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Business Currents Today and in Prospect

(with a table of comparative Data)

Many Philippine mercantile companies report 1935 at least as good as 1934, and with some, business was considerably better. Better average commodity prices during the latter part of the year helped collections materially, this appearing in the hemp and copra territories more particularly. Subnormal was everything pertaining to the great rice region of central Luzon, where the best market ought to be, outside Manila, and this will continue through 1936. Prices will be held down by public imports from Saigon and the necessity of growers to sell on the early market, while any fillip from a possible bumper crop will not be felt until 1937. Basically, good trade during 1935 derived from the sugar payments under the Jones-Costigan act.

Sugar remains the arbiter of general welfare in the Philippines. The bonus America has granted the industry here under the commonwealth act, roughly ₱18,000,000 a year, will be continued. Although America could have that million tons of sugar from Cuba, and gain the ₱18,000,000 for her own treasury (9/10 cents a pound), but this would send the Philippine ship of state to Davy Jones's locker in short order. Therefore, though processing-tax benefit payments may not pour into the planter's hands much longer, or even once more, the million tons of sugar duty-free for 5 years more into the United States yearly, is assured by the sheer benevolent purpose of congress to make survival of the Philippines economically possible.

But this proviso is understood: if economic survival even with such subsidies be possible.

The feudalism of the old Philippines is not yet blended effectively with modern civilization with its native bent for industry. This factor affects the people's grasp of their situation. It is not at all a thorough grasp, in industry they are neither very enterprising nor very cohesive. What they know well is land, and they are everywhere in possession of it: even in Davao, where Japanese tenants dominate farming and there is considerable Japanese ownership in the great coconut and hemp farming industries, rights in the land itself are mainly in the hands of Filipinos—who know how to keep these rights. Everywhere they know much better how to hold the land, and the importance of holding it, than they know how to use it to best advantage.

These are feudalistic instincts; and the land a Filipino holds, even the land, is not merely for his immediate family but for kith and kin as well. His responsibilities are feudal, and he responds to their obligations. What then does he do when he makes money in industry? He inclines to share this substance too; it is against his social grain to do otherwise.

His approach to these matters is highly moral according to an old code that has not been very practical since the west came into the east; though it may not be said he has not made such progress as he might, yet he is still far from motivating his own times in his own land; he is handicapped by a culture in many ways admirable, comparable to that of Europe before the Reformation and the advent of the industrial era based upon the dignity of all labor and the religious injunction that each man diligently pursue his calling. (It was subsequent to that time that cathedral artists could no longer spend 40 years on a pair of church doors, or a century on some interior decoration, and that the west began measuring progress in its callings by what they yielded in money). The Filipino can not at once alter his traditional culture, or doff it outright for that of the west. That is why in his present situation, that is crucial, his foresight is inadequate and he lets astounding opportunities elude him.

Men say, what of Japan prior to the imperial restoration and her new constitution. She was feudal, that is true, but she was carrying on in every way for herself; when she essayed industrial capitalism, or let us say, modern civilization, she was soon on her feet with it and is now the best coordinated industrial country in the world. Though scores of Japanese reformers paid the offended Samurai with their lives, the reforms were effected and trade became respectable and men of industrial fortune partners of the crown, ennobled and envied.

The Philippines offer no parallel, not even a graciously loose one.

(Please turn to next page)

