

Address on "The State of the Nation"

MR. PRESIDENT, MR. SPEAKER, MEMBERS OF CONGRESS:

SINCE my first report to you a year ago, significant changes have occurred in our country and in the world.

Here at home, the most encouraging change is not measurable in statistics.

When we took over the reins of government, the nation was demoralized. There was bitter dissension and defeatism. Our people had lost faith in their institutions and in themselves.

Today, there is a new spirit of confidence in our land.

If this Administration can claim any outstanding achievement during the past year, it is the restoration of national self-respect and the revival of the people's faith in the democratic way of life. Our people and their Government are now as one, jointly engaged in the grand enterprise of securing for this country the fullness of freedom and prosperity.

In this vital transformation, the role of this Administration has been a modest one. We have done no more than to activate the resurgence of national self-confidence and to establish the essential conditions for its constructive expression. If achievements there have been, they have been possible because our people wanted them and worked to bring them about.

In the world at large, the collective strength of the free nations increased sufficiently to deter overt acts of aggression. Thanks to the free world's readiness to defend the peace, the danger of an atomic war is now less imminent.

But grave dangers still remain. Communist imperialism has not renounced its objective of world domination. It is still actively promoting subversion within the free nations.

Even as we meet here, the Tachen islands, only a few hundred miles to the north of us, are aflame under new Communist attacks. We must remain on guard.

It is against this background that I should like to consider with you today the state of the nation.

National Security

We have made positive progress in the strengthening of the national security.

In the discharge of this basic responsibility, we have sought, first of all, the effective implementation by the United States of her commitments under the Philippine-American Mutual Defense Treaty, upon which we must rely principally for our external defense. America has responded with a categorical commitment of immediate assistance to our country in case of attack; and a permanent Philippine-American Council has been created for the effective implementation of the Treaty.

Actually, the United States military bases we now have here are America's earnest to us of automatic retaliation to aggression.

Our participation in the Southeast Asia Collective Defense Treaty, now known as the Manila Pact, has further enhanced our nation's security. As the first regional collective defense agreement in our part of the world, this Pact extends the collective security system envisaged by the United Nations Charter.

Thus, by every possible defense arrangement—bilateral, regional, and international—we have strengthened our external defense.

Our internal security has improved. The alertness of the Armed Forces brought about the surrender of Luis Taruc and the death of Mariano Balgos, two of the top Communists in the Philippines. Still other Huk leaders and followers have surrendered or have been either killed or captured. Many Huk-infested areas have been cleared and put back to productive use.

I must say here that these successes in the restoration of public order would not have been possible without the loyal support and cooperation of the civilian population.

All this notwithstanding, I must repeat my warning against complacency. We must continue to be alert to the dangers of Communist aggression and subversion. Our gains in the restoration of peace in our countryside must be consolidated. Our armed forces must continue to protect our farmers and their homes. We cannot as yet afford to lessen either our vigilance or our armed strength.

Rural Reconstruction

But there is more to national security than simply maintaining territorial integrity and public order. To be really secure, a country must assure for its citizens the social and economic conditions that would enable them to live in decency, free from ignorance, disease, and want.

Today, a concerted effort is being exerted to bring about these conditions in our rural areas. Varied elements of our society—the Government, the youth, civic-spirited individuals and organizations, the rural people themselves—all are engaged in the great undertaking of bringing freedom and progress to our barrios.

We are approaching the problem along three main lines:

*Delivered by President Ramon Magasaysay before a joint session of the Senate and House of Representatives on the opening day of the Second Session of the Third Congress of the Republic of the Philippines, January 24, 1955.

First, improvement of our land tenure system, supplemented by land resettlement;

Second, more effective aid to tenants and small farmers in the form of (a) credit on easy terms; (b) essential facilities, such as water and roads; and (c) technical advice on how to improve farm operations; and

Third, more intensive community development with emphasis on self-help.

