

the immediate interests of the two countries, but will contribute vitally to the determination of free peoples to resist those forces which seek their enslavement so long as that menace shall threaten.

The two Presidents are agreed that this resistance will be most effective in areas where the material well-being of the people allows full appreciation of the meaning of freedom and that conversely it is among peoples who have abandoned hope of individual betterment that least resistance will be offered to those perverted forces which would destroy the ideals to which the two nations are dedicated.

American Aid to the Philippines

Past, Present, and Future

By Ambassador Myron M. Cowen

AS a result of many years of experience, with countries in different parts of the world, my Government has come to certain conclusions concerning the most effective ways in which one country can aid another. These conclusions are as follows:

(1) The type and amount of such aid should be determined in light of the needs of the receiving country and the ability of the contributing country to meet these needs. As the predominant needs of a country change with the passing of time, the types of aids by the assisting country must change correspondingly if the best interests of the beneficiary nation are to be served in each of the successive stages of its development.

(2) The most permanently beneficial type of aid for a nation, as for a human being, is that type which is so planned and administered as to promote growth and self-development toward the ultimate goal of complete self-reliance. Aid which tends to prolong immaturity and dependence, in any phase of a nation's life, will prove, in the long run, to be more of a curse than a blessing, regardless of its immediate benefits.

(3) Aid by the contributing nation should not be a substitute for, but a supplement to, self help by the beneficiary nation itself. It should be accompanied by vigorous, sustained, local effort to utilize in maximum degree its own natural, human and capital resources. It should be the marginal increment which represents the difference between complete and partial success of the beneficiary nation, after it has done all it can for itself.

My Government, in its programs of aid to the Philippines in the past, has followed these three principles to some extent. In its future aid programs it is planning to follow them more closely.

UNITED States aid to the Philippines in the past can be divided roughly into three types, corresponding to the paramount needs of your country in the three general periods of its history.

The *first period*, I have in mind, runs from March 16, 1900, when President McKinley appointed the Second Philippine Commission for the purpose of instituting civil government in the Philippines, to the invasion of the Philippines by Japan in December of 1941.

We might call this the trusteeship period, during the last six years of which, the country, as a Commonwealth, enjoyed virtual independence except for military and foreign affairs.

During this 41-year period, the over-all purpose of American aid were *first* to help the Philippines establish a democratic form of government and way of life suited to its needs and desires and *second* to prepare the country through guidance, training and experience to become a stable, prosperous, independent state. Specific types of aid during this period included: protection of the territorial integrity of the country; protection against excessive immigration from neighboring countries; guidance in the drafting of a constitution and the development of a governmental structure with executive, legislative and judicial branches; assistance in the development of a civil service to provide a permanent body of efficient public servants capable of

The President of the Philippines has expressed the determination of his country to pursue with vigour the courses of action which offer the greatest promise.

The President of the United States has reiterated the desire and intention of the United States to render all feasible assistance.

The United States will continue to watch sympathetically the efforts of the peoples of Asia to forge stronger ties of economic co-operation and collaboration to hasten the progress of self-government and to preserve their freedom.

administering the government in a manner to contribute to national stability and progress; assistance in the establishment of a system of public education which we considered indispensable to successful self-government; and assistance in the establishment of modern systems of public health and social welfare to reduce disease, increase length of life and promote that physical health and energy on which alone could be based a sound and sturdy national development.

These different types of assistance the United States contributed to the best of its ability, through the services of some of its leading statesmen, jurists, economists, educators, engineers and technicians in many fields.

The *second period*, covers that nightmare period of Japanese occupation which began with the arrival of the first enemy troops in Aparri in December of 1941 and ended with the unconditional surrender of the Japanese Imperial Army in Baguio on September 3, 1945.

During this four-year period, the type of assistance overshadowing all others in urgency was military aid in liberating the country from the yoke of a brutal and oppressive conqueror. This assistance was forthcoming as soon as adequate men and material could be made available and the intervening island groups reclaimed.

