The first lines of Longfellow's poem, "The Ship of State", are so familiar that they have become somewhat stale. The last few lines, not so well known, express the feeling of every citizen in a democracy:

> "Sail on, nor fear to breast the sea!
> Our hearts, our hopes, are all with thee,
> Our hearts, our hopes, our prayers, our tears,
> Our faith triumphant o'er our fears,
> Are all with thee—are all with thee!"

President Quirino's Visit to Indonesia

President Quirino is to be congratulated on the success of his ten-day state visit to Indonesia which he made last month in return for the visit of President Sukarno to this country early last year.

The President and his party were made to feel most welcome and the visit definitely strengthened the cordiality of the relations between the two countries.

The Philippine President carefully avoided the hortatory in the several speeches he made, yet found opportunity to suggest that in the present world situation, an independent policy, seen in effect as neutrality, to which Indonesia is clinging even at the expense of refusing Western aid, is of doubtful value, and that the idea of the people of southern and southeastern Asia constituting themselves into a "third force" is not likely to be effective in practice.

There is good evidence for the belief that the Indonesians, though their territory is vastly greater than the Philippines and their population four times as large, and though their culture is far more autochthonous, yet *look up to* the Filipinos, and it may become clearer to them as time passes that what they admire in the Filipinos is precisely that which the Filipinos owe to their eclecticism.

While the people of Indonesia have clung to their old and established ways, the Filipinos for centuries have not scorned to borrow from other peoples and have not hesitated to adapt themselves to the modern world. As a consequence, they are better prepared for modern nationhood.

Thanks largely to Spain, the Filipinos are more united as a people; thanks largely to America, they are more practiced in governmental administration. Literacy is further advanced and the people are better prepared to govern themselves.

The nationalistic spirit runs high in Indonesia, at least in the major parts of it, but this nationalism takes the form largely—as it does in some other Moslem countries, of suspicion and fear of foreigners and distrust of all foreign influence. The offer of American technical assistance was recently refused because of a misunderstanding of American motives.

As the Indonesians may learn in these matters from the Filipinos, so the Filipinos may take an object lesson from Indonesia as to the dangers of a narrow nationalism.

But the situation involves much more than merely the taking of such lessons. For without outside assistance, for a period of time at least, Indonesia may not, almost certainly would not, be able to stand. And the risks to the world entailed in a collapse would be very great.

A writer in the July *Foreign Affairs,* General Augustin Guillaume, states that it is clear that—

> "the ancient East, from the Arab states of the Mediterranean basin to Pakistan, India, and the new Indonesian Republic, is not yet fully aware of this [the present] world revolution... Whatever dreams it may have of forming a third force—traditionalist, feudal, and artisan in nature—can not survive the inexorable lessons of reality. Should the West succumb, each of these countries would have to surrender to Communism; their very nationalism would have prepared them for that fate."

Another writer in that same issue of *Foreign Affairs,* Jacques Soustelle, states:

> "The time has come to view things in the Far East realistically. If France retreated from Tonkin and Saigon, Indo-China would at once fall into Soviet hands, and Malaya as far as Singapore would quickly follow. What would happen then to Indonesia, Burma, and Siam? And who would expect that the Philippines, Ceylon, and India would be immune? With all Southeast Asia at stake, the mastery of the Pacific as a whole is plainly in balance."

A collapse in Indonesia as much as the fall of Indo-China would break America's, that is to say, civilization's, defense chain in the Pacific and would largely isolate the Philippines,—which was liberated during the last war, as everyone knows, from the direction of Australia and the East Indies.

There was great good reason in President Quirino's state visit to Indonesia and in his wise counsel with respect to "neutralism" and the practical powerlessness of the so-called "third force".

The Amendments to the Foreign Exchange Tax Law

Act 601, known as the Foreign Exchange Tax Law, which imposed a 17% tax on the value in Philippine pesos of foreign exchange sold or authorized to be sold by the Central Bank, was made effective for two years from the date of its approval on March 28, 1951, and would therefore have expired in March, next year.

