

THE following article, "Investment Opportunities in the Philippines", by Director of Commerce S. R. Mendiuneto, published in this special four-page section of the American Chamber of Commerce Journal, serves as an introduction to a series of articles which will aim at presenting a concise and authoritative survey of a number of investment fields in the Philippines which are believed to be especially promising.

Investment Opportunities in the Philippines

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THE Philippines today offers manifold and bright opportunities for new investment in diverse fields of activity. The havoc and destruction which the last Pacific war wrought to the national economy has increased tremendously these investment opportunities which have been awaiting enterprising capital. These opportunities embrace such basic industries as agriculture, fishing, lumbering, mining, and manufacturing. In addition, investments in transportation (especially water and aerial) and communications, building construction, trading, and other numerous services contributing to the rehabilitation of the country's economy promise to be no less profitable than in manufacturing and other basic industries.

So far as the natural resources and potentialities of the Philippines are concerned, it may be pointed out that this country has vast undeveloped areas with enough raw materials and manpower to become a great producing and manufacturing nation. The truth is that the Filipinos are just beginning to tap the country's economic wealth. To blaze the trail to economic progress and prosperity, the Philippine Government has blueprinted and is now sponsoring both short-range and long-range economic programs designed to bolster up production of agricultural and industrial products and to establish new and vital in-

dustries, the ultimate goal being not only to supply the maximum domestic needs but also to utilize the surplus products for export.

Time and again, the Philippine Government has frankly admitted the nation's need of foreign capital, especially American capital, and technical know-how. In this connection, it may be pointed out that the following conditions existing here besides the richness of the Islands' natural resources and abundant labor supply, are favorable to foreign investment: (1) the financial stability of the Philippine Government; (2) the sound currency secured by pegging the Philippine peso to the American dollar; (3) preferential trade relations with the United States for the next 25 years; (4) parity rights granted to American citizens, enabling them to enjoy the same privileges as the Filipinos in the development of the natural resources and the operation of public utilities; (5) four-year exemption from taxes allowed by Republic Act No. 35 to new and necessary industries; (6) the hundreds of millions of pesos still to come in during the next two years from the War Damage Commission and other United States agencies; and (7) the adherence of the Filipino people to the democratic way of life and their hospitable attitude toward foreign investors, especially American.

AS in any other country, there are certain restrictions in the Philippines on the freedom of foreign investment, which are in the nature of safeguards against any possible ruthless or excessive exploitation of the country's natural resources by anyone, whether Filipino or alien, and those which are adopted as measures to maintain mutually just relationship between the Philippines and other countries. The Philippine Constitution, for instance, provides that no individual can purchase more than 144 hectares of public land, that no corporation can buy more than 1,024 hectares of land, and that not more than 1,024 hectares of public land can be leased to an individual, corporation, or association, and, if for grazing purposes, not more than 2,000 hectares. Certain other safeguards affecting the mining, forestry, and other industries are more or less common to other countries.

AMONG the most promising fields of business activity in the Philippines are the following:

Cattle-raising — Philippine imports of meat products before the war averaged 4,500 tons annually, valued at P2,600,000. Local production of meat (largely swine and carabao) in 1937 was 75,000 metric tons. The livestock population suffered considerable damage during the war. Cattle were reduced from 1,300,000 head to about 800,000; carabao, from 2,900,000 to 2,000,000; and hogs, from 4,300,000 to 4,000,000. The Philippine Government has appropriated P2,500,000 to replace losses of cattle, carabao, horses, and swine.

The island of Mindanao offers favorable prospects for the development of the cattle industry because of its extensive virgin lands, where grasses and legumes suitable for cattle-feed grow in abundance. It is believed that the development of beef herds on this island would accelerate meat production to the extent of supplying domestic requirements and possibly leaving a surplus for exports.

Commercial fishing — Before the war the Philippines imported an average of 15,000 tons of fish products valued at P3,000,000, while the annual commercial in-shore catch amounted to about 21,000 tons, plus the additional 25,000 tons of bangus produced in salt-water fishponds. The total annual requirements of fish from all sources are estimated at 54,000 tons. Prior to the war about 50% of the fish caught and distributed in the local markets was controlled by the Japanese. Since liberation, considerable progress has been made in the rehabilitation of the fishing industry, which is now almost wholly in the hands of the Filipinos; however, the supply of fish food still falls short of the normal domestic requirements, as indicated by the high prices of fish in Manila, which are from 3.5 to 5 times pre-war. Further development and expansion of the fishing industry is being given particular attention by the Philippine Government through the recently created Bureau of Fisheries, formerly a small unit in the Department of Agriculture and Commerce. For the fiscal year ending June 30, 1948, the Bureau of Fisheries reported a total catch of 19,717,740 kilos of fish of different types by commercial fishing boats of three tons or over, as compared to 18,640,252 kilos for the preceding fiscal year.

