

# Wealth of Nations in the Philippines

**Invested American capital approaches \$300,000,000.—Filipino investment largest, on account of ownership of land.—Official data**

In its official circular on the subject, revised under date of July 31, the commerce department at Washington estimates American capital in the Philippines at \$150,000,000, but quotes the estimate of the insular affairs bureau at \$257,791,000:

1. Real estate (1).....	\$12,104,000
2. Bank capital.....	837,000
3. Bonds.....	113,985,000
4. Manufacturing industries.....	35,474,000
5. Mercantile.....	30,487,000
6. Farming (2).....	10,616,000
7. Mines.....	2,609,000
8. Forest and lumbering.....	6,500,000
9. All other.....	45,179,000
<b>Total.....</b>	<b>\$257,791,000</b>

(1) Excluding farmlands under item 6.

(2) Includes farmlands only; other real estate including urban real estate, business and residence property chiefly in Manila and Baguio, the chartered cities, and the port towns, is included in item 1.

"Difference between the two estimates," says commerce department, "is due in part to the fact that the compilation of the Department of Commerce is based upon capital investments of American resident in the United States, exclusive of American citizens permanently residing in the Philippine Islands; while the War Department compilation is upon the basis of American participation regardless of place of residence."

Naturally therefore, the insular affairs bureau's estimate is the complete one. For were it not for bonds, the larger share of the total American capital investment in the Philippines would be that of Americans residing permanently in the islands. Total invested capital in the Philippines of all nationalities is estimated at \$1,500,000,000 to \$2,000,000,000—"of which 75% is in land and improvements, chiefly agricultural. Philippine capital naturally predominates in agricultural investments; and in strictly native enterprises, such as rice and corn cultivation, the investment is entirely Philippine." Which is, of course, not quite true. Corn is grown extensively by some American planters in Mindanao, rice is extensively grown by American planters on Luzon.

But as a generality the statement may stand, if the influence of Americans on the industries, particularly on the rice industry, be not forgotten, and if it be remembered that capital in rice mills and warehouses is, to 75% or 80% of it at the least, Chinese, who dominate the wholesale and retail distribution of rice—a business in which Filipinos have only a recent, small, but

growing interest. Certain laws, such as the warehouse act assist Filipinos to insinuate themselves into the rice-milling and rice-trading business.

In the manufacture or the processing of goods for export,

American capital, the sugar industry excepted, leads all other capital in the Philippines. In other words, the foundation of Philippine industries is American capital. The accompanying table sets out the capital participation by nationalities in leading Philippine industries.

Spanish capital, little interested in tobacco culture in the Philippines, holds the largest interest by far in tobacco manufacturing, cigar and cigarette factories. Other European capital in the islands is mainly British and Swiss; British capital is interested in coconut oil mills, Swiss capital in cigar and cigarette factories. Commerce department is discreetly silent about the number of Chinese in the Philippines. Unofficial estimates vary from 70,000 to 200,000. Commerce department says merely that they were here before the Spaniard, that they outnumber all other foreigners together, that they are very active in the retail trade, and that "they handle from 65% to 75% of the merchandise distribution, their activities ranging from the management of small village bazaars to large importing houses."

During last year Japan had not yet nosed ahead of America in supplying the Philippines cotton textiles and other cotton products (but she has tended to do so this year). Summarizes commerce department:

"In 1933 the Philippines retained their position as the best market for American cotton cloths, galvanized steel sheets, dairy products, and cigarettes. In the first instance over \$7,000,000 worth of cotton piece goods were sold in the Philippines compared with somewhat over \$3,000,000 in Cuba, the second market (which makes it pertinent to remind America that the Philippines are potentially an incomparably better market than Cuba for all America's manufactures: because they are larger and more populous than Cuba; they are a more healthful country and they produce more varied crops, while they have a much larger educated class pursuing elevated standards of living). As an outlet (in 1933) for total iron and steel semi-manufactures the Philippines were preceded only by Canada, while hold-

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**CAPITAL INVESTMENT IN LEADING PHILIPPINE FARM INDUSTRIES**

Nature of Industry	Land and Improvements 1,000 dollars	Mills, Refineries, etc. 1,000 dollars	Total Investment 1,000 dollars
<b>Sugar, total.....</b>	<b>181,320</b>	<b>84,550</b>	<b>265,370</b>
Philippine.....	170,440	(1) 30,850	201,290
American.....	5,440	22,425	27,865
Spanish.....	3,625	20,000	23,625
All other.....	1,815	1,275	3,090
<b>Coconuts, total.....</b>	<b>209,320</b>	<b>11,895</b>	<b>221,215</b>
Philippine.....	194,665	905	195,570
American.....	8,375	5,545	13,920
Spanish.....	4,185	325	4,510
British.....	2,095	3,495	5,590
All other.....	1,835	720	2,555
<b>Fibers, total.....</b>	<b>187,250</b>	<b>7,815</b>	<b>195,065</b>
Philippine.....	176,240	1,010	177,250
American.....	420	3,725	4,145
Japanese.....	3,670	750	4,420
British.....	1,835	1,410	3,245
All other.....	1,835	720	2,555
<b>Tobacco, total.....</b>	<b>20,995</b>	<b>9,250</b>	<b>30,245</b>
Philippine.....	20,265	95	20,460
American.....	420	6,040	6,460
All other.....	210	3,115	3,325
<b>Lumber and Timber.....</b>	<b>124</b>	<b>20,500</b>	<b>20,624</b>
American.....	37	10,250	10,287
Chinese.....	8	4,100	4,108
British.....	4	2,870	2,874
Philippine.....	50	1,025	1,075
All other.....	25	2,255	2,280
<b>Native Farming.....</b>	<b>119,680</b>	<b>10,000</b>	<b>129,680</b>
Rice.....	770,490	10,300	780,790
Corn.....	49,110	—	49,110
Swamplands.....	230,995	—	230,995
Livestock.....	109,085	—	109,085

