the early 1900's is already too small to provide "all the amenities of urban living." It is believed that new towns today should have a population of at least one million people to provide proper and adequate levels of amenities. Because of this great number, the idea of creating an entirely new city has also been revised. Thus old and existing towns have been incorporated into the new town plans. The idea of self-containment has also largely been abandoned mainly because it has not properly worked out. It was found out, for example, that there is considerable commuting of residents in and out of the new towns. This is because low-income workers could not afford the usually higher cost of living in the new towns, while some belonging to the higher income groups preferred to live elsewhere.

The concept of a new town for the base lands and its surrounding urban centers, therefore, has a sound conceptual as well as practical basis. But there a number of points that need to be considered.

First, the large spatial or aerial coverage of the new town requires a massive infusion of capital. The cost estimate of the operational plan for the construction of the proposed roads and railway infrastructure in the Clark-Angeles-Mabalacat area alone is about two billion pesos.

Second, the planning and implementation of large projects will not only take longer periods of time, but will be continuing in nature. At present, such planning, which is actually the responsibility of local governments in the area, is already being undertaken. One begins to wonder, therefore, whether all that is needed is more effective, coordinated and integrated development planning between and among the various local, provincial and regional governments, very much like the IAD or Integrated Area Develop-

ment approach of NACIAD.

Third, corollary to number two above, the original new towns, which were relatively small in size and population and which were developed in new areas, were easier to manage through the creation of a new administrative body. However, the inclusion of existing cities and municipalities, such as in the proposed new town for the Clark-Subic area, creates problems of territorial definition, administration and jurisdiction. Again, the integrated area development concept of NACIAD might be appropriate.

2.2 Development Strategy

The division of the area into three functional areas (i.e., industrial-commercial-urban residential zone, food bowl and green zone), though logical, again requires certain considerations.

First, the industrial-commercial-urban residential zone will consist of existing urban centers, such as Angeles city and Olongapo, together with the proposed international-domestic airport at Clark and the international-domestic seaport and ship repair facilities at Subic. These conversion proposals seem to be the most feasible alternatives, given Clark's 3.8-kilometer runway and Subic's 12-ship repair capacity.

However, the question of converting these facilities might lie not so much in whether these are the feasible alternatives, but in **when** these alternatives would become feasible. In other words, the timing of the development would seem to be the most crucial component of feasibility, considering that there are existing airport and seaport facilities in Metro Manila. There is no doubt these present facilities will have to be complemented or transferred in the future. As to when the transfers will have to be made will depend on a lot of factors, one of which is when the capacities of the present facilities will have been reached.

The same is true for the seaport facilities. Their present capacity can be still be expanded and improved. At the same time, there is the proposal to transfer or complement the North and South Harbors with seaport facilities at Batangas, which will have to be considered since this will directly compete with the proposed facilities at Subic. The Clark airport and Subic seaport could nevertheless be developed as secondary or alternate facilities. But again the feasibility of developing and maintaining these alternate facilities would have to be studied.

Second, it must be noted that the proposed food bowl, though impressive, includes part of the reverted base lands, which have been the subject of development planning and implementation for several years now (see Chapter II). The experience of development projects in the reverted lands has not been very encouraging principally because of the lack of funds and other logistical support from Government.

On the other hand, the Crow Valley and surrounding areas comprising the proposed food bowl, although relatively free and undeveloped, may be claimed by the Aetas as their ancestral land. In terms of potential agricultural use, of the total of 17,814 hectares, only 2,672 hectares (15%) have slopes less than 18% and may be used for agriculture. The rest (85%) may be classified as forest lands. The proposal to reserve all other lands in the reverted areas and well as in the surrounding municipalities and cities as forest areas is perhaps the most sound and appropriate, given the current problem of denudation.

3. SUMMARY

In conclusion, the new town approach to the Clark-Subic area has a sound conceptual and practical basis, as does the proposed conversion of Clark and Subic into an airport and seaport, respectively. However, given existing facilities in Metro Manila, the feasibility of developing these alternatives would partly depend on when the facilities in Metro Manila would need to be complemented or transferred to other sites.

Furthermore, because the proposed new town will include existing cities and municipalities, the problems of funding, jurisdiction and administration will have to be met and resolved. At the same time, current development planning efforts would have to be efficiently integrated at all levels in the base areas, and between them and government entities concerned with the development of the base lands and facilities not presently under the jurisdiction of local governments and regional planning offices. In this regard, the integrated area development approach implemented by the NACIAD may be useful.

A closer look at the lands comprising the proposed food bowl reveals that much of it which has already been the subject of development planning and implementation. Thus far, their development experience

has been rather discouraging. An important element of the proposal involves land which would rightly be claimed by cultural minorities in the area, a welcome proposal but one that would, of course, substantially reduce the area for agriculture.

On the other hand, the green zone proposal, which seeks to conserve and reserve as forest lands, not only those located inside the reverted area, but also those "immediately bordering the Clark-Subic area and its neighboring towns and cities," is most acceptable to the research team.

PART II

**VIEWS OF
ANGELES AND OLONGAPO
COMMUNITIES ON
BASES IMPACT AND CONVERSION**

INTRODUCTION

1. OBJECTIVES:

Basically the study seeks to answer the following questions:

- (a) What is the possible impact of a closure of the base on the socio-economic life of the people living around the base areas?
- (b) Do the affected sectors have ideas on how the bases could be productively used?
- (c) What roles do the base communities and various sectors expect to play during the transition period from the time of the bases closure to their actual conversion?
- (d) What policy adjustments can be recommended in anticipation of possible changes during the transition period and the eventual reversion to the Philippines of the base lands and military facilities?

One very clear outcome of the team's effort in answering these objectives is its realization that an essential part of the conversion plan has to include immediate steps to reduce the dependence of the communities on the bases. Such steps could entail livelihood and skills training programs particularly for the unskilled workers in the base areas, even as the bases operate.

2. PLANNING OPTIONS

A number of questions emerged in the course of this study, principally with respect to the perspective from which the conversion program is to take place. In considering the relative impact of the bases withdrawal on the national and local economies, for example, one immediately sees the distinction between local and national interest. A base contribution of, say 1-2% of GNP, would probably be equivalent to more than 80% of the economy of the base communities.

While this in no way suggests that national interest ought to be sacrificed in favor of a limited number of communities, neither does it imply that national interest should ignore local needs. The lack of synchronization between local and national interest simply means that conversion planners should provide

adjustment assistance to those most likely to be adversely affected by the withdrawal of the bases, such as base workers, women entertainers and others.

Furthermore, certain steps, while beneficial in the short run, are actually disadvantageous in the long run, and vice-versa. For example, most local government officials, especially in Olongapo, decry the loss of the use of the Economic Support Fund (ESF) for local infrastructure projects. However, the fact that the ESF has been applied to support the budget rather than local projects is probably better when viewed from a long-term perspective. For one, it weans the local community away from the base and possibly eases the process of transition and eventual conversion.

Finally, this study works on the premise that the base facilities are potentially more beneficial to the nation when adequately converted to civilian economic rather than military use. The team was briefed by the Clark Air Base Command but generally on the nature of their work and not on possible conversion ideas. Other than that, no consultations were held with defense or military officials. Interestingly, no military uses of the bases were seriously offered by the base communities themselves.

3. CONSULTATIONS WITH BASE COMMUNITIES

The research team tried to obtain as broad a representation as possible of the various sectors in both Olongapo and Angeles. Consultations were held in both research sites from October 16, 1988 to June 7, 1989, with those consulted classified into sectors. (See Table 1, next page, and Appendix A for a detailed listing). While some sectors were directly approached by the research team, others were contacted through the auspices of the local government. This was especially true in Olongapo, where city officials themselves sponsored the consultation and invited the participants, most of whom are closely identified with the city government.

The team encountered three major problems in the consultation and documentation process: first, the question of sector representation; second, the inadequacy of quantitative data; and third, the difficulty of establishing a (fairly) complete picture of the communities. To a considerable extent, these problems arose from the nature of the base communities themselves.

Take, for example, the matter of representation. In general, the business and local government sectors tended to be over-represented, not because of the team's bias in favor of these groups, but because they seemed to be the most organized and well-endowed sectors in the community. No research group can enter either of the base communities without paying their respects, so to speak, to local government officials who guard their turfs rather zealously. Another significant factor is the connection between government and business. In Angeles, for example, the younger brother of Congressman Carmelo Lazatin (first district, Pampanga) is a leading member of the city's chamber of commerce.

The base union proved to be well-organized. Compared to the other base-dependent sectors in the community, the civilian employees at both Clark and Subic exhibited confidence in the event of a bases withdrawal. Despite their preference for the retention of the bases, they are aware their skills make them highly marketable. In contrast, the least organized are the women entertainers who are heavily dependent on the bases and extremely resistant to the idea of US withdrawal, perhaps because they possess the fewest resources and skills. This sector and other unskilled workers would certainly demand the most Government attention in the conversion process.

4. VALIDATION OF COMMUNITY RESPONSES

The biggest setback in the research, however, was the lack of quantitative data. Most assertions made by the groups were unsupported by definite studies or figures, and only a few (such as Mr. Conrad Tiu of Olongapo) came prepared with written papers. On the whole the most unprepared of all the sectors were, sadly, the local governments. To augment the information offered by the sectors consulted, the team relied on municipal and other records against which sector views could be weighed. However, the figures did not always agree with each other. The lack of data thus made it difficult for the research team to validate the assertions made by the sectors. An inevitable effect of this problem is the use of anecdotal and secondary evidence where statistical and other data were unavailable.

Moreover, most of the ideas presented to the team were loose concepts about conversion. No real plans were presented apart from rather general thoughts on the process, as in the case of Kasarinlan, a

Table 1. Persons and Organizations Consulted in the Base Communities, October 1988 - June 1989

SECTOR	PERSON/ORGANIZATION	
	CLARK OFF-BASE COMMUNITY	SUBIC OFF-BASE COMMUNITY
Government	Pampanga Governor Bren Guiao Angeles Mayor Antonio Abad Santos Angeles City Council Congressman Carmelo Lazatin, First District Congressman Emigdio Lingad, Second District	Olongapo Mayor Richard Gordon Olongapo Vice-Mayor Crispin D. Elizaga Olongapo City Council City Treasurer and Planning Officer City Health and Education Officials Bataan Governor Leonardo Roman
Business	Angeles City Chamber of Commerce & Industries Angeles City Off-Base Housing Association AngelesCity-MabalacatHotel Association Angeles City Chapter, Chamber of Furniture Industries of the Philippines San Nicholas Market Vendors Association Services	Olongapo Business Association Barretto Businessmen's Association Gordon Avenue Businessmen's Association Olongapo Free Port Movement Federation of Public Utility Transport Services Philippine Shipyard & Engineering Corporation
Labor	Federation of Filipino Civilian Employees	Federation of Filipino Civilian Employees Subic Bay Cooperative Credit Union
Women	Kapitbahay Women's Center Social Hygiene Clinic	Buklod Women's Center
Urban Poor	Purok 16 Residents of Bagong Silang, Balibago, Angeles City	
Tribal Filipinos	Tribal Filipino Apostolate	

people's organization in Olongapo-Zambales dedicated to seeking alternative uses for the bases. In general those who apparently have given conversion serious thought are the Angeles City Chamber of Commerce and Industries and Pampanga Governor Bren Guiao for the Clark area, and the Olongapo Free Port Movement and Kasarinlan for the Subic area.

Finally, it is difficult to establish a complete socio-economic profile of the base communities because a good number of their industries and employees are not registered with the city government. Official figures on the entertainment industry, for instance, cover only registered businesses and estimates offered by other sectors are difficult to ascertain. Even when there are figures, it is difficult to determine which are actually base-related since, as in the case of waitresses and sales girls, some double as entertainers for US personnel. Nonetheless, the views expressed during the consultations are in themselves valuable and need to be seriously documented, if only because the conversion question directly confronts the base communities.

CHAPTER I

CONVERSION EXPERIENCES OF BASE COMMUNITIES IN THE UNITED STATES

Among the countries that have converted military bases into civilian use, the United States probably stands out as the most experienced. From 1961-1981 ninety-four communities in different parts of the continent were converted or "reused," as US officials prefer to call the process. The implementation of all conversion programs was handled by the President's Economic Adjustment Committee (EAC), a multi-departmental agency created in 1970, although the programs began as early as 1961.

For the purpose of the present study, therefore, it would be useful to study the effects of the base closures on the affected communities and the manner in which these communities coped with the situation.

1. SHARED COMMUNITY EXPERIENCES

The communities surrounding the Clark and Subic facilities, as this study shows, generally oppose the closure of the bases. This, too, was true of base communities in the United States. Community resistance there was grounded on fears of economic dislocation that would result from base closures. Indeed, the most immediate impact in the US was the loss of jobs and a fall in the population, often accompanied by bitter debates on the issue and recriminations within the base communities. Of all these effects -- job displacement, relocation, retraining, psychological upheaval -- the latter perhaps was the most painful. As described in an article on base conversion:

the usual reaction of a community ... is outrage, followed by the furious efforts of politicians and citizens to save the bases. ("Communities on the Pentagon's Hit List," *Nation's Business*, September 1979, cited in EAC Summary of Completed Projects, 1981.)

The number of jobs lost in a single base community in the US ranged anywhere from 13,600 (in Mobile, Alabama, where the Brookley Air Force Base was closed) to 15 to 25 jobs in small communities affected by the closure of nearby aircraft control and radar stations. The loss of population also varied from place to place. In Salina, Kansas, for example, the population declined by about one-third immediately after the Schilling Air Force base was closed in 1965.

The transition period from base closure to job recovery generally took two to three years, during which time the principal consideration was securing civilian jobs and new uses for the base. However, as pointed out by Mr. William J. Sheehan, Director of the US Defense Department's Office of Economic Adjustment, recriminations over the closure of the bases tended to continue

because most communities undergo a period of depression and readjustment before new uses are found for the closed bases. ("Cities Find Conversion of Old Military Bases a Boon to Economies," *New York Times*, 26 April 1979, in EAC Summary.)

In fact, however, the record of conversion among former base and base-dependent communities in the US has been extremely encouraging. In a Pentagon study of 77 base closures from 1961-77, for instance, 72 bases were put to civilian use (industry, education, commerce), with the bases serving as new sites of 47 industrial parks, 7 four-year colleges, and 26 post-secondary vocational schools (Ibid.). In only a few cases, recovery was not sustained mainly because of cutbacks in federal programs.

A more recent survey (1981) of 94 community projects on base conversion by the US President's Economic Adjustment Committee found the following (see Appendix B for full listing):

First, a total of 123,777 civilian jobs replaced the loss of 87,703 defense or contractor jobs in former base facilities. Of this total, 109,262 were new jobs. In addition, 9,362 new civilian jobs off-base were generated because of economic adjustment efforts either through the conversion (reuse) of the base or through federal grants or loan assistance at the time of closure.

Second, new educational opportunities were created, with the establishment on former bases of 8 new four-year colleges, 28 post-secondary technical or community colleges, and 11 high school vocational-technical programs. These programs are expected to supply the employment requirements of future community development programs.

Third, student enrollment increased. At the college and post-secondary level, there were 46,808 new students, and in secondary vocational-technical institutes, 29,853. In addition, 8,279 trainees received education and training at 50 former bases.

Finally, the bases were successfully reused for industrial and aviation purposes. Industrial parks or plants were established on 68 former bases and 40 of the base sites were reused as municipal or general aviation airports.

This survey is not complete because it excludes secondary and off-base jobs (except where there is a direct spin-off from the reuse of base facilities). If these jobs were considered, the numbers would be much larger.

2. APPLICATION TO THE PHILIPPINES

The experiences of former base and base-dependent communities in the US can be applied to the Philippine situation in varying degrees. At least four aspects of the conversion experience in the US would be relevant to the base communities here, namely, the inherent advantages of base infrastructures, the relationship between the base and business prospects, the organization of base communities, and the role of Government.

One of the assets most often overlooked when faced with the prospect of a base closure or withdrawal is the inherent advantage of the base facility itself. In the US base communities learned to view the facilities as ready made structures with a minimum of "front-end costs," such as water, electricity, sewers and roads.

Many old bases are self-contained cities, with streets, houses, and commercial buildings that are easily converted to civilian uses. They are often well-suited to the needs of industry, with transportation links and utilities already in place.

Some bases leave behind miles of runway that can be done over into municipal airports. This is what happened in Laredo, Texas, and Middletown, Pa., where local officials latched onto Air Force bases when they closed and created new international airports from them. ("Finding New Uses for Bases that the Military Closes," *Christian Science Monitor*, 6 May 1981," in EAC Summary.)

In the Philippines, as this study will show, the most frequently cited alternative uses of Clark and

Subic are an international air and seaport (and ship repair facility), respectively. However, the built-in advantages of bases in the US, which have successfully been reused by the affected communities, will not necessarily be similarly enjoyed by base communities in the Philippines. The big problem here with the use of base facilities stems from the definition and classification of removable and non-removable facilities, as described in the Manglapus-Schultz amendments (1988) to the bases agreement.

According to the amendments, the Philippines owns the

non-removable buildings and structures within the bases, including essential utility systems such as energy and water production and distribution systems and heating and air conditioning systems that are an integral part of such -buildings and structures ... (Manglapus-Schultz Agreement, VII (2), 1988.)

The US, on the other hand, has the right to remove or dispose of the "removable improvements, equipment or facilities."

Since the amendments refer to some buildings and structures as "non-removable," they imply that not all buildings are non-removable, and the Philippines has property rights only over the latter. However, neither Philippine nor US law distinguishes between removable or non-removable property but rather between movable or immovable property and between real or personal property. Movable things can be carried by the owner while real properties refer to fixed items such as lands and tenements. This in the case of the US bases, on-base housing units, for instance, may be immovable (because they are built on land) but movable (because they are pre-fabricated and can easily be disassembled).

Furthermore, by virtue of the 1988 amendments, the US can undermine the rights of the Philippines over non-removable structures because of the following reasons:

First, the US has the right of

full use ... of such non-removable buildings and structures within the United States Facilities at the bases, including the right to repair, alter or, when necessary for reasons of safety or new construction, to demolish them. (Ibid.)

In addition, the US is not obliged to

rebuild or repair any destruction or damage inflicted from any cause whatsoever on any of the non-removable buildings or structures used by the United States in the bases. (underscoring supplied)

Thus the conversion plan for the bases here cannot assume that the existing facilities will be available for use by the Philippines even after the departure of the US.

An interesting aspect of base conversion in the US which can also be found in Angeles and Olongapo is the competition arising from the presence of the base. A staff member of the city chamber of commerce in Mobile, Alabama, was said to have remarked that when the Brookley air base was closed,

private industry did not want to settle in Mobile so long as the base was open because of competition with the salaries and other benefits provided to Government workers. (*New York Times*, in EAC Summary.)

As the chapters on Angeles and Olongapo will demonstrate (chapters III and IV), the fact that the Clark and Subic bases are becoming self-contained has produced adverse effects on the local housing and hotel and restaurant industries. In the particular case of Olongapo, one of the reasons cited for the poor performance of the Philippine Shipyard and Engineering Corporation (Philseco) is that Subic base pays higher wages and therefore attracts the best workers.

