

WEATHERING THE STORMS: THE COMPANIA GENERAL DE TABACOS DE FILIPINAS

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Abstract

The history of Spanish colonial Philippines is replete with impressions that all the economic activities of this regime served to benefit only the colonial investors. Although it is true that many of these enterprises eventually ended right after Spanish colonial rule due to unfavorable factors, one Company, the Compania General de Tabacos de Filipinas, which began its relationship with its Pacific cousin in 1882, managed to establish and expand its business interests for over a century, surviving insurrections, world wars, domestic upheavals and myriad other challenges. The reasons for its survival can be attributed to its unique style of management, which benefited the localities all over the country in which these businesses were based. This paper aims to provide a balanced understanding of our history by examining an aspect of our nation's colonial past from an alternative perspective, one that views the ongoing past as a continuing process of cross-cultural contacts and exchange among people.

Introduction

The Spanish influences on the Philippines are both tangible and intangible. It is not necessary to distinguish one type from the other for both complement each other in many instances. This paper shares the view advanced by Quirino (1981: 9) that these influences should be regarded as a form of *heritage* instead of a *legacy* since:

The difference between the two is one of substance, not form. A legacy, strictly speaking, is constituted according to the will of the donor. A heritage, in the socio-cultural sense, is whatever the

recipient says it is; that is, whatever he wants to make of it. This is merely to affirm that in the final analysis, the residue of colonial influence is not necessarily what the colonial power bestows, but what ever the colonized society decides to keep.

One such economic heritage from the Spanish colonizers is the sugar industry, which was introduced to the island of Negros in the early 1850s (Fast & Richardson, 1987). The *Compania General de Tabacos de Filipinas* or *Tabacalera*, as it is popularly called, pioneered modern sugar production in Oriental Negros with the establishment of the *Central Azucarera de Bais* in 1917. The start of its operation during the 1918-1919 milling season marked the beginning of a new economic era for the province of Oriental Negros and became the foremost income earner for both entities. The factors that led to *Tabacalera's* long existence in the Philippines were indigenous and international in character and each had affected and influenced the political, economic, and social development of *Tabacalera*, allowing it to be a leading entity in the business of sugar until its final pull-out in 1979 with the purchase of the *Bais Sugar Central* by the Chan group of industries.

Establishment of the Company in the Philippines

Three major problems faced the Spanish Company at the start of its operations in the Philippines, namely: (1) the organization of the administration of *Tabacalera*, which involved the opening of district and main offices and stabilizing the services offered by these offices; (2) the procurement of the raw materials of tobacco; and (3) the manufacture and marketing of this product (Raventos, 1981).¹ Compounding the problems for the Company was the arduous task of taking over the intricacies of running an unstable business. However, help came on the last day of February 1882 with the arrival in Manila of three functionaries of *Tabacalera*

bearing letters of credit that, according to Raventos, were issued by the Banco-Hispano Colonial. These three were Sr. Lope Gisbert, Special Commissioner, Don Lopez de Vega, Administrator General, and Armand Villemer, a French engineer, Sub-administrator (1981:38).

Money in the amount of one million pesetas was already in the bank even before the three representatives arrived. Aside from the mentioned amount, the Company also added three million sterling pounds to its capital (de Jesus, 1980), with the boxes of gold coins brought in by the mail steamer from Barcelona. These coins served as the Company's initial working capital (Sugar News, 1961). The amount of money invested provided the guarantee that the Company was serious in infusing capital for investment in industries of interest in the Philippines. From the very beginning Tabacalera strove in many ways to change the colonial way of managing its affairs by being equitable and considerate in all its enterprises. Long after the revolution, it remained constantly attentive to and appreciative of the pertinent policies of the Philippine government and always reserved for Filipino capital a share in the wealth that the Company had gained (Sugar News, 1961).

The Company went on to position itself in "*conditions of superiority*" in many respects. First, it established one of the worlds' largest cigar and cigarette factory at the time, the La Flor de La Isabela, which was inaugurated in 1885 (Sugar News, 1969: 554). Soon after, it purchased the haciendas San Antonio, Santa Isabel, and San Luis in the Isabela Province. Dutch experts from Java and Sumatra were hired to conduct experiments aimed at increasing the yield and improving the quality of tobacco produced, even if such a move cost the Company huge amounts of money (Sugar News, 1961). This way the Company expeditiously established what resulted to a private monopoly of the tobacco trade in

the country (de Jesus, 1980). Tabacalera's goal of excellence regardless of the price brought the enterprises it introduced to world-class level.

Despite its superiority in the trade at the time, Tabacalera always strove to balance its development goals with its commitment to share the gains of the Company with the community in which it had its businesses. Historical accounts provided by Raventos show that prior to the establishment of the Tabacalera in the area, the province of Isabelita lagged behind its neighboring provinces in development. Its postal service was poor and communication lines, roads, and water sources were non-existent. When Tabacalera established itself in the province, it constructed buildings for warehouses, churches, schools, and hospitals, and erected housing for its workers, turning the once idle lands into a prosperous town (Raventos, 1981). Through tobacco production the Company was instrumental in increasing the small population of the said province.