The first approach, land reform, gained headway with the approval of the Agricultural Tenancy Act last year. This law extends greater protection to tenants. More important still, it grants them the option to choose the system of tenancy under which they would prefer to work. By choosing the leasehold system, a tenant, of his own free will, takes an important step towards economic independence.

To implement the Act, we have established the Agricultural Tenancy Commission. In the short time that it has functioned, this Commission has already proved effective in assisting tenants in the exercise of their rights. I would recommend, therefore, that Congress provide it with needed funds.

However, it is not enough to provide tenants with this type of assistance. It is equally necessary that tenancy disputes be settled with dispatch. Hence, I would reiterate my recommendation for the creation of a Court of Agrarian Relations.

Another essential measure in land reform is the purchase or expropriation of large estates and their distribution to their occupants and to landless workers. Mainly owing to lack of funds, we have been unable to implement this measure to any large extent. I would urge Congress to consider anew ways and means to carry out the redistribution of large estates.

We have, however, distributed public lands to landless workers at a fast rate. Last year, the Bureau of Lands issued to qualified settlers 28,000 land patents, covering 241,000 hectares. Compared to the 10,000 land patents issued in 1953 and the 3,000 issued in 1952, last year's total constitutes a record.

Nevertheless, we must accelerate our pace. Our people, on their own initiative, are moving to public lands opened and subdivided for settlement. This is indicated by the fact that during the last year 33,000 applications for agricultural lands were filed by independent settlers.

For others who, due to poverty, are unable to proceed to settlement areas by themselves, the National Resettlement and Rehabilitation Administration has opened several settlement projects. NARRA assists families to move from congested rural areas to these projects, providing them with farm implements, transportation, subsistence up to the first crop, and other forms of aid.

Under this Administration, NARRA moved 2,882 settler families from crowded rural areas to about 27,000 hectares of public land. In addition, it allocated 10,000 hectares of public land to 1,718 landless families who pioneered in the settlement areas, and helped them in the survey of their clearings and in the acquisition of land titles. NARRA spent during the year under review ₱1,300,000, of which 77% went as direct aid to the settlers. I would recommend that Congress appropriate the funds already authorized by it for NARRA.

Our second approach consists in assisting the poor farmer get on his feet.

In most cases, the vicious circle of inadequate production and insufficient credit has kept him in dire poverty. The Agricultural Credit and Cooperative Financing Administration has begun to break that circle by making available to small farmers credit on easy terms.

At the same time, ACCFA helps them in setting up marketing and warehousing facilities, through their own cooperatives.

During the last year, ACCFA greatly intensified its aid to farmers. As of December 31, 1954, it had released a total of ₱18,900,000 in loans of various types to farmers. It had organized 232 Farmers Cooperative Marketing Associations (FACOMAS) in Central and Northern Luzon and Cotabato, with a total membership of 105,943 farmers.

ACCFA's operations are still in their initial phase. They have covered only 2,375 of our 18,000 barrios. Yet, they already count with the enthusiastic support of our people.

One very encouraging aspect of ACCFA's operations is that the small farmers pay their crop loans on time. In the past, crop loans were seldom, if ever, paid. Under this Administration, there has been an important change of attitude on the part of our farmers. This healthy trend proves once more that it is sound business to invest in the people's welfare.

Clearly, ACCFA should expand its operations. I would recommend that Congress increase its capital.

The farmer's pressing need for irrigation is gradually being met with our irrigation construction program, which we started to carry out vigorously during the past year.

Four irrigation projects financed by public works funds, covering a total area of 9,000 hectares, have been completed or are nearing completion. PHILCUSA-FOA funds have financed one completed project in Nueva Ecija; another in Iloilo now nearing completion; and

still another in Isabela to be completed before the end of this year—covering a total area of 42,100 hectares.