The importance of the fishing industry in Philippine economy may be gauged by the fact that next

to rice, fish is the most important element in the Filipino diet. As the waters of the Philippines teem with the richest varieties of fish that can be found in any single fishing ground in the world of the same area, it goes without saying that commercial fishing offers one of the most profitable investments in this country.

Chemical production — The manufacture of industrial chemicals, such as sulphuric acid, caustic soda, soda ash, chlorine, nitric acid, hydrochloric acid, synthetic oil, and fertilizers offers further wide possibilities for investment. There is practically no chemical manufacturing industry in this country at present; all requirements for industrial chemicals are being supplied by imports, which ran to P20,000,000 annually before the war, and to P40,000,000 in 1946. It is altogether possible that these products may be profitably manufactured locally, as raw materials in the form of limestone, salt, fibers, starches, and potential sources of hydraulic power are available. The domestic production of chemicals will assume greater importance when the hydro-electric projects of the Philippine Government will have been set into operation. Under Republic Act No. 216, the proceeds of the proposed P176,000,000 loan being applied for from the World Export-Import Bank, have been earmarked for the following hydro-electric projects:

1. Construction of complete hydro-electric power plants at:	
(a) Ambuklao, Mountain Province . . .	P 48,000,000.00
(b) Itogon, Mountain Province	70,000,000.00
(c) Maria Cristina, Lanao	23,400,000.00
(d) Lumot River, Laguna	6,000,000.00
2. Erection and construction of a fertilizer plant	28,600,000.00
Total	P176,000,000.00

Of these projects the construction of the Lumot hydro-electric plant project has been started, and it was announced by the National Power Corporation that before the end of 1951 the plant will be in service and will bring into the Manila area its entire 50,000,000 KWH.

Manufacture of paints and varnishes — Paints, pigments, and varnishes were imported into the Philippines before the war at the rate of 5,000 tons yearly, valued at P1,800,000. In 1946, imports of these products reached a total of P3,800,000, as against P9,000,000 in 1948. Domestic production of paints before the war was negligible, being confined to 3 small plants producing 1,500 tons a year. The manufacture of paints and varnishes appears feasible in view of the availability of raw materials suitable for the purpose. Philippine forest abound in gums and resins, while turpentine could be gathered from the Benguet pines. Lumbang nuts produce an oil similar to tung oil. In 1938, production of lumbang oil amounted to P310,000 for 2,000 tons of nuts. With the building boom still going on, which promises to gather greater momentum as more materials become available and costs go down, an industry to produce paints for local use faces bright prospects.

Manufacture of paper products — The average yearly importation of paper in this country before the war was valued at P9,300,000. In 1946, paper imports reached a total of P23,000,000; P38,887,246 in 1947; and P44,714,054 in 1948, comprising newsprint, wrapping paper, book and printing paper, wall board, insulating paper, and kraft paper. There was one paper mill operated in connection with a sugar

central before the war, which produced 15 tons of cellulose and 10 tons of paper per day from bagasse. The possibilities for investment in the paper and related industries appear bright in view of the availability of raw materials in the form of abaca waste, cogon grass, bagasse, and wood pulp. Increased local demand for newsprint, book and printing paper, paper containers, etc., offers sufficient justification to the development of the paper industry in this country. At present, there is only one operating local paper mill, the one owned by the National Development Company, and it produces only wrapping paper. This began operating only shortly before the end of June, 1949.

Manufacture of miscellaneous products — Opportunities for sound investments are also present in the manufacture of soap and toilet preparations, shoes and leather, glass and glassware, ceramic and clay products, wooden and rattan furniture, and plastics. These products, except the last one, are being produced locally on a small scale. These industries are at best still in the handicraft stage, but with sufficient capital and technical skill they could be developed and expanded for supplying local demand and for purpose of export.

Local production of soap before the war was 20,000 tons a year, while the output for toilet preparations amounted to about ₱1,400,000. In 1946, soap and toilet preparations valued at ₱13,800,000 were imported, compared to ₱14,000,000 in 1943. With increasing demand for these products, opportunities for investment in this line of activity cannot be overlooked. Recently, a large American manufacturer of cosmetic and toilet preparations established a factory at Polo, Bulacan.

Shoe manufacturing is an old industry in the Philippines. There were 3 plants in Manila before the war producing a combined output of 3,000 pairs daily, in addition to about 2,000 small shoe-and-slipper making shops with an aggregate production of 5,000 pairs a day. Two of the big pre-war factories as well as a considerable number of small shops, were destroyed during the war. With an increased population, present requirements for shoes exceed those of pre-war days, thereby necessitating additional facilities to supply the demand. The establishment of a modern shoe factory with a productive capacity of 5,000 pairs a day, would seem to be a good opportunity for investment. Two pre-war shoe factories have already resumed operation.

