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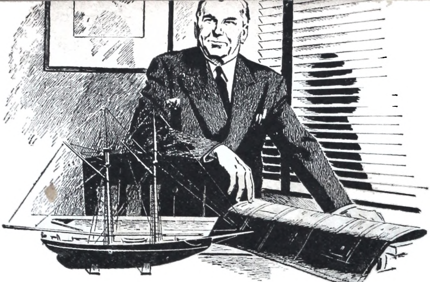

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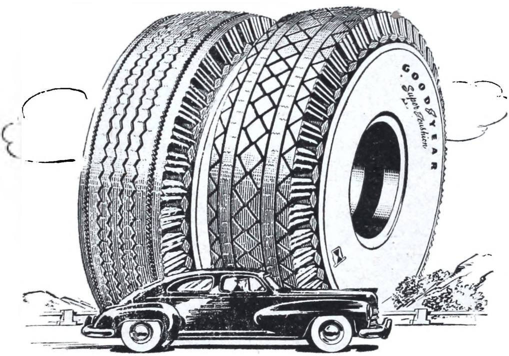

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THE AMERICAN CHAMBER OF COMMERCE

JOURNAL

Editorials

"... to promote the general welfare"

Congratulations to the President and the Vice-President

Under date of December 15, the American Chamber of Commerce of the Philippines sent its congratulations to President Elpidio Quirino and Vice-President Fernando Lopez, as follows:

Dear Mr. President:

On behalf of the American Chamber of Commerce of the Philippines, I take pleasure in extending to you our congratulations on your election as President of the Philippines.

We wish you a successful and happy term of office and pledge our full and cordial support and all assistance it is possible for us to give.

Dear Mr. Vice-President:

On behalf of the American Chamber of Commerce of the Philippines, I take pleasure in extending to you our congratulations on your election as Vice-President of the Philippines.

Members of the Chamber appreciate especially your interest in business and in economic problems generally, which today are so important.

You have our best wishes.

The President's Inaugural Address

President Quirino's address delivered at his inauguration on December 30, while not over-long, covered a considerable range, and had a sincere and honest ring. The speech did not blink at the facts, yet sounded a note of courage and confidence.

Unquestionably, he holds the right conceptions as to the duties of his high office:

"... Humbly and in full consciousness of my own limitations, I enter anew upon the duties of President of the Republic ... I place myself and my administration at the service of all the people, without distinction as to creed, class, or station, and pledge my whole effort to the protection of their fundamental rights, the improvement of their livelihood, and the defense of their free institutions. I make this pledge in the face of the most critical situations, confident that their gravity shall not in the end prevail against the sturdy good sense, high courage, and tested patriotism of our people. I have faith in the democratic process we have established and in the capacity of our people to perfect themselves in it ..."

Speaking of the still disturbed conditions of law and order, he warned:

"I feel it my painful duty to give stern warning that there shall be no abdication of the authority of the Government, and that any defiance of this authority will not be tolerated but shall be met relentlessly with all the forces at our command."

He referred briefly to the measure of recovery from the country's war-losses already achieved and to the honored name the Philippines has won in the councils of free nations, stating that—

"we have become identified not only with freedom and democracy but with their increasing extension to peoples long handicapped by foreign domination."

As to further amelioration of social conditions, he pointed out that this can not be solely a matter of administration from above, but must be a "joint enterprise" in which all must work together,—"administrators and citizens, managers and workers, traders and toilers, producers and consumers."

"Economic development has become the essential condition and prerequisite of our survival as a free people ... We count on the goodwill and understanding, even assistance, of our neighbors, East and West, but we keep our sinews in trim for steady production in the spirit of self-help..."

With respect to the recently instituted economic controls, he stated that "these fall within the exigencies of our young democracy", that they "are not rigid", and that—

"our citizens are heard and application is relaxed where stability, a momentum of efficiency, and the common good so demand."

The President spoke of the need of reorganizing the administrative machinery with a view to—

"securing greater efficiency, improvement in the public service, and economy of means and effort in the discharge of the Government's responsibilities, to be more responsive to public needs and in keeping with our available resources."

This led him to speak of the need of "stabilizing the Government's finances".

"It is clear that we must constantly watch our economy, detect the weak points, undertake the corresponding urgent measures to strengthen them, have the courage to develop our resources that make for increasing sufficiency, conserve the fluid assets that keep the steady flow of services and tools available only from abroad, and provide a broadening base of economic security for all..."

Next the President saluted the new United States of Indonesia, and with respect to the nation's relations with "the Chinese people with whom we have had such close contacts over many centuries", he said that—

"we will maintain an open mind within the requirements of our national security and the security of Asia as a whole."

As to the "Japanese people", he said—

"we expect to be convinced that they have sufficiently repaired injuries inflicted in a costly course of aggression and have sufficiently experienced a change of heart as to want not to repeat it but to cooperate instead in keeping our neighborhood peaceful, free, and prosperous."

The President concluded this brief section of his address by referring to the United States of America as "still our best friend".

"We look to her to realize increasingly that, in this atomic age, her area of safety, and that of mankind's safety itself, have no delimiting frontier."

As to war, he said:

"While this country is ready to defend its liberty and freedom if threatened from without, we are decidedly against being wilfully involved in any war and will take every necessary measure to preserve our people for the constructive ways of peace."

On an evil that has greatly plagued the Government and the people, he declared:

"I shall give constant battle to graft and corruption and will not tolerate any anomalies of any sort under whatever name . . . Our country and people must believe in me and my resolve on this subject, if I am to achieve any generous success in this direction . . . Help me build a new reputation for straight dealing for our people. Help me establish a new integrity in our thinking, in our words, in our deeds."

In closing the President declared:

"I have taken the oath of office with courage and confidence because I know that the wellsprings of our national strength are abundant and inexhaustible. Our history is the history of a growing and expanding nation, a nation that for four hundred years has kept green its love of liberty and ever fresh its desire for progress... I ask you to draw with me upon the copious reserves of energy and patriotism which have sustained our nation through every crisis in its history."

The United States of Indonesia

The period of misunderstanding and strife which followed the liberation of the Netherlands Indies from the Japanese has, more happily than much of the world at one time expected, resulted in the formal inauguration in Batavia last month of the independent government of the United States of Indonesia, this event following an agreement reached some months before between Netherlands and Indonesian representatives who met at The Hague under the auspices of a good-offices committee of the United Nations.

The East Indies for centuries constituted the major part of the Dutch colonial empire and passions ran high on both sides, yet an agreement was reached to the mutual interests of the two peoples, which has been called a "triumph of reasonableness". Sovereignty has been transferred to the Indonesian people, but a generous voluntary union will hold the Netherlands and Indonesia together somewhat as the Republic of India remains a member of the British Commonwealth of Nations.

Many of the leaders of the new nation, including the three most outstanding,—President Soekarno, who personifies the nationalist movement, Prime Minister Hatta, an able practical politician, and the intellectual Sjahrir, chief government adviser who may become the foreign minister, were educated in Dutch schools and universities (Soekarno is a civil engineer, Hatta an economist, and Sjahrir, a political scientist and author), and are truly able men.

Until general elections can be held, perhaps within a year and a half or two years, a government will hold office which consists of a parliament of around 500 members, all appointed by Soekarno, with a working committee of 40 and a Cabinet which, though responsible to parliament, can not be deposed, under the terms of the provisional Constitution, until after the elections. The new government seems therefore to be fairly firmly constituted. It will furthermore be aided, initially, by the retention for two years, at guaranteed salaries, of the Dutch civil service, numbering some 15,000 persons. The Dutch Army will be withdrawn, but the Dutch naval and air forces will remain at the disposition of the new government.

Virtually the whole of the governing group consists of anti-communist liberals and socialists, who may be described as being of the British type, this fitting in well with the generally communal character of the age-old native village organization. Some trouble may develop, however, from the fact that this liberal, progressive group, Western-educated, will function in a country which is overwhelmingly Moslem and therefore conservative, not to say reactionary. And while liberal and socialist voters are estimated to number only some 20 percent of the voters, the Masjumi, or Moslem Party, controls some 70 percent, —the communists 10 percent.

The Dutch always respected the native culture and made no effort to "westernize" or Christianize the people as a whole. Perhaps they realized that with Mohammedanism as intrenched as it is throughout the East Indies (except in Bali), that any such attempt would have been futile,—just as even Spain has had no success in Christianizing Morocco (or, earlier, Mindanao). The Dutch did, as everyone knows, develop the country's economy to a high degree and gave much attention to vocational education. The people are industrious and naturally good farmers, and they also like to "run things", such as trains and busses, but they have very little liking for business or trade. Like most Moslems, in fact, they look down on "merchants" and think that charging interest is a sin, as also the Christians did in by-gone centuries. This will probably prove to be a limiting factor in Indonesian progress.

Those who may be considered to know the country and the people say that Indonesian nationalism is chiefly political and that the leaders will find their main satisfaction in conducting the government, which, despite their present inexperience, they may be expected to do reasonably well.

They believe that though these leaders will not look with any great favor on any further extension of the plantation system, there will be a continuing high production of the native-grown produce, such as copra and rubber, and that foreign, especially American, capital will be welcome for the development of oil and other mineral resources, transportation, etc. The people not being given to trade, many of the Dutch believe that brokerage, generally, will continue to be handled largely by them and the British, Belgians, Swiss, and other Europeans who have had long experience in the country.

As socialists, the new leaders may be expected to maintain the complete mechanism of economic controls which the Dutch instituted. This control is tight, and will probably remain tight, and there will, therefore, be little opportunity for "wild-catting". The new Republic, however, will undoubtedly compete with the Philippines for American capital investment.*

As for this *Journal*, as organ of the American Chamber of Commerce of the Philippines, we wish Indonesia and the Indonesians well. Indonesian prosperity need not necessarily mean loss to the Philippines. While Indonesia, even now, is exporting its products to a value of $1,000,000 a day, as against three times that value before the war, and some of Indonesia's products compete with Philippine products, the Philippines will continue to enjoy certain protection in the American market for a number of years to come. Furthermore, a high prosperity anywhere in this part of the world would be to the direct and indirect benefit of all. And new and mutually advantageous trade rela-

*Pre-war foreign investments in the Netherlands East Indies,—greatly exceeding investment in the Philippines,—have been estimated as follows: Dutch, $3,000,000,000; Chinese, $1,000,000,000; British, $800,000,000; United States, $400,000,000 to $600,000,000 (American participation in and credits to European enterprises is difficult to estimate).

tions may well develop between the Philippines and Indonesia which are but hazily foreseen at the present time.

A new people's freedom anywhere is a good and blessed thing. Long live the United States of Indonesia and long, also, may the present wise relationship with the Netherlands, once the sovereign power, now an associate and ally, continue.

The Seattle Chamber of Commerce

On behalf of the American Chamber of Commerce of the Philippines, this *Journal* heartily welcomes the delegation from the Seattle Chamber of Commerce which, on a tour of the Far East, will visit Manila for a week this month. The reception to be accorded the party is jointly sponsored by the Philippine, the Chinese, and the American chambers of commerce here.

It will interest our readers to know that the Seattle Chamber of Commerce is 67 years old,—as against our Chamber's 29 years, the Philippine Chamber's 46, and the Chinese Chamber's 41. Still another chamber here, the Manila Chamber of Commerce, now principally British in membership, was formed in 1900.

The Seattle Chamber of Commerce was founded some years before Rudyard Kipling, in the late 80's, traveling for a British publication in India, wrote as follows about Seattle (in his "American Notes"):

"Have I told you anything about Seattle—the town that was burned out a few weeks ago when the insurance men at San Francisco took their losses with a grin? In the ghostly twilight, just as the forest fires were beginning to glare from the unthrifty islands, we struck it—struck it heavily for the wharves had all been burned down, and we tied up where we could, crashing into the rotten foundations of a boat house as a pig roots in high grass. The town, like Tacoma, is built upon a hill. In the heart of the business quarters there was a horrible black smudge, as though a Hand had come down and rubbed the place smooth. I know now what being wiped out means. The smudge seemed to be about a mile long, and its blackness was relieved by tents in which men were doing business with the wreck of the stock they had saved. There were shouts and counter-shouts from the steamer to the temporary wharf, which was laden with shingles for roofing, chairs, trunks, provision boxes, and all the lath and string arrangements out of which a western town is made. This is the way the shouts ran:

"'Oh, George! What's the best with you?'

"'Nawthin'. Got the old safe out. She's burned to a crisp. Books all gone.'

"'Save anythin'?'

"'Bar'l o' crackers and my wife's bonnet. Goin' to start a store on them though.'

"'Bully for you. Where's that Emporium? I'll drop in.'

"'Corner what used to be Fourth and Main—little brown tent close to a militia picket. Sa-ay! We're under martial law, an' all the saloons are shut down.'

"'Best for you, George...'"

The fire Kipling referred to was in 1889 when Seattle was a little-known lumbering town with a population of around 40,000 It was founded in 1852 by a score of settlers and was named after a friendly Indian chief. The city was incorporated in 1869, just after the Civil War, with an area of around 11 square miles and a population of 1000. The first railroad, the Northern Pacific, reached Seattle in 1884. The arrival of the first steamer from the Orient in 1896 marked the beginning of a considerable foreign trade, and the discovery of gold in Alaska and the Yukon Territory the following year changed the city almost overnight into an important commercial center.

Today it is described as the "largest city of its age in the world" and as the "leading commercial, industrial, and financial center of the Pacific Northwest". It is the nearest United States port to the Orient and the nearest large city of the United States to Alaska. The present area is around 80 square miles and the population is close to the 400,000 mark.

In all this progress, the Seattle Chamber of Commerce has played a leading part. And the Chamber has not narrowly confined its interests and activities to Seattle itself. The Chamber maintains an "Alaska Committee" which instituted a 5-point legislative program for the settlement and development of the Territory of Alaska, securing approval and support for the program from all chambers of commerce of Alaska and of the eleven western states, as well as from many congressmen, senators, and governors. It fought Alaska's battles in securing the Nome Breakwater, the Haines Highway improvement, more adequate ship service, and many other basic projects. Since 1947 the Chamber has also had a "Hawaii Committee" organized for the purpose of trade promotion and the development of closer relations between the Islands and the Pacific Northwest.

Recently the Chamber proposed and helped to establish a Columbia Basin Development Committee composed of members from each State and province (Canadian) within the Columbia drainage basin. This Committee is working with all state and federal agencies concerned for the "early, proper, and full development of the land, water, and other resources of the area".

In addition to such broad measures for regional development, the Chamber aided in the promotion in the year 1947 of some $78,000,000 of new investment in the city itself.

It is a far cry from the burned-down lumber town of Kipling's description to the rich and beautiful port-city which Seattle has become, and it is broad-minded, far-seeing private enterprise that has made it so.

Perhaps the visit of the Seattle Chamber's delegation to Manila will result in the creation in Seattle of a "Philippine Committee", and perhaps some similar inter-chamber committee could be organized in Manila to work with it.

The Vicious Circle Full-turn

With the issuance of the Central Bank's Exchange Control Order on December 9,[1] and its causes and effects, a vicious circle has come, or has about come, to full-turn.

The dictionary definition of the term, "vicious circle", is in itself illuminating as applied to the present economic situation of the country:

"A train of circumstances constituting a situation in which the process of solving one difficulty creates a new problem involving increased difficulty in the original situation."

The definition of "vicious circle" used as a medical term is also, metaphorically, applicable:

"A chain of morbid processes in which a primary disorder leads to a second which in turn aggravates the first one."

The Central Bank's Exchange Control Order was issued in an attempt to stop what amounted to a flight of capital from the Philippines, including even Filipino-owned capital, which began many months ago but which was recently augmented as one of the results of (a) the new Import Control Order, effective December 1,[2] which greatly increases the scope of the control and more than doubles the average percentage cuts up to that time in effect, and (b) of the Central Bank's Selective Credit Control Order of November 17[3] which holds down many imports virtually to cash purchases only.

Import control was resorted to in the first place, beginning January 1,[4] 1949, because of the considerable excess of imports over exports which, despite the large influx of dollars since the war in the form of war-damage payments and other assistance to the Philippines, was threatening an ultimate dollar-shortage.

That imbalance of exports and imports, of course, had its causes, the most obvious being that our export industries were not being developed as rapidly as they should

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[1] Circular No. 20.
[2] Executive Order No. 295.
[3] Circular No. 19.
[4] Executive Order No. 193 (December 28, 1948); amended by Executive Order No. 209 (March 30, 1949); amended by Executive Order No. 231 (June 28, 1949).

have been and *could* have been. This was largely because of the reluctance shown by private foreign capital (under present world circumstances practically exclusively American capital) to enter the country for investment.

This reluctance was due very largely if not entirely to earlier government "controls" imposed on capitalistic enterprise in the form of laws, executive policies, and even court decisions restricting the ownership and development of lands and other natural resources, corporative organization, and employment of labor and of foreign technicians; also to such discriminatory legislation as the so-called "Flag-Law" under which goods may be produced in the Philippines of Philippine raw materials and by Filipino labor, yet be penalized 15% in sales to the Government because the manufacturing company is not Filipino-owned.

Absence of peace and order in extensive areas in the country was and remains another discouraging factor in investment, this continuing state of disorder being largely due to government weakness, due to insufficient revenues, which, in turn, is also due to the retarded economic recovery.

Now we have come full-turn because under the present controls, especially the exchange control, all hope of any substantial influx of new capital must be abandoned and, together with that, all hope of any rapid development of our export industries.

Thus we are back where we started, but the weaker for this worse than futile circle we have traced.

While this editorial was being written, the newspapers carried a statement made in Washington by Philip D. Reed, Chairman of the Board of the General Electric Company, in a USIS dispatch which ran, in part, as follows:

> "An increase in U. S. private investments and in the supplying of 'know-how' abroad depends largely upon creation of a 'proper climate' for such activities by the foreign countries concerned, according to a prominent U. S. industrialist...
>
> "Reed asserted that foreign countries must display a 'real desire' for U. S. private capital and technical knowledge, and must also show a willingness 'to give the necessary assurances with respect to *convertibility, non-discrimination, non-expropriation, freedom from double taxation,* and so on'."

"Convertibility", with the Exchange Control Order, has now gone down the drain. The Philippines today can not meet a single one of the requirements mentioned by Mr. Reed. And only the double-taxation requirement is one over which the Philippine Government has no control; that is for the United States Congress to rectify.

Some of the restrictive laws and policies referred to date from before the war, but the nationalistic spirit of those times was greatly intensified after the war as one of the direct results of the terror and misery of the enemy occupation. Understanding this may bring sympathy, but not dollars,—except as gifts; not dollars for investment.

This *Journal* has from the first been outspoken in pointing to the dangerous consequences of excessively nationalistic government policies, and, we say it humbly, without either arrogance or malice, had the law-makers and executive officials of the Government given heed to the information, the criticism, and the counsel published in this *Journal* since the Liberation, then, we firmly believe, we would have escaped the crisis, bordering on catastrophe, in which the country is now involved. We say, without any self-satisfaction whatever, that we have over and over again predicted in these columns that just such a situation as now exists would be brought about by the policies so unwisely pursued and so stubbornly maintained.

THE question remains as to why these policies have been pursued and maintained in the face of approaching disaster, and the answer is that those responsible for them could not be convinced that they were unwise.

Many of our officials evidently believe that economic laws (that is, natural economic tendencies and trends) can be deflected, blocked, and reversed by political means; that these natural laws can be nullified by act of legislature or executive edict! (King Canute commanding the waves.)

Basic in the whole human economy is the law of supply and demand and its numerous corollaries As a matter of fact, expressions of that law are easily traced to a beginning in life itself,—in biology and physiology. An animal or plant lives or dies according to whether or not *supply* (food, water, air) meets its physical needs, *demand*. If all the canniest drafters of human laws and ordinances could be brought together, could they, with their phrases and clauses, alter these natural laws, these "iron laws", even in the slightest?

To come to particulars, the Philippine demand is for capital, but, unfortunately, the word *demand* in economics does not mean quite what it means in ordinary language,—that is, to ordain, order, or command. In the field of economics, demand, to an extent, develops supply, but is also limited by it. And, so far in world development, the demand for capital exceeds the supply. Capital enjoys a "sellers' market". A country that wants capital, must please the capitalist. It is not the other way around. It would be very nice to have capitalists come to us, hat in hand, and to have them say, "Here's my capital. Take all you want. Do what you like with it." Alas! it is not that way. But some of our government officials seem to think so!

AND as to government controls, what could ever convince a capitalist, or any businessman, or any human being, for that matter, that a government functionary, or a whole board of them, is as competent as he is to run his business? Multiply that man's opinion to the contrary by the number of all the producers and traders in a country, in all the intricacies of their multifarious affairs, and one obtains some conception of the immense distrust of government control. And as for the consumers, as numerous as the whole number of the population, what one man among them all, sane or even insane, could be convinced that a government official would more wisely and more satisfactorily control the spending of his own hard-earned money than he could manage that himself?

It is true that in this matter of distrust and dislike of government control, we are under a handicap in the Philippines. In those countries where democracy has proceeded through long evolutionary development, there is always a wholesome distrust of government, a fear of too much government and too powerful a government. Checks and balances to the growth of government both in scope and power are determinedly maintained

In countries like the Philippines, which, after perhaps centuries of "colonial" government now have their own government, the people are disposed to take a great pride in their government and to trust it over-far. The officials of such a government not only share in this national pride, but, furthermore, take a more than ordinary personal pride in their positions and powers, which, often, they are determined to unmistakably establish and exercise to the full, with or without sufficient reason. This psychology leads officials of different departments of the government to seek to out-do each other in the exercise of their powers. And, generally, the only answer of a bureaucracy against protests of abuse of power, is a multiplication of edicts.