In addition, we have started work on 7 irrigation projects—the Agno River project in Pangasinan; the Sta. Cruz and Mabacan River projects in Laguna; the Daet River project in Camarines Norte; the Agos River project in Quezon Province; the Pafigiplan River project in Negros Occidental; and the Suague River project in Iloilo. These projects, covering about 40,000 hectares and estimated to cost ₱22,000,000 are being financed from bond issues.

Another essential feature of this program is the development of communal irrigation systems. An expenditure of ₱957,254.40 was incurred for the construction of 90 communal irrigation systems in 27 provinces.

I have also earmarked ₱1,000,000 from the Contingent Fund for the purchase of cement which the Government will contribute for the construction of permanent communal irrigation systems to be built primarily by the barrio people themselves, who, for their part, will contribute labor, and sand and gravel. Farmers from Nueva Vizcaya and La Union were the first to avail themselves of this joint venture between the people and their Government.

Wherever feasible, the gravity irrigation systems are now being supplemented by pump irrigation facilities.

To speed up the implementation of our irrigation construction program, existing administrative and financing policies on water utilization and water rights should be re-examined.

To provide potable water, more than 1,300 artesian wells have been completed to date in the barrios at a cost of ₱3,500,000. This means that we have installed an average of 4 artesian wells each working day. Compared with the total of 153 artesian wells installed in 1952 and 256 in 1953, this constitutes a great improvement. This year, as we get additional drilling equipment, we expect to better this record.

While on this subject, I would like to commend the splendid cooperation of organizations and individuals, led by the Liberty Wells Association, in the Government's artesian wells programs.

Fifteen waterworks projects costing ₱2,500,000 have been completed. Forty more, with an estimated total cost of ₱25,500,000, will be constructed within the year. Work is now going on in over 80 spring development projects which will benefit about 90,000 people.

Next to water, road facilities are essential in improving the farmer's lot. This brings us to the Administration's highway and feeder road program.

During the past year, we have constructed about 430 kilometers of feeder roads serving about 80 communities and opening new areas. In Mindanao, we have started the construction of 235 kilometers of roads which, when completed, will open large areas of agricultural, forest, and mineral lands, and connect the coastal with the inland towns.

About 479 kilometers of roads were also improved in various parts of the country, of which 82 kilometers of asphalt and concrete pavement were completed. The improvement of the interprovincial network was started on 90 projects covering a total of 385 kilometers of concrete paving and 182 kilometers of asphalt and 29 permanent bridges.

Aside from the foregoing, which were financed or are being financed from the Highway Fund, we have also started construction on 19 road projects and 8 bridge projects, with an estimated cost of ₱20,000,000, to be financed by funds from bond issues.

During the first year of the program, much of the work consisted in developing practical and efficient operating methods, better planning and allocation of funds, and the organization of equipment depots and maintenance crews. This year we expect the program to gain momentum.

We propose to concentrate our work primarily on feeder roads to reach our long-isolated barrios. Considering our lack of funds and the enthusiasm of our rural people, I would suggest that Congress approve the necessary legislation authorizing the construction of feeder roads on a self-help basis. The Government would provide the funds, know-how, and equipment; and the people, their labor and locally available materials.

The yield of our farms is not enough to support our small farmers. They are eager to produce more, but they know only antiquated farming methods. To help them, the Government is providing throughout the country technical advice on improved farming methods, through the Agricultural Extension Service and other agencies. Better breeds of animals and high-yielding varieties of rice have been introduced. Soil classification and analysis have been extended to many areas, largely through the untiring efforts of the field men. Special mention should be made of the Margate system of rice culture as a direct means for improving the rice yield. It is now being introduced all over the country.

As we help our people become better farmers, we also encourage them to make their barrios better places to live in. We tell them that the Government cannot do everything for them, that they must also help themselves.

Their response has been most heartening. The spirit of self-help is sweeping our rural communities. Here again, the role of the Government is simply to tap the creative energies of our people and to provide the means by which their desire for improvement can be translated into permanent benefits.

It is for this purpose that our health, education, and social welfare programs are being re-oriented with emphasis on self-help.