Laborers recruited from Ilocos provinces by Tabacalera agents moved with their families to the Company-owned haciendas and became so-called *colonos*. According to Raventos, the Company shouldered the move of these laborers, paid their debts, and provided support in return for work on its farms (1981). Upon arrival each *colono* family was given one and a half to two hectares of land to cultivate. Along with this, work animals, tools, and money for subsistence were provided until the *colono* family was ready to harvest. Of the land apportioned to the *colonos*, only one third was set aside for tobacco cultivation; the rest of the land was for the worker to till and develop for subsistence or for commerce. Thus, unlike the early efforts of the Spanish governments to populate towns through *reduccion*, Tabacalera for its part not only invested huge amounts of capital to accommodate these

colonos but also gave them better incentives than those offered by the Spanish government.

As part of the work arrangement, the *colonos* were required to give to the Company warehouses at harvest time their respective tobacco yields, which were then assessed according to current prices in the Cagayan valley. *Colonos* paid one third of the assessed amount as rent for the lot they had been assigned. Of the remaining two thirds, only one sixth was taken as payment for the advances given by the Company; the rest was given to them in cash. As soon as the *colonos* had paid up their debt, the laborers were free to choose to leave the land or remain under the same conditions only that this time no more deductions were taken from their pay.

This system allowed the workers to pay all their debts but still left them with enough cash for their family's expenses. As well, they did not have to worry about their food since they had enough land plus tools and animals to produce whatever crops they wanted on the two thirds of the one to two hectares apportioned to them by the Company. It is also noteworthy to mention that the Company was always considerate of the financial needs of its constituents. As a result, many of the *colonos* chose to remain even after their first contract ended. Out of goodwill, the Company decided to write off about twenty-five to thirty-eight percent of their "bad debts" (Raventos, 1981: 45).

This information contradicts the allegations that the people could not get cash advances since the Company was no longer giving such privilege. Also, some speculations that Isabela and Cagayan experienced hunger due to the abolition of the cash-advance system in which farmers could ask for advances before harvests cannot be accurate since hunger was mainly caused by environmental calamities such as the outbreak of cholera in 1882, and the long drought in 1886. Despite these calamities, the Company

still continued to populate the Cagayan Valley so that by 1885 it had already brought in over three thousand *colonos* (1981: 44-45).

Parallel to its humane dealings with its employees, Tabacalera endeavored to engage only in fair business practices, having learned valuable lessons from the mistakes made by the previous administrators in the sugar industry. This again was one of the many "unwritten" policies of the Company that allowed it to prevail through many challenges. In addition to establishing a number of agencies in the Cagayan valley, Tabacalera also put up centers for the purchase and selection of tobacco leaves for shipment to Manila. These centers were located in the old towns of Lal-loc, Tuguegarao, and Ilagan. Similar agencies were also set up in Cebu, Ilo-ilo, and Masbate (Sugar News, 1961). Tobacco from Cebu and Ilo-ilo was exported directly to Spain through the fleet of ships that Tabacalera owned, which became the lines agent in Philippine ports after 1911. The same issue of Sugar News cited earlier further states that aside from tobacco, Tabacalera was also involved in the business of hemp and copra coming from Cebu, Leyte, Samar, northern Mindanao, the province of Quezon and Legaspi to as far east as Borongan and Guiuan in the island of Samar. By 1892 the Company had cleared and developed a total of 14,630 hectares of once idle land. In 1895, considered as the Company's last normal year of operations, the total production was 22,418 quintiles (Raventos, 1981).

Tabacalera quickly became the leading economic force in the tobacco, hemp, and copra industries in the Philippines. The Company's efficient management and policies and its drive for excellence balanced with social character contributed to its total development in the truest sense of the word. The tangible progress in the locations where Tabacalera operated demonstrated that it was not only concerned with material progress but also with the welfare of its constituents. More

importantly, by remaining true to its fair business practices, Tabacalera managed to benefit all people connected with its operations. Although its normal activities were affected at the beginning of the Philippine Revolution, Tabacalera demonstrated a resiliency in the face of challenge that enabled it to overcome the difficulties.

Tabacalera: From Tobacco to Sugar

As an advocate of agricultural development, Tabacalera first tested the waters of the sugar industry two years after the Company established itself in the archipelago. Before this time, it was not yet involved in the production of sugar but was merely engaged in obtaining the prime material from other sources and exported the product to the United States and England (Raventos, 1981). This exposure to the buy-and-sell aspect of sugar business introduced the Company to the complexities as well as to the problems that hampered the development of the sugar industry. The *Memoirs* of the Company recorded a grim assessment of the Philippine sugar industry: "...three enemies too cruel and tenacious conspired to finish and kill the sugar of the Filipinos, these were sugar from beet, the high cost of shipping, and transport" (Raventos, 1981:80). The competition from beet sugar was primarily caused by the inferiority and insufficiency of the Philippine sugar. The second problem of high cost of shipping was due to the long distance between the areas of production and the sugar markets. Lastly, transporting the canes from the fields to the places of processing also involved great distances on terrible road conditions. Recognizing that all these problems were rooted in the lack of capital, Tabacalera decided to invest in the industry by providing the much-needed capital and equipment.

