

# Two Speeches

Before the Business Writers' Association

Andres Soriano

President, A. Soriano y Compañia

IT gives me great pleasure to be here tonight, and I sincerely thank the Business Writers Association of the Philippines for its kind invitation. On this occasion I feel doubly honored. At the request of your Association I am here not only as the recipient of your award, but also to make the response on behalf of my other friends chosen as outstanding in various fields of business endeavor in 1947. In their name as well as my own, many, many thanks.

It would appear that the organizers of this award dinner have picked me as a spokesman precisely because I am not a speaker! The business writers know this only too well. Yet, in spite of my limitations as a public speaker, I have accepted the distinction and will, tonight, voice some thoughts which, for some time, I have considered of significance to business enterprise in this country.

I feel deeply that at the root of our economic troubles lies the fallacy that the best way of ordering economic affairs is to place the full responsibility for all crucial decisions in the hands of the Government. This is an error which, driven to its logical conclusion, can bring upon this country untold miseries. I am also of the opinion that the post-war pattern of economic development evolved for the Philippines is confused. One of our main tasks — of businessmen and the chroniclers of business — is to do what we can to bring about greater maturity in economic thinking, because economic confusion is the breeding and fertile ground of communistic ideas.

Tonight, allow me to give you a brief and random expression of my observations in regard to the program for the development of the economy of this young Republic which we all cherish and whose people we love. On an occasion like this, I must perforce be brief and limit myself to posing a few questions to provoke thought.

Let us take the case of the National Development Company.

What were the late President Quezon's reasons for its creation, and has it fulfilled its great objectives? I understand that it was organized as the instrumentality of the Philippine Government to assist in the exploitation of Philippine resources, the development of industry, and the general advancement of Philippine economy by lending a helping hand to activities and industries in which private capital was not available. This assistance was conceived to involve and include auxiliary financial participation with private companies qualified for an undertaking by having made the necessary research and being possessed of the required technical "know-how". It was only when private capital was not sufficiently available for a desired project that the Government, through the N.D.C., was to consider undertaking the new enterprise by itself for the benefit of the nation. Furthermore, once the Government should have demonstrated

the profitable nature of an enterprise, it should dispose by sale of that particular operation in favor of private businessmen and technical experts. Thus the Government would have a revolving fund available to pioneer in other fields.

This original policy of government participation in industrial development — a participation primarily of a temporary and auxiliary character — has it been ratified and strictly adhered to in the post-war period? If we are to believe in the Beyster Report recommendations and the newspaper accounts of the purported plans for the economic development of this Republic, it should be radically altered since it appears that the Government will be competing with private enterprise and will try its hand in every conceivable venture. On the other hand, I am informed that the two-billion-peso plan of economic expansion provides just the type of financial assistance envisioned originally.

It is natural that in a new nation like the Philippines a marked nationalistic trend should initially be dominant in all its economic plans. Yet, we must not forget that we are a part of the world and, in the long-term view, what is the position of the Philippines to be with respect to its international economic relations? Before proceeding on any road, we should know definitely where we are heading for.

Foreign capital — and by foreign I include all outside capital besides American — has repeatedly been invited to participate in the economic development of the Republic. However, the extent of foreign investment up to now has been a big disappointment. But I ask you, gentlemen, what concrete program has been outlined to attract, what definite assurances given to induce, foreign capital to invest heavily in the Philippines?

When a country like the Philippines is favored by its climate conditions and geographic position to produce certain products which give it a practical world monopoly, is it economically safe to carry out a program of complete industrialization whereby long established industries in some other parts of the world will be undermined and unemployment there increased? If we wish to maintain our right to supply markets with products we are in a position to command and control, must we not keep the corresponding idea in mind, in our over-all position in the world trade, of our need to purchase goods which other countries can better produce and manufacture? Let us worry about the rehabilitation of our abaca industry, for example, and allow some other countries to worry about providing us with nails and condensed milk. What is our goal? The industrialization of the country, to the point of self-sufficiency regardless of the economic price, the cost of the products manufactured to be borne by the people? A preposterous idea! Will this country continue to be an example of democratic principles, or is its goal to be one approximating economic autarchy?

