Araneta Gave Committee His Views

● *Plugs for Free Reciprocating Commerce*

Attorney Salvador Araneta's brief to the MacMurray Committee attracted favorable attention downtown. Associated with monetary and tariff autonomy for the Commonwealth, the Araneta brief proposes to keep the Commonwealth period as it is and to add to it a fifteen-year economic transition period "during which time the volume of our exports to the United States will not be materially increased." During the fifteen years, the Islands would try to manufacture more of their staple requirements; if this curtailed similar supplies from the United States, importation of more capital goods and other types of consumer goods should offset it.

Tariff autonomy is urged as a measure against falling prey to Japan in the manner of China; if this is delayed until the transition period expires, it will be a myth—and so will independence be, at least in matters economic.

During fifteen years the Islands need the excise taxes collected by the United States on Philippine products, about ₱70,000,000 a year, "to finance their industrial development." At the same time, the Davao * problem is to be solved, "which might otherwise give rise to disintegration of our territory."

Meantime, this brief would repeal the export taxes that otherwise will apply to major Philippine exports to the United States commencing with the sixth year of the Commonwealth and reaching 25% of the existing U. S. full duty rates at its close in 1946. It will be seen that aside from getting these charges out of the way, the proposal is to expand the transition to fifteen years; after that, the brief proposes continuation of the trade on a basis of true reciprocity. Thirty per cent of the Islands' total production now finds its market in the United States, Araneta argues that, without reducing the volume, its relation to total production should be reduced by increasing production as well as wealth (making for greater local consumption). He thinks it might stand at no more than 10% of total production at the end of fifteen years.

Total production last year:

Agriculture	₱357,391,770
Livestock	10,854,000
Manufacturing	91,146,000
Mining	52,200,000
Forest Products	33,511,000
Fisheries	84,200,000
Total	₱629,302,770

Estimates of the percentage of Philippine products that went abroad in 1936, showing share of the United States follow:

	United States Per Cent	Other Countries Per Cent
Agriculture	39.50	11.01
Mining	43.48	5.64
Forest products	7.87	12.03
Fisheries	0.05	0.09

Last year's manufactures:

Coconut Oil	₱32,000,000
Cigars and cigarettes	18,400,000
Refined sugar	10,000,000
Desiccated coconut	9,200,000
Embroideries	8,550,000
Copra cake	3,700,000
Cordage	2,600,000
Pineapple (canned)	1,100,000
Hats	1,500,000
Vegetable lard	2,000,000
Vegetable butter	1,000,000
Cutch	650,000
Pearl buttons	446,000
Total	₱91,146,000

Percentage of P. I. manufactures last year exported to U. S. and other markets:

	United States Per Cent	Other Countries Per Cent
Coconut Oil	82.11	4.59
Cigars and cigarettes	25.82	4.38
Refined sugar	94.25	0.09
Desiccated coconut	94.63	0.95
Embroideries	99.80	0.19
Copra cake	55.91	42.99
Cordage	34.59	57.63
Pineapple (canned)	91.18	0.004
Hats	63.98	14.45
Vegetable lard	34.00	11.03
Vegetable butter	20.56	46.65
Cutch	99.40	0.00
Pearl buttons	97.99	0.00

"The export taxes that are being levied by the Tydings-McDuffie Law have the expressed objective to provide means for the payment of our bonded indebtedness to the United States. Four of our principal exports like oil, pearl, buttons, cigars and tobacco will not be able to stand the imposition of export taxes from the very beginning. Sugar, embroideries and desiccated coconuts will perhaps be able to stand the export tax for two years although with great hardships for many individual producers. The practical result of the tax will, therefore, be to nullify its very aim, for with the curtailment of our principal exports, the expected income from the export taxes to be used for the payment of our bonded indebtedness would not be realized."

The following paragraph of the Araneta brief supports this magazine's belief that a Philippine tariff high enough to keep most foreign manufactures out of the Islands, while American goods came in duty free, would, because American wages are high, create an industrial atmosphere in the Islands enabling the country to make its own staples to a considerable and increasing extent, and at the same time fostering wider demand for other American manufactures than those the local products might gradually supplant—a process that should make the Islands a highwage country, comparatively, rich enough to support a strong government necessarily independent, economically, of low-wage imports:

"To attain a more balanced economy, we should without reducing the volume of our trade with the United States, reduce its importance in relation to our total production, which should be increased by multiplying the production of our prime necessities. The loss in the imports from the United States, which our industrialization

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* Davao is a large productive province forked around Davao gulf in southeastern Mindanao and extending far northward from the coast. Its community 16,000 thrifty Japanese, chiefly farmers and plantation workers, disturbs Filipinos far more than the community of probably 150,000 to 200,000 Chinese chiefly merchants, scattered throughout Manila and all the provinces.—*Ed.*

Manila: A General Headquarters Point

● Reside here and Canvass the Far East

The catastrophe of war that has ruined a great deal of Shanghai and placed in jeopardy the civilian population and its places for residence and business, suggests Manila as the better central point for the headquarters of American manufacturers' general representatives in the Far East. There have been some such removals, the Philippine government is wisely cordial to the movement. Manila has every advantage as a general representative's place of residence.