In the campaign to control and eventually eliminate mass diseases, the active cooperation of our people is being enlisted. Our aim is to increase the effectiveness of the campaign and to make its effects more lasting. This approach has been especially useful in the successful BCG vaccination and malaria control campaigns. More than 1,000 rural health units have been established as a joint venture of the national and local governments, with FOA assistance.

The pre-fabricated schoolhouses now being mass produced will be set up in the barrios, also on a self-help basis, with the people providing the labor. We expect the steady flow of these schoolhouses to our barrios to start by next month. Meanwhile, the emphasis on vocational education is being increased, and the community school movement, using the methods of grass-roots democracy, is being extended throughout the country.

The Social Welfare Administration has expanded its services to the rural areas and is taking an active part in community self-help projects. This is being done in accordance with a planned shift from relief to self-help activities. At the same time, it has carried on more effective disaster relief operations and maintained essential welfare and rehabilitation services.

These varied social measures—for better health, wider opportunities for education, and more gainful employment—are now being carried out, with the use of more efficient techniques of community development. Coordination and integration on a national scale will be effected through the newly-created National Community Development Planning Council.

As a result of our combined efforts in agricultural extension work and community development through self-help, total production in agriculture increased appreciably last year. National production of the principal food items reached 7,200,000 metric tons, showing a self-sufficiency ratio of 114.6%. But this achievement is still short of consumption requirements in such critical items as meat and poultry, milk and dairy products, cacao and coffee.

Despite vigorous measures, we have not as yet solved the stubborn rice problem. Palay production was enough for our people's needs. But deficiencies in marketing, warehousing, and financing prevented the rice from reaching the consumer at fair prices.

The NARIC should, therefore, be provided with enough funds for stabilization operations. The coordination of the activities of the NARIC and the FACOMAS must be improved.

As a further measure to increase rice production, the carabao, indispensable to most of our farmers, must continue to be protected from slaughter. To improve our nutrition, other livestock must be increased in number. We note that during the past year, the number of our carabaos rose to 2,700,000, showing an increase of about 9%. Because of this increase and the ban on their slaughter, the price of carabaos has gone down considerably, making it easier for the poor farmers to acquire them.

As we shift from deficiency to surplus production in the next two or three years, we must meet the problems of marketing and processing. Together with the farmer's cooperatives, private trade organizations will have to assume the brunt of responsibility for the efficient handling of our principal products. We should, therefore, encourage more of our people to go into these activities.

At the same time, the Government should continue its policy of maintaining the floor price for rice and other principal products as an incentive to real, substantial gains in production.

Labor

When this Administration assumed office, we promised to encourage free unionism under responsible leadership. We have kept our pledge.

The number of workers organized into labor unions nearly doubled during the past year. This means that labor has improved its collective bargaining position for better wages and working conditions.

The Government's role in this growing movement has been, not to dominate as in the past, but to provide the necessary guidance so that labor will be free, democratic, and responsible. Among other activities to achieve this end, short-term regional schools on responsible labor leadership have been conducted in different regions of the Philippines. This program, together with a similar training program for employer and management groups, will be expanded until we shall have brought about better understanding of labor and its problems.

By and large, labor-management relations improved. More collective bargaining agreements were signed. With further encouragement, many more will be signed this year.

The enforcement of laws and measures for the protection of workers was intensified. The Workmen's Compensation Commission finished twice as many cases as it did in 1953. The Wage Administration Service secured for worker claimants a total of ₱1,500,000 in wage restitutions.

On the subject of wages, I would like to reiterate my conviction that only the most compelling reasons clearly related to the national interest could justify changes in the Minimum Wage Law. This Administration will not lightly regard any action that may adversely affect the workman's continuing struggle for a decent life.

Industrial Development

In the field of industrial development, some progress has been achieved by private enterprise with government stimulus and encouragement. Induced by tax exemptions, 72 new industrial plants were established during the year. More processing industries are utilizing local raw materials.