I may be obstinate, but years ago when asked about the extent and type of industrial development that the Philippines should adopt, my thoughts then were as they are now, that, in addition to the vigorous

development of those natural resources of the country for which there are world markets, a program should be laid out which would coordinate our industries with the products of our soil that will obtain world markets on a semi-processed and not a final manufacturing stage.

An illustration of this industrial development is the cellulose and paper-pulp program. Such a program would utilize resources practically wasted, such as *caña bajo*, and utilize the cellulose content of ramie as a by-product. Another is the use of maguay and abaca waste for the manufacture of cloth for bags which, apart from substituting the imported jute or Hessian cloth containers, may find a demand in other parts of the world. The development of the ramie industry will open up large agricultural possibilities in this country. The world demand for ramie is at present restricted due to the limited production of the fiber, so limited that textile mills would not be justified at present in making changes in their looms to weave the processed fiber, a condition which would be altered with adequate supply. In passing, I need only to mention that climatic conditions in Mindanao are definitely highly favorable to the cultivation of this plant which is only awaiting exploitation to satisfy a world need.

The studies presently being made by the National Power Corporation and the Westinghouse Survey for the eventual utilization of the power and energy, now wasted, from the rivers and water sources of the country, illustrates the constructive function of government aid. The electric power so developed will insure to industry and other consumers a potent means of accomplishment at most advantageous and reduced prices.

Availability of cheap hydro-electric power would place within the reach of the Philippines the production of commercial fertilizers and other needed heavy chemical industries. The Philippines is essentially an agricultural country and an important, if not the main, deterrent to agricultural sufficiency is the lack of cheap commercial fertilizers. With the availability of fertilizers the important sugar industry of the Philippines would be substantially advanced by the increased yield of its sugar-cane fields; cultivation of the ramie plantations — a project I hope to see realized in the near future — will be feasible. As an aid to the cultivation of rice, the result would have world import. Not only would the Philippines become a granary to protect its own food supply, but it would join Siam, Burma, and Indo China as an exporter of this staple food and provide insurance against famine in Asia.

I hope I shall not be thought overly critical by reason of my remarks of a general nature. May I say, parenthetically, that I with the rest of my fellow-businessmen are to a great extent to blame for not devoting more time to participating in services essential to the welfare of this country? We must find the time and take the trouble to rebut misrepresentations — we must keep in closer touch with the Legislature by requesting public hearings and attending them, and with the press, on matters of national concern. We should express our honest views when the occasion demands it.

By giving what cooperation we can to business writers in the way of information, we can perhaps, among other things, influence and modify the tendency of the Legislature in the past years of mainly concerning itself with the "rights of labor", to the

neglect of the other classes of the body economic. I may cite, though, as one of the exceptions, the Bill exempting new industries for a period of five years from taxes. There are, undoubtedly, immediate political rewards to this partisan course of action, but it is confused thinking and certainly a very short-sighted policy that which denies that the welfare of labor is bound up with the welfare of the other classes of society.

A gigantic step forward in the economic development of the Philippines would be attained if the distribution of ownership were in the future progressively and proportionately extended as, let us say, in the United States, where a number of utilities and major industries count their stockholders by the tens of thousands.

The disposition of the savings of the salary-wage earners and small capital of the Philippines should follow the United States pattern.

I have been accused of being a perennial optimist, and with respect to the economic future of the Philippines, I again concede the accusation. Being aware of the vigorous and civic spirit shown, as an example, by the young businessmen of the Jaycees, and the generation that has taken over from their elders, farming their lands and conducting new business and industry in that rich island of Negros, I have complete confidence that their energy, industry and enterprise will develop the Philippines along the solid lines those of us who love her have always envisioned.

Gil J. Puyat

*President, Gonzalo Puyat & Sons, Inc.*

I AM deeply grateful for this award. I feel you have been overgenerous to me. I accept it in all humility. In accepting this award, I can think of no more fitting resolution than to rededicate myself to the service of our people and of our country...

I would like very briefly tonight to diagnose with you the state of the economic health of the nation.

