

States". The tax greatly increases prices and living costs and discourages outside capital investment.

As the Managing Director of the International Monetary Fund, Mr. Ivar Rooth, said at the annual meeting of the Fund and the International Bank in Mexico City last September:

"One point above all, is clear. The payments problem can not be solved by retreating behind a network of restrictions and discriminations. At best, they are a necessary evil; at worst, that are a costly burden both to the countries that use them and to the world economy. In accordance with the Fund Agreement, we are now consulting with members that retain restrictions under the provisions for a transitional period... Of course, we are not asking members to imperil their payments position by a premature removal of restrictions. We do ask them to shape their policies toward greater freedom in trade and payments."

Let us hope that the nine months' extension provided by the recent act will constitute such a transitional period as Mr. Rooth referred to.

While the President of the United States, with obvious reluctance, has agreed the extension, let us realize just what this tax means with respect to other considerations than convenience in increasing government revenues, and analyze the effects of this on both present and long-run economic programs.

We wish to commend the "Sunday Feature Editorial" of the November 23 *Philippines Herald*, entitled, "The Philippines and the New American Policy in Asia."

The Philippine Role in American Policy

The writer of the editorial, having concluded that certain facts as to the incoming Eisenhower Administration are clearly indicative of a greater emphasis to be placed on the importance of Asia in American global policy, advocated that the Philippines aid in the implementation of the new American policy and at the same time take the fullest advantage of it as an "inevitable beneficiary."

Concretely, he proposed (a) "increased use of the Philippines as a base of operations in the psychological and propaganda war"; (b) "increased attention to the country's economic needs to strengthen it for greater service to the common defense of the free world; encouragement of increased private capital investment, a continuing and possibly an enlarged American market for Philippine produce, and increased economic and financial and technical assistance in the form of MSA aid"; (c) "wider use of Philippine institutions and establishments in the promotion of educational, scientific, and medical training for peoples of Asia as well as more extensive employment of locally available facilities and resources,—human, material, and spiritual, for the job that has to be done in Asia"; (d) "development of bases of supply and possibly production centers for materials such as those that may be needed to facilitate energetic fulfillment of America's commitments"; and (e) stepped-up assistance to the Philippine armed forces and general strengthening of U. S. military bases within Philippine territory to prepare them for any eventuality."

While, frankly, in our opinion, these proposals lean somewhat to the side of the Philippines as a beneficiary, they are all constructive, and practical, too, and stand out in refreshing contrast to the timid neutralist policies advocated in some of the other East Asian countries which are still free.

The *Herald's* proposals would, however, be even more satisfactory if a little more stress were laid on (a) the country's possible economic contributions as well as on its economic needs; (b) on a continuing and possible enlarged Philippine market for American goods as well as on such an American market for Philippine produce; (c)

on the possibility of decreasing MSA aid by seriously providing greater incentives to private American capital, and so on.

But, unquestionably, the *Herald's* thinking is in the right direction of at least some degree of reciprocity.

A brief paragraph of only four lines stands out in the "Third Annual (1951) Report of the Central Bank of the Philippines" which came to hand during the month. It is to be found on page 105 in Chapter IX on the "Balance of Payments". It reads:

Foreign Investments in 1951—Less than the Withdrawals

"New foreign investments during 1951 were small, amounting only to \$891,000, of which \$291,000 came in the form of machinery and \$600,000 in liquid funds. Total amount of foreign investments withdrawn reached \$2,300,000."

This, of course, as stated, refers to foreign investments, new investments,—not to profits made in the Philippines by foreign business entities and then reinvested here.

We do not have the comparable figures for the present year, but it is certainly to be hoped that they are not so bad as for last year, which showed an overall loss of ₱1,409,000. And if it were not for the control being exercised over the transfer of profits and dividends abroad, the loss would no doubt have been greater.

With this fact in mind, take the statement, recently published in the *New York Times* (November 2), that American private investment in less-developed foreign countries "will probably set a new record this year and amounted to almost \$1,000,000,000 in the 18 months ended last June 30."

The subsequent statement of the *Times* is even more biting to a reader in the Philippines:

"This is obviously good news. The volume of private capital investment abroad is clearly one of our most sensitive indices regarding the confidence of Americans in the stability and good faith of countries in which such investment is made. The recent increase in this investment is therefore an important affirmation of confidence, made possible in large part by the actions of various under-developed countries in improving their domestic climates so that foreign investors feel welcome and have greater assurance about the security of their investments. . . Many under-developed countries do realize the importance of encouraging private foreign investment and are receiving the benefits thereof. Those who have been misled by false propaganda that such investment means 'enslavement' and 'loss of national sovereignty' are, in the last analysis, the chief losers from their own illusions."

If there should still be those among us who recognize the general facts in the situation, but are unaware of the underlying causes, we once again refer them to the article by Mr. Parrish, "Deterrents to Foreign Investment", published in the *Journal* just a year ago,—the issue of December, 1951.

To those political and business leaders who are aware of the facts and also of the causes, we would address the question: Isn't it time that we stop the hopeless task of trying to lift ourselves by our own bootstraps? Both internal and external dangers press the Philippines, and it would seem that we have little time at best for the exertion of every possible and sincere effort to strengthen the economy.