3. CASE STUDY: CHIPPEWA COUNTY

Another useful lesson that could be gained from conversion experiences in the US is the powerful role that base communities have played in the planning and implementation of conversion. Whichever way one assesses the impact of base closures in the US,

there is strong evidence that most communities eventually organize in a concerted self-preservation effort that goes beyond merely finding tenants for the facility. (Ibid.)

The story of Chippewa County in Michigan, which experienced the closure of the thirty year-old Kincheloe Strategic Air Command Base, is a case in point. As told by one of its businessmen, Eric B. Eicher:

For a number of months we were consumed in communal self pity and mutual recriminations. A series of attempts to build a local development organization to convert the base into some kind of civilian use tended to deteriorate in squabbles between various public, civic and private factions in the body politic.

Then about a year ago we at last got our act together. We constructed the current corporation in which all relevant interests have a loud voice. We inventoried our physical assets We also thoroughly familiarized ourselves with all the sources of aid and assistance available to us in this special situation Finally, we built ourselves a lean, hard, professional organization of a dozen people and mounted a private enterprise marketing program including advertising, public relations and, most important, over-the-phone and across-the-desk just plain selling.

Over time we realized we had quite a product to sell. ("Former Military Bases Represent a Bonanza for Alert Businessmen," *The Journal of Commerce*, 13 September 1979, in EAC Summary.)

Eicher concluded his account with this advice:

So as a businessman, the next time you hear about a military base closing, don't think of it as a tragedy; think of it as an opportunity. You'll probably be closer to right. (Ibid.)

The office created by the city and county of Chippewa to manage the converted facilities is the Chippewa County Economic Development Corporation (EDC), which has the following tasks: to transform former bases suitable for industrial occupants; to identify and attract prospective tenants; to develop a long-term strategy for retaining jobs and assist tenants who wished to expand; and to obtain immediate and long-term financing to solve the problems of conversion. As described above, the EDC's use of imaginative incentives, aggressive marketing, creative financing and sophisticated leadership spelled the successful creation of the Chippewa County Air/Industrial Park in the base site.

The EDC's "gap" financing policy is an example of creative financing that also involves the community. The organization 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 future tenants of the industrial park and the amount that could be raised through local banks. In choosing not to finance the whole package, the EDC complemented rather than competed with local banks in serving the financial needs of tenants who would relocate to the county's industrial park. This scheme not only ensured community participation but also saw to it that more tenants would be able to avail of the \$2 million given by the EDA.

In contrast, as this study shows, community organizations in the base communities of Angeles and Olongapo are not as cohesive. Though they are organized by sectors, the tendency is for the sectors to look upon themselves as discrete parts of rather than as a single community. Not surprisingly sector rather than community interests emerged from the consultations. It would be tragic if the local communities were to await the actual departure of the bases before they decide, as the businessman said above, "to get their act together."

4. GOVERNMENT PLANNING

Assisting base communities in the US is the Office of Economic Adjustment, a federal government agency which serves as an information center for federal, state and local officials; helps communities plan future growth; and assists the affected (base) communities with redevelopment. Within this office operates the President's Economic Adjustment Committee (EAC), which consists of the following agencies: the Departments of Defense, Agriculture, Commerce, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, and Transportation, the 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, and the White House Office of Intergovernmental Affairs. In the states and counties where conversion is to take place, there are local counterpart offices with similar functions.

As an inter-agency body, the EAC works with local, state and federal agencies to develop coordinated plans for the generation of new jobs and the alleviation of socio-economic problems resulting from base closures. As part of its technical assistance effort, the EAC also prepares manuals on case studies of community recovery, base reuse planning, acquisition of property, and keeping development costs at a minimum, in order to document all the steps involved in the base conversion process.

In the Philippines, current Government planning efforts tend to be rather meager and uncoordinated, as gathered from the research team's consultations. Until the recently created joint Legislative-Executive Bases Council (July 1989), no one planning office has existed at the national level, which can coordinate or bring together various ideas coming from local agencies and base communities. From a larger perspective, the rather dismal state of planning can perhaps be traced to the official "open options" position on the bases. In general lower level government agencies, which tend to await directives from the top before proceeding with their plans, are also unprepared.

5. CONCLUSIONS

The Chippewa Air/Industrial Park and other conversion experiences in the US show that community resistance only leads to dislocations and not more jobs. Had these communities planned ahead of the actual base closures, the economic dislocations they suffered could have been avoided. As aptly summarized:

history shows that today's losers can become tomorrow's winners A coordinated community effort can turn an economic disaster into a platform for solid growth.
(*Nation's Business*, in EAC Summary.)

The EAC manual on civilian reuse of former military bases enumerates some suggestions which might be worth studying in the context of the Philippine situation:

- ☐ In the earliest phase of conversion, secure interim-use tenants whose operations are consistent with long-term plans until the community obtains the title to the facilities. At this point, the tenants can then acquire the buildings outright or lease them.
- ☐ Do only the necessary capital improvements during the early years of operation, postponing the rest until such time that the required funds are available.
- ☐ Identify all the possible sources of grants and loans and salvage unneeded base structures for other possible uses.

A survey of the uses which have been applied to former bases in the US includes the following (see Appendix B): aviation, agriculture, commercial uses, education, health, preservation of historic sites or buildings, housing, industry, parks and recreation, reserve or national guard, and federal, state or municipal purposes. The overall US 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 has rested on careful and coordinated planning, efficient mobilization of resources and community initiative. The number of departments and agencies involved in the EAC, for instance, betrays the huge amount of work and resources that goes into the conversion from military to civilian use. *But the key to a successful conversion is local community initiative and support.*

CHAPTER II

ANGELES CITY: PROFILE AND REPORT OF CONSULTATIONS

The views of the sectors consulted by the research team are here presented in order to assess the impact of a base withdrawal and various conversion ideas as well as establish a profile of the affected community. Whenever available, economic and other data on the city are presented in the evaluation and used as a gauge for measuring the opinions expressed by the sectors. At the end of the chapter an over-all assessment is provided.

1. LOCAL GOVERNMENT SECTOR

The views presented in this section are those of the mayor and city council of Angeles city, the governor of Pampanga, and the congressmen from the first and second districts of the province.

1.1 Angeles City Government Views

Angeles Mayor Antonio Abad Santos believes a withdrawal of Clark air base (CAB) would have substantial adverse effects on the city. He estimates that 35% of the city income is drawn from taxes derived from base-related industries. If the base is removed, however, he does not believe the city would benefit from possible increases in land taxes from the vacated base area either, since most of it belongs to the town of Mabalacat.

Nonetheless the local government sees the need to study base conversion possibilities and supports the private sector's initiative to study the effect of US withdrawal from the Philippines on the Angeles city economy. This study is being undertaken by the city's chamber of commerce. (See discussion on business sector.) According to the mayor, the city council has not only endorsed the study but has also expressed willingness to assist it financially.

Mayor Abad Santos' picture of a base-free city hinges on two plans: first, the development of an international airport using the facilities of the base; and second, the transfer of the city hall and subsequent development of the relocated city hall area.

For a start, local officials suggest a joint US military and Philippine civilian use of the base facilities so that an international airport can be set up even before a base withdrawal. They believe a passenger

terminal could be built within the CAB Command area. In their view, the biggest advantage of an airport at Clark would be its location. Angeles is not only close to Manila (about an hour's drive) but also to tourist sites like Baguio and potential tourist areas such as Bataan and Zambales. Current travel time to Bataan and Zambales is about one and a half hours, but this may be reduced when the new road to Bataan via Porac/Floridablanca is constructed. The plan to build this road, according to the mayor, has already been approved by the Regional Development Council.

An airport at Clark would also stimulate the city's hotel industry. The idea of Angeles as a casino and entertainment center a la Las Vegas is another possible offshoot of the new airport. Local government officials realize, however, that a problem could arise from the expected increase in traffic volume. Mayor Abad Santos believes the Northern Luzon Expressway should be widened, or better still, the railway linking Angeles to Metro Manila, revived.

The mayor's real pet project, however, whose benefits he has linked with the possible removal of Clark, is the relocation of the city hall. He believes the economic growth stimulated by the transfer of the city hall will offset the adverse effects of removing the base. The new city hall will be located in the northern part of the city, near the Dau exit of the expressway. At present the area is undeveloped. However, with the city hall there, and a new bus terminal constructed in the area, the mayor hopes to attract such firms as Shoe Mart, Inc., and Ayala Corp. to invest in what he envisions to be "a city within the city."

1.2 Provincial Government Views

Pampanga Governor Bren Guiao estimates the number of Pampangos employed by and directly dependent on Clark air base at about 30% of the total provincial population, or roughly 72,550 families based on 1980 census projections. He expects these families to face immediate dislocation. Because of this, the Provincial Development Office is undertaking its own study on alternative uses of Clark air base. (The research team was unable to see the study or ascertain its progress, however.) Should there be an extension of the Military Bases Agreement, the governor's position is to continue seeking viable alternatives that would redound to the benefit of Filipinos fully dependent on the base and of the province as a whole.

In Governor Guiao's view, there are three major alternative uses of Clark, all of which capitalize on Pampanga's proximity to Manila:

First, an alternative airport, citing essentially the same advantages mentioned by the mayor of Angeles;

Second, a commercial and industrial complex with the potential for absorbing displaced labor as well as unemployed Filipinos in the area; and

Third, massive housing projects in the vacated areas to ease part of the congestion in Manila.

There are other proposals such as the use of Clark by the Philippine army's headquarters or its conversion into an international retirement zone. These alternatives, however, are not thought by the governor to be as productive as the alternatives he enumerated earlier.

Governor Guiao also discussed present efforts by the provincial government to strengthen Pampanga's economy, mainly through livelihood projects, as part of the preparations for a pullout of Clark. The project, dubbed RICH (Rural Industrialization Can Happen), is jointly sponsored by the provincial government and the *Kapampangan* Development Foundation. It aims to:

- ☐ Spread investments to all the 21 towns and cities of Pampanga;
- ☐ Capitalize on native products, resources and industries; and
- ☐ Promote rural industries and create new jobs.

The principal beneficiaries of the project are farmers' cooperatives, individuals and families, entrepreneurs and non-governmental organizations. To further encourage families to explore other sources of income, the provincial government assists people in preparing feasibility studies and lends seed money at an interest rate of 10 percent. For this the provincial government received an initial fund of P20 million from the national government.

1.3 Congressional Views, First District

According to Congressman Carmelo Lazatin, the businesses expected to be most adversely affected

by the withdrawal of Clark air base would be the housing, hotel and entertainment industries. By his estimate, about two hundred industries in all are base-dependent.

At the same time, he maintains that dependence on the base is neither absolute nor indefinite. More importantly, there are positive factors going for both the city of Angeles and the province of Pampanga even in the face of an American withdrawal. For one, the city's proximity to Manila holds the promise of increasing its trade and service industries. The rattan, light metal and garments industries, for example, have the potential for development although intensive manpower training is needed.

The congressman added that the Angeles Livelihood Training Center and the Free Trade Zone are currently underutilized. But if used, they could attract investors to the city. Moreover, lost opportunities for the house leasing industry could be compensated for by the entry of retirees and students into the province.

Congressman Lazatin is convinced there is enough capital in the city for investment in non-base related industries. For this reason, and given the generally upbeat mood of the private sector in Angeles, he together with private businessmen are currently engaged in planning for economic independence and sustained livelihood away from the base. Ultimately, the congressman believes final plans for the alternative uses of the base lands should emerge from collaborative efforts of local and national entities.

In Congressman Lazatin's view, an international airport at Clark would be the most feasible conversion alternative, especially in terms of minimizing the expected economic dislocation in the event of US withdrawal. As an initial effort, he suggests the construction in Clark of a parallel runway for civilian use along with a grant of partial landing rights. The railroad system would also have to be resuscitated and improved, and a major educational center for Central Luzon established in Angeles city, in order to make the best use of the economic opportunities arising from these developments. National government assistance would, however, be necessary to improve and expand these facilities.

1.4 Congressional Views, Second District

Like most local officials, Congressman Emigdio Lingad believes that a removal of the base would reduce city revenues and lead to severe economic dislocation unless, of course, the city were readily compensated by the national government. He also fears the flight of capital as well as the larger problem of regional (ASEAN) trade and security.

According to Congressman Lingad, if a referendum on the bases were held in Pampanga today, the vote would favor the retention of Clark. Thus in the event of an extension of the bases agreement, he suggests a burden-sharing arrangement as in South Korea and, at the same time, a serious consideration of Gorbachev's initiative on the reduction of bases in Asia.

On the other hand, if the bases go, Congressman Lingad suggests that alternative plans be left to the private sector or to a joint government-private sector endeavor. Among the possible uses of Clark air base, he cited the following:

- ☐ Development of an industrial estate; and
- ☐ Transfer of the international airport to Clark.

1.5 Assessment

Among the effects of a base withdrawal, the following were most frequently cited by Angeles and Pampanga officials: reduced city revenues, loss of employment, and decline in business, particularly in the housing, hotel and entertainment industries. All these are, of course, of great concern in so far as they affect local revenues. The breakdown of city revenues is shown in Table 2 (next page).

Property taxes and taxes on goods and services jointly account for from 73 to 80 percent of total city revenues during the period 1981-88. Local government fears of dislocation therefore arise from the effects of a decline in the off-base housing industry (which would in turn affect property taxes) and in the entertainment sector (which would affect revenues from the goods and services sector). As the discussion on the business sector will show, however, the scenario for Angeles does not appear to be as dismal as local officials would see it.

It would be useful to recall here the point raised by Cong. Lingad regarding the need for the national

Table 2. Composition and Trend of Angeles City Revenues
(Percent of total revenue excluding internal revenue allotment), 1981-88

Year	Property Taxes	Taxes on Goods and Services	Other Taxes
1981	36.4	39.0	24.6
1982	33.7	40.9	25.4
1983	33.2	42.8	24.0
1984	36.8	42.0	21.2
1985	31.8	46.6	21.6
1986	34.4	42.5	23.1
1987	35.0	43.8	21.2
1988	37.9	43.1	19.0

Source of basic data: Reports of Revenues and Receipts, Office of the City Treasurer, Angeles City, various years.

government to "compensate" the city for losses expected from a removal of Clark. Such compensation could take various forms. One is the city's share of the internal revenue allotment. Table 3 (next page) shows an increase in internal revenue allotment in the past two years, after a drastic reduction in 1986. Another would be assistance from the national government for local development programs. Note, for example, Governor Guiao's reference to an initial fund of P20 million from the national government to finance credit schemes for the province's livelihood projects.

Furthermore, it does appear that the province enjoys a relatively dynamic approach to livelihood programs (again note the reference to RICH), especially when compared to Olongapo's rather meager attempts at the same (see next chapter). It is not clear, however, how much of the province's livelihood schemes directly benefit Angeles city or the base-dependent sectors. But whether related to the possible closure of Clark or not, such programs could be useful in the transition to base conversion. Indeed, what is needed is greater logistical support for existing programs, such as the Angeles Livelihood Training Center which, if Congressman Lazatin is to be believed, is currently underutilized.

Table 3. Angeles City Internal Revenue Allotment, Percent Change over Previous Year, 1981-88

Year	Percent Change over Previous Year
1981	25.0
1982	25.0
1983	25.0
1984	8.1
1985	21.6
1986	-3.4
1987	38.0
1988	76.6

Source of basic data: Ibid.

Nearly all the conversion ideas of local officials rely on Pampanga's location and on a relatively stable peace and order situation. One such idea is the use of Clark as an international airport, which is often cited perhaps because it is the most obvious. For one, it would make effective use of the runway and other facilities as well as Filipino labor skilled in aircraft maintenance and repair. But it is not clear from the

suggestions of local officials whether the new airport is intended to replace the international airport in Manila or serve as an additional one.

Both instances would require an extended, reliable and improved transportation and communication network that would capitalize on Angeles' proximity to the metropolis. Mayor Abad Santos, for example, noted that Angeles is closer to Manila than, say, Tokyo is to Narita Airport. However, the transportation facilities serving the Angeles-Manila route obviously do not compare with those for Narita-Tokyo. Some major infrastructure decisions would therefore have to be taken.

The second possibility additionally assumes the present international airport is badly congested. But is it, or is the problem (if one exists) merely one of inefficient or wasteful use (or mismanagement) of facilities? The capacity of Manila's international airport further needs to be weighed in terms of the actual and potential limits set by existing airport facilities as well as the possibility of expanding and improving passenger and cargo traffic and services in the future. Consider, too, that a decision would also have to be made regarding the alleviation of air traffic between the international airport in Manila and an airport in Clark. In this light the creation of another international airport while the one in Manila continues to operate might in the end be self-defeating.

In a related manner, the likelihood of obtaining partial landing rights alongside the US military runway in Clark seems dim, especially in view of the provision in the bases agreement that allows the US unhampered access to the bases. Even members of the Angeles city council admitted the US government would probably resist the idea, citing security arrangements as a primary consideration. In fact, according to the city council, officers of the 13th Air Force are cautious on the subject of joint use.

In any event, one scenario that would allow partial or "civilian" use of the base would be the "return" of Clark to the Philippines even as the US retains Subic. This idea has been floated by some US and Philippine officials but more, it seems, out of political considerations (e.g., to fend off Filipino opposition to the bases) than any economic benefits that might accrue to the nation from a withdrawal of Clark. What is clear in this scenario is that Clark will retain its military uses and its present users (albeit as paying "clients"). The desired policy objective of converting Clark into civilian economic rather than military use would thus be defeated.

The possibility of developing Angeles into a commercial and industrial complex does not seem remote when one considers the following factors: a dynamic and forward-looking private sector (see section on business), the existence of non-base related industries (e.g., furniture-making, ceramics) and the potential for expanding other industries (e.g., sand-making, food processing and canning). These factors are more fully discussed in the next section.

On the other hand, Mayor Abad Santos' proposal to transfer the city hall may have no direct bearing on the impact of a base pullout since, whether Clark remains or goes, he intends to push through with the plan. In subsequent consultations with other sectors, the team learned that the proposed transfer of the city hall is a regular campaign feature of the city's mayoral elections. In fact, the city hall in which the present mayor holds office was itself relocated by his predecessor.

As a final point, it might be worth mentioning that the research team did not consult with Mabalacat officials whose city, as Angeles city mayor pointed out, would benefit from the base lands freed by the removal of Clark. In fact, two features of Mabalacat are directly related to the presence of Clark air base: Marcos Village, the barangay near the base dumpsite, where Negritoes scavenge for usable waste; and Dau, once the "PX" center along with Angeles city. Years ago Mabalacat residents complained that about 10,000 hectares of their land had been "landnapped" in favor of Angeles (*Bulletin Today*, 5 October 1978).

2. BUSINESS SECTOR

Those consulted from among the business sector are the following: Angeles City Chamber of Commerce and Industries, Angeles City Off-Base Housing Association, Angeles City-Mabalacat Hotel Association, Angeles City Chapter of the Chamber of Furniture Industries of the Philippines, and San Nicholas Market Vendors Association. Most of them, except perhaps for the market vendors, have interlocking memberships and nearly all of them (again except for the market vendors) represent the industries most dependent on Clark air base.

2.1 Views of Angeles City Chamber of Commerce and Industries (ACCCI)

The business sector cited three main problems arising from the withdrawal of Clark: the difficulty of attracting local investors, of absorbing displaced workers, and the lack of official planning efforts and support for conversion.