Agriculture, which is still the main source of the income of the people, is in an under-developed state. Our agricultural methods and practices are, to use an exaggeration, still medieval. The reasons for this backwardness have been known to us all these years, and while we have made attempts at palliatives and at times have shown a resolution to attempt basic remedies, our interest in applying these remedies has been unsustained. The only encouraging sign on the horizon seems to be our belated decision to really develop irrigation on a big scale. I notice with discouragement that we are doing very little in research and in experimentation, activities which in all forms of human endeavor, are foundational to accelerated progress.

For as long as I can remember, our leaders, both in and out of the Government, have accepted the necessity of industrializing the country. The plans and proposals for such a program have been varied and conflicting. However, no matter what the methods may be or the approach that may be adopted, there is unanimity in our thinking that to increase the national income and to enhance the earning capacity of our people, there is need for industrialization. The emphasis laid on this phase of our national activity was set in bold relief when we applied for a loan with the International Bank for the development of water power at various strategic points in the Philippines. The exhaustive studies made are an eye-

opener in visualizing how these various industrial projects, if carried out, could reshape our economy.

I am only too cognizant of the fallacy of the phrase "economically self-sufficient" as applied to modern life. When I was in the United States some two years ago and had occasion to speak before chambers of commerce, Rotary clubs, and foreign trade associations, and saw and felt the desire of the American people to import more of our products, I had to admit before these same audiences that aside from the export items which now appear in our foreign trade, there are not many more that we could add. The objective, therefore, of any plan of industrialization is to lessen our dependence, in at least the essential commodities, on foreign markets, and, to the extent that our resources will allow, to increase our exportable goods.

The Philippine peso today is stable. It enjoys a sound standing because of the dollar reserves we have piled up in the United States in the past. Studies show that unless we radically improve our foreign trade and decrease the unfavorable balance against us by the time the different sources of dollar revenues we now have will dry up (1951), it will be a serious matter for our Government to maintain the position of the peso. Our commerce is predominantly in the hands of aliens. Our industries are in like, if not as serious, a predicament. Our system of public instruction which was initiated at the turn of the century and which had for its principal objective the supplying of personnel for government service, continues to lay undue emphasis on the professions though we have known for years that a saturation point has been reached in many of these professions and in some cases an over-supply actually exists. While the development of vocational schools and technological institutions has been the subject of debate and the theme of many well written articles, vocational schools and technological universities of standing are still in this country, to use another exaggeration, a figment of the imagination. Our public utilities leave room for improvement, and our merchant marine is still in its skeletal formation.

These facts must lead to the conclusion that the country and its productive agencies have neither developed the proficiency nor the capacity to maintain the rather elevated standards of living that we have adopted. I once said in delivering a short address before a labor group that perhaps one of the tragedies that has befallen us is that while we have shown a ready inclination to adopt the American standards of living, we have not been as apt pupils in adopting American proficiency in the industries. And while 1949 finds us in this state of economic stagnation, with no immediate signs of revitalization, we find ourselves carried along in that universal current which has for its inspiration and motivation the uplift and betterment of the masses. Our Government, and, for that matter, any other government, can ill-afford not to subscribe to so humanitarian and laudable a program. There can be no controversy as to the reasonableness of adopting it for our people. And yet, while we may be committed to this program, judicious thinking counsels us that in adopting measures for the betterment of our masses, the capacity and the ability of our productive agencies should be taken into account. These two basic features of our developmental program should be kept in fine balance, otherwise we may retard and even

ruin the development of our productive agencies. A disproportionate emphasis laid on social amelioration, when neither our productive ability nor capacity will support such a program, would conduce to calamity. It would seem almost a superfluity and an unnecessary restatement of what seems to be most obvious to say that industry can pay labor generously or niggardly in direct proportion to industrial ability and capacity. Giving labor a share beyond this point, is in effect a liquidation of capital. And the harm that will ensue will be felt by society at large.

