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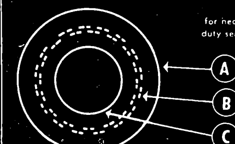

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THE AMERICAN CHAMBER OF COMMERCE

JOURNAL

Editorials

"...to promote the general welfare"

"The General Welfare"

At the suggestion of Mr. Frederic H. Stevens, President of this Chamber, that we place at the head of the editorial pages of the *Journal* a motto suggesting our guiding principle, we have chosen five words from one of humanity's immortal documents, the Constitution of the United States of America, the words being, — *"to promote the general welfare"*.

The Chamber's own constitution lists as among the prime purposes of the organization the promotion and development of American trade, commerce, and industry in the Philippines, but as these can not be one-sided activities and are necessarily reciprocal and cooperative, we believe that the words chosen do not conflict with, but strongly reenforce, the Chamber's own statement of purpose.

While a healthful competition is inherent in the free-enterprise system of democracy, and competition naturally exists between the various elements which play a part in the national economy, we believe that the parties to these activities, and people and government alike, should never lose sight of the fact that every legitimate human activity and every act of government must serve the general or common welfare.

In no other way can that "consent of the governed" which is basic in democracy, be obtained, social morale and civic spirit fostered, and national prosperity and greatness established.

As for us, we shall continue to strive earnestly to keep the pages of the *Journal* free from anything that runs contrary to this first principle.

Let us work together for a greater Philippines.

Work of the Philippine Congress

We had intended to include in this issue of the *Journal* a review of the work of the Philippine Congress during its third session which ended on May 20, but due to the fact that at press time no complete list of the bills passed had been released and the fact that the texts of many of the bills, reportedly passed, were not available, it was decided to hold this matter over until next month.

Meanwhile, however, the Chamber has made representations to the President of the Philippines in connection with a number of published bills pending his approval.

Flour—Who is strangling whom?

A no less responsible official than Secretary of Finance Miguel Cuaderno was quoted in the newspapers as having said at a recent luncheon of the Philippine Advertising Club that "selfish foreign interests" were "strangling business" here in "conniving" with officials of the Office of International Trade, a U. S. Department of Commerce agency, against the interests of the Philippines, through disregarding PRATRA recommendations as to the allocation of certain American exports to the Philippines and "funneling" them only through pre-war importers. He said this was threatening the good relations between the Philippines and the United States. He accused this *Journal* of having attempted to "confuse" the issue.

The Secretary spoke with special reference to the flour allocations, and we can think only that he has been too busy with other important affairs to have studied this matter for himself and that he did not have a complete picture of the situation. We believe it in the public interest to set forth the facts as they have been presented to us by trade sources.

Despite the fact that rice was the millennium-old food staple in the Philippines as in most other parts of Asia, certain American business men from the West Coast of the United States, who came here after the Spanish-American War, envisioned the large flour business which might be built up if a general demand for bread could be created. At that time only the Europeans and Americans and the wealthier Filipinos and Chinese ate bread. The business men experimented as to the types of flour best adapted to the climatic and other conditions, established special brands, and invested hundreds of thousands of dollars in advertising and pushing the trade. They established branch offices throughout the Philippines, employed American master-bakers to instruct the local bakers, even distributed flour free. These efforts met with success, and flour imports rose from less than 50,000 bags in 1910 to over 6,000,000 bags in 1939, the last normal pre-war year*. Bread had become a staple article of diet of the Filipinos,

* The 1939 flour imports totalled 6,056,269 bags, of which 4,076,769 came from the United States, 1,426,755 from Australia, 536,460 from Canada, and 6,500 from China.

at least those in the cities and towns. The increased bread consumption no doubt contributed to the general improvement in the physique and vitality of the people. The business effort made was selfish, no doubt, and there proved to be a profit in it; we anxiously ask, Was that wrong?

The flour was imported by seventeen well-known and well-established firms which understood the rather technical flour business thoroughly. It was clearly not a monopoly; of the seventeen firms, six were British, five American, two Swiss, three Chinese, and one (Genato Commercial Company) was Filipino.

During the Japanese occupation of the country, bread was soon not to be had at any price and various more or less inedible substitutes were evolved, as everyone will painfully remember. With the liberation, the United States Army brought in flour, and bread became available once more. It was one of the articles of diet most longed for, and how good those first slices tasted!

During and following the war, flour exports from the United States were of course under government control. In 1946, the allocation of the Philippine flour quota was made in Washington, as for other countries, on the so-called historical basis, — that is, the quota was assigned to American flour exporters in proportion to their pre-war business as indicated by government export statistics. The exporters were allowed to select their own consignees in the Philippines, and naturally reestablished their connections with their former agents here. In the spring of 1947, flour control was lifted, but it was reimposed in the fall. For some months the Philippine quota was allocated as before, mainly on the historical basis. In December of that year, however, the Office of International Trade, which had charge of the allocations, issued its famous regulation, Bulletin No. 431, which, in recognition of post-war changes, modified the historical policy for a more competitive selection, and provided for the consideration of the recommendations of foreign governments, through their embassies in Washington, as to the consignees; licenses for foreign government distributive agencies were, however, to be considered only under the most exceptional circumstances. There was no commitment as to the acceptance of such recommendations.

This apparently gave some local officials and their business friends an idea. They must have said to themselves, Here is a good business we should take over for ourselves. (This was unselfish; in fact, patriotic.)

However, the OIT did not actually refer the question of flour allocations to the Philippine Government until the time came to make the allotments for March, 1948. PRATRA, entrusted with making up the list of names to be recommended by the Philippine Embassy, was fairly reasonable that first time, and listed some thirty-four consignees. The OIT followed the recommendations.

The PRATRA list for April ran to over fifty names, but it did not reach Washington in time and so the OIT followed the March list, cutting down the quantities proportionately because the total quota had been reduced.

In May, the OIT announced considerably enlarged quotas for May and June, and again asked for recommendations as to the consignees. This time PRATRA went wild and submitted a list containing over sixty names, following that by a supplementary list naming some twenty more.

The allotments recommended for the established importers came to only a small percentage of the total. A number of them were allowed only 5,000 bags a month, while many of the new-comers, some of them unkown to business at all, were allowed more. The list included the names of many firms and individuals who would appear to have no serious intention of going into the flour business, but who, as flour was temporarily short, only wished to take a little flyer in flour.

However, most of the new consignees were reported as being able to show connections with American flour mills, but these were mostly Middle West and Gulf State mills which have never been able to compete with the West Coast mills for the Oriental market, not only because of the higher transportation costs but because the flour is in transit from two to four weeks longer, which is important in the case of a perishable commodity, and also affects interest rates, etc.

We may be sure that OIT officials, upon receiving and studying the long PRATRA list, took a number of facts into consideration. *One*, that price-figures showed that the regular Philippine importers had been content with a small profit and had successfully combatted the 1946 black-market conditions. *Two*, that a shift from them to PRATRA's eighty-odd consignees, each to receive a relatively small part of the whole quota, would add greatly to the cost of distribution and to consumer prices. *Three*, that many of the names on the list were unknown or without experience in the trade and could have no established connections with retail dealers and bakers. *Four*, that some of the established dealers had practically been forced to agree to a transfer on arrival of a part of their allotment to PRATRA, this in evasion of the policy against licensing sales to government agencies. *Lastly*, that PRATRA was attempting to use the procedures of OIT itself, and American products, to damage American business interests in the country.

Whatever of these considerations may have weighed the heavier, or whatever other considerations may have entered, the result was that the OIT allotted some sixty per cent of the quota to the old importers and the remainder proportionately to the other consignees mentioned by PRATRA.

This is the "picture" as presented to us, and it is not a pretty one. There can be no legitimate objection from any source to the announced aim of the Philippine Government to establish a greater Filipino participation in the retail and wholesale trade, and there are legitimate ways of bringing this about. Raw and flagrant discrimination against established business, however, is not the proper means, and can do the country as a whole nothing but damage and harm, and make a general prosperity impossible.

Industry and trade are creative enterprises. National production, national trade, and national income are not fixed quanta which can be broken into fractions for redistribution. Destroying foreign business here would not mean the building up of Filipino business; both would go down together. On the other hand, building up Filipino business should mean increased prosperity for all. The emphasis should be placed on building up new business, not on destroying what we have.

There has been and may continue to be a great increase in the flour business since the close of the war. Had PRATRA been more reasonable and more fair and been content with perhaps only doubling the number of recommended consignees, with thought given to their demonstrated efficiency in distribution, the nature of their connections with American exporters, and their credit ratings, there would have been very little if any criticism from any source, and OIT would not have been practically forced to take the action it did.

After the foregoing was written, we received a copy of an important new circular from the OIT, Number 457 (May 18, 1948), which revises the export licensing policy outlined in Circular 431, effective June 1. This states in part:

> "While the 'historical method' will not be the predominating factor in licensing commodities subject to the provisions of this *Bulletin*, it may be taken into consideration together with other criteria when quotas are oversubscribed in order to ensure, insofar as possible, a fair and equitable distribution of available quotas."

As to foreign government recommendations, the Bulletin states plainly:

"The Office of International Trade reserves the right in all respects to determine to what extent any recommendations made by foreign governments should be followed. However, the Office of International Trade will not seek or undertake to give consideration to recommendations from foreign governments as to the United States exporters whose license applications should be approved."

As to licenses for foreign government distributive agencies, the policy remains unchanged:

"Procurement by foreign governments will be subject to continuous review in line with the announced policy of the United States to maximize the restoration of private trade, and in every instance the foreign government will be requested, before it buys any commodity, to establish the competitive nature of its procurement."

A further side-light was cast on the situation created by PRATRA by the recent appeal of the flour dealers associations for PRATRA aid in disposing of various brands of flour from miscellaneous sources which they have been unable to sell to consumers even at reduced prices. This flour is in their possession chiefly because PRATRA restricted the importation of known brands in favor of the unknown brands handled by the new consignees. It is reported that PRATRA asked for lists and costs of this flour with a view to assisting in its disposal through PRATRA agencies in the provinces.

It is probable that before many months have passed, the government control over flour exports from the United States will be lifted there. Then, in so far as American regulations are concerned, anybody here will be free to import American flour. It will then become clear, also, that the to-do stirred up here about the OIT action with reference to the PRATRA recommendations as to flour, concerns a situation which is only temporary. Damage has been done to established business, new Filipino business has not been greatly helped, if at all; more permanent will be the untoward effects of the impression created by PRATRA'S unjust and inept exercise of the powers of government control.

Pay of Government Technical Men

A situation of increasing seriousness is that resulting from the low salaries paid by the Government to its technical men, — scientists, engineers, doctors, specialists in numerous fields, practically all of whom now are Filipinos employed in the various government departments, bureaus, institutions, and corporations.

Under modern conditions, the scope of government continuously enlarges and its activities increase, and the dependence, therefore, upon technically trained men becomes greater and greater.

Somebody should make a comparative study of the salaries paid by the Government to its political office holders and its technical men; however, a detailed investigation is not necessary to come to the conclusion that our politicians are much better paid, if not overpaid, than our technical men. In fact, the latter are shamefully underpaid, and this is not because of any acceptable scale of relative values, but because the politicians themselves, to speak bluntly, have arranged it that way; they make the budget.

Though it leaps to mind, it is probably invidious and unwise to attempt to make hard and fast distinctions. Politics is becoming more scientific and politicians themselves might well be, should be, technologists. They should at least be well versed in the social sciences.

Nevertheless, the most casual observer in Manila today will note that our politicians are a happy and lusty, well-living crew, having things all their own way for the present, while our technical men are having a hard time of it to keep body and soul together and to support their families on a level commensurate with their years of training and the vital importance of their work.

Government authorities have compromised in permitting such men to eke out their small pay by teaching in private schools, but such positions are limited, burdensome when assumed, and doubtless detract from the men's health and efficiency.

One direct result of the situation already has been the resignation during the past few years of numerous of our most able engineers, architects, doctors, sanitarians, chemists, university professors, and other highly trained men.

This, of course, could not go on for any great length of time; if it did the politicians themselves would not be so happy any more; the various government services would deteriorate to such an extent that the people would finally assert their dissatisfaction in no uncertain manner.

It is to be hoped that our political leaders will have the political insight and skill in government direction and management to deal effectively with the present alarming situation before it ends in total governmental and social disaster. What is involved is no less than that.

"If there is one lesson that has come from the tragedies and sufferings of the last war, I think it is that we must learn and live and progress TOGETHER".

FRANCIS CARDINAL SPELLMAN
Archbishop of New York
In his extemporaneous remarks at the dinner in his honor in Malacañan Palace, May 28, 1948

Investment Opportunities and Responsibilities

By Frank A. Waring
Chairman, Philippine War Damage Commission

I have recently returned from another trip to the United States. I am happy to report that the trip was completely successful. The Congress of the United States approved our budgets without the reduction of one cent. As a result the Commission will have ₱300,000,000 to disburse in the fiscal year beginning July 1.

As you know, the Commission has received a total of 1,258,000 claims, valued by claimants at ₱2,400,000,000. We are preparing to adjudicate these claims as rapidly as possible. In the month of April we processed for approval 27,000 claims, and in one day this week, 2,000. Soon we shall be able to approve for payment more than 2,000 claims every working day, or 500,000 a year, but even at this rate it will take us 2-1/2 years to conclude our task.

Instead, however, of reporting on the progress of the work of the Commission, I want today to discuss with you some of my observations arising out of my last visit to the United States.

Investment opportunities

I have spoken before of what I believe to be the marked opportunities for the investment of private American capital in the Philippines. On this trip I took the occasion to reiterate my belief to government officials in Washington, and bankers and businessmen in New York and San Francisco. I told them that (1) the Philippine Republic had a stable Government, with a balanced budget in prospect for the fiscal year 1948-49; (2) the Philippine War Damage Commission and other United States Government agencies would be distributing in the Philippines approximately ₱2,000,000,000 within the next few years; (3) the Philippines is rich in natural resources; (4) the Philippines will have preferential trade relations with the United States for the next 26 years; (5) the Philippines now has a sound currency, with convertibility guaranteed by treaty at a ratio of 2 to 1; (6) the United States Army and Navy will maintain bases in the Philippines to aid in the mutual protection of our two nations; and (7) in March, 1947, the Philippines voted to amend its Constitution to grant equal rights to United States citizens in the development of natural resources and the operation of public utilities.

All of these favorable conditions exist today in the Philippines. I am convinced that in no other foreign country an all of them be found. Based on these conditions, private American capital has a real opportunity to aid in the rehabilitation of the Philippines, assist in the development of its natural resources, help provide jobs for citizens of the Philippines, expand trade between the two countries, and do all of these things on a basis that should prove beneficial to all concerned.

Advantages of investment

In a country where domestic private capital is inadequate to develop sound business opportunities, foreign capital, working under appropriate terms and conditions, can provide a service of great value. In its early history the United States was developed to a large extent by capital from abroad. In those days the development and growth of transportation and manufacturing in the United States were due in large part to foreign investments. Toll roads, canals, and, later, railroads received impetus from foreign sources. I need give you only one example to illustrate my point. The Erie Canal which connects the Great Lakes with the Hudson River was financed almost entirely by British capital. Yet, this great public utility was of the utmost value in the development of the economy of the then young Republic. The Canal opened the vast lake region to water-borne commerce; it made possible the shipment of furs, lumber, and grain from this region across the Atlantic. It provided perhaps the greatest single stimulant to the early growth and development of the city of New York. The investors in that project profited handsomely, but they deserved to profit, because they had made an outstanding contribution to the development of the United States.

