

Two prominent and able friends of the Philippines have recently spoken up in the United States for the Philippines in its present situation, both of them emphatically bringing out the fact that the Philippines is worthy of continued American interest and assistance.

American Help and the Philippine Future

Former Ambassador Emmet O'Neal made a statement which was introduced into the *Congressional Record*. It read in part.

"There is no spot on earth more potentially important to the cause of future world peace and human freedom than the Philippines. A successful Philippines can affect the thinking of the Eastern world more than propaganda from any source. . . The Philippines are on the doorstep of China, Malaya, Indonesia, Japan, Si-am, and other populous countries.

"The leadership of all those awakening nearby countries are watching with extreme interest the progress of democracy in the Philippines. To them it is a demonstration of the democratic way of life in the Orient, and it carries with it implications as to the value of American friendship and cooperation. They are watching to see if democracy can succeed in Asia.

"If the Philippines succeeds in demonstrating that its democracy is bringing all the freedoms to all its people, and a better life to its citizens than any Asiatic country ever saw, it could lead countless millions to demand a true democratic government. In this way the chances of peace in the decades to come would be enhanced greatly. . .

"America should give the greatest consideration to the Philippines as a matter of duty and enlightened self-interest. . .

"What will it mean to America in the future and to world peace, to have the Philippines a powerful, successful, happy, and free democracy, showing the way in Asia to a better life through a democratic process?

"If our foreign policy is to bring results, we must think in terms of decades rather than years. In our Asiatic foreign policy, if we recognize the importance of the Philippines and think in terms of five and ten years, we will advance the cause of democracy beyond our present power to evaluate. . ."

Dr. Frank A. Waring, Chairman of the Philippine War Damage Commission, made the other statement, urging, according to a press report, "continued interest and sympathetic consideration" of Philippine problems during the crucial last half of its ten-year reconstruction program". He said, in part:

"The United States, in my opinion, can not afford a failure in the Philippines because of the new Republic's importance to United States foreign trade, its relation to the cause of democracy in the Far East, its strategic military location, and the valiant aid which countless Filipinos . . . rendered to the allied cause.

"With adequate capital, efficient management, and technical skill, the Philippines could well become one of the world's favored lands,—a garden spot in the Far East. . ."

The reader will note that both the statements made as to the future of the Philippines are conditional,—"if" so and so, the Philippines "could become", etc.

In that connection, the recent words of Secretary of State Dean Acheson have the most solemn bearing:

" . . . That leads me to the other thing I wanted to point out and that is the limitation of effective American assistance. American assistance can be effective when it is the missing component in a situation which might otherwise be solved. The United States can not furnish all these components to solve the question. It can not furnish the determination, it can not furnish the will, and it can not furnish the loyalty of a people to its government. But if the will and if the determination exist, then, and not always then, is there a very good chance. In that situation American help can be effective and it can lead to an accomplishment which could not otherwise be achieved."

Secretary Acheson, in the foregoing paragraph, spoke of American assistance in general, rendered anywhere in the world. But he spoke of the Philippines in particular when he said, in the same speech:

" . . . Here again we come up against the matter of responsibility. It is the Philippine Government which is responsible. It is the Philippine Government which must make its own mistakes. What we can do is advise and urge . . . We can not direct, we should not direct, we have not the slightest desire to direct. I believe that there are indications that the Philippines may be facing serious economic difficulties. With energetic, determined action, they can perhaps be avoided or certainly minimized. Whether that will be true or not, I can not say, but it does not rest within the power of the American Government to determine that. We are always ready to help and to advise. That is all we can and all we should do."

Important as the Philippines is to the United States in various ways, to world peace and the cause of democracy, and whether or not the United States could "afford a failure in the Philippines", the issue must finally depend, irrespective of any help the Philippines may receive, upon the people of the Philippines themselves.

For that matter, a strong people would not want it otherwise. They accept the responsibility and stand up under it.

As the historian Toynbee has shown in his monumental study of the rise and fall of nations and civilizations, a rise has always resulted from a vigorous and effective response to some dangerous challenge, under creative leadership and not under some merely "dominant" minority which must sooner or later lose power.

Hidden in that picture, still to appear in time, lies the fate of the Philippines and all it may mean to other peoples of the world.

Point Four, in the four-point "Program for peace and freedom" which President Truman laid down in his inaugural address delivered on January 20

Point Four: of last year, was worded by him as follows: "What it is: "Fourth, we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of under-developed areas".

