

## Domestic Trade and the Problem of "Nationalization"

THE Filipino retailers have been in constant struggle with aliens in almost all branches of retail business. Despite many handicaps, such as weak organization, inexperience, and higher living expenses, it can be said that they are much better of today than they were several years ago.

**Philippine Participation in Retail Trade.** Statistics show that the volume of sales in the retail trade amounted to ₱1,082,000,000 in 1953, or about ₱90,000,000 per month. Out of these figures, the yearly gross sales of Filipino merchants amounted to ₱467,000,000, or 43%, while alien participation amounted to ₱615,000,000, or 57%. As to assets, Filipinos owned around ₱270,000,000, or 63% of the total, while aliens controlled ₱157,000,000, or 37%. It can be gathered, therefore, that there are many more Filipino establishments (88%) in the retail business than those of aliens (12%), but the Filipinos account for less than half of the total sales volume.\*

On the other hand, UNIFIRCA (United Filipino Retailers Cooperative Association, Inc.) officials and other Filipino businessmen feel that the above figures released by the Bureau of Census and Statistics are not accurate for the reason that they are only based on establishments reporting and do not present the true picture.

**Government and Other Activities to Promote Philippine Participation in the Retail Trade.** The Government, in its desire to increase Filipino participation in this trade, directed several of its bureaus and offices to give pointers on the organization and management of cooperative stores, which will in the long run form the nucleus of retailing. A campaign was waged to increase Filipino participation in domestic trade, by the agents of the Bureau of Commerce who undertook the responsibility of encouraging the organization of Filipino retailers and cooperative marketing associations. The idea behind the movement is not to wrest totally the control of trade from the hands of alien traders, but to educate Filipinos in every phase of business in order to enable them to assume by themselves control of the domestic trade. This Bureau has been giving assistance to Filipino retailers by organizing consumers cooperative stores, in the belief that if consumers establish and manage their own retail stores, this will be an effective way of Filipinizing retail trade.

Another agency established by the Government to act as a wholesale supplier of merchandise for Filipino retail stores is the National Trading Corporation. This agency has been taken over by the Philippine Relief and Trade Rehabilitation, now the Price Stabilization Corporation, which acts not only as a wholesaler giving retailers fair prices but also providing commodity loans.

Aside from the above, the Bureau of Commerce and the National Cooperative Administration cooperate with each other in the organization of consumers cooperative stores. This movement was pushed slowly, starting with established groups of consumers in government offices, business firms, schools, and other institutions. Of course, failures were met by these cooperative stores, but from these experiences we shall do better in the future to meet alien competition.

An organization of Filipino merchants known as the Unifira Cooperatives' Wholesale Corporation was recently formed. This group of Filipino merchants has an objective of competing with aliens in our domestic trade. It also aims to import prime commodities to lower and stabilize

prices and unmask fake importers, dummies, and ghost retailers.

**Legislation under Consideration on Retail Trade Nationalization.** It is the general feeling among the members of Congress that the time has come to nationalize our retail trade now that we are embarking on a program of self-sufficiency and self-determination. They believe that the bulk of our business in this country is controlled by aliens. It is felt that this present situation would undermine our economic stability.

In order to remedy this set-up, some members of both Houses introduced several bills nationalizing retail trade business in the Philippines. The following bills are now under consideration; namely, H. No. 4 (Congressman Babao of Batangas), H. No. 174 (Congressman Veloso of Leyte), H. No. 275 (Congressman Honrado of Surigao), H. No. 377 (Congressmen Mercado and Abordo), H. No. 1889 (Congressmen Macias, Hora, Teves, and Bernido), S. No. 104 (Senator Montano) and S. No. 14 (Senator Zulueta).

Common to all these bills are the principal objectives of nationalization which are as follows:

- (1) To protect the national economy and conserve the patrimony of the nation;
- (2) To avoid cut-throat competition under a close-knit organization among the alien merchants; and
- (3) To forestall in cases of national emergency, disruption and paralyzation of our economic way of life by the apparent control exercised by aliens over the retail trade.