The chamber claims a good percentage of prospective investors assume the retention of the bases after 1991. Investing in any venture which is not base-related at this juncture, therefore, seems unattractive. The chamber also believes it will take time to compensate for the expected loss of income for industries and persons dependent on the base.

Interestingly, though, the ACCCI is optimistic that with proper planning and official support, these problems can be overcome. The problem, as the chamber sees it, is Government's failure to come up with any definite plan on the conversion of the bases. Hence the chamber's current initiatives. At the time of the consultation (February 1989), the ACCCI was engaged in two significant projects. One was a study of the city's dependence on the base, including a plan to soften the impact of a base withdrawal. The second was a trade mission to Taiwan to look for joint venture partners in fifteen areas, which include meat processing, furniture making and garments (ready-to-wear and lingerie). Prospects in the ceramic industry, which now manufactures baluster and toilet bowls, are also bright. The chamber added that the basket industry, presently worth several millions of dollars, is expected to flourish even more.

In fact, in anticipation of a base closure, the ACCCI has adopted as its over-all thrust the diversification of the Angeles city economy. Spurred by a desire for new sources of profit, members of the chamber are encouraging investments in the garments industry, and poultry, cattle and swine raising. The fruit farm business is another possibility, given both the domestic and Southeast Asian markets and available lands in the province. However, some members are apprehensive about land reform as a deterrent to the development of fruit farms.

The business sector also tends to be frustrated with the pace of government programs at both the national and local levels. As an example, they point to the need to improve the livelihood and export processing village along the highway, whose projects (e.g., garments, furniture manufacturing) are financed in partnership with foreign capital but are generally underutilized.

The chamber views the conversion of Clark air base into an international airport as a positive and feasible alternative arrangement. In addition, the businessmen believe Angeles city can contribute to the conversion of the Subic naval base into an international port by generating enough activity to produce 26 container vans of goods per month for shipment at Subic. To do this they recognize, however, that the transportation network, including a railroad system, would need to be developed. The ACCCI also anticipates the need to improve security measures to assure businessmen of safe passage from Angeles to Olongapo.

The feasibility of the proposed massive housing project for a Metro Manila-based clientele was questioned by the chamber unless faster means of transportation, such as a light rail system (LRT), are made available. In their view, a more favorable alternative would be the conversion of part of the base into a retirement village mainly because of the benefits that would accrue to the house leasing industry.

2.2 Views of Angeles City Off-Base Housing Association (ACOBHA)

Of all the businesses in Angeles, one that would clearly suffer from US withdrawal is the house leasing industry. The effects, according to members of the off-base housing association, would be principally felt by two groups, namely, owners of houses leased to American servicemen, and domestics and others who serve in American homes.

The off-base housing industry developed out of insufficient housing facilities on base. With CAB's growing population (estimated at a growth rate of 10% yearly), Clark authorities in the past motivated the businessmen to invest in house construction in order to meet base housing requirements. It is important to note that these houses must pass strict American standards.

ACOBHA members presently lease out to Americans about 6,000 houses, apartments and duplexes in 40 subdivisions in Angeles city and its environs, about 1,000 of which were constructed in the last five years. In all, roughly five billion pesos have been spent not only to build these houses but to cover

subdivision improvements and upgrade facilities. Much of this capital has been borrowed from banks and ACOBHA claims the outstanding loans run into hundreds of millions of pesos.

The average rental for CAB personnel living off-base is \$90 per room per month. Given an average two to three-bedroom unit, monthly rents run up to as much as \$270. At that price ACOBHA members expect to recover their investments in ten years.

More significantly, the association pointed out that even at present, the house leasing industry is in a state of decline owing to competition from the base itself. The association claims the decline began in the late seventies, after the industry had peaked earlier in the decade. While the fall could be linked to the end of the Vietnam war and the cutback in US personnel, the association pointed to the more recent CAB decision to house two-thirds of its stationed personnel within the base as the cause of the current decline. Such competition from on-base housing has inevitably had an adverse effect on the house leasing sector. As early as three years ago the off-base housing association had warned:

about 500 (units) are unoccupied because of a surplus in housing. In the event the 450 units are ready on-Base, the same number will be vacant off-Base. And if the proposed 3,000 units will be constructed, half of the houses off-Base will become untenanted. (ACOBHA letter to Pampanga Governor Bren Guiao, 10 September 1986.)

The construction of on-base houses is further expected to lead to a fall in rental rates, which the association estimates to be drop to \$60-\$70 per room per month (from the present \$90). When this happens, the expected period of investment recovery will rise from ten to fifteen years. Furthermore, the dislocation will, in ACOBHA's view, create a chain effect:

Banks will not be paid the amortization, commercial establishments will suffer, business in Angeles will come to a halt as most Americans will be confined on Base. (Ibid.)

To their dismay, house lessors are discovering that what is bad for them is good for the construction industry. Contracts for on-base construction have been awarded to local contractors for the completion of 2,000 units by 1991, aside from the existing 2,400 units. (In a "travelling seminar" sponsored by the Foreign Services Institute to the base areas from July 19-21, 1989, one furniture maker from Pampanga remarked that contracts are usually not even awarded to local contractors. Instead, they are given to Manila-based companies.)

Another significant impact of a base withdrawal would be on the industry's allied services -- the provision of housemaids, "yard" (garden) boys and seamstresses to their tenants, after undergoing the association's own screening procedure. Presently some 8,000 housemaids (a conservative estimate) are registered with ACOBHA, who earn on the average from P1,000 (ordinary maid) to P2,800 (governess) a month, plus free food and lodging. In addition, there are about 2,000 yard boys working part-time for Americans living off-base, earning a minimum of P200 per day per house. There are also some 300 registered seamstresses hired to sew curtains, baby dresses, etc., with an income of about P2,000 per contract, which usually lasts from one to two weeks.

As for alternative uses of the base, ACOBHA members find a foreign retirement zone an attractive possibility. Should CAB be transformed into an international airport, ACOBHA members believe they will be able to supply the housing needs of the airlines support and maintenance crews.

2.3 Views of Angeles City-Mabalacat Hotel Association (ACMHA)

Like the housing industry, the hotel and entertainment sector would be greatly affected by a closure of the base. There are about 38 hotels (tourist inns) in Angeles city and Mabalacat, with a total capacity of 2,000 rooms and some 1,500 workers. Nearly 90% of their customers come from the base, renting rooms on a transient basis. In addition, there are 358 registered entertainment and recreation establishments in Angeles city (City Health Office, August 1988).

The peak days of the entertainment industry are the 15th and 30th of the month. Women employees can be "loaned" out to American servicemen after paying a "steady bar fine" ranging from P2,000 to P4,000. The practice sometimes requires a "contract" indicating the period covered by the fine. This procedure gives a somewhat "legal character" to the arrangement and thus protects both parties concerned. Half of the price of the fine is given to management and the other half to the woman entertainer. (More on this in the section on women.)

Understandably, those dependent on the entertainment industry strongly favor the retention of the bases. The Angeles City Entertainers Association, Inc. (formerly the Integrated Entertainment Industries), for example, is responsible for promoting pro-base sentiments among its constituents -- bar owners, managers and women entertainers. In order to maintain American patronage, they provide seminars on AIDS and sexually transmitted diseases to ensure the "security and health" of their customers.

Of the various alternative uses publicly suggested, again that of converting CAB into an international airport is most acceptable to the sector. Representatives of the industry also strongly recommend a tourism program for the region. They say the province's present tourist attractions, such as the annual lantern festival in San Fernando and the woodcraft industries along Friendship Gate, can be further developed. The proximity of Angeles to the well-known beaches of Bataan and Pangasinan also contributes to the viability of tourism as an alternative to dependence on the base.

2.4 Views of Angeles City Chapter of the Chamber of Furniture Industries of the Philippines

Although the disappearance of the "base market" is feared by many in the business sector, one group stands out as an exception: the furniture industry. Already, a number of progressive furniture makers have begun to diversify markets away from the base. Apart from the domestic market, new product destinations such as the US, Japan, Mexico, Korea and Australia are being developed.

There are about 100 furniture makers in Angeles city, including unlicensed backyard industries, of which 40 licensed establishments are members of the Angeles City Chapter of the Chamber of Furniture Industries of the Philippines. The chamber has actively campaigned against Government's proposed logging ban.

No less than 10,000 workers are employed in the furniture industry, the majority of whom are migrants from the Visayas, Mindanao and northern Luzon. Wages vary according to the workers' skills. For instance, a highly skilled worker averages P150 a day. Large establishments pay wages on a daily basis, while small ones employ piece-raters.

An international airport is perceived by furniture makers as the most viable alternative to Clark air base. They believe that once in place, tourism and other related industries, including the furniture industry, will flourish. Aside from evolving a realistic base conversion plan, they suggest that Government, through an effective information and education campaign, prepare the people to begin diversifying their interests away from the base.

2.5 Views of San Nicholas Vendors Association

There are 627 organized market vendors (representing market stalls) in the San Nicholas market, Angeles city's largest public market. Most of their customers are not dependent on the base, with some coming from as far up as Baguio. The problems of the stall owners center more on the lack of space than on the base, given the congestion caused by sidewalk vendors who are mostly former peasants deprived of lands and driven to peddling along the streets.

Nonetheless, the association foresees an economic setback of about three to five years immediately after the base is pulled out. At the same time, it believes realistic alternatives could offset the decline. The group noted, for instance, that since the economy of Angeles is basically geared towards agriculture and industry, the conversion of the base lands into an agro-industrial zone is a good alternative. A new international airport is also a welcome idea since tourism and the hotel industry could flourish with it. The creation of "Disneyland" in the base area also seemed attractive to this sector.

The association hopes, however, that whatever alternative plans are finally decided upon will benefit the larger community and promote employment. For example, the group sees the presence of the base as enriching only a few in Angeles (e.g., real estate, black market) and not employing enough people. It is hoped that the base pullout will generate industries to absorb the community's idle and underemployed manpower.

2.6 Assessment

The economic dislocation foreseen by the business sector might not be as massive as they predict when one considers the number of non-base dependent business establishments in the city. As Table 4 shows (next page), the real estate, recreation, food and tourism industries account for nearly one-fifth of

the total number of registered business establishments. But in actual fact, those directly engaged in base-related activities are fewer than the numbers suggest. For example, real estate owners make up 6.7 percent of the total, while entertainment establishments (excluding hotels and restaurants) account for 2 percent. And since Pampanga is recognized nationally as the home of excellent cuisine, it would be incorrect to assume that the numerous eateries in the city cater solely to US personnel.

The large majority of businesses, nearly 70 percent of the total, in fact, engage in a variety of non-base related activities such as electric and machine (including machine repair) shops, dress-making, furniture, shoe-making and leather crafts. These activities alone account for nearly 40 percent of the 1,646 business establishments classified under various services in Table 4 (next page). Furthermore, the single largest block of establishments consists of trading activities in such basic needs as rice and foodstuffs and other supplies.

While it is true that the figures above do not reflect the size of capital investments per type of business, in the end the relatively few owners of real estate, hotels and entertainment establishments will probably be more resilient than the many but small (in terms of capital) shops categorized in the table. The key evidently lies in the former's access to capital.

Table 4. Registered Businesses by Type and Number in Angeles City

Type of Business	Number	Percent of Total
Various services	1,646	14.6
Trading	6,647	59.2
Real estate and finance	860	7.7
Health	209	1.9
Recreation and entertainment	316	2.8
Food and tourism	966	8.6
Manufacturing	531	4.7
Miscellaneous	61	0.5
Total	11,236	100.00

Source: City Planning and Development Office, Angeles City, no date.

Indeed, the fears raised by the Angeles businessmen need to be weighed in terms of other data. For example, the fear of either capital flight or the difficulty of securing new capital for investments should the base be withdrawn is, at best, highly speculative.

Moreover, as the business sector clearly pointed out, its biggest competitor at present is Clark air base itself. Their general apprehension stems from the possibility of the base becoming totally self-contained. As explained by their representatives:

... the impact on the local trade and commerce once the Base becomes self-contained will make businesses slow down if not completely stop. The furniture industry for which the Pampangos are noted for will suffer With less exposure to consumers, there will be less sales volume. This is a chain reaction that would affect the sales of all merchandise. With less income, the people will have less to buy, the consumption of produce, the markets, the jeepney drivers, among others, will be influenced and affected. (Minutes of meeting of Department of Foreign Affairs Foreign Affairs Secretary with representatives of ACCCI, ACOBHA and ACMHA, 24 January 1989.)

Perhaps the businessmen tend to exaggerate the "chain reaction" effect of a self-contained base. But the point is clear: what once was the source of their profits has now become their largest competitor. In no sector is this more evident than in the house leasing and hotel industries, whose association asserted that

with the further building of more housing units on-Base, the hotel and restaurant industry in the City will be enormously affected. With the bachelors quarters being vacated, th(e)s(e) could be converted into hotels and ... off-Base hotels (in turn) will have less occupancies. (Ibid.)

It is then no surprise that early this year, the Angeles City Off-Base Housing Association made the following appeal to the Foreign Affairs Secretary:

It is with this long frustration that we approach your kind office seeking assistance in our plight concerning the stoppage of all construction of additional houses and hotels within Clark Air Base. It is also our desire that this problem be elevated and be discussed on a government to government level. (Letter of ACOBHA to Secretary Raul Manglapus, 24 January 1989.)

The trend towards a self-contained base has therefore created some kind of "withdrawal symptom" even as the base exists. The concomitant effects of a construction boom in the base and a housing glut outside it are only one dimension of the larger question that asks who or which sectors of Filipino society actually benefit from the presence of the bases. In a very real sense, the competition from the base is a blessing, for it not only answers the charge that businesses cannot survive without the base -- some are in fact suffering *because* of it -- but will, in the long run, make it easier to wean the business community away from the base. For one, it will (as it has already begun to) compel the community to seek other sources of income.

The expansion of the furniture industry is a case in point. A survey of the markets for furniture exports shows a gradual but significant shift from traditional base-related markets to other domestic -- Manila and within the region -- and foreign buyers -- USA, Europe, Japan, Australia, Middle East and Singapore, in that order (Department of Trade Region 3 survey, undated). The net effect is a more independent industry, indeed a welcome development from the point of view of national interest.

In fact, the evidence tends to suggest an earlier "withdrawal symptom" experienced by the Angeles community. As an example, let us examine the entertainment (R&R) industry, which can broadly be divided into two categories:

- ☐ Establishments that cater to "mixed audiences" (Filipinos, American, Australians, Germans, etc.), which operate even during base curfew hours; and
- ☐ Establishments specifically geared toward American servicemen, which are most affected by curfew regulations. (Interestingly, the women entertainers have devised generic "pet" names for foreign (*gatas*) and local (*kape*) customers.)

Angeles city's entertainment industry covers some 358 establishments, as shown in Table 5. Some observers say its R&R industry suffers by comparison to Olongapo's "Liberty City" (sic), which has larger, newer and "classier" clubs. (Ave Perez Jacob, "The Bawdy Sisters of Olongapo and Angeles," *WHO Magazine*, 21 November 1981, pp. 25-28.) Whatever the case, there is some evidence that points to a decline in the industry. Consider, for example, that ten years ago, the number of bars and cocktail lounges was reported to be 387 (Tony Torres, "Special Report: Angeles Suffers 'Movement Crisis,'" *Bulletin*

Table 5. Registered Entertainment and Recreation Establishments in Angeles City, 1988

Type of Establishment	Number	Percent of Total
Bars, night clubs, cocktail lounges	206	57.0
Dancing halls	6	1.0
Hotels and motels	401	1.0
Lodging houses	12	3.0
Restaurants	942	6.0
Total	358	100.0

Source: Angeles City Health Office, August 1988, cited by Kapitbahay Women Center.

Today, 3 October 1978), compared to today's 206 (see table above). Ten years ago there were 11 disco joints and 9 cabarets, which today number only 6. The phenomenon of "survivor" bars, also true of Mabalacat, was attributable to the end of the Vietnam war (*Bulletin Today*, 7 October 1978).

The impact of the crisis that ensued from the reduction of US troops in the seventies can be gauged from the following description:

... any investment ... not related to supplying the base (was) not worth considering. Their heavy concentration on the base market created a bottleneck, reaching a point where any substantial investment was no longer considered viable. (*Bulletin Today*, 3 October 1978.)

The fears of the business sector in Angeles today regarding dislocations arising from a removal of the base no doubt hark back to the painful withdrawal process a decade ago. Consider the situation then. Of the city's total land area, 50.8 percent was agricultural and 41.2 percent, residential. With the demand for off-base housing, more and more agricultural lands were converted into subdivisions. Thus from 1963 to 1970, almost P200 million were loaned out by GSIS, SSS and DBP for housing alone in this area. Though no figures on repayments of these loans are available, these institutions noted a good number of foreclosures on mortgages. In short, housing was saturated and heavily in debt.

This situation forced the Angeles businessmen to consider new markets as early as a decade ago. And a few did, particularly in the furniture (e.g., rattan furniture exported by Palma Brava to the US) and wood-related industries (e.g., door jambs exported by Vinta Woods to Japan, wooden toys made by Grassroots, Inc., for Europe and the US), quilt-making (e.g., Europe House of Hatter and Barrio Connection, which exported to the US), and pig-raising (e.g., Springside, which in the late seventies reputedly stood out as the largest and most modern hog farm in Luzon). (*Bulletin Today*, 3 October 1978.)

That same resiliency marks the Angeles business community today. Its strength lies in its dynamism and ability to see beyond the bases owing to its access to capital (its own as well as that of foreign partners) and the consequent ability to diversify its interests in anticipation of a base closure. In fact, while admittedly in favor of the retention of Clark, the chamber of commerce is confident about the future of Angeles city without the base. It does not expect the impact of a withdrawal to be too severe on its members who, as they point out, can always shift their capital elsewhere, but on the average city resident who is directly or indirectly dependent on the base.

Table 6, for instance, shows that 86 percent of the employees in registered establishments work in the entertainment industry and domestic services. These workers, more than the businessmen, would be more severely affected by the closure of Clark. Since most of them are unskilled, it would be harder to relocate them to new jobs unless training programs and interim income support were provided. It is therefore this sector -- the largely unskilled workers in base-dependent industries -- who will badly need Government attention.

Note, too, that the figures in the table do not reflect the full number of establishments in the city, as a number of them are not registered. Yet, they continue to operate openly and freely.

Table 6. Employees Working at Different Registered Establishments in Angeles City, 1987

Category	Number	Percent of Total
Entertainment	5,642	66.6
Domestic services	1,677	19.8
Skilled and technical	636	7.5
Miscellaneous	51	6.1
Total	8,469	100.0

Source: Sanitation Department, Health Office, Angeles City, 1987.

From a larger viewpoint, Angeles city has at least a manufacturing base it can develop and to which

owners of base-dependent businesses could shift their capital. At present, according to the City Planning and Development Office, the manufacturing sector can boast of agro-industrial (piggeries, goat farms, plant nurseries) and commercial industries (*bijon* factories, meat processing, doll-making, ceramics, furniture and handicrafts, and garments).

