

Quezon Asserts Philippine Trade Balance Benefits U. S. Also

Wants America taught value of our purchases from her, and the Philippines taught importance of American market to them—that commercial relations may be permanent

Senate President Manuel L. Quezon, majority leader and head of the mission to Washington that brought back to Manila the Tydings-McDuffie act to establish a 10-year commonwealth eventuating in independence, addressed the American chamber of commerce at a luncheon in his honor Friday, May 11—members and their guests to the number of about 200 persons thoroughly representative of the American and cosmopolitan business community of the islands. President H. M. Cavender delivered the welcome, his words appear in a box next page. The following version of Mr. Quezon's address derives from the stenographic report of it made jointly for the *Tribune* and the *Bulletin*:

"Mr. Chairman, Secretary of the Chamber of Commerce, Guests:

"The last time, and maybe the only time that I addressed the American Chamber of Commerce was several years ago. I quite well remember the faces of the gentlemen around me. It was a very hostile crowd when I started to speak, and I think it was a very friendly crowd when I finished. The guests I see this time are not a happy crowd, but they seem to be at least a friendly crowd. I hope that when I am through that it will not be a hostile crowd. I am very happy, Mr. Chairman, to be your guest, not only because I consider it an honor to be a guest of the Chamber of Commerce, but because I will have the pleasure of addressing you and discussing the great economic problems that all of us must face.

"The Congress of the United States has enacted the McDuffie-Tydings law, which purposes to grant independence to the Philippine Islands in ten years after the establishment of the Commonwealth. You all know that there has been, and still is, the greatest political fight among the Filipino people on account of the rejection by the legislature of the former Hare-Hawes-Cutting law. The McDuffie-Tydings law in its economic provisions is exactly like the Hare-Hawes-Cutting law, but in the political provisions there is a substantial difference. While under the Hare-Hawes-Cutting law the independence to be granted to the Philippine Islands was not complete, under the McDuffie-Tydings law the United States renounces completely the right to maintain military bases.

"While the economic conditions of the McDuffie-Tydings law are those of the Hare-Hawes-Cutting law, there is this that can be said at this time with reference to the McDuffie-Tydings law:

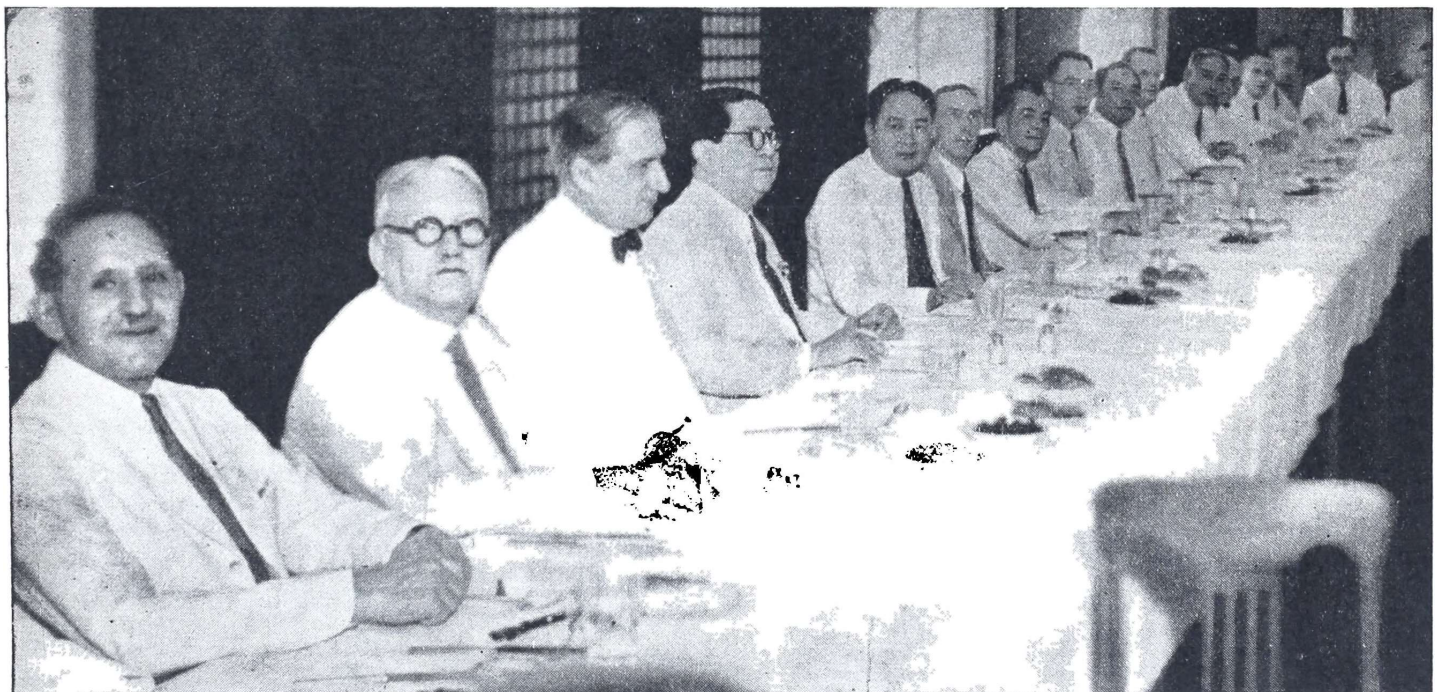
"As you all know, the McDuffie-Tydings law was enacted by Congress after the President of the United States had sent a special message recommending the enactment of that law. The President states that such inequalities or imperfections as may be found in the provisions of the law can be corrected. We must bear in mind that the objections of the Phil-