It is all somewhat like a man who for the first time becomes owner and driver of an automobile. He quickly adds every obtainable accessory and gadget useful or useless. He busily operates all the levers and pedals, and not a handle or switch or push-button escapes him. He pays very little attention to the manufacturer's book of instructions and starts out, in sheer joy disregarding all traffic regulations and road-warnings. He cuts corners, weaves in and out of the traffic-lanes, makes U-turns, drives at top speed for the most distant objectives, often forgetting that he does not have enough gas and that he failed to get his

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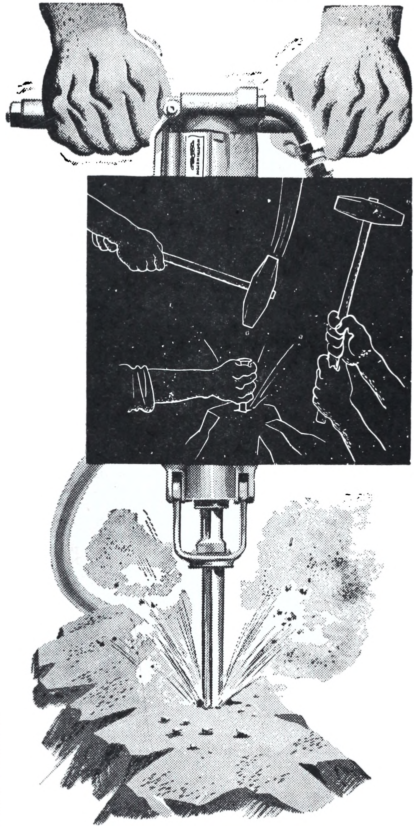

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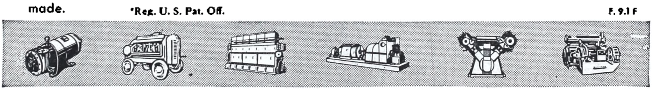

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battery recharged. Sometimes he overlooks the fact that he has his brakes set. Generally he is ignorant of how far his car will hurl itself before it can be brought to a stop by applying his brakes. If he is lucky he is only arrested a few times and fined. If he is unlucky, he finds himself in jail. If he is unluckier still, others find him smashed in a ditch.

We will not end on such a calamitous note. Let us have faith in this country and the people. But let us pray.

Let us pray that the Exchange Control,—the most damaging form of control of all, will be lifted as soon as some degree of confidence has been gained through an immediate modification of the unnecessarily severe import control, with such control remaining only over true luxuries and non-essentials (certainly not foodstuffs), and changing from direct control to luxury taxes. Let us pray that unwise land and corporation laws and all other discriminatory legislation will be wiped off the board so as to offer outside capital real opportunity to develop both our export industries and such industries as will efficiently supply many of our local needs.

Let us pray that our financial and economic officials will not persist in attempting to gloss over the situation,—as they are doing, to make it appear other than the catastrophe that it is.

Let us pray that a lesson has been learned through the near-bankruptcy to which this fair land has been brought by wrong-headed policies persisted in until we have reached the very edge of the abyss of national failure.

Control and Good Intentions

Our economic and financial control officials have been quoted in the newspapers as asking the public and the business community not to be alarmed about the import and the exchange controls inasmuch as there are large stocks on hand of most goods under control,—enough for months and in some cases, they say, for two years(!)—and if any real needs develop, the goods will be allowed to come in; and inasmuch as dollars, too, will always be available to pay for what is allowed to come in.

In view of the continuing trade imbalance,—admittedly bad, this seems superficially sweet and reasonable, but do these good intentions of the control officials meet the situation which is being created and do they offset the basic objections to all government control of trade?

As to the first half of the question, government statistical services are inadequate, and dependable information as to trade details, distribution, turn-over, consumption, etc., is almost wholly lacking. Shortages therefore are very likely to become apparent suddenly and unexpectedly, and it might be months before the need (which in many cases could be dire) could be met, even if it is assumed that the importers looked to had not meanwhile been forced out of business.

Let it be understood that the government controllers are now, today, virtually wrecking our established import set-up.

This relates to the second half of the question. Under normal business conditions, hundreds and thousands of businessmen and business organizations, experienced in their fields and sufficiently capitalized, study the market constantly, and cautiously but adequately keep it supplied, while also slowly building up reserves to meet unforeseen contingencies.

To believe that a number of government officials, no matter how able, or even a large board of genuine government experts, can assume the role of these hundreds and thousands of practical businessmen, pooling as much knowledge and exercising as wise a judgment as all of them together, is to believe the impossible.

The control officials, by the way, evidently mean to have the present reserves of stocks used up, leaving the people at the mercy of any untoward circumstances which may arise.

Merely to require the licensing of orders for so many classes of imports, even if it is assumed that a license would nearly always be granted, places businessmen at a serious disadvantage because it forces them to submit their judgment to government functionaries who are bound to be much less experienced in their own fields of enterprise than the businessmen are and because it exposes to others their expert calculations and plans and makes impossible that promptness of action upon which success in competitive private business enterprise depends.

That is all apart from the practical difficulty, indeed the impossibility, of channeling a trade that in the aggregate runs to tens of thousands of transactions involving hundreds of millions of pesos, all through one small government office. Even if such an organization employed numerous section chiefs and thousands of clerks, it would still constitute the worst possible *bottleneck*.

Any such government control straps business in a straight-jacket, hampering every move. It reduced the ablest and most far-sighted business executive to the level of the most mediocre. All alike must "ask permission" and the permission can always and at any time be denied. Real business management becomes impossible. The business manager becomes the errand boy of the government functionary. The technical waste is obvious.

Mere friendly "kibitzing" is intolerable even in only a parlor game. What then is the forcing of government control on the conduct of a man's daily business?

The whole spirit and practice of individual free enterprise is outraged and vitiated by government control. There never could be any such fatal "restraint of trade" as that exercised by government control. It makes business as this is understood in democratic countries absolutely impossible.

With business under government control, the whole people are under control. Freedom and self-determination depart; citizens become subjects; stagnation and retrogression sets in; poverty takes the place of prosperity.

There is totalitarianism, where the State is total and the people count for nothing.

For the recent amendments to Executive Order No. 295, the reader is referred to Executive Order No. 297 which appears on page 32 of this *Journal*. The changes chiefly affect certain foodstuffs and are commented upon by Mr. C. G. Herdman in his column, "Food Products", page 28.

Destruction of Credit

Among other things, the exchange control is causing business executives here worry about their credit standing with export firms in the United States and other countries. One business house received the following letter from one of its suppliers with whom its credit in the past has been practically unlimited:

"...Concerning future shipments, you can well understand that we, as well as practically all exporters to the Philippines, are quite concerned with the new Exchange Control and its repercussions on our future dealings. There is doubt in export circles about the future, and many believe that the trend of Philippine regulations would seem to emphasize letter-of-credit terms because until the present uncertainty is dispelled, few exporters would be likely to consent to draft terms.

"As far as we are concerned, we do not wish to make any decisions until we know more about the new regulations, how they will work out, and how long a delay there will be from the time the customer pays the draft in local currency until dollar remittance is authorized by the Central Bank. We would also like to know how quotas are to be assigned and whether there will be priorities in accordance with the type of merchandise.

"We are somewhat upset by the Exchange Control, which we fear is bound to curtail our sales in that market after the fine work you have been doing to improve our volume of sales, which has steadily increased during the last several months...

"We are quite certain that there will not be any delays on the part of the ... [deleted] ... Company in paying our drafts in local currency, but the question is how long the Central Bank would take

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The Pikes Peak race ranks as one of the supreme tests of the stand-up qualities in a motor oil. Violent changes of atmospheric pressure and murderous changes in acceleration up the 147 pinpoint curves, over loose gravel roads, put terrific strain on motors and cause fierce engine heat where the tiniest lubrication failure would be fatal.

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to grant permits for dollar remittances. In the event of long delays from the time drafts are paid in pesos, to the time dollars are actually remitted, our understandings in that market might grow out of proportion and we are sure that our Treasurer would not approve more shipments after a certain limit has been set for that particular market...

"Please let us hear from you by return air-mail..."

This letter is from a firm which does not deal in "luxuries" and "non-essentials". The letter concerns supplies which are highly necessary and in constant demand.

Rising Prices, Unemployment, Black-marketing

Everybody knows that prices are determined by the conditions of supply and demand, and that therefore prices *must* go up when the supply is reduced and the demand continues. Everybody knows that business organizations can operate successfully only if they are efficiently and economically conducted and that, therefore, personnel *must* be laid off if the volume of business is cut.

Under the present import, credit, and exchange controls, therefore, which have arbitrarily reduced business in many lines of goods as much as 90 percent, producing a very real, though artificial scarcity, prices are inevitably going up and hundreds, perhaps thousands, of workers are losing their jobs.

These controls have been instituted by the Government over the protests of the business elements, and with the controls in force business can not possibly maintain prices and employment at the pre-control levels.

How unfair it is, therefore, when certain government officials and newspaper writers, and even editors who should know better, blame business for the inevitable consequences of the present government policies!

Business itself is as much a victim of these policies as are the consumers and the workers who are losing their jobs.

And unless the basic policies of the Government are changed, neither can the Government do anything to prevent the rise of prices by price-controls or the rise in unemployment by court decisions which would attempt to force the retention of unneeded personnel.

Some newspaper writers have tried to make the point that since certain reserve stocks exist, brought in before the controls were instituted, selling-prices now should not rise until these stocks have been consumed. But that, too, is a most unsound argument because business does not and could not operate successfully on the basis of wholly disparate transactions or with a view to immediately current conditions. Business must look ahead with a view to keeping itself going in the future as well as for the present. Otherwise ultimate bankruptcy is certain.

A leading Manila importer of foodstuffs, an American, told us the other day that he believes that it is worth while maintaining his footing in the Philippines,—in the hope of better times, and that therefore he does not plan to close his business though the controls have cut his volume to only a third of what it has been. To meet the situation he plans to cut his general overhead expenses, reducing his staff, etc., by around a third and, to make up for the remainder of the loss, by increasing his price markup from ten percent to twenty percent.

It is plain in his case that either he has at least to cut down the running cost of his whole organization by a full two-thirds, or cut it part of the way and make up for the rest by raising his prices moderately. He chose this latter course and he told us that he came to that decision not only in his own and his employees' interests, but in that of his customers.

The foregoing is a concrete example of why and how prices are justifiably being raised.

There is, of course, also the so-called "black market", which, for the first time since the Japanese occupation and the first months after the Liberation, is now reappearing. It should, however, be clearly understood that black-marketing goes on outside the sphere of legitimate business. Business, as such, has no control over black-marketing, and neither can the Government exercise any real control over it. Black-marketing is generally carried on through direct and clandestine bargaining between a few men who have managed in some way to obtain small stocks and those immediate consumers who do not care what they pay if they can get what they want. A small boy slinks along and offers a likely-looking customer a pack of cigarettes for a peso. There may be hundreds of such boys on the streets. If one of them is caught by the government price-control agents, he may lead them to some little jobber who has a small stock of cigarettes. He may be arrested and charged and put out of business. But there may be hundreds of such small jobbers, and the black-marketing goes on. And let no one believe that established business surreptitiously encourage this thing. Legitimate business, far from profiting from black-marketing, is further harmed by it.

But, let it be repeated, there is nothing that can be done about black-marketing in any effective way, either by business or the Government, unless the scarcity which calls it forth is replaced by normal supply.

Rice Production

We were very happily impressed by a recent article by Mr. Placido M. Mapa, Secretary of Agriculture and Natural Resources, in which he called attention to the fact that the present rice-production now exceeds the pre-war production, despite the losses in farm animals and the continuing conditions of unrest in a number of the principal rice-raising provinces. This is most creditable.

Secretary Mapa stated that during the five-year period just before the war, the country was producing an average of 51,000,000 cavans of palay annually, but that since consumption during that time averaged 53,000,000 cavans, some 2,000,000 cavans had to be imported.

Compared with this, the 1945–46 crop, the first after liberation, was 37,000,000 cavans;

The 1946–47 crop was 47,000,000 cavans;

The 1947–48 crop was 51,000,000 cavans;

The 1948–49 crop was 56,620,000 cavans; and

The latest estimate of the coming crop for 1949–50 is 58,000,000 cavans.

However, meanwhile consumption has mounted to an annual 61,000,000 cavans, which accounts for the fact, said the Secretary, "that we still have to import rice in large quantities,—₱45,800,000 in 1948, despite the rapid increase in production since the end of the war."

To reduce the gap between production and consumption, the Government has various projects under way from which an initial harvest of 600,000 cavans is expected by the end of 1950, the production being expected to reach 15,000,000 cavans annually by 1954. Other developmental work is being done in extending irrigation systems, establishing tractor pools, providing improved seed stocks for farmers, stock-breeding stations, fertilizers at cost, credit facilities, technological advice, etc.

Large sums are being spent for these purposes, and the Secretary stated that if the full production-goal is to be reached, still larger sums will have to be made available, which he listed as follows:

For tractor pools, ₱20,000,000; experiment stations and seed farms, ₱5,000,000; irrigation pumps (including installation costs) ₱20,000,000; revolving fund for fertilizers, ₱10,000,000; revolving fund for credit facilities, ₱10,000,000; for breeding and work animal importation, ₱10,000,000; stock farms and breeding stations, ₱5,000,000; pest and disease-research centers and control work, ₱5,000,000; and irrigation works, ₱50,000,000.

The mention of such large sums diminished somewhat

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the sense of satisfaction we experienced in reading the earlier section of the article.

While it is well that the Government should do everything within reason to encourage and to directly assist this basic industry, we believe that much of what is in the Secretary's mind should be left to private initiative and energy, which would cost the Government and the taxpayers nothing.

If well financed corporations were encouraged to enter the field by relaxing somewhat the restrictions on the leasing of land, we are convinced that the country would in time not only become self-sufficient in rice-production, but might produce rice for export.

"Labor" Governments

The victories of the conservative and liberal over the labor parties recently in both New Zealand and in Australia, which were the first two countries in the world to have "labor"-governments, are to be looked upon as significant democratic victories, because government by any class, be it aristocratic, capitalist, or labor, can never be a government of, for, and by the people.

It may be claimed that a labor-controlled government is more nearly democratic than any form of class-government because the labor elements in a population form the largest class, but this is not true. Not only does so-called organized labor represent only a part of the labor population, but it excludes, and its interests run counter to, other large "working" classes, such as the farmer, business, and professional elements. Narrow labor interests also run distinctly counter to the interests of the majority of the people as consumers. A labor-government is strictly speaking always a minority-government as well as being clearly a class-government.

Ideally, government policies should not be determined by crass class interests. Government policies should be determined politically by truly political parties, the natural political cleavages being those which separate the progressives from the conservatives and leave a liberal element in between. Reactionaries and radicals normally form only the fringes.

Whereas the coming into power of any class-government arouses fear and a bitterness that may rise to desperation, administrations brought into office along normal political lines arouse little hostility and are always more or less satisfactory to all the people, regardless of how an election ran and whether the winning majority was large or small.

Such a government can be truly representative of all the people, for after all, the differences between conservatives and liberals and progressives are often merely differences of mood and temper at any given time, on the part of the people, parties, or even single individuals. A man generally begins life as a progressive or radical, and ends it as a conservative if not a reactionary, and he may shift from one pole to the other and back again in a single day. Party principles and platforms, in fact, are not infrequently actually interchanged over a period of time. Policies which appear radical to begin with are often later supported by the conservatives.

In a sense these divisions, however, are timeless and the most enduring as they spring from the heart and mind of man. Class interests change over the years, and class differences will in time be wiped out, especially now that the discovery of atomic energy promises, if properly used, to bring about a world in which there will be little toil and a rich abundance for all.

But though class-governments,—feudal, aristocratic, plutocratic, belong in large part to the past, the fascist and "communist" as well as the labor-governments belong, alarmingly, to the present. It must be the continuing task of democratic men to beware of and to oppose them all.

New Year Statement

By Ambassador Myron M. Cowen

To the Members of the American Community:

As we enter upon the work of a new year, I wish to extend a warm and cordial greeting and my very best wishes to the twenty thousand Americans now residing in the Philippines.

A primary function of an embassy such as ours is to protect, advise, and assist American citizens resident, traveling, or having interests in the foreign country in which it is located. It is my earnest desire that the Embassy here in Manila become increasingly helpful to you during the coming year.

In addition to the activities traditionally carried on by American Embassies in other countries, our Mission has an extremely important function to serve as an instrumentality of the United States Government in assisting, in so far as it may be possible and appropriate, this country and its Government. This function is due, in large measure, to our past relations with the Philippines. It is also a recognition of the fact that American security is dependent, in large part, upon the political and economic independence and well-being of other free states.

Back in the dark days of 1942, President Roosevelt said to the people of this country: "Your freedom will be redeemed and your independence established and protected." In 1945 that freedom was redeemed. In 1946 that independence was established.

The freedom and independence the Filipino people now enjoy cannot permanently endure, however, unless they achieve economic self-support. Just as we helped them in the past to become politically independent, so must we assist them in the future to become economically independent, in so far as it may be possible and beneficial in this modern world of economically interdependent nations.

On July 4, 1946, President Roxas summed up the task of the past three years when he said: "We must perform near-miracles to bring prosperity to this land. The work of two generations was reduced to rubble in the passionate moments of war. Now we must rebuild in months what it took decades to create."

While some of those near-miracles were being wrought, the economy of this country was very substantially sustained by money given and spent here by the United States Government. During the fiscal year 1949, for example, the total amount that came in was estimated at ₱804,000,000—more than double the Philippine Government's budgetary expenditures for the same period. This flow of money will

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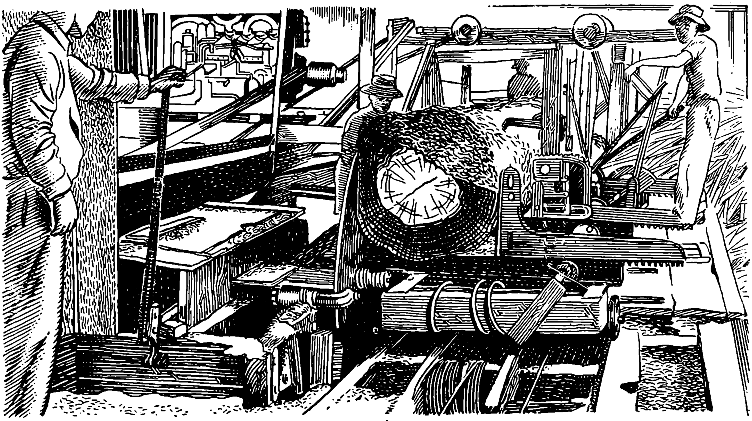

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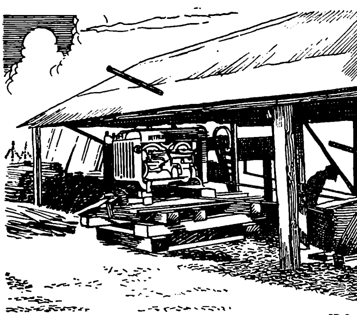

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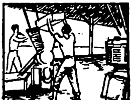

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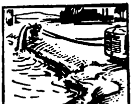

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soon end or be greatly diminished, however, and the Philippine Government wisely is taking steps now to provide for the nation's transition to an increasingly independent economy.

Mechanisms and controls needed to furnish a stable base for this transition came suddenly—as, indeed, their very nature required. Most of them, though long familiar in other countries where American business prospers, were strange to the economic life of this country. Some were frankly experimental, to be adjusted as circumstances required. All, being departures from established practice, caused temporary confusion and, in some cases, extreme hardships for certain American business interests. This Embassy has made, and will continue to make every possible effort with the Philippine Government, to cushion or minimize such hardships without impairing the Philippine Government's long-range program of economic stabilization.

I am most heartened to note that my own confidence in this nation's promising future is echoed by long-experienced members of the American business community, and I endorse wholeheartedly the recent advice of the President of the American Chamber of Commerce not to sell the Philippines short on the basis of unfavorable conditions of the moment. Those of you who have lived here for many years know the rich commercial potential of this nation of 20,000,000 ambitious people. Those of you who intend to stay for years to come know that your own best interests demand a stable and prospering Republic.

I have confidence, too, in your ability to adapt yourself to whatever the future requires. As one of our Manila newspapers reminded us a year or so ago, we Americans are temperamentally a youthful and versatile people. We have the happy faculty of rolling up the past with all its problems, mistakes, and discouragements and unrolling what we always assume will be a bright new future. We have been doing this individually and collectively for nearly a century and three quarters and we shall, I hope, continue to do so for centuries to come, both at home and abroad. To aid or advise you in such adaptation is a function of this Embassy which I invite you to use freely and frequently.

The United States has a mighty stake in the future of this Republic. Our stake is not primarily economic but the preservation of the democratic way of life. We now have the opportunity to assist in setting this independent Republic on the highroad to national success. In the year that lies ahead, let's discover how each of us can contribute his small part to the development of this country. Let us all rally to the cause of Philippine economic stability, for the ultimate survival of this nation depends upon its attainment.

New Year Statement

By Frederic H. Stevens
President, American Chamber of Commerce of the Philippines

I have been asked the old, annual question: What do you think of the business prospect for 1950?

Perhaps I had better be a little round-about . . . Experience is a hard school, but people do learn. We are learning today.

The Philippines is potentially a rich country. The possibilities are very great, and there is opportunity, especially for young men, to pioneer in agricultural and industrial enterprises as well as in business, as there was for the Americans in developing the western United States. If our young men would go out and work, at real development, in the primary industries,—farming, cattle-raising, fishing, mining, manufacturing, get away from the idea that opportunity lies only in working in some government or other office or in entering some over-crowded profession, the Philippines would soon be in a very sound state economically. Capital will certainly come into the country in adequate volume sooner or later. It is largely up to the people and the Government when that time will be.

The most important thing right now is the necessity of restoring confidence in the peso, in our currency and its management. I believe that our financial authorities are taking remedial measures which, unfortunately, have become necessary,—although I hold no brief for the manner in which these measures are being carried out or for their severity and scope. My personal opinion is that the situation in which we find ourselves was man-made and could have been avoided, but now that we are involved in it, it is up to all of us to cooperate in overcoming the unfavorable conditions which exist.

Frankly, I feel that the year which lies ahead will be a difficult one, but to a people who maintained their spirit and courage throughout the three years of the loss and misery of the Japanese occupation, such a year as we are facing will seem light in comparison, though perhaps more difficult to bear patiently because we realize that we ourselves, and not an enemy, are largely responsible.

I am sure, however, that our government authorities understand the burdens being laid on the people and will do everything possible to deal wisely with the basic situation as well as to cope with the unemployment and the rising price-trend which are inevitable as long as the present controls are maintained. As I said, we are learning, and I believe these controls will before long be greatly diminished.

One thing I think the Government should do is to encourage the unemployed people in the cities, who can do so, to go back to the farms. This will require, among other things, a better enforcement of law and order in some of the provinces, and this, too, I believe, the Government will not fail to look to. But we must all cooperate with the Government and give it our loyalty and backing.