Encouraging results in manufacturing and processing are evident from the increase by 28.2% in the output of reporting manufacturing establishments, which amounted to ₱752,000,000 in 1954, compared to ₱586,500,000 in 1953. Another index of the improving industrial situation is the increase by 24.5% in capital-goods imports, amounting to ₱125,200,000, for the first 8 months of 1954, compared to the same period in 1953.

To supplement private enterprise, the Government has taken direct measures to promote certain industries. During the year under review, the cement plant at Bacnotan, La Union, was completed and the Insular Sugar Refining Company reopened. The Government has organized the machinery to handle the promotion and development of the coconut and tobacco industries.

On the other hand, the Government has leased the Manila Hotel to private enterprise, has announced the sale to private operators of 3 ocean-going vessels owned by the National Development Company, and has withdrawn from international airline operations. It is also considering other measures in this direction, in accordance with its policy of confining its investment activities to those phases of development essential to the public welfare.

Likewise in line with the policy just stated, the Government has advanced the power development program, an essential pre-requisite to industrial growth. During the year, the Talomo No. 2-B hydro-electric plant in Davao was completed. Work continued according to schedule on 2 big projects at Ambuklao and Maria Cristina, with a combined capacity of 100,000 KW—as well as on 4 smaller hydro-electric projects at Digos and Talomo, Davao; Balombong, Catanduanes; and Amburayan, La Union. Work has been started on 4 more small hydro-electric projects, with a total capacity of 4,500 KW located at Peñaranda, Nueva Ecija; Loboc, Bohol; Barit, Camarines Sur; and Agusan River, Bukidnon.

Viewed against the immensity of our needs, these developments are modest, indeed. They do not measure up to our hopes of a greatly accelerated industrial pace that would provide work and abundance for our people.

But they do indicate the significant fact that we are steadily forging ahead. What is more, an atmosphere of optimism and enterprise has been gradually developing and is becoming manifest in the form of actual projects and those in prospect this year. This has been accompanied by a growing realization of the necessity of providing incentives for and promoting industrial growth.

Last year, I recommended in my state-of-the-nation message that we support our own economic pioneers and set up a stable basis under which foreign investors can put their capital to work in this country.

Congressional policy on these matters is as necessary as executive action. I, therefore, reiterate my previous recommendations. To particularize, I would urge the adoption of legislation embodying the following policies:

Our Government should give full encouragement to the establishment by private enterprise of new industries which will advance our economy.

Our development program must be based, and should rely mainly, on internal financing. We must promote the widest and most effective utilization of our resources.

We will welcome foreign capital. To encourage and facilitate its entry, we should specify the conditions governing the repatriation of capital, the remittance of profits and earnings, the protection of foreign investment, and other essential conditions.

I cannot over-emphasize the urgent need for these measures. We are facing a tremendous unemployment problem. The direct, practical way of meeting it is to create jobs through the establishment of new industries.

National Finances

The country's financial position is stronger today than it was a year ago.

The banking system is more sound. According to Central Bank data, as of October 31, 1954, total bank resources amounted to ₱1,335,000,000, showing an increase of ₱64,600,000 compared to those of the same period in 1953. Total deposits amounted to ₱964,300,000, increasing by about 9%. Saving and time deposits in all banks amounted to ₱414,800,000, showing an increase of ₱61,500,000.

While the financial status of the banking system is sound, their lending operations need improvement.

As of September 30, 1954, the total loans granted by all banks amounted to ₱337,800,000, which sum is greater by ₱28,400,000 than that of the previous year. Of these total loans granted, those for commercial and real estate purposes increased considerably, while those for industry and agriculture decreased. This decline indicates that we have not as yet changed the customary pattern of bank lending in this country.

I realize that complex forces make it difficult to bring about the desired shift which will give due emphasis to industrial and develop-

ment loan financing. But this re-orientation in objectives is imperative.

