BARGING EAST FOR BUSINESS

C. S. SALMON

Vice President Charles S. Salmon, enterprising general agent of the Insular Life Assurance Company, has gone with Mrs. Salmon on a business scouting trip to Hawaii to ascertain the advisability of establishing an Insular Life agency at Honolulu on account of the general prosperity of Hawaii and the lrge population of Filipinos there who ought to be interested in securing life policies there written by a Philippine company. Most Filipinos in Hawaii plan to return to the Philippines some time and many do so.

This must be recorded as an early instance of capital accumulated in the Philippines barging east for business, thus turning the tables.

Director Kenneth B. Day has gone to the United States on a brief furlough, with his daughter Ann who is to enter school there. During his absence ex-President Paul A. Meyer is a member once more of the publications committee. J. H. Alley of the Cebu office of the Philippine Refining Corporation is in Manila during the absence from the city of Manager Day.

Certain Corrections

Dear Mr. Robb:

I am in receipt of your note of September 15, 1933, together with a copy of the September issue of the "Journal" containing your informative editorial on the Railroad. I wish to express my appreciation for its sympathetic tone and for the kind words you have seen fit to use in referring to me. The editorial is crammed full of facts and I have noted only a few slight inaccuracies. For instance, our standard weight of rail is 65 lbs. to the yard (not 60-lb.) and I understand that the lines over which the Japanese Government Railways run their fast trains are laid with 100-lb. rail. Also, in connection with the construction of the Bicol Extension in Camarines Sur, when this work was undertaken the Government agreed to subscribe ₱3,000,000 for capital stock of the Company in three annual installments of ₱1,000,000 each. This was done, but half of this amount was expended to extend the line from Bauang Sur to San Fernando, Union, leaving about ₱2,700,000 of the total cost of the Southern Extension to be defrayed from the funds of the Company itself, which has been a severe drain on our cash resources. Regarding the time required to reach Baguio, you state that if the time from Manila to Damortis could be cut to three hours passengers could reach Baguio in four hours. Baguio is 50 kilometers from Damortis, and a run of that distance climbing the almost 5,000 feet elevation in an hour would hardly be fair to highway vehicle passengers. An hour and a half to two hours is usually allowed for this run. With these few exceptions the editorial is accurate and the inferences drawn by you absolutely correct. Thanking you for your interest in the affairs of the Railroad Company, I am,

Very sincerely yours,

JOSÉ PÁEZ,
General Manager.

Philippines Given 1,100,000 Short Tons Sugar Quota?

At time of preparing for the press, the U. S. sugar stabilization board had allotted the Philippines a yearly free-entry sugar quota in the American market of 1,100,000 short tons. This is 86,950 metric tons more than the 850,000 metric tons provided in the Hawes-Cutting bill, but of course subject to change. It is understood the government considers it too low, and that it falls far below the expected export crop for the season 1933-1934. There are complications of the most intricate sort in the way of its practical application. Its allocation is left to Governor-General Frank Murphy, the toughest job ever wished on a chief executive of these islands.

Senate President Manuel Quezon gives all the credit for the 1,100,000 short tons yearly quota to Governor Murphy. Among all the messages Governor Murphy filed with Washington on the subject, the following, summarizing the situation historically, politically and economically, was the most significant and is believed to have turned the trick:

"Washington (Cox).

"In respect to proposals for limiting Philippine sugar exports to the United States I submit for the most earnest and serious consideration the following summary of the Philippine position and its casual relation to American legislative policy. Any decision on this question should consider the historical background with due reference to the responsibility for the growth of the Philippine sugar industry. While heavy demand and high prices during the war and post war years were favorable to increased production, the Philippine sugar industry would not have developed to anything approaching its present volume except for a chain of circumstances as herein outlined which were beyond the control of the Philippine Government and people:

"(1) Philippine sugar production was definitely stimulated by the action of Congress in 1913 removing the limitation of 300,000 tons per annum contained in the free-trade tariff enactment of 1909. At first this action had little effect due to the fact that the Tariff Act of 1913 provided that sugar would be put on the free list in 1916 and Philippine interests realized they could not compete against Cuba if the United States was to establish a universally free sugar market.