ippine Legislature to the Hare-Hawes-Cutting law are responsible for the meaning and import of that clause. The President, when he wrote this, had before him the resolution of the Philippine Legislature stating all those objections to the Hare-Hawes-Cutting bill. He also had before him my own memorandum, that of our mission. Of course the political aspects of the provisions of the Hare-Hawes-Cutting law were discussed by the legislature, and my memorandum made it plain that in order that the government of the Commonwealth might be safe and assured of success it was necessary that all economic provisions of the law be amended.

Of course the legislature accepted the McDuffie-Tydings law in good faith, but in accepting it in good faith it also placed its confidence in the encouraging statements of the President and in the attitude of the responsible leaders of the United States Congress. I will not dare to assure you, gentlemen, that the provisions of the McDuffie-Tydings law will be amended. All I am willing to do is to recall those words of the President, as I have done. It is true that due to the fact that a committee is coming from the United States to investigate further conditions in the Philippine Islands and see that we have every reason to be able to expect the freedom which the government of the United States has taught the Philippine Islands during all the years of American occupation, that if this committee should find that these economic conditions are going to cause serious injury to the people of these Islands, are going to jeopardize the success of the government of the Commonwealth, and later of the government of the Philippine Republic, that those members of the committee will recommend to Congress that these provisions be amended; and if the President of the United States is convinced that these recommendations are based on facts, he will recommend carrying them out.

"You will remember that I said in my memorandum that as far as the political capacity of the Filipino people to establish an honest government was concerned, the question which may be in the way of that success is the economic situation of the Islands. Under the terms of the Hare-Hawes-Cutting bill the sugar industry will be crippled. I may add that after the enactment of this law an excise tax on coconut oil has been imposed. We will be worse off unless some remedy is immediately forthcoming. The time is past when a government can be established at the expense of the people, making them pay high taxes and without giving them anything in return for the taxes they pay. The time is past when the governments are satisfied with collecting taxes and spending them on armies and navies with which to support, defend and maintain a dynasty. Governments, in order to be safe, to be stable, to receive the support of a people, must have money to devote to the improvement of the people and to the necessary administration of good laws.