The provision in every bill is almost identical, except in manner of its renewal. For example, H. No. 4 provides that licenses issued to aliens and to partnerships and corporations more than 40% of the capital of which is controlled by them can not be renewed after 5 years from the passage of this Act. H. No. 174 and 275 are similar, except that the former provides that any alien holding 25% and the latter 30% of the capital, cannot be renewed after one year after the passage of this Act. H. No. 377 differs from the above by taking into account the amount of capital invested as the basis for renewal of the license and not the percentage. For less than ₱10,000, 5 years after the passage of this Act; for more than ₱10,000 but less than ₱30,000, 6 years after the passage of this Act, and for more than ₱30,000, 7 years from the passage of this Act, provided that all of these own 40% of the capital stock. H. No. 1889 provides that aliens already in business, not more than 25% of the capital of which is owned by them, shall continue in business until death, if he is a natural person; for partnership, upon termination of terms of partnership agreement; and for corporations, 10 years after the passage of this Act. In the case of S. No. 104, renewal of licenses depends upon the kinds of merchandise they carry. For example, licenses for aliens in food and foodstuffs will be in effect only up to 1955; in textiles and clothing materials up to 1956; and at the end of 1957, no licenses will be issued to aliens in all other business. All bills provide that no license is to be issued to a new establishment or to open additional branches after the cut-off date.

Another important bill was introduced by Senator Zulueta (S. No. 14), providing among others for the gradual nationalization of the rice trade. In said bill, all aliens and corporations or associations engaged in the trade of rice and other agricultural crops, 75% of whose capital is not owned by Filipinos, are to register with the city or municipal treasurer where they are located and then starting 1956, these aliens, corporations and associations will

\*From the *Business Letter*, Philippine National Bank, for March-April, 1954.  
\**Philippine Review*, March, 1954, Manila, based on figures taken from the Bureau of Census and Statistics.

be gradually reduced by 25% annually until 1959 when no licenses to trade in rice, flour, corn, sugar, etc. are to be issued except to Filipinos or corporations or associations, 75% of whose capital is owned by citizens of the Philippines.

In order to maintain equilibrium in the economy and obviate any possible disturbances which a drastic prohibition of trade to aliens might pose, a section of these bills provides for a transition period to commence on the 5th year after the passage of the bill and to last up to the 10th year, depending on the amount of capital invested and the percentage of capital controlled by aliens. This system will also enable prospective Filipino retailers to build up their capital and gain full knowledge of the trade in the meantime, and thus prevent economic paralyzation when the alien retailers are inhibited from doing business.

**Private and Business Opinion on Nationalization.** There are various opinions regarding the nationalization bills introduced in Congress, some being in favor while others are against.

From leaders of our business community, conflicting opinions were advanced. Some believed that the success in placing the retail trade in the hands of Filipinos lies in organizing themselves financially and technically, for only under equal circumstances can they hold their ground against aliens, combined with the spirit of patriotism that should be instilled into the heart of every Filipino. When this is realized, then there will be no need to nationalize retail trade. Others point out that nationalization through legal and peaceful means is one of the solutions to our economic problems.

Some of our leaders in Congress say that the control of retail trade by the Filipinos is not only an imperative necessity but also vital to our economic survival. They say that nationalization is the only hope of wresting control of the trade from foreigners. Of course others have different views on the matter, pointing out that the proposed measures may have an adverse effect on our nationals abroad. They advocate going into the matter which caution.

The local newspapers are practically unanimous in opposing the passage of the nationalization bills, all of them emphasizing the importance of fair competition and the need for Filipinos actual participation in the retail trade. As one of the leading papers put it, the control of the retail trade by Filipinos could only be achieved by actually engaging in the business itself (*Commerce*, December, 1953). Another newspaper pointed out that Filipino retailers must struggle under fair competition and that if the Government should take a hand to protect its nationals, such measures must be directed against aliens who are corrupt and who adopt unfair trade practices (*Chronicle*, February 28, 1954).

One columnist who is opposed to nationalization raised the question as to whether the Filipinos are ready to take over the economic destiny of 20,000,000 people and answered it by stating that the Filipino experience in trade, business, and industry has been on the whole discouraging, pointing out that the few who have succeeded in the retail business have done so in spite of the competition of aliens (*Saturday Evening News Magazine*, April 17, 1954).

A columnist of a leading daily summed up the opposition to the nationalization bills by pointing out that the country must (1) educate the people about the advantages of patronizing local products and stores; (2) train the people in merchandising techniques; and (3) provide adequate financing facilities to Filipinos who would like to go into business; and he stressed the fact that unless these three conditions are fulfilled, no nationalization law would be effective without hurting the interests of the consumers (*Manila Times*, April 16, 1954).