Note.—The sugar mills investment under Philippine includes \$18,850,000 invested by the Philippine National Bank, reduced from time to time by payments from planters interested in the mills originally financed by the bank.—The investment in Native Farming is dominantly Philippine, but the Chinese have an investment of \$8,200,000 in the rice industry, chiefly in mills and warehouses.—Corn is milled in small establishments, mainly owned by Chinese general-store traders, and no definite data are available.—Americans have \$1,290,000 invested in the Philippine livestock industry.

PUBLIC EDUCATION	1933	1913	1918	1929	1932	1933
	2,633	2,934	—	—	—	—
<b>CERTAIN ESSENTIALS OF PHILIPPINES ECONOMICS</b>						
	1903	1913	1918	1929	1932	1933
Number of Schools.....	2,633	2,934	4,747	7,616	7,641	7,679
Yearly Enrollment.....	127,600	440,050	671,400	1,121,200	1,199,980	1,173,735
Total Population.....	1,400	2,320	3,500	16,930	10,432	31,96
<b>CROP PRODUCTION</b>						
Sugar, Metric Tons.....	180,217	313,050	430,686	847,278	1,065,330	1,215,175
Absacs, Metric Tons.....	66,756	140,320	166,864	213,393	130,394	134,456
Coconuts, Millions.....	252	782	1,507	2,150	1,944	2,165
Rattan, Metric Tons.....	17,010	46,960	61,555	47,450	45,138	41,720
Rice (1,000 Bushels).....	24,151	51,609	75,406	106,210	101,538	103,180
Corn (1,000 Bushels).....	4,567	12,436	15,177	14,145	16,327	16,100
Coffee (1,000 lbs.).....	111	249	1,591	2,808	2,402	2,233
Rubber, Metric Tons.....	160	249	34	317	—	249
<b>FOREST PRODUCTS</b>						
Timber, Cut (1,000 bu. ft.).....	117,457	161,906	705,764	432,017	460,173	460,173
Rattan, Split (1,000 lbs.).....	—	8,759	17,461	5,616	2,818	2,740
<b>MINERAL PRODUCTION</b>						
Gold (1,000 Troy Ozs.).....	—	42	62	161	215	274
<b>INDUSTRIAL OUTPUT</b>						
Cigars, Millions.....	282	485	475	298	259	263
Cigarettes, Millions.....	4,283	4,750	4,250	4,250	3,447	3,625
Copra (1,000 lbs.).....	42,835	116,709	346,560	483,500	406,185	474,420
Coconut Oil (1,000 lbs.).....	—	263,246	263,246	423,371	300,478	386,056

Note.—Production of principal crops is by crop years rather than calendar years. Coconut oil is that produced from copra excluded from the statement of the copra output.

### Loggers' View of Log Export Commerce Here

For this paper setting forth Philippine loggers' views in contrast, in some respects, to the stand of the Philippines' important lumber industry expressed in interviews with Director Arthur F. Fischer of the forestry bureau, a number of men were interviewed to whom the overseas demand for our logs is very important—particularly the demand in Japan. Brief effort will be made to combine their views. They begin by saying that except for the overseas trade in logs, the domestic lumber market would be far more depressed than it now is. It would be called upon to take much larger quantities of logs. This would be far from lucky, because, they say, wholesale lumber prices in the islands are already too close to the cost of manufacture.

Of the mill run of lumber, 80% or 85% is not exported and comes on the domestic market.

Some loggers contended that logs exported could stand a wharfage tax of \$1 a ton, proposed either to check the commerce or bring the government more revenue from it. Others say that if the buyer bore the tax, all right; but that more probably buyers would shift the tax to the loggers, and reduce their gains from the business by that much. Some say the price of logs is so low that the tax would kill their business. They add, however, that buyers of logs not accommodated here would procure logs just the same, from Borneo and the Dutch East Indies. Their position, admittedly self-interested, is that it is better for the Philippines to sell timber in form of logs than to sell nothing by way of timber—to countries wanting logs.