In 1891, Tabacalera acquired a factory located in San Marcelino for the refining of sugar. Hamilton M. Wright described the state of this refinery as the only

tolerable one found anywhere in the country at the time (Wright, 1909). Although the initial production was good with a total produce of 3,700 piculs in 1897, this did not last long. By 1901, the total produce plummeted to a mere 87 piculs (Raventos, 1981). Two major reasons were cited why the refinery as well as the Company's sugar business did not prosper immediately. First, the instability in the country caused by the insurrection prompted Tabacalera, a Spanish Company, to slow down its operations. Second, given the uncertainty of the market in the United States, Tabacalera confined itself to exporting sugar produced by other haciendas. Among the sugar export companies such as Stevenson and Company, Smith Bell and Company, and Luchsinger and Company, which practically monopolized the business at that time, Tabacalera was the smallest (Cuesta, 1980).

Despite the temporary decrease in the production of sugar, Tabacalera did not totally abandon the industry. Tabacalera's researches on sugar led to the process of converting molasses, the by-product of sugar, into alcohol. In 1891 it set up its first alcohol factory, *La Clementina*, named in honor of the director of the Company, D. Clemente Miralles de Imperial (Raventos, 1981). Meanwhile, it continued to acquire haciendas for the purpose of sugar production in Luzon and Negros. In 1885 Tabacalera purchased a total of 12,000 hectares of forestland and established the Hacienda Luisita. About the same period, unable to resist the tempting lure of the Occidental portion of the island of Negros, it acquired several smaller haciendas on the island of Negros (Sugar News, 1961). The haciendas of Negros produced sugar ahead of Luisita, which started to cultivate sugar only in 1921 (Raventos, 1981).

Among its first haciendas in Negros were San Jose, Apolonia, Velez Malaga, San Luis and Dos Marias. Although the haciendas totalled 2,640 hectares, only 1,200 ha were planted to sugarcane and the rest to corn

and rice (Raventos, 1981). The means with which these haciendas in Negros were acquired was a crucial indicator of how the Tabacalera managed its entire affair with the sugar industry. Tabacalera acquired these haciendas primarily through its cancellation of debts drawn by planters from the Company in exchange for their produce. These debts were accumulated through advances by planters who had either become insolvent or possessed questionable titles (Raventos, 1981). In other words, the Company took payment from its landowner-debtors (mostly individuals of Spanish descent) by collecting 15% of the total crop, with the condition that it had the right to purchase the rest of the produce for later milling, production, and export. These collectibles came to be regarded as land rentals signifying the change of ownership in favor of the Tabacalera. Examples of haciendas, which eventually yielded ownership to the Company, were San Jose, Velez Malaga, Elena, and Hermelinda (Raventos, 1981).

The Company used this method to ensure its continuous supply of cane. At the same time, it provided the planters access to the market, plus a chance to develop their farms. During really hard times, Tabacalera allowed the planters to acquire back their land while at the same time providing the latter the resources to jumpstart their sugar production. Thus, most of those who owed the Company were able to get back their land (Personal interview, Jesus Martinez). Later on, Tabacalera employed the same methods to acquire lands on the Oriental side of the Negros Island. These haciendas in eastern Negros were associated with the Company's so-called *golden age* that spanned the period between the World Wars I and II when the sugar industry dominated all other business activities of the Company. Tabacalera was instrumental in the mechanization of sugar production with the establishment of the first sugar factory in Oriental Negros, the Central Azucarera de Bais (CAB) in 1918

that led to the dominance of that industry in the economy of the province up to this day. Tabacalera turned over ownership of the Central to the Chan group of industries in 1978.

Tabacalera During the Philippine Revolution

Filipino nationalistic sentiments in the 19th century ultimately led to the revolt against Spain. Amidst the din of the Philippine Revolution (1896-1898), the first concern of the Company was to find ways to ensure the continuance and safety of its interests in the colony. Initially, it stopped all its merchandise shipments to the archipelago for fear of confiscation by the Americans (Raventos, 1981). To further protect its interests, the Company placed all its possessions under the protection and custody of France through the French consul in Manila. One of the biggest stockholders of the Tabacalera, of French origin, negotiated this arrangement on behalf of the Company. Subsequently, the Company's agency in Hong Kong, in order to keep its promises to its clientele, chartered ships to go to Lal-loc and San Fernando, La Union to load and transport its tobacco to a Chinese port where it was then transferred to French, German, and English boats destined for Europe (Raventos, 1981).

In the haciendas of the Company, however, the raging war remained an external activity since it gained no support from the individuals at the plantations. This fact was documented in the reports and letters sent to the different haciendas. The letter of Ramon Izcurieta states:

...several letters were sent to Lal-loc from hacienda San Antonio, testifying to the quasi-normality that reigned over the valley in the year 1898 and nullifying the participation of the Company's colonos in the insurrection movement. They continue working as usual.