**Problems and Difficulties.** There are many problems and difficulties to be surmounted before these nationalization measures can actually be put in effect. There is for instance the fear in certain quarters that if any nationalization bill goes through, the general consumers would be left at the mercy of Filipino retailers who, deprived of alien competition, would naturally take advantage of the situation. Some responsible leaders believe that any nationalization measure would penalize law-abiding aliens heavily in the same way as the rest of their unscrupulous countrymen; quite a number of them have in many ways helped toward the development of the national economy. An unfriendly attitude toward the consuming public will eventually rise because of monopoly. The reason, some commentators point out, is not that local retailers are bad but that the consumers, with nowhere to turn to, simply have to give in. It is common knowledge that Filipino merchants are handicapped by lack of organization and lack of financing. These weaknesses have to be remedied with or without any nationalization measure in Congress. Furthermore, such a measure is not conducive to international amity. A young country in the process of growth has to promote amicable foreign relations and establish, if possible, a healthy climate for foreign investment.

## The Rice Problem and Nationalization of the Retail Trade

Rice—the basic food crop of more than 15,000,000 Filipinos—has long been a national problem. Since pre-war years (except in 1934) the Philippines was never self-sufficient in rice. However, with the harvest during the crop year 1952-53 of around 71,500,000 cavans of palay, compared with total requirement of 69,700,000 million cavans, the rice industry has at last reached the self-sufficiency level. This apparent self-sufficiency can not altogether mean that the industry has already attained its goal. The rice problem can only be said to have been solved after the country has been regularly self-sufficient for several consecutive years and the distribution of the cereal put on a normal, efficient basis.

With the surplus in our rice production during the last crop-year, both the Government and private enterprises are exerting every effort to control the resulting decline in prices. In order to effect the stabilization of prices it is necessary for the Government to control the marketing of the surplus rice. But the Agricultural Credit and Cooperative Financing Administration (ACCFA), a government instrumentality established primarily to help cooperatives and which has recently been designated to put into effect the rice marketing system, is faced not only by lack of funds but also by the limited storage facilities at its disposal.

Under the ACCFA program based on the use of cooperatives, farmers who are members of such cooperatives will receive 80% of the value of their palay upon the deposit of their crop in a cooperative warehouse and the remaining 20% will be given to the owners as soon as the sale of the rice is consummated. Under this arrangement, government purchasing of rice as previously done by the National Rice and Corn Corporation (NARIC) is eliminated. It seems apparent that for this ACCFA-sponsored plan to be carried out successfully, there must be enough warehouse facilities under ACCFA and the cooperatives for the adequate storage of the palay crop as it is received from the farmers.

**Ownership of Rice Warehouses and Mills.** The latest data of the Agricultural Credit and Cooperative Financing Administration shows that there are 44 NARIC occupied warehouses and 111 bonded warehouses in the country as indicated in the following table:

**NARIC OCCUPIED AND BONDED WAREHOUSES**

Place	NARIC Occupied Capacity		Bonded Capacity	
	Warehouses	(Cavans)	Warehouses	(Cavans)
	(Number)	(Number)	(Number)	(Number)
1. Manila	17	849,020	—	—
2. Antique	—	—	1	2,000
3. Bohol	—	—	1	9,000
4. Bulacan	1	76,800	9	20,500
5. Camarines Sur	1	12,480	—	—
6. Capiz	1	42,000	—	—
7. Cebu	1	134,400	—	—
8. Cotabato	1	65,600	1	6,000
9. Iloilo	1	180,000	20	74,500
10. Isabela	1	49,200	—	—
11. Nueva Ecija	14	1,308,580	56	117,250
12. Pampanga	3	233,280	5	17,510
13. Pangasinan	—	—	5	8,000
14. Rizal	—	—	3	7,650
15. Tarlac	3	214,440	10	147,500
Total	44	3,165,800	111	409,910

Sources: ACCFA and Market Division, Bureau of Commerce.

It is obvious from the above figures, that in order to carry out its proposed rice marketing scheme, ACCFA must provide for the establishment of more warehouses all over the Archipelago. If possible, it must have one cooperative warehouse in each principal rice-producing municipality.

Another problem which confronts this Government marketing plan is the fact that in most places, specially in Nueva Ecija, most of the harvested palay finds its way into the hands of rice-mill operators. In fact, in many places in Nueva Ecija, considered the rice granary of the Philippines, the rice-mill owners who are mostly Chinese are the main buyers of palay.