Present conditions are such that many people have lost confidence, and while this is not without reason, I think, nevertheless, that many of our fears are baseless, especially the fear, for instance, that the country is going bankrupt and that the peso will be devalued. Conditions would have to become a lot worse if that were to happen.

So, as the people of the United States were once advised not to do, I say to government officials and businessmen: Don't sell your country short.

"The world order which we seek is the cooperation of free countries, working together in a friendly, civilized society".

FRANKLIN D. ROOSEVELT

Rehabilitating Philippine Ports

By Lt. Col. John Shapland
Corps of Engineers, U. S. Army

THE young, insular Republic of the Philippines depends for its cargo transportation almost entirely upon interisland and international ocean shipping. During World War II, many of the port facilities vital to this commerce were severely damaged by demolition charges, torpedoes, bombing, shellfire, or exploding stored ammunition. Lack of maintenance during the Japanese occupation also contributed greatly to the deteriorated condition of the port facilities. Under provisions of the "Philippine Rehabilitation Act of 1946," the Manila District, Corps of Engineers, U.S. Army, of which Lt. Col. W. W. Ragland is District Engineer, is engaged in the repair and reconstruction of many of these ports.

Foreseeing a need for assisting the Filipinos in their reconstruction program, the President of the United States directed the Secretary of War to have the Corps of Engineers make a study of requirements for rehabilitation and expansion of port and harbor facilities in the Philippines. The outcome of this study was the Hall Report, officially titled "Report on Port Facilities, Philippine Islands," by Colonel C. L. Hall, C. E. Colonel Hall, directed to prepare this report in a letter dated August 30, 1945, submitted it on November 9, 1945, a remarkably short time for such a comprehensive report. The problems encountered in the preparation of the report were the subject of an article by Colonel Hall in the *Military Engineer*.

Based on the Hall Report, legislation was included in Public Law No. 370 of the 79th Congress, known as the "Philippine Rehabilitation Act of 1946," in part as follows:

"As recommended in a report based upon an investigation made in the Philippines by the Corps of Engineers of the United States Army and to the extent that the findings in such report are approved by the President the Corps of Engineers is authorized, after consultation with the Philippine Government, to carry out a program for the rehabilitation, improvement, and construction of port and harbor facilities in the Philippines, such work to be done by contract, insofar as practicable, under the direction of the Secretary of War and the supervision of the Chief of Engineers, and in accordance with established procedures applicable to river and harbor projects."

This act was approved by the President on April 30, 1946. A total of $17,800,000 has been made available for port and harbor rehabilitation.

In order to implement liaison and planning for port rehabilitation within the Philippine Government, the President of the Republic of the Philippines appointed the Philippine Port Commission, which was later authorized to consult directly with the Manila District. After establishing mutually acceptable liaison procedures with the Manila District, the Port Commission drew up a construction program. Meanwhile the Manila District assisted by assembling data, and by making preliminary designs and cost estimates. Upon approval of the program by the Philippine Executive Office, detailed surveys and plans for the ports in the program were initiated. Although changes have been made from time to time, the program is now well established and moving toward completion.

Manila—The port of Manila, one of the finest ports in the Orient, and by far the most important port in the Philippines, consists in reality of two ports: South Harbor, used by most international shipping, and North Harbor, a shallower port north of the Pasig River used mostly by coastwise ships. Damage to both North and South Harbors was enormous; the large piers, one over 1400 feet long, were bombed, whole palens of concrete deck together with their supports were demolished by the Japanese, concrete wharf bulkheads were blown in to land LST's, and the harbor was littered with sunken ships. The Army and Navy raised many wrecks, did some essential dredging, and repaired the damaged piers and built new piers. The repairs and new piers, however, being temporary in nature, were deteriorating rapidly. In keeping with Manila's status as the Philippines' primary port and with the extent of damage to it, the greatest part of available port rehabilitation funds is being spent on the port of Manila.

In Manila North Harbor, breakwater construction was interrupted by the war. A 2500-foot extension to the existing breakwater has been built and a further 1000-foot extension is nearing completion. Nearly 250,000 tons of rock for these breakwater extensions were quarried at Mariveles on Bataan Peninsula and barged to the site. The tie rods from the partially completed Piers 12 and 14 were removed during the war. These were replaced by steel wire rope installed by hired labor. In addition to repairing breaks in the concrete and sheet-pile bulkhead wall, new walls were constructed at the base of Slip O and between Piers 4 and 6. The fenders and dolphin clusters were also largely replaced. The principal streets in North Harbor were paved with asphalt. In all, the work at North Harbor, now substantially complete, will cost about $2,440,000.

At Manila South Harbor, an estimated $7,700,000 will be spent for the rehabilitation of port facilities. Already completed are concrete pavements on the principal streets and a reinforced concrete scalehouse. Over two-thirds finished is an enlarged, $5,500,000 Pier 9, 331 by 987 feet. This pier will have a depressed center roadway with two warehouses on each side. The deck is of beam and girder construction supported on concrete pedestals built in open caissons. Pier 9 is scheduled for completion early in 1950.

Pier 13, was, before the war, when it was called Pier 7, the most handsome of Manila's piers. Over a quarter of a mile long, it had two levels in its reinforced concrete and steel superstructure, with an imposing concrete arch entrance. The superstructure, severely damaged, is being removed, to be replaced by less imposing but more efficient concrete-walled warehouses. Large breaches in the deck will be repaired by supporting new panels of concrete deck on concrete-jacketed steel H-piles, which will replace the most seriously damaged of the original concrete piles. The fender system will be replaced, and the underside of the deck, deteriorated until the reinforcing is exposed in many places, will be repaired with pneumatically placed concrete. The water and electrical systems will be replaced. A contract for $988,500 has recently been signed for the rehabilitation of this pier.

Cebu—Cebu is the second port of the Philippines in importance. The piers and the warehouses on them were heavily damaged, primarily by gun-fire. Temporary repairs were made by the Army, and most wrecks which were a hazard to navigation were removed by the Navy. Reconstruction of the three main piers, on two of which warehouses are located, and the marginal wharf is under way. While the total cost of Cebu port rehabilitation will approximate $900,000, only about half of this amount is for structural repairs to the piers and quay wall; the remainder is for repairing warehouses, replacing dolphin piles, and miscellaneous repairs to the electrical and water systems.

Iloilo—Iloilo, the Philippines' third port, is the outlet for a rich agricultural area. The deep-water Guimaras Wharf and its warehouse suffered extensive damage from Japanese bombing. Manganese ore had been piled around some of the warehouse columns and corroded the steel extensively. In addition, an earthquake which occurred after the signing of a contract for repair of the wharf further damaged the one remaining warehouse end wall. Damage to other parts of the port was not great. In size and in the type of work involved, this project is typical of the rehabilitation being done to pier and wharf facilities.

The rehabilitation of Guimaras Wharf required first the clearing of a tangled mass of debris, then the driving of 13 new 22 by 22-inch, and 20 new 20 by 20-inch, reinforced concrete piles averaging about 70 feet in length. To take advantage of usable existing concrete piles, 53 of them were demolished to below the lowest damage, provided with new reinforcement spliced on by lapping or welding, and rebuilt up to deck level. After new piles were driven and existing piles repaired, a new concrete beam and deck system was poured in the demolished area.

Cast monolithically with the reconstructed portion of the deck are new foundations for the warehouse, originally a structural steel frame with reinforced concrete end walls, the whole covered with galvanized iron sheets. Before the war the warehouse had longitudinal crane rails suspended from the roof trusses. In the rehabilitation, the crane rails were removed, all usable structural steel repaired and repainted, and both concrete end walls rebuilt. New structural steel will be erected as required and the entire warehouse covered with protected metal roofing and pierced plank landing mat siding.

The floor of the warehouse is being paved with asphalt. A new concrete bulkhead wall is being built on wood piles in the demolished area. Defective and missing dolphin piles and walls are to be replaced, and the electrical, railroad, mooring, and water systems are to be repaired or reinstalled as necessary.

While the material quantities required are not large, the job is complicated by the variety of work involved and by the continuous use of the more lightly damaged part of the wharf by shipping. The present contract is for $274,449.71. The work is about two-thirds complete. The total cost of the work, including preliminary work, government-furnished materials, and government costs, will be about $407,000.

Davao—A center of Japanese activity before the war, Davao is fourth in importance of Philippine ports. The government port facilities suffered minor damage but extensive deterioration during the war. However, many privately owned piers were damaged or destroyed, resulting in a great decrease in port capacity. Because of shoaling in the old harbor, a new 500-foot-long marginal wharf was built on a coral shelf along Pakiputan Strait near Sasa, six miles from Davao. At the new location sufficient depth of water can be maintained without the annual dredging required in the old harbor. This facility was completed in March, 1949, at a total cost of about $345,000.

Other Ports—Other smaller Philippine ports suffered damage of varying degrees. Many of these are under rehabilitation at the present time. At Nasugbu, about 20 miles south of Corregidor, a 330-foot rock breakwater was recently completed. Complete replacement of the concrete wharf deck and some pile and causeway work is nearing completion at Tabaco. Although Tabaco was only slightly damaged during the war, waves during a typhoon removed most of the deck a short time later and enlarged the damaged area considerably. The wharf at Masbate was damaged by a torpedo, and is being partially replaced. Two breaks in the long concrete-pile cause-way of the pier at the sugar port of Pulupandan have been repaired and new dolphin piles driven.

Further south, the wharf at the important inter-island port of Cagayan was largely destroyed, partly by demolition charges but largely by the explosion of a large quantity of Japanese ammunition stored on the wharf. The concrete deck and about three-fourths of the piles are being replaced. At Iligan, damage resulted partly from demolition charges placed on the concrete piles, but largely from deterioration of the concrete deck of one of the two piers and of the dolphin piles. The rehabilitation of one pier has been completed; work on the other is nearly complete. Repairs at Zamboanga and Jolo are underway. In all, rehabilitation of these smaller ports will cost about $1,460,000.

In addition to the repair and reconstruction of port and harbor facilities outlined above, most of which was done or is being done by the Manila District by contract, about $3,960,000 worth of floating equipment has been or will be given to the Philippine Government. The 720-cubic-yard, sea-going hopper dredge *Barth* was transferred to the Philippine Bureau of Public Works in October, 1947, and has seen extensive use in maintaining project harbor depths. A crew for the 20-inch pipeline dredge *Sacramento* was trained, and the dredge was transferred to the Bureau of Public Works in June, 1948. A 60-ton revolving barge crane was assembled by the District and formally given to the Philippines in September, 1948. In addition, three shallow-draft, three-quarter-yard dipper dredges for maintenance work are being procured by the Philadelphia District. These will be assembled by the Manila District in the spring of 1950 and then turned over to the Philippine Bureau of Public Works.

Certain projects have been authorized for planning but not for construction by the Corps of Engineers. Reconnaissance surveys to determine the extent of damage have been completed, and preparation of drawing and specifications for these projects is nearly complete. Some of these ports were surveyed as part of the originally-planned program and then deleted from those authorized for construction; others were surveyed and plans and specifications are being prepared for use of the Philippine Bureau of Public Works. Projects included in these categories are mostly those of lesser importance of ports which were not damaged extensively during the war. The total cost of these surveys and the preparation of plans and specifications for these projects will be approximately $50,000.

It would be difficult for a person who had not lived in the Philippines to realize some of the problems of port and harbor rehabilitation. One of these problems is communication.

The average air-line distance from Manila to the active projects outside Manila is about 375 miles. Davao is over 600 miles from Manila by air; about 1,000 miles by ship. Commercial air transportation service is good and is used extensively, both for personnel and for twice-weekly shipments of correspondence by air freight. Still, overland transportation for distances up to 60 miles, over rough roads is required to reach a few of the projects, sometimes accompanied by fording streams around washed-out bridges. Telegrams often require over 24 hours for delivery. But even more important than the difficulties of communication are shortages of materials sources and equipment, and of contractors experienced in stateside construction standards and methods.

Suitable materials are often difficult to obtain. The combined field services of a geologist and a materials engineer were required in locating suitable aggregate sources for some projects. Reinforcing steel is frequently not available in the Philippines in the sizes, types, and quantities required. Most structural steel for port projects is fabricated in the United States. Long wood piles are difficult to obtain, and creosoted piles over 95 feet long must be imported or spliced on the job. In addition, port and harbor rehabilitation is but a small part, dollarwise, of Philippine rehabilitation, public and private, as a whole. As a consequence, competition among contractors for the available materials is brisk.

Contractors in the Philippines at the end of the war had little or no equipment. They have made up much of this deficiency by buying surplus Army and Navy equipment left in the Philippines. It is not unusual to see a crane, air compressor, or 14-S concrete mixer with the designation of an aviation battalion or construction battalion still legible, and most of the equipment still shows OD paint. Much of this equipment is far from new, much of it is not ideally suited to the work to be done, but on the whole is proving a great help.

Even the equipment now available is not used to the extent it would be in the United States; much of the work is done by hand. Often concrete is demolished with hammers and chisels and reinforcing steel cut with hacksaws. Concrete may be poured from small two-man boxes or buckets. Aggregates have been washed by hand in mortar troughs on the job. Often cranes of capacity adequate for handling concrete piles are not readily available.

The equipment situation and construction methods, however, are constantly improving. Recently one contractor acquired a concrete pumping machine, and other contractors have begun to use pneumatic-tired concrete buggies. Some contractors have creditable job-made hopper batch plants, and some of the larger projects have modern weighing hopper batchers. As the program progresses, inspections of construction methods and results are showing evidence of steady improvement.

The port and harbor rehabilitation program is well under way. Nine usable port and harbor facilities have been turned over to the Philippine Government, and three more are nearing completion. Three large pieces of floating plant are being used by the Philippine Bureau of Public Works. About eight other major projects are underway. Completion of the reconstruction of Pier 13 in Manila, scheduled for September, 1950, should bring the program to a successful completion.

—*United States Information Service, Manila.*

Story of the Telephone Company

As Told in the Santo Tomas Internment Camp

By A. V. H. Hartendorp

OFFICIALS of the Philippine Long Distance Telephone Company in Manila were informed of the attack on Hawaii between 3 and 4 o'clock in the morning of Monday, December 8, and between 7 and 8 o'clock the Company's exchange in Davao reported that the Japanese were bombing and machine-gunning the airfield there. Both the attack on Hawaii and Davao had started at dawn, but dawn comes some 18 hours earlier to Hawaii by the calendar because the International Date Line lies between them, though actually only some 6 hours earlier.

The Telephone Company, which maintained a modern telephone system in the Philippines, comprising an automatic system in Manila (26,000 telephones), long-distance lines connecting all the principal cities in Luzon (together with a teletype service), and radio-phone connections with the principal cities on the other islands, rendered the USAFFE the fullest cooperation.

AUTHOR'S NOTE:—This is one of a number of "stories" on various Philippine industries and businesses as they were affected by the war, contained in the writer's unpublished book on the Santo Tomas Internment Camp. These "stories" were written after interviewing the persons principally concerned and were checked by them for accuracy, — then hidden away. The "Story of the Telephone Company" was written in August, 1942, and includes only what had happened and was known in the camp up to that time.

Among the immediate objectives of the Japanese attack were the bridges and railway lines, and the telephone lines parallel the railway lines. The Company's Filipino repairmen, working near the tops of the poles, were peculiarly exposed to attack and were frequently machine-gunned from the air. Although a number of them were thus killed or wounded, not one of these men quit.

The service to Baguio was maintained up to the time the Japanese entered San Fernando, Union, on December 22. Miss Aguilar, the operator at San Fernando, who had been in the Company's employ for only two years, was on the job 24 hours a day to see to it that the USAFFE orders got through. At the last, when the American-Filipino forces were withdrawing from the town, she was told she would have to come along and that the Army intended to destroy the switch-board. She connected the officer who gave her this order with J. E. H. Stevenot, general manager of the Company and a lieutenant-colonel of reserves, then on active duty in Manila, and as a result of their conversation it was decided not to destroy the exchange. Miss Aguilar was brought to Dagupan along with the USAFFE troops, but when it was necessary the next morning to get orders through to San Fernando and from there to other points, she volunteered to go back with an officer. They were twice machine-gunned on the way and finally had to abandon their aim because a bridge was out.

As the USAFFE withdrew southward, most of the Company's provincial buildings and exchanges were blown up. On Christmas night a crew of the Company's men were sent from Manila to Bataan ahead of the forces to prepare a line of communication. Through the destruction of a bridge, this line was unfortunately broken and served its purpose for only a day or so. The telephone men, cut off from Manila, were incorporated into the USAFFE. Six of them were killed in action or died of illness. Two Americans among them were later taken prisoner by the Japanese.

In the southern islands, the Company's Cebu office was dynamited by the USAFFE, but the offices in Iloilo, Bacolod, and Davao were left in working order as the USAFFE forces withdrew, but were later destroyed by the Japanese. The exchange in Baguio was left as it was; but communication with Manila was broken off, the four lines connecting the two cities probably having been removed by the Japanese for the copper.

On the 2nd of January, the day the Japanese entered Manila, blazing oil drifting down the Pasig River from the Pandacan district, set fire to the Telephone Company's bodega, the resulting loss being a heavy one,—close to ₱1,000,000 for the building and the equipment and supplies it contained.

When Stevenot was called to active duty with the Army, T. L. Hall, assistant general manager, was left in charge. On the first day of the Japanese occupation of Manila, he was called to his office at 11 o'clock at night. A Japanese officer there informed him that the Company was now the property of the Imperial Japanese Army. The officer sealed the safe and asked just one question: "What is the capitalization of this Company?" Hall answered: "Twelve million pesos". The Japanese then left without giving any instructions. Leaving the chief operator, Miss Edna Brown, to look after the office, Hall drove home in his car, and although he was twice stopped by Japanese sentries, he was allowed to proceed.

The next morning he called on the Japanese Consul-General who asked him if the Filipino staff could carry on. Hall answered in the affirmative and the Consul then advised him to go home and stay off the streets, telling him to give similar instructions to the Americans in his employ. Hall turned the Company's affairs over to the Filipino vice-president, Jose S. Galvez, who remained in charge, under Japanese supervision, until representatives of the Japanese Ministry of Communications took over, about the beginning of July. In August the Telephone Company and the various cable and radio-communication companies in Manila were incorporated with the Bureau of Posts. Some 25 or 30 "experts" from the Ministry of Communications (with army rank) arrived from Tokyo, but the automatic Manila telephone system appeared to be one vast mystery to most of them and they wisely took the attitude of wanting to learn rather than of wanting to tell the Company's technicians what to do.

The Japanese at first took the telephones out of some of the closed American offices in Manila, but probably when they found out that they could not be used as field-phones, they stopped this. They also, at times, tried to tap the telephones of suspected persons, but not knowing enough about the automatic system, they put the telephone out of order every time they tried this. Perhaps they learned how later.

Miss Brown, the chief operator, was brought into Santo Tomas on January 4, but the Filipino girls in the exchange refused to work nights without her and she was taken back to the exchange that same evening. She remained at her work until the end of June and was paid a regular, though reduced, salary during this time. She was interned in Santo Tomas about the end of July.

Hall and the other Americans in the Company not with the armed forces, were brought into the Camp on January 8. When the Japanese first came to Hall's house, they set up a machine-gun opposite the front door, which was rather startling, but he and Mrs. Hall suffered no actual indignity. A day or so later, a civilian Japanese came to the house and told them that he was sorry but that since the Army wanted the house of another nearby American family, he would have to quarter them in the Hall house. These people, all friends, arrived a little later. One of them, Dr. L. Z. Fletcher, had had a hard time persuading the Japanese to let him bring his emergency medical kit with him. When they were all brought to Santo Tomas on the 8th, they had the same experience most other Americans had in being allowed to take along only the barest necessities, being instructed to bring food and clothing for two or three days only.

Hall was the first Monitor of the Gymnasium, succeeding in establishing very good order among the rather heterogeneous group of over 600 men crowded together on the main and mezzanine floors of that building. Suffering from a slipped sacro-illiac, he was sent to a city hospital on the last day of February and did not return to the Camp until late in July. Part of the intervening time he had spent at his home, where he was left unmolested. "The Japanese seemed to have forgotten me," he said. In this he was luckier than many others.

He expressed pride in the fact that the Telephone Company maintained communications in Manila without interruption in spite of the destruction and terrors of war and enemy occupation. "It is a tradition with us that telephone systems exist for the service of the public and that that service must go on. We felt that the continuation of the service was of greater good to the 500,000 people of Manila than its interruption would have been detrimental to the Japanese."

Certain it is that the telephone was even more useful than ordinarily during the weeks before the enemy occupation when already the city's transportation system had broken down. And especially during the first few days after the Japanese arrived in the city, when people were huddled close in their homes, fearful of what each passing moment might bring, it was a tremendous relief to hear the voice of a relative or friend across the city reporting that things were still well, or at least not as bad as imagination had pictured.

Note (1949) by Mr. Hall:

As time went on, many telephone instruments were disconnected, and information received after the war indicates that large numbers of these were shipped to Japan.

The retreating Japanese Army destroyed the three principal central offices in Manila and attempted to destroy a fourth by gun-fire during the battle for Manila.

The Telephone Company estimated, when the smoke of battle had finally cleared away, that approximately 90% of their pre-war system had been made unserviceable.

The tremendous demand for telephone service all over the world at the end of the war, there being some 5,000,000 pending applications filed with the American Telephone and Telegraph Company alone, made the problem of rehabilitation inconceivably difficult and telephone equipment factories have not yet caught up with the demand on their production.

The Business View

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

Office of the President of the Philippines

From an Official Source

DECEMBER 1 — President Elpidio Quirino officially receives Dr. Luang Bhadravadi, Thailand Minister, and representative of the second nation in Asia to exchange diplomatic representatives with the Philippines. Thailand up to the present has been represented in the country by Mr. E. A. Perkins, honorary consul-general.

Dec. 2 — Decided at a meeting of the Cabinet to uphold the decision of the National Development Company to sell the "Caledonia Pile" of surplus army goods, a decision contested by NDC employees. The Cabinet refers to Secretary of Agriculture P. Mapa the proposal of Marsman & Company to develop 7,500 hectares under the National Fiber Corporation for hemp cultivation; the firm has proposed a rental of ₱2 a hectare and a royalty to the Government of ₱.50 a picul of abaca produced, land and improvements ultimately to be returned to the Government without charge; stated, however, that the President objects to a clause in the proposed contract which would give the firm option to retain control the land after the proposed 15-year initial period. With respect to the reduction in the price of government-owned FS vessels from ₱150,000 to ₱100,000 each, the Cabinet decides to consider such a readjustment only in cases where the parties concerned make arrangements to settle pending amounts due on the ships before the end of the year.