A re-examination should be made of our lending policies with a view to expanding development loans. I would urge Congress to examine the various proposals on this matter and enact implementing legislation either to extend the operations of our existing credit institutions or to establish new financing machinery for industrial and agricultural development.

We should also consider the extension of more substantial credit assistance to small enterprisers and producers. The recent credit assistance given by the Philippine National Bank and the Rehabilitation Finance Corporation to small producers of rice, cassava, citrus, ramie, coffee, and livestock, is in the right direction.

We have maintained our international reserves at a satisfactory level through the exchange control measures of the Central Bank.

There have been, however, an unfavorable balance of trade amounting to \$93,700,000, and an adverse balance of international payments, amounting to \$13,600,000 as of November 30, 1954. These are symptoms of fundamental defects in our economy. They must be remedied to attain internal stability.

One remedial measure is the conservation of our dollar reserves through the proper allocation of dollars among top-priority imports, giving special emphasis to capital-building items, raw materials, and basic necessities.

A more permanent approach to this problem would be the adoption of a program to promote foreign trade and to increase our exports.

I would, therefore, ask Congress to consider the advisability of creating a Foreign Trade Commission to plan a foreign trade program and pursue its implementation; the establishment of a Bureau of Standards in the Department of Commerce and Industry, to help standardize Philippine products, especially those for export; and the creation of a Maritime Commission that will undertake the promotion and development of adequate water transportation. Proper incentives for the increase of our exports should be seriously considered.

In connection with the foreign trade program, I wish to emphasize that the proposed revision of our Trade Agreement with the United States will require vital readjustments in our economy. We should anticipate and be prepared to meet the impact of the new situation.

Government Finances

In the first year of this Administration, Government finances improved.

In my state-of-the-nation message last year, I stated that the ordinary operational expenses should never exceed the total revenues in any fiscal year. This we have complied with.

For the first 11 months of last year, the General Fund income totalled ₱545,949,737.13, against total expenditures of ₱535,197,009.81, thus showing a surplus of ₱10,752,727.32. In the same period of the preceding calendar year, the deficit amounted to ₱48,739,577.25.

Thus, the practice of deficit spending for ordinary operating expenses has become a thing of the past.

Revenue collections increased by ₱43,789,669.84. This is the result of greater effort in tax collection, as well as a manifestation of the new confidence in the Government.

We have succeeded in reducing the operating expenses of the Government by ₱37,967,112.26. Since December 31, 1953, we have succeeded in restoring to the various special funds a total of ₱9,000,000, out of ₱17,000,000 owed by the General Fund under the past Administration.

On the other hand, we have increased capital expenditures for economic development by ₱22,300,000 during the past year. This is an investment in the economic stability and security of this country.

Our public debt, as of December 31, 1954, was ₱1,168,000,000 of which ₱848,000,000 was incurred by the National Government, ₱253,000,000 by government corporations; and ₱67,000,000 by provincial, city, and municipal governments. The increase of ₱65,400,000 in the public debt outstanding by the end of 1954 was largely due to the Administration's policy of accelerating economic development. This is evidenced by additional issues of Rehabilitation Finance Corporation bonds aggregating ₱59,000,000, increased flotation of National Power Corporation bonds amounting to ₱6,400,000, ACCFA obligations of ₱7,000,000, and the sale of new public works and economic development bonds totalling ₱11,900,000. However, budgetary debts contracted by previous administrations have been reduced by ₱18,900,000.

The improvement in government finances during the first year of this Administration does not mean, however, that we are anywhere near solution of the Government's financial problem. The General Fund deficit and the unrecorded obligations of the Government, amounting to ₱275,260,000 as of December 31, 1953, must still be settled. Outstanding budgetary loans amounting to ₱160,000,000, plus ₱550,000,000 in backpay obligations, must be paid.

