

THE RETAIL TRADE IN THE PHILIPPINES

By P. H. Peng

In a recent New Year broadcast in Manila Dr. C. T. Wang, former foreign minister of China, and one time Chinese Ambassador to the United States made these apt introductory remarks: "I readily accede to this request of speaking to the Filipino people because of the great friendship that has been existing between the people of China and the Philippines for these many centuries." It is a fact, that this close friendship and amiable feeling exists particularly in the islands of the South Seas, where for centuries past the Chinese has lived peaceably with the natives. No wonder today, we find in places like the British Malaya, Dutch East Indies, French Indo-China and many others places the Chinese merchants have become the pioneers of trade and giants of industry. They have helped considerably to make the land of their abode rich and prosperous.

In order to fully understand the true characteristics of the Chinese race, Sheridan has this to say, "The Chinese are industrious, quick, willing and frugal, capable of working whatever the climate may be.¹ Chinese merchants are placed in no vantage ground compared to other foreigners, and it is through long and painstaking efforts, endowed with special commercial aptitudes, coupled with strict economy they have started from a humble beginning and gradually climbed the ladder of business until we find them the owner of a small store and "tienda"; and according to the latest survey Chinese investment has run up to 50,000 million pesos, or nearly half of the total estimated investment in the Philippines.²

The present dominant position of the Chinese in the local business did not come merely by chance. It has been for many centuries in the making. The adventurous spirit of Chinese traders and their remarkable adaptability to live and work under adverse circumstances have enabled them to maintain this supremacy in the retail trade. In many provinces the Chinese are the keeper of the tienda or shop, in every little barrio, the purchaser of the local crops, the middle men in distribution, the owner of many business establishments in the Philippines. In spite of this situation the Filipinos have no fear of colonization of the Chinese. As a race the Chinese have demonstrated to be a peace-loving and law-abiding people. As the Chinese and the Filipinos are of the same ethnic strain they readily intermarry. The mixture of Filipino with Chinese for example have produced a very efficient and admirable type of citizen.³ The Chinese have form the bulk of the foreign population in the Philippines, estimates of their numbers in 1639 were 30,000, in 1931, were 45,000,

¹ Richard Brinsley Sheridan, *The Filipino Martyrs*, 1900, p. 102.

² *Far Eastern Survey*, Research Publication of the Institute of Pacific Relation, Dec., 1939.

³ Harry B. Hawes, *Philippine Uncertainty*, Nov. 1931, p. 205.

and today running from 100,000 to 150,000 immigration statistics are admittedly inadequate in this respect.

In a recent issue of the Far Eastern Survey, a research publication of the Institute of Pacific Relations is a significant statement: "Chinese financial circles have been showing signs of increasing interest in the Philippine Commonwealth as a possible investment center for capital that has been lying idle as a result of the Sino-Japanese war. In recent months business and banking representatives have visited the islands, and as a result, the Bank of Communications has open its office in Manila. The head office, owned by the Chinese government, is in Hongkong. Both in number and in capital represented, newly registered Chinese stock corporations rank in importance after Filipino and American. In 1938 they registered 21 stock corporations, represented paid-up capital of 390,000 pesos, compared with 18, with a paid-up capital of 477,000 pesos in 1937. In six months of 1939, seven Chinese corporations were registered, with paid-up capital of 333,000 pesos. The largest Chinese investment at present is concentrated in merchandising, and they control the retail trade. The milling in merchandising, and they control the retail trade. The milling and marketing and of the rice industry, with ownership of at least 75 per cent of the rice mills and most of the rice warehouses, is also in Chinese hands. Their share of total investment in the lumber industry, is over 10 per cent, ranking after American and Filipino." "The head office of the China Banking corporation is in Manila; its total resources of 27 million pesos at the end of 1937 represent chiefly resident Chinese capital. There has been a great deal estate market in recent months."⁴