"These are things that the community demands from their government. Therefore it is absolutely necessary if we are going to succeed in the establishment of the government of the commonwealth, it is absolutely neces-



Senate President Quezon at the American Chamber of Commerce. May 11

Left to right at Guest-of-Honor table: J. P. Heilbronn, J. W. Hausermann, H. B. Pond, Mayor Tomas Earnshaw, Rep. E. Rodriguez, Director Kenneth B. Day, Senate President Manuel L. Quezon, President H. M. Cavender, Speaker Quintin Paredes, Director J. C. Rockwell, Hon. Rafael R. Alunan, L. Weinheimer, Director E. M. Grimm, F. H. Hale, L. L. Spellman, F. J. McSorley, and N. H. Duckworth.

sary to place the government of the Philippine Islands, to place our people here, in a position not only to continue the work which the government has been doing but to improve it. And therefore the problems that we are concerned with, the problems of the government as well as our people are economic.

"For many years the American Chamber of Commerce has been telling the Filipinos that they should divert their attention from politics, and concentrate more on the economic situation of the Philippines. I must confess that I have been one of those who have dissented, and I must confess that if the situation was to be repeated, and the Chamber of Commerce advised it once more, I would have to dissent again, because of the lack of knowledge you have of why Filipinos talk of the political, with utter disregard of the economic aspect. Now, gentlemen, I am going to speak to you as I always do, frankly. It is so natural, so human, that every civilized community should want to manage its own affairs that as long as the Filipinos did not feel, did not see that they were going to have that right and exercise it, they insisted on making a fight for it. Now we have an assurance that in a very short time the officials of this government are going to be Filipinos and we will have the right to govern ourselves. Not only that, we are going to be allowed to make use of it. It is natural that we should give our consideration and attention to the all-important aspects of this government, without which we can never make a success of the natural right that we have to govern ourselves.

"When I went to the United States the last time, the first few speeches that I delivered were devoted to the question of the future economic relations between the United States and the Philippines. I tried to convince many audiences in America that the continuance of trade relations between the United States and the Philippines on the basis of reciprocity was not only beneficial and even necessary to the Philippines, but was also beneficial, if not necessary, to the United States. I think we all agree on that. But there is no use of arguing about this. The American Congress as constituted at present is determined to close the American market to the Filipinos. They have been made believe, through a well organized and carried out campaign, that our products are competing with certain important American products. And these members of Congress hear the demand of their respective constituents to shut out these Philippine products, which in their opinion are competitive with their American products.

"We will have to institute a well organized campaign in the United States to convince the American people that our sugar is not competing with beet sugar. It is

competing with the Cuban sugar, but the Cuban sugar is not American. Our oil is not injuring American production. Our tobacco is not injuring American tobacco. Now that they have succeeded in bringing the Filipino people to buy American products, a particularly good market for American products has been opened up. If they do away with the trade relationships of the two countries they will close this market to the American people.

PRESIDENT CAVENDER'S INTRODUCTION

"Mr. President, our other distinguished guests, and fellow American business men:

"In view of the unsettled conditions existing at this time because of the uncertainty of possible future events, this chamber considered it advisable in the interests of business to secure at first hand the opinion and ideas of one who can speak with authority and knowingly of what we may expect.

"As we all know, an independence bill was passed recently, and, under its provisions, certain trade relations to last for the period of ten years were, to say the least, implied. Unfortunately, however, the ink of the President's signature to this bill was not dry when lobbyists in Washington, inimical to Philippine interests, began presenting measures restricting our possible trade in Island products with the United States. Congress has already passed measures relative to sugar, coconut products and tobacco, and executive action has been taken concerning lumber—all of which are detrimental to our interests.

"The effect of these measures will be reflected not only in our trade and economic welfare, but there may be political repercussions seriously affecting capital, labor, and public order.

"As matters now stand, it looks very much as if one sugar crop out of three must be eliminated. The duty of Cuban sugar has been reduced by one-half cent per pound. Between this and restriction as to the amount of sugar that may be shipped to the United States free of duty, we are facing a reduced sale value of our product.

"The excise tax to be imposed upon our coconut products will be ruinous to that industry, which affects one-third of the entire industry of the Philippine Islands.

"A reduction in the United States internal revenue—which it is proposed to grant to United States domestic cigars—will partially, if not wholly, paralyze our export cigar industry.

"The quota restrictions on our lumber will put this industry at the mercy of foreign buyers. Already a large number of mills have shut down entirely, and those actually operating have greatly curtailed their production.