To provide the frame for this statement, we may recall here that the President gave, as Point One, that America would continue to search for ways to strengthen the authority and increase the strength of other partner countries,—the old and the new nations being formed; as Point Two, that America would continue its programs for world recovery, which include "keeping our full weight behind the European Recovery Program" and additionally providing "military advice and equipment to free nations which will cooperate with us in the maintenance of peace and security". Then came Point Four.

Enlarging on Point Four, the President said in part (italics ours):

"The United States is pre-eminent among nations in the development of industrial and scientific techniques. The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible.

"I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge in order to help them realize their aspirations for a better life. And, in cooperation with other nations, we should foster capital investment in areas needing development.

"Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens.

"We invite other countries to pool their technological resources in this undertaking. Their contributions will be warmly welcomed. This should be a cooperative enterprise in which all nations work together through the United Nations and its specialized agencies wherever practicable.* It must be a world-wide effort for the achievement of peace, plenty, and freedom.

"With the cooperation of business, private capital, agriculture, and labor in this country, this program can greatly increase the industrial ability in other nations and can raise substantially their standards of living.

"Such new economic developments must be devised and controlled to benefit the peoples of the areas in which they are established. Guarantees to the investor must be balanced in the interest of the people whose resources and whose labor go into these developments.

"The old imperialism—exploitation for foreign profit—has no place in our plans. What we envisage is a program of development based on the concepts of democratic fair-dealing.

"All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically.

* A United Nations program for expanded technical aid was approved by the General Assembly on November 16.

"Greater production is the key to prosperity and peace. And the key to greater production is a wider and more vigorous application of modern scientific and technical knowledge."

In a special message to Congress on June 24, the President recommended the enactment of legislation to implement the plan, and two separate administration bills, assigned to different committees of each House of Congress, were introduced. The House bill was recently (February) reported for action by the foreign affairs committee. It envisages an expenditure of \$35,000,000 for one year's operation in providing experts to assist development projects abroad, including public health programs, power and flood-control projects, and agricultural and industrial development projects, and an additional \$10,000,000 to continue United States participation in the technical co-operation programs authorized under the Institute of Inter-American Affairs (1947) and under the U.S. Information and Educational Exchange Act of 1948.

The other, complementary, bill has also passed the banking and currency committees of both Houses and would grant broad powers to the Export-Import Bank to guarantee United States private capital against risks "peculiar to such investments".

Meanwhile a third bill, offered as a substitute for the administration measures, omits such a guarantee but would seek to create a more favorable climate for American investments abroad by requiring foreign countries desiring assistance to enter into treaties and agreements assuring (1) fair treatment of American private capital, (2) convertibility into dollars of local currencies derived from these investments, and (3) avoidance of double or discriminatory taxation.* Government loans would also be authorized, under this condition, if private capital were not available. The bill would create a Foreign Economic Development Administration within the Department of State, together with an advisory board of American citizens. Joint commissions in collaboration with foreign countries for formulation of economic development programs would be authorized.

The facts in the preceding paragraph were taken from a brochure on the Point Four Program which was prepared by the Chamber of Commerce of the United States, and no doubt provide some of the background behind the recent announcement, made separately by President Truman and by President Quirino, that a joint economic advisory committee would be created for the Philippines shortly. It is the topic of another editorial in this issue of the *Journal*.

Although none of these bills have, at this writing, been passed, and although, even when they are passed, the actual appropriation bills would still have to be enacted, Acting Secretary of Foreign Affairs Felino Neri issued a press release early in February stating that three American experts from the U. S. State Department and the U. S. Department of Agriculture** were coming to Manila in April to discuss with Philippine authorities the details of a program for this country under Point Four.

A reference to an important statement made in Manila by Ambassador Philip C. Jessup, was included in this press release, as follows:

"Considerable importance is attached to the forthcoming mission of the American experts in view of the United States decision to use the Philippines as a 'pilot area' in the implementation of the Point Four Program in the Far East. U.S. Ambassador-at-large Philip C. Jessup who was here on a four-day diplomatic mission two weeks ago, himself indicated at a policy conference with Foreign Office officials the United States intention to use the Republic as a 'show window' for democracy in the Far East and as a demonstration area for President Truman's 'bold new plan'."

It goes without saying that the Point Four Program is or could be a most constructive one, but it should also be plain that it does not involve any large expenditure of American government funds in any foreign enterprise.

* These indeed are the essentials, without which no country, including the Philippines, will ever get any amount of foreign capital investment.

