

can quality and a commendable one, especially desirable and necessary, I think, here and now.

We must think of ourselves not as constituting a chamber of commerce alone, but a group of Americans who, for the most part, have been closely identified

with the building up of the modern Philippines and who continue to hold both a moral and material interest in Philippine development and progress. We can be of greatest service to this country only by stoutly upholding the American view and the American way of life.

American Capital in the Philippines

THE somewhat disparaging remark that "no American individual or firm has invested as much as P200,000 in any local industry since Parity", made by Mr. J. Amado Araneta, a leading Filipino sugar industrialist, led to a significant exchange of facts and opinions during the past month between him and another Philippine business man, Mr. Gerald Wilkinson, President of Theo. H. Davies & Co., Far East, Ltd. and a number of other companies.

The background of this exchange is the controversy initiated by sugarcane planters in connection with the ownership of the sugar export quota, the whole of which some planters now claim for themselves, and certain statements reportedly made by Mr. Ildelfonso Coscolluela, President of the Federation of Sugarcane Planters, to the effect that the planters would bring the matter to court, and his incidental proposal that the Government, through a bond issue, advance the funds that would be necessary to enable the planters to buy the centrals, Mr. Coscolluela also adding that the planters were going ahead with their plans to seek the aid of foreign capital "to build their own centrals".

It was this latter statement which led Mr. Araneta to discount the prospects of American investments in the sugar industry.

Mr. Wilkinson challenged Mr. Araneta's statement and brought out the fact that his own Company has since 1945 invested, on behalf of American investors and institutions, over P10,000,000 in the factory, railroad, and dock of the Hawaiian-Philippine Company at Silay, and P2,700,000 in the factory, railroad, and dock of the San Carlos Milling Company, both in Occidental Negros, and P1,200,000 in the Asturias Sugar Central in Capiz.

As regards the planters' proposals, Mr. Wilkinson stated, in a letter to the *Chronicle*:

"We have noted in various countries that the interests of production and employment are at times beset and obscured by political cross-currents, and as guests in a friendly land we are qualified, neither by right nor by inclination, to political expression. But as men of goodwill who love the Philippines, and have expressed our faith in its future in tangible form, we would urge every section of the sugar industry to look outward and onward, not inward, for the betterment of its lot.

"For centrals, improved factory and handling processes; for planters, research and improvement of yields through new cane varieties, can bring to this Republic gains that can infinitely outweigh the maximum concessions that any central might gouge from its planters, or any planters from a mill, and the vital interests of labor are inseparable from the prosperity of both.

"Unity may require patience and understanding. But it can build a great industry. Disunity can bring nothing but paralysis and the impoverishment of all."

Mr. Araneta's reply to this was that he is not against the coming of foreign capital:

"I am 100 percent for it. I urge it to come and enjoy the full benefits of a potentially rich country, the cooperation of an industrious and hardworking people, and have the satisfaction of having helped in building the future economy of the Philippines."

However, he pointed out,—wrongly as it proved, that the funds invested in the Theo. H. Davies enterprises—

"... your 14 million pesos, if anything, was purely rehabilitation money used to protect, and if possible resuscitate, pre-war investments. Similar capital has indeed come in, to help put back into operation mines, lumber mills, sugar centrals, and other old Philippine industries. That money was bound to come in as a matter of economic necessity, not on behalf of the country but to salvage pre-war investments.

"I repeat and I insist that neither you nor anybody else can point out a major American or other foreign investment in new industries in this country since liberation. About the only notable exception is Glo-Co [toilet preparations], but even that firm had begun local investments before the war. So, strictly speaking, it's not a newcomer to the field."

Mr. Araneta added that he was under the impression, also, that the Davies Company was a British and not an American firm.

Mr. Araneta's letter received wide publicity in the daily press. Mr. Wilkinson replied in detail privately to Mr. Araneta, but feels that anything in the nature of a public controversy between interests of identical aims within the industry would be beneficial to no one. At our request, however, he has released the following extracts from his reply to Mr. Araneta of December 23:

"Of the P14,000,000 of capital that has been committed to Hawaiian-Philippine, San Carlos, and Asturias sugar centrals since the war, approximately P10,000,000 came from American entities which had no pre-war interest by loan or investment in these three companies, and whose motives therefore were totally divorced from the protection of salvage and the resuscitation of assets to which you now refer. This was genuine new American finance coming into the Philippines, as new and as beneficial to the economy of the country as would be capital entering an unproven industry."