No doubt the business community will play a crucial role in the conversion process. And its forward-looking approach appears unmatched by any other sector consulted in the community. Notwithstanding its pro-bases stand, the business sector clearly possesses the foresight and flexibility needed to stave off base dependence, as manifested in its initiative to finance its own conversion study, to induce local investors to begin diversifying business interests and to avert possible capital flight from the area. In fact, in its eagerness, the sector expressed disappointment with Government's "open options" policy on the bases, which it perceives as a stumbling block to planning that the sector maintains ought to begin even now.

The conversion possibilities raised by the business community center on the use of Clark as an international airport. Infrastructure support would therefore be an indispensable feature of the plan along with a communication network. Members of the city's chamber of commerce complained about the poor telephone system in the province, which sets back especially those businesses engaged in exports.

Another alternative use of the base as proposed by the sector is related to the development of tourism, such as the creation of an international retirement zone. For obvious reasons, this would benefit the hotel and restaurant industry. But in a sense, if the infrastructure is already in place, why not make use of it?

3. PROFESSIONALS, YOUTH AND PEOPLE'S ORGANIZATIONS

The views expressed in this section are those of a former officer of the National Federation of Teachers and Employees Union, an official of the city chapter of the Philippine Medical Association, the Angeles City Youth Movement, and people's organizations such as the *Bagong Alyansang Makabayan* (BAYAN) and its affiliate groups, *Alyansa ng Magbubukid sa Gitnang Luzon*, Central Luzon Alliance for a Sovereign Philippines, League of Filipino Students-*Gitnang Luzon*, and Workers' Alliance in Region 3.

3.1 Views of Atty. Juanito Velasco, National Federation of Teachers and Employees Union (NAF-TEU)

Mr. Velasco expressed his views in his personal capacity although he referred to his experience as an official of the National Federation of Teachers and Employees Union. Based on his experience, he foresees the reduction of enrollment in private schools as a certainty in the event of a base closure. Several colleges, vocational and high schools in the city and outlying municipalities are expected to be directly affected. With the loss of jobs, fewer parents will be able to afford tuition fees.

However, given the uncertain future of Clark air base, the Holy Angel University has mapped out a modest plan to ease the impact of a base withdrawal. Its Institute for Small-Scale Industries has offered skills training (in practical electricity, quilting, and high speed sewing) as part of the university's outreach program. A new six-month intensive pre-college or community college course to provide trainees with functional literacy skills is also part of the skills training curriculum. The university has one found at least one influential group of potential employers to support its program -- the city's chamber of commerce. The ACCCI is currently interested in high speed sewers for a garments project.

The prospect of developing Angeles city into an academic community was also raised by the teachers. At present, educational institutions such as the Holy Angel University and the Angeles University Foundation already attract students from other parts of Pampanga and the nearby provinces of Tarlac and Bataan. If pursued, housing units abandoned by CAB personnel could be converted into boarding houses or dormitories for the students.

3.2 Views of Angeles City Chapter of the Philippine Medical Association

For its part, the local chapter of the Philippine Medical Association would like to see the city transformed into a center for the health care industry so as to avoid the flight of medical practitioners when the bases are withdrawn. Like the teachers' federation, the doctors favor the retention of Clark air base, believing that a lucrative medical practice is related to the base.

Nonetheless they claim existing medical resources can be further upgraded to make the city a health center for the province and the entire region. These resources are as follows:

- ☐ There are about 180 doctors in the city, reputedly the most number of doctors north of Manila, whose expertise is sometimes requested by the base hospital for special operations.
- ☐ There are 12 medical facilities (hospitals and clinics) with patients from Pampanga and the neighboring provinces.
- ☐ The capacity of the Regional Medical Center is being expanded from 1,000 to 3,000 beds.
- ☐ The construction of the Angeles University Hospital is expected to boost the city's health service industry.
- ☐ If the base is pulled out, its hospital can be used for the general public.

The health professionals also suggest that the base be converted into an international airport and agri-business center, with a Macau-style casino center.

3.3 Views of Angeles City Youth Movement

The organized youth sector, represented by the Angeles City Youth Movement, counts its membership from 33 barangay youth clubs and 10 city-wide youth organizations. They estimate that about 50% of high school and 70% of college age youth are not in school. These out-of-school youth generally work in furniture factories although majority are unemployed. Drug abuse is a major problem of the young.

The youth movement thinks an international airport would be a suitable alternative to Clark primarily because of the base infrastructure and labor resources. The youth further recommended a combined use of the base lands for agriculture, industry and mass housing. Angeles city's strategic location and infrastructure also make it ideal as a university center in Central Luzon. The youth refuted the idea that CAB's withdrawal would cause school enrollment to drop, saying there is already a decline largely due to the increasing cost of education.

The youth would also like to see more programs on sports development, livelihood and alternative education. The out-of-school youth, in particular, need to be organized in order to veer them away from the negative social effects of the base (e.g., drug abuse, prostitution) and to increase their consciousness of the issues confronting their sector. In fact, the youth movement has filed a resolution declaring Angeles a nuclear-free zone, a resolution which they lament has remained unacted upon.

3.4 Views of BAYAN and Affiliate Groups

These groups openly favor the removal of the bases from the Philippines. While they accept that at least one-fourth of the city's industries depend on the base, they also point out the need to examine this dependence by sector. For example, the furniture makers' association of Pampanga allot 80% of their products for export and the balance for CAB customers. Also, there is no lack of capital in the province. The organizations think it is only a matter of creating the right conditions for this capital to be diverted to industries which are not base-related.

Furthermore, Clark air base can be developed into agricultural and agro-industrial projects. With a relatively high level of rainfall, portions of Clark could be developed as fruit orchards (e.g. mango, *calamansi*, cashew, *chico*, etc.). According to this sector, the Sacobia area already supplies cashew nuts to Magnolia, thus indicating the viability of orchard production as an alternative to the base. The river area outside the CAB perimeter (Mabalacat-Calumpang area) is currently being used by fishpond owners to raise *tilapia*. The sector believes this can be replicated in other areas since only seven hectares of land are needed to accommodate 30,000 fingerlings of *tilapia*.

Apart from agricultural and agro-industrial projects, the sector thinks it is possible to convert the base into an aircraft maintenance center. The abundance of skilled labor, the runway and other infrastructure are positive factors. Finally, these groups suggest the appropriation of portions of CAB for the minorities periodically displaced by the base and relocated as part of the recent bases review agreement. These areas, they believe, should rightfully be declared ancestral lands of tribal Filipinos.

3.5 Assessment

The education and youth sectors' proposal for the generation of more educational resources merits serious consideration. As the table on the next page shows, the city has no public vocational institute which could address the needs of unemployed out-of-school youth and unskilled base-dependent workers.

In this context the efforts by the Holy Angel University's Institute for Small-Scale Industries to offer skills training programs, though modest, are impressive. So is its initiative in teaming up with the city's chamber of commerce for job opportunities for graduates from their courses, particularly in the case of high speed sewers. The participation of educational institutions in training would-be employees is undoubtedly a necessary step in weaning the community away from dependence on the base.

Table 7. Number and Type of Educational Institutions, 1983

	Public	Private
Elementary	29	16
Secondary	2	0
Collegiate	0	3
Vocational & technical	0	5

Source: Angeles City 1983: Socio-Economic and Physical Profile, Division of City Schools, 1983, pp. 90-91.

The expectation that student enrollment will fall once the base departs, owing to the parents' loss of base-related jobs, can be questioned in the light of the youth's assertion that the decline in enrollment is already taking place because of the rising cost of education. Unfortunately, no figures were made available to the team by either the teachers or the students. In any case, the creation of new non-base related jobs will stimulate education in the area. The more fundamental question, therefore, is the generation of non-base dependent industries and the training of skilled workers.

This, too, would help medical practice in the city. There are, according to the city's Development and Planning Office, 209 health (private) establishments in the city, which account for nearly 2 percent of the total number of registered businesses. The figures cited by the local medical association are difficult to fit into the picture presented by official documents and, in the absence of any data, it is difficult to substantiate their claim that a lucrative medical practice depends on the base. For one thing, the base has its own medical facilities, and even if, as the association asserts, outside doctors are called in for consultation, how much of their practice is actually drawn from base personnel? How much, too, of the occupancy of city and regional hospitals is also attributable to US personnel?

4. BASE LABOR

The workers consulted by the research team belong to the Clark branch of the Federation of Filipino Civilian Employees Association, which represents the base workers and is an affiliate of the national Trade Unions Congress of the Philippines.

4.1 Views of Federation of Filipino Civilian Employees Association (FFCEA-Clark)

The workers dispute the common notion that they are better off than most Filipino workers. They might be better paid but, they point out, living standards are also high and their salaries allow them to only break even." At the same time, they realize that of all the sectors in the community, they would be instantly affected by a base withdrawal. Their obvious preference for base retention is therefore understandable.

The base workers in Angeles seem convinced of the extension of the Military Bases Agreement. The massive infrastructure construction in Clark, in their view, belies any pronouncement of a possible American withdrawal after 1991. For many of them, too, no real alternatives are in sight. If base relocation becomes inevitable, they believe the majority of the skilled workers would opt to move along with the base.

The conversion ideas proposed by the union center on the reuse of base facilities such as the transformation of warehouses into factories and the establishment of an aircraft repair and maintenance shop. In this manner, displaced workers can easily be absorbed.

4.2 Assessment

There are two types of employment in the base: direct hire; and contractors, domestics and concessionaires, who constitute the majority of Filipino base employees in Clark. Direct hire workers are in turn categorized as:

- ☐ Indefinite employees, whose work is of a permanent nature;
- ☐ Temporary employees, who have one-year contracts subject to renewal by base employers; and
- ☐ Intermittent employees, who work on a "call per hour" basis.

The present labor profile of Clark air base indicates a trend towards contractual rather than permanent labor. In fact, while dislocation is perceived as imminent in the face of a base withdrawal, the potential strain on base workers is already being cushioned by the trend in job lay-offs arising from "budgetary constraints" and the US preference for contracting out work to Philippine companies in an effort to decrease labor costs and labor problems. In Clark air base, for example, as of June 1987, there were in all 14,597 Filipino civilian employees, of whom only 5,530 (or 38 percent) were direct hires.

Moreover, as shown in Table 8, the number of direct hire employees fell by 14 percent from June to November 1987, while the number of contractals jumped by 171 percent. Direct hires, who made up almost 38 percent of the total number of employees in June, accounted for only 16 percent of the total in November. Consequently, the ratio of contractual to direct hire workers increased from 1.6:1 in June to 5.2:1 in November 1987.

Table 8. Filipino Civilian Employees in Clark Air Base, as of June and November 1987

	June	November
Direct hire	5,530	4,748
Contractor, domestic & concessionaire	9,067	24,614
Total	14,597	29,362

Source: U.S. Facility Fact Sheets, June and November 1987.

The union's contention that base salaries are not as high as publicly believed arises from the technical wage survey of pay scales for direct hire workers taken from thirty companies in Manila. The selection of sample companies is itself a subject of bargaining between US authorities and the labor union. The salary scale emerging from this survey is released and applied a year later, notwithstanding the inflationary rate at the time of application. Intermittent employees (who usually work three days a week) are, however, not subject to these pay scales and therefore take home much lower salaries.

Furthermore, fringe benefits for workers also vary but on the whole, they have tended to diminish as a result of the application of Philippine laws and standards to US-hired employees in the bases. For example, in 1954 the workers ceased to be considered federal employees, with the jurisdiction over them transferred from the US Social Security System to its counterpart in the Philippines. In 1980 workers' compensation benefits which were previously handled by the US were also transferred to the Philippine Employees' Compensation Commission. The benefits coming from the two governments are of course disparate.

Temporary direct hire employees, however, do not enjoy the benefits described above. Although their jobs may be quasi-permanent (that is, their contracts are continually renewed for years), because they are classified as temporary employees, they do not enjoy the fringe benefits of permanent workers.

In fact, the salary scales and benefits of regular employees do not apply to the overwhelming majority of base workers who are contractual. In the past years even jobs not temporary in nature (e.g., janitorial)

have been contracted out. Such a practice has saved the US government a considerable amount, although Filipino workers are already paid lower than comparable US base workers in other parts of the world.

What is immediately needed for any conversion plan is a skills inventory of all the base workers, including those who serve the base in a non-skilled capacity, such as janitors and waiters. Among all the workers, the latter would no doubt be more difficult to absorb, as those with skills in aircraft work and computers can more easily be absorbed by new civilian uses of the base. Given the union's knowledge of the base facilities and their capacity, it is unfortunate that the workers have, except vaguely, no actual proposals on possible reuses of the base.

5. WOMEN

Researchers from the *Kapitbahay* Women's Center were interviewed for the purpose of this study. The center, which is partly managed by the Missionary Benedictine Sisters, acts as a rehabilitation center and provides some services to the women entertainers in the city. Some women patients from the Social Hygiene Clinic, a joint CAB-local Health Department project, were also interviewed.

5.1 Views from *Kapitbahay* Women Center and Social Hygiene Clinic

For sheer economic survival, women entertainers in Angeles are averse to the idea of any base conversion plan. Most of them come from large agricultural households in the poorer regions of the country. A good number claim to have run away from home and/or were recruited to Angeles city by friends, relatives or townmates who are themselves entertainers. Most, if not all, are family breadwinners or are responsible for the schooling of siblings, and some said their parents were either unaware or disapproved of the real nature of their source of income. Rough estimates place their ages to be between 12 to a little over 30 years old.

The enticement and promise of Angeles seem to outweigh the risks attendant to the entertainment industry. The experience of prostitution, unjust labor practices, exposure to AIDS and other sexually transmitted diseases, drug addiction and malnutrition are among their major difficulties. Nonchalant attitudes about diseases contracted while plying their trade seem to reflect their perception of these as mere trade hazards. Very often, for transgressing house rules, the entertainers are slapped penalties which reduce their already meager incomes.

A typical entertainer's work is described below:

A newly hired bar girl receives P300 a month. She makes an extra earning when and if taken out for a bar fine by a customer who pays P300 to the bar owner. The amount is divided among the bar owner (who gets 50% of the amount), the *mama-san/papa-san* and the girl. Work starts at 3:00 in the afternoon and the girl goes home way past midnight. This work schedule is observed strictly from Monday to Sunday. Tardiness for work is unpardonable and a fine is readily slapped on the girl. Failure to get the required number of bar fines (16) is considered due cause for job dismissal. An American serviceman "rents" a girl from a bar owner/*mama-san* for P2,000 in exchange for the girl being a steady mate for one month. The serviceman either brings her to his barracks or confines her to an apartment, where he "owns" her for one month. The practice is euphemistically called "steady bar fine." A penalty of P150 is also slapped on one found to be on drugs while at work. A bar girl is either a "stay-in" or a bed spacer. A "stay-in" is given free lodging quarters in one section of the bar itself. When sharing with other girls, a bed spacer usually pays a monthly rent of P250. One who prefers to rent one room for herself has to shell out P400 to P500 monthly. (*Kapitbahay* Women's Center, 1988.)

Despite the harsh conditions of the 'trade', most of the women look to the continued presence of Clark air base as an indispensable life support system. To them, life in Angeles is a much better option than rural poverty and deprivation. Marriage to a CAB servicemen and subsequent migration to the US is, of course, the most desired goal. Relationships, no matter how casual and brief, are generally considered materially rewarding. Services provided at the Social Hygiene Clinic are perceived as expressions of American concern for their welfare.

Strongly opposed as they are to the removal of the base, the women asked that conversion plans

incorporate programs directly addressing their need for economic survival, such as credit to start off small businesses and factory jobs. In the event of a base withdrawal, the personal options cited by the women range from returning to their home provinces to finding another job or going to a vocational school. Preparatory skills training for livelihood appears acceptable to some of them.

5.2 Assessment

There are 5,642 women registered as working in the entertainment and recreation industry (Table 9), which is concentrated along Fields Avenue in Balibago, the undisputed hub of entertainment and night life in Angeles City. The women work as "a go go" dancers, waitresses, massage parlor attendants and the like, but many are not registered with the city health office. The following table thus does not provide a complete picture of the women entertainers in Angeles.

Table 9. Distribution of Registered Women Entertainers in Angeles City by Nature of Work, 1987

Type of Work	Number	Percent of total
A go go dancers	2,021	35.8
Brothel/casa service girls	14	.2
Girls working at the counter	1,239	21.9
Entertainers	2,179	38.6
Waitresses	83	1.5
Taxi dancers	38	1.2
Sauna bath attendants	68	.7
Total	5,642	100.0

Source: Sanitation Department, Health Office, Angeles City, 1988.

The impact of a base withdrawal on the women cannot be dismissed when one considers they constitute almost 67 percent of all the registered employees in the city (Sanitation Department, 1987). Their apprehensions stem primarily from the absence of any immediate or foreseeable economic alternative. Their strong bias in favor of the base is reinforced by employers who impress on them the adverse effects of a withdrawal. It is local common knowledge that foreigners in partnership with Filipinos are said to be the real owners of these entertainment establishments. The lack of information on available community resources which could work in favor of the women (e.g., non-formal education, health services) also needs to be addressed. But as a modest beginning, the initiatives taken by one university in Angeles city to provide possible job alternatives through skills training programs could narrow down the extent of dislocation for the women.

On the other hand, two aspects of the women's background could mitigate the difficulty resulting from the closure of Clark. One is the migrant character of the women; the other is their low income. When asked point blank what they would do if the base were closed, many replied they would return home to their provinces or move elsewhere. While this in no way solves the larger problem of unemployment, the outmigration of non-skilled workers would reduce the local problem for Government.

Furthermore, based on the average income levels of the women, their expectations of government assistance during the transition period (from base departure to acquisition of new jobs) cannot be very high. Consider, for instance, a minimum monthly income of P300, which could fluctuate from month to month. It might be worthwhile, then, for Government to seriously consider at least partial subsidy assistance to tide the women over until they are sufficiently trained and able to find new jobs.

6. URBAN POOR AND TRIBAL COMMUNITIES

Some 16,200 squatter families in Angeles live close to the perimeter fence of the base. The review of the US-RP base pact in 1988 provided for their relocation as they were considered "security risks" to the

military installation. Most of them are now found in Macapagal and Marcos Villages, which are situated near the Clark boundary, and along the PNR railroad track. For this study consultations were held with the urban poor community in *Purok 16* of Bagong Silang in Balibago, Angeles city.

Also consulted were members of the Tribal Filipino Apostolate, a church-supported research, documentation and support group for the protection of national minorities, particularly the Aetas and Balugas, who are among the most affected by the presence of the base. The organization is based in the Holy Family Academy in Angeles city.

6.1 Views of *Purok 16* Residents of Bagong Silang

Just how dependent some of the urban poor communities are on the base can be gleaned from a brief case study of *Purok 16* of Bagong Silang in Balibago. The area has about 160 squatter families, about half of whom are of Visayan origin. Most of the population is young -- about 30% -- and majority of them are out of school. Roughly 70% of the *purok's* income directly comes from Clark air base, with some residents employed as security guards, houseboys/girls, yard boys, watch-your-car boys, and shoeshine boys in the base. Others are tricycle drivers and vendors. As for the women, about 60% of them are employed in the entertainment industry.

If no provision is made to employ them in the event of a withdrawal of Clark, the dislocation for the community will be severe. Leaders of the community, however, claim that *purok* residents possess skills that might be useful, such as carpentry, furniture making, sewing, framing, painting, and woodcarving. In fact, some with these skills are already employed in factories engaged in export.