...On the 27th day of July they mentioned a haciennero from San Antonio who communicated that the health of the colony was good. That all the employees were in good shape; there was peace all around, and the people gave very little importance to the war (Raventos, 1981: 96, 97).

The term "colony" used in the second quoted statement above, referred to the colony within the plantation. Raventos suggests that such a term was used because the Company treated all of its employees as part of a big family over whom it had moral as well as financial obligations. The employees of the Company had no reason to join the war since they were treated well by their employer. Records show that the workers in the factories and installations owned by the Company shared the same sentiment.

...Barcelona learned of the capture of Manila, 13th of August, and that neither the personnel nor the properties of the Company had suffered damage. A letter thanked the decision of Villemer and the consul in Manila to place the factory and the warehouses of the Company under the custody of the Americans (Raventos, 1981:97).

The protection provided by France suggested that the Company gained respect not only locally but internationally as well. Moreover, Tabacalera had been exporting sugar to the United States and other countries since 1895 (Cuesta, 1980). Because of its economic and political status, the Company gained the trust even of those not allied with Spain and its colonies (Raventos, 1981).

However, the Company incurred one major loss. This was the killing of four of its officers, including the Captain, engineer, and two officers on the boat, *Compania*

de Filipinas, during a mutiny (1981). The ship's second-in-command led the mutiny. This second-in-command was a Cuban who supported the revolution in his own country, which also began around the same time as the Philippine Revolution. The resumption of the Cuban revolution on February 23, 1895 under the leadership of Jose Marti and General Maximo Gomez y Baez was a manifestation of the deep discontent of the Cubans with the Spanish government. It can thus be said that the mutiny on the Tabacalera's ships was not spurred by the Company's perceived shortcomings but by the strong nationalistic sentiments of the second-in-command of the said ship (1981). After killing their officers, the mutineers sailed to Cavite and joined the on-going insurrection in the area. A few days later a smaller boat, the *San Antonio*, was taken over by the crew of the first ship. Fortunately unharmed, the *San Antonio* crew was able to return safely to shore.

During the respective revolutions in Cuba and the Philippines, the Tabacalera demonstrated its moral obligation to assist Spain in ending the uprisings in the colonies by giving a public loan worth two million pesetas and allowing the use of its ships for troop patrols and transport. Despite this public show of support, however, Tabacalera remained in reality opposed to all the laws imposed by the colonial government. For instance, the *Memoirs* revealed that the Company opposed the decision to execute Jose Rizal:

... this act was useless and unjustified. Since Rizal had never participated in any uprising and was not a participant to violence... Neither were numerous executions carried by his [Gov. Gen. Camilo Polavieja] orders able to effect a change (Raventos, 1981: 93).

Tabacalera revealed its obvious respect for Rizal by naming one of its most important ships after the national hero. Camilo de Polavieja, the Governor-

General who replaced Ramon Blanco on December 13, 1896, ordered the mass executions mentioned in the above memoir. The *Memoirs* recorded, however, the Company's strong words of condemnation for what it considered unjustifiable executions. Despite the upheavals faced by the Company till the end of 1898, it was still able to register a gain larger than in the previous years. After the first two years of operation, Tabacalera registered a profit of 1,162,991 pesetas; from 1884-1886 its revenues rose to 2,187,960 pesetas annually; and from 1896 up to the end of 1898, it was able to pay interest on shares from 7% to 9%. In addition, it was able to give a 12% bonus to its employees towards the end of 1898. By the end of the war, according to Raventos, its reserve funds had gone up from 45,000 pesetas to 562,500 pesetas.

The Philippine Revolution and the Filipino-American War

The Philippine Revolution of 1896-1898 and the Filipino-American War of 1898-1902, compounded by the loss of former markets of Philippine products, led to the economic downfall of the Philippine archipelago (Salamanca, 1984). The outbreak of cholera and rinderpest epidemics and the onslaught of locusts that destroyed what was left of the crops further added to the difficulties. These tragic circumstances practically bled to near-death almost all industries in the Philippines. However, as earlier mentioned, three important factors spared the properties, personnel, and installations of the Tabacalera from the devastations of the two successive wars. First was its just treatment of its employees, which included providing well for its workers' financial, health, education, and housing needs ever since the beginning of its business in the archipelago. Careful not to repeat the mismanagement that characterized the former Spanish administration in the archipelago, Tabacalera introduced a more efficient

and effective style of management that benefited not only itself but also those who came in contact with it. This attitude ultimately gained for it the respect from both inside and outside the Company all over the archipelago. As a result, no attacks were made upon its properties and installations. The second factor was the strategic move to place the Company under the protection of France, a move which situated Tabacalera in a neutral position during the domestic and world wars. Moreover, Tabacalera succeeded in making a good impression among Americans, who had formed a high regard for the Company's integrity during its past business deals. As a result, Tabacalera's installations enjoyed the protection of American troops (Raventos, 1981). Finally, its ability to ship its products to Europe and continuously earn profit from them shielded it from financial disaster brought about by the wars. This ultimately allowed it to have a reserve fund for maintaining its installations and personnel.