Although it was allegedly an emergency measure, adopted to arrest a flight of capital and to further curb imports, it also proved lucrative as a revenue measure, and there was little hope, therefore, that the Act would be allowed to expire, despite the fact that, while it accomplished the purposes aimed at, it also brought about effects extremely deleterious to the Philippine economy,—not only further heavy increases in the cost of imports, but also further discouragement of foreign capital investment.

As it appeared obvious that the life of the Act would be extended regardless of all argument to the contrary, few serious voices were raised demanding that the exchange tax be abolished, but it was strongly urged that the law be drastically amended in various respects.

The most practical proposals to this effect were advanced by Mr. J. A. Parrish, then President of the American Chamber of Commerce, in an article entitled, "Should the Exchange Tax Law be Amended?" which was published in the January issue of this *Journal* and which received widespread attention and support.

At least three bills embodying amendments were introduced in the House of Representatives and in February and March the Committee of Ways and Means, under the Chairmanship of Representative Cipriano S. Allas, held a number of public hearings which were attended by Mr. Parrish and other members of the American Chamber of Commerce. Following the hearings, the Committee of Ways and Means submitted a report and introduced Bill No. 3116, prepared by the Committee, which incorporated some of the features of the three earlier bills,—No. 2322, introduced by Representatives Roy and Marcos, No. 2476, introduced by Representative Romualdez, and No. 2990, introduced by Representatives Ferrer, Fortich, Hilado, Marcos, and Pelaez.

The first of these bills, No. 2322, sought to exempt from the tax the remittances for payment of outstanding obligations contracted prior to March 28, 1951, (the date the law went into effect) the proceeds of which were used for agricultural or industrial rehabilitation. The second, No. 2476, would have extended the life of the Act for another year but reduced the tax from 17% to 12-1/2%. And the third, No. 2990, would have included agricultural machinery and implements among the imports payment for which is exempted in the original Act.

The compromise bill, No. 3116, provided for the extension of the life of the Act until the end of 1953, but compromised on the amount of the tax, specifying that 17% would continue to be levied until June 30, 1953, the tax to be reduced to 12-1/2% during the period from July 1, 1953, to December 31, 1953. It also included, among the exemptions, payments for agricultural machinery and implements and payments for outstanding obligations contracted prior to March 28, 1951, as in Bill No. 2322.

The Committee's compromise bill was further amended on the floor, most of the amendments being minor ones and the principal one being the elimination from the original Act of the highly objectionable requirement that the tax shall be collected even on the payments of exempted imports, for later refund by the Bank. The amended Act now simply states that the tax "shall not be collected" on such payments. Besides the inclusion among the exempted imports of "agricultural machineries and implements and their spare parts and accessories", also exempted are the "supplies and equipment purchased directly by or for the Armed Forces of the Philippines and the Civil Aeronautics Administration as certified by the corresponding Department heads"; also "spare parts, equipments, accessories of airplanes and vessels of Philippine register", with certain reservations. The proposed amendment exempting payments for outstanding obligations contracted prior to March 28, 1951, the proceeds of which were used for agricultural and industrial rehabilitation, was lost.

It will be seen that the gains made against the continued imposition of the exchange tax, in spite of all the effort made to obtain more important modifications, are not great. The reduction from 17% to 12-1/2% will apply to only the latter half of the year 1953. On the other hand, the life of the Act has been extended for less than a year beyond the originally specified period.

And completely blocked was the earlier proposal that the tax be increased from 17% to 25%! Republic Act No. 814, amending the original Foreign Exchange Tax Act No. 601, is not as bad as it might have been in view of all the circumstances.

However, the only eventuality, with respect to the exchange tax, to which industry and business and the people as a whole can look forward to with any optimism, is its total abolition come end of the year 1953.