As an alternative, urban poor representatives suggest the appropriation of portions of the base for use as agricultural lands for commercial planting. Given their peasant origins, they are open to the idea of going back to farming. An international airport and an industrial center (for shoemaking and garment factories, for example) are also acceptable.

6.2 Views of Tribal Filipino Apostolate

The overriding desire of the Aeta community is the return of its ancestral lands on which Clark air base stands. The tribe is scattered over 17 settlements along the foot of the mountain range of Zambales and on the west side of the towns of Floridablanca, Porac, Angeles city and Mabalacat. About 75 to 80 families reside in each settlement.

In Pampanga alone, there are an estimated 8,925 Aetas. A good number of them live on the boundary of the base, surviving through swidden farming, scavenging in base dumpsites and occasionally working as night guards in the base. If the base perimeter is expanded, they face possible eviction.

6.3 Assessment

A decline in the living standards of base-dependent households would be inevitable in the event of the closure of the base. But even without a base withdrawal, living standards of poor sectors are likely to decline with the enforcement of the Manglapus-Schultz Agreement (1988) on the relocation of squatters. For instance, as reported in the provincial paper, most of the 400 families of Macapagal Village, which is currently the subject of a relocation project,

refuse to be relocated as they would be deprived of their only means of livelihood. They have been farming a 90-hectare area in the village with an average annual income of P15,000 for each family. (*Mabuhay*, 5-11 April 1989.)

Whereas the urban poor sector outside the base depends on Clark for its survival, the presence of the base has threatened the very survival of the Aeta community. In all the years of the existence of the base, no real government program has ever been designed for the Aeta tribe. In Part One of this study, the research team recommended the use of the reverted base lands right next to Clark for and by the Aetas. If this can be done now even while the base exists, it would help alleviate the conditions in which the tribal community lives.

The agricultural potential of land in the Clark area combined with the peasant background of the urban poor community make the use of the base land for agriculture a viable alternative. Note the comment made by US Senator Mike Mansfield in his report to the Senate Foreign Relations Committee in 1975:

(Clark) covers such a vast area that squatters operating surreptitiously are said to have

raised an estimated \$10 million worth of sugar cane of base lands (in 1974). (*Winds of Change: Evolving Relations and Interests in Southeast Asia: A Report to the US Senate Foreign Relations Committee*, Washington D.C., 1975, p. 14.)

If that land were released to the ownership of Filipinos, think of how much income could be derived by communities in the area.

One sector the research team failed to consult is the group of scavengers who live off the refuse of the base. In 1977 the *Cabalen* Christian Scavengers Association composed of 700 families was organized. A similar organization was also created in Olongapo. Five years later, scavenger representatives from Olongapo went to the US Embassy in Manila to seek the reopening of the dumpsite in Subic. (Jo-Ann Maglipon, "Olongapo's Scavengers: Filipinos Who Would Die over American Garbage," *Week-end*, 1 August 1982.)

7. CONCLUSIONS

7.1 Summary of Sector Views

The dislocation anticipated in the event of a base withdrawal can be summarized in the following: fall in city revenues and a subsequent decline in the delivery of basic services; population outflow; capital flight; and stiff competition for job opportunities.

Against the foregoing scenarios, however, there is at least some agreement among the sectors that the adverse impact could be abated by feasible alternatives, some of which could be initiated even with the presence of the base. The current dynamism and initiative of the private sector in leading the community toward a "base-independent" economy is most exemplary and should be equally matched by Government.

The sectors also tend to agree on a mixed or diverse use of the base lands, giving due attention to both the developed (e.g., facilities for airport and aircraft maintenance) and undeveloped lands (e.g., lands utilized for military -- unproductive -- purposes). There is, too, a general consensus on maximizing the use of infrastructure already in place.

Despite their biases for or against base retention, the sectors were one in two very important issues: that alternatives should be provided to cushion the adverse effects of a US base withdrawal; and that they be made part of the planning and implementation processes of conversion. Ideas for conversion emphasized the possible use of the base lands as an airport and aircraft repair and maintenance yard; a commercial and agro-industrial complex; a massive housing complex; a retirement zone; and a recreational center (of the Disneyland or Las Vegas type).

The idea of an airport in the CAB area enjoys the widest acceptance among the sectors. The airport is expected to absorb the displaced skilled labor in the base as well as spin off related industries such as tourism, housing, and the hotel and restaurant industry. In the long run, these activities could also replace the revenue lost by the city. The cost factor, however, would involve the improvement and addition of transportation facilities not only along the Northern Expressway but also within the region.

Agri-business and other forms of agriculture-related ventures in the still undeveloped portions of the base lands appear acceptable to most sectors. Those expected to gain from this development would mostly be the urban poor, the tribal communities and the youth. Similarly, the development of a commercial and industrial complex is perceived to have great potential for labor absorption. Other sectors (e.g., women entertainers, urban poor, youth), too, could benefit from this move provided they are trained with the appropriate skills. The business sector, in particular, envisions an influx of both local and foreign investors once a favorable business ambience is created.

What is now needed is to test the feasibility of these conversion ideas with definite data. Unfortunately, except for a few, the sectors in Angeles have not seriously thought beyond the ideas raised above. Moreover, as each conversion idea is a special concern of a specific sector and interest group, further studies need to be undertaken in the light of the interests of the whole community and indeed the nation at large, rather than of individual segments.

7.2 Role of Government

Government should define as soon as possible the parameters for the start of off-base development, which can commence before the expiry of the bases agreement in 1991, in preparation for the conversion of the base lands and facilities themselves after 1991. In short, whether the bases remain or go, the goal of a self-reliant base community is a valid one and deserves immediate and sustained government support. In this connection, Government could examine the following aspects: area development, infrastructure support, skills training and business incentive schemes.

Regional and local development councils, with the active participation of the various community sectors and the assistance of technical groups, could start reviewing current off-base economic activities as a basis for determining other activities not only for the areas outside the base but even on it. Area development should begin with efforts to reduce the community's dependence on the base (through immediate skills training and livelihood programs) and improve the use of the reverted base lands which fall within the jurisdiction of the province. These steps could at least serve as interim measures until the base is actually withdrawn.

The conversion of the base land and facilities provides the most compelling reason for infrastructure development in the region. Transport and communication networks to and from this "new growth center" should be installed, rehabilitated or upgraded.

Furthermore, a realistic incentive scheme to attract potential local and foreign investors to the area might be considered. As the experiences of converted bases in the US show, the role of the business community is an important one. In the case of Angeles, Government should encounter little difficulty in obtaining the cooperation of the private sector which, on its own, has already launched initiatives to diversify business interests in the city. Government's role in this connection could be to see to it that the benefits from diversified industries be diffused to cover not just the owners of business but their employees as well.

7.3 Role of Community Organizations

On the part of the community, there is a need to enhance community organization and information programs and, when possible, livelihood efforts. An inventory of existing community resources (social, economic, and political) could be of vital importance in determining the extent of organizing work that has taken place and still needs to be done in the community. Fears of job dislocation can be allayed by realistic non-formal (outreach) programs perhaps with the help of the academic community, as is being tried in Angeles.

An off-base community information program addressed to the sectors with the strongest resistance to the idea of conversion should also be made. The program ought to be able to serve as a forum for clarifying questions arising from the base. Finally, the community can engage in livelihood schemes even without governmental support *provided* it is organized. For the sectors in Angeles, this would seem to be the ideal goal.

CHAPTER III

OLONGAPO CITY: PROFILE AND REPORT OF CONSULTATIONS

As in the previous chapter, this one summarizes and assesses the views of the sectors consulted in the Olongapo community. The presentation of data obtained from the different sectors is followed by an evaluation of the data and a profile of the community by sector and as a whole. When quantitative information is not available, anecdotal evidence is cited.

1. LOCAL GOVERNMENT SECTOR

Among the local officials consulted were the city mayor and vice- mayor, the city treasurer and the planning officer, members of the city council, health and education officials, as well as leaders of the Bataan provincial government.

1.1 City Government

The views presented here are those of Mayor Richard Gordon, Vice- Mayor Crispin Elizaga, and various members of city council and other local agencies.

1.1.1 Olongapo City Government Views

The city government is convinced the removal of the naval facility would cause a substantial dislocation for the city and its residents. Though no data were readily available to support their views, local government officials based their assessment on the following premises:

First, the naval base is currently a major source of employment for a large number of skilled workers engaged in its maintenance and operation;

Second, the naval base has stimulated the growth of service industries, particularly recreation, related to the base;

Third, employees and businesses in and around the base earn a large share of their incomes from the base and base-related activities, which income in turn has augmented the city's revenues; and

Finally, the present base occupants to a certain extent also directly provide services to the local populace, such as medical supplies and facilities as well as financial assistance to small- scale industries

in the city.

The termination of the bases agreement without further provision, therefore, is expected to cause severe social and economic repercussions, the most often cited being the closure of business establishments and industries dependent on the base. The most obvious consequence would be an increase in the city's unemployment rate. Other effects foreseen were:

- (a) Population decline as migrants return to their places of origin, turning the area into a "dead city";
- (b) Reduction in infrastructure projects and in health and education services because of the withdrawal of the ESF fund along with the base;
- (c) Lower city revenues ("the city would become a third class town"); and
- (d) Deteriorating peace and order owing to increased unemployment. (Despite direct confrontations with the New People's Army in Angeles, there has thus far been no problem with the insurgents in Olongapo because, if one city official is to be believed, Olongapo "also serves as the NPA's R&R area.")

Local officials were emphatic that in the event of the removal of the Subic base, support from the national government would be crucial to the success of the conversion. City officials suggested the possibility of setting up factories, an airport, export processing zones, and ship repair facilities as possible alternatives to the base. To attract tourists and foreign investors, they also suggested that more hotels, parks, a sports complex and golf course be constructed. (These suggestions have not gone beyond loose concepts, however.)

Vice-mayor Elizaga stressed that even with alternative proposals to the base, the main problem would lie in the lack of financial resources. He indicated that the maintenance of the city's own services comes from the base. (Apparently not in any direct way, however. The magnitude of direct transfers from the base authorities to the city government, at least in the last few years, has been insignificant as a share of total city revenues.) Thus in case of a pullout, the city would be paralyzed. Apart from base workers with a 20-year record of service, who can apply for immigration to the US, the rest of the city would suffer. He did admit, though, that provided there are alternative employment and business opportunities, "life in Olongapo (would) go on."

1.1.2 Assessment

The validity of the local government's general assessment of the city's current degree of dependence on the base cannot be denied. From the viewpoint of the local government, and for both politicians and bureaucrats alike, the important gains to be had from the continued operation of the base in its present form are to be found in a large population and a correspondingly large revenue base.

For elected officials, and especially those with national aspirations, the benefits of a large population base are evident in the larger electorate this represents. This is what is precisely threatened should a base withdrawal be accompanied by a sharp drop in Olongapo's population. Its claim to the status of a chartered city (together with the political independence that implies) might itself be endangered.

From a bureaucratic viewpoint, on the other hand, the reduction in city status has consequences expressed mainly in the reduction of city revenues, which affects both the size of the payroll and the discretionary power afforded government officials. There are two sources of revenue: direct revenues and transfers from the national government, notably also from the Economic Support Fund (ESF).

City revenues derive mostly from taxes on goods and services and property taxes, which make up more than 70 percent of total tax revenues. Of the former, the most important category is the municipal business tax. Given the structure of the local economy (see Table 10 next page), business taxes are directly or indirectly related to the base. The same may be said of the real estate business; the high value of real property in the area ultimately owes to the demand for housing by naval base personnel. The reduction of this demand will, of course, depress the price of rents and consequently, the price of land and taxes.

It is also worth noting that in recent years, the importance of some forms of revenue closely related to the presence of the base, such as amusement taxes and hotel taxes, has been declining.

Table 10. Composition and Trend of Olongapo City Revenues (Percent of total revenue excluding internal revenue allotment), 1981-88

Year	Property Taxes	Taxes on Goods and Services	Other Taxes
1981	29.40	38.91	31.69
1982	29.53	36.72	33.75
1983	30.75	37.99	31.26
1984	29.26	41.24	29.49
1985	27.9	246.10	25.98
1986	29.79	45.06	23.96
1987	26.57	50.50	22.93
1988	26.67	51.80	51.52

Source of basic data: Report of Revenues and Receipts, Treasurer's Office, Olongapo City, various years.

The other cited effect of a base withdrawal on city revenues was the loss of the Economic Support Fund (ESF), but more broadly we may classify ESF financing under transfers from the national government. Until recently, the disbursement of ESF was expressly biased in favor of the areas surrounding the bases. This may be gleaned from Table 11 below. Between 1979 and 1985, for example, fully 65 percent of the ESF accrued to Region 3, which hosts both the Subic and Clark facilities.

Table 11. Allocation of Economic Support Fund by Region, Cumulative for the Period 1979-85

Region	Total Amount (in million pesos)	Share (%)
NCR	35.66	1.3
I	258.01	9.6
II	76.69	2.9
III	1,744.89	64.9
IV	99.09	3.7
V	85.46	3.2
VI	91.65	3.4
VII	52.71	1.9
VIII	72.85	2.7
IX	39.40	1.5
X	57.75	2.2
XI	37.75	1.4
XII	33.88	1.3
Total	2,685.79	100.00

Source: Clark and Subic Fact Sheets, June 1987, as quoted in R. G. Simbulan, A Guide to Nuclear Philippines (1989), p. 30.

But since the outbreak of the recent economic crisis, and different from what it was at its inception,

the recent system of ESF disbursement has actually ceased to favor the areas immediately surrounding the base. Instead, the funds have been disbursed to provide budgetary support, with the base-dependent areas no longer the principal recipients of the money.

In turn the share of transfers from the national government has assumed an unusual importance in local government revenue in recent years. There has been a large leap in the internal revenue allotment (IRA) for Olongapo, especially for the years since 1986. Last year the IRA rose 43.27 percent, and the year before that by 18.45 percent. This development has somewhat eased the reduction of the city's share of the ESF. Of course, the magnitude of IRA is likewise probably sensitive to the population size.

Quite apart from genuine concern over the costs of a transition, therefore, local political forces must be expected to resist any measure which would whittle away at the population and revenue bases of the city.

Perhaps because of its misgivings, the city government does not appear to have elaborated any contingency plans should the base go. Neither does it seem interested in seriously drawing up such a plan. Some city officials stated that as early as the first term of Mayor James Gordon, the City Development Office jointly with the Development Academy of the Philippines (DAP) had made a study of a free port development program as an alternative to the Subic base (which local officials insist is a "naval," not a "military" base). As far as can be determined, however, the "study" referred to was merely a proposal for DAP to prepare a feasibility study on developing the Subic port (entitled "Subic Bay Port Feasibility Study -- Proposal," DAP 1981). As far as the research team can determine, there have been no further actions along this line.

Whatever proposals have been put forward by the city government must therefore be regarded in the light of its principal concern over the costs of transition, i.e., reduction in revenue and population. The intent of most proposals is to disturb the existing land use, and hence property values, as little as possible. The demand of local government, therefore, is for the national government to ensure that the anticipated deficiency in demand from a base closure be made good through some other means. Furthermore, though not clearly articulated, the general tenor of proposals from the local government is understandably to introduce as little change as possible in the structure of the existing local economy, e.g. the suggestion to construct more parks, hotels, sports-complex cum convention center. This view is perhaps succinctly summed up in Mayor Gordon's dream of making Olongapo the "Las Vegas" of Asia.

On the other hand, from the viewpoint of the entire economy, it is neither sufficient nor necessary to maintain a particular absolute level of population or expenditure. In principle what one should watch for is that the level of per capita local government expenditure be maintained. If so, then a recession of the population should also entail a reduction of the absolute level of expenditures and, consequently, also the required revenues to finance these. In this sense, the present local government does not (and perhaps it is somewhat unfair to expect it to) realize the magnitude of the changes in the local economy which are consistent with a national (and the bases are a national issue) decision to terminate the bases.

From a strict welfare viewpoint, the more urgent matter for the national government is to decide on the magnitude of acceptable transfers or assistance to those potentially affected by a bases pull-out. These need not come in the form of government services through the city government (e.g., they may involve relocation or rehabilitation subsidies). Hence there is no particular need for concern over city revenues apart from the considerations already mentioned above.

1.2 Bataan Provincial Government

The views and arguments of the Bataan provincial government are taken from an interview with Governor Leonardo Roman and a paper he issued during the Manglapus-Schultz negotiations entitled "Bataan Province: On the US Facilities." The paper attempts to summarize the results of discussions among the provincial leadership, admitting that "there never was an overwhelming but only a majority consensus" on the bases.

1.2.1 Views of Bataan Provincial Government

The discussions centered around three main issues: the question of sovereignty, external defense, and the economic effects of the bases.

On the first issue, the majority view is that

a part of our sovereignty is sacrificed with the overwhelming presence of American forces, but this is a natural occurrence everytime a sovereign nation allows another nation to occupy part of its territory.

Second, on external defense, the US presence

has been a deterrent rather than a threat to us. ... (It is a fact that no unfriendly nation has tried to invade our country in the 41 years that we have hosted the American facilities. We have saved on military expenses that we would otherwise incur for external defense.

Third, in assessing the economic effects of the bases,

a distinction is made between the national and the local impact. The bases have "helped a lot in strengthening our national economy." However from the viewpoint of the province, the bases, specifically the Subic Naval Base, has been a deterrent to the Progress of Bataan. They have sort of 'fenced off' the three adjacent towns to the base preventing natural flow of commerce to these towns. In the last 41 years, or since the signing of the Bases Agreement, the development of the Western Portion of the Bataan peninsula has been stunted. The towns of Morong, Bagac and Hermosa have the lowest GNP among the twelve (12) towns of Bataan. The restrictions around the areas surrounding the base land and at least 4,450 hectares of coastal areas whose waters are rich in aquatic resources remain untapped by fishermen, particularly those from Bataan.

The provincial leadership supports the proposal from the NEDA regional council ("with some minor modifications") to create an alternative metropolis to Metro Manila, with the Clark-Subic area serving as the nucleus. (See review of the New Town approach in Chapter IV, Part One (revised) of this study.) Under this scheme the province hopes industries ancillary to the Subic development ("light industries such as those of the assembly type") may be created in Morong, Bagac and Dinalupihan. If heavy industries are to be set up, the provincial leadership prefers that these be zoned within the Bataan export processing zone (EPZA), "which already (has) the facilities and manpower components necessary to sustain such enterprises."

The Bataan paper further points out that two-thirds of the area occupied by the naval base (9,611 hectares of "prime real estate" and 4,450 hectares of coastal areas) fall under the jurisdiction of Bataan. Should the base be retained, the province is seeking a commensurate share in the resulting compensation for the areas "which the province has not utilized for any economic gain that it can yield for the last forty one years."

In an appendix to the paper by Gov. Roman, an attempt is made to quantify the foregone benefits from the presence of the base. Such benefits, in the opinion of the paper, come in the forms of output of rice, root crops, mangoes, coconut, livestock, fishing, and forest products. Some attempts are made to place a value on specific foregone opportunities over the 42-year period, but no aggregate figures are presented.