The First World War and After: Political and Economic Opportunities

The political and economic circumstances before, during, and after the First World War allowed Tabacalera to continue the Company's foothold on its enterprises in the Philippines. On the domestic front, although the country was also still recovering from the devastations wrought by the Philippine Revolution and the Filipino-American War, Tabacalera managed to earn revenues from its businesses. In 1902 Tabacalera issued 14,000 shares at 500 pesetas at 4.5% interest with amortization in twenty years. This allowed Tabacalera to dispose an initial capital of seven million pesetas, thus, allowing the activities of the Company to continue despite the difficulties during the war (Raventos, 1981).

Besides selling the stocks in order to procure the necessary capital for the expansion of the business, the Company was also able to save more capital by

abandoning businesses, such as abaca, which were considered high risk or speculative in nature. During the outbreak of WWI, the Company was still able to obtain the necessary finances through loans from its own banks in Spain, as well as from other banks, which have been traditionally its creditors, with guarantees provided by the personal fortunes of some of the directors of the Company (Raventos, 1981). At this juncture it is significant to point out the willingness of the Company officials to take risks to save the Company's interests, which also happened to be those of the Philippines. To a significant extent, the activities of the Company were a vital artery to the economy of the archipelago.

To further prove the Company's financial capabilities, Tabacalera declined the offer of financial assistance from the American Governor General of Manila in 1914 intended at assuring the non-interruption of the activities of the Company. The Governor General at this time was Francis Burton Harrison (Agoncillo, 1990). America's economic interests and his own awareness of the vastness and importance of the activities of the Company largely influenced Harrison's positive reaction toward the Company. Moreover, this was also the time when the Americans were starting to enjoy the advantages of free trade, which they were not able to do so until after the passing of the Payne-Aldrich law in 1909. Prior to the said law, their trade interests were tied down to the provisions of the 1898 treaty of Paris that gave Spain a most favored nation status (Raventos, 1990).

Another indicator of the Company's economic stability throughout the war was the continuing increase in the distribution of dividends. From 1914-1918 the Company was able to give out a return on investment amounting to 6%, 9%, 11%, 15%, and 17%, respectively (Raventos 1981:139). The good fortunes of the Company were enjoyed not only by top officials

but also by the rank-and-file. Even during the war years and its aftermath, Tabacalera remained faithful to its tradition of looking after its own people by giving bonuses and other forms of financial assistance to all employees in Barcelona and Manila in order to mitigate the consequences of the war. According to Raventos (1981), the Company increased the salaries of its employees and started a *family salary*, giving to each employee the equivalent of 20 pesetas monthly and an additional 10 pesetas monthly for every member of the family. As these records show, Tabacalera's humane brand of management had been in place in all of its enterprises from the very beginning.

An important factor that played a vital role in the economy of the archipelago during and after the war was the increase in demand for tobacco, sugar, and copra, all of which were major products of the Company, especially in the European markets. This demand was caused by the war's disruptions on farm activities all over Europe. Its relationship with the United States served as the link to the European markets. Since the Philippines was controlled by the US, it enjoyed the benefits of free trade in the American market. The United States did not join the war until 1917 and thus remained a neutral country in the early years of WW I. Meanwhile European countries, especially France and Britain, depended on the United States for essential products, that they acquired through funds borrowed from securities of foreign governments and private corporations held by their citizens (Keylor, 1996).

The European demand provided Tabacalera the opportunity to increase the price of its products while increasing the volume of its sales, which in turn consolidated the value of the peseta. For instance, oil extracted from copra became most in demand during the war. This favorable market condition provided the impetus for the construction of a total of 15 copra

factories, 12 in Manila and three in other points of the archipelago. These factories managed to absorb and meet the foreign demand of 150,000 tons of oil annually (Raventos, 1981). In the case of sugar, the favorable circumstances offered by the United States proved highly profitable for sugar producers because the demand increased considerably during the five years of the war.

The submarine warfare between Germany and Britain caused massive disruptions of American export trade across the Atlantic, eventually forcing the United States to enter WWI (Keylor, 1996). Trade was practically paralyzed due to the docking of many ships caught in the crossfires. The sinking in 1915 of the *Lusitania*, a British passenger liner that carried 128 Americans by German submarines claimed American civilian casualty (Keylor, 1996). As a result, the U.S. declared war against Germany on April 16, 1917. The immediate impact of such an act on the Company was a small loss in revenues for that year.

Nevertheless, at the end of WWI, the Company found itself in an advantageous position since the war created an even greater demand for its products in the American market because the United States expanded its export trade in order to capture many of the markets formerly dominated by European firms. The European enterprises exhausted their funds during the war, this gave the United States, which suffered a minimal economic loss, the opportunity to control said markets. Tabacalera's economic strength depended on the potency of the American market. U.S. policies dictated the fiscal operations of the territories where its products were produced and sold. This scenario placed the Company's resources at a height never attained before. When the war ended, Tabacalera's accumulated reserves and existing funds increased its capital more than enough to cover its needs against all normal risks and permitted it to work without utilizing the credit

reserved only for certain circumstances. Under this favorable climate Tabacalera started enjoying what could be considered its golden years.

