

derstand that one of the main causes of the loss of French Indo-China to "Communist" China was the fact that the Red aggression was inextricably confused by the long-standing insurrectory movement there against the French "imperialism". This fact, and probably this fact alone, made it practically impossible for the United States to give France and the people of Indo-China the full aid they needed to save the country from being overrun by the tide of totalitarian enslavement.

The Philippines has played a worthy part not only as host to the Conference but in making a contribution of vital importance to what has been established.

Elsewhere in this issue of the *Journal* appears an article on various objections which have been raised against the Bell Act, with answers to these objections prepared by the Chamber's Committee on Trade Act Revision. The article makes it plain that many of the objections have but little validity.

The Bell Act, of course, is not a perfect piece of legislation and no doubt certain of its provisions could be modified to the mutual advantage of the Philippines and the United States. An attempt at such revision is soon to be made, mainly on Philippine insistence, for the belief is now quite general that many of the difficulties in which the Philippines has found itself are due to various restrictions and alleged inequalities contained in the Bell Act and the Trade Agreement based on it.

It is unfortunate, especially at this time, that so much encouragement has been given to this belief by influential men who are in a position to know better. While no one would deny that the Bell Trade Act could be improved, there is no justification for holding it responsible for all the economic ills which have beset the country since independence.

The negotiations for revision are much more likely to be successful if a less critical attitude is taken, especially as to the intent of the American Government in the enactment of the Bell Act. The charge, for instance, that this intent was "to perpetuate a colonial economy" in the Philippines, is obviously false. The intent plainly was to assist the Philippines and to wean it gradually from too great a dependence on the American market.

As this is what the Philippines itself wants, it should be possible to "get together" on that basis.

Adherence, further, to the principle of reciprocity and mutual benefit, would also promise success.

The whole idea of "objections" to the Bell Act should be dropped in favor of the idea of "desirable modifications."

It is an interesting coincidence that one of the two searching questions asked by former Minister (and former Executive Secretary) Emilio Abello, in an address before the Manila Rotary Club on August 5, was answered in an editorial then written, but not yet published, which appeared in last month's issue of this *Journal*.

Mr. Abello, who was speaking on the subject of the proposed revision of the present Philippine-American trade relations on the basis of the Bell Act, stated that an obstacle in seeking this revision, is "the prevailing belief among American trade experts that the present set-up as provided for in the Bell Act is for the best interests of the Philippines". He said that there are "at least two important questions which Americans would ask". These are, according to him:

"1. Whether there is anything in the present Trade Act that would prevent the Philippines from opening new markets.

"2. Whether the Philippines, in working for continued preferences, would not be abandoning its previous goal of seeking economic independence from the United States through gradual diminution of trade preferences as provided for in the Bell Act."

The first question was answered in the *Journal* editorial referred to, which was entitled "The Philippine-American Trade Agreement—and the Development of New Markets".

The editorial began with the paragraph:

"There is a current misconception, — so obviously wrong that one hesitates to set about seriously to correct it, yet so general that correction seems necessary: the misconception that the Philippine-American Trade Agreement, concluded under the terms of the Bell Trade Act, prohibits or impedes trade with other countries than the United States and that, consequently, the Agreement must be revised, or even abrogated, before the Philippines will be free to seek, or will be able to develop, other markets".

The editorial refuted this misconception and, pointing out that the Philippines has in fact for years traded with other countries than the United States; that there is nothing compulsory about the trade with the United States; that the trade with the United States exists only because the Philippines gets the best prices for its product there and the lowest prices for what it has to import; and that the Philippines is entirely free to increase its trade with other countries and to adopt any tariff legislation it pleases with respect to the products imported from these countries. It concluded with the statement:

"It should be clear that the matter of developing new markets for Philippine products has little to do with any possible amendments to the Bell Trade Act or with revision of the Philippine-American Trade Agreement".