There is a vast difference between sound investment and exploitation. I am not here advocating the ruthless utilization of natural resources or the abuse of labor for excessive profit. No intelligent American, and no farsighted American businessman does. Instead, American capital operating under sound laws and regulations, impartially administered, has made, and can still make, an important contribution to wealth and employment in the Philippines.

Need for investments in the Philippines

American capital can help in the development of the resources of the Philippines, its mineral wealth, its timber, and its agriculture. There is great and continuing need in the United States for manganese, chrome, hardwoods, and abaca, to mention only a few of the products which the Philippines is capable of producing in increased quantities. The further development of these resources would provide employment and new sources of tax revenue, revenues which are needed today to provide hospitals, schools, roads, and other public services. Manufacturing industries, too, if soundly conceived, can add to the wealth of the Philippines. Some industries can be developed on a modest scale to provide for the domestic market, thus reducing dependence upon imports. Others, although the number is smaller, can be developed as export industries. Efficiently operated industries can provide the Philippine people with moderately priced products; they can stimulate employment, add to the technical knowledge and skill of Filipinos, and increase governmental revenues. These benefits will not, however, be derived if inefficient industries are protected by excessive tariffs or restrictive import quotas. Under such circumstances the consumer will pay in higher prices for industrial inefficiencies fostered by government support and regulation.

But you may ask, "Why should the United States export its capital and technical knowledge to establish industries in foreign countries, thereby curtailing its export markets?" My answer to that is very simple. We in the United States do not fear *sound* industrialization abroad. In fact, we welcome it, because we know that sound industrialization raises the levels of living in those countries where it occurs and thus increases the purchasing power of the people. We know that where purchasing power

* An address over Radio Station KZRH, Manila, May 14, 1948.

does not exist, we cannot sell. We also know that those countries which have the highest industrial development, the highest levels of living, and the greatest purchasing power are the best markets for United States products. Canada and the United Kingdom are good examples. If, therefore, a successful manufacturing plant for the production of light-bulbs and electric motors should be developed in the Philippines, it is likely that the United States would sell fewer light-bulbs and electric motors in these Islands, but, because of the wealth produced by this factory, the United States is certain to sell more of other commodities than it would be able to do otherwise. As a result, profitable trade between the two countries would expand rather than contract, and both countries would be benefited.

Interest of investors

I want it understood that I am not speaking today as Chairman of the Philippine War Damage Commission. I am under no instructions to say what I am saying, and I have consulted no United States Government officials regarding my remarks. Instead, I am speaking as a friend of the Philippines, a friend of nearly 15 years. As a friend I should like to speak bluntly, even though some may charge me with being a yankee imperialist engaged in dollar diplomacy. Such charges are not impressive because they have a familiar ring, emanating, as they usually do, from behind the "iron curtain" in Europe or from other sympathetic sources.

Today we are faced with two major facts. First, the Philippines has a great need for American capital to assist in the development of its natural resources and other phases of its economy. And secondly, American capital, interested in foreign investment, is not unlimited, and there is competition among the nations of the world for it. Naturally, such American capital will go where the climate is most favorable and where it feels itself to be most welcome.

I have said that I talked with bankers and businessmen in the United States. I found them interested in the favorable conditions for investment in the Philippines that I described. They indicated, however, that these favorable conditions alone are not enough. American investors have had unfortunate experiences abroad. They have suffered from excessive trade restrictions, discriminatory legislation and administration, broken contracts and franchises, and the growth of a spirit of nationalism which has often bred intolerance. These bankers and businessmen said that, in addition to favorable opportunities, investors would require a favorable political climate in which the seeds that they sow could prosper and yield a mutually beneficial harvest. I asked what these climatic conditions might be, and I should like to pass on to you what I was told.

Conditions requisite to investment

The conditions which will encourage the investment of American capital may be summarized in seven brief points.

1. Liberal foreign trade policies.
2. Stable, adequately secured currency.
3. Equality of opportunity.
4. Equitable taxation, fairly administered.
5. Respect for the sanctity of contracts.
6. Freedom from excessive regulation.
7. A hospitable attitude toward foreign capital.

I should like to discuss each one of these points briefly. A liberal foreign trade policy means that trade restrictions should be kept to a minimum. There are a wide variety of such restrictions, including exchange controls, quotas, tariffs, and subsidies. Fortunately, the Philippines is under no compulsion to consider the imposition of exchange controls which have been utilized elsewhere severely to restrict international trade; unless fairly handled, such controls can drive trade out of customary channels into the hands of a favored few. Quotas may likewise be excessively restrictive and are also easily subject to maladministration; consumers pay higher prices, and the profits go to those whom the Government permits to continue in business. If investors should be considering the establishment of a new industry in a country where import controls exist, they would wonder whether they could obtain their capital goods and needed raw materials from an economical source of their own selection, or whether they would be forced to deal with privileged importers who would charge high prices because they happen to hold the quota allotments for the types of goods in which the investors were interested. Under such conditions these investors would be apt to seek a country where no such controls existed. And they could scarcely be blamed for doing so. If, on the other hand, the same emphasis were placed on the development of exports that is being given in some places to the restriction of imports, then dollars would be supplied to pay for imports and trade could expand. Expanding trade will stimulate capital investment, increase employment, and augment tax revenues; the restriction of imports will not. Tariffs or taxes have at least the advantage of permitting trade to flow in customary channels and providing governmental revenues which, in the case of quotas, would line the pockets of the privileged importers instead. Subsidies are the least objectionable of the various types of trade restrictions, but also the most unpopular because they must be paid out of the public treasury, and other types of taxes must therefore be increased accordingly. At least with subsidies the knowledge of who is benefiting, and to what extent, becomes public property. Consequently, it is less subject to abuse.

A second requisite, these businessmen emphasized to me, was a stable, adequately secured currency. Currency reserves must be surrounded by adequate safeguards to preserve confidence, and hence stability. For proof of this statement we need only turn to China where recent quotations were 1,000,000 Chinese dollars to 1 United States dollar, or 500,000 Chinese dollars to 1 peso. Trade and investment cannot prosper under such conditions, particularly when fluctuations are so violent that no less than two months ago the rates were one-half of those I have quoted. In financial matters, particularly in questions of currency, confidence is a priceless asset which is easy to lose and difficult to regain. Stability of currency, then, rests on confidence, and confidence rests on resources, sound trade policy, adequate reserves properly safeguarded, and trained men of integrity to manage them.

By equality of opportunity my banking and business friends did not mean special privilege for foreign capital; they meant, instead, special privilege for no one, domestic or foreign. All American capital seeks, or has any right to seek, is a fair competitive position but a position free from discrimination. They ask merely that laws and regulations be administered impartially so that they may compete on an equal basis with all others in their chosen field. This they ask whether the laws and regulations govern imports, taxation, or labor. They seek this free competitive position not only in the development of natural resources and utilities, but also in industry, commerce, and the professions. What American firm is likely to enter a new field, if it cannot import the necessary competent technicians for the new undertaking? And how can increased numbers of Filipinos gain in technical knowledge and skill if there are no practical teachers?

American businessmen do not consider that free competition prevails for either foreign or domestic firms if government, with its freedom from taxation and other restrictions, chooses to enter the same field of endeavor. Americans have felt traditionally that government should leave to private capital the development of commerce and industry, and should, with as few exceptions as possible,

(*Continued on page 226*)

The Benguet-Balatoc Mines

By D. L. Albert

Assistant Secretary-Treasurer, Benguet Consolidated Mining Company

THE resumption of mining and milling of ore in the Baguio district on January 7 of this year, climaxed Benguet's and Balatoc's contribution to Philippine post-war economy. It marked the firm beginning of operations which should eventually culminate in the building up of a mill capable of treating 4,000 tons of ore daily from these two properties. The mill is an entirely new plant fabricated under most trying circumstances from salvage plus essential material obtained abroad. The fact that the present unit is treating 1,250 tons daily speaks for itself.

In addition to construction of the mill, haulage tunnels connecting both Benguet and Balatoc to the new joint mill were completed. These total some 14,500 feet in length. It was necessary to reopen thousands of feet of underground workings to make mining possible. Of course, all this work was dependent upon the proper functioning of machine shops, foundries, and electrical and carpentry shops. These were built in great part from salvage, and are tributes to the ingenuity and skill of the various department heads and their respective staffs.

The New Benguet-Balatoc Mill

Timber and power are two vital factors. The lack of either would have meant disaster. Fortunately the Heald Lumber Company was able to produce timber early in 1946. This year rehabilitation of the Bobok timber project was completed at a cost of nearly ₱1,000,000. It is felt that the capacity of these two sure sources of supply should be adequate for some time to come. However, some round timber is being purchased from other sources when available.

The Agno hydro-electric plant was completely rehabilitated during 1947 in spite of two different attempts which had been made during the enemy occupation to destroy it completely. It is now operating at full capacity. The Benguet diesel plant has not been rehabilitated, but salvageable equipment was transferred to the new power plant on the old Balatoc site. At present the diesel plant has a capacity of 5,000 KW. Agno produces 1,500 KW.

Resurveys of ore reserves have been made. Ore reserve losses due to inattention during the occupation, seem now to have been minimized. Benguet's reserves, both positive and probable, amount to some 1,500,000 tons at $11.25 per ton, while Balatoc's reserves are about 2,500,000 tons at $9.30 per ton. In driving the new haulage tunnels, no attempt was made to develop new ore bodies. However, the haulage tunnels have added substantially to the geological knowledge of the Baguio district and, while some interesting veins were cut, it would be premature to attempt any valuation at this time.

The rehabilitation of the Consolidated Mines chrome property in Zambales, received forceful attention with the result that the first shipment was made in March, 1946. To date some 250,000 tons have been mined and shipped. At present the pier is being completely rebuilt and substantially enlarged. A new washing and sizing plant is under construction. This plant will produce a cleaner product than has been previously possible. It should also make possible the marketing of sizeable quantities of the inevitable fines.

The rehabilitation and operation costs thus far have amounted to about ₱15,000,000. Both companies had some funds available upon liberation. Rather than call upon stockholders for additional money needed for rehabilitation, the Haussermann family has advanced considerable sums. New York bankers, upon Judge Haussermann's and Allen & Company's guarantees, loaned ₱2,500,000 to Benguet. War damage claims totalling some ₱30,000,000 have been filed.

Presently there are on the payroll some 4,000 persons on all properties. Hospitals and schools have been rehabilitated for employees and their families. Living accommodations have been added to.

Future expansion is dependent upon the availability of vital machinery and supplies as well as funds.

Philippine Foreign Trade 1899-1947

By Dr. Leon Ma. Gonzales
Director, Bureau of the Census and Statistics

THE lifeblood of this nation is its foreign trade. The statistics of the last half century, more eloquently than words, reflect our almost total economic dependence upon commercial intercourse with foreign countries. What the Filipinos have achieved during that period has been largely supported by our commercial contacts with the world.

What we produce must first be purchased by foreign countries before we can buy their wares. With the exception of rice and corn, which are produced as the main food staples of our people, the bulk of the output of our major industries — copra, Manila hemp, sugar, leaf-tobacco, and minerals including gold, copper, chromite, and manganese — has to be exported abroad before the wide variety of finished products and capital goods we need can be brought into this country. Even our lumber, in spite of the present reconstruction activities, has to be exported to make the industry more profitable.

Our agricultural economy is chiefly responsible for this country's dependence upon foreign markets. This condition, favored by the free trade relations with the United States since 1909, has made it possible for our foreign commerce to grow from small beginnings at the turn of the century to almost 25 times that in 1947. On the other hand, it was this same condition which left the Philippines prostrate when the war wiped out our foreign commerce and reduced our people to solely their own resources.

From ₱68 million in 1899 to ₱1-1/2 billion in 1947, is a very big leap, and that, in brief, is the progress of the foreign commerce of the Philippines in near five decades. The 1947 trade was almost twice the previous all-time high of ₱720 million registered in 1946, and is 140.8% greater than the pre-war peak of ₱623 million reached in the prosperous year of 1929. The combined trade of 1946 and 1947 is almost equal to the 4-year trade, 1938 to 1941, and can thus fill part of the void caused by the almost total absence of foreign commerce during the Japanese occupation period, 1942-1944.

This trade-leap to more than ₱1-1/2 billion registered in 1947, by the way, parallels in some respects the course of events after World War I. Two years after that war — to be exact, in 1920 — our overseas trade reached a peak of over ₱601 million. Two years after World War II, the country has witnessed a period of accentuated prosperity which sent the volume of trade up to wholly unprecedented heights.

The dominant position of the United States, made secure by the free trade relations existing since 1909, has never been disturbed. To the United States 78% of this country's exports for the last 20 years has been sent, and from that country 73% of the imports for that same period has been received. The following are the statistics:

Total exports (1928-1947)	₱4,505,496,238
Total imports (1928-1947)	4,783,646,226
Total trade	₱9,289,142,464 (a)

(a) No foreign trade figures for 1942-1944, Japanese occupation.

	Total trade with-%	*Imports from-%*	*Exports to-%*
1. United States	76	73	78
2. Japan	5	6	4
3. Great Britain	2	2	3
4. China	2	3	1
5. France	1	0.6	2
6. Germany	1	2	1
7. Canada	1	1	0.5
8. Dutch East Indies	1	2	0.5
9. British East Indies	1	1	0.3
10. Spain	1	0.2	1

Segregating the figures into pre-war and post-war, the statistics indicate the pre-war share of the United States, from 1928 to 1941, as 74.9% of the total trade, 66.6% of the imports, and 81.7% of the exports. Post-war, 1945 to 1947, the United States share of the trade was 78.3% of the total trade, 86.4% of the imports, and 57% of the exports. Japan, Germany, Italy and several other European countries have almost totally disappeared from the picture.

THE PHILIPPINE IMPORT TRADE

The ten leading imports of the Philippines are cotton goods and manufactures, iron and steel and manufactures, mineral oils, meat and dairy products, automobile parts, including tires, wheat flour, silk and manufactures, grains including rice, and electrical machinery, apparatuses and appliances. The combined import of these articles make up 66% of the annual imports. The sources of these items of trade throw in bold relief the *modus operandi* of our trade with the United States, to wit:

Cotton Goods and Manufactures.—These commodities constitute the premiere import products of the Philippines, making up normally 30% of the annual imports. Their leading role for the last 20 years was challenged only in 1936 and 1937, when iron and steel and manufactures forged ahead to capture first place in the import list. The supremacy of the United States in this line was only threatened in the years 1935, 1936, and 1937, when Japan forged ahead to displace it as No. 1 supplier of cotton articles. Before and after those periods, however, the United States' dominant position was such that it held from one-half to two-thirds of the annual trade in this line of commodities. This favorable position was most in evidence after the war, when out of a total trade of ₱94-1/2 million paid for cotton goods imported in 1946, the United States contributed 85.9% and out of a total trade of ₱153-1/2 million in 1947, the United States' share was fully 76.2%. The war almost completely eliminated Japan and Great Britain as among the leading suppliers of cotton goods to the Philippines.

An interesting development, however, is the emergence of Mexico as a source of cotton goods for the Philippines. It came into the picture in 1946, together with Chile, the first sending cotton textiles worth ₱11 million that year and ₱1-1/2 million in 1947. In 1945, Chile sent to the Philippines cotton goods worth ₱380,650. Canada also sent us ₱1-1/2 million worth of cotton goods in 1945 and lesser amounts during the last two years. Now China is coming to the front by contributing over ₱8 million of the cotton goods imports in 1947, as second leading supplier of this commodity at the present time.

Iron and Steel and Manufactures.—Second most important, is this group of imports from which building materials for rehabilitation purposes are presently derived. Pre-war suppliers of these articles in the order of their importance were the United States, Germany, Belgium, Great Britain, and Japan. Post-war suppliers are the same countries, with the exception of Japan and Germany, which have disappeared from the list, but whose place is taken by China.