Meanwhile, and for as long as this capital-trap may continue to exist, we must give up all hope of any large private foreign capital investment in local enterprise.

Aliens "Fees" and the Rule of Law

This past session of the Philippine Congress, both the Philippine Immigration Act of 1940 and the Alien Registration Act of 1950 were again amended.

The first was amended by Republic Act No. 749 which provides, among other things, for an increase in the alien head tax from ₱16.00 to ₱25.00, this tax being payable by every alien over 16 years of age admitted to the Philippines. The Act also increases various fees, as (1) for executing an application for a passport-visa for a non-immigrant, from ₱5.00 to ₱10.00; (2) for an extension of a re-entry permit, from ₱10.00 to ₱20.00; (3) for executing an application for an immigration visa, from ₱5.00 to ₱10.00; (4) for a petition for preference-quota status, from ₱10.00 to ₱40.00; (5) for a petition for a visa for a non-immigrant coming to pre-arranged employment, from ₱20.00 to ₱80.00. The Act furthermore provides that if an alien's certificate of residence has been lost, original fee, ₱50.00, the fee for a duplicate is ₱40.00; and while the fee for a re-entry permit is ₱20.00, the fee for a duplicate re-entry permit is ₱40.00. The fee for an extension of a temporary stay is ₱10.00 for every month of extension. Even in the case of students, the Act provides that for every year, or fraction thereof, of a stay beyond two years, as a non-immigrant student, the fee is ₱50.00 This list does not include many other fees which the Act leaves unchanged.

Republic Act No. 751, which amends the Alien Registration Act, increases the annual report fee for aliens from ₱0.50 in documentary stamps to ₱20.00 in documentary stamps for all aliens 14 years of age or over, and from ₱0.50 to ₱10.00 for all aliens less than 14 years of age. The same Act increases the fee for a duplicate-original of a lost alien certificate of registration, original fee, ₱50.00, from ₱2.00 plus a 30-centavo documentary stamp, to ₱10.00.

The explanatory note prefixed to the original Bill stated:

"No less than ₱3,000,000 will be collected annually in the form of alien annual report fees if the proposed rates are approved."

This referred only to the revenues from the increase in the annual report fees, not to the increase in revenues expected from the increases in the other fees.

The sponsors of the two original bills were, in the one case, Representatives Macapagal, Allas, and Lacson, and, in the other, Representatives Macapagal, Cases, and Duran. Both were recommended for approval by the House Committee on Foreign Affairs, of which Representative Macapagal is the Chairman, and were duly approved, not only by the House, but by the Senate, and, finally, by President Quirino.

In the issue of this *Journal* for March, of this year, we published a list of government fees and other incidental expenses incurred by a hypothetical American, with a family who comes to take a position in the Philippines, say in a mining firm. In addition to the costs of the journey,—railroad fare, hotel expenses, sea or air transportation, new clothing suitable to the Philippine climate, and the loss and expense usually entailed in breaking up a household and setting it up again many thousands of miles away, these fees and incidental expenses were, as of a few months ago:

United States Passport		
Husband	$10.00	
Wife and 3 children (combined)	10.00	
Application for 2 visas—Philippine Government	5.00	
2 visas	20.00	
	$45.00	₱ 90.00
Philippines		
Husband		
Head Tax	₱ 16.00	
Alien Registration Certificate and stamps	50.30	
Immigrant Residence Certificate and stamps	50.60	
12 photographs (not paid to Government)	7.00	
City Residence Certificate	.50	124.40
Wife		
Head Tax	16.00	
Alien Registration Certificate and stamps	50.30	
Immigrant Residence Certificate and stamps	50.60	
12 photographs (not paid to Government)	7.00	
City Residence Certificate	.50	124.40
Child No. 1 (16 years old)		
Head Tax	16.00	
Alien Registration Certificate and stamps	50.30	
Immigrant Residence Certificate and stamps	50.60	
12 photographs (not paid to Government)	7.00	123.90