The President directs Secretary of Public Works P. Sanidad to hasten the reconstruction of Villamor Hall for the use of the Supreme Court, and also the project for the construction of a suitable mausoleum for the late Presidents Quezon and Roxas. The President appoints Executive Secretary Teodoro Evangelista as Philippine delegate to the United Nations, replacing Senator Carlos Tan.

Dec. 3 — Announced that the Philippine Government has officially communicated to the "Red China Government" its concern over the Angus Ward case. Pelayo Llamas, Philippine Vice-Consul in Shanghai, has transmitted the message to Peiping.

Dec. 5 — Philippine finance officials confer with a visiting group of officials of the International Monetary Fund headed by Dr. Zaki Bey Saad, regional director. The group is visiting various Far Eastern countries "primarily to study means of preserving the monetary stability of affiliated countries and to assure free convertibility of their currencies." Other members are Dr. George Luthringer, Frank Coe, and Mischeline Parmentierre. Secretary of Finance P. Pedrosa quotes Dr. Saad as saying that the "recent import controls are a step in the right direction."

Dec. 6 — President Quirino directs members of the Cabinet to initiate moves to carry out the Government's "austerity program" "at their own level." During the meeting of the Cabinet, Secretary Pedrosa submits his findings on the alleged irregularities involving Under-Secretary of Finance C. Llamado and Leyte Provincial Treasurer F. Martinez.

The President designated Minister Bernabe Africa, head of the Philippine diplomatic mission to SCAP headquarters in Tokyo, as Philippine delegate to the United Nations Commission on Korea.

The Department of Foreign Affairs announces that it has received a statement from Red China Premier Chou En-lai warning countries contiguous to the China mainland that any country that gives shelter to the Kuomintang's "reactionary forces" "must be held responsible for its action and bear the responsibility for all the ensuing consequences".

Dec. 7 — Members of the Philippine Women's Civic Assembly call on the President to request him to relax the import control order in so far as it affects essential foodstuffs, stating that "restrictions on prime commodities will raise prices to the detriment of the masses". The President states that the order is "just an experiment and was never meant to make the people suffer" and that he welcomes suggestions as to how the measure could be improved.

Dec. 8 — The President swears in Rodrigo N. Perez, Jr. as third member of the Commission on Elections. Perez was Executive Secretary of the Commission and now takes the place of Commissioner Francisco Enage, retired.

The Department of Foreign Affairs announces that the Philippines has been elected to the special committee on information from non-self-governing territories of the United Nations' Trusteeship Council.

Dec. 12 — The President and Senator Jose Avelino issue a joint statement declaring that the Liberal Party and the Avelino Wing of the Party "have decided to put an end to their partisan differences" in order "to preserve harmony and insure cooperation for the effective administration and stability of the Government."

The National Economic Council approves a recommendation of the Department of Finance to "lay out a clear-cut definition of the term 'new and necessary industries' entitled to the 4-year tax-exemption privilege" under Republic Act No. 35, and a committee is named to study the proposal further. The Council also approves the printing of a brochure at government expense to assist in advertising Philippine lumber abroad, as proposed by the Philippine Lumbermen Association.

Dec. 14 — The President officially receives and accepts the credentials of Lucien Colin as the French Minister to the Philippines.

Members of the visiting World Bank mission who arrived on the 10th, call on the President "to discuss with him the economic and financial problems of the country". The members of the mission are Joseph Rucinski, loan officer and head of the mission, Antonin Basch, chief economist, William Frazer, bank loan economist, and William M. Gilmartin.

Dec. 15 — The President receives C. H. Coughlin, president of the Manila Gas Corporation and also of the Central Public Utility Corporation in the United States, in connection with the possible re-establishment of the former company. He was accompanied by Secretary P. Mapa and H. Warns, of the Manila Gas Corporation.

Dec. 16 — The Cabinet approves setting up a ₱1,000,000 revolving fund to be administered by the Department of Agriculture and Natural Resources for the purchase of fertilizer to be resold on credit to small rice farmers. It also approves the recommendation of the Rice Emergency Board to set the minimum purchase price of local *palay* at ₱11 a cavan, ₱3 lower than the price during the rice emergency last year, but higher by several pesos than the current price. At ₱11 a cavan, the National Rice and Corn Corporation would have to resell rice at ₱1.04 a ganta to avoid loss, but President Quirino has insisted that it should continue selling rice at ₱.80 a ganta even if some loss is sustained.

Dec. 17 — The President designates Judges Felix Martinez and Felipe Natividad of the Manila Court of First Instance as Justices of the Court of Appeals to fill the vacancies created by the resignations of Justices Fortunato Borromeo and Conrado Barrios. The President also issues an executive order extending indefinitely the restricted carrying of firearms.

Dec. 19 — The President sends a congratulatory message to President Soekarno on the occasion of his induction as President of the United States of Indonesia.

Announced by the Department of Foreign Affairs that Delfin Garcia, former chief of the Philippine liaison office in Canton, who is now in Hongkong, has been instructed to proceed immediately to Formosa for liaison work at Taipeh, the capital.

The National Economic Council approves a draft outlining a proposed barter trade agreement between the Philippines and Thailand, details of which are not made public. The Council postpones discussion of an application from an American firm for the development of the ramie industry in the Philippines.

Acting Executive Secretary Marciano Roque announces that 13 ranking technical men of the Weather Bureau and the Civil Aeronautics Administration will leave shortly for the United States for advanced technical studies at the expense of the United States Government under the Philippine Rehabilitation Act of 1946.

The President, on vacation in Baguio, confers with Jan Marsman, John McDaniels, secretary of the Cordage Institute of New York, and Buenaventura de Arquiaga, president of the Bicol Hemp Growers Association, in connection with the Marsman proposal to lease 7,500 hectares for abaca development in Mindanao; the President announces that it may be possible to grant an "operating contract" similar to that given the Del Monte Packing Corporation in Mindanao. He also confers with officials of the Philippine Air Lines. Ambassador Myron M. Cowen called later in the afternoon.

Dec. 22 — Secretary of Commerce and Industry Cornelio Balmaceda, as Chairman of the Import Control Board, calls a special meeting today to act on charges of alleged anomolies brought against the Board by a member representing the Central Bank.

Dec. 27 — The Philippines extends *de jure* recognition to the Republic of the United States of Indonesia, effective immediately after the close of the Djakarta inaugural ceremonies. President Quirino and Under-Secretary Neri also send messages of congratulation.

Dec. 28 — The President issues a proclamation calling the Congress of the Philippines to a special session to last four days and opening December 30, for the purpose of considering (1) the ratification of Executive Orders Nos. 225, 226, 239, and 240, having to do with appropriations, (2) extension of the Import Control Law, (3) creation of a Presidential Election Tribunal, and (4) reorganization by the President of the executive departments, bureaus, etc. of the Government.

Announced that the Philippines will be represented in the Asian Labor Conference to be held in Ceylon, beginning January 16, by Judge Arsenio Roldan of the Court of Industrial Relations and Manager Anastacio de Castro of the National Cooperatives and Small Business Corporation.

Dec. 29 — The President assures Secretary of Labor P. Lovina that there is "nothing permanent" about the present controls and that it is his intention "to relax them as rapidly as we increase our production to bring our economy into balance". He pointed out that "investment capital can be attracted into the Philippines only if the country's monetary system is sound and conservative."

Dec. 30 — The President and Vice-President take their oaths of office in ceremonies staged on the Luneta.

Banking and Finance

By R. E. Russell
Sub-Manager, National City Bank of New York

COMPARATIVE Statement of the Central Bank of the Philippines:

ASSETS	As of Jan. 31	As of June 30	As of Oct. 31	As of Nov. 30
	(in thousands of Pesos)			
International Reserve	₱714,969	₱641,617*	₱527,652*	₱469,137*
Contribution to International Monetary Fund	30,000	30,000	30,000	30,000
Account to Secure Coinage	118,106	113,306	113,306	113,306
Loans and Advances	—	—	85,521	109,178
Domestic Securities	—	9,739	38,729	46,784
Due from Treasurer of Philippines	—	7,626	—	—
Other Assets	19,320	22,681	20,509	20,797
	₱877,395	₱824,969	₱815,737	₱789,202
LIABILITIES				
Currency: Notes	₱621,521	₱534,425	₱581,358	₱373,614
Coins	73,035	74,293	73,728	73,880
Demand Deposits—Pesos	169,351	135,438	115,357	96,591
Dollars	—	40,649*	225*	286*
Securities Stabilization Fund	2,000	2,000	2,000	2,000
Due to International Monetary Fund	—	22,499	22,499	22,499
Due to International Bank for Reconstruction and Development	—	—	2,392	2,392
Other Liabilities	1,488	2,128	2,635	1,777
Capital	10,000	10,000	10,000	10,000
Undivided Profits	—	3,537	5,543	6,163
	₱877,395	₱824,969	₱815,737	₱789,202

*NOTE: The Demand Deposit liabilities in U.S. Dollars are deposits of the Treasurer of the Philippines which temporarily are being kept in foreign currency. These amounts are included on the Asset side as part of the International Reserve.

In last month's *Journal*, it was pointed out that the Central Bank had imposed its Selective Credit Control in an attempt to funnel the use of credit into the importation of essential articles. On November 29, by Executive Order No. 295, a revised Import Control was announced to be effective December 1, 1949. This order was another endeavor to conserve even more dollars and added a number of items to the list of luxury and non-essential articles. It increased considerably the percentage cuts, using 1948 as the base year. Circular No. 297, issued December 24, 1949, further revised the list, decontrolling a few articles, and adding a few formerly uncontrolled.

The sudden and drastic revision of the import control regulations has already confronted businessmen with many complex problems of readjustment. From the broader viewpoint, however, statistical evidence of the extent to which the main currents of trade have been altered in response to the new situation, is as yet unavailable.

On December 9, 1949, the Central Bank of the Philippines introduced comprehensive exchange control regulations by Circular No. 20 which restricts sale of exchange by the Central Bank and subjects all transactions in gold and foreign exchange to licensing by the Central Bank. The control was imposed so suddenly that there has been great confusion in the business community. It will take days and perhaps weeks before we know the answers to the many questions being raised in respect to these regulations which can only be clarified by rulings from the Exchange Control Board on specific cases.

Stock and Commodity Markets

By A. C. Hall
A. C. Hall Company

November 26 to December 23, 1949

New York Stocks.—All averages moved forward into new high ground since the advance began in June with the hitherto slow moving Rails showing the largest percentage appreciation. Over the period of this review, the range of the Dow Jones daily closing averages was as follows:

	Nov. 25	High	Low	Dec. 23	Change
Industrials	192.78	198.88	191.55	198.88	Up 6.10
Rails	47.97	51.58	47.87	51.55	Up 3.58
Utilities	39.51	41.02	39.26	41.02	Up 1.51

The recent firmer tone in the Rails is a very constructive market development. It may not only be reflecting the recent flattening out in the rate of railroads' income-decline, as compared with 1948, but also improving prospects. The group, in general, is noted for volatile market action, which, in turn, springs from the fact that so large a percentage of income goes to defray expenses which are of the fixed variety. Earnings can be subject to wide swings. It is more than possible that, if overall business activity holds at a high level through 1950 as seems probable, rail earnings could stage a strong recovery in coming months. In fact rail-share prices, at present levels, may later on turn out to have been on the bargain counter.

Leadership in the industrials is still vested in the Automobiles, and during the past month it has overflowed into auto accessories and tires. Chemicals and electrical manufacturings also showed pronounced firmness, and steels have done well. As in recent months, quality issues have continued to move ahead, but there were more signs that bullishness is beginning to fan out into shares of lesser category.

The technical market action has been very satisfactory. It would be the conventional thing to anticipate a period of correction or consolidation to occur in view of the extent of the rise since June. However, the pace of the movement has been so leisurely that unless a period of rapid advance intervenes to cause the market to overreach itself temporarily, no serious reaction appears in the offing.

Commodities.—Grains have been steady and narrow. Chicago March Wheat was quoted at $2.18-1/2 and Chicago March Corn at $1.31-7/8, which compares respectively with $2.17 and $1.31-1/4 a month ago. In Cotton the strength of the loan, and favorable textile and export news are the main bull factors; New York March Cotton advanced to 30.66 cents from 29.97 cents last month. Sugar was steady to firm with New York March #6 Contract advancing from 5.15¢ last month to 5.25¢ yesterday, but the market was sharply lower today on the overnight news of next year's United States quota having been fixed at 7,500,000 tons, and #6 March lost nine points to close at 5.16¢ in active trading.

Manila Market.—The past month has witnessed momentous happenings in the country's economic and financial sphere. Following upon the restriction of the use of credit to finance imports, referred to in this column last month, came the announcement of a drastic reduction in import quotas. As is frequently the case in these matters, the restrictions had a reverse effect. Instead of acting to conserve the country's dwindling dollar reserves, the new regulations caused a flight of capital which developed to such an extent that foreign exchange control had to be imposed on December 9. Since then, the Central Bank has issued a circular requiring all transactions in gold, including domestic trading, to be subject to license. The practical effect of this has been that premium buyers of gold have disappeared for the time being, and great uncertainty has prevailed in gold-mining circles.

Since exchange control became effective, gold-mining share prices have fluctuated widely from day to day, but inflationary fears have manifested themselves by sharp advances in base-metal and industrial securities.

MINING SHARES

1948-49 Range High	Low		*High*	*Low*	*Close*	*Change*	*Total Sales*
122.48	60.32	M.S.E. Mining Share Average	80.87	71.51	80.87	Up 10.76	
₱.375	₱.12	Acoje Mining Company.....	₱ .17	₱ .125	.17	Up .04	377,952
.028	.016	Antamok Goldfields Mining Co.	.02	.016	.02	Up .004	285,000
.95	.42	Atok-Big Wedge Mining Co..	.58	.48	.53	—	1,126,584
.075	.035	Baguio Gold Mining Co......	.05	.05	.05	—	10,000
3.75	2.00	Balatoc Mining Company...	2.80	2.80	2.80	Off .20	1,650
.0072	.0025	Batong Buhay Gold Mines...	.0041	.004	.004	Off .0001	1,450,000
.05	.016	Coco Grove, Inc.	.034	.032	.032	Off .006	105,000
.015	.008	Consolidated Mines, Inc.....	.012	.008	.012	Off .003	4,270,833
.115	.038	Itogon Mining Company....	.085	.07	.085	—	155,000
.0775	.025	IXL Mining Company......	.06	.037	.06	Up .01	138,875
.91	.42	Lepanto Consolidated Mining	.91	.65	.91	Up .28	1,152,546
1.26	.33	Mindanao Mother Lode Mines	.63	.54	.57	Up .01	1,171,800
.0575	.01	Masbate Consolidated Mining	.02	.02	.02	—	20,000
.275	.10	Misamis Chromite, Inc......	.185	.10	.185	Up .075	196,400
.08	.03	Paracale Gumaus Cons......	.08	.08	.08	—	20,000
.26	.105	San Mauricio Mining Co.....	.18	.14	.14	Off .05	56,000
.43	.18	Surigao Consolidated Mining Co.	.235	.18	.18	Off .03	127,000
.043	.015	Suyoc Consolidated Mining Co.	.02	.02	.02	Off .016	20,000
.11	.04	United Paracale Mining Co....	.07	.07	.07	Off .015	105,000

COMMERCIAL SHARES

1948-49 Range High	Low		*High*	*Low*	*Close*	*Change*	*Total Sales*
₱78.00	₱55.00	Bank of the Phil. Islands..	₱78.00	₱76.00	₱76.00	—	528
200.00	173.00	China Banking Corporation	185.00	185.00	185.00	—	50
620.00	500.00	Central Azucarera de Bais..	605.00	580.00	625.00b	Up ₱35.00	51
182.00	81.00	Central Azucarera de la Carlota	182.00	145.00	182.00	Up 27.00	350
120.00	70.00	Central Azucarera del Pilar..	120.00	120.00	120.00	Up 5.00	25
83.00	30.00	Central Azucarera de Sara Ajuy	83.00	80.00	83.00	Up 3.00	101
61.00	40.00	Central Azucarera de Tarlac	55.00	55.00	55.00	Off 5.00	45
25.00	22.00	Filipinas Cia. de Seguros..	25.00	25.00	25.00	Up 1.00	88
8.00	7.00	Insular Life Assurance Co. Ltd.	—	—	5.50b	—	—
1.30	.92	Manila Broadcasting Co...	.92	.92	.92	Off .12	1,000
5.00	2.50	Manila Wine Merchants, Inc.	—	—	1.50b	—	—
115.00	93.00	Metropolitan Insurance Co.	—	—	115.00b	—	—
1.36	.40	Pampanga Bus Company..	.40	.40	.40	—	2,500
.305	.065	Philippine Oil Development Co.	.115	.075	.0925	Off .0075	1,313,000
1.42	1.00	Philippine Racing Club....	1.20	1.20	1.20	—	7,100
35.50	24.50	San Miguel Brewery, Inc*..	32.50	32.50	32.50	Up 6.50	62,218
100.00	75.00	Williams Equipment Co. Pfd.	—	—	90.00a	—	—
10.00	7.00	Williams Equipment Co. Com.	9.00	8.00	9.00	Up 2.00	580

* Ex-dividend.

Over-the-counter business in mining shares reported during the month included about 16,000 shares Benguet Consolidated between ₱4.00 and ₱3.55, closing at the latter figure. There were also small sales of Demonstration and East Mindanao at 1 centavo, and Nielson and Company at 1-1/2 centavos.

Unlisted Commercial and Industrial business reported during the period included 375 shares Bogo Medellin at ₱9; 588 shares Compañia Maritima at ₱52; 40 shares Philippine American Drug Company at ₱140; 990 shares Philippine Education common at ₱100; 110 shares San Miguel 8% preferred at ₱102; and 288 shares Victorias Milling Company from ₱180 to ₱210.

Credit

By W. J. NICHOLS

Treasurer, General Electric (P.I.) Inc.

IMPORT control and exchange restrictions are already having a very definite effect upon the credit situation in the Philippines. In general, the effect is a tightening in the extension of credit by both wholesale and retail establishments, particularly those dealing in merchandise which comes under the provisions of the import control regulations. A great many houses formerly extending credit of 30 days to their customers, now operate on a cash or weekly credit basis.

Limiting of credit on restricted items is indirectly resulting also in a gradual reduction of credit terms on materials not controlled by the Government. It is believed that in the next few months there will be noticed a definite reduction in the number of installment accounts.

Some firms have discontinued the practice of selling merchandise on a consignment basis and now sell only for cash. The present time is a period when credit managers are carefully watching the condition of their accounts receivable and closely following collection matters.

There are relatively few importers who do business with foreign suppliers on open or consignment account, and since the imposition of exchange control, these companies have, in general, found it advisable to operate through banks on letters of credit. The matter of settling obligations for merchandise received prior to exchange control has not yet been fully decided upon by the Central Bank but it is expected that a routine to permit payment of such debts will be established in the near future.

BUILDING CONSTRUCTION IN MANILA: 1936 TO 1949

Compiled by the Bureau of the Census and Statistics from data supplied by the City Engineer's Office.

MONTH	1936 (Value)	1937 (Value)	1938 (Value)	1939 (Value)	1940 (Value)	1941 (Value)	1945 (Value)	1946 (Value)	1947 (Value)	1948 (Value)	1949 (Value)
January..........	₱ 540,030	₱ 426,230	₱ 694,180	₱ 463,430	₱ 1,124,550	₱ 891,140	₱ —	₱ 1,662,245	₱ 3,645,970	₱ 6,571,660	₱4,807,320
February..........	720,110	479,810	434,930	1,063,950	1,025,920	467,790	—	2,509,170	3,270,150	6,827,005	7,286,630
March............	411,680	396,890	1,300,650	662,840	671,120	641,040	—	3,040,010	3,398,910	7,498,560	8,100,700
April............	735,220	659,680	770,130	1,029,310	962,420	408,640	462,020	3,125,180	8,295,640	7,370,292	5,558,245
May..............	400,220	670,350	1,063,570	1,139,560	740,510	335,210	1,496,700	3,964,480	5,504,870	8570'410	5,070,380
June.............	827,130	459,360	754,180	809,670	542,730	418,700	2,444,070	3,904,450	5,898,580	10,217,840	4,809,250
July.............	302,340	691,190	756,810	495,910	357,680	609,920	1,741,320	3,062,640	9,875,435	7,771,847	4,601,450
August...........	368,260	827,660	627,790	622,050	661,860	306,680	1,418,360	4,889,640	7,428,260	7,568,950	4,150,280
September........	393,100	777,690	684,596	554,570	590,380	530,830	1,015,250	7,326,570	7,770,310	7,095,860	4,952,660
October..........	663,120	971,780	718,190	645,310	738,700	699,040	639,030	4,630,550	6,747,240	5,368,800	5,046,635
November.........	460,720	320,890	972,310	461,580	485,100	315,930	1,364,310	4,373,390	7,088,283	3,424,125	3,338,685
December.........	648,820	849,160	503,230	1,105,910	333,490	67,553	1,605,090	5,034,600	4,924,320	4,507,580	2,721,225
Annual TOTAL..........	₱ 6,170,750	₱ 7,530,690	₱ 9,280,560	₱ 9,053,250	₱ 8,234,460	₱ 5,692,273	₱12,186,150	₱47,526,905	₱73,907,248	₱82,792,569	₱60,443,460
Average..........	₱ 514,229	₱ 627,557	₱ 773,380	₱ 754,438	₱ 686,205	₱ 474,356	₱ 1,015,513	₱ 3,960,575	₱6,158,937	₱ 6,899,381	₱ 5,036,955

REAL ESTATE SALES IN MANILA, 1940–1949
Prepared by the Bureau of the Census and Statistics

Note: A large percentage of 1945 sales and a diminishing percentage of 1496 sales, represent Japanese Occupation transactions not recorded until after liberation.