COMPARISONS OF 1934 AND 1935 OVERSEAS COMMERCE

Chief Exports 1934		*Chief Imports 1934*	
Commodity	*Value Pesos*	*Commodity*	*Value Pesos*
Canton Fiber	₱ 266,111	Autos and Tires	₱ 11,296,639
Cigars	7,211,020	(Tires ₱3,341,329)	
Coconut Oil	13,589,742	Cottons	31,242,920
Copra	17,210,249	Electric Mchry.	4,340,197
Copra Meal	2,102,241	Fish Products	2,702,846
Cordage	2,670,094	Fruits and Nuts	2,313,955
Desiccated Coco.	4,509,079	Gasoline	5,156,359
Embroideries	5,332,840	Petroleum	2,418,681
Hats, fiber	2,283,743	Iron and Steel	15,134,956
Manila Hemp	17,323,136	Lubricating Oil	1,377,856
Knotted Hemp	241,108	Mchry and Parts	7,515,121
Leaf Tobacco	2,782,092	Meat Products	2,408,730
Lumber	2,723,545	Rice	529,931
Maguey Fiber	605,706	Silks	4,603,650
Pearlshell Buttons	485,675	Tobacco and Mfs.	5,853,802
Sugar	130,909,161	Wheat Flour	5,247,388
Other Exports	10,561,729	Other Imports	83,071,190
Total	₱220,807,271	Total	₱167,214,221

COMPARISONS OF 1934 AND 1935 OVERSEAS COMMERCE

Chief Exports Oct. 1934 to Sept. 1935		*Chief Imports Oct. 1934 to Sept. 1935*	
Commodity	*Value Pesos*	*Commodity*	*Value Pesos*
Canton fiber	₱ 213,012	Automobiles	₱ 9,416,652
Cigars	7,322,844	(Tires ₱2,185,032)	
Coconut Oil	20,878,368	Cottons	29,807,220
Copra	20,693,844	Electric Mchry.	3,883,760
Copra Meal	3,097,308	Fish Products	2,286,324
Cordage	2,690,124	Fruits and Nuts	2,333,964
Desiccated Coco.	6,863,100	Gasoline	5,165,376
Embroideries	8,193,276	Petroleum	1,667,592
Hats, fiber	1,429,536	Iron and Steel	11,308,056
Manila Hemp	18,432,636	Lubricants	1,392,924
Knotted Hemp	114,300	Mchry and Parts	7,468,428
Leaf Tobacco	4,050,588	Meat Products	2,874,660
Lumber	2,593,176	Rice	821,892
Maguey	783,684	Silks	4,437,420
Pearlshell Buttons	479,172	Tobacco and Mfgs.	5,605,212
Sugar	69,998,676	Wheat Flour	5,946,624
Other Exports	12,445,835	Other Imports	64,563,414
Total	₱180,079,476	Total	₱158,979,444

Before approaching the specific, temptation is irresistible to allude to cousins of the Philippine people, the Polynesians. Rivers, an anthropologist, studying a community of these folk, was questioned in turn by some of them. They asked what he would do with a sovereign, should he earn one. When he didn't answer offhand, they persisted, asking if it was not true that he would divide it with his family and friends. When he said he might do this or might not, and in any case he would not be bound to do so, their laughter over his, to them, unbelievably selfish culture knew no bounds. The Philippine people could comprehend this clearly; they feel, in fact, similar astonishment *of spirit* whenever industrial problems confront them. They hesitate, enter the lists confusedly, and make headway incongruously when they make headway at all.

The lesson is not one learned in a day. Yet there is little time beyond today for its learning.

It was amusing recently, in a news story, to make an imaginative trip around Mindanao, second largest, richest and least developed of the great islands of the Philippines. Much land was seen to be in the hands of the people, and immigrants from northern and central islands were observable taking up lands on their own account, but commerce and industry were not in Philippine hands. The Davao picture needs no repetition. In all Cotabato one enterprise thrives, an American plantation of coconuts and hemp. At Zamboanga the people had little part in the industries there, by way of ownership and management: they were grateful for the desiccated coconut plant giving them a market for their coconuts, and the cutch factory likewise could be appreciated for the labor it offered and the market it gave for mangrove bark.

Passing to Basilan, besides the lumbering, there are old rubber plantations; but the people copy rubber-growing very little. On Jolo are half a dozen exotic fruits; they have not been propagated outside Jolo, and even avocados and mangosteens are available only during the bearing season—Jolo's fruits have not been industrialized, and you can't get them all the year round in Jolo, as you can California's industrialized citrus fruits and apples.