The Philippine bottle-making industry was destroyed during the war. There were 16 glass factories operating in 1941, two of which were making bottles, and their combined output was value at ₱657,000 a year. Before the war, glassware imports exceeded ₱1,000,000. Because of the increased demand for toilet preparations and for tableware and glass containers, as well as the increased consumption of soft drinks and native wines, present requirements for bottles offer a bright prospect for investment in this industry. A bottling factory owned by Don Andres Soriano was established recently.

Ceramic and clay products, mostly fire-brick and kitchenware, were imported into this country in 1946 in the amount of ₱2,400,000. Before the war, bricks and tiles valued at ₱758,000 were produced locally. Deposits of clay and kaolin as well as chromite are

known to exist in this country, and with these raw materials the production of ceramic and clay products could be further developed to provide for construction requirements.

The manufacture of wooden and rattan furniture is an outstanding Philippine industry. The excellent quality and workmanship of Philippine-made furniture are well known. Production of wooden furniture in 1938 was valued at ₱4,400,000, while the output of rattan furniture before the war amounted in value to approximately ₱1,000,000. The Philippines produces exceptional kinds of hardwoods suitable for furniture-making. In 1941, rattan furniture was exported to the United States and other countries in the amount of ₱530,595. After the war, exports of rattan furniture amounted to ₱980,788 in 1946; ₱947,325 in 1947; and ₱1,311,722 in 1948. With the present demand for furniture to replace that destroyed or taken out of the country during the war, and the possibilities for export, there are ample opportunities for the expansion of this industry.

Lumbering — Lumber is an important item in the reconstruction projects for the restoration of numerous public, commercial, and residential buildings destroyed or damaged during the war. Present requirements in lumber for construction and reconstruction have been estimated at 4,500,000,000 board feet. Pre-war production of lumber and timber totaled 941,604,499 board feet, valued at ₱46,272,000, of which 754,000,000 board feet were used locally and the rest exported to foreign countries. It is believed that if more logging equipment could be installed and additional sawmills of higher capacity operated, the Philippine lumber industry could be brought up to an annual production of 2,000,000,000 board feet, an output which could cope with domestic reconstruction requirements.

With the lifting of the ban for lumber exports in late June, a very lucrative business in lumber and timber production awaits enterprising investors who could put up the necessary capital and provide the ingenuity in intensively developing this industry.

Mining — Extensive deposits of gold, silver, iron, copper, manganese, and chrome are found in the Philippines. In addition thereto, such non-metallic minerals as asbestos, gypsum, sulphur, limestone, clay, marble and building stones, coal, petroleum and asphalt, existing in greater or lesser quantities, comprise the mineral wealth of this country.

In 1940, the total gold production amounted to ₱76,563,888; chromite, ₱2,661,764; iron, ₱5,633,728; copper, ₱3,487,701; manganese, ₱1,287,011; silver, ₱1,874,701. The total invested capital in all mines in 1940 was ₱156,000,000. The mining industry, however, suffered considerable devastation during the war, the plants being demolished or carried away by the enemy.

Today, efforts are being made to rehabilitate the industry, but so far only a few of the pre-war companies have reported production. The Surigao Consolidated produced 19,148 tons of gold (mine ore) worth ₱279,253 in 1947, and 69,473 tons, valued at ₱1,386,002, in 1948. Benguet-Balatoc and Taysan reported no production in 1947, but in 1948 they produced 406,146 and 5,753 tons valued at ₱5,637,327 and ₱256,729, respectively. Atok Big Wedge also pro-

duced 91,599 tons worth P4,066,494 in 1947, and 157,146 tons, worth P4,618,016, in 1948. Mindanao Mother Lode likewise reported 11,400 tons valued at P444,246 in 1947, and 68,700 tons, worth P2,670,779, in 1948.

Of the base metals, Acoje registered 10,000 tons, worth P330,000, in 1948, but none in 1947. Consolidated Mining produced 189,499 tons, valued at P3,319,489, and 39,099 tons, worth P4,409,881, in 1947 and 1948, respectively. Lepanto also produced P2,033,600 worth of base metals in 1948 only.

The value of mineral production totaled P8,109,482 in 1947, and P21,342,324 in 1948.

The resumption of production of high-grade gold, silver, copper, asbestos, and lead, and the replacement of equipment, reconstruction of buildings and

mills, and the development of new mines are estimated conservatively to require an investment of about P40,000,000. The recovery of the mining industry, which is retarded by lack of machinery, equipment, and other essential supplies, offers an opportunity for sound investment.

THE foregoing lines of industrial activities have been presented, in a nutshell, as suggestive of the trends in post-war investment possibilities in the Philippines. It was intended merely to give a general view of the industrial resources and potentialities of this country, awaiting the capital, technical skill, and ingenuity of future investors. It would be well, however, for any prospective investor to make a further study of other branches of industry or business which may appeal to him, as possibly showing even better prospects for investment.

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