To liberate the Philippines and defeat Japan involved, in addition to the indomitable aid of Filipino guerrilla groups and the invaluable assistance of the Australian armed forces, a fighting force of more than 5,000,000 United States army, navy, marine corps and airforce men. Victory in the Pacific was won at a cost of 300,000 United States casualties and the expenditure of many billions of United States money which, for years to come, will constitute a tremendous debt to be carried, and ultimately amortized, by the United States tax payer.

Thus did the United States fulfill its promise to use its manpower and resources to help liberate the Philippines.

The *third period*, we might call the period of reconstruction running from 1945 through 1951.

During this six-year period, which is now drawing to a close, the predominant need has been for United States money and technical assistance to supplement Philippine funds, natural resources and manpower in the reconstruction of your war-shattered country. Public buildings and private homes had to be rebuilt, bridges, roads and docks reconstructed, public services re-established and the wheels of the economic life of the country set in motion. To this great reconstruction undertaking, the United States, by the end of 1951, will have contributed under present authorizations, \$1,244,000,000 and the services of nearly 200 technical experts.

In addition to the foregoing amount of money which covers only the total of outright grants and relief, the United States Government will have spent over \$2,500,000,000 in the Philippines from V-J Day through 1951. This money which has been and still is being spent for wages, purchase of local supplies, and miscellaneous military expenditures has gone, and will continue through 1951 to go, into the nation's total economy, thus assisting very materially in the post-war task of setting in motion the economic processes of the nation.

A third type of aid received from the United States, which has received little public attention, consists of the sums of money received by various church groups, organizations such as the Boy and Girl Scouts, YMCA and YWCA, and fraternal orders. These funds, which have been received either directly or indirectly from private donors, total more than \$20,000,000 a date and are still coming in.

Thus the people of the United States, both through their Government and in person, have contributed substantial assistance to this country during this period of post-war reconstruction, which is now drawing to a close.

My purpose in this briefly reviewing the history of United States aid to the Philippines to date has not been, I assure you, a desire to boast or to invite public praise for the aid my country has extended to your country during the last half century. Whatever the United States has done to help the Philippines down through the years has been motivated by a genuine devotion to the welfare and progress of this country and its people. The consistent aim of the American government in all its relations with the Philippines has been, as expressed by the Schurman Commission in 1898, to promote, to the best of its ability, "the well being, the prosperity, the happiness and the advancement of the Philippine people."

My real purpose in reviewing the history of American aid to the Philippines has been to focus attention on three simple facts, *first*, that aid, in one form or another, has been continuing for the past 50 years, *second*, that this aid has been varied from period to period to meet the predominant needs of your country in each stage of its development, and *third*, that this aid has been so planned as to promote national growth toward the ultimate goal of complete self-reliance.

SO much for American aid, past and present. Now let us consider the future. And may I open this second phase of my discussion this afternoon by reassuring you of the deep affection and the great respect which the American people will always hold for the Filipino people. The unprecedented welcome your President recently received in the United States is eloquent testimony to this fact. May I also assure you that my Government is keenly desirous of continuing its aid to this country in future years, within the limits of its ability to do so and with due regard to the independence and sovereignty of your nation.

In view of the long standing policy of my country to furnish that type of assistance most needed at a given time, the following question naturally arises:

"What type or types of aid, which the United States is in a position to render, will be most needed by the Philippines in the years that lie ahead?"

From my talks with governmental officials and leaders in both countries, it appears that there are two types of aid which my country is in a position to render and which your country will urgently need in the years ahead. These are (1) assistance in economic development and (2) military assistance to aid in equipping, training and maintaining armed forces adequate to the country's needs.

So far as military aid is concerned, legislation is now being considered by the United States Congress to authorize such assistance. This was one of the measures I worked hardest for during my recent sojourn in Washington. I am confident of the passage of this enabling legislation.

NOW let us turn our attention, in the remaining moments at my disposal, to the subject of the economic development of the Philippines, and what the United States can do to assist in this all-important, long-range undertaking.

