

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 P2 a hectare and a royalty to the Government of P.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 P150,000 to P100,000 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 Parmentier. 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 P1,000,000 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 P11 a cavan, P3 lower than the price during the rice emergency last year, but higher by several pesos than the current price. At P11 a cavan, the National Rice and Corn Corporation would have to resell rice at P1.04 a ganta to avoid loss, but President Quirino has insisted that it should continue selling rice at P.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 Taipei, 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 Arquiga, 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 Bal-maceda, as Chairman of the Import Control Board, calls a special meeting today to act on charges of alleged anomalies 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

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COMPARATIVE Statement of the Central Bank of the Philippines:

	As of Jan. 31	As of June 30	As of Oct. 31	As of Nov. 30
(in thousands of Pesos)				
ASSETS				
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,