

The Philippine Position in the Economic World

By Eugene H. Clay

First Assistant to Ambassador Myron M. Cowen

THE Philippines emerged as an independent sovereign nation, after the cruel and destructive period of the Occupation, in one of the most troubled times of history. It needed help and the United States gave that help. The free market for Philippine commodities was continued for a definite period to give you the opportunity to adjust the economy to normal world markets. Military assistance was provided so that an armed force adequate for internal security and national dignity could be established. War damage payments, the rehabilitation projects, war surplus and other assistance are programs to help you repair the damages of war and occupation.

The Philippines, however, faced and still faces a tremendous task in maintaining and developing its true position in the economic world of today. Your Government and people fully appreciate that this task must be accomplished primarily by your own efforts. You know at the same time, however, that in accordance with the present close friendship between our nations the United States stands squarely with you. President Truman reaffirmed this determination in the joint statement of our Presidents on August 11, in which he reiterated the desire and intention of the United States to render all feasible assistance to the Philippines.

The successful accomplishment of this task vitally affects every individual in the Philippines. Only then can the nation be assured that the standard of living of the people can be maintained and improved and that the business and occupations of all of you can prosper.

Your country has done well and all of you have full right to be proud of the position of your nation in the world today. Ambassador Romulo has truly a magnificent grasp of international problems and his election as President of the Council of the United Nations symbolizes what you have achieved. I have also found that your officials here, with whom I have been working on behalf of Ambassador Cowen, have a realistic and sound understanding of the problems of your nation. We have been meeting frequently with Secretaries Pedrosa, Mapa, and Balmaceda, Under-Secretary Neri, Governor Cuaderno, and the Honorable Jose Yulo. We are discussing and studying together the economic plans developed by the Government and some of the economic problems of your nation in an endeavor to further the cooperative efforts of our countries in the economic development of the Philippines. We are trying to give them the full benefit of our experience in other countries and are learning a great deal from them.

Our joint efforts and discussions at this time are pointed toward a very specific goal. We are formulating recommendations on how best the desire and intention of the United States to render all feasible assistance can be implemented. The economic plans which have already been developed and the studies which have been made on the possibilities of further economic growth by your Government are of tremen-

dous help and form the basis for discussions. The formulation of such recommendations nevertheless is a tremendous task, as we well know from our experience elsewhere in the world. We however, are making real progress and we can specifically assure you that the words of President Truman were not empty, and that, as again stated by President Truman, your President did not return from the United States empty-handed.

The United States wants to help its friends who need assistance and the friendship between our countries is now unique and I hope it always will be. You must always remember, however, that the requirements for economic development must come primarily from you,—from your energy and from your resources. No one can or will do the job for you. You must remember, too, the vast demands on the United States throughout the world, that the resources of the United States are far from unlimited and that the American people have already shouldered a gigantic tax burden.

Economic development is not a matter of miracles but of hard work, enterprise, and efficiency over an extended period of time. The best of economic programs are meaningless unless the people of the nation really give all of their efforts toward its implementation. In a democracy the people cannot be expected to make such efforts unless they fully understand and approve of what must be done and fully appreciate what successful accomplishment means in their lives. This is where you, members of the Jaycees, have a direct responsibility. You and people of your age are the leaders of tomorrow. You must help explain and set an example for your nation. I know well that you are capable of shouldering this responsibility. You are an intelligent, well-trained group of men and you have a burning desire to help your country and your people. Your good-will tour around the world, led by my good friends Monching del Rosario and Bert Villanueva, well illustrated your desire to understand the relationship of the Philippines to the world.

Much of your efforts in the years since liberation have had to be expended in reestablishing the basic necessities of life. I am confident, however, that you are now prepared to move with full force in the development of the economic potential of your nation.

No nation can live and prosper in the world today in isolation. A nation's economic strength depends on its ability to produce and trade on equal terms with the rest of the world. A democracy, moreover, has a direct obligation to ensure that its people have the means and opportunity to produce at competitive prices and still maintain and improve their standard of living.

You have all the basic assets that are required,—tremendous natural resources and an intelligent population. Money is of course needed. There is first the internal peso-cost of economic development. On the basis of present estimates, I consider that these costs can be easily met from the internal resources of the country. Remember that tax returns are now an

* An address before the Manila Junior Chamber of Commerce, September 27.

extremely small percentage of the national income in comparison with the United States and that the rate of private investment in productive enterprises is minute. Bank credits can also, I believe, be greatly expanded if a dynamic economic program is being implemented.