"With all these obstacles, is it to wonder that the merchants and manufacturers of Manila view with some alarm the future outlook for business in this Archipelago? All we have been able to do up until now is to conjecture. One man's opinion is as good as another's, and, I am sorry to state, the great majority of such opinions is very pessimistic. There, in order that we may be set right on our course, and have a firm foundation for our future action, the Chamber has asked the Honorable Manuel Quezon to give us some words of enlightenment and to suggest our course for the successful navigation of the ship of commerce at this time and during the incumbency of the commonwealth government.

"Americans do not want to go out of business in the Philippines. They will not go out of business unless it becomes apparent that conditions external and internal are such that they can no longer carry on.

"There is no necessity to introduce our guest as he is known to all of us. Therefore, I will content myself with merely presenting Mr. Quezon, heed well what he has to say. Mr. Quezon, what is your answer?"

PRESIDENT CAVENDER'S CLOSING REMARKS

"We have all heard and paid close attention to the remarks just delivered by our guest of today, and I feel sure that his remarks have gone a long way towards quietening fears that may have been entertained up to now.

"American business men are in the Philippine Islands to do legitimate business, and I can assure Mr. Quezon and the other leaders that the members of the American business community will cooperate in any honest and intelligent effort aimed to improve business conditions here and to permit us to continue carrying on the business which we have so laboriously built up during the best and most productive years of our lives.

"We want no part in politics, because the farther business keeps from politics the better. All we want is justice and impartiality and a fair measure of protection on the part of the duly constituted government now and in the future.

"I thank you, Mr. Quezon, our other distinguished guests, and members, for honoring us with your presence on this occasion."

"I have noticed and have read the speech delivered by my good friend Mr. Pond before the Rotary Club yesterday. Last night, at the party given by the Chinese Consul-General in honor of Dr. C. T. Wang a Filipino friend of mine took the matter up and asked me to read this speech, so I would have some remarks to make on it here. Now I am glad that I did. I am glad I read it, not because I am going to say something that is not supported by Mr. Pond. Mr. Pond is recognized as a great economist, but he made a very incautious statement in his speech. I will say to Mr. Pond that that part of his speech is going to be distributed all over the United States by the sugar people.

(Want of full accuracy prevents using the stenographic report in this portion of it; but the reference was to the latter portion of the Pond address, in full in this issue of the JOURNAL, dealing with balances of Philippine-American trade unfavorable to America.—Ed.)

"We must always have a balance of trade, not only because it is to our interest, but because it is to the interest of the United States as well. What good does it do an American exporter to have his goods not paid for? That is just the very thing that is happening to America now. What happened in Cuba? America spent billions of dollars there. In the beginning the trade balance was favorable, then the Cubans began using the same money they were borrowing from America and soon were falling in debt. The American exporter was selling to the Cuban nation with the same money that Wall Street had loaned to Cuba. Yet the Filipinos buy textiles, iron, etc., with what they get in America for their own products. America might have a very nice balance sheet. But which is best? To have a good balance sheet or to have the cash in your pocket?

"Now again, in considering the balance of trade we must take into consideration certain investments that have been made. However, I admit that at this time the balance of trade is unusually large in favor of the Filipinos. In a way it is not the lack of desire of the people of the Philippines to be in with the American exporter. If you examine the records of our balance of trade of a few years ago, you will find that there was then much difference either way.

"As a result of changes in the monetary systems of the different countries of Asia and Europe, etc., they have been able to send their products into the Philippines at a much lower price than American products could be sold. And much of this was done before the United States went off the Gold Standard. Therefore, we bought the products that were cheaper rather than those that were more expensive but of the same quality and it was due to this that we went to America on the *Empress of Canada* and *Empress of Japan* when friend Cavender here did not have the *Coolidge* and *Hoover*. Seeing this, Mr. Dollar realized that we are not foolish and he built new boats.