The United States is the undisputed leader in the trade in iron and steel and manufactures, allowing only a meagre share to its competitors. Philippine imports of iron and steel manufactures reached a peak of over ₱46 million in 1947, compared with pre-war peaks of almost ₱46 million in 1938 and ₱44 million in 1929. Imports in 1945 came to a total of only slightly more than ₱1 million, the lowest recorded import figure in this item. The lowest pre-war figure was that for 1933, slightly over ₱17 million. Normally, United States' share of the total annual import fluctuates around 80%; Germany, second biggest supplier, seldom contributed more than ₱3 million, its highest recorded share being ₱3.4 million, in 1929. In that year, the United States share was ₱35 million, or 81.2% of the total.

Mineral Oils.—Third most important import in point of value are mineral oils, including petroleum, gasoline, crude oil, naphtha, etc. Highest recorded imports of this item before the war came in 1940 with a total of over ₱23 million, the United States contributing 71.7%. The lowest pre-war imports occurred in 1933, totalling ₱11 million, with the United States contributing 87.7%. After the war, the imports reached an all-time high of ₱37 million in 1947, of which 41.4% was contributed by the United States.

In 1941, the Dutch East Indies made a record by shipping over ₱11 million worth to the Philippines, as against ₱11-1/2 worth from the United States. The United States has now resumed its leading position, having contributed ₱15 million out of the total trade of ₱39 million. A noteworthy development is the appearance of Arabia, British East Indies, and Persia (Iran), in the local list for mineral oils. Arabia's share in the 1947 trade was ₱6.6 million; British East Indies', ₱5.8 million; and Persia's, ₱4.9 million. Others contributed ₱4.3 million.

Meat and Dairy Products.—The position of meat and dairy products in our import trade has fluctuated between the 4th and 9th places during the last twenty years.

Importation of dairy products was before the war a close contest between the United States and the Netherlands, with the United States leading up to 1936, and the Dutch gaining the upper hand in the three succeeding years, 1937 to 1939. In 1941 and after the war, the United States copped almost 90% of the entire trade. Other less important suppliers were Australia, China, Great Britain, and New Zealand.

Highest pre-war importation of meat and dairy products came in 1941, with a total shipment of approximately ₱10 million; and lowest in 1939, ₱2.2 million. In 1945, imports went beyond ₱7 million, rising further to ₱20.5 million in 1946, and still further to an all-time high of ₱38.9 million in 1947.

Automobiles and Parts.—Pre-war imports of automobiles and their parts seldom fell below ₱10 million. The highest pre-war annual import was registered in 1938, ₱14.5 million; lowest for the last twenty years, was in 1933, ₱7.1 million. An all-time low and an all-time high were recorded after the war. Imports in 1945 totalled only ₱2.7 million, in 1946 ₱22.7 million, and in 1947 ₱51.4 million. Imports of automobiles and parts, have been supplied mostly by the United States, with no other country contesting its supremacy in this field. The total value of the import has fluctuated in position between the 7th and the 4th places.

Grain and Preparations.—Before the war imports of rice, wheat flour, and other grain preparations reached the 5th place only once, and that was in 1941 when the trade in these foodstuffs totalled slightly over ₱16 million, of which ₱11.2 million was supplied by the United States and the rest by Australia, Canada, and others. Between 1929 and 1938, imports ranged annually between ₱4.5 million to slightly over ₱8 million. After the war, with the country experiencing an acute food shortage, the imports started with ₱12 million in 1945, going up sharply to ₱76 million in 1946, and to the unsurpassed total of close to ₱99 million in 1947.

The United States has been the major contributor in wheat flour, with Canada and Australia as lesser suppliers. Heavy shipments of rice, coming mostly from French Indo-China and Siam, were imported at different periods: 1929, ₱11.6 million; 1935, ₱0.5 million; 1936, ₱5.9 million; 1939, ₱4 million; 1940, ₱2 million; and 1941, ₱2 million. Post-war, heavy shipments of rice have come from the United States, Ecuador, Chile, and Siam. In 1947, alone, Ecuador contributed ₱4.5 million to the total rice import trade.

Silk Manufactures.—This item used to be among the first ten principal imports, but in 1935, 1936, 1938, and 1939, it temporarily disappeared from the top list only to capture the 4th place with a trade of ₱29.6 million in 1946, and 3rd place with ₱90.6 million in 1947. The spectacular climb of this item follows the pattern of the trade in cotton goods which have been heavily imported as replacement for clothing worn out during the war. A major portion of the imports in later years, however, is made up of rayon goods, among the silk substitutes.

The United States is the principal source of these imports. Lesser suppliers before the war were Japan and China. At present, almost 100% of the import come from the United States.

Paper and Manufactures.—Imports of these articles reached the million-peso mark before the war, with the United States supplying nearly the whole of the supply. Moving from the 6th to the 9th rank between 1928 and 1941, the paper trade went up to 5th in the 1946 imports, and receded to the 8th in 1947. The 1946 trade was worth ₱23.2 million, and that of 1947 close to ₱39 million, an all-time high. Lowest recorded trade for the last 20 years was that of 1933, with imports totalling only ₱4.6 million. After the war, Norway and Sweden, both major paper-producers in Europe, contributed to the imports by sending in 1947 ₱1.24 million for Sweden and ₱1.2 million for Norway, as compared with the American share of ₱33 million.

Electrical Machinery, Apparatuses and Appliances.—Rating as the 9th and sometimes the 10th most important import, is electrical machinery, apparatuses and appliances. The United States has been supplying between 80 and 90% of these imports. Pre-war figures registered a peak of ₱7.5 million in 1929. Lean years came after 1929, when imports hardly reached ₱4 million. The average annual trade before the war was around ₱5 million. Post-war imports were: 1946—₱10 million, and 1947 — ₱31 million.

Imports of agricultural machinery, on the other hand, hardly reached half a million pesos before the war, as against nearly half a million in 1946 and ₱4 million in 1947.

Other types of machinery imported reached a value of close to ₱15 million in 1939 and slightly over that amount in 1940. The United States contributed over 90% of the shipments. Great Britain has been all along a minor supplier.

Chemicals, Drugs, Dyes and Medicine.—From the 9th or 10th place before the war, the total imports of these articles jumped to 3rd place in 1945 and back to the 10th in 1946. The highest pre-war import was ₱8.9 million in 1938; the lowest ₱3.8 million in 1933. Post-war: 1945, ₱3.0 million; 1946, ₱21.4 million; and 1947, ₱30 million. Major supplier all along was the United States; minor suppliers, —Germany for the pre-war and Switzerland for the post-war periods.

Tobacco and Manufactures.—A major industry of the Philippines is the growing of tobacco, yet tobacco products, mostly American cigarettes, are among the major imports. The rise in the import figures for this item of trade is interesting. From a low of ₱4.2 million in 1933, the imports kept on climbing, reaching a pre-war all-time high of ₱16.6 million in 1941, and the stupendous post-war figure of ₱45.1 million in 1946. In the latter year, tobacco imports ranked 3rd in the list. In 1947, the trade dropped slightly to close to ₱44 million which was, however, sufficient to outweigh the combined export values of coconut oil, desiccated coconut, copra meal and cake, tobacco manufactures, sugar, maguey, cordage, and embroideries that year.

Fish and Fish Products.—Imports of these foodstuffs came to public notice in 1946 and 1947, when they figured among the 10 leading imports. They were mostly canned goods, in demand as substitutes for fresh fish. Imports in 1946 came close to ₱17 million, and in 1947 close to ₱32 million, about 70% of which came from the United States. Canada supplied ₱1.2 million in 1946 and ₱6.2 million in 1947. Before the war imports were only a few million pesos' worth every year mostly canned salmon and sardines.

PHILIPPINE EXPORT TRADE

We now pass on to the export trade. It will be seen that for the last 20 years we have been paying for our imports with the proceeds from the sale abroad of our sugar, gold bullion, copra, abaca (Manila hemp), coconut oil, tobacco and tobacco products, desiccated coconut, lumber, cordage, embroideries, hats, copra meal and cake, maguey, base metals, rubber, rattan furniture, hides and skins, and host of minor export items. The United States has been the favorite market for most of these Philippine products.

Sugar.—The most prosperous year for this industry was 1933, when sugar exports reached ₱128.7 million, its all-time high. The next highest peak came in 1936, when the exports totalled close to ₱124 million, followed by ₱119.6 million in 1932, ₱115.4 million in 1937, and ₱106.4 million in 1929. In 1941, exports totalled only slightly over ₱57 million. The United States absorbed well over 90% of the shipments.

The war almost entirely wrecked the industry, but more than 20 of our 40 sugar centrals have already been rehabilitated, and cane sugar planting is being intensified in the sugar areas that include the provinces of Negros Occidental, Negros Oriental, Pampanga, Tarlac, Laguna, Cebu, Pangasinan, and Ilocos Sur. In 1947, some 4 million pesos' worth of sugar left the country mostly for the United States.

Gold Bullion.—Gold mining was going to dispute top honors with sugar, when the war broke out and reduced the industry to nothing; mining equipment was removed, if not scrapped or destroyed.

Annual exports rose from about ₱15 million in 1935, to the impressive figure of ₱84 million in 1941, the highest. All of the shipments went to the United States.

Equally interesting was the growth of the base-metal mining industry before the war. In 1941, the exports reached ₱13.4 million, made up of iron ore, copper, chromite, and manganese. The iron ore went mostly to Japan and the other metals to the United States. Like gold mining, the base-metal industries are due for rehabilitation. Chromite is again finding its way to foreign markets.

The revival of the mining industries is proceeding at a slow pace chiefly due to the difficult of acquiring machinery from abroad. Some of the top mines, however, including the Benguet Consolidated Mining Company, Surigao Consolidated, Mindanao Mother Lode, and Consolidated Mines are now in operation.

Copra.—The coconut industry has now taken the place that sugar used to occupy in our economy as the leading export. Exports of copra in 1947 reached the unheard of total of ₱354 million, an amount that is almost three times the highest pre-war sugar export, in 1933. Of this copra, 58.4% went to the United States, 9.5% to France, 4.8% to Denmark, 3.7% to Italy, and 23.6% to other countries.

Copra began leading the van in 1946 when ₱78 million went to foreign countries, with the United States taking 71.8% and other countries only 28.2.

Before the war, the highest annual export occurred in 1928 with ₱45 million going abroad, 78.1% of which went to the United States; the lowest export, only ₱10 million, was registered in 1930.

(Continued on page 224)

Double Taxation

By Henry S. Thompson
Secretary and Treasurer, Insular Lumber Company

Statement made before the Committee on Ways and Means, U.S. House of Representatives
(Stenographic transcript).

Mr. Reed. . . . We will now hear from Mr. Thompson. Will you give your name and title to the reporter?

Mr. Thompson. My name is Henry S. Thompson.

I am secretary and treasurer of the Insular Lumber Company and have been since 1924.

In addition to representation of my own company I would also like to speak for the members of the American Chamber of Commerce of the Philippines. We happen to be one of the few companies which have an office in the East and are available for this hearing. The great number of Americans who are in Manila and deeply interested in this legislation are unable to be present because of time and distance.

Our company was one of the largest producers of lumber in the Islands before the war. We had our plant completely rebuilt in 1931 following a fire which destroyed most of our plant. We fitted that plant out with American machinery financed with American capital. One of the reasons we were able to attract that capital was because we had the protection of Section 251.* This was of vital importance because the major part of our competition was Chinese-Spanish-British, which was supplied with native capital and which enjoyed a similar tax status, namely, [liability to] only the Philippine tax.

When we got our plant back after the war we found the same situation practically all over again; our plant had been destroyed or had lost a great deal of its usefulness. It was not only our plant that had been destroyed but also the main support of the community. Our company hospital was the only one within a radius of 200 miles, and we also built schools and most of the houses for the people who lived in the area, and we supported the stores and business in an area equivalent to two average American counties. We had American members who had gone through internment and had died there and the rest had suffered. Our force had been scattered and the ones who remained were so broken down by malnutrition and diseases [that] for the first six months after the war it took four or five of them to do the work ordinarily done by one. Also our resources had been greatly depleted by the war. However, with Army service equipment and other secondhand equipment and by putting one thing and another together and by a tremendous effort on the part of both our native and foreign staff, we managed to get started again in March, 1946, and two years later we have reached the point where we again have hospitals and schools which have been set up by our lumber company, and again I want to bring out the point that that is one of the things that makes it so important to the Philippines; it is not just a corporation, but something which has a vital effect on the community life as a whole.

While we have gotten to the point of substantial production, nevertheless we are almost exclusively using temporary equipment and stuff we have patched together in one way or another, and what earnings we have had since the war we have put back almost 100 per cent. We have run into equipment breakdowns and we know we are going to have to put a substantial investment into that plant if we are going to stay there on a long-term basis.

That is where this tax picture comes in strongly. We find ourselves in our most critical period in our history and at the same time our tax burden is tripled. It is not only the effect of having a tripled tax burden, but also the effects of that burden. In the first place it takes away earnings that are desperately needed to rebuild the plant, and it is very doubtful as to whether we will be justified in asking our stockholders or anyone who has capital to go in with us for an additional investment in the Philippines, and finally we have the deterrent effect on trying to raise new capital even if we should decide to go ahead.

Our future is really in the balance now. The president and chairman of our individual company are in the Philippines surveying the situation. They are trying to figure out how on a businesslike basis can we justify further expenditures under the present tax statutes. If we can justify the expenditure how would we raise the capital under the competitive situation we face?

Again, I would like to say in speaking of our own company history, I want you gentlemen to understand it is really representative. Some of you, I am sure, have seen the Philippines since the war and know what the situation is there. Obviously, you are not interested in an individual corporation, but my testimony is not of importance only because we want to be saved ourselves; it is because we are representative of the many Americans who are prevented from speaking for themselves here and are engaged in a desperate struggle to put themselves on their feet and make the real contribution they are capable of making toward the economic and political future of the Philippines.

Mr. Reed. We thank you for your appearance and testimony. Did you have any prepared statement?

Mr. Thompson. I have a statement prepared by our tax counsel.

Mr. Mills. I will ask unanimous consent it be made part of the record.

Mr. Reed. Very well.

*Of the U.S. Internal Revenue Code.

OFFICIAL OPENING OF THE NEW LEPANTO MILL

June 26 has been set as the date for the official start of the new Mill of the Lepanto Consolidated Mining Company, about which an article was published in the May issue of this *Journal*.

The Coarse Crushing Plant was started on May 26, so that the Bins will be filled at the time of the official starting of the Mill.

A number of government officials and some others concerned with the property, numbering sixteen, — as this is all there are at present accommodations for, have been invited to attend the ceremonies. A native *cañao* will be held on the evening of the 25th. The next day, Saturday, Mr. E. A. Perkins, President of the Company, will start the Mill, on Sunday the visitors will be shown over the developments, and on Monday the party will return to Manila.

The Business View

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

Office of the President

From an Official Source

MAY 6—The Acting Deputy Philippine Alien Property Administrator of the United States, W. W. Silvian, transfers to President Elpidio Quirino acting in behalf of the Philippine Government, a number of parcels of vested land, buildings, and personal property valued at around ₱1,500,000.

