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DEVELOPMENT CORPORATION POLICY

J. M. Elizalde of the large oldtime Ynchausti farm, industrial and commercial interests and of polo fame, is the new head of the National Development Corporation and its subsidiary, the Cebu Portland Cement Company. Under a stiff tariff, Cebu cement has made money. There is a surplus, if the present company finds use for it, that might either found or aid other industrial ventures. There is wide concurrence in the view that the Elizalde appointment was wise. Honesty, energy and ability are proved attributes of the young appointee, who of course serves without salary. He is intensively preparing himself to do first rate in the job if he can. He asserts a realization that the commonwealth period will be a trial—almost a trial-by-fire, as it were—of Philippine industrial fitness.

His policy will necessarily be guided year to year by the tariff policy the legislature pursues. Part of the Murphy administration, it will have vision yet prudence. There is a natural disposition, in some quarters, to ask too much of it. There is insufficient realization of the research that must precede the doing of anything. Here is not one industry, but a whole field of them. Bearing on every one of them are the industries of other countries, who import manufactures into this market—and other markets throughout the world.

Then there are industries outside the Philippines that are the markets for our surplus raw products, and some of our semi-manufactures. American soap and margarine industries buy our surplus coconut oil and copra, for example. Expressing coconut oil here is a well established industry. The suggestion of so-called coconut *centrals* is a misguided one. Yet Elizalde believes coconuts should be looked to for other possibilities. This means, especially, more use in domestic manufactures: that they may be used more here, to reduce imports of manufactures. An interview with him for purposes of this comment, revealed his general viewpoint; namely this, industries to supply domestic demands, not industries to compete abroad—no industry to compete with the United States.

Cotton offers suggestions. They are under study. Cotton products are the islands' largest import. But such products are of many varieties, not all enjoying, by any means, market enough here to make manufacture practical. For a few cotton fabrics the market is large enough to warrant local manufacture; here, should the tariff be encouraging, would be possibilities. This and all that might follow would be of slow growth, if eventually successful. Similarly with the growing of cotton, if the Philippines had factory use for it. It is not believed exportation could be thought of in competition with America, Egypt, Persia and India; but that, possibly, some cotton for local use could be grown on diversified farms. So small would be the need that in total world production it would not count.

For such grand projects as the better industrialization of the Philippines and more domestic use of raw materials, the aphorism holds that Rome was not built in a day. The position of him who is responsible for effecting progress, who knows, and knowing must go slow while others entirely unfamiliar with the ground urge him to make haste, is one to watch with real interest; and particularly, to watch without envy.

THE FARMER'S OUTLOOK

Because they sell so much of their larger crops to the United States, the welfare of most of our farmers is affected by the process taxes in America on sugar, 1 centavo a lb., and on coconut oil, 6 centavos a lb. Sugar farmers are also affected by the quota of 1,015,000 short tons of sugar a year that is the maximum they can market in the United States. Making it up to them for growing less sugar, America returns the process tax to them. It is given out that when agreement is reached concerning its distribution, ₱20,000,000 more or less will be distributed. Sugar sales already made cut into the 1935 quota, but from the 1934-1935 crop for which the main milling season is opening, about 700,000 short tons may be sold in the United States.

Other sugar money to the tune of millions will return to the islands and spell buying power, when the sugar in bond against next year's quota is sold. Given a moderate rise of the price, Philippine sugar will be pegged at a point it can well stand. Constant return of the process tax proceeds will maintain planters' buying capacity. This money may also be used for experimentation, which should raise yields per hectare and lower crop costs. There is salvation, rather than hardship, for the industry in the new federal legislation effecting its control as to the American market. It still has the bounty of the tariff, Cuba's is the only non-flag sugar with which it competes. All was done, of course, primarily in behalf of beets. This starts indeed with the high tariff of 14 years ago, 2-1/2 cents a lb. It is American beet sugar, that had to have this tariff, that made our cane provinces rich.