	1940	1941	1945	1946	1947	1948	1949
January...	₱ 6,004,145	₱ 962,970	₱ 7,943,605	₱ 4,385,011	₱ 6,030,012	₱ 3,644,734	₱ 3,965,420
February..	918,873	779,783	1,337,830	2,267,151	7,217,317	3,879,633	2,701,668
March....	1,415,246	1,532,104	(?)	2,622,190	7,166,866	4,243,719	3,362,635
April.....	883,207	988,380	213,262	1,916,293	8,611,076	5,021,093	3,677,630
May......	403,866	1,129,736	962,008	3,684,937	4,618,181	3,129,799	4,253,395
June......	542,187	598,431	1,212,780	3,637,956	3,988,560	8,019,246	2,793,217
July......	1,324,861	559,742	1,123,565	4,974,862	4,097,183	5,146,529	3,019,784
August....	1,905,828	1,239,414	699,740	4,438,510	5,627,572	6,192,876	4,924,841
September.	1,141,114	815,112	1,870,670	4,698,896	7,437,213	4,737,581	3,668,662
October...	993,103	1,182,678	2,096,893	5,545,800	6,083,486	5,350,376	3,032,542
November.	938,416	858,235	2,555,472	3,340,384	4,177,054	3,046,287	1,861,723
December.	1,504,004	(?)	2,874,408	4,025,926	3,205,584	5,386,248	6,037,740
TOTAL....	₱17,974,844	₱10,647,285	₱22,890,133	₱45,537,914	₱68,260,104	₱57,798,121	₱43,299,257

Real Estate

By C. M. Hoskins
(Of C. M. Hoskins & Co. Inc., Realtors)

REAL estate sales in Manila during December were the highest of any month of 1949, totalling ₱6,037,740.20. Only one month of 1948 equalled this figure. Sales in November, 1949, were less than ₱2,000,000.

Comparative figures for the past four years are as follows:

	12 Months
1946......................	₱45,537,914
1947......................	68,260,104
1948......................	57,798,121
1949......................	43,299,257

The 1949 figures are three times the 1940 total, and four times the 1941 total.

The drastic import and currency controls imposed in November and December were not a major factor in the jump in December sales, although real estate brokers report more active inquiries for real estate among capitalists with large peso accounts.

The new import controls have already affected building costs, although only a few items of building materials were on the control list. The increase is attributed to the general expectancy of merchants that with reduced imports of controlled items, uncontrolled goods will have to bear a larger share of the fixed charges and operating expenses of merchants.

Mortgage money has tightened up with the announcement that the Rehabilitation Finance Corporation has increased interest rates on real estate loans from 4% to 6%, and for the present is not accepting new mortgage applications due to lack of funds for this purpose. The real estate mortgages recorded in Manila during December totalled ₱4,222,227, which is the lowest since January, 1949, and well below the year's monthly mortgage average of ₱6,170,000.

A notable transaction during December was the purchase by the Philippine American Life Insurance Company of the 6,500-square-meter site in the Walled City where the University of Santo Tomas was originally situated. According to President Earl Carroll, the company proposes to erect its five-story Home Office building on the site this year. The lot faces Aduana Street, Plaza España, and Plaza Santo Tomas, across from the Intendencia Building which houses the Central Bank. The price paid was at the rate of ₱60 a square meter.

Electric Power Production

(Manila Electric Company System)

J. F. Cotton
Treasurer, Manila Electric Company

1941 Average—15,316,000 KWH

	KILOWATT 1949	HOURS 1948
January..........................	33,745,000	27,301,000
February.........................	31,110,000	26,021,000
March............................	34,776,000	26,951,000
April............................	33,048,000	26,871,000
May..............................	34,453,000	28,294,000
June.............................	34,486,000	29,216,000
July.............................	35,726,000	31,143,000
August...........................	35,394,000	31,993,000
September........................	35,763,000	32,012,000
October..........................	37,461,000	33,943,000
November.........................	35,856,000*	32,661,000
December.........................	38,600,000**	35,104,000
TOTAL..................	420,418,000**	361,510,000

* Revised
** Partially estimated

The highest monthly and daily outputs on record were established in December. Monthly output was up 3,496,000 kwh, 10% over 1948. The daily record was set on Saturday, December 24, at 1,376,920 kwh compared with 1,274,932 kwh on the same day in 1948.

Yearly output in 1949 increased 58,908,000 kwh or 16.3% over 1948.

Announcements have been made by Meralco that construction expenditures in 1949 were ₱16,000,000 making total expenditures since liberation of ₱36,183,811. The 1950 program for construction of ₱9,781,000 will substantially complete the Company's ₱50,000,000 expansion and rehabilitation program.

Ocean Shipping and Exports

By F. M. Gispert
Secretary, Associated Steamship Lines

FOR the first time since liberation, total exports showed a decline when compared with exports for the same period of a previous year.

Exports for November, 1949, were 118,095 tons as against 179,766 tons for the same month last year. This is probably accounted for by a considerable falling off in scrap-iron shipments and to the fact that no sugar moved during the month under review.

Exports for November this year, as compared with exports for November last year, were as follows:—

	1949	1948
Alcohol	59 tons	13 tons
Coconut, Desiccated	7,192 "	7,459 "
Coconut Oil	4,643 "	4,551 "
Concentrates, copper	2,766 "	—
" gold	429 "	108 "
" lead	90 "	—
Copra	50,991 "	54,696 "
Copra cake, meal	5,853 "	5,472 "
Embroideries	167 "	124 "
Empty containers	341 "	295 "
Fish, salted	45 "	—
Foods, canned	28 "	—
Furniture, rattan	593 "	863 "
Glycerine	160 "	—
Gums, copal	35 "	59 "
Hemp	33,574 bales	41,425 bales
Household goods	323 tons	58 tons
Junk, metal	471 "	37,017 "
Logs	838,799 bft.	1.724,464 bft.
Lumber	1.470,662 bft.	1.412,291 bft.
Plywood	11,345 sq.ft.	—
Ores, chrome	6,589 tons	23,800 tons
" iron	17,934 "	—
" manganese	1,041 "	—
Pineapples, canned	1,099 "	—
Rattan, palasan	158 "	44 tons
Rice	2,953 "	—
Rope	227 "	117 "
Rubber	100 "	128 "
Shells	44 "	60 "
Skins	72 "	130 "
Tobacco	1,637 "	29 "
Vegetable oil products	31 "	379 "
Transit cargo	24 "	2,082 "
Merchandise, general	2,949 "	17,390 "

Air Transportation

By H. E. Umber

Station Operations Manager

Pan-American Airways, Manila

THE periodic controversy between the Civil Aeronautics Administration of the Philippines and the National Airports Corporation, also a government entity, is currently being debated in the Manila newspapers. The difficulty arises over the overlapping nature of the responsibilities of each organization and the desire on the part of each to properly perform their functions for the advancement of the industry. That there is need for economy in all governmental departments of the Republic may be reason enough for the newly elected Congress to objectively survey the situation with a view toward arriving at a definite and lasting solution to the problems to the benefit of all concerned.

Another item to be objectively approached is that of tourism in the Philippines. A great many plans have been advanced on how to develop this important dollar earner for the Government. However, the first problem to overcome is the infinite detail which every tourist must undergo who desires to come, to see and to leave. With the natural wonders of the whole of the Philippines widely advertised by everyone interested in bringing tourists to the Islands and with the development of accommodation to take care of them when they get here, it still remains for the Government to make it reasonably effortless for the traveler to come in and get out of the country. It would appear that there are too many other countries in the world which have taken advantage of their opportunities in this respect for Mr. Average Tourist to seriously consider the Philippines as attractive for a visit until such time as he can come here with as little or less effort than it takes to visit other countries of the world which are soliciting his business.

Gold

By Chas. A. Mitke

Consulting Mining Engineer

A CRISIS, which was virtually a man-made crisis, was created in the Philippines early in December, 1949, when the Central Bank imposed a ruling, requiring all importers to put up 80% cash advances with all orders. This was rapidly followed by a drastic upward revision of the import control quota-cuts, many of them up to 90%. Fear, engendered by these restrictions, caused a flight of capital from the country at the rate of $2,000,000 daily. To check this loss, exchange controls—Central Bank Circular No. 20—were abruptly imposed, this necessitating a waiver of the guarantee in Sec. 342 ("Currency Stabilization") of the Philippine Trade Act, that "the value of the Philippine peso in relation to United States dollars shall not be changed, the convertibility of pesos into dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States, except by agreement with the President of the United States".

The new rulings also affected the gold mining industry. Since production was resumed, the mines have been selling their gold locally, within the Philippines, at prices sufficiently above $35 an ounce to enable them to operate and even to consider expansion.

The ruling of the Central Bank, however, makes it virtually impossible for the mines to sell gold to any purchaser other than the Central Bank, which will pay only ₱70 or ₱35 an ounce.

The order concerning gold is published elsewhere in this issue of the *Journal.*

Naturally, no private purchaser would engage in dealings in gold under such conditions.

Recent statements of members of the International Monetary Fund as well as officials of the United States Government, are to the effect that the local selling of gold does not violate any agreement or ruling of the Monetary Fund so long as the former customary export and import controls over gold continue to be exercised. For that reason, the officials of the gold mines feel that the local practice during the past four years should be continued.

The Bank ruling, coming as it did just before pay-day, caused considerable embarrassment. The companies had the gold to sell which would have furnished the necessary pay-roll funds had they been free to dispose of it. The offer of the Central Bank to lend the money at 3%, with the gold as guarantee, was refused as it offered no solution.

The gold-mining companies have protested to officials of the Government against the ruling of the Central Bank, stating that this would serve to discourage transactions in gold and virtually kill the industry by forcing the producers out of business.

They also pointed out that closing of the mines would deprive over 100,000 persons of their means of livelihood or support. In addition, the Government would stand to lose around ₱3,000,000 annually, in the form of the direct and indirect taxes which accrue from the industry.

Already there are rumors that several mining companies have notified their employees that if this ruling continues in effect, the cost of production will be greater than the income and the force will reluctantly have to be discharged.

The gold-mining industry is just getting on its feet, the production amounting to only 18% of its former production,—only ₱18,000,000 annually instead of ₱100,000,000. The official price of gold—$35 an ounce—is exactly the same as pre-war, but the cost of labor has doubled and the cost of supplies has trebled. If compelled to sell their gold at the pre-war price of $35 an ounce, half of the gold producers would have to close down, and the remainder would merely last as long as their high-grade ore holds out.

The Philippines has, for some years, been buying more than it sells, but the deficit was made up by payments from the War Damage Commission, Rehabilitation funds, Surplus property, and loans from America. Such payments, however, are gradually coming to an end and unless something is done to conserve dollar resources, the situation in a few years will be critical.

This is not an industrialized nation, and even under the most favorable conditions, a chain of factories cannot be erected overnight to cushion the shock. Industrialization takes time and much capital. The country's big assets are the natural resources and these inhere primarily in agriculture and mining. It was these two natural resources, the surface and sub-surface products, which made the Philippines prosperous up to the end of 1941.

Mining before the war was the No. 2 industry, and in 1942, promised even to exceed the sugar industry in importance. Today, battered and war-torn, it is struggling for existence. If given a helping hand, it may eventually pull the Republic out of the morass in which it is floundering, but if restrictions such as that recently imposed on gold continue to threaten, it will die an untimely death, and with it will die the hope of the Nation.

The lifting of the restrictions on the sale of gold would have the same effect as that experienced in Hongkong where a similar condition was created some months ago. When restrictions were imposed on the sale of gold, the Hongkong dollar fell and the price of gold soared. The moment the restrictions were lifted, the Hongkong dollar returned to normal and the fear of inflation was removed.

Lumber

By Luis J. Reyes

Philippine Representative, Penrod, Jurden & Clark Company

During the month of November, there were shipped abroad 4,048,058 board feet, of which two-thirds consisted of sawn lumber and the remainder round logs. This amount is a little less than that exported in October. The United States took 51% of our total export, the Far Eastern countries 25%, and the rest went to Hawaii, Canada and South Africa.

Lumber companies have been operating at their maximum capacity because of the shortage of lumber in Manila, the low prices of lumber during the second and third quarters of the year having caused the closing of several small mills or the diversion of their production to other centers. Manila was almost wholly supplied by the bigger mills. The shortage of supply has caused prices to go up and, at present, common Manila grades of tangile, apitong, and lauan are wholesaling at about ₱190, ₱180, and ₱170 respectively. At these prices, lumber producers make a fair margin of profit, but many believe the prices will last only for about the first quarter of 1950. As soon as the small producers resume operations and begin to ship their lumber to Manila, prices will again drop to critical levels.

Many producers are looking forward to the resumption of the log trade with Japan and, we understand, that the tender to be held early next January will be the last one to be held by SCAP; thereafter, Japanese companies will be authorized to import logs as they did before the War. Small to medium-size loggers favor dealing with individual importers, because these generally send their ships to the Philippines and buy lumber delivered "free alongside ship" (FAS). There is no necessity for producers to bother with financing and negotiating papers through the banks, as is generally done at present.

The present Import Control, which limits the importation of certain construction materials, may slow down the demand for lumber, but, up to this writing, lumbermen have not complained of any adverse effect. We know, however, that some branches of the local wood industries, such as those of veneer and plywood, will be favored by the control. Imported plywoods, it is reported, which were selling between ₱6 and ₱7 a sheet, now cost between ₱9 and ₱10. As far as plywood is concerned, the 5 mills in operation in the Philippines are in a position to supply all the requirements of the country.

Copra and Coconut Oil

By Manuel Igual

Executive Vice-President, El Dorado Oil Works

and

Kenneth B. Day

President, Philippine Refining Co., Inc.

This report covers the period November 16 to December 15.

The slow but steady upward trend which prevailed during the previous four weeks was finally checked, and, while on November 16 sellers were asking $190 per short ton c.i.f. Pacific Coast, with moderate buying-interest at $185, the last half of November continued without exceeding the aforementioned levels, there being only an occasional trade at those and in-between prices. During the period from the 1st to the 15th of December, copra crushers on the Pacific Coast evinced less interest. The majority showed no inclination to operate until after the turn of the year, with the result that the market gradually eased off; by the 15th of December buyers' ideas centered at around $170, with small business recorded at $172.50.

Trade with other than United States destinations for the period under review was negligible. There were several inquiries, but apparently in most cases, particularly during the latter half of November, buyers found it to their advantage to draw supplies from other than Philippine sources since they considered local price levels entirely too high. As the market receded during December, more interest was shown by foreign buyers and occasional small sales were recorded to European destinations. However, just before the middle of December, a shipload of copra was sold to Japan at approximately $200 c.i.f., long ton.

At the close of this period, we find most American crushers showing very little buying-interest, mainly because oil consumers are showing no inclination to buy oil in quantity even at the equivalent of closing copra-levels, doubtless anticipating ability to buy at lower prices. Our feeling is that copra at the levels of $170 to $172.50 is rather on the low side, despite avowed curtailed oil consumption. With prospects of diminished supplies, and European levels at around £78 c.i.f. (officially equivalent to $218.40, long ton), and with indications that copra supplies from the Sterling Area are insufficient to meet European requirements, there is a possibility that despite the much talked-of scarcity of Dollars in Europe, occasional demand may develop now and then; and should these sources start drawing any appreciable amount of copra from the Philippines, we are inclined to think, despite the statement that coconut-oil stocks in the hands of United States consumers are ample, that at these levels there is more chance for the market to advance than to decline. This conclusion is, of course, mainly based on an anticipation of a seasonal decrease in Philippine copra production, which is indicated from all primary sources, particularly after the turn of the year.

Insofar as the coconut-oil market is concerned, generally speaking, starting with an asking price of 14-1/4¢ f.o.b. tank-cars, Pacific Coast, on November 15, the market seemed to follow a one-way course which was steadily downward, so, while the decline was very gradual, on December

15 the sellers' asking price was 13-1/2¢ f.o.b. tank-cars, Pacific Coast, for December, with discounts for January forward.

Domestic oils and fats in the United States ruled rather dull throughout the period under review, and this may have influenced coconut-oil consumers to remain more or less on the sidelines; the few times coconut-oil buyers indicated interest, they immediately found ready sellers, although the volume was one of very light trading. To our way of thinking, there was no plausible reason for crushers to appreciably discount the oil market for the same reasons advanced in the preceding paragraph regarding copra. Despite statements to the effect that United States consumers are comfortably supplied, it is felt that this is only relatively true, and we anticipate some improvement in oil prices by or about the turn of the year, or as soon as diminished production makes itself more apparent.

Copra exports for November were slightly lower, totalling 50,991 tons, as against 55,445 tons for the last month, and 54,696 tons for November, 1948. These shipments were distributed as follows:

United States:		
Pacific Coast	26,666	
Atlantic Coast	6,269	
Gulf Ports	4,256	
Canada (Pacific Coast)	500	37,691
Europe		9,300
South America		4,000
Total		50,991

Oil shipments amounted to 4,643 tons, as against 7,065 tons in October, and 4,551 tons for November, 1948. Oil shipments were distributed as follows:

United States Atlantic Coast	3,088
Europe	1,052
South Africa	503
Total	4,643

Combined copra and oil shipments in terms of copra approximated 58,420 tons, as against 66,749 tons for October.

Desiccated Coconut

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

This report covers the period from November 15 to December 15. Copra prices opened firm and increased toward the middle of the period, dropping at the end. Nut prices, although remaining above the copra equivalent, consistently fluctuated with the copra prices. But due to seasonal shortage of nuts and some difficulties with hauling at night due to disturbances in the provinces, the desiccated coconut manufacturers had much difficulty keeping their factories supplied with raw material.

Actually all factories were shut down at one time or another because of lack of raw material and it is estimated that the industry produced at only 75% capacity, with indications that this condition may continue for another 60 days.

Labor relations were satisfactory during the period, with no company having any serious disturbances. However, the effect of a change in economic policy of the Philippine Government has caused considerable stir in the minds of desiccated coconut manufacturers. Although this is an export business, financing and receipt of needed imports to run the business have brought up questions which have not been adequately answered.

However, this may be temporary due to lack of experience in such control measures and although the future is not clear as to operating procedure, the industry will no doubt receive immediate and favorable attention as it ranks as one of the largest, needed industries in the Philippines. The next few months will be an adjustment period but should not materially hamper the industry.

The following statistics cover the shipments for November:

Shippers	*Pounds*
Franklin Baker Company of the Philippines	3,228,285
Blue Bar Coconut Company	754,630*
Peter Paul Philippine Corporation	1,544,800**
Red V Coconut Products, Inc.	1,646,900
Sun-Ripe Coconut Products, Inc.	463,780
Standard Coconut Corporation	315,500
Cooperative Coconut Products, Inc.	333,300
Tabacalera	284,100
Coconut Products (Phil.) Inc.	181,710
Luzon Desiccated Coconut Corporation	150,500
Total	8,903,505 pounds

*BLUE BAR—Zamboanga Factory production.. 467,130 lbs. Lusacan " " 287,500 " 754,630

**Peter Paul production.......... 1,282,600 Standard Coconut production........ 262,200 " 1,544,800

Manila Hemp

By Fred Guettinger
Macleod and Company of Philippines

This review covers the period November 16 to December 15. The firmness of the United States market during the previous month continued for the greater part of the period, with little hemp being offered. In the second half, however, an easier tone prevailed; and toward the close, the market developed definite signs of weakness. Shippers were more disposed to sell but buyers preferred to stay on the sidelines, anticipating lower prices due to an expected increase in the coming months' production. The period closed with shippers offering around 3/4¢ lower to 3/8¢ higher for Davao grades; and while quotations for Non-Davao J1 closed 3/4¢ higher, most Non-Davao grades remained unchanged.

New York quotations:

	Per lb. c. i. f. New York		
	November 15	*December 15*	*Change*
Davao I	28-1/2¢	27-3/4¢	-3/4¢
Davao Jl	27-3/4¢	27-1/2¢	-1/4¢
Davao G	24-7/8¢	25-1/4¢	+3/8¢
Non-Davao Jl	25-1/4¢	26¢	+3/4¢
Non-Davao G	20-3/4¢	20-3/4¢	No change
Non-Davao K	16-1/4¢	16-1/4¢	No change

The London market continued firm throughout the period and quotations for popular Non-Davao grades closed around $10 a ton higher. It is reported that considerable ECA buying was done in November and the first half of December with France taking 4,000 to 5,000 bales and Holland, about 3,000 bales. No business was done with Japan.

The Philippine provincial markets not only refused to follow the decline in the United States market but closed from ₱.50 to ₱1 higher for Davao grades; and Non-Davao grades were from ₱1 to ₱2 higher, due to the interest shown in these grades by Europe.

Philippine provincial quotations:

	Per Picul, Basis Loose		
	November 15	*December 15*	*Change*
Davao I	₱62.50	₱62.50	No change
Davao Jl	60.50	61.00	+ ₱ .50
Davao G	52.50	53.50	+ 1.00

Non-Davao JI	53.00	54.00	+1.00
Non-Davao G	42.50	44.00	+1.50
Non-Davao K	26.50	28.50	+2.00

Production for the month of November was 34,414 bales—the second lowest so far in 1949—but 4,275 bales over November, 1948—the month of lowest production that year. The drop from October—6,553 bales—is chiefly accounted for by the seasonal slump in production in the Bicol area due to the rice harvest. Camarines, Albay, and Sorsogon districts produced 4,709 bales in November—down 4,173 bales, or 47%, from October; but up 840 bales from November, 1948. Pressings in other Non-Davao areas were 10,377 bales, or 2,155 bales less than in October. Davao November balings were 19,328 bales—down 225 bales from October, but up 4,201 bales from November, 1948.

Production for the first eleven months of 1949 was 463,214 bales as compared with 540,580 bales in the same period of 1948, or with 731,501 bales during the first eleven months of 1947. Indications are that the total 1949 production will be around 10,000 to 12,000 bales in excess of 500,000.

Sugar

By G. G. Gordon
Secretary-Treasurer
Philippine Sugar Association

THIS review covers the period from November 26 to December 29.

New York Market: At the beginning of this period prompt shipment Cuban sugar was offering at 5.95¢ and 5.90¢. January arrivals were easier, with sugar available at 5.85¢. Refiners showed very little interest and little or no business transpired. It was reported that refiners were well covered for December, and that they were not disposed to take on 1950-quota sugar until after the 1950 quota hearings. The quota hearings opened on November 30, on which date Cuban sugars for January arrival were offered at 5.80¢. On this date a sale was reported of 2,000 tons Philippines for shipment in November/first half December at 5.75¢. On December 1, the market was again easier, when 4,500 tons of Cubas for December shipment were sold at 5.70¢. The premium for early arrival (January) declined to only about 5 points, whereas two weeks earlier the premium was about 20 points. On December 2, Sucrest Corporation announced a refined price of $7.93 for immediate shipment, but other refiners remained at the previous quotation of $8.05.

