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America's Philippine and Straits Settlements Markets

Since President Quezon of the Philippine Commonwealth cordially welcomes overseas capital, from America particularly, why not more effort for rubber here?

We have the following letter from Singapore, from a reader expert in tropical products and the trade in them throughout the world:

"The inclosed editorial from the Singapore *Free Press* has one point of interest, it shows that the trade balance between the Malay Peninsula and the United States stands in the ratio of 47 to 1 against the United States. But that is not the whole story. (The editorial follows our transcription of the letter). Since November the price of rubber has risen a good 25%, and tin at least 10%. For December and thereafter, that balance will be much more against the United States than even 47 to 1.

"It is all very well to say that in our trade with the British Empire we regain in the round what we lose in the swing, but where in that empire are we going to find markets to make up for the fact that where we buy our rubber and tin requirements we are only allowed to pay for them in merchandise to the extent of 2%. Perhaps from these figures you can demonstrate to your readers the value of a market such as the one we possess in the Philippines, in which we are allowed to pay for what we import with products of American labor up to 60% and 70%. There will be a new rubber boom in 1937, world consumption is being estimated at 1,200,000 tons. The standard production as estimated by the rubber pool is 1,300,000 tons. However, very few estates can make their quotas on the basis of 70% of the standard production, and practically none will be able to produce their quotas on the basis of the full 100% of the standard production.

Tapping young rubber, Basilan Island.

"Of the 1,200,000 tons, if consumption in 1937 reaches that figure, the United States will take at least 900,000 tons of 2240 pounds, which at 39 cents *Straits* per pound, the actual spot price in Straits dollars 649.60 per ton, means that the United States is going to pay about 575,000,000 Straits dollars in 1937 for the raw rubber she uses, or nearly 330 million American dollars. Do you not regret that the island of Mindanao is not spotted with rubber plantations? First for the increased revenue it would bring the Philippines, and secondly for the increased market for American goods such additional revenue would afford, and thirdly because it would prevent this peninsula and the Dutch East Indies from working the periodical *squeeze* of which the *Free Press* speaks—a squeeze, by the way, that profits London and Amsterdam more than it does the producing countries, since 90% of the increased revenue will go toward dividends on shares owned in and around those cities.

"In addition to $330,000 which we will pay for rubber, there is another little matter of about 90,000 tons of tin which we will buy at £230 or better a ton, and that is another $100,000,000. Of course *le bon Dieu* put the tin where it is found and if the Philippines have no tin it can not be helped; but how about the palm oil, the cocoa, the coffee, and the tea—to say nothing of cinchona, tapioca, pepper and spices for which that same *bon Dieu* provided those islands with the exact soil and climate necessary for their growth.

"Does not the fact that we have done nothing about these prime necessities, either as Philippine producers or American consumers, make you want to weep on my shoulder as I should like to weep on yours. . . . If you can find any meat in this coconut you are entirely welcome to it."

It is a curious fact in world commerce that the American régime has added no crop to Philippine agriculture, and sugar cane is about the only old crop it has improved. Coffee is not so good as it was 50 years ago, and not so abundant; some good tobacco has been added, but old types have not been improved. America, it seems is just not a country embracing a practical-minded class of great agricultural investors. Then the question is, are the Philippines? They are not, at this time; the many good farmers here are not yet ready to organize and finance the great farm corporations. Mindanao offers a great field of profit—this development will only come after the new mining industry is further developed and dividends from it have to be put to use in other ways. When that time comes investors will have been accustomed to returns of 10% to 15% a year, while now they demand much more—and commonly manage to get it out of sugar, coconuts and Manila hemp, as well as the great rice crop sold entirely in the Islands.

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America's Philippine . . . .