The editorial further stated that—

"it would be the height of folly to give up the tremendous advantages enjoyed by the Philippines in the great American market when other possible major markets must still be explored and, if and when found, developed".

That, we believe, may be taken as a fairly complete answer to Mr. Abello's first question. As to his second question, we should like to advance the following:

The Philippines, in working for "continued" preferences,—that is, preferences to be continued indefinitely, *would be* "abandoning its previous goal of seeking economic independence from the United States through gradual diminution of trade preferences as provided for in the Bell Act".

In entering into the present Trade Agreement with the United States, the Philippines accepted the gradual diminution and final ending of special trade preferences as a goal to be reached in 1974.

However, in seeking certain improvements in the terms of the Agreement which would not affect the principle of the gradual diminution and final ending of the special preferences, the Philippines would *not* be abandoning this goal.

And as for maintaining the preferences at present enjoyed for as long a period as the Bell Act allows, or as may otherwise be possible, that is only the course of reason, and false ideas as to "economic independence" should not be permitted to obstruct this wise course.

A few words may be interposed here on the subject of "economic independence". All nations are more or less dependent on each other for the products they must import. Complete economic "independence" or self-sufficiency,—autarky, is neither possible, nor would it be desirable. But with that understood, dependence on special preferences granted by a foreign government, is not desirable, although, as in the case of the Philippines, such preferences may temporarily be as desirable as they are necessary.

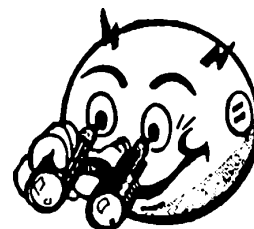
The Philippine-American Trade Agreement, concluded under the terms of the Bell Trade Act, provides both for such preferences and for their gradual diminution and ending, and what other solution is there, in principle, to the problem of how an extreme Philippine dependence on special preferences in the American market is to be ultimately ended? Clearly, there is no other solution.

Nevertheless, it may well be possible by securing certain postponements or certain changes in the gradua-



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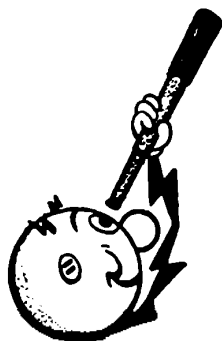
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tion of the application of fractional tariffs to prolong the period of relatively free trade between the Philippines and the United States, and that, from our point of view, would be most desirable and advantageous regardless of any dogmatic notions with respect to "economic independence".

In connection with the desired further industrialization of the Philippines, those who warn against too indiscriminating a policy in this regard are sometimes accused of desiring to "perpetuate a colonial economy."

If the expression, "colonial economy", is correctly used, it means that type of economy which arose during what may be called the colonial period of world history in those undeveloped areas over which various industrially more advanced nations extended their sovereignty. Such an economy is based on the trade which develops between them in which mainly the raw products of the colony are exchanged for the manufactured goods of the mother country. At the beginning this is an entirely natural and wholesome development of mutual benefit to both the mother country and the colony. However, the expression, "colonial economy", also denotes something more and that is the type of economy, as already described, the continuation of which has been unwarrantedly prolonged through political means,—monopolies, prohibitory tariffs, etc., calculated to deliberately prevent or retard further natural economic development toward greater self-sufficiency on the part of the colony in the supposed interest of the sovereign country. This, of course, is plain exploitation and an unmixed evil.

What we should like to say here is that there can be no true talk of "perpetuating a colonial economy" in the Philippines because the economy of the country has long since ceased to be one typical of a colony in any sense. During the period of American sovereignty, the United States never made the slightest effort to exploit the country economically. On the contrary, the Philippines was given the freedom of the United States market and trade with other countries was not prohibited; no monopolies were established.

Industrialization proceeded naturally and fairly rapidly almost from the beginning as capital formation made this possible and profitable. That industrialization did not proceed more rapidly was practically wholly due to the fact that there was no greater capital formation and because the national production and the national per capita income did not increase as rapidly as it might have, had the proper measures been taken to attract rather than to discourage a greater investment of outside capital. The Japanese occupation was also a serious set-back, spelling not only loss and destruction, but complete stoppage of the economic momentum of the country.