Few subjects excite the imagination more than economic development. To most people these words signify more of the better things of life for more people, fuller and richer lives, social betterment, a higher standard of living for all.

Economic development, in the broadest sense of the term, implies the increasingly effective use of a nation's resources—human resources, natural resources and capital resources. It involves the production of more food, more clothing, more and better homes, and more mechanical power to lighten people's burdens. It applies to farms as well as to factories; to intellectual advancement as well as physical health; to habits of work and habits of leisure; to the saving of capital and to its constructive investment.

There is no uniform pattern of economic development applicable to all countries. Different countries have different needs and different potentialities. Development should take into account and be adapted to local resources, attitudes, social and legal structures, customs and practices. In some countries basic improvement in health, literacy, and vocational skills may

well be prerequisite to increased production and improved standards of living. In other countries, agriculture, rural and small-scale industry, and transportation may stand in most need of improvement.

May I emphasize the fact that economic development, as I am discussing it this evening, is not limited to industrialization in the narrow sense of manufacturing. While the development of manufacturing enterprises is usually a necessary part of economic development, it is not the whole story and frequently not even the most important element therein. Economic development embraces advances in agriculture, mining, transportation, communications, power, and in the skills and capacities of the people. It requires the expansion of the distribution system and the full machinery required for the exchange of goods. All these economic activities are mutually reinforcing elements in the process of a nation's economic development.

NEXT let us consider for a moment the purely domestic problems of economic development which are numerous and difficult, as they involve basic changes in the economic, political, and social institutions and habits of a country.

By and large, down through the ages, the habits and attitudes that have most effectively fostered economic development have been those of *work, saving, venturesomeness and adaptability*. The need for *work* extend to all groups. The working, self-disciplined business manager is as important to the expansion of production as the self-discipline and hard work of the farmer and laborer. *Saving* is the basis for capital accumulation. It can take place whenever people have hope and confidence in the future of themselves and their country. *Venturesomeness* is perhaps the most difficult of all new habits to acquire. The farmer must be willing to abandon the habits of father and grandfather and use new methods that appear to him to involve risk and danger. Domestic capital must be ventured in productive enterprises rather than put into real estate or hoarded in jewels, gold and strongboxes. Finally, there must be *adaptability* to changing concepts. Old forms of status and caste, archaic systems of land tenure and resistance to science and technology usually retard economic development.

In addition to the habits and attitudes of the people, economic development depends upon such normally unspectacular functions of government as the establishment of internal order, security and justice, the creation of money, credit and a sound fiscal system, the development of basic systems of communications and transportation, the spread of literacy and higher learning in the arts and sciences, the provision of basic health and social services, and the assessment and conservation of natural resources.

No country that aspires to economic development can say that it cannot afford these duties of government. It cannot afford not to educate its children. It cannot afford not to build up the health of its people. It cannot afford not to give aid and encouragement to art and science. It is the function of a government aspiring to economic development to establish and maintain the institutions which enable its citizens to become resourceful.

The bulk of the capital for the economic development of a country must come from its own people. There are important reasons for this. In the *first place*, the amount of funds that can conceivably be obtained from foreign sources will always fall far short of a nation's capacity to use capital. Larger amounts of capital have been moving across national boundaries since the end of World War II than at any time in the past, but the demands still far exceed the supply. *Secondly*, a country which imported too large a proportion of its capital would be faced for a long time with heavier carrying charges than it can readily meet in foreign exchange. Many industrialized countries, including the United States, have been developed in part by foreign capital, but in every case, the bulk of their capital investment is the result of their own savings. These considerations underline the importance for a government to create a climate and devise incentives which will stimulate and mobilize domestic savings, and then channel these savings into productive investment.

Thus have I indicated some of the functions of government, which are basic, indispensable ingredients to economic development. To discharge these functions effectively calls for government personnel trained in the art of administration, devoted to the public service, scrupulous of the public welfare.