The sugar quota hearings followed conventional lines, with the producers arguing for a low quota to conserve price levels, which were still below the levels of other staple foods, and consumers arguing for an increase in the figure to keep down the cost of living.

The market continued to be without much action but fairly steady. On December 5, Hawaiian sugar for January arrival was offered at 5.90¢, and Philippine sugar for February/March shipment was offered at 5.70¢. Some forward sales were made to operators of Philippines for February/March shipment at 5.70¢.

By the middle of December, the market was steady and prices on the Exchange improved somewhat. Prompt Cuban sugar was offered at 5.80¢, Philippines January/February and February/March shipments offering at 5.75¢. However, there seemed to be little prospect of business until the new quota was announced. The new quota was announced on December 22 at 7,500,000 short

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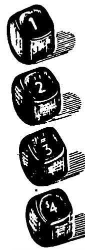

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tons, which was considered disappointing by producers. However, this could be interpreted as a middle-of-the-road figure, and as an indication that the Government considers the existing price level as reasonable. Following the quota announcement, however, the market weakened and the trend became bearish. On December 29, a sale was reported of 2,000 tons Philippines February/March shipment at 5.58¢, which was the low point of the period under review.

The United States sugar distribution as of December 22 was 7,356,862 tons *vs.* 7,144,308 tons for the same period last year. The latest estimate of the 1950 Cuban crop by the Cuban Minister of Agriculture is 5,679,061 short tons, which is only slightly below the actual outturn of the 1949 crop.

We give below the quotations on the New York Sugar Exchange as of December 22 for Contracts Nos. 4, 5, and 6:

	Contract No. 4	*Contract No. 5*	*Contract No. 6*
January	—	5.20	—
March	4.48	5.35	5.25
May	4.48	5.36	5.25
July	4.48	5.37	5.28
September	4.48	5.38	5.30
November	—	—	5.31
January	4.49	—	—

On December 27, the above No. 6 Contract quotations had declined approximately 10 points for all positions quoted above. It is noticeable that there has been considerable improvement in the Free World Market Exchange Contract No. 4 over last month.

Local Market: (a) Domestic Sugar—During the period under review the domestic market tended to ease off as production increased. Sales have been reported for January delivery at from ₱15.50 to ₱16 per picul. The new crop shows the effects of the drought during the early part of the year, and, due to excessive rainfall during recent weeks, purities of the cane continue to be below average. Unless there is an improvement within the next month or so, it is quite probable that estimates will be revised downwards.

(b) Export Sugar—During most of the period under review the price of export sugar remained steady. Since the publication of the sugar quota and the consequent downward tendency of the New York market, prices are easier and at the close ₱13.60 to ₱13.70 per picul is about the market level.

Tobacco

By Luis A. Pujalte

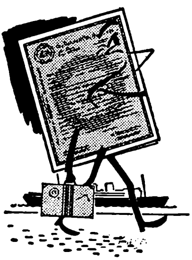
Secretary-Treasurer, Manila Tobacco Association

I was sad when I bid Count Churruca farewell on board the S.S. *Marselleise* because I was parting from a friend and because I knew the tobacco industry of the Philippines was losing one of its most ardent and energetic leaders. He requested me, before leaving, to continue with this column which he was so fond of, and I will do my utmost to give the readers the same accurate and unbiased information my friend did.

The Philippine tobacco industry is the industry which is probably the most neglected by the Government, despite the fact that it could be one of the largest revenue producers.

However, incidental to the strict import and gold and exchange control measures, imposed because of the economic difficulties in which the country finds itself, the importation of American cigarettes has been greatly affected, this accidentally, as it were, blessing our much neglected industry.

How long these measures will remain in effect, no one knows for I doubt that even the brains which created them



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know. But one certain thing is that the local tobacco industry will benefit. There is a very wide field for both foreign and local investors in tobacco, especially in the manufacture of low-grade, medium-grade, and high-grade cigarettes of the American type. Two local factories with pre-war manufacturing experience, are already in the field, and all the other companies will soon follow suit. I foresee that the factories whose machines have been running only a few hours daily, will shortly be humming with activity and employing three shifts a day. This, however, will involve the importation of American leaf tobacco.

I am pleased to take over this column at the present time when our local industry appears to be facing a bright future and I extend my greetings to all my old friends engaged in it, hoping also to gain many new ones who will decide to take a share in the enormous development that lies ahead, in both the native and imported leaf.

Imports

By LOUIS S. KRAEMER

Vice-President, Mercantile, Inc.

THE general trend of imports into Manila for November, 1949, show a decided upswing as compared to November, 1948, with particular emphasis upon foodstuffs which were strike-bound on the Pacific Coast during November, 1948.

It is notable that the essential commodities were coming in in larger quantities during November, 1949, than during November, 1948.

A few items which show the effect of import control restrictions in the period of 1949 are household appurtenances, rubber goods, alcoholics, Christmas decorations, entertainment equipment, tobacco, and cosmetics.

It is apparent that the general trend is toward importing more essential merchandise, as can be noted by the increasing imports of fibre board, glass, metals, and other industrial items and building materials.

Japan is rapidly becoming a very important factor in this market. Worthy of mention is the fact that imports of galvanized iron sheets from Japan for November, 1949, was 3,456 metric tons versus 368 metric tons from the United States.

Our statistical department has received many requests lately for special statistics from firms in Manila which are indicating strong interest in commencing local manufacture, and it is our belief that the year 1950 will show a considerable movement in this direction if the Government will give some assurance of stability in the issuance of future import control and monetary control regulations.

All figures shown below are in kilos with the exception of foodstuffs which are given in package units.

COMMODITIES	November 1949	November 1948
Automotive (Total)	2,458,908	2,497,783
Automobiles	276,817	823,021
Auto Accessories	23,631	17,053
" Parts	398,122	222,043
Bicycles	78,705	26,829
Trucks	34,435	5,478
Truck Chassis	452,518	616,730
Building Materials (Total)	4,652,980	4,837,940
Board, Fibre	384,056	124,641
Cement	64,594	131,628
Fixtures, Bathroom and Kitchen	272,898	107,319
Glass, Misc.	1,083,308	809,324
Plumbing, Misc.	599,335	1,349,244
Chemicals (Total)	4,109,752	2,391,244
Caustic Soda	466,823	812,682

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Explosives (Total)	112,359	47,141
Firearms, NOS (Total)	14,017	16,275
Ammunition	5,074	30,866
Hardware (Total)	4,960,342	4,763,520
Household (Total)	1,886,048	2,522,269
Machinery (Total)	2,088,054	1,760,558
Metals (Total)	10,519,642	5,977,104
Petroleum Products (Total)	52,777,251	74,822,846
Radios (Total)	72,430	54,534
Rubber Goods (Total)	721,925	1,205,077

Beverages, Misc. Alcoholic	19,961	63,242
Foodstuffs (Total)	62,565,564	54,894,914 kilos
Foodstuffs, NOS (Total)	23,286	18,722
Foodstuffs, Fresh (Total)	250,842	135,456
Apples	62,721	30,599
Oranges	14,760	2,628
Onions	50,238	35,032
Potatoes	11,715	15,712
Foodstuffs, Dry Packaged (Total)	100,624	45,396
Foodstuffs, Canned (Total)	649,334	306,500
Sardines	163,680	29,650
Milk, Evaporated	135,290	109,247
Milk, Condensed	42,450	39,270
Foodstuffs, Bulk (Total)	1,030,939	1,251,403
Rice	332,120	400,636
Wheat Flour	653,326	785,142
Foodstuffs, Preserved (Total)	1,881	2,413

Bottling, Misc. (Total) Unit — 31,546 (1948) Unit — 215,399 (1949)	2,476,712	596,226
Christmas Decorations (Total)	10,180	25,172
Cleansing and Laundry (Total)	1,520,172	517,973
Entertainment Equipment (Total)	10,043	1,554,110
Livestock-Bulbs-Seeds (Total)	1,218	33,031
Medical (Total)	617,136	429,035
Musical (Total)	152,744	53,115
Office Equipment (Total)	202,648	159,673
Office Supplies (Total)	53,958	51,527
Paper (Total)	4,651,159	4,166,552
Photographic (Total)	69,764	66,969
Sporting Goods (Total)	51,830	17,724
Stationery (Total)	578,042	254,028
Tobacco (Total)	805,924	2,317,628

Chucheria (Total)	134,535	96,595
Clothing Apparel (Total) (Including men's, women's and children's)	469,453	488,814
Cosmetics (Total)	80,795	437,402
Fabrics (Total)	814,699	922,009
Jewelry (Total)	—	313
Leather (Total)	278,270	272,961
Textiles (Total)	4,476,619	3,933,356
Twine (Total)	64,203	33,358
Toys (Total)	247,258	214,032
General Merchandise (Total)	876,815	1,203,226
Non-Commercial Shipments (Total)	40,517	26,435
Advertising Materials, Etc. (Total)	985,512	57,304

—*Robot Statistics*

Food Products

By C. G. Herdman

Director, Trading Division

Marsman & Co., Inc.

BECAUSE of the new government regulations, it was practically impossible to book any import business in food products during the month of December. Fortunately there were sufficient stocks on hand and afloat to supply the demand for practically all commodities, and there is no immediate danger of any serious shortage of supplies except in a very few commodities.

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The new import control order (Executive Order 295) which so drastically restricted the import of some essential items, was amended by President Quirino on December 24 by Executive Order 297, which relaxed somewhat the more stringent of these controls. Flour was removed altogether from the import control list. Restrictions were greatly relaxed on canned sardines and salmon and coffee. Relaxation of restrictions on certain other items of lesser importance were also effected. Unfortunately, up to this time the Import Control Board does not have its machinery operating and it has been practically impossible for importers to secure permits so as to place orders for replenishment of stocks even in cases where the respective importers are clearly entitled to import quotas and the permits have been applied for. Matters at this time are made even worse by the fact that it is necessary to go to the Import Control Board to secure a certificate when placing orders even for merchandise not included in the import control list, the certificate to be to the effect that such merchandise is not subject to control. It is virtually impossible to secure even these certificates. Orders placed during December for replenishment of local stocks were almost nil, due practically altogether to the inability of the Import Control Board to function.

Business was still further affected during the month by the order issued on December 9 by the Central Bank creating an exchange control office and prohibiting local banks from establishing letters of credit for importers and to remit dollar exchange in payment of pending accounts without first securing necessary permits from the exchange control. Here again machinery has not been provided to handle efficiently applications for exchange, and this has made it difficult for all concerned to secure exchange permits. Numerous applications filed immediately after this regulation was put into effect, are still pending action. As no goods may be shipped and imported into the Philippines unless a letter of credit is previously established, many importers could not secure shipments of orders placed, even with the approval of the Import Control Board, owing to difficulty of securing action on their applications for exchange. It is sincerely to be hoped that the Exchange Control Board as well as the Import Control Board offices will be properly organized without further delay so that applications can be acted upon promptly, whether approved or otherwise, so that importers may know just where they stand and be able to plan their operations.

The exchange control is working particular hardship on many foreign firms previously exporting merchandise to their agents or representatives in the Philippines on open account or on a consignment basis, in that payments due them are very materially delayed. The officials of the Central Bank have stated that exchange licenses will be granted to cover payments for such accounts, but up to the present, as far as can be ascertained, no such exchange licenses have been granted, and it appears probable that none will be granted before February at the earliest.

In spite of the extreme difficulty encountered in trying to do business under present regulations, most importers have not lost hope of being able to carry on their business, although realizing that it must be greatly curtailed. They recognize the necessity for conservation of dollar exchange and they are only too willing to cooperate with the authorities in every way. They emphasize, however, the importance of establishing promptly the necessary machinery in the various control offices, so that permit-applications can be acted on promptly and necessary information be made available. Otherwise their business can not be planned and handled properly.

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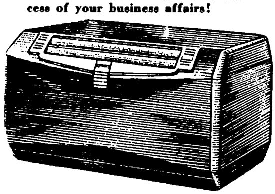

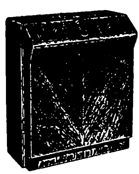

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Automobiles and Trucks

By Karl E. Gay

Sales Representative, Ford Motor Company

CUMULATIVE sales reports from the automotive dealers in the Philippines as of October 31, 1949, are shown in the attached tables, broken down according to sales in the metropolitan area of Manila, the provinces, and the total for the Philippines.

Passenger car sales accounted for 46.4% of the total sales. The metropolitan area of Manila absorbed 74.9% of all passenger car sales and 55.2% of all truck sales.

PHILIPPINE ISLANDS, GRAND TOTAL YEAR SALES TO 31 OCTOBER, 1949

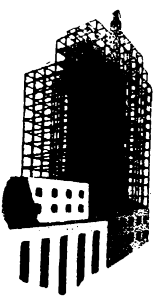
MAKE	CARS No.	CARS %	TRUCKS No.	TRUCKS %	TOTAL No.	TOTAL %
FORD	645	17.40	1,532	35.86	2,177	27.28
MERCURY	288	7.77			288	3.62
LINCOLN	65	1.75			65	.82
CHEVROLET	987	26.62	1,354	31.68	2,341	29.34
BUICK	149	4.02			149	1.87
CADILLAC	20	.54			20	.25
PONTIAC	204	5.50			204	2.55
OLDSMOBILE	213	5.74			213	2.67
G.M.C.			62	1.45	62	.77
CHRYSLER	22	.59			22	.27
DESOTO	159	4.28	32	.76	191	2.39
PLYMOUTH	132	3.56			132	1.65
DODGE	231	6.24	98	2.29	329	4.13
FARGO			78	1.82	78	.97
HUDSON	55	1.48			55	.69
INTERNATIONAL			969	22.68	969	12.15
NASH	94	2.53			94	1.18
PACKARD	74	1.99			74	.93
STUDEBAKER	76	2.06	24	.56	100	1.25
WILLYS	269	7.25	55	1.29	324	4.07
REO			46	1.07	46	.57
OTHERS	25	.68	23	.54	48	.58
TOTAL	3,708		4,273		7,981	

METROPOLITAN AREA OF MANILA, YEAR SALES TO 31 OCTOBER, 1949

MAKE	CARS No.	CARS %	TRUCKS No.	TRUCKS %	TOTAL No.	TOTAL %
FORD	435	15.71	926	39.26	1,361	26.53
MERCURY	203	7.33			203	3.96
LINCOLN	58	2.09			58	1.13
CHEVROLET	642	23.17	646	27.38	1,288	25.09
BUICK	100	3.62			100	1.96
CADILLAC	16	.58			16	32
PONTIAC	151	5.45			151	2.94
OLDS	198	7.15			198	3.86
G.M.C.			45	1.81	45	.87
CHRYSLER	19	.68			19	.37
DESOTO	150	5.41	27	1.14	177	3.46
PLYMOUTH	121	4.37			121	2.36
DODGE	208	7.52	75	3.18	283	5.51
FARGO			56	2.37	56	1.09
HUDSON	52	1.87			52	1.01
INTER'L			463	19.62	463	9.03
NASH	87	3.14			87	1.69
PACKARD	66	2.38			66	1.28
STUDE	68	2.45	16	.68	84	1.63
WILLYS	172	6.21	44	1.86	216	4.22
REO			43	1.82	43	.84
OTHERS	24	.86	21	.88	45	.85
TOTAL	2,770		2,362		5,132	

PHILIPPINE PROVINCES, YEAR SALES TO 31 OCTOBER, 1949

MAKE	CARS No.	CARS %	TRUCKS No.	TRUCKS %	TOTAL No.	TOTAL %
FORD	210	22.40	606	31.72	816	28.65
MERCURY	85	9.06			85	2.98
LINCOLN	7	.74			7	.24
CHEVROLET	345	36.78	708	37.05	1,053	36.96
BUICK	49	5.22			49	1.72
CADILLAC	4	.42			4	.14
PONTIAC	53	5.65			53	1.86
OLDSMOBILE	15	1.61			15	.53
G.M.C.			17	.89	17	.59
CHRYSLER	3	.32			3	.11
DESOTO	9	.96	5	.26	14	.49
PLYMOUTH	11	1.17			11	.38
DODGE	23	2.46	23	1.20	46	1.61
FARGO			22	1.15	22	.77
HUDSON	3	.32			3	.11
INTERNATIONAL			506	26.49	506	17.76
NASH	7	.74			7	.24
PACKARD	8	.85			8	.28
STUDEBAKER	8	.85	8	.42	16	.56
WILLYS	97	10.35	11	.57	1C8	3.79
REO			3	.15	3	.11
OTHERS	1	.10	2	.10	3	.11
TOTAL	938		1,911		2,849	



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Textiles

By James Traynor

THE market was very active during the month of December due to the seasonal buying preceding the Christmas holidays. The New York market continued to be steady, but no new orders to speak of were placed in the States during the month.

Arrivals were about the same as during the month of November except that Japan shipped to the Philippines about three times the quantity shipped during November.

Legislation, Executive Orders, and Court Decisions

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

Memorandum on the PRATRA-Liggett & Myers Tobacco Company Case

ON November 15, 1949, the Philippine Relief and Trade Rehabilitation Administration (otherwise known as PRATRA) ordered Liggett & Myers Tobacco Company—

(a) to stop the sale of Chesterfield, Piedmont, and Cycle cigarettes by the Company's salesmen direct to retail stores in the City of Manila and suburbs, and in the provinces;

(b) to submit to PRATRA'S office not later than November 19, 1949, a report of the distribution made by the Company's salesmen in the City of Manila from October 28 to November 15, 1949, of 995 cases of Chesterfield cigarettes;

(c) not to sell any quantity of cigarettes earmarked for distribution among jobbers in the provinces without the prior approval of PRATRA;

(d) not to sell any cigarettes except upon orders of PRATRA;

(e) to submit to PRATRA weekly, every Monday, a report of all the sales of Chesterfield, Piedmont, and Cycle cigarettes made by the Company to its customers as authorized by PRATRA; and

(f) to deduct cigarette purchases made by PRATRA for its branches in the provinces from cigarettes scheduled for provincial distribution.

PRATRA claimed that it had the power to issue the above orders under the provisions of Section 3, paragraph (e) of Executive Order No. 90 of September 10, 1947, which reads, in part, as follows:

"Sec. 3. The PRATRA shall have the following powers, duties, and functions:

* * * * * * * *

"(e) To undertake the prevention of monopolization, hoarding, injurious speculation, manipulation, private control, and profiteering affecting the supply, distribution, and movement of foods, clothing, fuel, *and other articles of prime necessity.*" (Italics ours.)

The Company was not disposed to follow PRATRA'S orders, and on November 18, 1949, it instituted an action in the Court of First Instance of Manila against PRATRA and its General Manager, Ildefonso Coscolluela, in which the Company seeks to have the court declare null and void Executive Order No. 90 under which PRATRA pretends to act; Republic Act No. 51 which created PRATRA; and the orders given to the Company by PRATRA.

Plaintiff's contention is that Executive Order No. 90 is null and void, the same having been issued under certain powers conferred on the President of the Republic of the Philippines by Republic Act No. 51, which is null and void, this Act constituting an illegal delegation of legislative powers to the President of the Republic of the Philippines, in violation of the Constitution; and that even if Republic Act No. 51 and Executive Order No. 90 are valid, the orders issued by defendant Coscolluela to plaintiff were unreasonable, unwarranted, and illegal, cigarettes not being "articles of prime necessity," as required by the said Executive Order No. 90.

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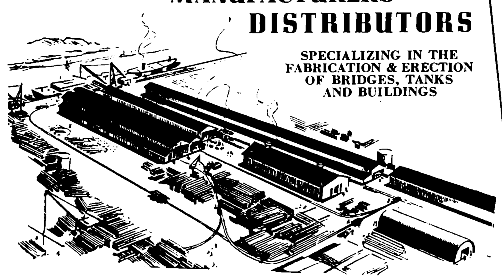

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Fairbanks, Morse & Co., Inc.
Firth Sterling Steel Co.
Gardner-Denver Company
Gar-Bro Mfg. Co.
Johnson Service Company
Lincoln Electric Co.
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Marion Power Shovel Co.
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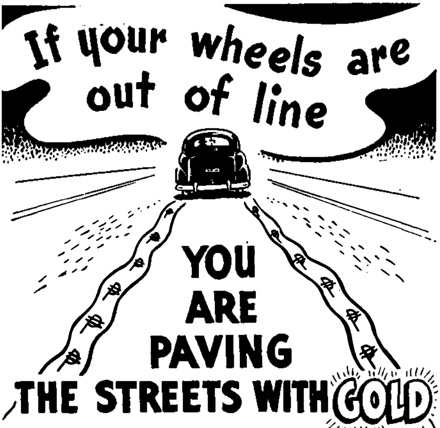

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At the time that the Company's complaint was filed, the Company prayed for the issuance of a writ of preliminary injunction against PRATRA, its officers, directors, agents, employees, and representatives, restraining them during the pendency of the case from enforcing the above orders given by PRATRA to the Company, and from in any manner interfering with the conduct of the Company's business.

On December 19, 1949, "'without prejudging the merit of the principal action," the court denied the Company's petition for a writ of preliminary injunction because, in the opinion of the trial judge, "there is no sufficient ground for the issuance of a writ of preliminary injunction." His Honor was of the opinion that the orders given by PRATRA to the Company were mere "directives," and that the defendants had no intention of enforcing them by "acts of coercion."

The Company's complaint alleged that it believed that PRATRA would attempt to seize the Company's stock of Chesterfield, Piedmont, and Cycle cigarettes, but the trial judge was of the opinion that PRATRA had not actually threatened to seize the Company's stock of cigarettes, and that there was no necessity for a preliminary injunction pending trial on the merits of PRATRA'S authority to tell an importer how to conduct his business.

