

Controls versus Production*

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I sincerely appreciate the invitation to come here today to represent the American business community, but

I am going to take advantage of your hospitality to also appear as an exponent of people, both national and foreign, earnestly seeking the economic well-being and development of the Philippines.

I feel that I have a right to do so for several reasons:

First: While it is probably true that many of us Americans come here originally expecting to benefit economically, we soon find that our major interests lie here, that our best friends live here, that our families are raised here, and this becomes our home. You can be sure that such people continue to think and work for the common good of their fellow community members, regardless of nationality.

I also feel that you will be interested in another reason. It has been my experience to live and work for various lengths of time in more than 50 countries other than the United States. This experience has included working under import, export, exchange, and other controls in many places and long before they were ever considered of possible application in this country. I have found that it is the precept of such controls that they are of good intent, but that precedent is established by historical pattern and that one control follows the other as a consequence.

Generally, they are lined up as:

- 1) Export Control, then
- 2) Import Control, then
- 3) Exchange Control, then
- 4) Price Control, then . . .
- 5) I leave to you the research on the next.

I have seen the good and the bad results of these controls in many other places, as well as here.

I do not question the present justification in the import and exchange controls in the Philippines. They are vitally necessary today.

We all agree that foreign trade is a two-way street.

The world is running out of dollars because United States business is selling and exporting more goods than it is buying and importing. This dollar deficiency is being countered by loans, grants, payments, and various "plans." Since the beginning of the first world war, when it first became necessary, the United States has progressively become more and more self-sufficient; and today that is one of the main causes of the world dollar shortage.

In the years preceding the last war, the Philippines enjoyed a favorable trade balance. Goods exported returned more foreign exchange than was required for the payment of imports. Today, that condition is totally reversed.

In the Philippines, our exportable goods have not yet reached the saturation point of exports to the United States. We have yet to become self-sufficient in the basic foodstuffs we produce, or fully to supply from our mines, forests, and factories the demands upon us.

I do doubt the advisability of some controls that have been imposed in this country before this time, and I specifically refer to export control which was placed into effect shortly after liberation and which included many items on which present foreign market demands have been irrevocably lost to this country. I am also certain that these export controls on the re-export of many imported items helped to bring about the elimination of Manila as a Far Eastern site for large scale import-export activities.

This would have been a natural development for Manila in the trade between the United States and the countries of South Asia. The establishment of these firms

here instead of in other Asian ports, particularly after Shanghai fell, would otherwise have taken place, and made for a great deal of local employment in the handling, processing, assembling, and shipping of such re-export merchandise. I can talk to you about these from personal experience.

I do not want to be limited to speak of the effects of the exchange control regulations on the American business community, because the effects are exactly the same on all the Philippine business communities. The exception is in the effect on the American individual, which, while important to him, to his family, and his associates, is less important than the effects on the whole population and the national economy.

In speaking briefly of the effects on certain American individuals it is necessary to consider:

- 1) Need to defray the expenses of children at school in the United States;
- 2) Need to maintain dependents in the United States;
- 3) Need to pay taxes, including those on real property, in the United States;
- 4) Need to remit life insurance premiums;
- 5) Need for travel funds for business trips and earned vacations;
- 6) Need to send savings to the United States to establish old age security.

While some of these needs have been provided for in part by the present exchange control regulations, the concessions are far from satisfactory to the American individual living in the Philippines because they still do not meet his urgent needs.

American business and Philippine business, as a whole, is concerned with obtaining dollar exchange:

1. To pay for imports made before December 9. These are the goods that we in the Philippines have consumed and paid for in pesos to the importer, who, however, has been unable to pay the people he owes the dollars to for the goods from the United States.
2. To pay for subsequent importation. There are established policies and practices by the Exchange Control on such matters, but they do not take into consideration consumption levels as against inventories. The Exchange Control Board needs badly to be guided by a system that provides information on consumption demands or requirements already in excess of normal requirements, and be able to increase the amount of dollars available for commodities of which the country is in bad need.
3. To pay for machinery and raw materials to keep manufacturing concerns in operation, or to establish those needed, or to institute new concerns that will provide dollar savings.
4. To remit dividends and profits.
5. To pay United States taxes.

Exchange control is an intricate matter. To determine guiding policies and to set up an organization to implement these policies is a tremendous job which will take unremitting effort over a period of time and which cannot be projected all at once. The policies and organization of exchange control have gradually acquired shape and as of now, many of the routine procedures to take care of some of the problems of both individuals and business, have been set forth.

The Central Bank has taken a wise course in delegating authority to its authorized agents, the banks, to deal with quite a number of the functions of control. It is thus relieved of many of the details which the authorized agents can handle expeditiously, and free to deal with unusual and exceptional cases and with the many important phases of exchange control which arise on a higher level.

All controls cause disruption of business and hardship. Some people and some businesses are hit more than others. Among the bad effects of exchange control, some of which cannot be avoided or corrected, are:

- 1) Less business volume;
- 2) Unemployment;

* From an address at the San Bede College symposium on government import and exchange controls, March 4, presided over by Dean Jacinto Kamantigue, College of Commerce, University of Santo Tomas. Other speakers were Governor Miguel Cuaderno, Mr. Gil J. Puyat, and Mr. Felix de la Costa.

- 3) The complications in complying with the regulations, with much increase in paper work in offices;
4) Higher tax rates to offset other tax losses.

I am particularly concerned with another application of exchange control.

In the United States, 18% of the people produce the foodstuffs and the agricultural products not only consumed by the best-fed people on earth (which includes the other 82% of the population), but the 18% produce, in addition, enormous quantities of agricultural products for export.

The reverse of that condition is in effect in the Philippines. Here, according to the latest statistics, more than 70% of the employable male citizens are engaged in agricultural production and still are unable to feed themselves and the rest of the population from their labor.

I would like to quote from a recent advertisement on the subject of "Food for the Toilers:

"Today, feeding 19 million Filipinos should not be a problem. Modern machinery and new labor-saving devices make it possible to produce more from every hectare of land. This means abundance for all those who toil and a greater measure of comfort, security, and plenty for the Philippines."

When we think of mechanization of agriculture, we should include irrigation and the application of commercial fertilizers.

The very foundation upon which this country must stand and grow will be established through the development of its agricultural and natural resources, and by the creation of an independent small farmer class.

After more than 30 years experience in various parts of the world in assisting just exactly such developments, I am sorry to say to you that I do not see that program under full implementation here.

There is a great deal of talk about industrialization. Industrialization is a natural consequence of a people's self-sufficiency and the development of their natural resources. It comes naturally as a people are released from seeking a bare subsistence from the soil. It cannot and never will be successfully forced or imposed from the top down. Industrialization can only become economically advantageous to the Filipino people as a natural consequence of an improved agricultural production and a development of the basic resources of the country.

As an Ex-G.I., I know that you need no proof of the continuing interest and the faith that all Americans have in the Philippines. We only have to remember our demonstrated cooperation during the last war. Philippine problems are American problems, and if we work together they will be solved.

AMERICAN CHAMBER OF COMMERCE
OF THE PHILIPPINES, INC.

ORGANIZATION CHART
— 1950 —

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