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Now for Singapore's editorial:

Boom Dangers

(Reprinted from *Singapore Free Press*)

However poorly it may have started, the year 1936, so far as Malaya is concerned, seems to be going out in a blaze of glory, if we are to judge from yesterday's issue of the *Free Press*. In the first place, we had the announcement that after a secret session the Siamese People's Assembly ratified the new tin control scheme, and with it goes that final lingering doubt of a last-minute hitch. Now the barometer is "set fair" in that industry for such period of time as the I.T.C. may decide should constitute the life of the new scheme, a period not likely to be less than three and not more than five years. On the same page we had an account of the frenzied scenes on the London Rubber Exchange as a result of the commodity topping the elevenpenny mark and similar conditions were reproduced in local markets, filling all concerned with the highest hopes of a new era of prosperity to compensate for the lean years experienced in the past.

To revert to the tin industry, yesterday's *Free Press* reproduced the December issue of the Hague Statistical Bulletin of the International Tin Research and Development Council, showing that for the twelve months ended October, 1936, apparent world consumption showed an increase of 13,900 tons over the total for the preceding twelve months, and though this was offset by an increase in production, which still exceeded consumption by 13,300 tons, world visible stocks have increased by only 3,130 tons in the same period. These figures, regarded more as trends, can therefore be safely considered as "bull" factors for the tin industry and with the metal at present prices that is evidently the interpretation put on them by the market.

To complete the happy picture, Tuesday's *Free Press* contained the latest Malayan trade figures, showing that a spectacular rise had taken place in the total value in November, compared with the previous month and the corresponding month of last year, and the cheering estimate that the total trade for the year will exceed that of 1935 by at least $90,000,000. There are only two or three sources from which this rush of prosperity can come, namely, increased prices for tin, rubber and copra, and while rejoining at the phenomenon it is wise not to lose touch with reality and try to appreciate the dangers inherent in the situation.

These dangers are very real for it cannot be pretended that tin at over £230 a ton and rubber heading rapidly for one shilling a pound constitute fair prices, or at least prices which leave only a modest margin of profit. It seems a long cry now from those black days when tin was in the region of £100 per ton and rubber was under twopence but those who recall them will also remember the pathetic eagerness with which we looked forward to tin round about £150, while rubber at sixpence seemed almost unthinkable. Now these figures have been far surpassed and still many people are not satisfied. While there are dangers in attempting to assess fair prices for tin and rubber, we believe that for the former something between £180 and £200 per ton provides a generous margin of profit for efficient producers and ninepence a pound at the most for rubber will ensure a fair return on capital.

It can be said—without begging the question as to whether they could do anything but accept the situation—that manufacturers have been tolerant about the recent rises in these two commodities. They realised that the slump figures represented an uneconomic price for producers and, so far as it is possible to judge, they have accepted the increases philosophically and made the necessary adjustments. But now the feeling must be gaining ground that at present prices they are being "squeezed", and it is hard to avoid sharing the same conviction, however nice it may be for Malaya to sit back and enjoy the process.

Malaya has had experience in the past of the rude shocks which can come to those who persist in "squeezing," and while it may be difficult at the moment to see where they can come from, economic laws and other factors, such as political pressure, have a habit of keeping a rod in pickle, and just as the abandonment of the Stevenson Scheme came like a bolt from out the blue, so might some other unpleasant surprise be lurking in the background, one which cannot even be foreseen or conceived at the moment. For instance, we find that exports to the United States in November were $34,922,000, compared with $27,034,000 in October and $17,732,000 in November of last year. How are we to convince Americans that much of that increase does not represent "squeeze," and that it is really the result of an expansion of trade? Again, the latter country has reason to feel aggrieved when in addition to any soreness she may feel at a "hold up" on the part of Malaya—among other producing countries—we only took $738,000 worth of goods from her in November.

These are disturbing reflections and it is wise to consider them squarely and not ostrich-like, hide our heads in the sand of a shortlived boom. Malaya, it should be emphasised, does not want another boom of the kind we have had in the past. They have proved more of a curse than a blessing and have always contained in themselves the seeds of their own destruction. Before it is too late the two controlling bodies, the I.T.C. and the I.R.R.C., should take steps to keep prices within reasonable bounds. They have the weapon and it is hoped they will not hesitate to use it ruthlessly and save the tin and rubber industries from their own folly.