It might be well for us to consider in deciding the pattern of our economy to take into account that, geographically, we are in the midst of countries characterized by cheap and unskilled labor. I was in Japan some two months ago and I was informed that the average monthly income of a Japanese laborer today is 6,000 yen. Converted at the official rate of 270 yen per dollar, this is an approximate \$22, or P44, monthly income for the Japanese laborer. If I remember correctly, when the Undersecretary of Commerce of India was here recently, he gave us the information that the average daily income of a laborer in India is much less than a peso. We do not happen to have statistics on the average labor wage in China, in the Dutch East Indies, or in Malaya. We can only surmise that the wages there are not much higher or would be along the same levels as those now prevailing in the two countries I have mentioned.

I make mention of these figures so that both labor and management may know the real situation. It is important that we know the facts in order to establish for our country a well-proportioned economy.

During the two years since the enactment of the Bell Act, both officially and in private, the desire to welcome foreign capital to invest here has been made manifest. For some reason or other, or a combination of reasons, that capital has not come in sufficient volume to affect even fractionally our economy. The word has gone around that the Philippines is one of the most expensive places to live in in the world today. The same holds true with our cost of production. Here we have the paradox that while the commodity-index has gone down and the trend is for it to continue to go down, the demand on the part of labor for increased wages is continuously asserted. On top of this, the fact must be admitted that our labor today is not as efficient as it was before the war. These factors are not conducive to attracting foreign capital to our shores.

I can well understand the desire of labor to continuously raise the level of wages here. But as I stated a while ago, there is a limit to what our industries can bear. What should be done here, and this should receive the support of both labor and management, is not to further raise the wage level but to provide for a broader occupational base, so that instead of one wage earner supporting a big family or two or three families, there would be several wage earners in one family. Instead of encouraging our masses to rely and depend on the Government for its welfare, security, and uplift, this plan would provide more enduring results because it would not be a drain on any one section of our population or on government revenues, but would be a participation in increased production. Unless we reorient our policies so that these objectives may be achieved,

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# The Business View

A monthly review of facts, trends, forecasts, by Manila businessmen

## Office of the President of the Philippines

From an Official Source

**M**ARCH 2—The Cabinet sustains the policy of using Philippine Naval Patrol ships to carry strictly government inter-island cargo, particularly cement from Cebu to Manila, but rules against permitting government officials and employees to ship personal goods by these vessels.

The Cabinet also approves an agricultural and industrial program to make the penal colonies self-supporting, including intensification of lumber and abaca projects at Davao and Iwahig, coconuts at Iwahig and San Ramon, and fishing at Iwahig; the machine and vehicle repair shop and the carpenter shop at Muntinglupa will be enlarged.

March 4—A Treaty on Academic Degrees and the Exercise of Professions and a Cultural Treaty between the Philippines and Spain are signed at Malacañan.

President Elpidio Quirino in formally bidding goodbye to Maj.-Gen. Albert M. Jones, military adviser to the Government, states that he is leaving on "an important mission" and will recommend to the United States Congress "certain measures which will bolster the defenses of the Philippines."

Secretary of Commerce and Industry Cornelio Balmaceda suspends Mrs. Felicidad Manuel as manager of the National Cooperatives and Small Business Corporation, pending investigation of charges brought against her involving neglect, misconduct, and misappropriation of funds.

March 5—The President and party leave Manila for Taguigarao to open the national inter-scholastic athletic meet. The President will also visit Aparri and Iligan.

March 6—Dr. Y. T. Pyun of Korea leaves Manila for Seoul carrying a note from the Philippine Government extending *de jure* recognition to the United-Nations sponsored Republic of Korea.

March 7—The National Economic Council brings to final form a draft resolution to implement the Administration's P200,000,000 development plan. It also reaffirms the President's decision approving the tax exemption requested by PRATRA only on such goods as are issued for relief.

March 8—The President returns to Manila and tells the press that an extension of the Manila Railroad Company line from San Jose, Nueva Ecija, to Bayombong, and eventually Aparri, will soon be begun.

March 9—Maj.-Gen. Hughes Casey, Chief Engineer of SCAP and former adviser to the National Power Corporation, calls on the President. He has been requested by the Power Corporation to assist its engineers and consultants in reviewing the power development program of the Government which he was largely instrumental in planning in its initial stages. He was accompanied by Filemon C. Rodriguez, manager of the Corporation.