1.2.2 Assessment

Despite the fact that the larger portion of the base-occupied area falls under the jurisdiction of Bataan (i.e., Morong and Hermosa towns), the province has not had any large say (or interest until lately) over the issue. This is because there is no local constituency which has a strong interest one way or the other in the base.

Unlike Olongapo, for which the stay or withdrawal of the base has an immediate and palpable economic impact on definite sectors of the population, for Bataan the losses are in the form of more contingent and (perhaps in the population's mind) abstract foregone opportunities over which no clear property rights are delineated. Perhaps a more subtle form of loss from the base is that, as a result of years of its existence, it has been "written off" in the calculations of the local populace who may have benefited from the areas the base occupies. Intended or not, a subtle feature making for stability of the Subic facility is that on the one hand, the claims it pre-empts are vague and diffuse (e.g., the sparsely populated areas of Bataan), while on the other, the claims it makes are defined and concentrated (e.g.,

those in Olongapo).

Without a strong lobby of those whose property rights are adversely affected by the base's presence, it is understandable that local officials (who usually respond mainly to electoral pressure) will not push too strongly one way or the other. This is the case in Bataan.

The evident interest of the Bataan government is to use its jurisdiction as leverage to obtain a share of national government transfers, possibly as a result of a larger compensation package for the bases. This is, of course, a perfectly legitimate demand. But whether or not Bataan obtains a larger subsidy on this basis, two things need to be pointed out. First, even though one may quarrel over the figures, there are sound economic grounds for seeking to quantify foregone opportunities in the last 42 years of the naval base's existence. Carried out carefully, such calculations could provide the basis either for establishing a baseline figure for minimum incomes to be earned on lands now occupied by the bases.

Second, the question of the relationship between local versus national interest is brought to the fore. The Bataan government rightly points out that, conceding the fact of the bases' positive economic impact on the national level, the proposition is equally valid that Bataan has not gotten a share of it, and therefore that the local interest has for decades effectively been sacrificed to whatever "higher goal" the bases serve. The argument demonstrates how, in the past, local considerations were superseded in national decision-making by "higher" or more "strategic" considerations.

This principle cuts both ways, however. It implies that the question of the bases' future cannot be decided primarily on the basis of local interests, but must be a decision taken at the national level. For example, it means the welfare of the entertainment industry in Olongapo cannot be the primary consideration in a decision regarding the bases, and that this local interest can, in fact, be sacrificed.

2. BUSINESS SECTOR

This section considers the views of the following business groups in the city: Olongapo Business Association, Olongapo Free Port Movement, Barretto Businessmen's Association, Gordon Avenue Businessmen's Association and the Federation of Public Utility Transport Services.

2.1 Views of Various Business Associations

The Olongapo Business Association spoke of the need to put up livelihood projects for those who might be displaced by a base withdrawal. It was pointed out that there are some 140 business establishments that might be affected, 80% of which are night clubs. At present, there are hardly any livelihood programs in the city.

The Department of Industry, which is undermanned and has meager resources, is the only agency involved in this kind of endeavor. The association then suggested that the local and national governments begin to plan measures that can immediately be implemented in order to cushion the effects arising from a closure of the base. According to the businessmen, some projects are already being implemented on a piece-meal basis, such as the training on cosmetology and dressmaking given by the Department of Education and Culture to some entertainers in Barrio Barretto.

They added that their association, in cooperation with the city government, has already installed a pilot project in garment-making in Barrio Barretto. But because of the lack of resources (e.g., funds and technology), the project has not proceeded smoothly. Like the city government, the association called for support from the national government. As the project presently stands, for example, a financial outlay of some one million pesos is required. Without national government support, therefore, the project is bound to falter. In the meantime, the group claimed it sponsors shows similar to the Mardi Gras in order to generate funds for the city.

2.2 Views of Olongapo Free Port Movement

A vocal group of businessmen led by Mr. Conrad Tiu and consisting mostly of real estate owners, a good number of whom are native to the city, have launched a movement to develop a Hongkong-style free port in Olongapo alongside Subic naval base. The idea is to reduce the city's overdependence on the base for business and livelihood opportunities. It is important to note that of all the groups consulted in the city, it was only this one which had a prepared proposal. The proposal expressed more concern for

the survival of the native families of Olongapo than for those who came to settle for business purposes. The proponents assumed that the latter would leave anyway once businesses were no longer profitable.

The free port concept is said to suit the physical attributes of Olongapo with mountains serving as natural barriers and with only two sea channels. Proponents of a free port envisioned the following:

- (a) Olongapo would become a market for investors and a trading center;
- (b) Philippine commercial attaches all over the world would facilitate Olongapo's promotion as a free port; and
- (c) Commercial transactions between Luzon and Visayas would be facilitated.

Part of the reason for the group's proposal stems from the present depressed state of the housing and real estate industry in the city. At present American standards on housing are imposed on local businesses. Also, entertainment bars inside the base offer higher wages to local women and workers than those outside the base. But competition from the base itself constitutes an even greater problem. The construction of housing units inside the base, for instance, has drawn away the clientele of off-base privately-owned apartments. Hence the need for new sources of income.

The business sector underscored the role of the national government in handling the bases issue. For example, except for the UP effort to consult the people of Olongapo, there has been no similar effort by Government to deal with the base communities who would be most directly affected by the withdrawal of Subic. Hence the businessmen strongly recommended the participation of local authorities and people in the management of an alternative plan. If the free port concept gains acceptance even with the presence of the naval base, the businessmen asserted that the transition period need not be delayed.

At the same time, they expressed the fear that the conversion study might only be used to serve political ends, particularly as a bargaining leverage with the US government.

2.3 Views of Federation of Public Utility Transport Services

For their part, public vehicle owners emphasized that they are very dependent on the base for their survival. They place the number of public vehicles plying Olongapo as follows: 1,270 jeepneys; 1,801 tricycles; and 500 buses and mini buses.

Representatives of the transport sector estimated that some 8,300 persons (aside from those working with unregistered vehicles) are dependent on the transport industry. As in the previous presentations, the transport sector asked for detailed project studies with special attention given to the generation of employment opportunities. They, too, stressed the need for full government support at the local and national levels.

2.4 Assessment

The Olongapo economy is a classic example of unbalanced development, with services being heavily represented. There is little by way of manufacturing. This is suggested by Table 12), which shows the

Table 12. Registered Businesses by Type and Number in Olongapo City, 1988

Type of Business	Number	Percent of Total
Various services	597	8.9
Trading	3,087	46.5
Real estate and finance	1,695	25.5
Recreation	719	10.8
Food and tourism	223	3.4
Manufacturing	52	0.8
Miscellaneous	179	2.7
Total	6,465	100.0

Source: Olongapo City Profile, City Planning and Development Office, 1988.

services sector as accounting for some 38 percent of total registered business establishments. Unfortunately, no estimates of revenues of establishments can be found.

The negligible share of manufacturing is remarkable. It should be noted that the dependence of the community on the base is probably understated by the share of recreation and food and tourism (about 14 percent), since many of the other service and trading activities are spin-offs from base-related activities. For example, the large number of variety stores under "various services" is probably dependent on a base-related market; the large number of insurance and real estate agencies derives from the demand for land and housing coming from US base dependents.

A different set of data suggesting the same picture is presented in Table 13 (next page), which shows a distribution of employees working in enumerated establishments by rough categories. (Agriculture is excluded.) Here the prominence of two categories is readily evident: those engaged in entertainment, and those in domestic and personal services. Together they account for almost the entire listing (91.4 percent). The number of persons who may be regarded as being employed at a job requiring some degree of skill is only about 3.4 percent of the total.

From these one concludes the Olongapo off-base labor force is mainly unskilled. The business sector itself, after decades, has not really developed activities that might serve as the start of an alternative. Rather the lucrative nature of entertainment, food, lodging (and property-related services such as insurance and banking) has eclipsed all other projects. The "alternative" projects (e.g., "livelihood" projects) cited by the businessmen do not seem capable of attracting private capital. This is also the likely reason for the call for government support, since businessmen themselves do not consider these "alternatives" profitable enough (compared to their existing lines of activity) to engage in themselves.

Table 13. Employees Working at Different Registered Establishments in Olongapo City, 1988

Category	Number	Percent of Total
Entertainment	5,459	60.9
Domestic services	2,736	30.9
Skilled & technical	303	3.4
Supervisory	168	1.9
Miscellaneous	289	3.2
Total	8,955	100.0

Source of basic data: Olongapo City Profile, 1988.

More than the professionals, perhaps, the transport sector must be regarded as being among the greater potential losers from a removal of the base. Unfortunately, not much is known about the ownership structure of the sector, and the figures supplied by representatives of the transport sector are difficult to verify.

As for the free port proposal, certain problems need to be addressed before it can be taken seriously. The first has to do with the viability of the general concept of a "free port" in Olongapo. Offhand, the experience of free ports such as Singapore and Hongkong suggests that it is not the status of "free port" that confers the benefits of growth upon a settlement. On the contrary, it is the prior advantages of a port relative to others -- in terms of geography, some minimum size, a historically evolved role as entrepot -- which make it sensible to declare the area a free port. At present, few of these characteristics are found in Olongapo: the infrastructure is poor; the volume of passenger and cargo traffic, nonexistent; and business interest in other than base-related activities, somewhat mediocre, to say the least.

It may therefore be seriously doubted whether declaring Olongapo a free port would suffice to drum up enough internal or international interest to provide the basis for a renaissance. At the very least, heavy infrastructure improvements (in transport and telecommunications) as well as in the skills support would be required. Indeed if one were to propose a free port, between Olongapo and Cebu (which has apparently

picked up the idea from Tiu's group) the cost-efficient choice would be hard to make in favor of Olongapo.

Second, Tiu et al. consider it feasible to implement the free port concept even while the present facilities are in place, as a development "alongside" the base. This, in turn, raises several problems, the most important of which is Philippine access even to that portion of the bay not occupied by the base. This was, in fact, one factor raised by Philseco in explaining the firm's rather weak performance (see next section).

An important point brought out by Tiu's group is the competition between local businessmen and the base itself, particularly in the case of the housing and entertainment industries. In another sense, however, such competition nudges local businessmen to consider other entrepreneurial activities and hence, lessens base dependence.

3. PHILIPPINE SHIPYARD AND ENGINEERING CORPORATION (PHILSECO)

Philseco started out as a joint venture between the Philippine government through the National Investment and Development Company (NIDC), which owns 60 percent, and the Japanese firm, Kawasaki Heavy Equipment Industries, Ltd., which owns 40 percent. Since one concrete measure that all affected parties have cited in the event of a non-renewal of the bases agreement is the possible development of Philseco, the company's current situation must be examined. Mr. Rogelio Tandingan, who was then the administrative officer, was interviewed for this purpose.

3.1 Views of Philseco Official

Mr. Tandingan cited the problems the company faces: a debt overhang, which contributes to overhead; competition from similar facilities in Singapore; low labor productivity; and restrictions in the nature of jobs the firm can take on owing to the presence of the base. In particular, Philseco can generally serve only ships from countries friendly with the United States. These problems are the largest impediments to the company's expansion.

Dry-docking is Philseco's main activity. US dry-docking facilities at the naval base can accommodate at most 24,000 tons net weight at a time. Philseco, by comparison, is capable of serving and storing 300,000 tons of tankers. Indeed when the base is overloaded, some of the work is at times farmed out to Philseco.

At present, Philseco has a labor force of about 300, consisting mostly of Filipino workers and some Japanese. However, there are substantial differentials in pay scales, even for jobs requiring the same skill.

The firm's representative regards the presence of the base as being more of a handicap than an aid to business, despite the occasional job assignments thrown their way by US authorities. His argument is based on the adverse effect the base has had on Philseco's work force composition and on the volume of business: first, because the naval base attracts the better workers owing to its higher pay scales; and second, because Philseco has had to turn down some business (e.g., some commercial ships from the Soviet Union) owing to US objections.

3.2 Assessment

The Philippine government spent P = 384 million to establish Philseco, but under-utilization is evident. There are reported current moves by Government through the Asset Privatization Trust (APT) to sell off Philseco. The financial plan

calls for the writing down of the company's equity to zero and to convert (sic) the firm's foreign debts into government equity (*Manila Chronicle*, 1 May 1989).

This will mean an increase of the share of Government to 97.5 percent and a dilution of KHEI's to 2.5 percent. KHEI may choose to exercise its option (until September) to buy part or all of Government's shares, although other foreign buyers are also reported to have expressed some interest.

The renewal of interest in Philseco may be due to the revival of the shipping industry and the overloading of capacity in Singapore. As a result of the spillover from Singapore, Philseco's business has revived enough to allow it to earn a positive net operating income for the first quarter of this year, the first time it has done so.

Nevertheless some questions need to be clarified:

(a) Would nationality requirements (e.g., minimum 60 percent Filipino ownership) still apply to Philseco when it is sold off?

(b) What are the continued prospects for the shipping industry and in particular, the dry-docking capacities in Singapore?

(c) Is it proper for Government to let go of ownership at a time when the company seems to be making money?

One especially relevant issue is to what extent the change in ownership of the company (if plans are carried out) might affect the responsiveness of the company to the requirements of adjustment in a post-bases scenario. Privatization undoubtedly removes the risk of further losses from Government and reduces the debt burden through a capitalization of whatever future returns might be derived from the company. On the other hand, it may also have a negative impact on the ability of Philseco to contribute in a more locally responsive manner as, for example, in the matter of recruiting local people.

In all, however, the revival and expansion of business at Philseco (regardless of the ownership question) would contribute to a renewal of confidence in continuing economic activity in the area even after a termination of the base agreement.

4. PROFESSIONAL, YOUTH AND NON-GOVERNMENTAL ORGANIZATIONS

In this section the opinions of the representatives of the city Jaycees and Rotary clubs, Soroptomist International, and youth organizations such as the Student Council of Columban College and the Olongapo Intramural Athletic Club are discussed. The research team also interviewed two active non-governmental organizations in the city, the Prevent and Rehabilitate Drug Abusers Foundation, Inc., and Kasarinlan, a newly formed organization for the purpose of seeking alternative uses for the US bases

4.1 Views of Professionals

The professionals consulted cited the reasons for the retarded growth of the city: first, the lack of aggressive and determined efforts on the part of the local government to attract investors for business other than "rest and recreation;" second, the poor enforcement of the city government's licensing power, which tends to be imposed upon it by base authorities; and third, the direct competition arising from the base vis-a-vis local business. (The group cited the case of Mr. Tiu who they claimed provides the highest wage rates among local business establishments in Olongapo, but whose wages are not competitive enough to retain workers in their jobs.)

Some in the group also expressed their apprehension over efforts by certain sectors of the city to "misinform" local citizens about the base issue. They claimed that these sectors tend to associate the base withdrawal, whether partially or totally, with negative results such as a rise in unemployment. As a result, people's attitudes become antagonistic, thereby preventing the formulation of a successful and effective conversion plan.

In view of this, they stressed the need to formulate a comprehensive plan which would not only answer the immediate problem of unemployment and dislocation, but also the long-term development of the local economy within the base communities (Olongapo, Bataan, Zambales) in the context of Government's national economic policy.

Such a plan would have to include the following:

- ☐ Educational or information campaigns to explain the conversion plan, its problems and strengths;
- ☐ Full commitment from the national government, especially its resources;
- ☐ Measures to absorb the labor displaced during the conversion process; and
- ☐ Coordinated planning with the provinces of Bataan and Zambales since portions of the base lands fall within their respective territories.

Finally, the group expressed the hope that the UP study would be able to transcend political ideologies and offset some of the adverse effects generated by misinformation on the base issue.

4.2 Youth Sector Views

From the point of view of the youth who attended the consultations with local government officials, Subic base does not only provide them job opportunities but also training programs. They mentioned the "Summer Employment Programs" as having helped deserving high school students learn skills and earn money for the next year's tuition. Thus they suggested that in order to maintain the productive opportunities for the youth, alternative jobs and training programs must be provided. They also recommended that information campaigns to help cushion the impact of a base pull-out by opening people's minds to the possibilities and opportunities arising from the conversion process. The youth were not all averse to the removal of the US bases, however. In fact, their attitudes tended to be open and constructive rather than fearful of what is to come.

4.3 Views of Non-Governmental (NGOs) and People's Organizations (POs)

Kasarinlan (Kampanya para sa Sariling Industriya, Lupa at Nasyonalismo) is a newly established organization in Olongapo-Zambales whose main objective is to find alternative uses for the US bases in "line with nationalist plans and strategies that are geared towards the attainment of genuine peace, freedom and democracy." (*Kasarinlan*, Background Rationale, 1989?) Pursuant to its objective, the group set down the guidelines for conversion, summarized as follows (*Kasarinlan*, "Some General Steps and Reflections for a Successful Conversion Strategy):

(a) Advantage of conversion: If linked with land reform and a "Filipino first" policy, it could put an end to insurgency and bring the rebels to the negotiating table. "It is vital that the area where Conversion will take place must be demilitarized both by the NPA and the Phil. Military."

(b) Features of conversion plan: It must be prepared in advance to give people time to prepare for it; it "must be owned and operated by Filipinos and for the benefit of Filipinos as individuals and as corporate industries;" and if it calls for the continued presence of the bases after 1991 "as part of the overall framework for gradual removal and conversion, it must be made over a reasonable and well-defined period of time."

(c) Creation of Local and National Economic Conversion Commission: It must be multi-sectoral in composition and must enhance the participation of groups outside of Government; work closely with the Department of Trade and Industry and, in the case of the local commission, assist non-governmental and people's organizations in their educational programs for public consciousness and preparation for the bases withdrawal; and must call on the support of governmental and non-governmental agencies working on social welfare, health and other services.

(d) Forms of assistance during the transition phase: These include setting up of training (and re-training) programs for "civilian style of work" and for unskilled workers and women entertainers; income support for employees who will be temporarily (underscoring theirs) out of jobs while undergoing training; and incentives for small manufacturers who wish to set up businesses in the base areas, "especially those who wish to convert ... Bars, Night clubs and Hotels (in)to small industries to complement (the) needs of the converted Base."

(e) Priority groups: These are base workers and hotel and bar workers, who should be given priority in employment opportunities offered by the converted industries; and Negrito communities in recognition of the base areas as their original ancestral lands.

Where *Kasarinlan* has thought out the guidelines for conversion, the PREDA Foundation (Prevent and Rehabilitate Drug Abusers) has actually engaged in retraining and livelihood programs for some of the worst victims of the ill effects of the base: drug users. Founded in 1973, PREDA has been able to turn a modest non-profit endeavor in handicrafts (as part of its rehabilitation and retraining service) into an export business, attracting initially only the young but lately, even some women entertainers. Fr. Shay Cullen, who has lived in the city for more than a decade and runs the Foundation, is unabashedly opposed to the US bases. According to him, where handicrafts once lined the streets of Barrio Barretto (and others just outside the city proper), today women await their customers.

4.4 Assessment

The stratum of professionals in Olongapo, apart from those employed by the base itself, is rather thin

and difficult to characterize. This fact is due to the structure of the Olongapo economy itself, as discussed previously. The sector of professionals would include government employees in the middle and upper levels, public and private school teachers, and self-employed real estate and insurance brokers. It is, however, difficult to place their number. Those whom the research team met were generally more open-minded than, say, politicians in considering a possible dismantling of the naval base.