The war strengthened Tabacalera's alliance with the administration of the United States in the Philippines, allowing it to remain a vital and influential participant in the development of the archipelago. Moreover, Tabacalera's solid reputation in the international business community helped to secure for it the respect of the Americans. This mutual respect was crucial to the Company's lifeline for without such a relationship, Tabacalera might have ceased operation in the country at the beginning of the twentieth century. The Company was always aware of the importance of keeping good relations with the United States since it was this new colonial government that determined its entrance to the world market. Thus, when the United States entered WWI in 1917, Tabacalera heeded the call of the former to help in the war expenses by disbursing loans in April of 1918 amounting to twenty-five thousand dollars and then ten million pesetas in July of that same year (Raventos, 1981). Maintaining a harmonious relationship with the new political administrators, the Company was able to continue its activities in the archipelago and expand its enterprise into sugar production until it ran into various difficulties by the 1960s.

Tabacalera During World War II

The massive military campaigns of the Japanese military during the Second World War drained the resources of that country. To launch a campaign as large as theirs commanded no cheap price. Needing all the resources of the occupied territories to fund its war machine, the Japanese Imperial Army in the Philippines coveted possession of the vast assets of Tabacalera, being one of the biggest corporations in the country. This desire, however, was held at bay by the

stubbornness, astuteness, and shrewdness of Tabacalera's highest administrators in the Philippines as well as in Spain. It is important to note that during the war, Spain was among the few countries, along with Portugal, Sweden, and Switzerland, to maintain a precarious neutral status (Keylor, 1996). Tabacalera took advantage of this neutral status to pursue non-cooperative policies to counter attempts by the Japanese to make full use of its installations and equipment in the Philippines. Thus, during the occupation, the Company guarded its interests against the Japanese military organization by adopting the policy of organized non-compliance policy towards the Japanese authorities (Raventos, 1981).

When the Japanese arrived in the eastern side of the island of Negros, one of their objectives was to acquire and control the resources they needed to fuel their war effort. Consequently, they occupied the Tabacalera-owned Central Azucarera de Bais, a sugar central that has been in operation since 1918. The sugar central had much to offer – from stocked sugar, communication facilities, a paper factory, alcohol for fuel, and housing facilities for shelter. The Japanese occupation notwithstanding, the administration of the central remained in the hands of Tabacalera, which allowed it to cooperate with the local anti-Japanese resistance group. Through this arrangement, the Spanish administrators managed to fend off a total Japanese occupation of the Central and use it to their advantage. Resistance came in many forms – from plain stubbornness to covertly supporting the guerrillas. Through passive non-cooperation Tabacalera used the Central to aid in the local effort to advance the Allied cause. This gesture allowed not only the continuance of its business in the archipelago, but also provided an avenue for Tabacalera to manifest the Company's commercial philosophy during its long existence in the Philippines as a Spanish owned enterprise.

The Aftermath of WWII and the Crisis of the 60s

The final crisis that hounded Tabacalera in the early sixties had something to do with the Company's ownership. This came in the form of heightened nationalistic sentiments among the Filipinos as obviously influenced by world events unfolding during this period. Reverberations of popular protests against the Vietnam War, the anti-apartheid riots in Sharpeville, South Africa, the rise of Malcolm X and the Black Panther movements in the U.S., Singapore's proclamation as a republic, among others, contributed in inflaming the growth of nationalistic fervor. Part of the Company's problem was its inability to come to terms with this emerging climate of nationalism that was sweeping the country at that time. Its style of management, which had remained mainly colonial, had become unpopular in a context that was fast favoring the new system adhered to by Filipino enterprises. To compound the problems, the Company Directors in Barcelona remained either uninformed of or detached from what was going on in the Philippines and did not bother to institute the necessary changes to deal with the current trends (Raventos, 1981).

The adversities that descended on Tabacalera beginning in 1967 were three-fold: (1) the non-payment of its sugar shipments by its most important client in the United States, the Olavaria and Company; (2) the non-performance of its businesses in the Philippines, Brazil, and Africa; and (3) finally, the difficulties it faced as a colonial Company in a changing business environment in the Philippines. All three factors became the underlying issues that eventually affected Tabacalera and of most of its business interests in the archipelago.

The Olavaria and Co. was Tabacalera's most important client in the United States, the country that controlled a large percentage of sugar in the world market. For unknown reasons, the Olavaria declared

bankruptcy in 1966 (Raventos, 1981). Predictably, its cessation of business activities greatly affected Tabacalera. Two years before its declaration of bankruptcy, Olavaria sold two shipments of Tabacalera sugar to the Imperial Sugar Co. in Texas at a very low price (1981). The entire shipment, totaling 6,989 tons, on the ship *Spetsai*, belonged to Tabacalera. The other ship, the *Union Skipper*, carried a total 9,633 tons of sugar consigned to a group of Filipinos. The non-payment by Olavaria and Co. of these two sugar shipments signalled trouble for the Company and resulted in Tabacalera's initial loss of 2,919,937 dollars (Raventos, 1981). The loss of a total of thirty million pesetas as a direct result of the Olavaria bankruptcy finally ushered in the beginnings of Tabacalera's financial difficulties.