May 7 — The President issues an Administrative Order creating a committee "to examine actual conditions in the Surplus Property Commission", the committee to be composed of Justice Antonio Horilleno, Dr. Pio Joven, and and Alfredo Jacinto. The members recently presented their resignations as investigators of the now defunct ECA and PRRA, but the President stated he was not accepting their resignations because he wanted them to investigate "all the foci of infection". "We need to be well informed of the conditions obtaining in the Surplus Property Commission... 'It is but right and just that I be prepared to inform the public of what is going on... Other entities having similar or greater responsibility or money accountability will follow..." The Committee is required to submit its report and recommendations on the Surplus Commission by July 31. The President tells the members of the Commission, Arsenio N. Luz, Gabriel K. Hernandez, and Jose Romero, that he "had decided to implement further his desire to strengthen the faith of the people in the Government and that one of the major steps to this objective was the general investigation of every government entity that has placed itself, justifiedly or unjustifiedly, under public suspicion".

Following instructions from the President, Secretary of Health Antonio Villarama announces that hereafter the Government will sell streptomycin at ₱6 a vial and will allow importers to bring in shipments of the drug up to ₱200 worth weekly. He admits that the Department made a profit of around ₱400,000 in its previous sales, but that it stands to lose ₱385,000 on a stock of 77,212 vials of a brand which is not up to standard, unless the manufacturers will make a refund.

May 8 — Malacañan announces that a Philippine Consulate in New Orleans, Louisiana, was formally opened on May 1, — Consul: Jose Moreno; Vice-Consul, Renato Urquiola; address: 315 Campa Street.

May 10 — The Department of Public Works and Communications, acting on instructions from the President, announces that public works involving around ₱30,000,000, will be started very soon, providing employment for some 100,000 men. Of this amount, ₱24,000,000 comes from the 1947-48 rehabilitation funds given by the U.S. Public Roads Administration, and the rest from the motor vehicles and gasoline funds of the Republic. Among the works to be undertaken is the 10-kilometer concrete Villasis-Urdaneta road in Pangasinan, cost ₱1,000,000, and the widening of the Plaridel Bridge there, longest bridge in the country, at a cost of ₱900,000; the 34-kilometer concrete Rosario-San Fernando, La Union, road, construction, cost ₱3,000,000; the 8-kilometer Zaragoza-La Paz, Nueva Ecija and Tarlac, road, resurfacing; and a number of other roads and bridges. In Manila, the Post Office Building and the three buildings of the Philippine Normal School are already under reconstruction from funds which came from the War Damage Commission.

A delegation of the National Federation of Tenant Associations, headed by Damian L. Jimenez, President, calls at Malacañan. The Federation is composed of 83 tenant associations throughout the country with a total membership of around 1,000,000.

May 11 — Budget Commissioner Pio Pedrosa has reported to the President that the Government's total expenditures from July 1, 1947, to June 30, 1948, amounted to ₱337,908,169, as against the total resources of ₱346,068,392, leaving a current surplus of ₱8,160,223 (estimated) at the end of the current fiscal year.

May 15—The President takes part in the ceremonies held in connection with the departure of a U.S. Army transport carrying the remains of 4,500 American war dead home. He states: "By the deeds of these honored dead who but yesterday crossed the Pacific, the Eastern World and Philippine soil are today the richer for their blood and sacrifice... Never in the history of mankind has one people given so much of its own in friendship to another... The Filipinos, on their part, I wish to assure my American friends, will always be ready to respond at America's bidding to the last man."

The Council of State meets with the President on the new Presidential yacht *Apo*, originally called the *Dalisay*.

May 17 — Announced at Malacañan that the members of the Philippine War Damage Commission, who called on the President, promised, at his request, the release of the appropriated balance of the $120,000,000 earmarked by the War Damage Act for public works and other government purposes. About half of the amount has already been released.

Chairman Delfin Buencamino of the Rehabilitation Finance Corporation delivers Rehabilitation Bonds Nos. 1 to 12 in the denomination of ₱100 each to Gerry Roxas, son of the late President, which the latter purchased before his death.

May 18 — The President instructs Secretary of Public Works Ricardo Nepomuceno to speed the work of the committee of architects engaged in designing the Capitol. As to the site, he states that if the Congress hesitates to decide on a site itself, it could pass a joint resolution authorizing him to make the selection. Sites proposed by the committee which recently studied the question are Antipolo, Novaliches, and Quezon City. The money for the building will come from the War Damage Commission which recently agreed to a release of ₱25,000,000 for further public works.

May 20 — The President sends Congress, on the last day of the session, and as urgently necessary, an administration bill "to provide for the registration of the claims of all officers and employees of the Government of the Commonwealth of the Philippines, its branches and instrumentalities and the corporations owned or controlled by the Government, to salaries and wages during the enemy or Japanese occupation of the Philippines and to provide for the manner of their settlement". The bill would provide for the issuance of certificates of indebtedness redeemable in ten years and good only for payment of taxes or other obligations to the Government or its instrumentalities subsisting at the time of the approval of the Act and for acceptance by financial institutions (also private institutions willing to do so) in payment for home acquisition, discount not to exceed 2% per year.

The committee recently created by the President to investigate conditions in the Surplus Property Commission issues a public statement requesting the "cooperation of every civic-spirited person, be he a Filipino citizen or an alien, by furnishing information or evidence which would lead to the discovery of any irregularity in the administration or disposition of supplies and equipment or any other form of property pertaining to the Surplus Property Commission". The Committee "realizes . . . that it can not successfully accomplish the work entrusted to it without the cooperation of the public and the Press. It can not render its report based merely on rumors and indirect charges published in the newspapers without supporting evidence."

May 21 — The President issues a statement declaring that the session of Congress just closed "has been a most productive and constructive legislative session, characterized by party harmony, inter-house coordination, and constructive party opposition. More bills than usual have been approved and many of them are of transcendental importance, buttressing the foundation of our economic stability and advancing our work of social amelioration. . . . As the beneficiary of their splendid work, the country is to be congratulated."

May 24 — According to a Malacañan press release, Congress approved Philippine membership in four international organizations, — the World Health Organization, International Labor Organization, and the Telecommunication and Meteorological Conventions. The Senate also ratified two treaties with Spain, one with France, one with Italy, and one with Ecuador. In addition to the Back-pay and the Central Bank bills, Congress also passed the bills lifting the moratorium on debts, approving the expenditure of ₱1,000,000 for a pantheon for Philippine Presidents and national heroes, organizing a number of agricultural and rural schools, and establishing labor camps for the housing of workmen in industrial and port centers. Administration measures not passed include the bills on import control, the extension of export control, the regulation of the investment of insurance companies, the selection of the capital site, and the general banking bill.

May 28 — The President signs four bills, including one which becomes Act No. 205, remitting the interest accrued from January 1, 1942, to June 30, 1946, on all provincial, city, and municipal government obligations to the government or government-controlled corporations, and extending for a period of 4 years and 6 months the payment of such obligations; another, Act No. 206 which allows the mayors and other municipal officials and members of the police forces of municipalities in the specially organized provinces the same scale of pay as is provided for such officials in the regularly organized provinces; and Act No. 207, authorizing the President within a period of two years to appoint officers from the reserve force into the regular force of the Armed Forces of the Philippines upon recommendation of the Secretary of National Defense.

The President issues a proclamation fixing the value of the French franc at ₱.006666, effective May 21, 1948.

The President issues an executive order amending Executive Order No. 91 fixing new ceiling prices of commodities and amending Section 6 to read:

"There is hereby created a Price Fixing Committee to be composed of the Secretary of Commerce and Industry as Chairman, the Secretary of Labor, the Secretary of Health, and two representatives of the duly organized chambers of commerce in the City of Manila,' as members.

"The Price Fixing Committee shall have the power to increase or decrease the price ceilings herein specified, or provide a higher or lower mark-up for wholesalers or retailers, depending upon changes in the cost of production, manufacture, transportation, and other factors affecting prices, provided that the retailer shall have a margin of profit of not less than 10% nor more than 15% over the operating expenses."

President Quirino moves into Malacañan and that same evening gives a dinner in honor of His Eminence, Francis Cardinal Spellman, who is a visitor in the country for several days.

May 29—President Quirino instructs Ambassador J. M. Elizalde to begin negotiations for a loan of $87,000,000, anticipating the signing of the bill approved by Congress, but not yet received, authorizing him to contract the loan. The loan is to be applied for in both the Import-Export Bank, which is an American institution, and the International Bank for Reconstruction and Development, which is a United Nations instrumentality. The loan is to finance hydro-electric power projects and at least one fertilizer plant. Among the former projects are the Caliraya, which is to be completed partly with this money, the Maria Cristina Falls, in Mindanao, and a project in Central Luzon which would furnish cheap power to Baguio and the provinces of Pangasinan, La Union, Nueva Ecija, and Tarlac.

The President issues an administrative order amending Administrative Order No. 4 changing the composition of the Inter-Departmental Committee to the Secretary of Commerce and Industry as Chairman, and a representative each of the Department of Foreign Affairs, the Department of Public Works and Communications, and the Department of Agriculture and Natural Resources, and of the Philippine Relief and Trade Rehabilitation Administration as members.

"Administrative Order No. 4 referred to above created an Inter-Departmental Committee to take charge of requests for the allocation of quotas for food that may be obtained by the Repulbic of the Philippines from the International Emergency Food Council and for other vital materials from the International Commodity Division of the U. S. Department of Commerce.

"The Committee is 'to receive all requests from the different offices, agencies, and instrumentalities of the Government as well as from private persons, agencies, and entities regarding the national requirements for food and for building materials, tools for the mechanic trades, and machinery and equipment of all kinds; to determine the need, reasonableness and urgency of these requests; and to endorse the same, together with its recommendations, to the Secretary of Foreign Affairs, who shall make the necessary representation on these matters to the International Emergency Food Council and the International Commodity Division of the U. S. Department of Commerce on behalf of the Republic of the Philippines."

May 31 — The President confers with Manila City officials who ask him to expedite action on their application to the Rehabilitation Finance Corporation for ₱2,500,000 for the construction of markets an other public works. The Chief of the Fire Department asks for ₱3,000,000 for additional equipment. The President advises the Mayor to use the iron hand within a velvet glove with the squatters.

The President issues a proclamation reserving Corregidor and the adjacent small islands for military purposes and declaring them a national defense zone.

Banking and Finance

By C. R. Leaber

Manager, National City Bank of New York

IT is our observation of business in general that it has been slow this month. We hear this lack of activity ascribed variously to seasonal influences, decreased public buying power, excess inventories, and caution borne of uncertainty as to political and economic trends at home and abroad. We suppose that it is compounded of all of these and a few more of lesser importance. Bank credit is in good demand for carrying merchandise, and interest rates are steady to firm. There are no signs discernible of a sharp or prolonged depression or business slump.

The Central Bank Bill was passed by both Houses of Congress in the session just ended in substantially the form in which the law was originally drafted. The House amended several sections of the bill, most of the amendments being of minor importance except that of Section 52. As amended by the House, this Section would provide that at least 25% of the Central Bank's reserves against the currency issue should be in the form of silver and/or gold. We understand that the amendment was rejected in the Senate and at this writing we are not sure which version of Section 52 will be enacted into law.

A comparative study of the figures issued by the Bureau of Banking, compiled from the returns made by Manila banks as set forth below, discloses no features of interest. Currency in circulation on April 30 was only slightly higher than the previous month-end. It is regrettable that the reports from official sources lag behind current dates. A wrong impression is often gained of present business trends from figures which are more than a month old.

Comparative figures are as follows:

Loans, Discounts, and Advances (monthly averages)
(000 omitted)

April, 1948	*March, 1948*	*April, 1947*
*₱363,281	₱358,457	₱284,460

Total Bank Resources (monthly averages)
(000 omitted)

April, 1948	*March, 1948*	*April, 1947*
*₱861,398	₱863,485	₱771,739

Bank Deposits (monthly averages) Public funds not included
(000 omitted)

April, 1948	*March, 1948*	*April, 1947*
*₱421,006	₱423,548	₱376,578

Debits to Individual Accounts (monthly averages)
(000 omitted)

April, 1948	*March, 1948*	*April, 1947*
*₱126,787	₱110,201	₱128,439

Circulation
(000 omitted)

April, 30, 1948	*March 31, 1948*	*April 30, 1947*
₱784,771	₱783,967	₱730,142

*Latest reports from the Bureau of Banking are dated April 10. April, 1948, figures are therefore incomplete and will be corrected next month if possible.

American Stock and Commodity Markets

April 28 to May 26, 1948

By Roy Ewing
Swan, Culbertson & Fritz

INTEREST in the New York stock market reached a new high for many years during the period under review, a result of the Industrial Average breaking through the 1947 high of 186.85, thereby confirming, according to the Dow Theory, that it has been a bull market since May of 1947 when the bear market, which began in May of 1946, ended. The big day occurred on May 14 when the Industrial Average went up to 188.60, an advance of 3.78 and Rails to a new high since August of 1946 of 62.25. Volume was almost four million shares, the biggest in eight years. Even this record was broken on the following day when 2,590,000 shares changed hands, the biggest Saturday turnover since 1933. Market highs for the period were recorded on the 17th, after which profit-taking caused moderate declines, but the selling was easily absorbed and at present writing the market appears firm at around the 190 level. As for the past several months, favored groups included oils, rails, steels, motors, minings, rail equipments, and rubbers.

Market influences were mixed, and many traders were at a loss to name any particular reason for the market strength. Labor uncertainties and strike threats were generally ignored, as was the uncertainty of the Palestine situation and general international political developments. Probably the steady market rise for the past two and one-half months reflects a growing belief that the current high production levels and record earnings of many companies will continue. Undoubtedly this sentiment has been aided by the European Recovery Program and rearmament expenditures which, it is realized, will go a long way to stop any sizeable recession. For more than a year many shares on the New York market have been selling at a comparatively low price-to-earnings ratio, indicating that the market believed earnings could not hold up. With this sentiment changing, it naturally follows that share values advance. To illustrate the comparatively low price-to-earnings ratio present in many shares, earnings and dividend figures for several companies are given below:

	Earnings per Share 1947	Dividends Paid 1947	Market Price May 25, 1948
United States Steel	11.7	5.00	79
General Motors	6.25	3.00	61-1/2
Southern Pacific	8.84	4.00	59
Standard Oil of New Jersey	10.0	4.00	80-5/8
Goodrich Rubber	16.18	5.00	60-7/8

Again referring to the Dow Theory, the bull market has been confirmed and is conceded to remain in force until its reversal is authoritatively confirmed. How high this one will go or how long it will last, is anybody's guess. The average advance after confirmation of the last four bull markets, which occurred between 1923 and 1946, was approximately 125 points in the Industrial Average.

Commodity markets in general were not influenced by the strength in the securities market, but remained quietly firm for the period. New York Spot cotton was quoted at 38.48 on May 1 and 38.45 on May 25, having sold as high as 39.14 on the 15th and as low as 37.57 on the 5th. Bullish enthusiasm was dampened by favorable crop news and growing belief that a good part of the large export demand will be held over for new crop supply. Chicago wheat also moved in narrow range, May recording a high of 247-1/2 on the 12th and a low of 242¾ on the 8th. The selling that was caused by favorable weather and crop news was absorbed by government and mill buying. Chicago corn advanced on reports of excess moisture. May sold as high as 233-1/2 on the 20th, up from 218-1/2 on the 8th. The threatened railroad strike was a minor market factor during the period before settlement was reached.

Manila Stock Market

April 17 to May 14, 1948

By A. C. Hall

A. C. Hall & Company

MINING SHARES

NECESSITOUS liquidation, particularly in Mindanao Mother Lode and, to a lesser degree in Atok-Big Wedge, forced the mining-share average down to a new low for the year by May 4. From this point, however, a vigorous recovery set in until yesterday and today, when increased offerings caused some recession from best levels.