Mr. Wilkinson went on:

"If, by modification of previous statements, you should wish to exclude sugar from this discussion, I would like to quote another industry in the Philippines, also under our management and therefore the only other one on which I am qualified to speak with detailed knowledge, in which more than double the limit of P200,000 to which you referred, has been invested by new American capital since the war: the Hume Pipe and Asbestos Company, incorporated in July, 1946. Of the P750,000 of new cash remitted into this Company during the last six months of 1946, nearly P500,000 was of American origin, and in saying this I am excluding our own investment in the Hume Pipe and Asbestos Company since there is British as well as American ownership in Davies & Company."

BY way of comment, we of the American Chamber of Commerce Journal believe that Mr. Araneta in his second statement, if modified to refer only to American investments in new post-war industries

in the Philippines, was correct in emphasizing the minor extent of such investments, and it would be of interest to us and to our readers if further data on the subject were communicated to the Journal. In this matter, we share the disappointment of Mr. Araneta and other forward-looking Filipino business leaders.

At the same time, Mr. Wilkinson and his associates, whose faith in the Philippine economy is widely known, are on strong ground when they point out that the country's over-all economy is as much benefited by a dollar invested in the rehabilitation of a pre-war factory as it is by a dollar invested in a new and perhaps less stable undertaking. The wages of men at work buy no less food or clothing if those wages are derived from a rehabilitated industry, than if derived from a new venture. In fact, the prosperity of new industries is more likely to be increased than diminished by the revival of pre-war enterprises, particularly those engaged in production for export, in view of the increase in both foreign exchange and domestic buying power that results therefrom.

Another interesting point that has emerged from the correspondence quoted, is the fact that finance committed to the rehabilitation of war-damaged industries is not, as the public perhaps tends to imagine, necessarily of the same origin as the pre-war capital engaged in the same enterprise. Mr. Wilkinson has a pertinent example in pointing out that approximately ₱10,000,000 out of ₱14,000,000 of new money committed to three of the Centrals under his direction, came from American entities which had no pre-war interest by loan or investment in those three companies.

It is also of interest to learn that in quoting the total of ₱14,000,000 referred to, Mr. Wilkinson intentionally refrained from reference to some ₱7,000,000 of new finance employed since the war in other com-

panies associated with Theo. H. Davies & Co., Far East, Ltd., on the grounds that there is a British as well as an American interest in the finance of these other companies, thus rendering them not strictly relevant to the category discussed by Mr. Araneta.

It is clear that the efforts of both Mr. Araneta and Mr. Wilkinson and their associates have been of unquestioned value to Philippine production and employment and all that results therefrom. It is by no means true that money is bound to come into the Philippines as a matter of economic necessity to rehabilitate pre-war investments. The number of silent mines and silent mills that still stand in ruins are eloquent testimony to this, and there is no question that American capital is cautious, if not timid. So perhaps is all capital worthy of the name. Has Philippine domestic capital been bolder? In the case of American capital, a sense of caution tends to be increased by a number of provisions in the existing land, mining, and corporation laws. The so-called Parity Rights, conveyed to Americans under the Philippine Trade Act of 1946, while much publicized and sometimes criticized, apply only to the development of national resources and public utilities, while in the important and varied fields of manufacturing, Americans enjoy no parity but are, in fact, as gravely handicapped as other nationals by the "Flag Law" which penalizes Americans, as well as other non-Filipinos, to the extent of 15% when bidding to the Government and its numerous entities and corporations.

Investors will listen with interest to the statements of our Government and business entities, and to any publicity that may be organized to promote foreign investment here, but capital, as Mr. Araneta has rightly pointed out, is cautious, and will look more particularly into the actual provisions of Philippine laws, regulations, and court decisions, than to the warmest expressions of welcome couched in general terms.

THE AMERICAN system of free, private, competitive enterprise is not pure laissez-faire, since it operates within a framework which combines enlightened self-discipline with a substantial measure of intelligent and purposive regulation by government. Legislation enacted by democratic process to promote the general welfare and to assure public order and safety, to eliminate unfair business practice, or to regulate public service enterprises which are natural monopolies—all these are fully consistent with this thesis; but while private enterprise readily adapts itself to an intelligent system of law and regulation designed to enhance the social purpose, stability, and security of the national economy, it can not willingly accede to arbitrary governmental intervention in the processes of production, investment, and trade. Such intervention is the antithesis of economic freedom and is in essential conflict with the fundamental tenets underlying the private enterprise system."—*National Foreign Trade Council*.