

"the Chinese people with whom we have had such close contacts over many centuries", he said that—

"we will maintain an open mind within the requirements of our national security and the security of Asia as a whole."

As to the "Japanese people", he said—

"we expect to be convinced that they have sufficiently repaired injuries inflicted in a costly course of aggression and have sufficiently experienced a change of heart as to want not to repeat it but to cooperate instead in keeping our neighborhood peaceful, free, and prosperous."

The President concluded this brief section of his address by referring to the United States of America as "still our best friend".

"We look to her to realize increasingly that, in this atomic age, her area of safety, and that of mankind's safety itself, have no delimiting frontier."

As to war, he said:

"While this country is ready to defend its liberty and freedom if threatened from without, we are decidedly against being wilfully involved in any war and will take every necessary measure to preserve our people for the constructive ways of peace."

On an evil that has greatly plagued the Government and the people, he declared:

"I shall give constant battle to graft and corruption and will not tolerate any anomalies of any sort under whatever name . . . Our country and people must believe in me and my resolve on this subject, if I am to achieve any generous success in this direction . . . Help me build a new reputation for straight dealing for our people. Help me establish a new integrity in our thinking, in our words, in our deeds."

In closing the President declared:

"I have taken the oath of office with courage and confidence because I know that the wellsprings of our national strength are abundant and inexhaustible. Our history is the history of a growing and expanding nation, a nation that for four hundred years has kept green its love of liberty and ever fresh its desire for progress. . . I ask you to draw with me upon the copious reserves of energy and patriotism which have sustained our nation through every crisis in its history."

The period of misunderstanding and strife which followed the liberation of the Netherlands Indies from the Japanese has, more happily than

### The United States of Indonesia

much of the world at one time expected, resulted in the formal inauguration in Batavia last month

of the independent government of the United States of Indonesia, this event following an agreement reached some months before between Netherlands and Indonesian representatives who met at The Hague under the auspices of a good-offices committee of the United Nations.

The East Indies for centuries constituted the major part of the Dutch colonial empire and passions ran high on both sides, yet an agreement was reached to the mutual interests of the two peoples, which has been called a "triumph of reasonableness". Sovereignty has been transferred to the Indonesian people, but a generous voluntary union will hold the Netherlands and Indonesia together somewhat as the Republic of India remains a member of the British Commonwealth of Nations.

Many of the leaders of the new nation, including the three most outstanding,—President Soekarno, who personifies the nationalist movement, Priene Minister Hatta, an able practical politician, and the intellectual Sjahrir, chief government adviser who may become the foreign minister, were educated in Dutch schools and universities (Soekarno is a civil engineer, Hatta an economist, and Sjahrir, a political scientist and author), and are truly able men.

Until general elections can be held, perhaps within a year and a half or two years, a government will hold office which consists of a parliament of around 500 members, all appointed by Soekarno, with a working committee of 40 and a Cabinet which, though responsible to parliament, can not be deposed, under the terms of the provisional Constitution, until after the elections. The new government seems therefore to be fairly firmly constituted. It will furthermore be aided, initially, by the retention for

two years, at guaranteed salaries, of the Dutch civil service, numbering some 15,000 persons. The Dutch Army will be withdrawn, but the Dutch naval and air forces will remain at the disposition of the new government.

Virtually the whole of the governing group consists of anti-communist liberals and socialists, who may be described as being of the British type, this fitting in well with the generally communal character of the age-old native village organization. Some trouble may develop, however, from the fact that this liberal, progressive group, Western-educated, will function in a country which is overwhelmingly Moslem and therefore conservative, not to say reactionary. And while liberal and socialist voters are estimated to number only some 20 percent of the voters, the Masjumi, or Moslem Party, controls some 70 percent,—the communists 10 percent.

The Dutch always respected the native culture and made no effort to "westernize" or Christianize the people as a whole. Perhaps they realized that with Mohammedanism as entrenched as it is throughout the East Indies (except in Bali), that any such attempt would have been futile,—just as even Spain has had no success in Christianizing Morocco (or, earlier, Mindanao). The Dutch did, as everyone knows, develop the country's economy to a high degree and gave much attention to vocational education. The people are industrious and naturally good farmers, and they also like to "run things", such as trains and busses, but they have very little liking for business or trade. Like most Moslems, in fact, they look down on "merchants" and think that charging interest is a sin, as also the Christians did in by-gone centuries. This will probably prove to be a limiting factor in Indonesian progress.