The official listing, on May 7, of Mindanao Mother Lode shares on the San Francisco Stock Exchange, stimulated demand for this issue from the United States at advancing prices, and has greatly helped market sentiment. Other favorable influences include lessening fears of war, and the strength of base metals in United States and foreign markets. The latter has been reflected in good demand for Acoje and Lepanto.

Unfavorable market factors include legislation affecting the business community now pending before Congress, also the fact that the import goods market continues overstocked in some lines, which is causing tightness of money in the groups affected.

In the writer's opinion, no particular significance is to be attached to the fractional downside penetration of the April 3 closing level, by the mining share average, on May 4. We consider this action merely in the nature of a test of a previous resistance level, and not indicative of further downward extension of the secondary correction which has been in motion since January 3. The market now appears to be in a trading range with bottomside support to be found around 96.50 and overhead resistance around 107.50 as measured by the market average.

MANILA STOCK EXCHANGE LISTED MINING SHARES

	High	Low	Close	Change		Total Sale
M. S. E. Average	106.10	96.62	104.00	Up	.80	
Acoje Mining Co.	₱.32	₱.27	₱.32	Up	.05	522,000
Antamok Goldfields..	.025	.025	.025	Up	.004	20,000
Atok-Big Wedge Mining Company	.81	.72	.80	Off	.03	255,649
Baguio Gold Mining..	—	—	.0575		—	—
Batong-Buhay Gold Mines	.006	.0056	.006	Up	.0002	520,000
Coco Grove, Inc.....	—	—	.035a		—	—
Consolidated Mines...	.0135	.013	.013	Unchanged		4,630,000
Itogon Mining Co....	.065	.065	.065	Off	.005	60,000
I.X.L. Mining Co...	.0575	.0575	.0575	Off	.0025	10,000
Lepanto Consolidated	.71	.64	.79	Up	.04	201,000
Masbate Consolidated	.04	.04	.04	Off	.003	10,000
Mindanao Mother Lode Mines.......	.93	.74	.89	Unchanged		711,500
Paracale Gumaus Cons.	—	—	—		—	—
Suyoc Consolidated..	—	—	.036		—	—
San Mauricio Mining.	.18	.175	.175	Off	.005	44,000
Surigao Consolidated.	.335	.28	.32	Up	.04	170,866
United Paracale Mining Co...........	.09	.08	.08	Off	.0025	106,000

In addition to the foregoing, unlisted mining issues traded over the counter as follows: small business in Antipolo from 18 to 20 centavos; about 10,000 shares Benguet Consolidated changed hands from ₱3.70 to ₱3.85; small lots of East Mindanao were reported at 1-1/2 centavos, and about 500,000 Eastern Development were done at .0035; Philippine Iron Mines Common were done at ₱10.

COMMERCIAL AND INDUSTRIAL

Apart from improved demand for San Miguels on reports of improving earnings, trading was very quiet in this section.

	High	Low	Close	Change		Total Sale
Bank of the Philippine Islands	₱60.00	60.00	60.00	Off	5.00	264
Central Azucarera de de Bais	535.00	535.00	535.00	Off	15.00	3
Central Azucarera de la Carlota	105.00	100.00	105.00	Up	5.00	70
Central Azucarera de Pilar	70.00	70.00	70.00	Unchanged		20
Central Azucarera de Tarlac	35.00	35.00	35.00	Unchanged		168
Philippine Oil Development Co......	.205	.175	.18	Off	.025	435,000
Philippine Racing Club	1.30	1.30	1.30	Up	.06	11,000
San Miguel Brewery	71.00	67.00	70.00	Up	3.00	3,646
Victorias Miling Co., Inc.	120.00	120.00	120.00	Unchanged		78
William Equipment Co. Com..........	10.00	10.00	₱10.00	Unchanged		400
Williams Equipment Co. Pfd..........	90.00	90.00	90.00	Off	5.00	20

In addition to the foregoing, unlisted commercials were traded as follows: 150 shares Cebu Sugar at ₱4.25; about 2,000 shares Jai Alai at ₱22.50 and ₱22; and 228 Eastern Theatrical at ₱18. A small lot of Philippine American Drug Company (Botica Boie) was reported at ₱150.

Electric Power Production

(Manila Electric Company System)

By J. F. Cotton

Treasurer, Manila Electric Company

1941 Average 15,316,000 KWH

	1948	1947	
January	27,301,000	17,543,000	K
February	26,021,000	17,503,000	I
March	26,951,000	20,140,000	L
April	26,871,000 *	19,601,000	O
May	28,330,000 **	19,241,000	W
June		17,898,000	A
July		22,593,000	T T
August		23,358,000	
September		23,122,000	
October		24,755,000	H
November		24,502,000	O U
December		25,725,000	R
Total		255,981,000	S

Output increased sharply in May, setting a new record by a substantial margin. The daily gross output record of 992,160 KWH, set on December 24, 1947, was repeatedly broken during the last half of May, the new record being 1,001,840 KWH, set on May 25. A new record peak load of 71,000 KW was also reached in May.

Compared with April, 1948, production in May was up 1,459,000 KWH, or 5.4%. The increase over May, 1947, was 9,089,000 KWH, or 47.2%.

Port of Manila

By H. W. Titus

Luzon Stevedoring Company, Inc.

THIS column before has made the point that, while the physical basis of a harbor is a matter of natural creation, a port is a man-made thing, necessarily deriving its tone from the men who operate it and carry on the trade which is its reason for being. Manila has had its share of strong and colorful personalities, which perhaps explains its greatness and its ability to recover from what seemed in 1945 to be only a shattered ruin. Therefore it is well that this month the "Port of Manila" column should be devoted to a few observations that came to the writer at the news that on Friday, May 21, "Jerry" Henderson died at his home in Wapato, Washington, in what seems just a few months after his retirement as head of the Everett Steamship Line and his departure from Manila. Already there are men in the shipping business in Manila to whom Jerry's name means very little. Within a few months in a city moving as rapidly as Manila, there are many changes, and that is as it should be when those changes are good, but to keep change moving constructively forward it is necessary that the experience of the old, strong men be transmuted with the new vigor of young, fresh blood.

Henderson who opened the original Roosevelt Steamship Agency in Manila in 1924 after a period with the Ker

Steamship Company and Waterhouse, was for many years manager of the Roosevelt Agency until three years before the war, when, after a vacation at home, he became a part of the Everett organization and its President in 1940. Jerry was a "guest", as he said, "of the Imperial Japanese Army" at Santo Tomas during the war and, with liberation, set about the job of putting Everett back in the "steamboating business", as he liked to call it. His work as a steady, honest, experienced leader contributed beyond measure to the success of the work of the War Shipping Administration and later the Maritime Commission in re-building the Port of Manila, early in 1946. When commercial operations in the Port were suffering the pangs of post war re-birth, Jerry Henderson was daily about the piers "taking care of the business", and his friendly, wise word or smile and his chuckle at the misdeeds and confusion about him, are things that those of us who were helped by his friendly guidance will never forget. Above all, his insistence always on "honest steamboating," personal integrity and constant willingness "to go along" on anything for the common good, set a note along the waterfront for everyone to follow.

All of the things we talk about and work for in a port: adequate piers; efficient cargo-handling equipment; proper access-streets to get cargo vehicles into and out of the waterfront area; experienced, well organized labor; and inward and outward tonnages of a size to make operations profitable for all; all of these things are useless without men to direct them and to work together in a spirit of honest cooperation, in short, as Jerry Henderson would have said, "good steamboating".

Ocean Shipping

By F. M. Gispert
Secretary, Associated Steamship Lines

On April 26 the Associated Steamship Lines notified shippers that effective from the 25th of May freight rates to the United States would be increased approximately 15%. This increase was bound to come; in fact, was long overdue.

After liberation and when commercial shipping got under way again in 1945, freight rates were exactly 35% over the 1940 rates in spite of the fact that costs from 1940, during the war, and up to the end of 1945, had increased considerably more in the face of controls and "ceilings". But the lifting of these controls and the removal of the "ceilings" at the end of the war, together with a round of strikes, boosted the costs of material, fuel, wages, and stevedoring rates to such an extent that today the cost of operating a vessel is estimated at from 280% to 300% over the 1945 costs.

The shipping industry has perhaps shown more restraint and exerted more effort to hold the line against spiraling expenses than any other industry, and, to offset this enormous increase in costs, a small 15% raise in freight rates can, by no means, be termed exorbitant and is fully justified.

Total exports for the month of April were 155,777 tons as against 142,566 tons during April last year.

Shipments of copra showed a decided decline when compared with last year. This, however, was offset by an increase in the movement of lumber and logs and by 31,393 tons of sugar shipped during the month.

Of interest were the first two shipments of canned pineapples since the war which moved from the Philippine Packing Corporation plant at Bugo, Mindanao, one shipment to the Pacific Coast and the other to the Atlantic Coast of the United States.

Exports of the main commodities during April, 1948, as compared to April, 1947, were as follows:

	1948	*1947*
Cigars	18 tons	11 tons
Desiccated Coconut	8,292 "	2,420 "
Coconut Oil	1,726 "	1,394 "
Copra	53,450 "	101,319 "
Copra Cake	4,391 "	3,714 "
Hemp	76,523 bales	72,367 bales
Logs and Lumber	1,713,571 b.feet	139,059 b. feet.
Ores	24,893 tons	13,622 tons
Rope	324 "	97 "
Tobacco	1,257 "	1,438 "
Sugar	31,393 "	—

Inter-Island Shipping

By G. F. vander Hoogt

Everett Steamship Corporation

THERE was a news item in the *Manila Daily Bulletin* of April 29 to the effect that measures for the reduction of inter-island shipping rates would be initiated before the Public Service Commission. The article further stated that findings from several months' inquiries into the operating expenses and overhead costs of inter-island shipping firms, will form the basis for the reduction move. It also stated that coastwise shipping lines today charge 30 to 65% higher rates than pre-war and that these rates were authorized at a time when prices generally were at a post-war high.

Unfortunately, and contrary to the belief of officials of the People's Counsel, operating and overhead expenses are not gradually returning to pre-war levels. There are many items of expense which at present are higher than they were two yeas ago. Examples of such items are fuel, wages of officers and crews, stevedoring, and repairs. The cost of diesel fuel in August, 1947, was ₱86 per metric ton, and of fuel oil ₱65 per metric ton. Present prices are ₱105 and ₱84, respectively. These prices are approximately three times those of pre-war days. Wages of officers and crews including overtime now approximate 100% over pre-war. Stevedoring costs roughly five times as much as pre-war, and repairs and maintenance costs are about four times as great. Other items of operating cost are also much higher, to say nothing of business overhead costs.

Rates for ocean transportation have recently been increased again. The same factors which require ocean rates to increase are at work in inter-island rates.

Inter-island cargoes are not as regular as pre-war, especially cargoes between outports and customs ports. Whereas pre-war the inter-island vessels carried copra into the customs ports for loading to ocean vessels, this business has disappeared due to the practice of ocean vessels loading direct at the outports.

Air Transportation

By V. A. Brussolo
Vice-President, Philippine Air Lines

BEFORE Congress closed its session last May 20, two important bills relating to aviation matters were approved, namely: (1) "An Act Creating the Civil Aeronautics Board and the Civil Aeronautics Administration, to Promote the Development and Safety, and to Provide for the Regulation, of Civil Aeronautics in the Philippines and to Appropriate Funds Therefor", and (2) "An Act to Create a Public Corporation to be Known as the 'National Airports Corporation,' to Define its Powers and Duties, to Appropriate the Necessary Funds Therefor, and Other Purposes."

These bills are intended to give a tremendous impetus to air transportation in the Philippines. The CAA bill is an implementation of Executive Order No. 94, reorganizing the Government. There are certain provisions in this bill which will affect the operations of local airlines, especially as they relate to rules and regulations formulated by the reorganized CAA.

The "National Airports Corporation" bill is designed to consolidate and centralize the control, management, and provision of all airports in the Philippines. The authors of this bill are Congressmen Eco, Clarin, Clemente, Limsiaco, and Diaz. They strongly believe that it will go a long way in making the Philippines the hub of air commerce in the Far East. But another important reason for the enactment of the bill, according to the Congressmen, is this:

"The corporation should be immediately formed because of the tense situation obtaining in the world today. It is necessary that the Government should have a strong, centralized agency to have full control of all airports in the Philippines, thereby insuring better air traffic control and coordination. Executive Order No. 100 creating the Manila International Airport is only a step in this direction. It is necessary that the same should be implemented as to cover all the airports in the Philippines so that by a centralized control of these airports, we shall have dependable air service as well as cheaper rates of transportation."

In the international field PAL is operating a fleet of new Douglas DC-6 "Pacific Pacemakers," thus offering full sleeper-berth accommodation to air passengers. The new plane has been certified by T. P. Wright (Administrator of Civil Aeronautics, U.S. Department of Commerce) as representing "one of the safest, finest, and most advanced airline transports available for public service today."

The plane was designed and built by the Douglas Aircraft Company with the aid of the research and engineering brains of major United States airlines and represents years of planning and testing for a new airplane which would most nearly meet all the requirements of the ideal passenger plane.

The DC-6 is reported to be the fastest transport in scheduled service at the present time. It is powered with four 2100-horsepower engines which propel the aircraft through the smooth-riding upper air at a cruising speed of five miles a minute. This enables the DC-6 to shorten the Pacific run by 10 hours, with a total flying time of only 30 hours from Manila to San Francisco. In its shakedown flight on May 14, the DC-6 did the Manila-San Francisco trip in 29 hours 26 minutes actual flying time.

In addition, the DC-6 has a pressurized and air-conditioned cabin for "over-the-weather" flying at low-level comfort. At 18,000 feet, which is above the level of most storms, the cabin "altitude" remains between 6,000 and 7,000 feet — approximately the same as the atmosphere in Denver in the Rocky Mountain area, or in Baguio in Philippines.

Regular trans-Pacific flight schedules on PAL's new DC-6s started on May 29, leaving Manila and San Francisco every Wednesday and Saturday.

The DC-4s, which PAL has hitherto been using on the Pacific run, will now be used exclusively on the Hongkong-Manila-Shanghai schedules.

The Philippine Consul General in Australia has recommended the extension of PAL's service to Australia and New Zealand. From his post in Sydney, Consul General Alzate said, "It is of primary importance to Filipino-Australian relations that air service be extended from the Philippines to Australia and New Zealand."

At the meeting of the Civil Aeronautics Board in the office of Secretary of Commerce and Industry, Hon. Placido Mapa, the following were approved: (1) Allocation of Flights to Shanghai to the Commercial Airlines, Inc.; (2) Application of the Pacific Airways Corporation for renewal of Air Commerce Permit; (3) Resumption of operations of Schedule No. 8 by the Philippine Air Lines; (4) Application of INACO for renewal of their Air Commerce Permit and Letter of Authority; (5) Resolution to authorize the Administrator to issue licenses to airmen of alien countries without the prior approval of the Civil Aeronautic Board.

The Civil Aeronautics Administration is going to resume its plan of aviation-education assemblies as soon as the school-year opens. Since last January the CAA has been conducting a series of aviation assemblies in the cities of Baguio, Iloilo, Dumaguete, Zamboanga, Davao, Legaspi, Cebu, attended by superintendents, educational supervisors or directors, and school teachers. Pointing out the vital role of the airplane in times of peace and war, Administrator Col. Jesus A. Villamor said, "Aviation-education assemblies are designed mainly to bring to the public a more complete appreciation of the role of the aircraft in peace and in war and its effects on the individual and world development."

The Philippine Air Lines and the Commercial Airlines has been participating in all the assemblies.