Although the commercial contacts between the two countries began more than 3,000 years ago, no definite record of this trade is available beyond 1864 when the Chinese Maritime Customs first compiled the returns of China's foreign trade. From 1874 to 1887 the total trade of China with the Philippines fluctuated between ₱500,000 to ₱1,545,000 annually, and from 1888 to 1898, the yearly trade between the two countries increased from ₱5,000,000 to ₱15,000,000. These figures show how closely China and the Philippines were connected commercially before the advent the American regime in this country. The development of trade between the two countries during the first year of the American occupation up to 1902 was steady, averaging between ₱16,000,000 and ₱25,000,000, but slumped from 1903 to 1916, the average during this period being ₱8,000,000. There were many factors responsible for the decrease in Chinese-Philippine trade during this period, the main reason being the establishment of the free-trade relations between the United States and the Philippines which enabled this country to absorb large

⁴ Far Eastern Survey, "Inflow of Chinese Capital into P. I.," December, 1939.

quantities of American products. The rapid Westernization of the Country, which necessarily worked a change in the family economy of the inhabitants, caused an increase of preference for American goods, reducing materially imports from China. Following the termination of the world War in 1918, a marked increase in Philippine-trade was recorded. The growth of Chinese industrial development and the progress of Philippine economic conditions have contributed largely to the sudden rise of Philippine-Chinese trade. In 1918, the total trade between the two countries reached ₱19,652,486, or more than double of the average yearly trade from 1903 to 1916. In 1919, it further went up to ₱21,884,855, reached the peak in 1920 with ₱25,915,481, the highest ever recorded in the Chinese-Philippine commercial history. Between 1921 and 1933 a shrinkage was noted, but the average was still higher by 50% than that obtained during the period from 1903 to 1916." For the five-year period, 1934-1938, the value of Philippine Chinese trade oscillated between ₱7,000,000 to ₱8,500,000, which brought the total to practically the same level as the 1903-1916 period. Throughout the years of record Philippine-Chinese commercial relations have been decided in favor of China, which shows that China has been selling very much more to the Philippines than what she is buying from the Philippines, except in the years 1888-1890 and 1892-1894. These figures are for the last five years:

<i>Year</i>	<i>Exports</i>	<i>Imports</i>	<i>Total Trade</i>
1934	₱2,175,159	₱5,879,214	₱8,054,373
1935	₱1,792,106	₱5,603,237	₱7,395,343
1936	₱1,974,838	₱5,365,564	₱7,340,402
1937	₱1,933,897	₱6,623,292	₱8,557,189
1938	₱1,904,536	₱6,150,669	₱8,055,205

Again, the following figures reveal the total imports of China of tropical products and the percentages thereof supplied by the Philippines in 1938:

Timber—G. U. 9,664,882	Philippine share G. U. 388,375 (4%)
Wood, bamboo, coir, straw and manufactures—G. U. 2, 859, 151	Philippine share G. U.—396,664 (14%)
Sugar—G. U. 8,552,444	Philippine share G. U. 83,035 (.97%)
Tobacco—G. U. 9,830,802	Philippine share G. U. 123,509 (1.3%)
Leaf-tobacco—G. U. 8,550,153	Philippine share G. U. 43,984 (.51%)
Coconut oil—G. U. 621,972	Philippine share G. U. 79,357 (13%)
Crude rubber G. U. 1,683,909	Philippine share G. U. 6,739 (.4%) ⁶

According to Mr. Cornelio Balmaceda, Director of Commerce, the

⁶ Cornelio Balmaceda, article "China As A Potential Market For Philippines Products".

estimated total commercial investments in the country by nationality, are as follows:

<i>Nationality</i>	<i>Amount</i>	<i>Per cent</i>
Chinese	₱111,275,625	42.10
Filipino	₱ 75,600,650	28.60
American	₱ 22,850,460	8.50
Japanese	₱ 20,685,123	7.83
All Others	₱ 33,887,680	12.97
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T O T A L	₱264,299,538	100.00 ⁷