Modern government, good health and sanitation conditions, tolerable schools, universities, churches, these are features of a Manila that opens an expanding market to a wide variety of imported manufactures. Peace has been unbroken in the Philippines during a generation and more, and the political integrity of the Islands is a responsibility of the United States. Manila is subject to no upheavals rising from the clashing interests of the Powers. Her means of communication are incomparable, as opposed to anything offered on the China coast. By air she is within about one week of New York as the western terminus of Pan American's airway across the Pacific, and within five hours of Hongkong (with connections to China and Europe) as the eastern terminus of Pan American's Manila-Canton-Hongkong circuit via Macao.

Steamship arrivals and sailings are very frequent, passport facilities convenient. Exchange is stable.

Put all these items together and add security, and you have a good case for Manila as a commercial headquarters point for the Far East.

Malacañan is so cordial toward the movement that it has been proposed to establish a free-port zone here. The suggestion has merit, but is not essential to Manila as a commercial headquarters. If the necessary legislation were perfected, and the essential foreshore in the district north of the Pasig reclaimed, future events might give the project substance. In the present instance, it is chiefly helpful as a manifestation of goodwill.

Manila has some of the features of a free port now. Transit cargo is handled here with economy, safety, and dispatch. A great deal of it is being handled, for China, while Shanghai's facilities lie paralyzed.

For a charge of ₱5 a ton, transit cargo is unloaded, stored accessibly in good bonded warehouses, and reloaded for export at the will of the shipper. Steamship men say this is a very reasonable charge. The service is unexceptionable. The warehouse charge the first month is ₱1 a ton, 50 centavos a month thereafter. The government's checking fee is 15 centavos a ton. A ton of transit freight is therefore handled at Manila for one full month for ₱6.50, or $3.75.

Actual free-port facilities such as space for manufacturing and reconditioning and the splitting of shipments inward for various points outward, would not now be used at Manila in normal times. The reason is, Manila has practically no advantage over Hongkong and Shanghai in ocean freight rates, while both those cities enjoy the advantages of guild and coolie labor and a keen indigenous banking and commercial class.

But why not the free-zone legislation now, against opportunities that would justify implementing this legislation in the future? It might be that domestic manufacturing could be drawn to such a district, while it could certainly do no harm to reclaim the foreshore for it. A time might arise when the Philippines and the United States effected an accord about shipping. At that instant, the free zone would be needed.

Manila exports raw and semiraw products chiefly. But she now has some important manufacturing business that weighs considerably in her exports. This trade is expanding. If it would be a benefit, the encouragement of factory sites in the Tondo shore area should be offered. This hinges upon reclamation for the potential free zone.

There are some dozen companies, several of them quite large, manufacturing here, and exporting largely to the Far East, margarines and cooking compounds made from coconut oil. They also export these products to more distant fields. The business seems to be well established.

Another group of companies makes and exports reed furniture. A world market is enjoyed, monthly shipments run from 600 to 1,000 tons a month, 40 feet cubic measurement. Manila has the largest and best equipped reed furniture factory in the world. Her factories of this sort utilize the world's choicest supply of rattan, a native Philippine product that is cheap and abundant, supplemented with the best hardwoods. One factory at least, is able to warrant its product against insect attacks—it has perfected a method to destroy them.

Such utilization of Philippine natural products is bound to expand, the quality and price can not be touched by competitors. The fact that such enterprises are constantly expanding, attests the existing good facilities of the port of Manila.

Araneta gave...

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program will entail, should be replaced with the importation from the United States of more capital goods that we shall need in connection with the establishment of our industries, as well as of consumer's goods of various kinds necessary to the refinements of modern life and which can not be efficiently produced locally. The foregoing will be made possible by a concerted programme of achieving a higher standard of living for our people with a more wide-spread distribution of the benefits derived at present from our trade relations with the United States.

"The protective tariff duties that will be necessary to levy to protect our infant industries will serve the added purpose of protecting American goods, thereby making our trade relations with the United States more truly reciprocal for the United States than at present."