New Mines

By Chas. A. Mitke
Consulting Mining Engineer

FIFTY to one hundred years ago, rich mines were found all over the world. The Comstock Lode and Sutters Creek in the United States; the big silver camps in Mexico; the Huanchaca de Bolivia in South America; the Mount Morgan gold mine in Australia; gold and diamond-mines in South Africa; the rich tin mines in the Malay Straits countries, and gold placers and jade mines elsewhere in the Orient, are only a few in the long list of great producers which were discovered and which paid their way right from the grass-roots. That was the era when the prospector "struck it rich" and became wealthy overnight.

Since then, a great change has taken place. Frontiers have been pushed back in all countries, and, with few exceptions, the ore deposits with bold, rich, surface outcrops, have been discovered and mined out. The "get rich quick" days in mining are gone. The so-called "cream" has disappeared and only the skim milk is left for the present generation, but, while the cream was rich and small, the skim milk makes up for loss in quality by great quantity, and geological know-how and engineering skill have demonstrated how great fortunes can still be built up out of the skim milk. Today, mines are *not found*. They *must be made*.

As an illustration of the new era in mining which we have entered, I will quote from the April issue of *Mining and Metallurgy*, page 226. The author states: "The last ten years have seen a remarkable number of important ore discoveries in the United States. Still more have been made in Canada and Mexico". These consist of "37 major new ore deposits, or districts", in the three countries. "All of them were unknown or thought small or valueless ten years ago". "Four great new copper deposits in the United States", one of them containing 450,000,000 tons, and "four fairly large ones in Canada and Mexico have replaced the greater part of the 10,000,000 tons of copper produced from North American mines from 1937 to 1946 inclusive."

"In all of these new copper deposits, geological insight showed possibilities". "Progressive management took the risk and developed the great ore bodies." "In all the new Eastern Canada gold mines, geology played a large part, but the progressive daring of the managements deserves much of the credit."

All but two of the 37 new discoveries are in the United States and Canada. In almost every case, the ore was proved by diamond drilling.

In practically all these recent big discoveries, it was experienced geologists and engineers who re-studied abandoned deposits and new areas, found hitherto unknown ore bodies, and developed producing mines. In many instances, there were only small, unimportant outcrops, but, using their knowledge of similar occurrences, and their experience of geologic formations, etc., and making comparisons with other districts, they were able to draw conclusions and compile sufficient information to justify enterprising groups in "taking the risk" to lay out capital in following the advice of the experts. The credit for most of the 37 new discoveries goes to the geologists and engineers, and to diamond drilling along lines laid down by them. In almost every instance, diamond drilling was used to prove up the ore.

Millions of dollars of pioneering or development money, were required to locate and prove up the large tonnages in the 37 mines mentioned. The companies, the investors, and the countries in which they are situated, will benefit from the future production of these great new "mines of tomorrow".

Canada has attracted large blocks of American capital. It is said that its progressive attitude towards mining has gained it second place in world gold production. At least eight new important Canadian gold mines have been proved up in the last ten years.

Here, in the Philippines, before the war, there were about 70 producing mines. Now, there are about eight that are shipping ores or bullion.

Prospectors have brought in thousands of samples during the past three years and engineers have been sent to check up many properties.

As a result, there are known outcrops of veins or deposits of gold, copper, chrome, manganese, iron, and lead in various places throughout the Islands. Trenches and shallow pits have been put down on a number of surface showings. A few hundred tons of ore have been mined and piled on the dumps. But no new mines can be opened up with this very limited kind of work.

What is needed here in the Philippines is to do exactly what was done in the United States and Canada. That is for old and new mining companies to raise sufficient capital to purchase diamond drills, and, guided by geological advice, to test out the best outcrops by drilling beneath them to depths of 200 to 500 feet.

In North America, the number of such diamond drills runs into the hundreds. Here, in the Philippines, with an area of 114,400 square miles, we are told there are only two drills in operation! Incidentally, while the civilization here is old, the mining industry is very young.

There are also cases here, as there are in other countries, where very low gold bearing material of $2 a ton existed on surface, and, by slow, tedious, sinking of shafts and crosscutting, $20 ore was found in one mine and $25 in another, at depth. Think how quickly these might have been proved up by deep drilling.

The comparatively small amount of prospecting which has been done in the Philippines during recent years, has been as productive as that in most other countries. For example, an iron deposit exists here containing over a billion tons of iron ore, with small amounts of nickel, chrome, and manganese. A refractory chrome deposit of 10,000,000 tons is a regular shipper of 20,000 tons per month to America. Some operating gold mines are producing a certain amount of bullion every two weeks.

Here, in the Philippines, in order to prove up many outcrops in depth, there should be at least fifty deep-hole drills in operation instead of two. A number of exploration companies should be formed to raise the necessary capital to purchase drills of this type and use them to pierce the various outcrops at depths of 200 to at least 500 feet. There is another incentive. Aside from known surface showings, there are still new frontiers, consisting of large areas that are today classed as "unknown" and "unexplored" territory. This would be the quickest and surest way of developing the natural resources of the Philippines.

Lumber

By E. C. Von Kauffmann

President, Philippine Lumber Producers' Association

PRICES have remained unchanged during the past month. Arrivals of lumber into the Manila market are still quite substantial notwithstanding the low prices at which producers have to dispose of their shipments.

Construction is not increasing fast enough to absorb the supply of lumber steadily coming in.

Protests are being submitted against the increased freight rates for export lumber and logs.* The industry is just about starting to get a foothold in the United States market after an absence of years, and producers natural object to heavier burdens being laid on them which will make it that much harder to compete with other mahoganies imported into the United States.

With the prospect of the Government further liberalizing the export quota for lumber and logs, shipping companies will undoubtedly get an increased volume of freight in this commodity and should consider the shippers' objections to increased freight rates as reasonable.

*President Elpidio Quirino has since issued an executive order, effective June 6, increasing the authorized monthly exportation of logs, flitches, and sawn lumber from 20% to 50% of the actual marketed production during the preceding month.

Copra and Coconut Oil

March 16 to April 15

By Manuel Igual
General Manager, El Dorado Trading Company, Inc.
and Kenneth B. Day
President, Philippine Refining Company

ON reports that the United States Army was to buy large quantities of copra for Europe, the local market, at the opening of this period, continued high, with seller's ideas at $315 to $320 per short ton, CIF Pacific Coast. Buyers ideas were around $310, with an occasional sales recorded at $315 for nearby position. Later, confidential sales were reported as high as $325 CIF. On the 21st of the month, approximately 20,000 tons of copra were offered to the Army at prices ranging from $320 to $355 FOB per long ton. The Army rejected all offers and the market weakened considerably. By the end of April, Pacific Coast buyers had set their sights down to $290 CIF. At this stage the Army indicated that their ideas were $300 FOB (early May), but purchases were finally confirmed by them at $305 FOB per long ton. After buying 12,000 tons at this level for May/June shipment, the Army withdrew completely and the market eased off. Sellers, however, soon realized that the market was oversold and adopted a reserved attitude, resulting in business being done during the second week of May at $330 FOB with a supplier who was covering previous sales at $295 CIF. Regardless of the fact that this price was purely artificial, the fact that it was paid lent the market considerable strength, and at the close of the period sellers were again asking $320 CIF Pacific Coast, with limited buying interest at $310.

Insofar as the European market is concerned, sporadic sales of no consequence were made during this period, with the main buyers out of the picture either because they were being supplied by the Army or the Commodity Credit Corporation, or because they lacked the dollars necessary for purchasing.

The Associated Steamship Lines announced on the 22nd of April that freight rates for copra and copra products to the United States, were being increased by 15% effective May 25. Although the copra exporters and desiccated coconut manufacturers have filed vigorous protests, the increase still stands. This means a $3 increase per long ton to the Pacific Coast, without any change so far in the rates to Europe.

Export of copra for the month of April totalled 54,950 tons; of which 24,493 tons were shipped to Europe, 26,501 tons to the United States, 3,000 tons to Canada, and 954 tons to South America. During April, 1947, shipments of copra amounted to 101,319 long tons, or more than twice what we shipped in April this year.

On April 1, as a stimulus to production, the Dutch East Indies Copra Board increased the purchase price of all grades of copra by 5 gulden per 100 kilos, which is equivalent to $19.20 per long ton. Formerly, quotations were 26 gulden per CK ($99 per long ton) for grade A sundried; 25 gulden ($96) for grade B sundried; 23 gulden ($88) for mixed grades; and 18 gulden ($69) for inferior grades.

Reports circulated that the Government of Ceylon had requested the British Government to review the present price structure of copra and had indicated their unwillingness to continue at present levels unless Britain is prepared to pay prices much more in line with the present world market.

All during this period the large coconut-oil buyers in the United States remained uninterested and no oil sales were reported to them. Occasionally, however, there was some sporadic demand from oil refiners who absorbed the little oil that was available. This demand was chiefly for nearby delivery to manufacturers of edible products.

During the period under review, local markets followed in general the trend of outside markets. Manila prices, however, were constantly in advance of export equivalents, due largely to the inadequacy of supplies and to the requirements of the local mills for purposes of domestic trade in edible products. Most mills were shut down the greater part of the time. Export trading was always impossible because of the inability to sell oil in the United States at the equivalent of local prices, except on a speculative basis.

The copra cake market was lifeless, European buyers were short of dollars and the best price available during the period was $70 FOB. This price could be improved, however, by shipping meal to the Pacific Coast, where the market was firm.

Some very conflicting factors existed in the fats and oils picture for this period. There were a number of price distortions, not only between vegetable oils but also between the edible vegetable oils and the animal fats. There has never been such a wide disparity existing between crude coconut oil and tallow, and this, together with the marked falling off in soap sales, has been largely responsible for the attitude on the part of leading soapers in neglecting coconut oil completely. The action, however, of the export market in the United States, or the attitude of the European Cooperative Administration,* which may purchase lard, as available, instead of coconut oil, may soon exert influence in shaping prices for animal fats which in turn may affect the copra and coconut oil structure.

During this period, the copra market followed the same pattern as in previous months; namely, substantial fluctuations and a tight export condition in which many sellers kept somewhat oversold. The general outlook for June is for comparatively light production. The pressure from Europe to buy copra for edible purposes is constantly counteracted by the weakness in inedible fats in the United States. These two forces bid fair for a considerable period of time to keep the market in a chaotic state, with wide fluctuations. Undoubtedly, however, insofar as ECA is concerned, efforts will be made to restrain European buying prices to reasonable levels.

Nevertheless, at the close of this period, it was persistently rumored that a number of European countries may be permitted to buy directly, rather than continue their purchases through either the CCC or the Army. That the existing price disparity must eventually be corrected, is a foregone conclusion, but the question uppermost in the trade is: "When is this correction to be expected?"

* In charge of the European Recovery Program (ERP)

Desiccated Coconut

By Howard R. Hick
President and General Manager
Peter Paul Philippine Corporation

THIS report covers the period from April 15 to May 15. During this period, raw-material supplies were easier to procure and production was increased to near full capacity. The total poundage shipped during April was 9,625,456 lbs.

After a short rise in copra prices at the opening of this period, copra turned weak and due to that fact, and also that nut harvests had improved, desiccated coconut factories were able to purchase nuts at lower prices and closer to parity with copra.

Nut harvest, though improved, is still below normal for this time of the year in numbers and in yield of copra per thousand nuts. It is estimated that the copra yield per thousand nuts is 10% less than the normal yield.

After a short rise in copra prices, copra weakened and dropped sufficiently to lower the nut prices by ₱8 per thousand; but at the close of the period, copra prices again soared, closing at ₱62 per 100 kilos. As nut prices were still above copra parity, they remained firm with little indication of a rise or fall.

A new manufacturer to enter the field is the Luzon Desiccated Coconut Company, with a shipping weight of 60,000 lbs. for the month of April. Their factory is in Pagsanjan, Laguna. The Philippine Desiccated Coconut Company, which was located in Zamboanga pre-war, now operates again under the management of the Blue Bar Coconut Company and, again, another area is being rehabilitated by the desiccated coconut industry.

Following are the shipping statistics for the month of April, 1948:

Blue Bar Coconut Products Co.	1,168,790 lbs.
Cooperative Coconut Products	337,000 "
Franklin Baker Co.	2,890,266 "
Isabelo S. Hilario	45,000 "
Luzon Desiccated Coconut Co.	60,000 "
Peter Paul Philippine Corp.	2,568,100 "
Philippine Desiccated Co.	Shipped by Blue Bar
Red V Coconut Products Co.	1,026,500 "
Standard Coconut Corporation	340,000 "
Sun-Ripe Coconut Products	915,000 "
Tabacalera	274,800 "
TOTAL	9,625,456 lbs.

NOTE: Of this shipment, 444,800 lbs. produced by Canlubang Sugar Estate.

Manila Hemp

By H. ROBERTSON

International Harvester Company of the Philippines

THIS review covers the period of April 15 to May 15. During this time, consuming and producing markets ruled steady, with a slight upward trend.

Once again heavy SCAP purchases high-lighted the month. On April 28, SCAP bought 18,750 bales Non-Davao hemp and 9,000 bales Davao hemp—a total of 27,750 bales. As the pressings for the Islands for April amounted to only 63,840 bales, SCAP purchases took 43.5% of the whole month's production. Prices paid were generally higher than those paid by SCAP on March 18. Non-Davao I brought as high as ₱126 per bale, f.o.b, S2 — ₱114, J1 — ₱110, J2 — ₱80, G — ₱95, K — ₱69 and H — ₱84. Davao grades were sold at I — ₱139, S2 — ₱134, J1 — ₱137, J2 — ₱116, G — ₱116, K — ₱100 and H — ₱100. It is expected that SCAP will buy an unspecified quantity of fiber again late this month, so that its activities continue to be the foremost factor in the market.

The United States market has remained quiet but steady. Buyers there have shown little disposition to operate at the relatively high prices necessary to obtain Manila hemp. Normally, this indifferent attitude would be reflected in the local market.

In primary Philippine markets a slight advance in price has been recorded. Non-Davao J1 closed at ₱49 per picul, basis loose — up ₱3 — and J2 at ₱33 — up ₱2. An advance was also noted in Davao where J1 advanced ₱2 — to close at ₱62 per picul loose; and G, ₱1.50 — to close at ₱54.50.

Pressings for April were higher than generally anticipated, due to a sharp increase in Davao production. The total for the month was 63,840 bales — up 4,342 bales from March. Non-Davao balings were 41,929 bales — down 2,706 bales; and Davao, 21,911 bales — up 7,048 bales. This brings the total for the first four months of 1948 to 253,799 bales, as compared with 235,964 bales for the same period in 1947.

As the reader will have understood, the market for Manila hemp for the time being is more influenced by SCAP buying than by any other single feature. How long this will continue to be so, is uncertain. All that is known in the meantime is that the SCAP fiscal year ends June 30 — and that after that date it has, as yet, no appropriation with which to make further purchases. There has been some talk of business with Japan reverting to private enterprise shortly, but it appears more likely that it will continue under the control of SCAP until after the peace treaty is signed.

Sugar

S. Jamieson

Alternate Secretary-Treasurer, Philippine Sugar Association

THE New York market continued until a few days ago to be adversely affected by the slow movement of refined sugar, the continuation of strikes at some refineries, the constant pressure on the market of parcels of Puerto Rican sugar, and a general belief in the trade that the quota for United States consumption is still too large in spite of the reduction made in February.

Sales of Philippine sugar were made at prices that dropped steadily from 5.35¢ to 5.15¢. However, latest advices indicate that the market is strengthening. It is reported that there is a better distribution of refined sugar, perhaps influenced by the advent of warmer weather in the United States. Prices for raws are rising and sales of Philippine sugar have since been made at 5.25¢ for August/September shipment. It is estimated that there are approximately 100,000 tons of 1947-48 Philippine sugar still to be exported.