Back along the Zamboanga coast another rubber project may be seen, of an American corporation. In Lanao old handcrafts persist among the communistic Mohammedans, and little is made of them. This trip may end at Lanao, though in the story it went on to Surigao, because what has been seen is typical of all that may be seen either in Mindanao or any other part of the islands except where special circumstances may be said to have provoked the people to invest industrially (as in sugar mills in Negros). But there are the Bicol provinces, and Leyte and Samar, where, as an earlier paper cited, hemp fails for want of the industrialization that its growth and marketing enjoy in Davao among the Japanese.

It may be said here that if this comment has motive beyond statement of timely fact, that motive is to awaken and stimulate the people rather than to despair and so discourage them. Two business men in conversation New Year morning were at odds, one insisting business was good and would continue good this year, the other saying it was bad and would grow worse. The more confident man seemed to have the right of it, from close view; asked to take a broader view however, he admitted that the wider prospect was gloomy. If his confidence in the immediate situation needs support, why not take the general prosperity of the press as a supplementary indication: the revenue of the substantial papers grows in all departments, and advertisers have not only larger audiences, but audiences never so vitally interested in the news and advertising opportunities as now.

But the broader view remains and is germane to this discussion. It is affected by the facts stated earlier in this paper. The people implement their own government, but they do not implement their own industry either new or old. Few of them think industrially, and catastrophes are likely to be upon them without foresighted effort on their part to forestall the event or moderate its blows.

Thus business improves *temporarily* with the higher prices for copra. But it is a question how long the dependence of 4 million people in the Philippines may be put in copra. The ubiquitous soy bean narrows the market steadily, the legume that grows in temperate latitudes, fixes nitrogen and therefore makes a capital rotation crop, and offers something at least, in the southern United States, in lieu of cotton that has long been overproduced. Where the fat of this bean serves in lieu of coconut oil, foreign trade is turned into domestic trade.

The domestic trade also benefits from all the by-products, Ford growing quantities of soy for the by-product he presses into prime automobile parts including steering wheels. Then artificially, coconut oil suffers from the American excise tax of 3 cents gold per pound that encourages a turning away to substitutes. Copra is not the secure industry it once was; its position is not very secure, yet the people continue producing it and placing the customary reliance in it.

Lumber languishes here, but lumber from our logs booms along swimmingly in neighboring Japan, where industrial opportunities are seized when they present themselves. Observe *The Hub,* finished with plyboard imported from Japan that is made from lumber such as the Philippines find inadequate means of selling. This first rate building material is imported and retailed at no more than ₱130 per 1,000 square feet. Were Japan actually to import crude lumber from Philippine logs into this market, it could hardly be more surprising. Japan can do it, the Philippines can not. Yet no censure of the Philippines, merely notation of fact: Philippine culture is not in rapport with such enterprise, and it by no means admits the dignity of all labor.

Opposing this situation, it is believed leading furniture-making cities of the United States would buy as much Philippine lumber as the value of all sugar the islands sell there, if they could get a dependable standard supply in quantity enough to warrant plans far in advance of today, including plans of advertising and educating the public to what prime Philippine lumber means in furniture. But though our lumber languishes, this deal can not be made: no one is ready with the necessary guarantees. Again no blame, but statement of fact.

Our cordage industry is on tenterhooks. Its main reliance is the United States, where 6 million pounds of our cordage during a year is the quota still annoying, apparently, American cordage interests (though good for cordage users, of course). But if the Philippine industry knows not which way to turn, the Japanese industry is expanding and seemingly doing quite well. The prospect here is for no more than usual production, if that, and any business gained from this industry would seem to be at its limit; but business gained from the Japanese industry may be more hopeful. These contrasts stand out consistently because they are basically cultural contrasts, the one people has the knack of industry, the other has been, until the past

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Suez Canal...

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Roume, honorary governor-general, is very influential on the board. The two latter gentlemen are of course intimately connected with a number of business concerns.