It must be clear by now that even with the increase in revenue by ₱43,700,000, the ordinary income of the Government is not enough to provide for all essential services. Among these are the training of reserves for the citizens' army, the restoration of the 7th grade in the elementary schools, and the salary adjustments of teachers and other government employees, which have been deferred. Some important projects had to be curtailed. We are studying these problems very

seriously, especially the salary adjustment of teachers. I will send you a special message on these matters in due time.

Owing mainly to fund limitation, our program of capital expenditures for top-priority public development projects and public works has not been fully implemented.

Thus, our principal difficulty today, as at the beginning of our Administration, is still lack of funds. I would urge Congress, therefore, to give full consideration to the need for additional appropriations to expand and improve the tax collecting agencies, particularly the Internal Revenue and the Customs bureaus.

I must reiterate my previous recommendation for legislation imposing heavier penalties for tax evasion.

Realizing that our current tax collections are not sufficient to provide for all essential public services, we must redouble our efforts to improve the tax collection machinery so that all the essential operating expenses of the public service can be met.

The financing of capital investments and permanent public improvements for economic development is another matter. We must be prepared to increase existing tax rates, levy new taxes, or resort to public borrowing for the purpose of accelerating our economic development. However, we must not countenance the use of this last-mentioned method of financing for operating expenses, except in very extreme cases involving national calamities.

Economic Planning and Implementation

In my state-of-the-nation message to Congress last year, I emphasized the need for a coordinated program of economic development.

At my behest, the staff of the National Economic Council drafted a 5-year program, the general outlines of which I presented to the nation in an address at the Far Eastern University on March 20, 1954. The modest record which I have just reviewed, follows the general pattern and objectives of that program.

Our 5-year plan has never been intended to be the last word in economic planning. It is a continuing one. It is to be revised and updated each year, on the basis of past performance, changing conditions, and the prospects of further advance.

In this constant work of revision, constructive criticism is always welcome. I am happy to note the mounting interest in the first revision of the program now underway, which indicates popular support of this Administration's objective of coordinated and integrated economic development.

I must reiterate, however, the recommendation made in my state-of-the-nation message last year for the revitalization of the National Economic Council as a really effective agency to plan and put into effect the economic development program. I would also recommend other essential administrative and organizational reforms to fully implement the program, such as the establishment of a development financing agency to arrange for the financing requirements of the program.

We have found that fundamental weaknesses in the existing administrative machinery cannot be corrected by administrative action. These will continue to hamper our efforts, as they have in the past, unless corrected by legislation.

Foreign Affairs

While we have devoted much of our energies to the problems at home, our international relations have not been neglected. Our foreign policy has served as an effective instrument in the promotion of the national interest.

As I have noted, we have strengthened our national security through various defense arrangements.

Similarly, we have made progress towards economic stability. The most important step in this direction was the conclusion of the negotiations for the revision of our trade relations with the United States. The Philippine Economic Mission headed by Senator Jose P. Laurel deserves the gratitude of our people.

The spirit of mutual respect and understanding in which the negotiations were conducted reflects credit equally on the Philippines and the United States. It is yet another manifestation of the desire of both countries to maintain their close and mutually beneficial relations.

Here at home, Philippine-American collaboration was closest in the joint undertaking to assist our country's economic development, through the PHILCUSA-FOA program. With the wholehearted cooperation of the FOA Mission staff, we have succeeded in speeding up the various projects, many of which are now being transferred as regular operating units of the different agencies of our Government.

I trust that Congress will continue to provide the necessary counterpart funds as well as the supplementary appropriations needed to operate the essential projects in this effective joint aid program.

We have also strengthened our ties with several Asian countries. Diplomatic relations with the Republic of Korea have been established. We have extended official recognition to the new sovereign states of Laos and Cambodia. We have reached agreement with the Republic of Indonesia on the problem of immigration.

At the Manila Conference held last September, we helped advance the cause of freedom and self-determination in Asia by our sponsorship of the Pacific Charter and its unanimous approval.