The research team also obtained the impression that many professionals are native to the place, but have links (owing to previous training and acquaintances) to Manila. This suggests some occupational adaptability and mobility which might help this sector adjust in the event of a base removal. It is evident, nonetheless, that elements of this sector will also be adversely affected by a base withdrawal. (Indeed, some professionals active in the anti-bases movement survive presently only by providing services whose viability is related to the retention of the base, e.g., insurance.)

Virtually half of the Olongapo population (49.4 percent in 1987) is 19 years old or younger. Moreover, there is a dearth of good educational institutions in Olongapo (see Table 14, next page). As of 1988, there were some 22,355 pupils enrolled in public elementary schools. In addition, public high schools served some 19,730 students while private high schools took in 6,606. Given the local economy's bias in favor of the entertainment industry and domestic services, it becomes even more important that vocational and technical institutes be created so as to ease the transition to a self-reliant economy.

Table 14. Number and Type of Educational Institutions in Olongapo City, 1988

	Public	Private
Elementary	22	13
Secondary	5	6
Collegiate	-	2
Vocational/technical	8	2

Source: Olongapo City Profile, 1988.

Furthermore, the work done by NGOs in Olongapo is the best proof that their ideas and services will be necessary in planning and carrying out conversion programs. First of all, the fact that organizations outside of Government are even beginning to think of conversion possibilities is in itself a welcome development. Moreover, the guidelines drafted by *Kasarinlan* could provide the policy framework for Government conversion planners. The guidelines are realistic even as they recognize national interest and express a clear preference for the disadvantaged and neglected sectors in the base communities.

Similarly, the efforts by PREDA Foundation to wean drug users away from their addiction is, in a symbolic way, akin to conversion plans that would draw the communities away from dependence on the bases. The fact that PREDA's handicraft activity has turned into a business venture shows that community organization and initiative can work. It also demonstrates the urgent need to develop new skills in the area.

5. BASE LABOR

The research team met thrice with officials of the Subic branch of the Federation of Filipino Civilian Employees Association in US Bases in the Philippines. Their views are discussed in this section.

5.1 Views of the Federation of Filipino Civilian Employees Association (FFCEA-Subic)

In contrast with the city government officials, the base workers presented a more open and positive approach to the possibility of a base conversion despite the fact that they directly benefit from the base. Understandably, the Federation held the view that any alternative use of the base must take into account the labor displaced in the process of conversion. Subic base alone employs more than 20,000 workers, covering a broad range of skilled labor from machinists, meteorologists and shipbuilders to computer experts.

At the same time, given the cost of setting up a new base outside the Philippines (\$15 billion), and the required period of stability for a new base (10 years), the Federation believes that the Americans cannot easily replace the well-trained Filipino workers. They therefore raised the possibility of a good number of base workers moving along with the new base.

However, they stressed that in case of a base closure, Olongapo by itself cannot do anything without the help of the national government. And since the conversion process calls for comprehensive planning and enormous resources, both human and monetary, private efforts alone will not suffice. In addition, the central government would have to come up with a unified initiative.

In the view of the base workers, the most feasible alternative to Subic is to convert its facilities into productive industries and services. The ship repair facility (SRF) inside the base is one such example. There are, in addition, three wharves which can accommodate 25 US naval vessels at a time and which would be ideal for docking commercial and fishing vessels. Subic also has a boat shop, a rigging and sail loft shop, a machine shop, and a sheet metal shop (which could be tapped to supply the needs of the naval industry).

The Federation seemed confident that if converted into a large ship construction and repair facility, the new outfit would be able to take in the 3,400 individuals presently employed and perhaps more. Aside from this outfit, the facilities are capable of producing farm implements and basic tools on a large scale.

One important point raised with respect to base employment was the issue of wages of Filipino base workers. According to FFCEA, Filipino workers are the lowest paid when compared with workers in other US overseas bases. For example, in 1982 a Filipino worker received \$2,300, while his counterparts received much more for the same job and the same output: in South Korea, \$4,600; in Japan, \$14,000; and in the US, \$17,000. The US government therefore actually saves a tremendous amount by employing Filipinos.

Moreover, in the technical wages survey conducted by base authorities, which ranked 36 companies in Manila according to the wages of their clerks, Subic ranked number 18. The US argument is that they do not want to compete with the multinational firms. Thus while the Federation recognized that the base employs several thousand Filipinos, they also admitted that working in the base has its own weaknesses. There, too, is the problem of security of tenure since Filipino base workers may be terminated from work at any time their American employers deem it proper.

In case of a withdrawal, some workers stated that they would prefer to stay in the Philippines if provided alternative jobs. They added that others would probably migrate to the US or move to another base if offered jobs there. About a quarter of the direct hire personnel in Subic could apply for immigrant status, having rendered 20 years of service. Interestingly, the workers added that Saudi Arabia is attractive at present because it offers much bigger pay than the base.

To conclude, despite their preference for the retention of the bases, representatives of the union maintained that with or without Subic, the Philippine government should already start working out the arrangements which would be beneficial and fair to Filipinos, including not only higher rental (compensation) rates for the use of the base, and better pay and benefits for Filipino base workers, but a plan that would be as smooth as possible.

5.2 Assessment

The problem of adjustment for the base workers is probably much less than for the other sectors of the local economy of Olongapo. An important reason for this is found in the comparatively high skill and educational levels among the base workers, which makes them highly marketable as well as highly mobile. An impression of this may be obtained from the fact, cited by union members themselves, that the Middle East job market currently provides stiff competition to base employment, although of course it must be understood that not always the same opportunities are open to all classes of workers.

Another advantage of direct hire base workers in a post-withdrawal scenario is the distinct possibility of their being retained in US employment, though perhaps elsewhere, such as Guam. The idiosyncratic nature of many base jobs, combined with the competitive (in fact, internationally inferior) wages currently given to Filipinos, makes retaining the services of some of them a cost-effective alternative. In addition,

in the extreme case, as was frequently mentioned in the interviews, a significant cohort among the direct hires would be eligible for immigrant status. It is at least partly to these factors that one must trace the confidence (bordering on equanimity) of the workers regarding the possible closure of the base.

Contractual workers are also a significant number who, as shown in the foregoing table, exceeded the number of direct hires in November 1987 (see Table 15 below). Their increase from June to November (74% percent) and relative to the whole (from 44 percent of the total in June to 53 percent in November) has resulted in a higher ratio of contractual to direct hire personnel.

Table 15. Filipino Civilian Employees in Subic Naval Base, as of June and November 1987

	June	November
Direct hire	15,051	18,420
Contractor, domestic and concessionaire	11,902	20,732
Total	26,953	39,152

Source: U.S. Facility Fact Sheets, June and November 1987.

As in the case of Clark, this indicates a larger trend towards contractual rather than permanent labor. But to the extent contractual workers enter into a more arm's-length relationship with the base for specified work, their skills are not idiosyncratic, which may make it easier for them to seek re-employment once terminated.

6 WOMEN

The women interviewed by the research team were those who frequent the Buklod Women's Center, a night care drop-in center for children of women entertainers. The center is privately maintained by the National Council of Churches in the Philippines, with the Mennonite Central Committee and Gabriela (a national coalition of women's organizations).

6.1 Sector Views

Subic naval base is the main source of income for the women in the entertainment industry, who understandably strongly object to any removal of the base. Thus they stressed that women entertainers be given Government attention. There are some 9,000 registered women in the industry and an unknown number of street walkers (unregistered prostitutes). These women work in bars, massage parlors and other entertainment establishments which line the main road and side streets outside the gate of the base.

Anecdotal evidence suggests many of the women come from Samar and Leyte, although this is not discernible from statistics on the first language spoken by Olongapo residents (fully 81% percent reported Tagalog or Pampango as first languages). On the other hand, the concentration of migrants may be disproportionately higher in the entertainment sector. The women are poor and most have had only elementary education. Their families, however, rely heavily on their income for survival.

In a bar a woman may have one of several jobs--cashier, dancer, waitress or entertainer--which could include going out with customers, although some prefer not to at all. Not all women working in the bars, therefore, are prostitutes.

When hired for the first time, the woman must get a mayor's permit which, in turn, requires a chest X-ray, a pap smear, and blood and stool test. This permit makes her a legal worker. Streetwalkers, on the other hand, do not possess these permits. Any Filipina walking with an American can be stopped and asked for her "night off" pass: a piece of paper given to her when a sailor pays her "bar fine" (the amount of money paid to take the woman out of the bar). If she does not have this paper she can be arrested as a streetwalker.

In addition, all legal workers must have a bi-monthly VD smear, a chest X-ray twice a year, a physical check-up to renew the permit every year, and most recently an AIDS test twice a year. The tests are conducted at the Social Hygiene Clinic, a joint project of the city health department and the US Navy.

The woman has to pay for all the tests herself. If her smear is positive, the bar is contacted and the woman must report for treatment and desist from working until she is cured.

The pay for hospitality women varies according to the type of work and the individual bar. In general, wages for entertainers and waitresses are low -- about P5 a night. Some earn only by commission on "ladies' drinks," mixed drinks which the sailor buys for the woman while she keeps him company. Bar fines vary widely, from as low as P250 to as high as P1,200. Again, the woman receives much less than this amount. If a woman lives in the bar premises, she may not be allowed to leave unless her bar fine is paid, even if she is not on duty.

Furthermore, the incomes of the women are irregular, depending on the frequency with which ships come to port. During long stretches with no ships, a woman may have no income at all and could be forced to run into debts with the bar owner, or with friends supported by their American fiancées. Once the ship comes in, she pays off her debts and uses what is left for her personal needs and for her family in the province. When the ship leaves, the cycle of poverty begins anew.

Income levels of bar women are therefore difficult to determine, because of the seasonal nature of their employment. Women can earn more if they are willing to take on several customers in one night. But for many of them, the way out of poverty is to marry an American.

Thus owing to their socio-economic dependence on the base, the women refuse to even consider the possibility of a conversion plan. Pressed to answer what they would do if the bases went in any case, some replied they might return to their provinces. When asked if they were aware of the livelihood projects in Barrio Barretto, they replied in the negative. They added, however, that if available, the projects should be open to all, and not just to those connected with the local government. Some mentioned they would be greatly aided in changing their work if Government could provide them the capital to start up businesses of their own. There was a remark that most of the city government projects dealt with infrastructure development, not livelihood.

6.2 Assessment

The official figures on women in the entertainment industry (Table 16 below) suggest an increase in number recent years. Given their situation and their number, the women are an important, and at times very vocal part of the constituency for retaining the bases. Interestingly, local government officials are wary of calling them prostitutes. Instead, they are euphemistically called "social entertainers."

Table 16. Number of Registered Women Entertainers in Olongapo City, 1986-87

	1986	1987
Hostesses	4,374	6,730
Entertainers	1,238	1,907
A-go-go dancers	135	341
Masseuses	447	356
Total	6,194	9,334

Source: Statistics About Olongapo City, City Planning and Development Office, Olongapo City, no date.

Two things should be noted with respect to the women. First, there appears to be a high proportion of migrants among them, although this is difficult to pin down statistically. This implies that a post-bases transition could be followed by out-migration. Second, owing to the first factor, the form of compensation for a future without the bases need not always be location- or service-specific. In the case especially of migrants, an acceptable alternative could come in the form of cash transfers to help them relocate or go into business for themselves.

The other alternative -- which is more complex and requires some coordination -- is to develop skills among the migrant population which would enable them to integrate themselves in a future Olongapo

without the bases. This is difficult to do for several reasons. First, there is the question of the time input required of the women themselves. Second, there is the problem of resources on the part of Government. Third, some degree of foresight is required as well as coordination between potential employers and the current population. This is necessary if the skills to be developed among the population are to match those that will be demanded in the future.

7. CONCLUSIONS

The most glaring reality about Olongapo is its heavy dependence on the base. Given this fact, the following factors are here considered: the concerns of local government; possibilities of adjustment to a base-free economy; the need for adjustment assistance; the nature of benefits (and therefore potential losses) from the base; and the city's previous experiences of base-related dislocation. To a lesser extent, the conclusions in this chapter can be applied to Angeles.

7.1 Dependence on Subic Base

Olongapo, unlike Angeles, is almost exclusively dependent on the base. This is to be seen from its employment structure and the nature of its business establishments. The dominant sectors of the local economy are entertainment, domestic services, and real estate. In the case of the latter, the high value of real estate is obviously due to the inordinately high demand for housing by base personnel. In the past, this gave rise to a complacent attitude towards the base on the part of entrepreneurs, who were always assured of a significant housing market. As a result, alternative economic activities have not been developed. For this reason, too, Olongapo will impose greater requirements than Angeles for conversion planning.

The nature of the political fallout in the local area owing to a base withdrawal may be gauged by the economic sectors which would be affected. It is evident that those who will be negatively and severely affected are the following: entertainment and service workers, who are primarily dependent on the base; base workers, directly or indirectly hired by the base; real-estate owners; and local government, in terms of foregone revenues and reduced political bases and influence.

7.2 Tendencies toward Adjustments

In case of a base withdrawal, it is imperative to note tendencies in the past towards "natural adjustments." These are:

- (a) Migration to other regions by workers in the entertainment and services sector; and
- (b) Re-employment of base workers in other sectors of the economy and their possible migration abroad.

Other forms of adjustment must take the form of hefty cuts in income, particularly for workers who are displaced and for property owners. For example, some workers who used to work on the ship repair facility might be accommodated by Philseco, though perhaps with a significant reduction in pay. There is a gain internalized by Philseco, on the other hand, owing to better quality workers.

7.3 Adjustment Assistance

In the event of a reversion of the bases, the status of the base-related sectors might be compared to that of "declining industries," that is, industries whose viability and competitiveness have been severely impaired by structural changes (e.g., technological changes and shifts in comparative advantage), and which can survive only through extensive subsidies and protection. There is usually no persuasive economic case for sustaining such industries, except to the extent they are strategic. Rather, the principal complication involved in phasing them out derives from the repercussions on income distribution.

These repercussions are bound to be severe if the factors of production involved in these industries are specific to that industry and largely immobile. Then much of the adjustment would inevitably take the form of large cuts in the rewards of these "specific factors." When factors are mobile and easily employable elsewhere, however, the income cuts can be expected to be much less. From the discussion of the various sectors likely to be affected by a base closure, however, it seems evident that the labor component is mobile. (Landowners would not have the same opportunities, although it may be argued they are better able to bear the costs of transition.)

However, the consideration that almost all factors partake of some elements of specificity in the short-run is the basis for the argument for **adjustment assistance**. The purpose of assistance, however, is not to prolong the existence of such industries but rather to ease the transition. Its rationale is redistributive, and it should be directed at encouraging factors to shift out of the declining sectors, rather than giving them false signals to the contrary. In the case of workers in the entertainment and services sector, assistance may take the form of training programs or straight grants to facilitate relocation or the financing of alternative livelihood projects. The same may be said for base workers who cannot be immediately employed and who must incur relocation costs. For real estate owners, especially those who have invested heavily in the housing and accommodations business, adjustment assistance may take the form of credit restructuring to allow them a respite from amortization.

The redistributive aspect of adjustment assistance to affected sectors follows from the presumption that there are net gainers from the change, and that the net gains are sufficient to compensate the potential losers from that change. The argument in trade-theoretic terms is that the net gains from the new industries sufficiently outweigh the losses in incomes from the declining ones so that losers may be compensated for the change.

7.4 Non-quantifiable Benefits

One difficulty with the prospect of the reversion of the bases is that, while there may emerge real benefits to the rest of the economy, these benefits are diffuse and largely in the nature of public goods. They are therefore not acutely realized (because they are also not easily appropriated) by particular sectors. Needless to say, they are also not perceived by the sectors which are most immediately affected probably because the benefits are in the nature of externalities to the rest of the country, or lie somewhat further in the future. Among the benefits which cannot be internalized by the affected sectors are the reduction of nuclear risk, possible reduction of the incidence of sexually transmitted diseases, ecological balance, and other non-quantifiables such as the re-allocation of capital resources towards manufacturing, the redirection of entrepreneurial energies, and the like. Nonetheless these are benefits which perhaps ought to be perceived as such.

7.5 Previous Dislocations

There is an indication that at some point in the past, a kind of "withdrawal symptom" or trauma was already experienced by both Olongapo and Angeles, a kind of "dry run" for a base withdrawal. This occurred at the end of the Vietnam war when US presence and activity in the Philippines were significantly reduced. The effect of this might be seen from the fall in the number of workers employed in the hotel, restaurant and entertainment industries. After reaching a peak of 14,352 workers in 1970 -- before the Vietnam ceasefire agreement -- the number dropped to 9,056 in 1976 -- after the agreement (Olongapo Municipal Records, 1976).

While no time series on gross local product are available, some anecdotal evidence of the boom-bust caused by the Vietnam war is available. Mr. Tiu of the Free Port Movement described the effects of rising demand from the Vietnam war as follows:

There was an upsurge of demand for more hotels, restaurants, nite clubs, girls and businesses (to) directly supply the demands. Farmlands, fishponds, and the swamps were filled up, and the mountain sides were level(ed) to make way for hotels, nite clubs, restaurants and other structures. The sources of income aside from the base were gone The businessmen were so concentrated in the entertainment business that before 1975, to make copies of building plans, there was no single white printing machine. Copying was done with chemicals and dried under the sun or (plans had to) be brought to Manila for copies.

The end of the Vietnam war resulted in

excess nite clubs, apartment houses, hotel rooms, since the demand for such services and facilities decline(d) tremendously. Businessm(e)n either closed down these facilities or opened new businesses to supply the local demand. We have now copy centers to copy building plans ... (but no building plans)

This is no doubt meant as an ironic statement, but the valuable point being made is that the withdrawal

of US forces at the time was a painful but sobering process which was, in fact, associated with increasing attention being paid to the domestic market (for lack of choice) and more economic activities with a longer-term perspective. Viewed from the point of view of base conversion, this occurrence is a positive one.

Furthermore, a look at population trends in Olongapo, Angeles and the whole nation shows a dramatic fall in the population of Olongapo (see following table). Whether or not this is directly or partly attributable to the reduction of US forces after the Vietnam war, the decline in population does indicate one of the traumatic effects feared by some of the sectors interviewed in the event of the closure of the base.

The "withdrawal symptoms" still continue in some form and, as in Angeles, may be seen in today's depressed housing market, low occupancy rates, and the transfer of some economic activities to within the bases. In a sense, therefore, a weaning away from the bases is nothing new for the communities, and such a transition is, in fact, proceeding now. This may be viewed as a blessing in disguise, to the extent that the incremental transition costs will be less.

Table 17. Population in Olongapo and Angeles, 1960-80, and Growth in Intercensal Years

	1960	1970	1975	1980
Olongapo	45,330	107,850	147,109	156,430
(% growth p.a.)		(8.7)	(6.2)	(1.2)
Angeles	75,900	134,544	151,164	188,834
(% growth p.a.)		(5.7)	(2.3)	(4.5)
Memo:				
Philippines (000's)	27,088	36,684	42,071	48,098
(% growth p.a.)		(3.0)	(2.7)	(2.7)

Figures in parentheses represent implicit annual growth rates in intercensal years.

Sources: *Census of Population and Housing, Final Report, Vol. 1*; *Philippine Statistical Yearbook, 1975, 1977*.