The \$35,000,000 to be appropriated is no doubt for administration costs and for the salaries and expenses of the experts who may be sent to various countries. Unless the substitute bill, already mentioned, is adopted instead of the two administration bills, there will be no government loans made under the Program, and even under that bill, Government lending is unlikely. The success of the Point Four Program will depend on whether private capital can be induced to invest.

And the fact of the matter is that spokesmen for private capital have so far shown no great enthusiasm in connection with the Program. An editorial in the February issue of *Fortune* states that "the chief danger in Point Four is the amount of rosy hoping and cloudy thinking that has surrounded it", and raises the question whether President Truman has not "simply promised too much."

"The obstacles to private capital abroad are legion", states *Fortune*:

"In few undeveloped countries can you get your money out when you want it, and in fewer can you count on a stable exchange rate. Often the courts are unreliable, labor laws are arbitrary, taxes are discriminatory, local monopolies are protected by law, local participation is required by law, and there is usually a threat or a history of expropriations."

"Even if the State Department does its duty and wins for the investor the best treaties possible", says *Fortune*, this still "will not mean plain sailing for United States capital or for the economic development of backward countries." There are obstacles, "partly economic and partly social", that "neither their governments nor ours can do much about". Among such obstacles, *Fortune* lists poor sanitation and public health, poor farming methods and low diets, short life-expectancy, and a shortage of "native people capable of intermediate responsibility: the foremen, bookkeepers, field engineers, and the like whose non-existence reflects the failure of most backward countries to develop a petty bourgeois class".

Mr. Milo Perkins, former assistant to the U. S. Secretary of Agriculture, in an article on Point Four in the *Reader's Digest* for January, also touches on the lack of a middle class in under-developed countries, stating that the petty industrialists and land-owners in such countries talk about "dollar imperialism" but that what they really mean is that "they don't want any large-scale economic development with its emerging middle class... They want large pools of cheap labor."

"We must not be ashamed to state our self-interests openly," says Mr. Perkins.

"We should tell the world in unmistakable terms that a way must be found by like-minded peoples to work together to build recovery on a basis which can be self-supporting. So far as we are concerned, this means counting primarily on private capital. Many nations may not want to cooperate with us on this basis. That is their business; and we shouldn't get provoked when we encounter ideas different from our own. Our policy should be to husband our resources for those countries which do want to build up productivity in the only way we know how to do it, through encouraging the individual to engage in competitive enterprise with the minimum amount of government interference."

"We should negotiate treaties with like-minded countries which guarantee fair treatment for United States private capital when it goes abroad. All we want from these treaties is the simple assurance that our businessmen will be treated as fairly when they go to another country as the nationals of that country are treated when they come to the United States to engage in business. We are not entitled to preferential treatment and no responsible person suggests it. "Unless we get reciprocally fair treatment, however, and unless there is a chance to make a profit commensurate with the risks of doing business abroad, we are not going to invest our savings in factories in other lands. This is so elementary that it's silly to pussyfoot on the issue with other nations."

Concludes Mr. Perkins: "World recovery requires more of this kind of private activity [such as that of the United States oil companies, the United Fruit Company, General Electric Company, and Sears, Roebuck] and fewer dolos from the United States Treasury. If *Point Four* is

** Dr. Ross E. Moore, Dr. Albert Moesman, and Dr. P. V. Kenner.

to succeed, American business will also need more vigorous diplomatic support from our State Department than it has received in the past."

The Chamber of Commerce of the United States, in the brochure already referred to, states that the established policies of the Chamber "justify a sympathetic attitude toward the Point Four program", but that Chamber principles "do not countenance waste or needless expenditure of funds in any program which may be inaugurated either at home or abroad."

A summary statement runs:

"The Chamber specifically has warned against 'industrialization at any cost' in the less developed countries of the world. In this connection, it has held that factors to be taken into account should include the establishment of political and economic security and equal justice for domestic and foreign traders, possession of or access to essential raw materials, necessary capital whether domestic or foreign, the requisite technical personnel, the prospect of adequate markets for industrial products either at home or abroad, the ability of industries thus fostered to survive without uneconomic trade barriers, and private rather than government operation."

Among the Chamber's final recommendations are:

"That the Government confine its technical aid projects to countries where there is a genuine desire and ability to cooperate and where there is no question as to conditions favorable for economic development."

"That the program of technical or other aid be restricted to countries which through treaties and agreements or financial guarantees provide assurance of fair treatment for American private capital. . ."

This *Journal* will not say that the Philippines will get no further United States Government assistance additional to that still on schedule. It is possible, perhaps even likely, that a further inter-governmental loan may be negotiated for economic development purposes, but this could not be under more than a nominal application of Point Four policy.