Those who may be considered to know the country and the people say that Indonesian nationalism is chiefly political and that the leaders will find their main satisfaction in conducting the government, which, despite their present inexperience, they may be expected to do reasonably well.

They believe that though these leaders will not look with any great favor on any further extension of the plantation system, there will be a continuing high production of the native-grown produce, such as copra and rubber, and that foreign, especially American, capital will be welcome for the development of oil and other mineral resources, transportation, etc. The people not being given to trade, many of the Dutch believe that brokerage, generally, will continue to be handled largely by them and the British, Belgians, Swiss, and other Europeans who have had long experience in the country.

As socialists, the new leaders may be expected to maintain the complete mechanism of economic controls which the Dutch instituted. This control is tight, and will probably remain tight, and there will, therefore, be little opportunity for "wild-catting". The new Republic, however, will undoubtedly compete with the Philippines for American capital investment.\*

As for this *Journal*, as organ of the American Chamber of Commerce of the Philippines, we wish Indonesia and the Indonesians well. Indonesian prosperity need not necessarily mean loss to the Philippines. While Indonesia, even now, is exporting its products to a value of \$1,000,000 a day, as against three times that value before the war, and some of Indonesia's products compete with Philippine products, the Philippines will continue to enjoy certain protection in the American market for a number of years to come. Furthermore, a high prosperity anywhere in this part of the world would be to the direct and indirect benefit of all. And new and mutually advantageous trade rela-

\*Pre-war foreign investments in the Netherlands East Indies,—greatly exceeding investment in the Philippines,—have been estimated as follows: Dutch, \$3,000,000,000; Chinese, \$1,000,000,000; British, \$800,000,000; United States, \$400,000,000 to \$600,000,000 (American participation in and credits to European enterprises is difficult to estimate).

tions may well develop between the Philippines and Indonesia which are but hazily foreseen at the present time.

A new people's freedom anywhere is a good and blessed thing. Long live the United States of Indonesia and long, also, may the present wise relationship with the Netherlands, once the sovereign power, now an associate and ally, continue.

On behalf of the American Chamber of Commerce of the Philippines, this *Journal* heartily welcomes the delegation from the Seattle Chamber of Commerce which, on a tour of the Far East, will visit Manila for a week this month. The reception to be accorded the party is jointly sponsored by the Philippine, the Chinese, and the American chambers of commerce here.

It will interest our readers to know that the Seattle Chamber of Commerce is 67 years old,—as against our Chamber's 29 years, the Philippine Chamber's 46, and the Chinese Chamber's 41. Still another chamber here, the Manila Chamber of Commerce, now principally British in membership, was formed in 1900.

The Seattle Chamber of Commerce was founded some years before Rudyard Kipling, in the late 80's, traveling for a British publication in India, wrote as follows about Seattle (in his "American Notes"):

"Have I told you anything about Seattle—the town that was burned out a few weeks ago when the insurance men at San Francisco took their losses with a grin? In the ghostly twilight, just as the forest fires were beginning to glare from the unthrifty islands, we struck it—struck it heavily for the wharves had all been burned down, and we tied up where we could, crashing into the rotten foundations of a boat house as a pig roots in high grass. The town, like Tacoma, is built upon a hill. In the heart of the business quarters there was a horrible black smudge, as though a Hand had come down and rubbed the place smooth. I know now what being wiped out means. The smudge seemed to be about a mile long, and its blackness was relieved by tents in which men were doing business with the wreck of the stock they had saved. There were shouts and counter-shouts from the steamer to the temporary wharf, which was laden with shingles for roofing, chairs, trunks, provision boxes, and all the lath and string arrangements out of which a western town is made. This is the way the shouts ran:

"Oh, George! What's the best with you?"

"'Nawthin'. Got the old safe out. She's burned to a crisp. Books all gone.'

"Save anythin'?"

"'Bar'l o' crackers and my wife's bonnet. Goin' to start a store on them though.'