"(2) By Congressional action in 1916 the free clause of the 1913 Tariff Act was repealed thus leaving Philippine sugar without the 1909 limitations and practically guaranteeing it a tariff-protected free market in the United States. This was the essential stimulation to the development of sugar production in the Philippine Islands and resulted immediately in plans for the extension of old and the establishment of new sugar centrals.

"(3) In addition to this basic stimulation, the Governor General of the Philippine Islands in 1915 established the Philippine Sugar Board for the purpose of promoting sugar production in the Philippine Islands.

"(4) The Philippine Government then proceeded to loan government funds through the Philippine National Bank for the establishment of several large centrals and to grant extensive crop loans to planters.

"The foregoing acts of Congress and the American administration in the Philippines, though conceived and executed in the interest of the Philippines, created a situation without which the great increase in local sugar production would not have occurred and the predominant position of sugar in Philippine economic life would not have developed.

"The serious effect of substantial curtailment of the Philippine sugar industry is evidenced by the following statistical points:

"(1) Sugar accounted for 63 per cent of all income derived from export trade in 1932. Remove it from the list and a favorable visible balance of trade of ₱31,000,000 would have been converted into a negative balance of ₱89,000,000.

"(2) The total annual income from all sources is estimated at ₱400,000,000, sugar comprising nearly 30 per cent of the total.

"(3) There are 10 banks in the Philippines and in addition 3 private companies engaged in agricultural financing. The total loans, overdrafts and advances of these 13 establishments amounts to ₱145,000,000. Of this amount ₱68,000,000 or 47 per cent is advanced on sugar.

"(4) Considering the Government owned Philippine National Bank alone its loans overdrafts and advances amount to ₱45,000,000 of which ₱35,000,000 or 77 per cent is advanced on sugar.

"(5) The Government-owned Manila Railroad collected ₱4,600,000 as freight revenue in 1932. Of this amount nearly ₱2,000,000 or over 40 per cent was derived from handling sugar.

"(6) The Philippine Railways in Cebu, Iloilo and Panay, in large part guaranteed by the Government also derives the bulk of its freight revenue from sugar.

"(7) Five of our leading provinces Occidental Negros, Oriental Negros, Pampanga, Laguna and Tarlac are largely supported by taxation from sugar. Extreme withdrawal of this support in these provinces would seriously affect the public finances and be reflected in cessation of public works and closing of schools.

"(8) A very disturbing situation exists with reference to the cane contract system in vogue in the Philippines between centrals and large planters. Many of the contracts are for terms of 15 to 30 years and the bulk have at least 10 years to run. If substantial limitation is forced the centrals would likely comply with their contracts and refuse to buy cane from the numerous non-contract small cane farmers thus creating a serious and dangerous social problem in the sugar provinces.

"The last quota arrangements reported allowed the Philippines 955,000 short tons or a reduction from present tonnage of over 40%, while other areas were to be reduced only from 3% to 9%. The Philippines consider this unfair and unsound. While fully realizing the necessity of rationalization of the American sugar market and resulting benefits, the benefits of the proposed plan of rationalization should be weighed against serious and perhaps disastrous reulsts of curtailing by one-third the main industry which accounts for 30% of the total annual income of a commonwealth of 14,000,000 people under the American flag. Philippine interests submit as a basic claim that if substantial curtailment is required the Philippines should not be subjected to a greater percentage of reduction than other insular possessions.

"The foregoing outline is presented with complete understanding of the problem confronting the Government and entire sympathy with its program. It is of vital importance, however, for the reasons stated above and in order to prevent the collapse of banks, railroads, and other elements of the Philippine economic structure which have grown up with the sugar industry and are largely dependent upon it, that the Philippine quota be kept as high as possible, consistent with this program and the obligation of the Philippine Government to cooperate reasonably therein. If the situation as outlined is not clear or is in doubt, it is respectfully suggested and urged that a responsible and disinterested member or representative of the agency in charge of the matter of fixing quotas be sent here to appraise dispassionately the realities and true proportions of the Philippine situation, which can only be done by an intimate local study.

"This message has not been released.

"Murphy".

"(1) Confidential."
Manila, September 8, 1933.