Independently of that, however, the Philippines are a good American market; and they are a good Japanese market, and Japan in turn is a good American market. We are in the era of the subsidized consumer; the technique may be awkward, the experience being novel, but we are in such an era just the same. The United States therefore doesn't mind, as a matter of business as well as fairness, sweetening the buying power of our farmers a bit. And it is all right with us, too.

Leave sugar and go to copra. Competing oils seem to be somewhere in the lurch. Notwithstanding heavy shipments ahead of the 6-centavo tax, demand continues and prices have got high enough to give some value to coconut lands again. To the end of September, America had bought this year 100,000 metric tons of our copra, and about 103,000 metric tons of coconut oil expressed from copra in our mills. On this basis, or approximating it, proceeds of the oil process tax will exceed proceeds from the sugar tax. They should be at least ₱25,000,000 in a twelvemonth. They too are to be a fillip to business, buying power pumped to the consumer. But they are not to go directly or indirectly to copra producers, or to subsidize the industry in any way. They may go to aid of farming, as with scientific research, coconut growing excepted.

They may also go toward reducing the public debt, all hangs upon executive decision perhaps mainly at Malacañang; though the President may suggest something, since he approved this tax reluctantly. But unquestionably it was the plan of congress that this money come to the Philippines and go into the channels of commerce. No doubt most of it will, and therefore our great copra industry, incomparable in the world, will thrive on the whole demand America has for coconut oil. Finally, the returned taxes involve federal administration—set up in coöperation with the governor general's office. Some federal men are here now, others on the way, still others will follow.

Dr. C. S. Rosenquist, who has been here for some time, is from the department of agriculture. Treasury men are coming, and representatives of the comptroller. The whole set-up, perhaps employing 10 or more federal men. will work in association with Malacañang, whose biggest single burden will be the administration of these, for the Philippines, enormous taxes. Thus the outlook for our farmers is by no means dark, and as they prosper business will prosper.

Philippine Economic Conditions—August, 1934

Summary of official radiograms forwarded to the Bureau of Foreign and Domestic Commerce, United States Department of Commerce, Washington, D.C. Prepared by C. Grant Isaacs, American Trade Commissioner, 410 Heacock Building, Manila, with assistance of Government and trade entities. No responsibility is assumed by this Office for any facts or opinions expressed in this review. (S.R. No. 35/13)

GENERAL SECTION

Philippine business in August showed little, if any, improvement over July. Business was marked with uncertainty and both the months of July and August were regarded as poor. The seasonal rains and typhoons were an additional hindrance to trade improvement. In July there was a sharp drop in business which continued throughout August, but there are signs of improvement in September. The actuality of reduced sugar acreages, the mainstay of the Philippine export business, caused a standstill in many lines. With the announcement that the AAA processing tax is applicable to the Philippines and with the possibility that about ₱24,000,000 will be distributed among the planters, there are signs that confidence is slowly returning. Sugar planters are giving serious consideration to the development of other agricultural crops and in this connection cotton is to the fore. Another encouraging indication is the advance in copra prices in recent weeks. While prices are remarkably low, copra has advanced from ₱2.80 to ₱4.50 during the past six weeks. Banks report an increase in the volume of collections on inward bills. Credits and collections are reported discouraging and in many lines are becoming increasingly worse, especially in the provincial and sugar areas. Importers report a wider request for credit extension.

The paramount issue of the month has been the future provisions of the forthcoming tariff bill. The bill is still with the Special Tariff Committee which has sought to equalize the rates on imported merchandise so as to provide fair competition for American and locally produced goods competing with imports from sources employing low labor and other manufacturing costs. The bill will be considered by the Governor-General and the Council of State,prior to its presentation to the Legislature. American business, in so far as the future is concerned, is largely, if not entirely, dependent upon the passage of this bill. The bill is, therefore, awaited with the keenest interest.

Reciprocity continues to be the key thought of many addresses of officials and commercial leaders, all of which are giving impetus to public opinion on the future trade relations of the Philippines with the United States. A general survey of these statements easily reveals that the Philippines want to continue reciprocal relations with the United States.