Altogether they hold 10 seats of the 21, but since *de facto* they represent all French holders they dispose of the remaining seats as well. In obeisance to tradition they did not forget to honor the founder of the company: therefore Viscount Charles de Lesseps has a seat in spite of his little misadventure of the Panama Canal. Because none of these men know anything at all about managing a Canal they appointed Mr. Max Bahon, a maritime engineer and former technical director of the Compagnie Universelle, who is the only member of the board who owes his position to technical competence.

An undertaking which serves all nations of the world must keep abreast of international politics. Hence the presence on the board of Barrère, former French ambassador in Rome, and, until his recent death, of Jules Cambon, who was the greatest French diplomat and maintained the liason with the closed diplomatic world.

In order to maintain a close contact with the Bank of France, centre of information and regulator of credit, the Suez Canal board has two of the former's Regents as members: de Wendel and de Vogue, and two former governors, Rist and Sergent.

Since Parliament could not be totally ignored they always have at least one ex-cabinet minister, at present Doumergue.

The "fourth power," i. e., the Press, is represented by de Nalèche of the *Journal des Débats*, former president of the Syndicate of Newspaper Directors. And finally, to be ready for every contingency and since the depression is dragging on and the general dissatisfaction growing, they made General Weygand, whose dictatorial tendencies are well known, a director.

These politicians, ex-ambassadors and generals are of course directors only by name and it is not for their competence in matters of maritime transportation that they each receive 325,000 francs as their annual share of the profits. Most of them have had to borrow the 100 shares (1,700,000 francs) without which they could not become members of the board, so that they are obviously only playthings in the hands of the few Big Fellows.

These are the men who hold the reins of the biggest international concern in which French capital is interested. They do not represent the shareholders nor the interests of maritime trade. In 1934 the Company's income amounted, according to its balance sheet, to 895 million francs. Of these 856 millions were toll receipts. 384 millions were expended in interest, amortization and upkeep. It was therefore quite possible to reduce the heavy toll in these bad times, when trade is stagnant and all the transportation companies of the world, the French ones including, are clamoring for a reduction. But this the Marquis de Vogue refused to do. He distributed 522 million francs in dividends, i. e., 378 francs per share. To the small holders who acquired their shares recently at very high prices this means a dividend of 2 or 3 per cent, but it is 30 per cent in the case of such big holders as the *d'Anzin* or *Saint-Gobain,* who bought their shares right in the beginning at a very reasonable price.

For this marvellous management each of the directors gets 325,000 francs a year, which is quite nice for retired generals, ambassadors and presidents of the Republic.

But there is something else behind these manoeuvres. According to the last inventory, the total value of the Suez Canal, buildings, services, supplies, etc., amounted to 928 millions, while the reserves are as high as 1,119 million francs. This means that if the Canal were to be destroyed by some upheaval, it could be entirely rebuilt without the company having to borrow a cent. It would therefore seem as though there were no need to have these reserves swell further, so that if de Vogue refused to reduce the toll he must have had something else in view.

In fact, these 1,119 million francs, are at the disposal of the board. 729 millions of them have been invested in long and short terms securities. These the directors can sell when and as they please and buy other securities, meaning that they can acquire control over any big concern and seize its board. Such is the ultimate of these astute tactics: with the reserves of the mining, banking and insurance companies a majority is obtained in the Suez Canal company, and vice versa. This is the stratagem by which the "200 families" have gained the control of the Council of Regents and of the Bank of France. By this same method they rule the majority of the great national concerns and the most prosperous of all great international financial combinations. What can an ephemeral government and an unstable parliamentary majority do against such a lasting and coherent block?

The British government understands the situation. Disdaining the palavers of the Geneva jurists and the intrigues of the Quai d'Orsay, London is negotiating direct with the men in power. Earl Cromer and Sir Ian Malcolm who attended the last meeting of the board are committing no indiscretion since both are members.

