THE AMERICAN CHAMBER OF COMMERCE JOURNAL

Vol. XIV No. 6

June, 1934

The American Chamber of Commerce

OF THE

PHILIPPINE ISLANDS

(Member Chamber of Commerce of the United States)

THE PHILIPPINE-AMERICAN BALANCE OF TRADE

PHILIPPINE COPRA EXPORTS DURING 1933 BY PURCHASING COUNTRIES

Country Buying	Tons, Metric	Value, Pesos	% of Total
United States..	208,753	11,902,453	68.60
France........	59,001	3,567,996	19.10
Germany......	711	38,552	0.20
Italy..........	203	12,698	0.06
Netherlands...	3,049	167,532	1.00
Spain.........	22,273	1,390,018	7.00
China.........	10	559	
Japan.........	5,612	310,508	1.80
Turkey.......	209	10,668	0.06
Mexico........	8,991	511,073	2.60
Totals......	308,812	17,912,057	100.00

During 1933 the Philippines also sold overseas some 159,621 tons of coconut oil expressed from domestic copra, of which nearly all, or 157,509 tons, were sold in the United States for ₱18,050,150; and 99,917 tons of copra meal, chiefly to Europe, for ₱2,115,107; and 17,927 tons of desiccated coconut, chiefly to the United States, for ₱3,365,609.

Time of May 7 reports that U. S. soap makers, led by Procter & Gamble, have stocked copra at the current low prices in anticipation of the 3-cent-a-pound excise tax—that they say will force up the price of soap 25%. A large cake of Ivory weighs 8 ounces, the tax will make the oil in it about ½ cent higher. (%'s above are approximations).

During the first quarter of this year the trend of the Philippines' copra exports continued as the table above indicates it to have been during last year. American buyers bought 42,655 metric tons for ₱2,096,356; all other countries together bought 26,969 metric tons for ₱1,369,309. There is a perceptible revival of European demand, however; with all America's heavy buying, to be in stocks when the excise tax of 3 cents a pound should apply to coconut oil and others, the position of Philippine copra in the European and Japanese markets during the first quarter of this year, materially improved compared to what it was last year.

Twelve years ago America chose to begin buying her desiccated coconut under the flag by placing a duty of 3-1/2 cents a pound on this product, theretofore mainly supplied her by Ceylon. It is now mainly supplied from the Philippines. Here it is prepared in thoroughly sanitary factories, and as America probably gets it at no great advance over what she formerly paid, the arrangement is likely to continue. In the other of the three main items in the coconut trade, copra meal, America is little interested and the demand is almost exclusively from Europe. America paid the Philippines about ₱30,000,000 last year for coconut products. She paid them just over ₱4,000,000 for Manila hemp, and *₱128,657,977 for 1,078,596 metric tons of sugar, about ₱125 a ton.*

The Philippines sold products in the United States last year to the value of ₱182,626,053 and bought products there to the value of ₱87,080,813. The United States provided a market for 86% of all products the islands sold overseas, and the balance of trade in favor of the islands was, ostensibly, ₱95,945,240. But this ₱95,945,240 was not the true balance of trade. Goods were insured, not measurably with Philippine companies; goods were freighted, not at all in Philippine ships or over their railways or on their inland waters; Americans bought Philippine goods in the Philippines and shipped them to, and sold them in, the United States—we mean American corporations whose gains in this traffic went into the general volume of wealth, not of the Philippines, but of the United States.

A Manila manufacturer furnishes this memorandum:

"Uncle Sam buys 80% of Juan de la Cruz's exports on the *c.i.f.* basis. Juan buys 65% of all his outside purchases from Sam *f.o.b.* Sam's ports. When these goods arrive in the islands Juan pays the 65% plus 1/5 more for shipping expenses, or 78%."

Such a commerce is seen to be quite well balanced. American goods arrived in the islands fully manufactured, employed no labor in their further elaboration. Philippine products bought by America employed cityfuls of labor making them into usable manufactures.

There is, however, the prospect that certain valuable fields of trade in the Philippines now mainly enjoyed by the United States must be divided with competing countries unless the Philippines take steps in favor of American goods. But it is notable, and equally sensible, that the Philippines plan further protection of American trade here. They plan to forego tariff revenue and impose protective duties that will make them pay more for staple supplies in order to demonstrate again, this time to the most stubborn congress with which they have ever had to deal, their willingness to trade with America and their appreciation of the American market for their own products; and this too, when America has limited her market for 3 primary Philippine pruducts and has laid a tax on one of them, coconut oil, of 3 cents a pound.

In this the Philippines are giving the commercial world a striking example of enlightened self-interest in trade matters even in face of extreme provocation. For in the first place, it is seen, Philippine trade *on its existing basis* does America no harm, but real benefit; and in the second place, congress is placing the Philippines on the commonwealth basis for 10 years, to be followed by complete separation of the islands from America and therefore a smashing of all the trade based on intranational provisions mutually advantageous and protective.

Textiles are 20% of all Philippine imports; cotton textiles, and if iron and steel are added the sum is 30% of all Philippine imports, or perhaps a little more, no other single item summing as much as 4%.

Japan is closer to the United States in the Philippine cotton textiles market than any other competitor, as Belgium is closest in the iron and steel market. Moreover, with the lifting of the Chinese boycott of Japanese goods and the advent of many new Japanese general merchants in the provinces, Japan tends to extend her textile sales here at America's cost. It is this tendency the Philippines propose to overcome by further legislation, probably by higher duties applicable to all foreign textiles. On her part, America begins feeling, at a very tardy hour, the Philippine textile market worth having. One Japanese spokesman himself has recognized this question as one purely intranational; one which, adjusted between the Philippines and the United States, is the concern only of the parties to it.

The same authority, the Japanese consul general, assumes that the Philippines will pay higher prices for textiles if they exclude Japan's; but of course the Japanese approach this discussion under the awkward handicap of 1933 trade balance ₱15,000,000 in their favor—their case is thus embarrassed from the outset.

But it is desirable to point out that whether America has 60% or 65% of the Philippine import market, or all of it, is beside the point when the question of her prosperity in this commerce is viewed broadly. The crux of the problem is the country's own prosperity, primarily dependent on public confidence and a reasonably secure future, and secondarily upon active demand throughout the world for staple tropical products. To quarrel over fractions of a waning trade would be to ape Esop's dog quarreling with his shadow over a bone—losing the bone in the attack. It is the lion's share of an expanding Philippine trade that would be worth while nationally to America. Here the major responsibility is the commonwealth's. It will begin, of course, when public confidence is at its lowest.

But there are many favorable factors. One is the power of the commonwealth itself, one the continuing sovereignty of the United States—until independence comes. When realty values are restored and commerce in such property is active, the commonwealth will know it is making progress and winning confidence at home and abroad. Meantime America should find her trade here not merely advantageous, but worth more attention than government has given it in the past.