The recently organized Philippine-American Trade Association has now elected its officers and directors with headquarters in Manila. This group is sponsored by both leading American and Filipino business men and will actively undertake a drive for reciprocal trade relations between the Philippines and the United States. It will first undertake to educate the Philippines as to the value of trade relations with the United States. The active program of the association will, in all probability, be held in abeyance until the forthcoming tariff bill is acted upon, and business knows what the future offers.

In American textiles, competition with the Japanese is becoming more and more difficult. American importers of textiles are frank in stating that, without tariff protection, the market for the product of American mills will gradually disappear. Japan continues to copy the leading brands and, while the goods are of inferior quality, the buying public follows the style trend and purchases the cheaper cloth. Importers hope for an early settlement of the American textile strike for a continuation will naturally place Japanese textiles in a more strategic position. August ship's manifests again show heavy arrivals from Japan. Details are contained in the section devoted to textiles.

The House of Representatives has practically completed the revision of the 1935 budget. A late resume made by the committee on appropriations reveals that the total net reductions made by the House from the budget submitted by the Governor-General amount to ₱853,001.74. The general reductions made total ₱1,149,265.74 but deducting from this amount the increases made in other items, the net reduction is the above amount. The Governor-General's budget called for ₱53,997,459 compared with ₱56,510,338 authorized for 1934.

The semestral report of the Philippine National Bank, released September 1, 1934, showed increases in the reserves, surplus, investments, cash and resources of this institution for the first six months of the year. The bank's resources increased from ₱97,776,-239.52 to ₱107,984,385.34 during this period. The favorable situation of the bank is seen also from its obligations to other banks, amounting to only ₱631,969.65 as against ₱17,480,172.78 which are due from United States and foreign banks as well as from local banks.

The cigar makers' strike which started August 15 over the question of wages still remains unsettled up to the present writing. The Governor-General has taken a hand in the matter and has created a Fact-Finding Committee in order to bring about an early settlement. There have been indications that the strikers have been instigated by communistic elements and the government is exerting efforts to prevent the spread of this influence. It was believed that the strike will be settled very shortly although considerable difficulty is being encountered due to the fact that the strikers are affiliated with a number of labor organizations.

Construction activity in the City of Manila is still at its low level, building permits for August aggregating a total value of only ₱214,000 as against ₱380,000 for August last year. The value of building permits issued from January to August totaled ₱1,-909,000 as against ₱3,896,000 for the same period in 1933.

August power production was estimated at 9,800,000 KWH as compared with 9,900,-000 for August last year. Total aggregate production for the first eight months of 1934 was 79,000,000 KWH as against 75,800,000 for the corresponding period in 1933.

FOREIGN TRADE SECTION

The overseas trade of the Philippines during the first seven months of 1934 amounted to ₱255,537,669, an increase of 15 per cent as compared with the total trade during the same period of 1933, valued at ₱222,350,915. Foreign trade of the Philippines showed a decided sump during July as compared with July of last year. July foreign trade was also over ₱1,875,000 below the trade of June. According to the Collector of Customs, July registered one of the heaviest negative balances in many years, the net unfavorable balance being ₱5,674,950. July foreign trade amounted to only ₱19,395,348 as against ₱28,679,361 during July 1933, a decrease of 32 per cent. There was a decrease of ₱7,-377,733 in July exports to the United States, with exports amounting to only ₱4,337,594 and ₱11,715,327 in July last year. Through the enforcement of the Jones-Costigan Law, curtailment of sugar shipments to the United States is principally responsible for this reduction.

Balance of trade.—Despite the reduction in shipments to the United States, the favorable balance of trade with the United States continues in the amount of ₱73,599,977 for the first seven months of 1934. The unfavorable balance with all other foreign countries was ₱18,240,532 for the first seven months of 1934 as compared with an unfavorable balance of ₱15,972,132 for the same period in 1933.