Tabacalera's second crisis in 1967 was precipitated by the drastic decrease in the revenues from its businesses in the Philippines and abroad. In the country, drought ravaged both its tobacco and cattle enterprises. In addition to the expenses which were generally huge and resulted in frequent market losses, the business of gathering, whether it was tobacco, sugar, or copra was extremely slow. As a result, the Company lost 389,828 pesos in the gathering and exportation of sugar and 2,923,802 pesos in the gathering of tobacco. The poor crop of the tobacco in the Cagayan Valley multiplied the damages derived from the difference in price between the Valley and the European markets (Raventos, 1981).

These combined disasters of bad crop, cattle disease, and the miscalculation of marketing measures resulted in more financial losses for Tabacalera. In 1968 its production did not even reach 20,000 tons of sugar, hence compounding its losses. This led to the closing of the purchasing offices in Bacolod and the reduction to the barest minimum of the sugar department personnel in Manila.

During the 1960s Japan engaged in an unprecedented political and economic rehabilitation that spurred its economy to rise in rank next to that of the United States. One of the protective measures it adopted to preserve the viability of its local industries was the regulation of certain products. Such a protective measure affected Tabacalera because it meant the regulation of its rice exports to Japan. Meanwhile, in Brazil, political unrest and economic curbs rocked the government of Artur da Costa e Silva, who was accused of gaining unlimited powers. As a result, the Company's Brazilian businesses were also negatively affected by the political turmoil in this country. The Company further lost significantly in its banana and abaca enterprises in Africa due also to the political unrest that shook that part of the world (Raventos, 1981).

All of these factors affected Tabacalera's various enterprises all over the world causing financial losses that continued up to the seventies and reaching 84,837,714 Pesetas. From this time until the sale of its haciendas in 1980, Tabacalera, according to Raventos (1981), experienced only four years of minimal gains and the rest were losses. This then meant nine years of straight losses and only four years of very little profit within a period of thirteen years. It is important to note, however, that despite the crisis it was facing, Tabacalera continued to give the benefits due its employees while at the same time sustaining its tax payments to the government and contributing significantly to the economy of Negros Oriental and the nation.

Meanwhile, their heightened nationalistic fervor made Filipinos more aggressive in business and this eventually enabled them to master the art of running businesses in which the Company was also engaged. Having grown complacent to its dominance, however, the Company chose to follow the old system of

running its affairs and refused to face this new challenge. Its inability to stem its downward spiral was exacerbated by its current financial woes. The continuing decline of its operations inevitably led to the sale of its haciendas. In 1969 it sold the San Luis, Santa Isabel, and San Antonio haciendas. In accordance with the new land reform program of the national government, it surrendered part of its lands in favor of farmers in 1971 (Raventos, 1981). In 1973 it sold its San Jose holdings in Negros Occidental to the Valmayor group, which were also involved in sugar production (Personal interview, Jesus Martinez).

Only much later did Tabacalera come to realize the impact of the global trend that agitated the colonized to assert their "native rights." These sweeping developments worldwide animated the demands of the colonies to reclaim possession of native properties that have gone to the hands of the foreign invaders and reject all things foreign, including Tabacalera as it happened to be in the Philippines. To address these developments, Tabacalera began restructuring its branches in the Philippines to meet new business challenges and keep pace with the country's swiftly changing political and cultural conditions (Sugar News, 1969).

Clearly, the challenges of 1967 played a critical role in the life of Tabacalera. Happening simultaneously, they overwhelmed the Company and prevented it from recovering. As well, because it had never encountered similar challenges before in its long existence in the archipelago, it was unprepared to cope with the new situation. In its entire history, never had it lost so much financially, nor experienced being treated differently because of its nationality. Even in the midst of the revolution and three wars, it experienced no difficulty in running its businesses. All these converging events spelled the demise of Tabacalera in the Philippines.

Government Control of the Sugar Industry

Shifts in how the business of sugar was to be managed did not just affect Tabacalera but practically the entire sugar industry throughout the country. The tentacles of the Marcos administration finally choked the industry and delivered the death blow to the Company's involvement in the business of sugar. Respondents in this study who requested anonymity shared this view:

A last factor, and without doubt the most clear, was the creation and actuation since 1974 of an organism that, with the political prices that were fixed for sugar and the intervention of the exports, signified a permanent medium for the profitability of the business.