In the interest of peace and economic progress in this region, we joined the Colombo Plan as a full-fledged member. We have continued to cooperate with the Arab-Asian members of the United Nations in matters of common concern.

In the United Nations, we have actively cooperated with like-minded states in strengthening the fabric of international peace and security. We shall continue to uphold the United Nations Charter.

The balance sheet of our international relations shows encouraging gains. But we still have before us a catalogue of unfinished business.

The reparations question remains to be settled. There is urgent need for the full implementation of the United States military assistance program. The system of joint military defense and economic collaboration envisaged in the Southeast Asia Collective Defense Treaty is yet to be worked out. The signatories to this Treaty are due to meet soon in Bangkok. I hope that the Treaty may be ratified by the Senate before that meeting.

The proposed revision of our Trade Agreement with the United States will require action on your part. I shall address a special message to you on this matter at the appropriate time.

Government of the People

This Administration has made every effort to secure for our people the material benefits of democracy. It has worked equally hard to build up the spiritual strength of the nation.

To this end, we have insisted upon the strict observance of morality in the conduct of government business. We have moved swiftly and sternly against proved acts of abuse, injustice, and corruption. On the other hand, we have gone out of our way to commend worthy and civic-spirited acts.

The Government has looked promptly into reported irregularities. The Presidential Complaints and Action Committee has rendered valuable assistance in this regard. It has helped to make the Government truly a government of the people.

In the past, many of our people who had legitimate complaints did not air their grievances because of distrust or fear. Others thought it useless to go to a government deaf to their pleas. Under this Administration, the people in their simple faith have not hesitated to come forward for redress.

Out of 59,144 complaints received by the PCAC up to the end of last year, 31,876 cases were closed and 26,780 were being followed up in the different government offices. In the PCAC itself only 497 cases were still pending. What cannot be expressed by these or other statistics is the service this agency has performed in demonstrating to our people that this is a Government truly responsive to their will and their needs. The PCAC has done a good job and should be given every facility to carry on its important task.

I am aware of our people's desire to see quick results in punishing the guilty and ridding the Government of those who would pull it down by their greed and dishonesty. We are pledged to satisfy that desire by every legitimate means.

However, we cannot, we must not ignore the democratic processes which it is our duty to uphold. I must state once more that under this Government, no one—whether friend or foe, citizen or alien—no one will be denied due process and the equal protection of the law. But, consistent with these principles consecrated by our free way of life, we will continue to wage uncompromising war on corruption and abuse.

Respect for basic human rights must continue to be one of our prime concerns. We must live up to our pledge to act as guardians of the dignity and worth of the individual.

The Year Ahead

These are the things that have been done and the things that still must be done. The past year has been, above all, a record of the achievements of the people themselves. It has also been witness to our honest endeavors in the task of enriching our people's lives.

To be sure, the high hopes of our people have not all been fulfilled. Some of the things expected of us have not been done—or not done well enough—perhaps because they simply could not be done; perhaps because we have not had time enough to do them; perhaps because we have been momentarily distracted from our task.

Let us admit: among some of our people, there is impatience—the impatience or great expectations, born of the boundless faith reposed upon us by our people.

Far from discouraging us, this should give us fresh inspiration to outdo ourselves, to live up to our people's faith, to spend ourselves to the limit to promote their happiness.

Far from dividing us, it should bring us closer together. Our people have closed ranks; we can do no less. Nothing useful, nothing permanent, can be built on a foundation of disunity. More than ever before—in all matters involving the common welfare—we must provide a united leadership worthy of the confidence and support of all our people.

It is with this firm resolve that we should—together—look forward to the year before us.

The goal set is high. The accumulation of past and present problems, heavy. But you and I face them squarely—not alone, but with our great people at our side, equally determined to achieve the impossible, equally eager to give their all, that our nation may live in dignity and freedom.

May God look upon us today and give us the strength and wisdom to serve our people devotedly and well.