Quotations on the new York Sugar Exchange for the period April 13 to May 11, 1948, under Contracts Nos. 4 and 5, ranged as follows:

CONTRACT NO. 4 (World Market)

	High	Low	Close	Sales
May, 1948	4.50	4.40	4.40	4,200
July	4.50	4.20	4.12	12,950
September	4.49	4.11	4.08	11,050
March, 1949	3.80	3.36	3.34	750
May, "	3.77	3.76	3.34	250
				29,200

CONTRACT NO. 5

	High	Low	Close	Sales
May, 1948	5.00	4.51	4.45	29,850
July	5.02	4.63	4.55	81,500
September	5.03	4.67	4.60	76,750
December	4.99	4.77	4.59	3,300
March, 1949	4.77	4.30	4.27	6,900
May, "	4.73	4.36	4.29	900
				199,200

The domestic market continued firm, with dealers willing to pay up to ₱16.50 per picul, delivered Manila, for the regular grade of centrifugal sugar, and from ₱17.50 to ₱21.00 for the better grades of centrifugal and washed sugars.

The crops in some sugar districts have suffered from a long spell of dry weather and are falling short of estimates. The drought is also holding up the preparation and planting of the new crop and planters are hoping that the rains will come soon to relieve the situation.

The Government has filed an application in Washington for fertilizers for the Philippines from the next international allotment, the greater part of which is intended for application to the 1949-50 sugar crop.

Tobacco

By the Conde de Churruca
Compañia General de Tabacos de Filipinas

THE last reports from the provinces are not too encouraging as to the tobacco crops.

During the month of April and part of May, strong storms in northern Luzon have done nothing to improve them, and only the very late tobacco has received any benefit at all. As a result the crops will be very varied, with a tendency to "lavado". Worms have been rampant, and deteriorated leaves are in a big proportion. This will mean a small percentage of "clases" or whole tobacco ,probably not more than 15% of the whole crop.

In Cebu, on the contrary, excessive dry weather has reduced the crop to 13,000 quintals, instead of the 20,000 that was expected.

Buying has started in the south, and prices are around ₱14 a quintal, with a tendency toward a rise.

A new bill, approved by both houses of Congress, and pending approval of the President, would establish new taxes on manufactured and imported cigars and cigarettes.

Local cigars would not be affected, but cigarettes would be taxed according to the following scale:

Brackets and Importer's Wholesale Price		Specific Tax Per 1,000	
Under the Present Law	As Amended	Present Law	As Amended
(1)₱3.00 or less	(1) ₱3.50 or less	₱ 2.00	₱ 2.00
(2) 3.00 to ₱4.50	(2) 3.50 to ₱4.50	4.00	6.00
(3) 4.50 to 6.00	(3) 4.50 to 6.00	5.00	8.00
(4)More than 6.00	(4) More than 6.00	6.00	10.00

The result of this law would be that cigarettes selling in the last three brackets would be subject to a higher tax.

The lower bracket has been given a ₱0.50 margin, and it is very probable that many of the cheaper imported brands of cigarettes would be able to reach it, and compete with local manufactured products.

How much this competition would affect the local business, is not easy to predict, as many factors are involved one way or other.

Food Products

By E. A. L. Best
Manager, Food Products Department, Marsman & Company

FOR several months the most actively imported staple food product commodity in our Archipelago has been flour. It quite innocently was made a controversial item by certain official and private groups. Flour is abundant in many countries throughout the world. Bumper wheat crops are predicted for this summer and fall. From Washington, OIT (Office of International Trade) announced the third-quarter flour quota for the Philippines to be 720,000 centals, equivalent to 480,000 bags, 50 pounds each, monthly for July, August, and September. This allocation will be sufficient to meet normal requirements.

Many new and unknown brands have appeared in the market, and numerous indentors complain that consumers are buying with too much caution. Bakeries throughout the Islands prefer brands which years of experience have shown will meet their requirements. Costly experimentation is thereby eliminated as the baker knows exactly what quality of bread he will obtain from his formulas and mixtures. Established brands therefore are selling freely at fair prices, whereas unknown grades are moving very sluggishly, even at figures considerably lower.

During the early part of May, the Australian Trade Commissioner offered the Philippine Republic 20,000 tons of Australian soft-wheat flour at a price which (excluding Philippine import duty) was $1.00 more per hundred pounds than that of old established American brands of assured quality. Regardless of the "theorized" prevailing flour shortage, bookings of the Australian product by commercial firms, through government channels were insignificant. Milling, shipping, warehousing, buying, selling, and using flour involves more technology than most people realize. For these reasons, amateurs should watch their step. United States Government export license control of flour is expected to be abolished in the near future.

The market for tinned evaporated milk continued both speculative and short. Government import-control was removed during the first week of April. The March, 1948, importation was 112,480 cases as compared with 196,191 cases for the same month last year. Average 1947-1498 monthly arrivals were 102,635 cases; the pre-war monthly average, 62,000 cases. Due to acute shortages of both milk and tin, United States suppliers on May 21 telegraphed advance notices which necessitated local merchants to enforce a price of ₱17.50 per carton. Distressed operators are selling somewhat cheaper in order to meet banking obligations. Importers expect to see a strengthening of prices, in sympathy with America's supply and demand. Powdered- and condensed-milk sales continue to be conservative. During 1947, the respective importations of evaporated and condensed milks were:

Evaporated	1,739,897 cases
Condensed	345,619 "

The writer is of the impression that firmer milk prices are inevitable.

Some commentators and veteran importers claim there are over 300,000 cases of tinned fish in Manila. Quantities en route and on order are negligible. Even if the aforementioned quantity is immediately available, holders should not necessarily over-worry, provided they can carry their inventories until the coming typhoon season, beginning in July. Local fish catches will at that time diminish, which will automatically result in an increased demand for tinned fish. Mackerel is the only fish which seems overstocked. Salmon, pilchards, sardines, and squid maintain a legitimate level, — with a few speculative exceptions. At the moment, buyers in general are losing money on their existing stocks. It is well known by firms handling fish that importations of dealers during January, February, and March of 1948 were far above normal consumption — hence the immediate predicament.

Oranges remained firm with a tendency towards slightly higher costs and a shortage in larger sizes.

Future potato indications show the possibility of additional United States Government subsidies, which should ultimate in low prices for the season's crop just beginning to be harvested.

Movement in apples is stagnated. Buyers are awaiting opening prices for Gravensteins, which are the first suitable new-crop apples for export. Crop predictions are above normal.

Approximately 30,000 cases of Egyptian onion varities were brought in and disposed of profitably. The Australian product was imported in a similar quantity, but resale values represented losses to indentors. American onions will soon be seasonal and will dominate the market.

Local stocks of canned meat, fruit, vegetables, pickles, and preserves in grocery stores and in the hands of dealers appear to be ample. Prices are in general lower than replacement costs from the United States.

Credits of a number of importers have seemingly become embarrassing. Banking trust receipt facilities are curtailed. Due to the downward trend of local prices, which forced liquidations, many concerns are endeavoring to sell out at best prices offered. Last year's recurring typhoons caused crop devastations of agricultural produce to such an extent that a serious deficiency of purchasing power has reflected its direct influence on fluid capital normally in circulation by local merchants and importers. Reasonable adjustments cannot be expected until new crops begin to be converted into cash. Heavy bank commitments must be fulfilled before traders will be free to liquidate and re-invest their resent inventories.

Textiles

By J. A. Connor

THE totallnumber of textile packages that arrived in April from the United States and China was somewhat less than the March total.

Local prices continued to soften and stocks continued large, with small sales, even though many goods were priced below replacement.

Some new orders were placed with United States mills in a limited number of articles at reduced prices.

Legislation, Executive Orders, and Court Decisions

By Ewald E. Selph
Ross, Selph, Carrascoso & Janda

ALL the bills passed by the last Congress have not yet been approved, and due to the fire in the Bureau of Printing and consequent printing difficulties, the exact text is not yet available for some of the bills passed. However, among those upon which we have some information, are the following:

Republic Act 201 provides for the procedure to be followed for the issuance by a corporation of new certificates of stock in lieu of those which have been lost, stolen, or destroyed after reconstitution of the records of such corporation in accordance with existing laws.

Senate Bill 248 condones interest accruing from January 1, 1942, to December 31, 1945, on obligations outstanding on December 8, 1941.

Senate Bill 127 provides for free emergency denta treatment for employees and laborers of commercial, industrial, and agricultural establishments; for a permanent or retained dentist, if the number of employees or laborers exceeds 400; and for dental examinations of all employees and laborers at least once a year.

House Bill 1045 provides for coastwise vessels having a carrying capacity of 150 or more passengers and making regular voyages lasting more than 24 hours without touching port, to have a competent physician, or if carrying less than 150 passengers but 75 or more, a male nurse.

House Bill 1075 continues in force Act 4166 for limitation, regulation, and allocation of sugar, etc., until the 1973-74 crop-year, but gives the President power to suspend or discontinue the effects of such act.

House Bill 1704 creates the Central Bank. For a summary of this bill, see the April issue of this *Journal*.

It has not been possible to obtain a copy of the text of Senate Bill 298 as finally passed, but as introduced it provided for the repeal of the debt moratorium, and for the payment of all obligations contracted before February 26, 1945, and still remaining unpaid, in instalments over a period of 8 years with interest at 4% from February 26, 1945.

House Bill 1690 provides for increase in taxes on distilled spirits, wines, and other liquors, and also on cigars and cigarettes.

House Bill 1691 provides for collection of sales taxes in advance, subject to adjustment later upon actual selling price. It also revives the exemption from compensating tax on articles imported to be "used by the importer himself in the manufacture or preparation of articles subject to specific tax, or those for consignment abroad and which are to form part thereof".

This law also provides that the compensating tax shall not be "collected on any single shipment to any single person when the total value of such shipment does not exceed ₱100. Goods brought by residents returning from abroad, the value of which does not exceed ₱500, are exempt from this tax."

House Bill 1692, now Republic Act 217, increases the percentage tax on automobiles the selling price of which exceeds ₱7,000, to 30%; on those exceeding ₱5,000 to 15%; on those the selling price of which is less than ₱5,000 the tax is 15%. It also provides for increases on jewelry, refrigerators, and many other articles.

House Bill 1730 waives certain terms and conditions on payments, etc., relative to mining claims, until the end of 1949 unless operations are resumed earlier.

House Bill 1773 amends the limitations on the number of claims one person or entity may hold.

There have been no recent decisions of the Supreme Court covering matters of trade and commerce.

Philippine Safety Council

By Frank S. Tenny
Director, Philippine Safety Council

LIST of commercial or industrial firms sponsoring company safety programs this month:

Manila Electric Company
San Miguel Brewery
Elizalde & Company
Bachrach Motor Company
Gonzalo Puyat & Sons
Rockgas Service, Inc.
Pangasinan Transportation Company.

These companies are engaged in varying stages of the four-phase safety program, composed of (1) Driver Training (2) Fire Prevention and Fire Fighting (3) Industrial Safety (4) Security and Protection.

In addition, the following firms have joined the Philippine Safety Council recently as current members: (As of May 21)

H. E. Heacock Company
Philippine Engineering Corp.
Luzon Brokerage Company
Liggett & Myers Tobacco Company
Manila Trading and Supply Company
Manila Daily Bulletin
Philippine Electronic Industries

A police training program is underway in the Customs Patrol Service.

Special effort is now being made in formulating a safety education plan in the public schools, preparatory to the opening of the new semester. Also, large quantities of safety posters, etc., have been ordered for local distribution.

House Bill No. 1460, An Act Creating the Commission for Industrial Safety, was not acted upon at the last session of Congress. However, intensive effort will be made to bring it before the next meeting.

Local insurance companies are evincing an increasing interest in the safety movement. It is felt that this interest will approach that existent in the United States, where national and local safety councils are backed by and work very closely with the insurance firms.

Public safety activities continue in the several organizations, committees, and positions with which the Safety Council is identified.

United States Philippine War Damage Commission

A substantial and immediate payment of 30% of the amounts approved on war damage claims in excess of ₱1,000 was announced today [May 19] by the United States Philippine War Damage Commission following a preliminary analysis of more than 1,258,095 claims submitted by the end of the filing period on February 29.

Based on this analysis, the revised program of the Commission provides that:

1. All claims approved for ₱1,000 or less will be paid in full and payments of ₱1,000 will be made on all claims approved for more than that amount as previously announced and provided by law.

2. In addition to the ₱1,000 payments on all claims approved in larger amounts, the Commission will make a preliminary payment of 30% of the approved balance.

3. When the final analysis of all claims submitted is made, the Commission anticipates that an additional per-

centage payment will be made so that the total amount paid on all claims approved in excess of ₱1,000 may approximate 40% of their approved value. The Commission emphasized, however, that various factors might influence the amount of final payments, and warned claimants and other interested parties that the present estimate should not be accepted as conclusive.

The making of preliminary payments in excess of ₱1,000 means, the Commission declared, that as rapidly as the large private claims can be approved, substantial sums will be released to industry, business, and agriculture for the purchase of machinery, equipment, and supplies required for prompt Philippine recovery.

In a joint statement, Chairman Frank A. Waring and Commissioners Francisco A. Delgado and John A. O'Donnell said:

"The Commission has made its preliminary payment as large as it deems consistent with safety in order that substantial payments may be made as soon as claims are adjudicated. In this way the Commission hopes that the payments made will provide the maximum contribution for the economic rehabilitation of the Philippines."

The Commissioners warned that the Rehabilitation Act specifically provides that payments made on war damage claims must be reinvested so as to further the rehabilitation or economic development of the Philippines, as defined in the law and the Commission's rules and regulations. The Commission will not pay any claimant who is not prepared to make such reinvestment.

In making its announcement, the Commission emphasized that the payments on all claims will be based on the amount approved by the Commission and not on the amount claimed. In most instances depreciation and other factors have forced the Commission to make substantial reductions in the claims as originally submitted. For example, the Commission pointed out, a claim might be valued by the claimant at ₱20,000 but, because of depreciation and for other reasons, the fair value of the damage at time of loss would be fixed at ₱11,000. As the law requires that a payment of ₱1,000 must be made on all claims approved in excess of that amount, a balance of ₱10,000 would remain. The preliminary payment in excess of ₱1,000, therefore would apply to the ₱10,000 figure instead of ₱11,000. The claimant consequently would receive ₱1,000 plus 30% of ₱10,000, or a total of ₱4,000.

The Commission pointed out that the United States Congress authorized the appropriation of ₱800,000,000 in the Philippine Rehabilitation Act for compensation on private claims. In this connection the Commission said that the amounts appropriated for private claims payments and administrative expenses of the agency thus far total ₱160,000,000, and an additional ₱190,000,000 has been approved for the fiscal year beginning July 1. The

Rehabilitation Act provides that ₱776,000,000 will be made available for private claims and not more than ₱24,000,000 will be appropriated for administrative expenses of the Commission which must conclude its affairs by April 30, 1951.

The 1,258,095 private war damage claims which the Commission received during the filing period March 1, 1947, through February 29, 1948, had a claimed value of ₱2,425,917,212, or three times the over-all amount authorized by Congress. Claims valued at ₱1,000 or less aggregated 80 percent of the total number of claims. The average value of these claims was ₱513.69. The average value of all claims was ₱1,927.15.

Consolidation of some of the claims received, and the elimination of duplicate claims submitted by some who wished to preclude any possibility that their claims might not be on file, will influence not only the final computation of the number of claims but also the amount claimed. This situation, as well as the fact that many claimants may have listed properties which were not covered by the Philippine Rehabilitation Act, are expected to have a definite bearing on the final percentage payments that will be made on claims approved in excess of ₱1,000, the Commission emphasized.