President's Message of Warning and Appeal to Retail Trade

On the occasion of the fourth anniversary of the Commonwealth on November 15, 1939 President Quezon in a historic speech in Tagalog at the Luneta outlined his main program for the remaining two years of his administration which, he said, will be devoted to increasing the economic well-being of the masses, including the placing of the retail trade in the hands of Filipinos. This nationalization of the retail trade is necessary, the President explained, because as long as the access to the immediate needs of the common people are in the hands of foreigners, the Filipinos would remain at a great disadvantage. Because this vital business—the retail trade—is not in Filipino hands, the President said, we cannot feel sure of our immediate needs from day to day. However, in nationalizing the retail trade, the President warned, *he did not mean that the rights and property of those foreigners who have for thousands of years engaged in it in the Philippines would not be respected. Not one single foreign retail merchant will be unjustly deprived of his property or his invested capital he emphasized.* But, what can be done, he said, is to prevent the further growth of the retail business in the hands of aliens, by refusing to issue licenses to new ventures in this business. The President called attention to the fact that *the aliens who have engaged in the retail trade of the country for centuries have never harmed any single individual among the Filipinos; therefore, he said, we are duty bound to respect their rights and properties.*⁸

Soon after the President's declaration the machinery of the National Assembly got into action. Manila Assemblyman Pedro Gil who started the movement for the nationalization of the retail trade since the session of the first National Assembly filed with the second National Assembly two bills, one providing for the nationalization of the retail business under certain conditions, and the other amending section 1453 of Act No. 2711, limiting the issuance of privileges, licenses or permits to

⁷ Cornelio Balmaceda, Director of Commerce, Letter to Hon. T. B. Buston, March 11, 1939.

⁸ Philippines Herald, Nov. 15, 1939.

engage in retail trade to Filipino citizens only. Batanes Assemblyman Vicente Agan was co-signer of Assemblyman Gil in the last bill. Under the first bill, Filipino nationals, effective January 1, 1940, will receive preferences when they engage in retail trade. Nationals are defined as citizens of the Philippines, or Americans residing in the Islands, and firm or corporation organized by Filipinos or Americans residing in this country. Existing retailers who are not nationals, however, may continue with their business until their present stocks have been totally liquidated. "Heavy penalties, in the form of a fine of from ₱50 to ₱2,000 or imprisonment from one month to two years, or both, in the discretion of the court, are to be imposed on any violator of the proposed legislation."⁹

It was pointed out that under these commercial treaties, certain rights are guaranteed citizens of signatory nations, and that these rights may be impugned by the adoption of the Philippine retail trade nationalization scheme. These commercial treaties are binding on the Philippine Commonwealth and cannot be ignored or abrogated merely by act of the National Assembly. Meanwhile, President Quezon, in a letter to Masbate Assemblyman Pio V. Corpus, chairman of the committee on commerce and industry of the National Assembly which reported out the bill of Manila Assemblyman Pedro Gil on the nationalization of the retail trade, indicated that the Gil measure may be sent to the United States department of state for consultation and final action.¹⁰

Through the agency of the United Press of November 30 is a cable containing an editorial of the *Hankow Herald*, a government supported paper commenting and approving the memorandum on the subject of the retail trade filed in Manila by Chinese Consul-General C. Kuangson Young: "*It is hoped that nothing will be done unnecessarily to harm Chinese interests in the Philippines,*" the Herald said. "*The Chinese in the Islands always have contributed to the economic and social well-being of the country. They have a perfect right to engage in lawful trade and to pursue livelihood by virtue of the supplementary Chinese-American treaty signed at Peking Nov. 17, 1880. This treaty stipulates Chinese merchants, missionaries, students and tourists may enter and reside in United States territory, which is generally interpreted to include the Philippines. We hope the Philippine Assembly will give Chinese merchants an opportunity to remain in business. Such an act would augur well for future development of Chinese-Philippine trade and promotion of closer cultural ties between these countries,*" concludes the editorial.