March 10—Dr. A. J. Hermano, chemist of the National Development Company, calls on the President to submit a report of his studies of ramie manufacture in Japan, recommending large-scale development of ramie planting and manufacturing here. He was wearing a ramie suit made of cloth manufactured in Japan of ramie fiber imported from the Philippines.

March 11—Norris E. Dodd, director-general of the Food and Agriculture Organization of the United Nations, calls on

the President and assures him the FAO will give full support to Philippine efforts to speed economic rehabilitation. The President reiterates his desire to see foreign capital invested in the Philippines and states capital should not be disturbed by the present political agitation which is but a "passing cloud" and a part of the Administration's determined effort to establish a clean and honest government.

As a first step in the implementation of the Government's P200,000,000 development program, the Central Bank advances P469,200 to the Treasurer of the Philippines who will loan this amount to the National Development Company as first payment for the construction of three 10,000-ton ships to be built in Japan under the sponsorship of SCAP. When completed the ships will be operated in collaboration with the De La Rama Steamship Company of which Sergio Osmeña, Jr. is president.

Secretary of Finance Pio Pedrosa states that the operations of 13 government corporations during the 1948 fiscal year yielded P23,600,000 in profits (not including the net proceeds of P39,900,000 of such fund-raising agencies as the Surplus Property Commission, the Shipping Administration, and the Philippine Charity Sweepstakes), while 7 corporations incurred losses amounting to P9,900,000,—a net gain of P13,700,000.

March 12—The President, in addressing the annual convention of government health officers, states that the Philippines could easily support a population of 50,000,000 but emphasizes that what is needed is the organization of the country's man-power and the utilization of machinery and other equipment to increase production, thereby advancing the economy and raising the standard of living.

March 13—The President, in addressing a convention of Philippine contractors, urges them to hasten the completion of their contracts to meet the War Damage Corporation deadline and assures them that adequate credit facilities will be extended and "red-tape" difficulties will be attended to.

March 14—The Supreme Court rules that a quorum is one more than half of the total number comprising a legislative body present in the Philippines, thus upholding the election of Senator M. J. Cuenco as President of the Senate.

The President announces that the Government is prepared to lease or sell or place under private management—contract all the profitable government corporations and production projects with the exception of those concerned with prime necessities such as rice and corn; also, for the present, the cement plants. He states offers from private investors to buy the government lumber projects in Batangas and Agusan are now being considered.

March 15—The Council of State concurs in the President's newly announced policy to withdraw from industrial activities in favor of private enterprise. The President states the policy does not apply to public utilities and government financial institutions. The Council approves a suggestion by legislative leaders that Filipino investors, or corporations at least 60% Filipino, be given preference.

The President approves a National Economic Council plan to make immediately available P30,000,000 for income-producing projects in the top priority list and P35,000,000 more for the Rehabilitation Finance Corporation for financing private or government projects with top priority. These are parts of the P200,000,000 development scheme.

March 16—The President issues a proclamation making public the Consular Convention with the United States, and another extending the period for the Philippine National Red Cross fund campaign to April 15. He also issues an executive order amending section 4 of Executive Order No. 193 on Import Control, as follows:

"The Import Control Board shall fix the quota for each article in terms of quantities or total money values and shall allocate such quota, by authority of the President, to the importers duly registered for such article on the basis of their respective quantities or values of imports during the base period reduced in accordance with the percentages herein prescribed in Appendix "B": Provided, that the Board, upon request of an importer, may transfer his quota from one article to another."

Reported that the National Development Company board of directors is considering a number of offers for the purchase of government agencies, including the nail plant and textile mill, the Batangas lumber finishing mill, and the Agusan saw mill. The Board has decided to give other bidders up to March 31 to make their offers. It is indicated that M. Lowenstein Company, a large American textile distributor, originally of-

industrialization in this country will progress at a snail's pace; further, our industrial program may remain a perennial dream.

I want to thank you once again for the distinction you have conferred upon me tonight, and while realizing that a discourse on economics is unpalatable to some and uninteresting to many, I dared invite you into an examination of the state of the economic health of the nation in the hope that this promised land of ours may not continue to be unpromising.

I thank you.