There is, next, foreign-exchange requirements. The first source is, of course, your own foreign-exchange earnings, your present reserves, and additional payments to the Philippines which have already been authorized by the United States Congress. I hope that as much of this foreign exchange as possible will be used for productive imports and not dissipated for current consumption items. Foreign private capital is next, and I hope that every reasonable effort is made to attract a flow of such capital to the Philippines. I believe, moreover, that you should not look entirely to the United States because considerable private capital and equipment could unquestionably be attracted from another country which is a relatively few miles away from you. Loans from institutions such as the International Bank, with which an application is now pending, is another source. We are confident that if maximum utilization is made of internal peso resources and foreign exchange from the sources I have mentioned, any additional foreign exchange required would not present any problem. I am also confident that technical assistance for economic development can be readily acquired.

The Philippines must be developed to a position of self-reliance in a relatively few years. We therefore hope that the nation will concentrate on projects which can be completed relatively quickly. We do not mean by this that long-term projects should not be undertaken, but we do consider that such long-term projects should not be relied upon as the solution of your immediate economic problems.

The first need is of course to make the nation relatively self-sufficient in food supplies which can be purchased by the people at low prices. Only then will the basis be established for the nation to produce at world prices with a developing standard of living, and only then can the foreign exchange earning of the nation be adequate to purchase the necessities of life which cannot be economically produced within the Philippines. I believe that the use of selected seeds and plant materials and the application of the right kind of fertilizers, small scale irrigation, and better practices of cultivation offer a quick means of increasing production. The small farmers must, of course also have guidance from an effective agricultural extension system and must have inexpensive credit readily available to finance the use of modern techniques and methods. We hope that the tenancy problem will be satisfactorily solved so that these people will have the required stimulation for maximum effort. Work in these fields of agriculture is, of course, already under way and I am sure will be greatly accelerated now that the basic requirements have been reestablished.

The production of export crops, with improvement of quality and reduction of costs, also of course has top priority. We believe that the owners of large estates have a great responsibility in this area and we consider that people like Jose Yulo are setting a magnificent example in the use of modern methods and in improving the welfare of their workmen. The health of your people must be at a level which will enable

them to give full effect to their intelligence and energy, and they must be thoroughly trained in modern methods and techniques.

In the export market for agricultural commodities, the Philippines faces a particular problem. You are surrounded by countries that either are producing or can produce the same agricultural commodities that are produced in the Philippines. These nations have a lower standard of living. As new markets are sought for such commodities, you can only compete with these nations and at the same time maintain and improve your standard of living by effective application of the most modern methods and techniques of production.

Industrialization must also be given every encouragement. No nation can expect to establish heavy industries except over a very extended period of time. We are confident, however, that this nation can economically produce many of the items that it now imports and that industries can be developed for export, particularly those which would utilize agricultural raw materials and by-products and lumber. The mining potential of the country would scarcely appear to be touched, and the semi-processing of ores for sale in world markets would appear to be a feasible and economical operation. This processing could be further expanded with development of hydroelectric power and the basis could be established for more advanced industrialization at a later date.

Industrialization as well as advanced agricultural expansion, however, requires capital. The people of the Philippines must be convinced of the advisability of investing their funds in industrial development and in modern agricultural methods. Foreign capital can scarcely be expected to be attracted here unless the Philippine people themselves demonstrate confidence in their own country by investing in the future. Your Government and your newspapers have repeatedly stressed the importance of such type of investment. Jaycees can do a great deal to help. You can campaign to sell the nation on its future and on the advisability and responsibility of investing funds for the expansion of the production of your country.

New markets must be opened up in Europe and elsewhere for your present export commodities and those to be developed. Trade has been largely with the United States. There is a definite limit, however on the amount of some of your commodities that can be sold in my country while markets in other parts of the world remain virtually untapped.

The recent devaluation of the pound and of other currencies is of course a factor in the opening up of new markets. A reason for such devaluation, as you know, was to reduce the cost of production of export commodities. With the anticipated reduction in the cost of these commodities, there should be a great stimulation of Philippine purchases from these countries. Your sales to these countries should of course be increased at the same time. Devaluation may decrease the cost of production of items similar to those produced in the Philippines, and, in the long run, could stimulate additional production in these areas. I am sure that the Philippines with its resources can meet any competition by the effective application of modern methods and techniques and still look forward, as does the United States, to the continued improvement of the standard of living.