Manila, December 29, 1949

Executive Order No. 297

AMENDING EXECUTIVE ORDER NO. 295, DATED NOVEMBER 29, 1949

By virtue of the powers vested in me by Republic Act No. 330, entitled "AN ACT AUTHORIZING THE PRESIDENT OF THE PHILIPPINES TO ESTABLISH A SYSTEM OF IMPORT CONTROL BY REGULATING IMPORTS OF NON-ESSENTIAL AND LUXURY ARTICLES, CREATING AN IMPORT CONTROL BOARD, AUTHORIZING THE ISSUANCE OF RULES AND REGULATIONS TO CARRY INTO EFFECT SUCH CONTROL AND PENALIZING VIOLATIONS OF THIS ACT," I, ELPIDIO QUIRINO, President of the Philippines, do hereby order:

SECTION I. Appendices A and or B of Executive Order No. 295 are hereby amended as follows: Insert "except oranges and apples" after "all fresh and frozen fruits" in Item No. 17.1 and after Item 17.3 insert 17.4 orange and apples with a percentage cut of 30%; Item 20.1 from 90% to 60%; Item 20.3 from 90% to 60%; Item 20.4 Coffee (Ground or as candy) from 90% to 50%; insert in Item 21.2 the words "corned beef and" between "except" and "those"; Item 21.3 delete the word "hams" and insert "except hams" after the words "and the like"; change the cut in Item 21.6 from 80% to 70%; insert Item 21.8 Corned beef with a percentage cut of 50%; insert Item 21.9 Hams with a percentage cut of 60%; delete Item 22.5; insert the words "and salmon" after "except sardines" in Item 23.1; insert "and salmon" after "Sardines" in Item 23.4 and change percentage cut to ceiling instead of 50%; insert "Quaker Oats" between the words "except" and "those" in Item 24.3; delete "wheat flour" and insert "Quaker Oats" in Item 24.8 with a percentage cut of 30%; insert the words "plastic raincoats, garments" between "belts" and "novelties" in Item 25.6; delete "cardboards (any weight) and boxes" and in lieu thereof insert "chipboard (From No. 40 to No. 70)" in Item 27.3; delete from Item 27.4 the words "Wallboards and"; insert Item 27.5 Bond, writing and tablet paper, any weight, white or colored — 80%; change Item 29.3 to read "wall and floor tiles except white glazed tiles"; reduce the percentage cut of Item 33.3 Matches from 95% to 60%; delete the word "prohibited" and insert 90% in lieu thereof in Item 33.7; insert Item 33.38 Wallboards — 95%; insert Item 33.39 Gas or kerosene refrigerators — 50%; and insert Item 33.40 Commercial hydrochloric acid (Muriatic acid)—95%.

SEC. 2. Articles or materials included in Appendix A which are necessary for the operation of locally established industries, as determined by the Import Control Board, shall not be subject to the percentage reductions fixed in Appendix B, but the manufacturer shall apply for import permits therefor.

SEC. 3. This Order shall take effect on December 1, 1949 except the control on new items added herein which shall take effect upon the promulgation of this Order.

Done in the City of Baguio, this 24th day of December, in the year of Our Lord, nineteen hundred and forty-nine, and of the independence of the Philippines, the fourth.

(SGD.) ELPIDIO QUIRINO
President of the Philippines

Central Bank of the Philippines

Manila, Philippines.

CIRCULAR NO. 20

December 9, 1949

Restrictions on Gold and Foreign Exchange Transactions

1. Pursuant to the provisions of Republic Act No. 265 (Central Bank Act) the Monetary Board, by unanimous vote and with the approval of the President of the Philippines, and in accordance with Executive and International Agreements to which the Republic of the Philippines is a party, hereby restricts sales of exchange by the Central Bank and subjects all transactions in gold and foreign exchange to licensing by the Central Bank.

2. Transactions in the assets described below and all dealings in them of whatever nature, including, where applicable, their exportation and importation, shall not be effected, except with respect to deposit accounts included in sub-paragraphs (b) and (c) of this paragraph, when such deposit accounts are owned by, and in the name of, banks.

(a) Any and all assets, provided they are held through, in, or with banks or banking institutions located in the Philippines, including money, checks, drafts, bullions, bank drafts, deposit accounts (demand, time and savings), all debts, indebtedness or obligations, financial securities commonly dealt in by bankers, brokers and investment houses, notes, debentures, stocks, bonds, coupons, bank acceptances, mortgages, pledges, liens or other rights in the nature of security, expressed in foreign currencies, or if payable abroad, irrespective of the currency in which they are expressed, and belonging to any person, firm, partnership, association, branch office, agency, company or other unincorporated body or corporation residing or located within the Philippines;

(b) Any and all assets of the kinds included and/or described in sub-paragraph (a) above, whether or not held through, in, or with banks or banking institutions, and existent within the Philippines, which belong to any person, firm, partnership, association, branch office, agency, company or other unincorporated body or corporation not residing or located within the Philippines;

(c) Any and all assets existent within the Philippines including money, checks, drafts, bullions, bank drafts, all debts, indebtedness or obligations, financial securities commonly dealt in by bankers, brokers and investment houses, notes, debentures, stocks, bonds, coupons, bank acceptances, mortgages, pledges, liens or other rights in the nature of security, expressed in foreign currencies, or if payable abroad, irrespective of the currency in which they are expressed, and belonging to any person, firm, partnership, association, branch office, agency, company or other unincorporated body or corporation residing or located within the Philippines.

3. No foreign payments may be effected, except for merchandise imports (including costs, insurance and freight) not sent on consignment or open account or against D/P and D/A collection bills, and provided that the provisions of Executive Order No. 295 and Central Bank Circular No. 19 of November 17, 1949 have been duly complied with.

4. (a) All receipts of foreign exchange shall be sold daily to the Central Bank by those authorized to deal in foreign exchange. All receipts of foreign exchange by any person, firm, partnership, association, branch office, agency, company or other unincorporated body or corporation shall be sold to the authorized agents of the Central Bank by the recipients within one business day following the receipt of such foreign exchange. Any person, firm, partnership, association, branch office, agency, company or other unincorporated body or corporation, residing or located within the Philippines, who acquires on and after the date of this Circular foreign exchange shall not, unless licensed by the Central Bank, dispose of such foreign exchange in whole or in part, nor receive less than its full value, nor delay taking ownership thereof except as such delay is customary; provided, further, that within one day upon taking ownership, or receiving payment, of foreign exchange the aforementioned persons and entities shall sell such foreign exchange to designated agents of the Central Bank.

(b) No person, firm, partnership, association, branch office, company or other unincorporated body or corporation residing or located within the Philippines shall purchase foreign exchange directly or indirectly, except from or through authorized agents of the Central Bank.

(c) Any person, firm, partnership, association, branch office, agency, company or other unincorporated body or corporation, residing or located within the Philippines, desiring and/or intending to export goods, merchandise and/or commodities from the Philippines, if collection of the proceeds of the sale thereof is not to be handled by or through a bank in Manila which is authorized to deal in foreign exchange, shall, prior to shipment, obtain a license from the Central Bank of the Philippines which will have the purpose of insuring the lawful disposal of the foreign exchange proceeds of the goods, merchandise and/or commodities exported.

5. No debt, obligation or liability expressed in foreign currencies, or if payable abroad, irrespective of the currency in which it is expressed, shall be incurred from the date of this Circular for the purpose of effecting a transaction or transactions other than those specifically authorized by this Circular, except that in the normal course of business such debt, obligation or liability may be incurred for imports permitted under paragraph 3 above.

6. Within 60 days after the date of issue of this Circular all persons, firms, partnerships, associations, branches, agencies, companies or other unincorporated bodies or corporations residing or located in the Philippines holding, owning or having an interest in the assets described in paragraph 2 above shall submit complete information concerning such assets to the Central Bank; those residing or located outside the Philippines shall submit this information to the Central Bank within 180 days after the date of this Circular. Appropriate forms on which to submit the required information will be issued by the Central Bank, and notice is hereby given that this information will apply to the status of the relevant assets as of December 9, 1949.

7. All banks incorporated or licensed to operate in the Philippines are hereby designated as agents of the Central Bank and as such are hereby authorized to deal in foreign exchange as permitted by the terms of this Circular, or in those which may be issued hereafter.

8. Strict observance of the provisions of this Circular is enjoined; and any person, firm or corporation, foreign or domestic, who, being bound to the observance thereof, or of such other rules, regulations or directives as may hereafter be issued in implementation of this Circular, shall fail or refuse to comply with, or abide by, or shall violate the same, shall be subject to the penal sanctions provided in the Central Bank Act.

9. Further regulations in respect to transactions covered by this Circular will be issued separately.

FOR THE MONETARY BOARD:

(SGD.) M. CUADERNO, Sr.
Governor

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PAYMENTS FOR IMPORTS

1. This Circular supersedes and takes the place of Central Bank Memorandum on Import Bills issued December 12, 1949.

2. No foreign payments for imports may be effected except as permitted by the terms of the paragraphs below.

3. Remittances for all import bills drawn in respect to commodities which, prior to the issuance of Circular No. 20, were contracted for, in transit inland, afloat, or in docks, are hereby permitted, provided that the provisions of Executive Order No. 295 and Central Bank Circular No. 19 have been duly complied with.

4. Payments may be made for imports ordered or contracted for under a letter of credit after the issuance of Circular No. 20, provided that the provisions of Executive Order No. 295 and the provisions of Circular No. 19 have been duly complied with.

5. Banks effecting transactions permitted by this Circular shall satisfy themselves that the provisions thereof are complied with.

(Sgd.) M. CUADERNO, SR.
Governor

December 14, 1949

SALES OF DRAFTS AND CABLE TRANSFERS

ONLY commercial banks duly incorporated or licensed to do business in the Philippines, and such entities as may be designated to act as agents for the Central Bank of the Philippines may make and/or effect remittances of funds by mail, cable, or other means of communication and transmission to foreign countries and/or sell drafts, cable transfers payable outside the Philippines, and/or foreign notes and coins.

Drafts and cable transfers in amounts not exceeding US$50 may be sold by such banks and or duly authorized agents without specific license from the Central Bank provided that not more than one sale may be made to any purchaser in any calendar month. The buyer shall indicate the purpose for which the draft or cable transfer is being purchased on E.C. Form No. 6 a copy of which shall be submitted to the Exchange Control Office not later than the day following the date of remittance or sale by the bank or agent making the sale.

(Sgd.) M. CUADERNO, SR.
Governor

Dec. 14, 1949

LICENSING OF ALL DEALINGS IN GOLD

ALL locally mined gold and/or gold-bearing metals and all gold and/or gold-bearing metals in any form, except jewelry, in the possession of any person, firm, association, or corporation must be reported to the Central Bank, and their disposal, either for domestic use or for export, shall be subject to license.

A license must first be secured when a person, firm, association or corporation engaged in extracting gold and/or gold-bearing metal sells the gold and/or gold-bearing metals to buyers within the Philippines or abroad. If the gold and/or gold-bearing metals are sold abroad in bullion or semi-manufactured form, the owner or seller shall deposit the foreign exchange proceeds of the sale in a bank or banks which shall be designated by the Central Bank, for the account and to the credit of the Central Bank of the Philippines and, upon receipt of the cable or mail advice from the said bank or banks, the Central Bank shall pay the owner of the gold and/or metals sold the equivalent of the foreign exchange proceeds in Philippine currency at the Central Bank's buying rate.

All persons, firms, associations, or corporations and/or dealers who are not engaged in mining and/or extracting gold and/or gold-bearing metals in the Philippines but own or possess gold and/or other gold-bearing metals shall deposit such gold and/or gold-bearing metals with the Central Bank of the Philippines which may sell such gold and/or metals for the account of the owners. In case the gold and/or metals in bullion or semi-manufactured form are sold abroad, by the owners thereof, the collection of the proceeds of the sale shall be handled by or through a bank in Manila which is authorized to deal in foreign exchange, and the owners shall, prior to shipment, obtain a license from the Central Bank, which will have the purpose of insuring the lawful disposal of the foreign exchange proceeds of the sale of such gold and/or metals. The owners shall be paid in Philippine currency the equivalent of the foreign exchange proceeds at the Central Bank's buying rate.

Imports of gold for industrial, artistic or professional uses which is not available locally may be allowed under license and shall be deposited with the Central Bank upon arrival. Withdrawals of imported gold by the owners may be made, as needed, by applying to the Central Bank.

(Sgd.) M. CUADERNO, SR.
Governor

Dec. 14, 1949

EXPORT REGULATIONS

PROCEDURE to be followed by exporters. — For every export of goods, merchandise and/or commodities from the Philippines to foreign countries the exporter is required to make a declaration on E. C. Form No. 2 to the Collector of Customs that the foreign exchange representing the fair market value of such goods, merchandise and/or commodities at the port of embarkation has been or will be disposed of in a manner approved by the Central Bank of the Philippines. In this connection, the following regulations shall be observed:

(a) Shipping documents must be coursed through, or entrusted to, a bank authorized by the Central Bank to deal in foreign exchange;

(b) Payment for the goods, merchandise and/or commodities must be received within a period of 90 days from the date of the shipment unless the Central Bank grants an extension of time for such payment; and

(c) Payment must be effected by drawing bills in U.S. dollars on a bank in the United States.

Bills and shipping documents lodged with or entrusted to banks and authorized dealers may be lodged or entrusted for negotiation or for collection, but in any case the proceeds must be disposed of in a manner approved by the Central Bank of the Philippines.

Without a specific license from the Central Bank no goods, merchandise and/or commodities may be shipped, forwarded, or sent direct to the exporter's head office and/or agents abroad, or to any foreign branch or agency of such exporter, which are not covered by a draft or drafts drawn in U.S. dollars representing the full value of the goods, merchandise and/or commodities being or to be shipped, forwarded, or sent abroad, and unless the collection of the proceeds of sale of such goods, merchandise and/or commodities is to be undertaken by, or entrusted to, a bank which is incorporated or licensed to do business in the Philippines.

Exporters' Declaration.—Banks shall require exporters to accomplish E. C. Form No. 2 giving full particulars of the invoice value of the shipment, the type of goods and the method by which payment is to be effected. E. C. Form No. 2 must be accomplished in quadruplicate, the first copy to be submitted to the Collector of Customs by the bank handling the shipment with its endorsement, the remaining copies to be retained by the bank along with the shipping documents. The bank will then forward the duplicate copy of E.C. Form No. 2 to the Central Bank after examination of the shipping documents to ensure

that the particulars given in the form are correct. The next two copies must be attached to the relative shipping documents for certification by the correspondent bank in due course that payment has been received. The form will then be returned to the Central Bank of the Philippines after certification.

All commercial banks incorporated and/or licensed to do business in the Philippines are hereby designated agents of the Central Bank of the Philippines, for the purpose of these regulations, and a general license is hereby granted such banks to handle bills and shipping documents arising from the exportation of goods, commodities and/or merchandise from the Philippines to foreign countries, and/or the collection of such bills or the proceeds of sale of such goods, merchandise and/or commodities, in accordance with these regulations.

Exporters and others concerned are warned against undervaluing exports or in any way circumventing these regulations, otherwise they will be subject to the penal provisions provided in the Central Bank Act.

(Sgd.) M. CUADERNO, SR.
Governor

Dec. 16, 1949

NOTIFICATION TO AUTHORIZED AGENTS NO. 1

Subject: *Peso Assets of Non-Residents*

This is to advise that all dealings in or with respect to assets described in Paragraph 2 of Central Bank Circular No. 20 of December 9, 1949 which are expressed in pesos and which belong to any person, firm, partnership, association, branch office, agency, company or other unincorporated body or corporation, including banks, not residing or located within the Philippines are subject to license.

(Sgd.) M. CUADERNO, SR.
Governor

December 31, 1949

NOTIFICATION TO AUTHORIZED AGENTS NO. 2

Subject: *Forward Exchange Contracts Entered Into Prior to December 9, 1949*

The position of the Exchange Control Office with respect to the fulfillment of forward exchange contracts entered into prior to December 9, 1949, is set forth in a letter dated December 29, 1949, in response to an inquiry. The relevant portions of such letter are as follows:

"It is the policy of the Exchange Control Office to permit fulfillment of forward exchange contracts entered into by Philippine residents prior to December 9, 1949. This does not mean, however, that the buyer of foreign exchange under such a contract is automatically permitted to remit the exchange abroad. As far as remittance of cost of imports, profits, etc. are concerned, you should file an appropriate application with the Exchange Control Office.

"In order to enable the Exchange Control Office to pass on your application, you should submit all relevant information such as profit and loss statements for the years 1948 and 1949 and a detailed list of all remittances made by you during those two years indicating specifically the amounts remitted to cover cost of imports, profits, etc."

(Sgd.) M. CUADERNO, SR.
Governor

December 31, 1949

NOTIFICATION TO AUTHORIZED AGENTS NO. 3

Subject: *Dividends Declared by Philippine Companies*

In the case of applications to remit to stockholders resident outside of the Philippines dividends declared by companies resident in the Philippines, it will be necessary for the companies declaring the dividends to submit the following information to the Exchange Control Office:

1. A complete list of stockholders resident outside of the Philippines to whom the dividend is payable, indicating specifically the residence of each stockholder as of December 9, 1949 and the amount of the dividend payable to each stockholder.
2. Detailed profit and loss statements and statements of the surplus account of the resident Philippine company declaring the dividend for the year in which the dividend is declared and for the two preceding years. All such statements must be signed by an authorized officer of the company. The statements for the current dividend year must also be certified by a certified public accountant.
3. The dividend rate of the dividend in question.
4. A complete list of all dividends declared in the two preceding years, indicating specifically the rate and amount of each dividend.

(Sgd.) M. CUADERNO, SR.
Governor

December 31, 1949

NOTIFICATION TO AUTHORIZED AGENTS NO. 4

Subject: *Remittance of insurance premia on non-peso life insurance policies in force as of December 9, 1949.*

It is the policy of the Exchange Control Office to grant applications for licenses to remit to non-resident life insurance companies premia payable under non-peso policies in force as of December 9, 1949. Application to remit premia should be filed with the Exchange Control Office.

All life insurance companies are required to submit to the Exchange Control Office not later than January 15, 1950 a report executed under oath containing the following information with respect to each non-peso policy in force as of December 9, 1949:

1. Name of policy holder
2. Citizenship of policy holder
3. Present residence of policy holder
4. Type of policy
5. Face amount of policy and currency in which expressed
6. Date issued
7. Amount of premium (Indicate if payable quarterly, semi-annually or annually)

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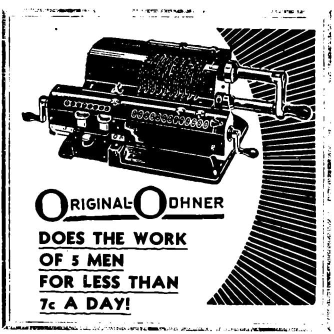

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8. Cash surrender value, if any
9. Lien on the policy on account of loans, etc.
10. Monthly remittances made on account of premiums on these non-peso policies from January 1, 1949 to December 9, 1949.

Attention is invited to the fact that under Central Bank Circular No. 20, dated December 9, 1949, no new non-peso policies may be written nor existing peso policies converted into non-peso life insurance policies without the prior approval of the Exchange Control Office. For the present such applications will not be entertained.

(Sgd.) M. CUADERNO, SR.
Governor

December 31, 1949

NOTIFICATION TO AUTHORIZED AGENTS NO. 5

Subject: *Foreign Currency Accounts of Diplomatic Missions*

Authorized agents may, without specific approval of the Exchange Control Office, open and maintain foreign currency accounts to which remittances received from abroad by embassies, legations and consulates located in the Philippines may be credited and against which official remittances by such embassies, legations and consulates may be charged. These accounts may not without prior approval of the Exchange Control Office be used in any way for receipts or disbursements for account of Philippine residents. However, foreign exchange held in any such account may be sold to an authorized agent for pesos.

Authorized agents should promptly notify the Exchange Control Office of the opening of such accounts.

(Sgd.) M. CUADERNO, SR.
Governor

December 31, 1949

NOTIFICATION TO AUTHORIZED AGENTS NO. 6

Subject: *Information required in connection with application to remit cost of goods received on open, branch and/or consignment basis*

All persons, firms and companies in the Philippines doing business with persons, firms and companies located outside the Philippines on open, branch and/or consignment basis who desire to apply for a license to remit the cost of such goods should submit the following information to the Exchange Control Office not later than January 15, 1950:

A. Goods received and sold from January 1 to December 8, 1949, both dates inclusive—
- a. Invoice date and invoice number
- b. Description of goods received
- c. Invoice value of goods received
- d. Invoice value of goods sold
- e. Sales proceeds of goods sold
- f. A statement as to whether or not the goods are included in the list appended to Executive Order No. 295, as amended. (If included, state the amount of quota and the unused balance of quota.)

B. Goods received from January 1 to December 31, 1949, both dates inclusive but sold after December 8, 1949 —
- a. Invoice date and invoice number
- b. Description of goods
- c. Invoice value of goods on hand at the beginning of business day, December 9, 1949
- d. Invoice value of goods received from December 9 to 31, 1949
- e. Sales proceeds of goods sold from December 9 to December 31, 1949
- f. Invoice value of goods on hand at the close of business, December 31, 1949
- g. A statement as to whether or not the goods are included in the list appended to Executive Order No 295, as amended. (If included, state the amount of quota and the unused balance of quota.)

C. Remittances made to creditor—
- a. Amount of each remittance made during the year 1949
- b. Dates of such remittances
- c. The balance owing to creditor immediately before each remittance
- d. The bank through which the remittance was made in each case.

The information requested with respect to the period January 1, 1949 to December 8, 1949, both dates inclusive, should be reported on E. C. Form No. 301; the information with respect to the period December 9 to December 31, 1949, both dates inclusive, should be reported on E. C. Form No. 302. Any person, firm or company desiring to remit the cost of goods sold at any time during 1949 must file a report on both forms. These report forms must be executed under oath.

Copies of the forms are transmitted to you herewith. Additional copies may be obtained from the Exchange Control Office.

The Exchange Control Office will give priority to the consideration of applications to remit the cost of goods sold from December 9 to December 31, 1949, both dates inclusive.