In my discussion of economic development thus far, I have reviewed the main factors which a nation should keep in mind in planning and developing its economic life. In so doing I have attempted to emphasize the basic principle, applicable to every country in the world today, that *national development must be based primarily on national resources and must come largely from the effort of the people concerned.*

With regard to assistance which a foreign country can furnish to aid and accelerate another nation's economic development, my government has decided to place chief emphasis on:

(1) Assistance in finding ways and means of tapping the reservoirs of foreign capital, to supplement local capital, in the creation and expansion of productive enterprises.

(2) Assistance in providing scientific and technical "know how" and "show how" in the various fields of activity directly related to a nation's economic development.

I have briefly discussed up to this point what a nation must do for itself and what assistance it is reasonable to expect from a foreign country in a wide-ranging, long-term program of economic self-development. Now let's apply this general information to the question at hand: *the economic self-development of the Philippines and what the United States can contribute to this great undertaking.*

The conditions my Government considers essential before assistance to a country can be justified have been clearly defined in connection with the European Recovery Program. These conditions, which will apply also to aid under the "Point Four Program," have been inherent in all I have said thus far about economic development. Specifically they are: (1) practical and realistic plans of action, (2) maximum self-help, by the nation itself, and (3) existence of internal conditions favorable to economic development.

1. *Agriculture:* The wealth necessary to support a prosperous nation exists in Philippine soil and waters. For this reason, the foundation of the country's economic structure must be agriculture. Increase in agricultural production is essential today to relieve the drain on foreign exchange from food imports and to maintain an expanding industrial population. Agricultural production can be increased by the use of better seed and fertilizer, irrigation, improved methods and techniques of farm operations, the more extensive use of mechanized equipment, improved marketing facilities, adequate credit at low rates for small farmers, a program of continuous research and experimentation and by bringing under cultivation a larger percentage of the arable lands.

Is the country at present doing all it can to increase its agricultural productivity in these and other ways? If not, what more can it do in terms of its own resources?

2. *Industrialization:* While I feel the primary emphasis should be placed on agriculture, it would appear that Philippine economy has developed sufficiently to warrant the launching of a carefully planned program of industrial development to produce products for home consumption, which otherwise would have to be purchased in foreign markets. New small-scale-rural industries, including handicrafts, could be developed which would furnish farm laborers with work during those periods of the year when they are not engaged in agricultural activities, thus increasing both their total productivity and their standard of living. Mining could be further developed and the processing of ore advanced to increase their sales' value in foreign markets and to form the basis for more advanced industrialization in the future. Of particular importance is the manufacturing of items to promote agricultural development, such as fertilizer. Progress in the field of industrial development will, of necessity, be slow. It must, however, be built on a sound foundation, in proper balance with an expanding agricultural program.

Does this country have plans for industrial development? If so, is it using its own resources, in maximum degree, to implement such plans?

3. *Power:* Basic to both industrial and agricultural development is, of course, the use of the nation's water resources for light, power and irrigation. Is the country, at present, doing all it can to utilize its water resources for economic development?

4. *Public health:* The economic development of your nation will depend to a considerable extent on the health and physical strength of the people. Every effort must be made to strengthen the nation's health by the development of effective physical training programs in the schools and by the eradication of those diseases, such as malaria and tuberculosis, which today are depriving the country yearly of millions of man-hours of productive labor. The United States Public Health Service has demonstrated by its work on Negroes and elsewhere what can be done to eradicate malaria and other disabling diseases. Is this country doing all it can for itself in the field of public health? Has a future program leading eventually to the complete elimination of serious health hazards?

5. *Education:* All phases of economic development depend to a large extent upon education. The schools of a democracy such as yours and mine must produce men and women who have strong bodies, good minds, stable emotions, sound

character; they must be able to read and write and think straight; they must possess the knowledge and skills essential to productive effort in the fields of agriculture, industry and commerce and in the professions. Is the country doing all it can, within the scope of its own resources, to so train its youth as to make possible for the nation a maximum use of its human resources?