As a conclusion, the research team surmises that the costs of a transition, while substantial, are not insurmountable, and that the economy can, through time, absorb the particular interests that have through the years become tied to the US facilities.

APPENDIX A

SUMMARY OF SOME FEASIBILITY STUDIES ON PAG-ASA SETTLEMENT PROJECT

1. FEASIBILITY STUDY ON THE BAGONG LIPUNAN SETTLEMENT PROJECT (BLSP) FOR ZONE F, BAMBAN, TARLAC

Prepared by the Regional Planning and Project Development Staff, Region III, no date; submitted by Severino A. Santiago, Regional Director.

The total area is about 1,743 hectares, with a potential agricultural area of 1,015 ha. (or 58.2 percent of the total). At the time the study was prepared, there were 448 settler families and about 535 hectares cultivated, mostly to sugarcane and rice. There is extensive denudation of the area, which has left a very thin layer of topsoil that can hardly support a healthy agricultural life.

The development plan, which includes land development, social and economic infrastructure and special projects, requires a total of P25.7 million. The cost per settler is about P 84,450.04; the area to be developed, 1,015 ha.; and the average cost per hectare, P21,384.85.

2. FEASIBILITY STUDY ON THE BLSP PROJECT ZONE E, CAPAS, TARLAC

Prepared by the Regional Planning and Project Development Staff, Region III, no date; submitted by Severino A. Santiago, Regional Director.

The land area of Zone E is about 7,007 hectares and the population at the time of survey, 137 families or 822 persons. No data on agricultural use was presented except that

approximately 100 hectares is irrigated and planted with rice. Sugarcane is planted at the foot of the hills as well as mango and coconut in an undetermined area.

The total fund requested for the development plan is P44.9 million, which includes land development, social and economic infrastructures, direct assistance (loans) and special projects. The cost per settler is P30,233.60; and the cost per hectare of development, P14,101.42. About 3,200 hectares of land will be developed.

3. AREA DEVELOPMENT PLAN ZONE G

Submitted by Aurelio C. Ocampo, area manager, through Dr. Alejandrino M. Fernandez, project director of the BLSP, 7 June 1988.

The plan is an

update of the original plan to respond to the need of the ever changing demand of the agrarian reform beneficiaries and of the necessity of shifting into a more comprehensive upland integrated farming system.

It therefore focuses on agricultural production, which envisions 26.5 hectares planted to gabi, cassava and vegetables; 44.5 hectares to upland rice and 50.0 hectares to mango, coffee and other fruit-bearing trees. The estimated population in Zone G is

171 families (754 persons) and about 97% are Balugas or Aetas.

The total funding requested for the 15-year project is P28,957,000.00, which will include land development, social and economic infrastructures, human resource development, operation and maintenance costs, loan assistance and special projects.

4. COOPERATIVE ORGANIZATION REPORT BY THE ECONOMIC DEVELOPMENT FOUNDATION, APRIL 1987

The objectives of the program are: (a) To organize a cooperative that will cater to the social and economic needs of Zone G settlers and serve as a medium through which external assistance can be channeled;

(b) To identify community leaders and harness their cooperation in addressing community problems; and

(c) To mobilize the settlers in identifying community problems and needs, establishing priorities and formulating solutions.

5. LIVELIHOOD DEVELOPMENT PLAN BY THE ECONOMIC DEVELOPMENT FOUNDATION, MAY 1987

The plan integrates the inter-related components of institution-building (organization and training), livelihood development for the settlers, and cooperative marketing and finance. It also provides for the implementation, monitoring and evaluation guidelines for the implementors of the plan. The plan integrates the following components:

(a) Institution-building, which involves grouping and organizing the settlers into clusters under the cooperative association to systematize farming activities as well as supply and marketing operations;

(b) Livelihood development for the settlers, which includes basic production of food and cash crops and supplementary production of vegetables and fruits and the gathering of wild banana blossoms and animal (goat) raising.

(c) Marketing, in which the cooperative pools the settlers' produce and sells these in an orderly and efficient manner to get the best possible price; and

(d) Finances, which define the financial parameters including the generation of additional funds out of operating surpluses, and the financial feasibility of livelihood and income-generating projects based on improved farming and marketing systems.

The livelihood development project will entail an initial cost of P=700,000.00 to finance the crop and animal production, the acquisition of work animals and farm implements, subsistence allowance of the settlers and the operating capital of the cooperative. In succeeding years, the project will be financed by a re-flow of the assistance loan for production and subsistence and the earnings and capital build-up of the cooperative.

APPENDIX B

LIST OF PERSONS AND ORGANIZATIONS CONSULTED IN THE BASE COMMUNITIES, OCTOBER 1988 - JUNE 1989

1. CLARK OFF-BASE COMMUNITY

Alyansa ng Magbubukid sa Gitnang Luzon (AMGL) - a regionwide alliance of militant peasants and farmworkers in Central Luzon and a member of the *Kilusang Magbubukid ng Pilipinas (KMP)* and *BAYAN Gitnang Luzon*.

Angeles City Chamber of Commerce & Industries (ACCCI) - an association of businessmen presently engaged in a study on the city's dependence on Clark air base.

Angeles City Off-Base Housing Association (ACOBHA) - an association of real estate owners with large investments in the house leasing industry; is closely identified with ACCCI-PEC- ACMHA.

Angeles City Mabalacat Hotel Association (ACMHA) - an association of hotel/motel and restaurant owners in the Angeles City- Mabalacat area; is closely identified with ACCCI/PEC.

Angeles City Youth Movement - an alliance of barangay youth clubs representing 33 barangays and 10 city-wide youth organizations; is active in anti-bases campaigns. *Bagong Alyansang Makabayan Gitnang Luzon (BAYAN-CL)*- an alliance of militant cause-oriented groups in Central Luzon with its regional center based in Angeles city; is known for its stand against the US bases.

Central Luzon Alliance for a Sovereign Philippines (CLASP) - a region-wide alliance of anti-bases advocates based in Angeles city.

Chamber of Furniture Industries of the Philippines, Angeles City Chapter - owners of furniture-making establishments in the city; recently divided with a male group of nationalist furniture makers forming a splinter group.

Federation of Filipino Civilian Employees' Association, Clark branch (FFCEA-Clark) - the union of base workers in Clark Air Base and member of Trade Unions Congress of the Philippines.

House of Representatives - Pampanga First District Representative Carmelo Lazatin and Second District Representative Emigdio Lingad.

Kapitbahay Women's Center - a drop-in center for Angeles women entertainers in Balibago, Angeles city, which acts as a rehabilitation center and provides educational, leadership and income generating projects; managed by an Advisory Board of Women in conjunction with the Missionary Benedictine Sisters.

League of Filipino Students - *Gitnang Luzon* - an alliance of militant student groups from Angeles city and member organization of BAYAN.

National Federation of Teachers and Employees Union - former officer and present member Mr. Juanito Velasco spoke in his personal capacity and as a professional, not as a representative the union.

Pampanga Provincial Governor Bren Guiao

Pampanga Provincial Development and Planning Office

Peoples Economic Council (PEC) - a government-initiated group of local businessmen active in the protection of local economic interests; coordinates closely with ACCCI in the formulation of economic ventures and plans for the city.

Sanggunian Bayan - Angeles city council. San Nicholas Vendors' Association - an association of 627 stallowners in the San Nicholas Public Market, the biggest public market in Angeles city.

Social Hygiene Clinic - a health facility which specifically attends to the prevention and treatment of sexually transmitted diseases associated with the entertainment industry; a joint Clark air base - local Department of Health undertaking.

Tribal Filipino Apostolate - a church-supported research, documentation and support group for the protection of national minorities; active in the protection of communities in and around Clark air base; based in Holy Family Academy, Angeles city.

Workers' Alliance in Region 3 - a regionwide alliance of workers in industries and factories affiliated with the *Kilusang Mayo Uno* (KMU) and *BAYAN*; based in San Fernando, Pampanga.

2. SUBIC OFF-BASE COMMUNITY

Bataan Provincial Governor Leonardo C. Roman

Buklod Women's Center - a non-governmental night care drop-in center for children of women workers in the city; also conducts research and provides health seminars for the women.

Export Processing Zone Authority (EPZA) - oversees the four export processing zones, one of which is located in Mariveles, Bataan; previously headed by Jaime Guerrero.

Federation of Filipino Civilian Employees Association, Subic branch (FFCEA-Subic) - base union in Subic.

House of Representatives - Bataan First District Representative Felicito Payumo.

Olongapo City Mayor's Office - Mayor Richard Gordon including Vice-Mayor Crispin Elizaga, city treasurer and planning officer.

Olongapo *Sangguniang Panlalawigan* - city council that includes *barangay* chairmen and councilmen; also consulted were health and education officials.

Olongapo Free Port Movement - a group of businessmen headed by Mr. Conrado Tiu, proposing the creation of a HongKong style port in Olongapo.

Philippine Shipyard and Engineering Company (PHILSECO) - ship repair company located at Subic Bay; a joint venture of the Philippine government and the Japanese Kawasaki Ltd.

Preda Human Development Center - drug rehabilitation center with support handicraft industry as part of training for members; headed by Fr. Shay Cullen.

3. CONSULTATION SCHEDULE

15 October 1988

Olongapo City

Federation of Filipino Civilian Employees Association

Olongapo Free Port Movement

Barretto Businessmen Association

Columban College Student Council

Federation of Public Transport Services

Flower Vendors Association

Gordon Avenue Businessmen Association

Olongapo Managers Association

Olongapo Jaycees

Subic Bay Employee Cooperative	Olongapo City, Second Meeting
(Officers of FFCEA Primo Galvez Manny Reyes Roger Parlo Johnny Delmundo)	
12 November 1988	Olongapo City
Buklod Women's Center PHILSECO PREDA Foundation	
23 November 1988	Olongapo City
FFCEA President Bobby Flores Local Government officials	
2 December 1988	Angeles City
Alyansa ng Magbubukid sa Gitnang Luzon (AMGL) BAYAN, Gitnang Luzon BAYAN, Pampanga Central Luzon Alliance for a Sovereign Philippines (CLASP) League of Filipino Students Pampanga League of Filipino Students, Central Luzon NAFTEU	
2 December 1988	Angeles City
Angeles City Chamber of Commerce and Industry, Inc. (ACCCI) Angeles City General Hospital Filipino-Chinese Chamber of Commerce and Industry Federation of Filipino Civilian Employees' Association (FFCEA) Sangguniang Bayan, Angeles City	
8 December 1988	House Of Representatives
Congressman Felicito Payumo, Bataan	
9 December 1988	Angeles City
Clark Air Base Guided Tour Courtesy Call at Mayor's Office	
10 December 1988	Angeles City
Angeles City Chamber of Commerce (ACCCI) Angeles City Off-Base Housing Association (ACOBHA) Holy Angel University Hotel and Restaurant Association People's Economic Council (PEC)	
16 December 1988	San Fernando, Pampanga
Governor Bren Guiao Provincial Development Planning Officer	

16 December 1988	Angeles City
Kapitbahay Womens' Center Staff	
16 December 1988	Angeles City
Women Entertainers Social Hygiene Clinic	
29 December 1988	Makati
Export Processing Zone Authority	
Administrator Jaime Guerrero	
18 January 1989	House Of Representatives
Congressman Emigdio Lingad,	
2nd District, Pampanga	
19 January 1989	Manila
Sacobia Authority	
Director Arsenio Melvar	
24 January 1989	House Of Representative
Congressman Carmelo F. Lazatin,	
1st District, Pampanga	
27 January 1989	UP Diliman
Pagasa Special Project	
Director Alejandrino Fernandez	
3 February 1989	Balanga, Bataan
Governor Leonardo C. Roman	
10 February 1989	Angeles City
Mayor Antonio Abad Santos	
Labor Representatives - Camalig Restaurant, Angeles City	
PEC, PACCCI and ACOBHA members - Libis ng Nayon	
Resort and Restaurant, Angeles City	
22 April 1989	Angeles City
Angeles City Youth Movement members/officers	
Barangay leaders, Bagong Silang, Balibago	
Cane Arts, Philippines	
Jeepney Drivers Association members	
Megahead Disco Manager	
Mabalacat Vice Mayor	
23 April 1989	Angeles City
Market Vendors' Association	
Dr. Romeo Taruc, FCEA Hospital	
7 June 1989	Olongapo City
Mayor Richard Gordon	
Sangguniang Panlalawigan	

APPENDIX C

SUMMARY OF CONVERSION PROJECTS
IN FORMER BASE COMMUNITIES
IN THE UNITED STATES, 1961-81

BASE COMMUNITY	CIVILIAN JOBS LOST	NEW CIVILIAN JOBS*	LAND USE**
Coden, Alabama	26	33	E
Mobile, Alabama (air force)	12,300	6,500	A,C,E,F,Ho,I,M,P,R,S
Mobile, Alabama (army)	14	1,500	I
Selma, Alabama	547	762	A,E,I,M,P,S
Thomasville, Alabama	18	175	H
Kenai, Alaska	63	129	E,C,F,H,I,S
Kodiak, Alaska	123	3	I,Ho
Benicia, California	2,321	4,600	Hi,I
Los Angeles, California	1,306	525	C,E,F,Hi,I,M,P
Malibu, California	-	40	M,P
Palmdale, California	-	35	S
Rancho Palos Verdes, California	-	70	E,M,P
San Francisco, California	4,650	1,265	I,E,F
Torrance, California	50	59	E,P
Ventura County, California	293	682	A,E,F,I,M,P,R
Colorado Springs, Colorado	-	218	O,R
Green Cove Springs, Florida	324	650	I,Ho
Orlando, Florida	395	800	A,C,E,F,I,P,R
Sanford, Florida	230	1,250	A,E,I
Albany, Georgia	341	2,000	C,E,F,I,P
Brunswick, Georgia	344	650	A,E,F,Ho,I
Decatur, Illinois	1,310	2,100	I
Forest Park, Illinois	1,600	1,275	F,C
Columbus, Indiana	318	700	A,Ag,E,I
Terre Haute, Indiana	253	1,200	C,I
Salina, Kansas	326	4,680	A,Ag,C,E,H,Ho,I,M,R,S
Topeka, Kansas	416	2,500	A,C,E,I,R,S
Houma, Louisiana	18	200	E,H,Ho
Lake Charles, Indiana	252	534	C,E,H,M,I,P
New Iberia, Louisiana	85	1,840	A,C,E,I,P
Bangor, Maine	342	2,162	A,E,Ho,I,M,R,S

BASE COMMUNITY	CIVILIAN JOBS LOST	NEW CIVILIAN JOBS*	LAND USE**
Charlestown, Maine	23	73	E,S
Presque Isle, Maine	268	2,217	A,E,I,M,P
Baltimore, Maryland	2,850	120	C,I,P
Boston, Massachusetts	5,552	885	C,F,Hi,Ho,E,I,P
Chelsea, Massachusetts	326	-	C,Ho,P
Chicopee, Massachusetts	150	1,335	A,E,I,M,P,R
Springfield, Massachusetts	2,400	2,662	E,Hi,I,P
Watertown, Massachusetts	2,306	-	C,P,I
Sault Ste. Marie, Michigan	737	1,215	A,C,H,Ho,I,M,P,S
Baudette, Minnesota	30	48	Ho,I
Wadena, Minnesota	15	23	H
Greenville, Mississippi	242	650	A,Ag,E,F,H,I,M,P
Neosho, Missouri	1,200	2,926	A,E,I,M,P,S
Conrad, Montana	153	55	Ag,I
Glasgow, Montana	309	57	A,Ag,Ho,I
Lewistown, Montana	27	1	E
Hastings, Nebraska	240	1,775	Ag,E,H,Ho,I
Lincoln, Nebraska	396	1,975	A,Ho,I,M,P
Omaha, Nebraska	49	178	E
Sidney, Nebraska	585	499	Ag,E,I,P,S
Reno, Nevada	519	1,555	A,E,Ho,I,M
Manchester, New Hampshire	138	4,000	A,I,R
Burlington, New Jersey	520	10	I
Lumberton, New Jersey	94	61	E,M
Metuchen, New Jersey	2,610	15,965	C,E,F,I,P
New Brunswick, New Jersey	578	1,900	C,E,I
Roswell, New Mexico	379	2,288	A,E,H,Ho,I
Newburgh, New York	1,011	305	A,I,F
New York City, New York (army)	388	180	C,E,Hi
New York City, New York (navy)	386	594	H,P
Schnectady & Voorheesville, New York	1,484	2,900	I
Wilmington, North Carolina	4	79	A,R,I
Langdon, North Dakota	742	6	-
Bellefontaine, Ohio	27	116	E
Port Clinton, Ohio	1,885	700	I
Toledo, Ohio	1,654	3,300	E,I
Wilmington, Ohio	613	1,550	A,E,I

BASE COMMUNITY	CIVILIAN JOBS LOST	NEW CIVILIAN JOBS*	LAND USE**
Burns Flat, Oklahoma	391	1,000	A,Ag,E,Ho,I,P,S
Corvallis, Oregon	180	105	E,Ho,M,S
Harrisburg, Pennsylvania	10,050	2,950	A,E,Ho,I,P,R,S
Lancaster, Pennsylvania	750	1,300	I
Phoenixville, Pennsylvania	845	300	E,P
York, Pennsylvania	1,092	1,825	I
Aguadilla, Puerto Rico	709	3,010	A,E,F,H,Ho,I,P,S
Newport, Rhode Island	484	1,515	I,P
North Kingstown, Rhode Island	4,500	6,000	A,C,F,I,P,R,S
Greenville, South Carolina	672	5,860	A,C,E,I,P
Edgemont, South Dakota	512	24	Ag,Ho,I
Smyrna, Tennessee	470	1,700	A,E,H,Ho,I,R,S
Amarillo, Texas	1,511	2,800	A,E,Ho,I,P
Big Spring, Texas	720	3,000	A,C,E,Ho,I,M
Laredo, Texas	700	2,166	A,C,F,H,H,I,M,S
Mineral Wells, Texas	1,219	2,700	A,E,H,Ho,I,M,P,R,S
San Marcos, Texas	30	780	A,E
Sherman-Denison, Texas	600	650	A,E,H,Ho,I
Sweetwater, Texas	25	109	E
Waco, Texas	833	1,375	A,E,I
Saltville, Virginia	880	155	I
Kitsap County, Washington	-	5	E,P
Moses Lake, Washington	388	652	A,Ag,C,E,F,Ho,I,M,P
Madison, Wisconsin	378	1,350	A,C,E,H,I,M,S
TOTALS	88,803 +	133,139*	

+ Note that this total differs from that in the original source because the original figures do not correctly add up.

* This column includes jobs on and off former bases but excludes secondary employment impact. Of the total of 133,139 civilian jobs, 9,362 are new civilian jobs off-base. Of the remaining 123,777 jobs (which replaced defense and contractor jobs on base), 109,262 are new civilian jobs.

**Land Use:

A - Aviation Ho - Housing Ag - Agriculture I - Industrial C - Commercial M - Municipal
E - Education O - Office F - Other Federal Use P - Park and Recreation H - Health
R - Reserve/National Guard Hi - Historic Preservation S - State

Source: Adapted from President's Economic Adjustment Committee, "1961-1981, 20 Years of Civilian Reuse: Summary of Completed Military Base Economic Adjustment Projects," Washington, D.C., 1981.

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