In the meantime, the nationalization plan is being prosecuted with greater vigor by provincial and local officials throughout the country. Following the suggestion of President Quezon and acting under direct instructions from Secretary of Interior Rafael Alunan, governors and city

⁹ Philippines Herald, Nov. 19, 1939.

¹⁰ Ibid, Nov. 21, 1939.

mayors have adopted the policy of limiting the issuance of licenses for retail stores in the public markets to nationals only.

Plan to Nationalize Retail Trade: Government-Sponsored Scheme

The creation of a ₱5,000,000 National Trading Corporation under a board of directors of five members was authorized by President Quezon in an executive order. The corporation will buy and sell commodities of prime necessity, its purposes being: to implement official plans to place the retail trade in the hands of Filipino citizens, help push through the establishment of consumers' cooperatives and bolster the government's price fixing authority.¹¹

Retail Store Census Being Taken by Government:

The first of the many steps taken by the government agencies is the taking of a census of retail stores throughout the Philippines for the purpose of determining what per cent of such stores is in the hands of aliens and what per cent in the hands of Filipinos. Cooperating in the vital phase of the program on retail trade nationalization are the bureaus of internal revenue and commerce, the Philippine census commission and the city and municipal treasurers' offices. In a letter of Mr. Cornelio the city and municipal treasurers' offices.

Census of Retail Trade:

The statement survey of Provincial Treasurers made in December 31, 1935, hereto attached shows that the Chinese are predominant in the domestic trade of the forty-four (44) provinces and the City of Manila, surveyed the Chinese exceeds all other nationals including the Filipinos, viz:

Agusan ₱	500,000 (80%)	Marinduque ..	350,000 (82%)
Antique	325,300 (80%)	Masbate	279,817 (35%)
Cagayan	684,182 (54%)	Nueva Ecija .	15,604,000 (74%)
Capiz	887,250 (75%)	Occ. Misamis	351,569 (44%)
Cebu	11,064,256 (39%)	Or. Misamis .	1,840,000 (62%)
Cotabato	2,000,000 (84%)	Or. Negros ..	677,135 (67%)
Ilocos Norte .	614,500 (70%)	Palawan	851,500 (44%)
Iloilo	15,741,360 (70%)	Pangasinan ..	2,736,085 (46%)
Isabela	7,000,000 (47%)	Sorsogon	1,600,000 (78%)
Laguna	4,000,000 (55%)	Sulu	300,000 (72%)
Lanao	185,300 (50%)	Surigao	770,500 (79%)
La Union . . .	523,186 (31%)	Tayabas	1,682,116 (54%)
Manila	20,720,000 (27%)	Zambales	220,398 (52%)
Ilocos Sur ..	1,343,155 (61%)	Zamboanga ..	677,135 (67%)

The survey is still going on and pending more up-to-date and com-

¹¹ Philippines Herald, Jan. 4, 1940.

prehensive statistics of the entire Philippines will be published in the near future.

Bank Support To Retailers:

The internationally-known *Morris banking system plan* under which loans are issued to small merchants engaged in retail trade, and the bank exercises supervision over the operations of the business of the borrowers in order to protect the interests of the bank is proposed in a bill which Cavite Assemblyman Manuel S. Rojas is present drafting for filing at the National Assembly. The proposed bank, capitalized at ₱10,000,000, will effect the transfer of the retail business here in the hands of the Filipinos.

Balmaceda Advocate for More Facilities:

Commenting on the interest evinced by the President in cooperatives, Director of Commerce Cornelio Balmaceda released a statement suggesting that in order that the national retail trade and the export trade can be carried out much more effectively, the Bureau of Commerce needs a more adequate force and greater facilities than are available at present. Further, he remarked that an effective campaign of education should, therefore, be undertaken to prepare the people for the new economic aids being provided for them by the government.