6. *Financial stability:* Financial stability is a prime requisite for economic development. In this connection, consideration must be given to whether financial stability is being maintained by holding budgetary expenditures to a level that makes it impossible for the government to meet the genuine needs of the country. The percentage of the national income that can be taken through taxation, without acting as a drag on the economy, is an open question. It is somewhat difficult, however, to establish the need for outside assistance for internal expenditures if the percentage of national income taken through taxation is much lower than that of most other countries and particularly lower than that of the country from which assistance is asked. It would appear equally difficult to establish the need for foreign exchange assistance unless the maximum effort is being made with what is available internally in the Philippines. Is the country providing and maintaining essential government services at an adequate level? If not, what more can it do within the scope of its own financial resources?

7. *Domestic capital:* I said earlier in this speech that the bulk of capital for the economic development of a country must come from its own people. I understand that there is a considerable amount of local capital here in the Philippines today that could be used for capital investment. If this is true what is being done, and what more can be done in the future, to increase the flow of such capital into productive enterprises?

8. *Foreign exchange:* A country that desires to use all the resources available to it to promote economic development, should make the most judicious use of its foreign exchange. By this I mean, the use of as a large a portion of such exchange as possible for capital imports and agricultural equipment and supplies that will help to increase productivity, and, conversely, as small a portion as possible for goods that would be immediately consumed. How is the foreign exchange of your country used at present? What can be done in the future to increase still further the percentage of foreign exchange used for those types of imports that will directly contribute to increased productivity?

9. *Internal conditions:* If United States private capital is to come to the Philippines in larger amounts in the future than it is at present, the government must establish internal conditions and devise incentives which will stimulate such investments. This involves among other things, law and order, a sound fiscal system, and an effective program to alleviate social unrest by promoting a higher standard of living for those of your people who for generations have been able to eke out only the barest possible existence.

Is your country doing everything it can to establish internal conditions favorable to economic development such as the maintenance of law and order, development of a sound fiscal system, and raising the living standards of its lowest economic groups?

10. *Production costs:* Another internal factor vitally affecting the inflow of foreign capital for industrial development is the question of production costs, which must be low enough to ensure the investor a reasonable profit on his investment. I discussed this matter a few weeks ago while I was in Washington. Unfortunately, my words were misquoted and my meaning was misunderstood. Let me make myself clear on this matter once and for all. Production costs in the Philippines today are high—in fact substantially higher than in many countries currently seeking United States private capital. If the Philippines is to compete successfully with these other foreign countries for United States capital, such costs must be reduced. I want to make it very clear, however, that I am not talking about employee wages, which constitute only one element in the total cost of production. I want to make it clear, also that I am definitely *pro-labor*, and confidently looking forward to the day when the standard of living of the laborer will be materially higher than it is today, as productivity increases. In referring to a reduction in production costs I have in mind such factors as the more efficient use of manpower through better planning, training and supervision, more attention to employee health and welfare and the development of more efficient production methods and techniques. The reduction of labor costs in Negroes, as a result of the malaria control program of the United States Public Health Service.

is a good example of what I mean by reducing production costs without reducing the wages of the laborers. What can be done to reduce production costs in other areas of the country without lowering wages?

FROM the answers to such specific questions as I have just raised should come the answers to such general questions as: Is the Philippines making a maximum use of its own resources to promote its own economic development? If not, what more can it do for itself?

With the answers to these questions in hand, the next step will be the formulation of a concrete, specific, realistic plan of action, based upon what appears to be the wisest course of action in terms of the most urgent immediate needs, as well as the long-range needs of the nation as a whole.

Long-range projects necessary to the most beneficial development of the country's resources must be carefully formulated. On the other hand, today's needs are urgent. Without prejudice to the plans for long-range development, top priority should be given to economic development projects which can be undertaken promptly and which will make the greatest net contribution within a reasonable period of time. In brief, a proper balance should be kept between long-run objectives and short-run realities.