(Sgd.) M. CUADERNO, SR.
Governor

December 31, 1949

NOTIFICATION TO AUTHORIZED AGENTS NO. 7

Subject: *New Forward Exchange Contracts*

Authorized agents of the Central Bank may, without the specific approval of the Exchange Control Office, enter into contracts with their customers, residing or located in the Philippines, for the forward sale of exchange provided that the following terms and conditions are complied with:

a) In 1949, the resident customer has had one or more forward exchange contracts with the authorized agent to whom the application is made.

b) The contract will terminate not more than 60 days from its date.

c) The amount of the contract together with outstanding contracts with the same customer for the sale of exchange does not exceed $25,000 or its equivalent in other foreign currencies.

d) The contract relates to a firm commercial commitment entered into by the applicant for the purchase at a fixed or minimum price of a stated or minimum amount of goods to be imported into the Philippines on terms providing for delivery and payment not later than the maturity of the contract, and provided that the provisions of Executive Order No. 295, as amended, and Central Bank Circular No 19 have been complied with.

e) The contract covers not more than the overall exchange risk to which the resident would be exposed. If the customer has outstanding commitments involving both the receipt and payment of foreign exchange only the net shortage of exchange will be covered by the exchange contract.

Applications for permission to enter into forward exchange contracts shall be filed on E.C. Form No. 106. Copies of this form are attached herewith. Additional copies may be obtained from the Exchange Control Office. This form should be accomplished in quadruplicate.

A copy of each approved application should be forwarded by the authorized agent to the Exchange Control Office not later than the day following the date of approval.

Application for permission to enter into forward exchange contracts in excess of $25,000 must be presented directly to the Exchange Control Office.

(Sgd.) M. CUADERNO, SR.
Governor

December 31, 1949

NOTIFICATION TO AUTHORIZED AGENTS NO. 8

Subject: *Applications for License to Buy Foreign Exchange*

Effective immediately, applications for license to buy foreign exchange will be received by the Exchange Control Office only after the following have been complied with:

A. *Applications by authorized agents to purchase exchange from the Central Bank*—
1. Applications should be made on EC Form No. 101.
2. Every application should be supported by the following documents:
   a. Statement of Foreign Currency Assets and Liabilities (EC Form No. 101-A) as of the close of business on the date immediately preceding the date of application.
   b. Schedules to support the following items in the Statement of Foreign Currency Assets and Liabilities:
      (1) Due from correspondent banks, showing name of each bank and balance of each account.
      (2) Due to correspondent banks, showing name of each bank and balance of each account.
      (3) Forward purchases, showing names of sellers, amounts, and dates of delivery.
      (4) Forward sales, showing names of buyers, amounts, and dates of delivery.
   c. Schedule of letters of credit opened since last purchase of exchange from the Central Bank showing:
      (1) L/C No.
      (2) Name of applicant
      (3) Name and address of beneficiary
      (4) Foreign currency amount of L/C
      (5) Brief description of merchandise covered
      (6) Amount of marginal or guarantee deposit made
      (7) Import license number, if any
      (8) Expiry date of import license

(Where a bank has not purchased foreign exchange from the Central Bank since December 9, 1949, only letters of credit opened since that date should be reported.)

   d. Schedule of unremitted proceeds of inward bills received for collection as of the date immediately preceding the date of application, showing:
      (1) Name of importer, consignee or drawee
      (2) Name of drawer
      (3) Amount of bill in foreign currency
      (4) Import license number, if any
      (5) Expiry date of import license, if any

B. *Applications for license to buy foreign exchange from authorized agents*
1. *Applications for the purchase of exchange to pay for imports*—
   a. Applications should be made on EC Form No. 102.
   b. Each application should be accompanied by a certificate from the Import Control Board, EC Form No. 102-A.
2. *Applications for the purchase of exchange for travel expenses*—
   a. Applications should be made on EC Form No. 103-1.
   b. Each application should be accompanied by the following:
      (1) Itemized statement of probable expenses;
      (2) Passport information;
      (3) Tax Clearance Certificate from the Bureau of Internal Revenue; and
      (4) Other pertinent data that will assist the Exchange Control Office in considering the application.
3. *Applications for the purchase of exchange for educational, medical, living, and other expenses of similar nature*—
   a. Applications should be made on EC Form No. 103-2. In this connection, attention is invited to item No. 8 in the application form which must always be filled in.
   b. Applications for exchange for educational expenses should be accompanied by the following:
      (1) Itemized statement of probable expenses indicating estimated periodic expenditures.
      (2) School registration card or school attendance certificate.
      (3) Passport information in cases where the student carries a passport.
      (4) Other pertinent data that will assist the Exchange Control Office in considering the application.
   c. Applications for exchange for medical expenses should be accompanied by the following:
      (1) Itemized statement of probable expenses indicating estimated periodic expenditures.
      (2) A statement from the attending physician as to the need for hospitalization and probable medical and/or hospital expenditures to be incurred.

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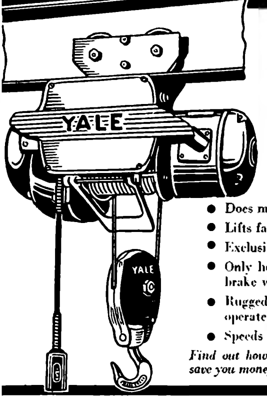

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(3) If beneficiary is already abroad, a statement from the attending physician and/or hospital showing the itemized actual or probable expenses to be incurred during the given period.
(4) Other pertinent data that will assist the Exchange Control Office in considering the application.

4. *Applications for exchange for miscellaneous purposes*—
a. Applications should be made on EC Form No. 104. Applications under this category should cover remittances on account of:
(1) Donations and gifts to persons or institutions abroad.
(2) Payment for miscellaneous services rendered.
(3) Payment of interest on obligations.
(4) Payment for assets acquired.
(5) Payment for insurance premia, loans on insurance policies, etc.
(6) Remission of dividends and branch profits.
(7) Taxes due abroad, and
(8) Other remittances not covered by applications under other categories.
b. Every application should be supported by documents, statements, and other data as required by the Exchange Control Office.

C. Applications will be received through the mails or from 9:00 A.M. to 12:30 P.M. Monday through Saturday at the Receiving Section of the Exchange Control Office.

(Sgd.) M. Cuaderno, Sr.
Governor

January 3, 1950

NOTIFICATION TO AUTHORIZED AGENTS NO. 10

Subject: *Payments for Imports*

1. This notification supersedes Central Bank Circular dated December 14, 1949 entitled "Payments for Imports", and is effective immediately.

2. Without the specific approval of the Exchange Control Office, no payment for imports may be effected except as permitted by the terms hereof.

3. Authorized agents of the Central Bank may, without the specific approval of the Exchange Control Office, sell foreign exchange needed to pay for imports in the following categories of cases and under the terms and conditions set forth herein:

A. For payment of import bills drawn in respect to imports which prior to December 9, 1949, were contracted for, in transit inland, afloat, or in docks;

B. For payment of import bills drawn under letters of credit issued from December 9, 1949 to January 7, 1950, both dates inclusive;

C. For payment of import bills drawn under letters of credit issued after January 7, 1950, in respect to articles which are subject to the provisions of the Import Control Law and the Orders and Regulations issued thereunder;

D. For payment of import bills drawn under letters of credit issued after January 7, 1950, in respect to articles which are not subject to the provisions of the Import Control Law and the Orders and Regulations issued thereunder, provided that:

(1) The letter of credit under which the import bill has been drawn was issued by an authorized agent to a customer resident or located in the Philippines who, in 1949, had obtained letters of credit from the same authorized agent, and

(2) The aggregate amount of the letter of credit under which the import bill has been drawn and of all other letters of credit issued during the same calendar month by the same authorized agent to the same customer did not exceed 6 per cent of the total amount of all letters of credit issued by the same authorized agent to the same customer during the calendar year 1949 in connection with the import of articles not subject to the provisions of the Import Control Law and the Orders and Regulations issued thereunder.

E. The following additional requirements must be complied with in connection with the classes of transactions described in sub-paragraphs A, B, C, and D above:

(1) In each case under sub-paragraphs A, B, C, and D, above, the customer purchasing foreign exchange must satisfy the authorized agent that the amount of exchange purchased does not exceed the true C. I. F. cost of the goods for which settlement is being made, that foreign exchange to pay for such goods has not otherwise been provided for, and that payment for such goods has not been made in any other manner.

(2) With respect to transactions effected under sub-paragraphs A, B, C, and D above, the authorized agents effecting such transactions are required to submit to the Central Bank separate weekly schedules with respect to each class of transactions, indicating, in the case of each transaction, the names of the importer and drawer, the amount and kind of foreign exchange in which the import bill was drawn, and the dates on which such goods were contracted for and shipped from the point of origin. In the case of transactions effected under sub-paragraphs A, B, and C, above, the schedules must also indicate the import license number and expiry date of the license if such a license was required.

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(3) Authorized agents effecting transactions permitted under sub-paragraphs A, B, and C above shall satisfy themselves that the provisions of the Import Control Law and the Orders and Regulations issued thereunder, as well as Central Bank Circular No. 19 dated November 17, 1949, have been duly complied with wherever applicable.

(4) This Notification authorizes the sale of foreign exchange only for the purpose of making settlement for imports as provided herein. It does not authorize the sale of exchange for forward delivery nor the sale of exchange in settlement for imports which are covered by exchange acquired under duly authorized contracts for forward exchange or other form of permitted settlement. (See Notifications to Authorized Agents Nos. 2 and 7, dated December 31, 1949).

Persons desiring to engage in transactions not provided for or specifically authorized by this Notification should file an application for license with the Exchange Control Office.

M. CUADERNO, SR.
Governor

January 7, 1950.

Bureau of Customs

December 12, 1949.

Circular Letter No. 444

To all Chiefs of Divisions, Manila Customhouse, Customs Brokers, Importers and Others Concerned:

There is quoted below a letter of the Commissioner of Customs dated December 5, 1949, for your information, guidance and compliance.

"The Collector of Customs
"Manila
"SIR:

"I have to quote hereunder a first indorsement of the Honorable, the Undersecretary of Finance, dated November 28, 1949, for your information, guidance and compliance, as follows.

"'DEPARTMENT OF FINANCE
Manila
1st Indorsement
November 28, 1949

"'Respectfully forwarded to the Commissioner, of Custom, Manila, inviting attention to the basic letter and requesting that all Collectors of Customs be circularized to the effect that in the monthly report of the value of imports and exports at their respective ports the F.O.B. as well as the C.I.F. values should be included. For this purpose, it is of extreme importance that importers and customs brokers be required to declare on their entries as separate items charges for insurance, ocean freight, etc. regardless of whether the imported goods are dutiable or not.

"'Return of these papers showing action taken is desired.

(SGD.) CRISPIN LLAMADO
Undersecretary of Finance'

"As it is desired that in our monthly report of the value of imports and exports to the Central Bank of the Philippines F.O.B. as well as C.I.F. values should be included, importers and customs brokers must be required to declare on their entries as separate items charges for insurance, freight and other charges included in the F.O.B. value to make up the C.I.F. value.

"In view hereof, I feel constrained to require you that your monthly report to this Office beginning December, 1949, should include F.O.B. and C.I.F. values separately.

Respectfully,
(SGD.) ALFREDO DE LEON
Commissioner of Customs."

Compliance with the above directive is hereby required effective immediately.

MELECIO FABROS
Collector of Customs

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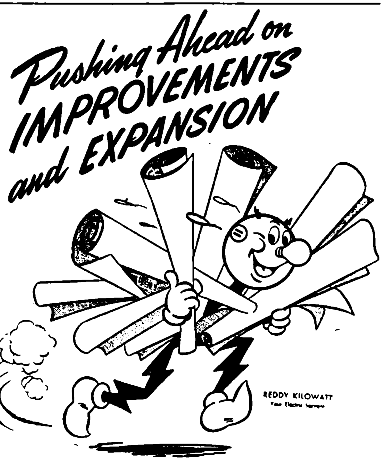

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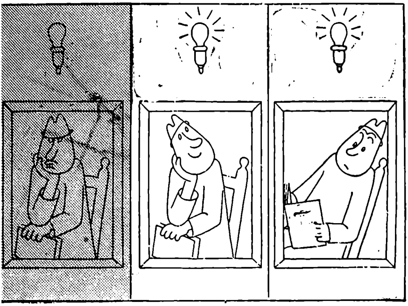
COST OF LIVING INDEX OF WAGE EARNER'S FAMILY[1] IN MANILA BY MONTH, 1946 TO 1949
(1941 = 100)

Bureau of the Census and Statistics
Manila

1946	All Items	Food (59.15)	House Rent (8.43)	Clothing (0.62)	Fuel, Light and Water (13.94)	Miscellaneous (17.86)	Purchasing Power of a Peso
January	603.4	759.2	236.4	984.0	363.8	434.8	.1657
February	547.2	656.3	236.4	940.3	369.5	460.5	.1827
March	525.9	631.0	236.4	940.1	340.4	445.2	.1902
April	556.2	684.1	236.4	910.3	345.5	435.9	.1798
May	545.1	675.6	236.4	762.5	342.3	409.6	.1835
June	538.7	666.4	236.4	737.9	343.3	404.2	.1856
July	552.7	704.3	236.4	598.9	341.3	364.6	.1809
August	477.9	590.0	236.4	384.7	320.9	346.3	.2092
September	477.9	591.3	236.4	378.7	314.5	347.2	.2092
October	487.4	587.2	236.4	382.7	405.8	342.7	.2052
November	484.8	607.8	236.4	406.4	346.5	305.2	.2063
December	461.9	570.8	236.4	371.9	344.7	302.1	.2165
1947[2]	(100.00)	(63.43)	(11.96)	(2.04)	(7.73)	(14.48)	
January	426.2	368.2	453.9	381.9	326.2	282.5	.2346
February	418.5	454.9	453.9	356.2	344.8	281.4	.2389
March	406.8	440.1	453.9	295.2	334.7	279.4	.2458
April	387.7	413.3	543.9	269.2	328.9	271.6	.2579
May	381.0	404.4	453.9	250.9	325.4	269.4	.2625
June	386.3	414.4	453.9	236.8	316.6	268.6	.2589
July	393.4	426.8	453.9	217.7	309.3	269.9	.2542
August	387.4	419.8	453.9	210.2	292.0	269.1	.2581
September	368.9	392.1	453.9	216.4	283.3	266.8	.2711
October	358.7	376.3	453.9	212.7	280.5	267.7	.2788
November	358.4	376.3	453.9	215.1	280.5	265.3	.2790
December	371.9	395.8	453.9	219.1	298.2	262.9	.2689
1948							
January	391.2	428.3	453.9	224.5	304.6	249.9	.2556
February	368.5	392.0	453.9	223.8	301.1	254.4	.2714
March	349.4	361.0	453.9	214.6	308.1	255.9	.2862
April	356.1	374.1	453.9	209.4	289.7	254.8	.2808
May	349.8	360.2	453.9	214.2	289.7	271.6	.2859
June	354.3	370.4	453.9	205.2	283.2	262.9	.2823
July	356.4	374.2	453.9	201.3	281.6	262.4	.2806
August	363.6	385.7	453.9	199.8	281.6	261.7	.2751
September	370.6	397.2	453.9	199.2	279.6	260.6	.2698
October	374.9	404.0	453.9	204.8	283.2	257.9	.2668
November	368.7	394.4	453.9	202.0	281.6	258.7	.2712
December	365.9	389.9	453.9	202.0	282.4	258.9	.2732
1949							
January	363.8	386.8	453.9	202.0	279.0	258.9	.2750
February	343.8	355.5	453.9	203.0	277.5	258.9	.2909
March	346.3	358.2	453.9	202.0	276.3	258.5	.2896
April	348.7	362.6	453.9	197.6	287.5	257.1	.2868
May	348.8	362.8	453.9	197.2	287.5	257.1	.2867
June	349.0	362.9	453.9	203.9	287.5	257.2	.2865
July	351.7	374.0	453.9	194.2	265.8	240.5	.2844
August	337.5	351.2	453.9	196.3	266.6	241.2	.2963
September	333.6	345.1	453.9	190.3	264.8	243.1	.2998
October	332.9	343.3	453.9	199.9	264.8	245.0	.3004
November	339.6	356.1	453.9	191.1	258.4	239.8	.2945
December	329.6	335.9	453.9	202.9	259.5	256.2	.3035

[1] Average number of persons in a family = 4.9 members.
[2] Revised in accordance with the new survey on the "Levels of Living in Manila" by Department of Labor and the Bureau of the Census and Statistics conducted in December, 1946.



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The "LET YOUR HAIR DOWN" Column

THE whole business community, these days, has its collective hair down and presents a rather disheveled appearance, but the general talk is too uninhibited for print. We will record only one expression which struck us as the most superlative we heard. It was the remark of a prominent business executive to the effect that a multi-million peso fire which a year or so ago destroyed most of his buildings, equipment, and stock, caused him less "headache" than the exchange control is causing him now!

Anent the letter of the "Harassed Householder", which we printed in this column last month, we received a note which ran as follows:

"I read the 'Harassed Householder's' communication, published in your 'Let Your Hair Down' column, with a deep fellow-feeling.

"However, as he referred to the import percentage-cuts in practically everything he mentioned as using that day, he might in referring to his baby, have brought out the fact,—in justice to our control authorities, that neither import, credit, or exchange control has been imposed on babies.

"Of course, personally, I could not say whether this was just an oversight or whether the officials concerned imposed this restriction on themselves out of real goodness of heart. One might well think, though, that since about everything is being controlled, why not control everything about babies? Not only their eating and their dressing, but their coming into the world. And PRATRA could be called upon to control their crying and their other natural functions. Or must we draw the line somewhere?

"Yours truly,

"*Anxious to Know*."

Well, to be serious about it, how could the State control the coming into the world of babies except by the most radical means, wholly unthinkable in a democracy unless, perhaps, in connection with the sterilization of the physically and mentally "unfit"? And even in that case, argument arises as to who are to be considered the unfit. It might be the very officials of the government who would attempt to carry out such measures. Men might well say, — "Controller, control yourself."

Woodrow Wilson was a very serious man, and he said: "The history of the struggle for human freedom is the history of the struggle to limit the powers of the state."

John Calhoun was also a serious man, and he said: "I am convinced that the power of the government can only be increased at the expense of the liberties of the people."

Let us think on these things.

In connection with our reference last month to his "History of the American Teachers in the Philippines", Dr. Gilbert Perez wrote us, in part:

"You are right about the 'History'. I should have called it a 'brief history', as it merely scratches the ground. The subject requires a tremendous amount of research which would result in such a large volume that I do not know how its publication could be financed. Instead of making some other studies, I believe it would be a better contribution both to the United States and the Philippines if the United States Educational Commission would assign some young scholars to this task. I consider my little monograph as merely an eye-opener . . . Much of the material came out of the Bureau records and from the early reports of the War Department which annually included the reports of the Secretary of Public Instruction and the Bureau of Education here. I had mountains of material gathered together, but all this was lost during the war. The monograph is merely a part of the first chapter I had ready, with some additional material. It is merely a 'write-up'. But I wanted to emphasize

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that I am not proposing a raid on the American tax-payer but a plan to let the folks at home know about the great services performed by the American teachers sent to the Philippines. They really deserve more than a mere medal, but I don't want to be the one to say that. I am glad you mentioned the pamphlet in the *Journal* and referred to its brevity as this might draw attention to the need of a more comprehensive study which I am unable to undertake myself..."

We received a letter from Mr. Edward Danks, during the month, who now lives in San Francisco, — 2236 Lombard Street, and is in the real estate business. He wrote in part:

"After such a long sojourn in the Philippines terminating with the three rugged years after the war, and, of course, as you remember, including those 37 interesting months in Santo Tomas,—with all these experiences behind me, I am finding life in San Francisco very pleasant, and my wife and daughter are enjoying all equally as much as I am..."

THE editor said that he received Christmas cards from some important people, including President Quirino and family and Senator and Mrs. Lorenzo M. Tañada. He was very pleased about this because during the year he had had to express differences of opinion with them on occasion, and, he claimed, these Christmas cards proved that they nevertheless entertained only the most kindly feelings toward him. We say,—perhaps. It might be just Christian forbearance. He said that after mentioning these two important personages, he did not like to list the names of others he received cards from because they might think he does not consider them important, while, really, he said, any true friend is important. He also received a number of desk-calendar pads, two boxes of cigars, and a box of bonbons! No whisky. Not much of a showing for such a popular guy. Perhaps it was the import control.

"You've got that on the brain," said the editor, "like the rest of us. Last week, during that bad earthquake, one fellow in the office shouted, 'It's that d-d import control again!'

"I'll say for myself that I am very grateful for every little thing people were so kind as to remember me with, including the bonbons, and never mind the whisky. I thank them one and all and wish them a happy and (if possible) a prosperous new year."

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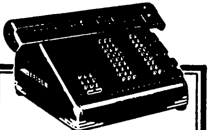
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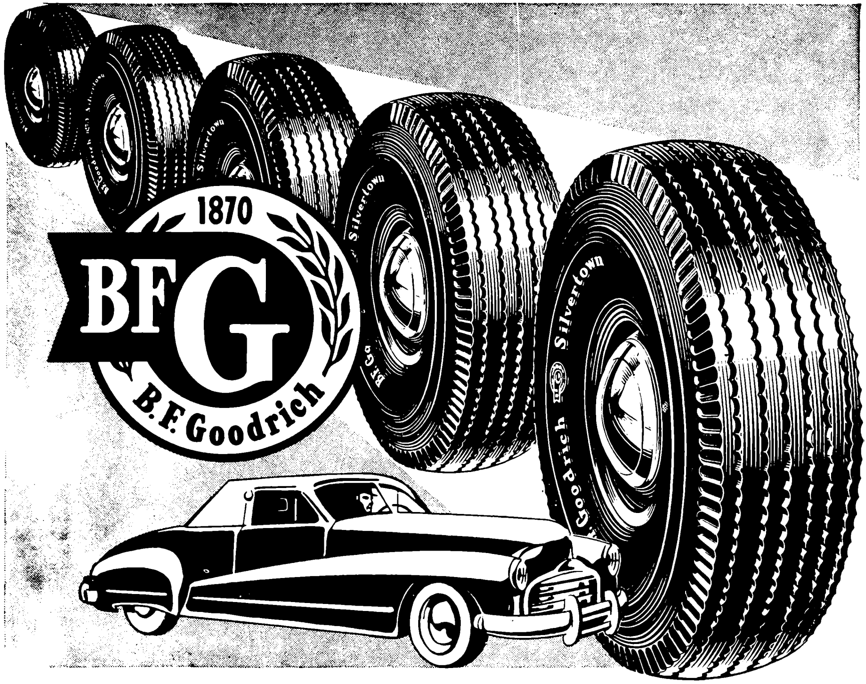

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