When Marcos came to wield total control over the sugar industry, Tabacalera was among his dictatorship's first victims. Since the sugar boom of the 1950s, the sugar industry has remained not only a powerful economic force but a political one as well. "Before the consolidation of Marcos's power under Martial Law, the 'sugar bloc'—reportedly a powerful clique of planters and millers—was credited with powers of undue influence apt to shake the confidence of any politician, regardless of rank" (Gonzaga, 1994: 231). When Ferdinand Marcos came into power, he viewed this powerful group as a deterrent to his and his cronies' complete control of the economy.

In tracing the evolution of the sugar bloc, Fernando "Nanding" Lopez divulged that one of the reasons why Marcos instituted a monopoly of the sugar industry was to clip the powers of the bloc. Turning traitor to the party, that propelled him to the presidency, Marcos was understandably fearful of the magnitude and scope of the bloc's authority. Hence he lost no time in castrating the 'oligarchs' of their power base—the sugar industry (Gonzaga, 1994).

With the economic collapse of the sugar industry due to world prices and the end of the favored quota status in the U.S. market, Marcos, through Roberto Benedicto, nationalized the sugar export trade and imposed a burdensome production tax on the planters. In addition, as another form of political maneuver for full control of the industry, the Marcos administration endorsed the sugar cane workers' demands for increased wages (Gonzaga, 1994). But it was obvious that the government take over of the industry had only one aim – to enrich Marcos and his cronies. According to Manapat "corporations were organized and managed not as legitimate business ventures but as activities to generate quick money regardless of their long term consequences" (1991). In the sugar industry, the cronies through NASUTRA accomplished this by controlling the local market for sugar, setting the price, and buying it cheaply for resale in the world market at much higher prices. The administration's stranglehold of the industry assured the cronies' control of the economy while enabling them to rake in huge personal profits (Personal interview, Jesus Martinez, 1998). It would be an understatement to say that sugar planters suffered much during this period, the era termed as the *years of betrayal* (Gonzaga, 1994).

Thus, (1) unfortunate political changes contributing heavily to Tabacalera's continued financial troubles, that began more than ten years before the declaration of martial law; (2) cultural displacement; and (3) its inability to adapt to the new era eventually forced Tabacalera to end its long years of involvement in the sugar industry. In 1979 after laborious negotiations with England, the United States, and the Philippines, the Company completely sold its shares in its sugar central in Bais, Oriental Negros consisting of 66.34% of the capital (Raventos, 1981).

Concluding Notes

Today Tabacalera's business is concentrated on its original enterprise, the trading of leaf tobacco for cigar manufacturing. In 1998 the Company was cited by the Department of Trade and Industry as one of the 17 centenarian companies. The November 2, 1998 issue of the Manila Bulletin stated that this award was given in order to recognize the Company's contributions to the nation.

These companies are recognized by the DTI for having survived and stayed for over 100 years as they witnessed the ups and downs of the economy. Through their entrepreneurial vigor, they grew and in the course inspired the growth of other enterprises (Manila Bulletin, Nov. 2, 1998, C1).

One of these companies established by Tabacalera, the Central Azucarera de Bais (CAB) remains to this day a strong economic force in the province of Oriental Negros. The national newspaper, *The Daily Star* reported in 1999 that the export earnings of the province soared to \$76,729,661, which increased, from \$54,000,000 in 1997 (*Daily Star*, January, 13, 1999). Of this amount, according to this source, P40, 675,027 came from sugar produced in three sugar mills in the province of Oriental Negros: CAB, URSUMCO, and Tolong Sugar Milling. The recent problems of the industry — the climactic phenomenon, economic crisis, and the smuggling of sugar — have caused irregularities in the industry resulting in the closing of mills and the soaring of sugar prices.

Late in 1998, in response to community needs, the CAB directly sold sugar to consumers at cheaper prices. Also, the stoppage of operations in some of the mills in Occidental Negros made CAB a possible alternative. Up to this day it continues to service sugar farms within the province as well as those in the occidental side of

Negros. It remains the largest producer of both raw and refined sugar in the province of Oriental Negros.

Thus, the benefaction left behind by the Compañia General de Tabacos de Filipinas will always be a part of the history of the people not only of Oriental Negros but also of the entire nation. By looking into the intricate beginnings of the Compañia General de Tabacos de Filipinas in the Philippines, Filipinos will be better able to appreciate the myriad aspects of our colonial past.

In stressing the role of cross-cultural encounters in bringing about economic and technological exchanges, this paper argues that our colonial past left behind not merely negative impact but positive legacies as well. Colonialism served as a vehicle for cross-cultural encounters to take place and as a result, both the colonizer and its colony, although geographically separated, were able to mutually benefit from the experience of contacts and exchanges that have become part and parcel of each other's *heritage*.

Notes

¹When I conducted my research at the main office of Tabacalera in Spain with access to primary sources there, this book provided invaluable material for this work. In my research, I only found one copy of his book in the possession of a Hacendero in Bais City. I secured the assistance of Sr. Jesus Martinez, a former employee of Tabacalera residing in Dumaguete City, to unofficially translate the book from Spanish into English. In addition, he corrected many of the facts and data presented in events mentioned in which he was personally present. I have corroborated the information with other sources for verification.

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