Philippine Foreign Trade 1899-1947

(*Continued from page 200*)

Abaca (Manila Hemp).—This is another major product of the Philippines which is helping to buoy up our export trade. Exports of abaca fiber in 1947 totalled ₱63.4 million and came next to copra among the 10 leading exports of the country. This figure was unsurpassed for the last 20 years, the nearest to it being that of 1929 when the total abaca export registered ₱56.8 million, of which 43.2% went to the United States, 21.0% to Great Britain, and 18.8% to Japan.

Like copra, abaca or Manila hemp is another article which does not pay customs duties in most countries of the world. These two articles are among several of our Philippine raw materials whose importation is encouraged by the manufacturing countries of the world.

Coconut oil.—Coconut - oil exports further enhances the position of the coconut industry in our present economy. Fourth most important export product of the country in 1947, it used to occupy as high as the 2nd place, coming next after sugar. The total export in 1947 was ₱13.9 million, as against the all-time high of ₱58.4 million in 1929. Some 65.6% of the exports have been going to the United States, with Italy, Netherlands, British Africa, among the lesser buyers.

Desiccated Coconut.—This is another coconut product which, like coconut oil, is manufactured locally for consumption in the United States. Like the coconut-oil industry, its establishment in the Philippines is benefitting not only the coconut growers, but the laboring class also.

Desiccated-coconut is the third most important export product, with the 1947 trade in it going over ₱19 million in value, as compared with the pre-war highest of ₱13 million in 1937. Another peak was registered in 1941, with a total export of ₱12 million. Lowest recorded exports came during the depression year of 1933 when the trade came to only slightly over ₱3 million.

Tobacco and tobacco products.—The Philippine tobacco industry, hard hit by the war, is picking up. Exports in 1947 totalled ₱4.4 million as against only ₱2.5 million in 1946, or an increase of 75.1%. The pre-war trade rose from 3rd to 7th place, but in 1941 it went down to 10th due to the war-threats. The highest export figure was registered in 1928 with ₱17.6 million, and the lowest in 1941, only slightly more than ₱7.2 million.

The rehabilitation of war-destroyed tobacco factories and improvement of the currency position of various European countries will contribute a great deal to the revival of our tobacco industry.

Embroideries.—The embroidery industry, almost completely wiped out by the war, showed signs of revival in 1947. The high cost of labor due to inflated living-costs and the difficulty of finding factory buildings big enough, have been serious obstacles to full-scale revival of this important industry. The few establishments operating, however limited their output may be, were largely responsible for the 1947 exports which reached almost ₱2.5 million in value, the shipments going mostly to the United States. The highest pre-war trade was in 1929, when the export went beyond ₱12 million; lowest was less than ₱4 million registered in 1933.

Lumber.—The export trade in lumber is not as impressive as that of other articles of export. The reason for this is that the exportation of this vital building-material is kept under government control to enable the country to rebuild its war-devastated towns and cities as rapidly as possible and to keep prices within reasonable bounds. Hence, post-war exports have not figured among the first ten. In pre-war years, yearly exports averaged close to ₱5 million. The highest export trade was in 1941, almost ₱9 million; lowest in 1932, less than ₱2 million.

Best pre-war consumers of Philippine lumber and timber were Japan, United States, China, and Great Britain.

Copra Meal and Cake.—By-products of the coconut-oil industry, copra meal and cake, contributed between ₱2 million and ₱7 million to our total export trade before the war. Used as cattle feed and as fertilizer abroad, the best consumers in the order of their importance were Germany, United States, Denmark, Norway, Sweden, and Netherlands. With the revival of coconut-oil manufacture has come also the revival of the exportation of this commodity to European countries, with Sweden, Norway, Belgium, Netherlands, and Denmark bidding for available supplies in the Philippines.

Cordage.—This is another manufacturing industry which was wiped out by the war and which is now making efforts to come back to life. Post-war exports reached close to ₱3 million in 1947, as against ₱3.5 million in 1940, the pre-war high. Lowest pre-war exports were close to ₱1.5 million annually, with the shipments going to the United States, British East Indies, Siam, Puerto Rico, and several South American countries. Post-war exports have gone to the United States, Malaya, British Africa, Chile, and other European and South American countries.

Other Export Products.—Other export products worth mentioning are maguey, shell-products, crude rubber, rattan furniture, and hides and skins, which are on their way to full recovery from the dislocations caused by the war. The exports of maguey have been the most impressive, reaching ₱3.3 million in 1947. The other exports figured among the first ten leading exports in 1946, and their trade follows: Shell-products, ₱1,015,000; rattan furniture, ₱981,000; hides and skins, ₱762,000; and crude rubber, ₱525,000. These articles were also exported in 1947, but they were not among the first ten that year.

MERCHANDISE TRADE BALANCE

What is our trade balance? Does the scale tip in our favor or against us? Confining the review to a period of 39 years, from 1909, when free trade relations with the United States were instituted, up to the present, it will be seen that the Philippines had only a slight edge of ₱133 million representing the country's favorable trade balance.

The trade with the United States, alone, shows a favorable balance of ₱447,056,094. Trade with Great Britain, France, Spain, Hongkong, Hawaii, Norway, and Belgium is nearly balanced, but we are still debtor to Australia, Belgium, British East Indies, Canada, China, Dutch East Indies, French East Indies, Germany, and Switzerland. Without the free trade with the United States and the operation of the so-called "triangulation of trade," we would have been deep in the red.

All in all, we have done well as a nation emerging from long years of colonial exploitation. In spite of our limitations we have done well by ourselves and by our neighbors. There is every reason to hope, now that we are independent, that the past half-century's favorable trend in our international trade will continue. The present graduated free trade with the United States still insures our market. Already, our businessmen are beginning to be less timid and more enterprising, and more and more Filipino capital is being utilized in large-scale foreign trade. Barring another war, our position in the international trade of tomorrow seems assured.

Investment Opportunities and Responsibilities

(*Continued from page 197*)

confine its own activities to regulation designed to promote the public welfare.

It is obvious that foreign capital will be reluctant to enter a country unless it is certain that taxation is equitable and impartially administered. It is equally obvious that foreign capital will shun a country where the sanctity of contracts is not meticulously observed, and where the basic rights of private property are not respected. Unless these essentials are present in a high degree, private investors cannot risk the loss of their entire capital investment, as well as their anticipated profits.

These businessmen in the United States stated that, if a country earnestly seeks new capital, it should not burden that capital with excessive restraints through administrative regulations, provided the business is legitimate and operated with the expectation, through efficient management, of no more than a reasonable profit. American businessmen are perfectly willing to contribute through taxation and employment to the general welfare. They wish, however, to be able to devote their full time and attention to the success of their enterprise, as free as possible from annoying restrictions which impose upon their time and energy. Moreover, they are adamant in the belief that those regulations which are deemed essential should be administered with strict impartiality.

Finally, capital can be most easily induced to embark upon a new venture if the attitude toward it is one of cordial hospitality. In the United States, cities and towns, particularly the small ones, upon learning that a factory may be located within their boundaries, customarily seek to obtain a decision in their favor by offering profitable concessions of various kinds, including in some cases free building sites and exemption from local taxation for a stipulated period. Capital is not encouraged, if the prices of building sites are doubled when it attempts to buy, and if there is talk of increased taxation.

American capital does not seek freedom from all restraints. It *does* seek equitable and impartial treatment if it is to venture abroad. American capital has much to gain by investment in the Philippines. The Republic and the people of the Philippines have even more to gain if it does so. It would seem to me, therefore, to be right and proper, in fact it would seem to me to be in the best interests of the Philippines, if careful thought and attention could be given to the establishment of conditions which would induce American capital to enter this country in larger volume than it has in the past. Such capital can make a great contribution to the growth and wealth of the Philippines. But since this is a competitive world, the conditions offered must be competitive conditions. This is your opportunity!

The "LET YOUR HAIR DOWN" Column

SOME of our constant readers were surprised to see a *Journal* editorial published in the *Sunday Times* for June 6, some two weeks before it could appear in this issue of the *Journal*,* though they have become quite used to seeing *Journal* editorials reprinted in the local press after an issue of the *Journal* comes out. This was, in fact, the first time we have allowed such advance publication, and the reason was that we considered publication urgent. Certain elements were pressing for immediate and radical action by Malacañan in the matter at issue, and we believed that in view of this, the facts should be brought to the attention of both the public and the Government. A courtesy advance draft of the editorial was sent to President Quirino even before publication in the *Times*. The reader-interest of this issue of the *Journal* may thereby have been diminished somewhat, but the sacrifice was made in the public interest. We do not seek aggrandizement for the *Journal* as such, and only wish to play as representative and constructive a role as possible, in and through the *Journal*, within its pages or out, in Philippine economic and business life. If, at times, we are critical, that criticism is never merely hostile, and the aim is always to contribute to the further up-building of the country.

* "Flour: —Who is the Strangling Whom?" published in the *Times* under the caption, "American Chamber's Journal Blasts Cuaderno Charge".

A former old-timer in the Philippines, now in the export business in Los Angeles, recently sent us a few kind words:

"I recently received several copies of your *Journal*. You have certainly developed a medium which should proved helpful and profitable to the members of the Chamber and their business associates. Some time ago I required at the local Philippine Consulate regarding some point in connection with recent legislation in Manila, and was pleased to see that they brought out their file of the *Journal* to get the facts . . .

"Very sincerely,

"C. A. Gardiner."

"Dear Editor,

"I see by the papers this morning that the May *Journal* editorial on the Import Control Bill has drawn blood. Congratulations.

"Who are these 'highly placed Philippine government officials and business executives' anonymously quoted by the *Times?*

"The attack on the Washington OIT (Office of International Trade) and IEFC (International Emergency Food Council) by 'these local spokesmen' is highly injudicious and indicates that the PRATRA gang will not hesitate even at embroiling the Philippine Government with the United States Government in the attempt to maintain its discriminatory and unfair policies.

"Previous news reports had it that these local spokesmen were 'highly indignant'. What were they so indignant about?

"They were indignant because the OIT and the IEFC in Washington have not fallen in with the schemes of PRATRA in channeling the export of American commodities in such a manner as to drive long established and legtitimate American business enterprises here bankrupt by arbitrarily taking business away from them and turning it over gratuitously to those favored by PRATRA.

"Reckless attempt is further made to arouse nationalistic and racistic resentments in support of this injustice and this impolitic folly.

"What good can any of this possible do the Philippines and the Filipino people?

"Filipinos are in natural course taking a rapidly growing part in the country's business. This movement is sound and desirable. But it will turn highly unsound if flagrant injustice is resorted to in an attempt to hasten the process, or, worse, to turn the country's business over to the *amigos* of 'highly placed' government officials.

"More power to the *Journal*."

(*Name withheld*)

"Dear Mr. Editor,

"I have the honor to report as follows:

"I am the one who wrote you last month and who you called an *ambitious office boy*. Thanks for the compliment. I think my boss suspects that it was me who wrote that letter you put in the *Journal* which I was proud to see. He has been looking at me in a funny way. I hope he will not think I am a dissatisfied employee. But shall I be an office boy all my life?

"I followed your advice to ask those squatters in the walled city how they got the real estate they squat on, but it was very hard for me. I asked one of them and he just looked at me with complete silence, and when I smiled his features did not move. The next fellow I asked must have thought I was a *secreta* or a gangster because he started calling his friends together and I politely smiled to him also and said goodby quickly. So I gave up the investigation and I hope you will not blame me. I did not say I was from the *Journal*, so that's allright.

"I am very ashamed that I am a failure on this one, and I hope you have another investigation for me that is not so hard and that people will answer. I would like very much to be an investigator for the Press. My sister thinks that is very good too.

"PS. We have given up our plan to squat a refreshment stand near the Malacañan Gate. My sister thinks you are right about what you said. We would not be permitted. So what's the use of sticking our neck out?

"PPS. Our typist in the office told me about this PPS. Please, Mr. Editor, give me another assignment. Put it in your *Journal*. I am waiting for the next issue. Please give me another chance. I shall try hard and when I get the goods I shall come to your office. May be you will have something better for me than the job of office boy.

"Yours respectfully,

"X."

Well, the editor has put his foot in it. That's the trouble with writing letters. You never know just what reply you may get. The lad, "X", took him at his word as to "field work" and now, in classical language, he is hoist by his own petard! What can he say to the poor kid?

Poor kid, nothing, said the editor. He's a good lad. Note how he protected me by not mentioning the *Journal*. He did that just right. He should never mention the *Journal* in any of his subsequent investigations. And we'll think of something all right, and pay him, too, if he makes good. But he shouldn't come to the office. The whole connection should remain private and confidential. It would be better if we did not know each other personally and just corresponded. And he should hang on to his regular job, too. There should be a future for him right where he is. Just let him keep his mind on his work and he will no doubt be promoted in due time to clerk, secretary, salesman, department manager, and perhaps even general manager. What would "X" want to bother with the press for? Looking into something or other once in a while and sending an editor a note on it, is one thing, but should one sacrifice one's business career to that? No "X". Don't. If "X" is really serious about continuing his investigating, and wants to try once more, how about trying to find out something in his spare time about this war-surplus business and reporting direct to the official Committee presently investigating the affairs of the Surplus Property Commission? He could send the *Journal* copy of his report.

The other morning, as the editor was about to leave his home for his office and he said goodbye to his grandchildren, — Helen, Emily, and Eric, tots ranging from five to two years old, who had just had their bath and were being dressed, they asked him to wait. "We want to *goodbye you*", said Helen. This meant that, as usual, they wanted to go into the patio, in front of the house, and shout and wave their goodbyes. But the editor caught his breath for still another reason. They had used the word *goodbye,* technically and stuffily designated a noun and an interjection, as a transitive verb in the most natural and lucid manner. So he waited, and when they had their dresses and shoes on, they went outdoors, and, their lovely morning faces shining, they goodbyed him and he goodbyed them back again as long as he could see them. One of the things he was marveling about was that he was learning English from them.

Taxability of Foreign Income for 1948 of American Citizens Abroad

By W. W. Diehl
Treasury Attache, United States Embassy

IN general, citizens of the United States are subject to the United States income tax regardless of where they reside, even though they may own no property in the United States and may receive no income from sources within that country.

If an American citizen is abroad, he is taxable—

(a) on income that is received within the United States regardless of its source;

(b) on capital gains and investment income derived abroad, except in cases where he can show that a certain portion of his income was derived from sources within a possession of the United States, such as the Panama Canal Zone or Puerto Rico; and

(c) on earnings received from employment and personal services outside the United States (meaning, for this purpose, outside the States, the Territories of Alaska and Hawaii, and the District of Columbia) unless he establishes to the satisfaction of the Commissioner of Internal Revenue—

(1) that he was a bona fide resident of a foreign country during the entire taxable year and that the earnings were received from an employer other than the United States or one of its agencies, or

(2) that such income was earned and received in a possession of the United States as indicated above.

If he goes to a foreign country to work on a temporary job, he cannot be classified as a bona fide resident of the foreign country even though his assignment keeps him abroad for the entire taxable year, or longer. If, however, he leaves the United States for a "career" in foreign service—that is, on an assignment not obviously temporary in character—he is classified as a bona fide resident of the foreign country or countries.

If he begins his foreign residence during the taxable year, he is not entitled to the exemption for that year, but once bona fide residence in a foreign country or countries has been established, temporary absence therefrom in the United States on vacation or business trips will not necessarily deprive him of his status as a bona-fide resident of a foreign country.

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