Considering that there are more than 7,300 private rice mills all over the country as against only 77 occupied by the NARIC,<sup>b</sup> one cannot help but recognize the tremendous job before the Government in its rice marketing program. The following is the number of rice mills in the provinces, out of which 249 mills or 3.4% are owned by aliens:

**LIST OF RICE MILLS IN THE PHILIPPINES**

Provinces	Filipinos	Aliens
	Number of Mills	
1. Abra	52	—
2. Agusan	26	3
3. Albay	206	4
4. Antique	94	1
5. Bataan	42	—
6. Batangas	261	3
7. Bohol	65	4
8. Bukidnon	42	3
9. Bulacan	140	—
10. Cagayan	463	22
11. Camarines Norte	34	2
12. Camarines Sur	362	17
13. Capiz	131	1
14. Catanduanes	3	—
15. Cavite	119	—
16. Cebu	52	2
17. Cotabato	334	11
18. Davao	73	14
19. Ilocos Norte	327	1
20. Ilocos Sur	90	2
21. Iloilo	510	2
22. Isabela	217	32
23. Laguna	172	1
24. Lanao	28	4
25. La Union	155	1
26. Leyte	193	19
27. Marinduque	42	—
28. Masbate	17	—
29. Mindoro Occidental	146	—
30. Mindoro Oriental	27	2
31. Misamis Occidental	40	2
32. Misamis Oriental	53	7
33. Mountain Province	18	6
34. Negros Occidental	199	—
35. Negros Oriental	22	2
36. Nueva Ecija	320	3

37. Nueva Vizcaya	82	—
38. Palawan	22	1
39. Pampanga	152	—
40. Pangasinan	656	26
41. Quezon	253	—
42. Rizal	113	—
43. Romblon	27	—
44. Samar	54	13
45. Sorsogon	43	2
46. Sulu	6	3
47. Surigao	48	5
48. Tarlac	283	6
49. Zambales	142	4
50. Zamboanga	117	16
TOTAL	7,076	249
GRAND TOTAL	—	7,325
Per cent alien owned	—	3.4

As in the case of warehouses, the ACCFA, to achieve its purpose of minimizing the role of middlemen in the marketing of palay, must gear its resources to acquire or control more rice mills. As stated above, it is common practice among farmers to sell their harvests direct to rice mills. The Government, to curb this practice which usually results in the victimizing of the farmers and controlling of the prices by such mill operator-buyers, must try to control a greater number of rice mills and thus minimize, if not eliminate, the purchase by private rice millers of the harvested crop which serves as a hindrance to its plan of an efficient marketing system.

In order to better appreciate the government rice marketing plan, it is necessary that we first know the reasons behind this government scheme.

**Volume of Rice Moving Through Regular Trade Channels.** According to the latest statistics on rice about 66,500,000 cavans of palay will have to be stored for milling and subsequent marketing to meet the demand of the consumers after deducting about 5,000,000 cavans from the total rice production of 71,500,000 cavans. The Rice Commission estimated that about 30% of the rice for home consumption flows through the regular trade channels; the balance of 46,500,000 cavans is kept in the small warehouses and in the homes of the small producers. However, the capacity of the warehouses of the NARIC—the government entity whose main activity has been centered around price stabilization of this cereal—is only 3,100,000 cavans, or only 15.5% of the total volume of 20,000,000 cavans which needs storage and warehousing for commercial purposes. From the above figures, one can easily see the enormous volume of rice (16,900,000 cavans) that moved through private trade channels in 1953-54 alone.

It can safely be said that the bulk of this volume of cereal passed through the hands of rice millers as stated above and other middlemen—mostly aliens—much to the disadvantage not only of the Filipino businessmen engaged in rice trade but also of the rice producers and consumers.

**The Role of Alien Merchants in Rice Marketing.**

It can not be denied that the price of rice serves as the yardstick in the economic life of our people and of the price level of other prime commodities. We have, therefore, to minimize if not entirely eliminate the services of middlemen.

One of the measures that must be adopted to gain this objective would be the establishment by the Government of a new entity whose activities will be limited to the marketing of the staple crop. This agency must take over the functions now being performed by the ACCFA with regard to the rice marketing program and at the same time help the latter instrumentally in the establishment of more rice mills and storage facilities so necessary in the government scheme of encouraging the marketing of the cereal through rice cooperative marketing associations. If it could be carried out successfully, it will discourage or limit the activities of alien middlemen in the rice trade.