Nation-Wide Response:

Cavite: The first consumers cooperative association in Cavite province was established in San Roque, it was announced by Miguel L. Luna, assistant chief of the trade promotion division and one of the campaigners of the bureau in the promotion and expansion of the movement. At present there are 80 members although the quota is 100 and each contributes from ₱5.00 to ₱30.00 each to the funds of the Cavite cooperatives.

Laguna: With an initial capital of ₱2,700 and a membership of 94, the first Filipino consumers cooperative store in Laguna was organized in the town of San Pablo; the capital is divided into shares fully paid up by the members, ranging from ₱10.00 to ₱300.00. This cooperative store has also organized an educational committee to campaign for membership and explain to the people the advantages of the cooperative movement by means of public meetings in the towns and barrios of the province. It is expected that this new cooperative will pave the way for the organization of other cooperative stores in the province of Laguna.¹²

The National Retailers' Cooperative Association No. 1

In the first meeting 77 Filipino retail dealers including market vendors have been registered as duly-accredited members of the cooperative, Anastacio de Castro, secretary-treasurer of the government-sponsored association. The members have already paid their fees which will form part of the capital of the corporation. The Philippine National Bank has been chosen to be the depository of the cooperative.

¹² Philippines Herald, Jan., 1940.

Mr. De Castro and Mrs. Felicidad Manuel, chairman of the board of directors of the cooperative association declared that a concerted campaign will be conducted by the members of the association to get other Filipino retailers in the city to join the cooperative as it is estimated that about 5000 Filipino merchants are engaged in the retail trade in Manila.

Another big organisation known as the National Trading Corporation presided by Benito Razon, decided to purchase only commodities of prime necessity and other goods of popular consumption from local manufacturers for the meanwhile and which will be re-sold to local cooperative retailers.²

Baguio: The Baguio Consumers' Cooperative Association held its annual regular meeting and plans for the enlargement of the cooperative store of the organisation and the election of new officers to head up the campaign.

Cooperative For Wives:

With Mrs. Josefa Jara Martinez, veteran social worker, as temporary president, the Housewives Cooperative Services was formally organized. Miss Helen S. Topping, visiting authority on cooperatives gave a talk on cooperative principles and methods as used in other countries. Evidencing general enthusiastic interest in the movement, even provincial women attended the organization meeting and went home resolved to organize similar associations in their localities. Membership to the Cooperative is open to all housewives and home-makers, dormitories, hospitals, puericulture centers and home economics departments in universities and colleges sharing sympathy with the spirit and purposes of the organisation.

The first institute of cooperatives in the Philippines was held on February 5 to 10, under the joint auspices of the bureau of commerce and the National Consumers' Cooperative League of the Philippines. The purposes of the association are:

(a) To promote the economic welfare of its members by utilizing their funds and efforts for the purchase, distribution and production of commodities of the best quality and at equitable prices, and for the performance of services in the interest of the members in the most economical way.

(b) To advance the cooperative movement with service for its motive.

(c) To serve the economic, cultural, and social welfare of its members, their family and the public.

Definite plans were laid for the cooperative, which in progressive stages will meet the needs of better and more economical family living.

The Housewives Cooperatives Services is an experiment to conduct cooperative organizations on women's initiative and management. Although not financed by the government, it will work in close cooperation

with the latter's efforts to promote cooperatives here. It is affiliated with the Consumers' Cooperative League of the Philippines, which is under the supervision of the bureau of commerce.¹³

Miss Helen Topping, well-known authority on cooperatives rendered much help to the Commonwealth government disseminating information about the cooperative movement. She gave a series of lectures in Manila pertaining to this subject. Miss Topping strongly advocated for cooperatives sponsored by the government but divorced of government control. "The reason," she said, "is to allow more initiative and freedom on the part of small merchants to do whatever they can with their business instead of being dictated by the government." Almost all the countries she visited adopted this plan. However, prominent government officials such as Benito Razon, Malacañan adviser on economics and emergency control board administrator; Prof. Anastacio de Castro, technical assistant on cooperatives; and Dr. Enrique Sobrepeña, president of the Consumers' Cooperative League of the Philippines, differed with Miss Topping's idea. They, being more conversed with local conditions thinks it more practical to have government direction and supervision in this new program.