"And I want to see this government made as it should be. Please remember that one year ago the Philippine legislature enacted a law—the anti-dumping law. We have enacted a law compelling foreign exporters to the Philippines to pay the duty on their goods at gold values, and have raised the duty on other goods. But I want to say this to Mr. Pond, and to every American exporter, they should remember that when large trade balances in favor of the Philippines came to pass as a result of changes in the monetary systems, etc., these changes which were the result of the economic depression of years ago, the government of the United States was trying to put a limitation on the free exportation of Philippine products into the United States. Now please see that it was very hard to get the Philippine legislature to pass a law to protect American importations when the legislators saw the American Congress trying to reduce our exports. Unless the Philippine legislature had succeeded in passing such a law, conditions would have been the reverse. It was very hard to tell our colleagues in the legislature to enact this law when they saw our friends and colleagues at Washington trying to reduce our exports to the U. S.

"Now proceeding, we cannot depend entirely upon the goodwill of any President, any Secretary of War, or any leader of the U. S., which has a democratic government, a government that answers to public opinion.

"Now let us get together and do what our enemies have been doing in educating America. Let Americans see that our products here are not doing them any harm. Let them see that the different products of this country are the combined efforts of America and the Philippines, and a work of which any nation would be proud, and make them feel foolish in letting the work which they have done here go to pieces and perhaps be profited by, by others who had nothing to do with it. (Reference was here made to vain proposals and effort toward finding other markets than the United States for Philippine products—markets which never materialize.—Ed.) There are other markets, but they don't pay. We do not want to sell and get I.O.U.'s in exchange for our products, because we cannot support our people here with I.O.U.'s. Let's get together in the interests of both countries to perpetuate trade with America. Whether

the Philippine Islands are under their control or not, we must convince the American people that while the Filipino people are getting the benefit from their trade with America, America, on her part, is going to profit from her trade with the Philippines.

"Mr. Cavender says that Americans who are in business here do not want to go, they want to remain, to stay under circumstances which are not adverse. Now, gentlemen, if I can speak for my people, I want to say that I hope not only will Americans but foreigners who have invested in the Philippines keep their investments here. Where is the country that offers a better opportunity in the way of rapid development? And I am positive that under the government of the commonwealth and the government of the Philippine republic, when established, foreign capital here will receive due consideration. As a matter of fact, as far as the Americans are concerned, the Tydings-McDuffie act gives them special rights with Filipinos, and it is right that we should give evidence to the government and people of the United States of our gratitude for the work she has done during the last 35 years in the developing of this country, not in words, not in beautiful speeches, but in evidence. The best evidence we can give, gentlemen, of our good will and our gratitude is by giving the opportunity to the Americans who are in the Philippines to make good.

"As a matter of fact, I believe it is essential for the success of the people and for the success of the government of the Philippines that the trade relationship continue. It is a guarantee, not only of the economic stability of the people of the Philippine Islands, but likewise of the stability of the government of the commonwealth and the future government of the Philippine republic.

"Although no guarantee will be given by the government of the United States to help us, I know positively that the President and the leaders of Congress are sympathetic judging from the editorials of all the papers of the United States. I know that your government is not going to let the Philippines go to the dogs. They have a great sincere sentimental attachment for the people of these Islands. They feel proud of the work they have done and they are not going to let anything happen that will destroy that noble ideal which has been theirs in the Philippines. I am positive they will stand by us, and they are going to extend to us a helping hand until we have succeeded in arriving at a very safe port. You, gentlemen, are the only ones that can injure yourselves; if you get panicky and begin to doubt everything and export your money, you of course are going to suffer. But if you have faith in your government, if you have faith in your people, as I have faith in your government and in your people and as I have faith in my government and my people, I am sure that nothing will happen that will stop the onward march of the progress of this country. You have made me happy by offering me this opportunity to speak to you today."

Pond Suggests . . .

(Continued from page 7)

taxes collected from the people of the United States have reverted to the Philippine treasury.