The members of my Embassy staff will be glad to assist, to the extent desired by your government, in the drafting of a plan of action such as I have just discussed.

As soon as a plan has been completed, which provides for maximum self-help on the part of your country itself, my government stands ready and willing to cooperate in carrying out the plan by assistance under President Truman's "Point Four Program," when necessary funds are made available. Under

the "Point Four Program," two types of assistance will be available—

1. Assistance in finding ways and means of tapping the reservoirs of United States private capital, to supplement local capital, in the creation and expansion of productive enterprises.

2. Assistance, by furnishing scientific and technical knowledge and skill through such activities as training in administration, in industry, and in agriculture; health programs, broad technical missions, and the supplying of individual experts; experiment stations, training fellowships and local technical training institutes; dissemination of information through conferences, seminars, and publications; provision of laboratory material; demonstration services and equipment; advice concerning particular industrial and agricultural projects; resources surveys and general assessment of development potentialities; analyses of methods of production, marketing and management; and advice on steps designed to mobilize domestic savings for constructive investment.

In addition to the foregoing types of assistance under the "Point Four" program, I shall be willing to recommend to my government, from time to time, other types of assistance which might be required to supplement maximum effort by the Filipino people in order to enable them to build a sound balanced economy.

In closing may I say, as strongly as possible, that the Filipino people have every reason to have full confidence in the future of their country. You have vast resources and an intelligent population and the United States stands squarely behind you today, asking only that you do all in your own power to develop your own economy to the end that a steadily increasing percentage of the Filipino people may realize their aspirations for a happier, healthier and more prosperous life.

Export Control

By V. E. Bunuan

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EXPORT control in the Philippines had its beginning with the control exercised by the U.S. High Commissioner of the Philippines in 1940 over strategic war materials such as munitions, with base metals added in 1941, by virtue of a proclamation of the President of the United States. With the re-establishment of the Philippine Government and of the High Commissioner's Office in 1945, the United States shipped to the Philippines, through Philippine importers authorized, and whose credits were sponsored, by the U.S. Commercial Company, acting as official representative or agent of the High Commissioner, much needed goods, mainly food supplies and articles of clothing, for sale among the inhabitants of the Philippines and expressly prohibited from exportation. It will be noted that this prohibition referred only to American goods that were imported into the Philippines and did not include any Philippine product.

This control continued until 1946, when the Philippines took over, it may properly be stated, the function of export control with the enactment on July 2, 1946, by the Congress of the Philippines of Commonwealth Act No. 728 authorizing the President of the Philippines, until December 31, 1948, to regulate, control, and prohibit the exportation to any destination, of agricultural or industrial products, merchandise, articles, materials, and supplies, and the Sugar Quota Office, being in charge of the exportation of sugar and other quota products to the United States, such as coconut oil, cordage, cigar, leaf tobacco, and

pearl buttons, was designated by the President of the Philippines as the logical office to take charge of the operation of the export control law in Executive Order No. 3, issued on July 10, 1946, prescribing rules and regulations for this control. Section 1 of this Order listed 41 products, articles, materials, and supplies, both of local and foreign origin, which were prohibited from exportation, among them articles of prime necessity such as rice, sugar, milk, cheese, butter, eggs, lard, poultry, grains, vegetables, coffee, textiles, cotton, shoes, soap, and such other products as were in short supply at the time and which were needed for the agricultural and industrial rehabilitation of the Philippines.

The prohibition of the exportation of the products in Section 1 of this Order, however, was not absolute in order not to unduly interfere with the country's foreign trade. If, upon due survey and investigation by the offices and entities of the Government to which each application to export is referred, it was found that there was sufficient supply of the articles or products applied for to take care of local demand, limited quantities of these products were permitted exportation.

Exportation of products, articles, materials, and supplies to the United States, whether of prohibited exportation or not, were not, under the provisions of this Executive Order, subject to the issuance of an export license; in other words, they were permitted to be shipped to the United States freely, the only requirement being the ordinary filing of a through