"'Bully for you. Where's that Emporium? I'll drop in.'

"'Corner what used to be Fourth and Main—little brown tent close to a militia picket. Sa-ay! We're under martial law, an' all the saloons are shut down.'

"'Best for you, George. . .'"

The fire Kipling referred to was in 1889 when Seattle was a little-known lumbering town with a population of around 40,000. It was founded in 1852 by a score of settlers and was named after a friendly Indian chief. The city was incorporated in 1869, just after the Civil War, with an area of around 11 square miles and a population of 1000. The first railroad, the Northern Pacific, reached Seattle in 1884. The arrival of the first steamer from the Orient in 1896 marked the beginning of a considerable foreign trade, and the discovery of gold in Alaska and the Yukon Territory the following year changed the city almost overnight into an important commercial center.

Today it is described as the "largest city of its age in the world" and as the "leading commercial, industrial, and financial center of the Pacific Northwest". It is the nearest United States port to the Orient and the nearest large city of the United States to Alaska. The present area is around 80 square miles and the population is close to the 400,000 mark.

In all this progress, the Seattle Chamber of Commerce has played a leading part. And the Chamber has not narrowly confined its interests and activities to Seattle itself. The Chamber maintains an "Alaska Committee" which

instituted a 5-point legislative program for the settlement and development of the Territory of Alaska, securing approval and support for the program from all chambers of commerce of Alaska and of the eleven western states, as well as from many congressmen, senators, and governors. It fought Alaska's battles in securing the Nome Breakwater, the Haines Highway improvement, more adequate ship service, and many other basic projects. Since 1947 the Chamber has also had a "Hawaii Committee" organized for the purpose of trade promotion and the development of closer relations between the Islands and the Pacific Northwest.

Recently the Chamber proposed and helped to establish a Columbia Basin Development Committee composed of members from each State and province (Canadian) within the Columbia drainage basin. This Committee is working with all state and federal agencies concerned for the "early, proper, and full development of the land, water, and other resources of the area".

In addition to such broad measures for regional development, the Chamber aided in the promotion in the year 1947 of some \$78,000,000 of new investment in the city itself.

It is a far cry from the burned-down lumber town of Kipling's description to the rich and beautiful port-city which Seattle has become, and it is broad-minded, far-seeing private enterprise that has made it so.

Perhaps the visit of the Seattle Chamber's delegation to Manila will result in the creation in Seattle of a "Philippine Committee", and perhaps some similar inter-chamber committee could be organized in Manila to work with it.

With the issuance of the Central Bank's Exchange Control Order on December 9,<sup>1</sup> and its causes and effects, a vicious circle has come, or has about come, to full-turn.

The dictionary definition of the term, "vicious circle", is in itself illuminating as applied to the present economic situation of the country:

"A train of circumstances constituting a situation in which the process of solving one difficulty creates a new problem involving increased difficulty in the original situation."

The definition of "vicious circle" used as a medical term is also, metaphorically, applicable:

"A chain of morbid processes in which a primary disorder leads to a second which in turn aggravates the first one."

The Central Bank's Exchange Control Order was issued in an attempt to stop what amounted to a flight of capital from the Philippines, including even Filipino-owned capital, which began many months ago but which was recently augmented as one of the results of (a) the new Import Control Order, effective December 1,<sup>2</sup> which greatly increases the scope of the control and more than doubles the average percentage cuts up to that time in effect, and (b) of the Central Bank's Selective Credit Control Order of November 17<sup>3</sup> which holds down many imports virtually to cash purchases only.

Import control was resorted to in the first place, beginning January 1,<sup>4</sup> 1949, because of the considerable excess of imports over exports which, despite the large influx of dollars since the war in the form of war-damage payments and other assistance to the Philippines, was threatening an ultimate dollar-shortage.

That imbalance of exports and imports, of course, had its causes, the most obvious being that our export industries were not being developed as rapidly as they should

<sup>1</sup> Circular No. 20.

<sup>2</sup> Executive Order No. 295.

<sup>3</sup> Circular No. 19.

<sup>4</sup> Executive Order No. 193 (December 28, 1948); amended by Executive Order No. 209 (March 30, 1949); amended by Executive Order No. 231 (June 28, 1949).