It is true that Philippine trade still consists largely in the export of what loosely may be called raw materials and the import of manufactured goods, but of the twenty most important Philippine exports, only copra, abaca, and logs and lumber are "in, or nearly in, the natural state". Most of the other exports involve manufacturing or processing operations, as in sugar, base metals and concentrates, coconut oil, desiccated coconut, canned pineapples, embroideries, tobacco and manufactures, copra meal and cake, gold and concentrates, molasses, rope, chemicals, cotton and manufactures, shells and manufactures, beverages, wines, and liquors, and rattan and manufactures.

It is an interesting fact that as late as the opening of the present century, no less than one-third of the United States exports consisted of crude materials (such as cotton, leaf tobacco, and lumber), and another third of foodstuffs (such as grain, meat, and lard). The other third of the United States exports were manufactures; only one-fourth

of the total exports consisted of such finished manufactures as textiles, machinery, iron and steel, transportation equipment, copper, petroleum products, etc.*

As for United States imports at the turn of the century, one-third consisted of crude materials (such as rubber, hides and skins, silk, wool, leaf tobacco, fibres, long staple cotton), and one-fourth of the imports consisted of foodstuffs; something over 40% of United States imports consisted of manufactures.

Last year the crude material exports from the United States amounted to only around 10% of the total exports and foodstuffs amounted to another 11%. Manufactures had increased to around 80% (machinery, transportation equipment, automotive products, iron and steel, various metal manufactures, textiles, chemicals, petroleum products); however, about one-third of these manufactures exported in 1953 were Mutual Security Program items and therefore not commercial exports.

As for the imports into the United States last year, one-fourth consisted of crude materials, around 30% of foodstuffs, and, strangely enough, around 45% in manufactured goods.

It will be seen that even as late as the early 1900's, the bulk of the exports of the United States, which had then been an independent nation for well over one hundred years, consisted of crude materials and foodstuffs. It will also be seen that even last year, the United States imported proportionately more manufactured goods than it did in 1900.

This should show that proportionally large raw material exports and large imports of manufactured goods are not only characteristic of a colonial economy, but may also mark the trade of more advanced and very prosperous countries.

The May issue of this *Journal* contained an editorial entitled "The Bomb and World Government",

in which it was suggested that "with the development of the Hydrogen Bomb, an instrument of wholly unprecedented dimensions of destructiveness, the question arises whether this does not afford the first opportunity in history for the establishment of a world government able to enforce its laws." The editorial proposed that—

"the Government of the United States, so authorized by its people, turn over to the United Nations, as the existing nucleus for a world government, all its atomic weapons and the means for producing them, on condition that that organization, with the consent and support of the majority of mankind, will assert, obtain, and maintain a world monopoly in these weapons, at the same time ordering all aggression and subversion everywhere to cease, while being, from the beginning, instantly ready if necessary resolutely to employ to this end the required minimum of the overwhelming force which will have been placed at its command."

It was gratifying to note that the July 22 issue of the weekly *Listener*, published by the British Broadcasting Corporation, printed the text of a radio address delivered shortly before by Bertrand Russell, in which this famous philosopher made very much the same proposal.

Lord Russell advocated a world government which would have a "monopoly of armed force, except for such minor weapons as might be necessary for police action," but emphasized that "in all other respects, the independence of national states should be unimpaired." However,—

"in the event of a dispute between national states or between federations, the international government should automatically take cognizance of the dispute and should pronounce a decision by arbitration. If either party resisted the decision, the international government should impose its authority by whatever show of force might be necessary."

Although Lord Russell stated that he does not "venture to prophesy that a world government such as I have been

*From an article by Prof. Roland L. Kramer (University of Pennsylvania) in the July, 1954, *Commercial America*.