What the spokesmen of the British government have to say to the assembly is easy to surmise. What the Marquis de Vogue will reply nobody can say, but whatever his reply, we may be sure that Mr. Laval will ratify it. For did not the Regents of the Bank of France, represented on the Suez Canal board, impose Mr. Laval upon a reluctant and hostile Parliament, and did they not, thanks to Mr. Laval, impose a policy of deflation upon the French people who did not wish it? If they can direct the domestic policies through the Bank of France, they can direct international politics through the Suez Canal Company.

In these dark days of fall 1935 the French Foreign Office has been moved to No. 1, rue d'Astorg. The whole world is anxiously awaiting the Marquis de Vogue's next move.

Business Currents Today...

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35 years, taught to abjure and even despise it, and can not in a single generation shift its attitude to practical ground.

Men wonder why oriental foreigners, formerly Chinese only, and still mainly, do the merchandising of the Philippines. They might study profitably not merely Malayan culture, admirable in so many aspects, but Christian history as well. The friar missionaries, zealous for the peace of their flocks, discouraged their getting into commerce, that was not consonant with the pastoral faith they brought to the Philippines. Yet the missions accumulated funds, and in good businesslike manner rented them to the Chinese: merchants outside the pale because of their trade and because they were pagans.

This would not of course have held on so tardily had it not practically complemented the native culture itself, but it did; and the cultural

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McVean to America

Donald Grant McVean has lived in Cebu since 1912, a practicing attorney and among the active organizers of mining corporations: East Mindanao, Tambis Gold Dredging, and recently, Mapaso Exploration—all in Surigao near the town of Placer. He also helped organize the Cebu Building and Loan Association, whose capital of ₱5,000,000 is 5 times what it was upon organization in 1922. Further, he helped organize the Philippine Rock Asphalt Company exploiting an asphalt deposit in Leyte and exploring for mineral oil. In 1927 in conjunction with A. S. Heyward he organized the Cebu Sugar Company that has a thriving *central* running at Talisay since February 1928.

The McVeans built their beautiful Cebu home many years ago. Their only child, Miss Julia McVean, was born there in 1916 and is now in the United States with her mother for her college education. On New Year, McVean left Manila to join them and for a vacation during most of the year, during which time he plans to buy or build a home somewhere in America. Toward the end of the year he plans returning to his law practice in Cebu and his business interests there.

The McVeans are from Grant's Bend, Kentucky, and McVean after graduation from Ann Arbor law in 1905 began practice in Covington and was a member of the state legislature 1 term 1910-1911 before deciding to hazard his luck in the Philippines. At that time, 1912, he had a brother and a sister here. His brother was the well remembered oldtimer Dr. W. A. McVean whose offices were in the old Chamber of Commerce building on calle T. Pinpin, after the hotel and sanitarium he had conducted at Los Baños for a much longer period, burned. (He found the milk of growing coconuts nutritive, and used to say that if a man drank the milk of a green coconut every day he would live 100 years).

Dr. McVean left the Philippines about 8 years ago, his heart impaired, and died at Fresno, California, in February 1928. An unmarried sister, equally well remembered here, was Miss Lydia G. McVean. She died at the old home at Grant's Bend, February 1929. There is something in the Scotch-Irish make-up that sticks in the Philippines well.

Business Currents . . .

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influence remains, though the ethic has moderated, and people live no more the stranger to their culture than they do to their brother. Another people, their copra threatened, would have turned long ago to a nut perhaps more valuable, certainly readily in world demand, the lumbang. American linoleum manufacturers want lumbang oil, are unable to get it. A local company makes paint of it, and the paint is good: where linseed oil is in vogue, lumbang oil may be sold, and probably the potential market is practically insatiable. This situation has existed for years, and is only more intensified now. But little lumbang is obtainable, no one launches into it as an industry—and probably no one will.

While these anomalies are not peculiar to the Philippines, they are typical here: a full catalogue is unnecessary, it would be a round of the prosaic.

But a talent a people lacks for an emergency may be borrowed. It is the possible venture along this well trodden path that may within a year or so make the broad view of the business future in the Philippines as encouraging as the current fillip to commerce induced by the higher commodity prices.