An inter-government loan, if it were to be agreed upon at all, would have the advantage of being comparatively quick and sure, which private investments under the Point Four Program would not be. But development under Point Four would in the long run be far more sound, enduring, extensive, and self-multiplying, than any piece-meal development on the basis of a government loan could be, provided only the proper "climate" were established, and this rests with the Philippine people and Government.

If the Philippines is to be a "pilot area" in the implementation of the Point Four Program, a "show-window" for democracy in the Far East, it rests largely with the Philippines, because the success of the Program will depend on cooperation and *reciprocity*, on the profit there will be in it for *both sides*.

With the re-introduction of the Tañada Bill on the forced disposition of lands acquired by foreigners, we feel impelled to sound the warning once again. The Tañada claim, any of the provisions of the Constitution) which this Bill seeks to implement, will strike foreign capital investment in the Philippines its possibly most deadly blow.

It is true that under the interpretation given the Supreme Court decision in the notorious Krivenko Case by other high officials of the Government, American holdings will not be affected under the present "Parity" provisions, but this is a safeguard likely to be good for only a limited number of years.

What could be more discouraging to capital than the fact that the investor could never own land here,—the land which he would develop as a plantation, the land on which he would erect a factory or a shop, even the land on which he would build his residence? The possibility of acquiring a sound title to any land necessary, is generally one of the first concerns of any one who is contemplating a new industrial or business venture.

And speaking of a favorable "climate" for investment, what could produce a more vivid impression of a hostile climate than if any man who might come into the country learned that he would not even have the right to a small piece of land on which to build his private home, let alone his factory or mill or shop?

We say again that such a policy is not in consonance with the Philippine Constitution, but traduces what is, in the main, a liberal, democratic basic law. We say that it is contrary, too, to the letter and spirit of the Universal Declaration of Human Rights, in the drafting of which, by the United Nations, the Philippines took so honorable a part. What, indeed, could be more cruel than forcibly to dispossess any resident here, of whatever race or nationality, of the home he and his family occupies, in which, perhaps, with foresight and care for those dependent on him, he has invested all his savings, and which he has tended with the love of a parent which go into home-making everywhere? Such an inhuman and wicked policy, executed wholesale, under a mere color of law, would make the Philippines a by-word for its hostility to the aliens within its territories.

It is fortunate that there are members of Congress who understand the nature of our present economic and financial problems and who are ready to face them realistically and speak of them frankly.

We refer at the moment especially to Senator Lorenzo Sumulong, worthy son of a worthy father, who according to the newspapers at the time of this writing, is initiating a move in the Senate—

"to amend the monetary reserve provisions of the Central Bank Charter so as to strengthen domestic as well as international confidence in the Philippine Peso."

"Senator Sumulong said yesterday he planned to introduce a bill to require the Central Bank to keep a reasonable percentage, possibly 25 per cent, of its reserves in gold as is done in the United States."

"Under the present Charter, the Central Bank is under no requirement to keep a definite percentage of its reserves in this stable metal."
—*Manila Daily Bulletin*, February 11.

This proposal comes at a time, and is no doubt largely prompted by the growing shortage in the circulation of silver coins which became apparent recently and which is now (middle February) creating not only great inconvenience but is leading to all sorts of charges in official quarters as well as in the newspapers that this is the result of willful hoarding and speculation on the part of "Chinese merchants".

The circulation of such charges and reports, together with the fact that many merchants, Chinese and others, find it actually impossible to make change, could easily result in rioting in which many innocent people would suffer injury. To single out one group in the population and to charge it with being responsible for what is actually a natural economic phenomenon under present conditions, is unfair and indicative of a lack of a sense of responsibility. There is hoarding but it is general, and, as is well known, for instance the conductors of certain bus-lines, Filipino-owned, are among those who simply refuse to make change, though it is obvious that after the first few runs of the day, the conductors must have collected enough coins to hand out some change when necessary. In a number of stores change is now being offered in the form of postage stamps and small "promissory notes."

There are no doubt a number of causes contributory to the disappearance of our silver coins. This is the season

*As this issue of the *Journal* goes to press (early March), the coin shortage appears to have been pretty well overcome, at least for the time being, through the release of additional coins by the Central Bank, through appeals for confidence published in the newspapers, and through the introduction of legislation providing for the punishment of hoarders. These are all proper measures, but the shortage as a phenomenon of last month remains to be explained, as also the possibility of a recurrence.