The Chamber had a communication recently from the Philippine Tourist and Travel Association, Inc., the "National Civic Organization and Official Government Agency for the Promotion of Tourism and Travel in the Philippines," which

told of some really constructive measures which have been taken to promote the tourist trade,—and what this can be is suggested by the fact that American tourists spend around \$60,000,000 annually in Hawaii, largely because it has been made a pleasant place to visit.

According to the Tourist Association's letter, the latest developments are that visa fees have been abolished (on a reciprocal basis), any Philippine consulate abroad may now issue tourist visas, the personal appearance requirement before consuls has been "eased", the tax exemption affidavit is no longer required, police certificates are also no longer required, the head-tax for tourists has been abolished, visa permits have been extended to 59 days, customs procedures have been made "easy", and tourists may travel within the country wherever they please.

The Association was established as a civic organization in 1951 and, by Republic Act No. No. 710, of this year, assumed an official character. The Honorary President is

President Quirino, and the Chairman of the Board is Secretary of Commerce and Industry Balmaceda; the President and Vice-Chairman is Mr. Farolan, publisher of the *Philippines Herald*. The Commissioner of Customs, the Commissioner of Immigration, the Under-Secretary of Foreign Affairs, the Acting Director of the Exchange Control Department of the Central Bank, and a number of other prominent persons, representing steamship companies, air lines, banks, hotels, business and civic organizations, etc., are members. Arno Duchstein, an experienced and hard-working man, is the Executive Secretary. With such a line-up of ability, experience, and authority, the Association should be able to produce results—as it has.

I AM pleased to accept the invitation of Secretary Balmaceda to contribute a few words to the Yearbook* which will mark the Fifth Anniversary of the Department of Commerce and Industry. I was momentarily surprised that it is only its Fifth Anniversary which the Department is celebrating, but then I remembered that what we had before the war, in the days of the Commonwealth, was the Department of Agriculture and Commerce. There was a Bureau of Commerce, as we have today, but departmentally, commerce was associated with agriculture.

Going farther back, commerce was included in the same department with the police! This, however, was not because commerce was considered a police matter! During the earlier part of 1901, the Philippine Commission was composed of only five Americans. Civil Governor Taft himself supervised the Executive Bureau, the Bureau of Audits, and the Bureau of Civil Service. The other bureaus were assigned to only four departments—Interior, Commerce and Police, Finance and Justice, and Public Instruction. Three Filipino members were appointed to the Commission later in the year, but the number of departments was not increased. In 1904, W. Cameron Forbes, member of a famous Boston trading house, became Secretary of Commerce and Police.

In the reorganization which followed the enactment of the Jones Act of 1916, six departments were created, not including the General Executive. They were: Interior, Public Instruction, Finance, Justice, Agriculture and Natural Resources, and Commerce and Communications.

During the Commonwealth period, the number of departments was increased to nine, not including the Office of the President: Interior, Finance, Justice, Agriculture and Commerce, Public Works and Communications, Public Instruction, Labor, National Defense, and Health and Public Welfare.

Under the Republic, the number of departments has been increased to eleven, not including the Office of the President: Foreign Affairs, Finance, Justice, Agriculture and Natural Resources, Public Works and Communications, Education, Labor, National Defense, Health, Commerce and Industry, and Office of Economic Coordination.

THIS mere listing of the different executive departments during various stages in the life of the Government of the Philippines is a history in itself, clearly indicating the

political, economic, and social development of the country. In general, there were bureaus concerned with various affairs before there were departments and there were divisions before there were bureaus. There was, for instance, a Division of Mines before there was a Bureau of Mines; there was a Bureau of Labor before there was a Department of Labor. The introduction of the word *industry* in the designation of an executive department is new and indicates the importance that industry has assumed in the minds of government leaders as well as in the Philippine economy—although the Philippines has had its great industries for a long time.

Historically, official organization is always a little slow; generally the development comes first; then it is officially noticed and divisions, bureaus, and finally departments are organized. They are organized to foster and assist the development.

May I suggest that although modern complexities of economic life and periodic alarms of economic emergency may make some small temporary governmental guidance or control advisable, the tendency, if not kept in close check, is definitely to overdo bureaucratic interference. Let us guard against the trend toward governmental regulation followed by governmental control and finally governmental ownership.

Such controls are wholly foreign to the freedom under which the industry and commerce of the Philippines developed so greatly in the past, even when commercial and police affairs were handled by the same department secretary. Today there is no such association, but the policing is egregiously real.

Industry and commerce thrive in freedom—as everything human thrives in freedom; that is the democratic faith, borne out in history. I think we have a right today to look to the Department of Commerce and Industry, and its various bureaus, for understanding of this fact and for protection against the tendency of all government toward over-governing.

With this in mind, I, in behalf of the American Chamber of Commerce of the Philippines, extend the sincerest good wishes to the Department of Commerce and Industry, its able head, and the entire personnel.

J. L. MANNING
President, American Chamber of
Commerce of the Philippines,
Inc.

*Department of Commerce and Industry Yearbook, published on the occasion of the 5th Anniversary of the Department, October 21, 1952.

"The real job is still ahead, - working for a better America."—President-elect Eisenhower, after his electoral victory.