Summary of trade.—The following table summarizes Philippine overseas trade during the first seven months of 1934 and 1933 on a monthly basis:

Summary, Philippine Overseas Trade, First Seven Months, 1933 and 1934
(Values in Pesos: ₱1.00 equals U.S. $0.50)

	Imports		Exports		Total Trade	
	1934	1933	1934	1933	1934	1933
January ...	14,360,504	12,293,606	23,089,225	16,203,017	37,449,729	28,496,623
February...	18,225,131	8,608,505	31,061,586	19,715,019	49,286,717	28,323,524
March.....	15,645,954	12,743,309	33,121,674	22,517,896	48,767,628	35,261,205
April......	16,180,094	12,895,020	30,168,872	25,542,349	46,348,966	38,437,369
May.......	12,037,016	13,693,380	20,091,291	25,833,028	33,028,307	39,526,408
June.......	11,105,264	11,626,312	10,155,710	12,000,113	21,260,874	23,626,425
July.......	12,535,149	14,581,538	6,860,199	14,097,823	19,395,348	28,679,361
	100,089,112	86,441,670	155,448,557	135,990,245	255,537,669	222,350 519
Monthly Ave........	14,298,445	12,348,810	22,206,937	19,415,606	36,505,381	31,764,431

Again, it should be emphasized that the limitation of sugar exports is largely accountable for the falling off in exports during the past few months. Despite this curtailment in the major item of Philippine export trade, exports during the first seven months of 1934 were larger by 14 per cent, aggregating ₱155,448,557 as compared with ₱135,-909,245 for the first seven months of 1933.

Import trade.—Total imports into the Philippines for the first seven months of 1934 amounted to ₱100,089,112, an increase of 16 per cent over imports for the similar period of 1933 when imports totaled ₱86,441,670 in value. The following table summarizes the imports of the more important items and commodity groups during the months of July, 1933 and 1934, and during the first seven months of 1933 and 1934:

Imports, Philippine Islands, First Seven Months, 1933 and 1934
(Values in Pesos: ₱1.00 equals U.S.$0.50)

	July		Total for 7 months	
	1934	1933	1934	1933
Wheat flour.....................	675,692	558,978	3,019,165	2,464,249
Automobiles and parts..........	504,742	575,065	4,132,173	3,092,347
Automobile tires................	27,322	130,123	1,412,686	990,967
Chemicals, drugs, dyes and medicines....................	297,074	339,792	2,387,663	2,211,924
Cotton cloth....................	1,558,169	2,080,849	12,808,169	11,949,131
Cotton manufactures, except cloth..	802,097	1,146,475	6,521,012	7,274,181
Silk, rayon and mftrs............	377,549	510,303	3,297,754	3,028,495
Electrical machy., apparatus and appliances.....................	207,492	329,312	2,481,388	2,052,364
Fertilizers......................	273,722	625,061	2,537,727	2,152,816
Vegetable fibers and manufactures.	291,711	268,472	2,789,865	2,066,410
Fish and products..............	302,613	222,043	1,984,276	1,257,863
Fruits and nuts................	152,392	174,736	1,412,909	1,468,750
Glass and glassware............	153,730	107,070	940,389	703,665
Iron & steel & mftrs............	1,528,577	1,567,001	13,696,301	9,577,233
Leather and products..........	154,715	124,849	1,428,993	1,076,552
Meat & dairy products..........	662,241	719,835	4,661,031	4,480,697
Mineral oils....................	896,351	1,339,850	7,548,251	6,481,808
Paper and products............	418,567	500,908	4,003,237	3,014,560
Tobacco and products...........	624,404	199,154	3,154,512	1,693,686
Vegetables......................	230,876	209,243	1,855,467	1,881,563
All others......................	2,395,113	2,802,320	18,016,054	17,522,409
Total..........................	12,535,149	14,581,538	100,089,112	86,441,670

July Philippine foreign trade with Japan showed a balance in favor of Japan of ₱1,-598,437. The Philippines imported from Japan ₱2,183,541 worth of merchandise and exported to Japan only ₱585,104. Great Britain likewise held a balance favorable to her in July, exporting to the Philippines a volume valued at ₱657,616 while she only took goods from the Philippines valued at only ₱195,508. Other important suppliers to the Philippine market were China, Germany, France, Dutch East Indies and the British East Indies.

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