They cite the plywood industry, not functioning here, which needs logs rather than boards. Such an industry exists in Japan, also in China and Australia; all markets buy Philippine logs, and the same industry in the United States begins wanting them. Nor did any logger talked with, agree in the opinion that Philippine logs are beyond danger of competition from logs got farther south in the tropics. One said it is true enough that southern timber is softer, but added that some markets for veneer woods prefer the softer timber, or at least don't discriminate in price against it. Reports seem reliable, too, of repeated efforts by Japanese timber interests to establish in Dutch Borneo—to date without success. But logs are shipped from 5 points in the Dutch East Indies to Japan. From British North Borneo, shipments of logs to Japan during the first half of this year had the invoice value of nearly a million pesos. The logger citing this fact from a formal trade report, connected it with the opinion that logging is not well established in Borneo.

Such is the consensus on this question among loggers.

### Wealth of Nations...

(Continued from page 4)

ing first place among Far Eastern markets. As a market for steel mill products the Philippines fell from 3rd place in 1932 to 6th place in 1933, when it was preceded by Canada and 4 Latin American countries.

"The Philippines, however, continued as the first oriental market for steel mill products, as well as for iron and steel advanced manufactures, taking considerably more than twice Japan's purchase of the former and nearly twice China's purchase of the latter.

"Of dairy products and cigarettes, the Philippines were second to Japan, while they ranked first in the Orient as an outlet for meat products." (They were 3rd in buying electrical goods, China and India being ahead of them.)

Spokesman for commerce department is C. K. Moser, No. 1 in the Far Eastern section of the regional information division of the depart-

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ment. He reminds America that the Philippines are an important source, and in some cases practically the only one, of American imports of coconut oil imports were from the islands, as they will be indefinitely, and 99% of all her abead imports. Under tariff protection, the Philippines have taken the desiccated coconut market in America away from Ceylon, selling America 97% of her desiccated coconut requirements; and the islands also sell America 98% of her imported cigars (by value, 92%); 75% of her saved cabinet woods; 42% of her sugar requirements, only 13% less than Cuba last year. A second of Mr. Moser's tables is reprinted with our summary because of its bird's-eye survey of essential economic factors here. His circular is a courtesy from the trade commissioner, C. Grant Isaacs. Copies sell at 10 cents each at the Department of Commerce, Washington.

### Perhaps We Erred . . .

(Continued from page 6)

competing with their own, all logs rejected by buyers for the export trade. This depresses an already sluggish market.

It is contended at the forestry bureau that the selected logs exported from the Philippines could readily make shift under a wharfage tax of \$1 a ton, which would be, as stated, P1 50 to P2 per cubic meter. (This is true, seems reasonable. Besides Japan and Australia, China is now buying Philippine logs and hints of increasing her use of them. This puts logs squarely before the government. The forestry bureau dismisses the suggestion that if Japan could not get Philippine logs at attractive prices she would get logs elsewhere, perhaps in Borneo, she would not buy Philippine lumber. Borneo has no lumber industry worth speaking of, the Philippines are the only part of Malaysia that has. Backbone of such an industry is a steady domestic market, and sparsely settled Borneo has no such market—can develop none.

Borneo's woods of species and varieties identical botanically with those of the Philippines, are softer and coarser than those of the Philippines: the Philippine product is preferred in the market. It is held that if logs could be got advantageously in Borneo, they would be got there now—Borneo's logging industry would already engage Japan's industry and capital. On the other hand, the trade here understands Bornean logs to be in every way inferior to Philippine logs, though they are cheaper. If therefore Philippine logs could be got at no

advantage over Philippine lumber, Philippine lumber would be taken even in Japan—as it once was taken.

Director Fischer of the forestry bureau contends that even if his proposed wharfage tax on exported logs caused loss of sales of logs abroad, not at once made up by greater sales of Philippine lumber, in the long run no harm would be done. The demand for Philippine lumber over the world is clearly reviving. The government could well let the timber stand uncut for 10 or even 15 years, while demands expanded and until overseas markets should be willing to be supplied with lumber instead of logs. At the same time, there is, of course, in the veneer industry, a legitimate demand for logs that sawn lumber will not supply. This demand, Director Fischer says, could always be supplied with Philippine logs; and such is their quality that the wharfage would be no burden on their ready sale. Less worthy is the demand of foreign mills, the mills of Japan, for Philippine logs to be sawn into lumber exported to the very markets where Philippine export lumber must be sold—markets effort in the Philippines has with difficulty and many setbacks got established.

The government must choose.

### LUMBER REVIEW

By ARTHUR F. FISCHER  
Director of Forestry



The fairly active demand of Philippine lumber and timber in foreign markets continued during July. There were 9,493,784 board feet of lumber and timber exported during the month as compared with 8,647,056 board feet for the corresponding period last year, or an increase of about 10%. Shipments to Japan consisted mostly of round logs, as usual. Inquiries and orders continued to be received from China and Australia and Philippine producers seem to be hopeful for increased demands in these markets in the near future. Much, however, will depend on how the first shipments by the individual companies getting the orders will be received in the said countries. The trade with South Africa remained comparatively active, which is a reflection of the favorable economic condi-