5th: That the coconut oil excise tax bill, as passed, gives to the Philippine Islands a preference of two cents, United States currency, a pound over coconut oil imported or made from copra imported from any foreign country, thus giving to the Philippines a practical monopoly of the coconut oil and copra business in the United States. Not only that, but the excise tax to be collected on Philippine coconut oil, and on coconut oil made from Philippine copra, is to be paid to the government of the Philippine Islands. Assuming that there is no reduction in the consumption of coconut oil as a result of the tax, this will amount to about P40,000,000 a year. This is a tax on the people of the United States for the benefit of the Philippine Islands. The principle of this excise tax may be condemned: but at least Congress has given a decided preference to the Philippine Islands and, even now, Congressional leaders are trying to secure the approval of a new bill which will exempt Philippine coconut oil from the tax.

"6th: That the proceeds of the processing tax on sugar to be collected under the authority given in the Jones-Costigan bill, amounting to about P20,000,000 a year will likewise be paid to the Philippine Islands. This tax also will be paid by United States consumers for the benefit of the Philippine Islands.

"In years gone by we have heard quoted here the oratorical statements of Patrick Henry. One of the things he railed against was taxation without representation. One is tempted, perhaps facetiously, to remark that with the return to the Philippine Islands of these large sums collected from the taxation of the American people, and with the inauguration of the Commonwealth Government, the people of the United States without their having representation in the government of the Philippine Islands. The rôles have been reversed.

"I have heard it stated many times, and, in fact, have read in official reports, that the present

free trade arrangement with the United States is unfair to the Philippines, because, while to be admitted free of duty into the United States a Philippine product cannot contain more than 20 per cent in value of foreign materials, there is no such limitation as to United States products. The makers of such statements have not faced the facts. The United States has a high, protective tariff; the Philippines a low tariff, principally for revenue. It would not be fair to permit foreign materials to be imported into the Philippines, paying a relatively low rate of duty, and then by a simple process costing but little, to enable them to be admitted free of duty into the United States. Without such a limitation that is just what could, and would, be done. On the other hand, such a practice is hardly possible as to imports from the United States, for the duties in the United States generally are high. If foreign materials were used, therefore, their cost, after paying the duty, probably would be much higher than the duty paid cost of the same materials imported directly into the Philippines from abroad. No drawback of the United States duties can be secured, for one of the free trade limitations, working both ways, is that no drawback be claimed or allowed.

"I remember an official report a few years ago in which this question was discussed, and an example was given to show that this 20 per cent foreign material limitation is one-sided. It was stated that coffee could be imported into the United States from, say, Brazil, and then merely by roasting and grinding it and packing it in tins, it would be admitted here free of duty. The writer of this report couldn't have picked a worse example, for he was all wrong. Such coffee is dutiable here, even though imported from the United States, for it is not an article which is the growth, product, or manufacture of the United States. If you don't believe it, look at any annual report of the Collector of Customs and see how much duty is collected on imports of roast and ground coffee from the United States.

"In this respect I believe, therefore, that this limitation is really not unfair.

"I admit that there are two sides to these questions, but I have presented them in the way

that I have so as to emphasize what I have before stated: that the United States has played fair, and still is playing fair, with the Philippine Islands. I believe that, on the whole, there can be no just criticism of the treatment which has been accorded here, and particularly in economic matters.

"As the United States has played fair with the Philippine Islands in the past, I cannot believe, therefore, that it was the intention of the United States, when independence legislation was approved, to give to the Philippine Islands both liberty and death. I believe further that if we will face the facts, and that if we will unite in presenting those facts to the proper authorities at the proper time, disaster may be avoided. Conditions in the United States may not make possible at this time the necessary changes in economic arrangements, but conditions are going to change, and if we play fair with the United States and then properly present our case, I believe that we can secure even better economic treatment from the United States, and thus avoid the disaster which threatens to overwhelm us.

"Let's face the facts. Let's recognize and frankly admit that, as the law now stands, we are heading for economic chaos and disaster. But, facing these facts, and knowing that a way out has been left for us, let us try to find that way out by trying to secure those changes in the law which are necessary for our economic and social salvation."

Booklet Free

The Canadian Pacific company, 14-16 calle David, Manila, has an illustrated booklet on *The Sky Line Trail*. It is on the pleasures of hiking in the Yoho valley, Canada, the name deriving from an Indian expression of wonder and awe, as if to say *Tremendous!* or *Wonderful*. Copies of the booklet, free, are sent upon request!