Plan to Nationalize Other Fields:

Markets: The nationalization of market stalls in the city of Manila will not be to the prejudice of persons, holding any of the stalls previous to the inauguration of the Commonwealth, Mayor Eulogio Rodriguez remarked. In working for the benefit and uplift to the masses in all their means of livelihood, Mayor Rodriguez said that the interests of others should not be totally ignored. We have confidence to believe that the Mayor will put into practice what he had said.

Latest developments on this issue is that City Fiscal Alejo Mabanag has drafted the proposed ordinance to nationalize the retail trade in the city markets. The ordinance states that "aliens" who have been holding market stalls are given one year grace in which to vacate their stalls.

However, C. Kuangson Young, Consul General for China in the Philippines gave his views on the market code in a letter sent to Board President Juan Nolasco which was read at the session of the Board. Consul Young said that his letters to the board and to the mayor should not be considered a protest but a mere exposition of facts.

Reiterating what he wrote Mayor Rodriguez, the Chinese Consul maintained in his communication to the board that there could be no justifiable distinction between retail trade in public markets and retail trade outside of them. He then gave the following reasons:

"(1) When it comes to the earning of a livelihood in an ordinary occupation, lawful foreign residents—who have entered this country in good faith and in accordance with treaty provisions—cannot and must not be

¹³ Philippines Herald, Jan. 17, 1940.

deprived of the opportunity. Otherwise, such a measure would result in their unemployment, not only affecting themselves but also their dependents, many of them Filipinas, and even the local economy; it would be also tantamount to their retroactive exclusion from this country.

“(2) It may be admitted that the markets are owned by the city which, therefore, may decide as to whom the stalls may be leased. But in this matter when the life of hundreds of people are affected, the question of technicality should be preceded by that of equity. The present Chinese stall-holders have been in the markets for many years and built up such a trade through hard work and friendly service. To throw them out is to deprive them of their only legitimate livelihood. I am confident that such cannot be the intention of the Commonwealth authorities. I am also confident that they will continue to treat Chinese residents with fairness, equity and reasonableness.”¹⁴

Looking Ahead—Conclusions:

As a careful observer and student of the present trend of developments in the Philippines one can make some predictions as to the future only upon the basis of present events. In summing up, the writer does not profess at all to be a specialist in the field of economics but mainly to record some observations which he gathers from here and there:

1. The Philippine Independence being six years hence in 1946, it is logical to think that the government should be up and doing in building up a strong and carefully constructed economic structure, for if this is destroyed, then no political organisation however carefully built and however shaped to meet Philippine needs, can preserve the Islands from disaster. Thus, we see a strong program of nationalization is being carefully laid out and in the process of working.

2. In the carrying out of this national economic adjustment program it is hoped that the foreigners and the Chinese community in particular should lend its fullest support to shoulder with the Filipino people in attaining their national aspirations to be economically and politically independent. While, on the other hand, the President has aptly said that in nationalizing the economic structure of the country, *he did not mean that the rights and property of those foreigners who have for thousands of years engaged in business in the Philippines would not be respected. The purpose in all this is not only to benefit ourselves but to honor and respect the rights of others.* Moreover, one is fully cognizant of the fact that with the present trend of events there is the rising tide of Filipino Nationalism.

3. Contrary to the belief of many there is absolutely no potential danger by the increasing Chinese investment in the Philippines, even though there is prominence of Chinese in the control of the retail trade. Unlike others, the Chinese have demonstrated themselves as a peace-lov-

¹⁴ Philippines Herald, May 21, 1940.

ing and law-abiding people and many who have settled here permanently have taken this country as their home and hence will work to the peace and prosperity of this country of their choosing. Hence, it is hoped that the Philippines, being a close neighbor, should encourage, more desirable immigrants which will help to develop the country industrially and economically.

4. With the decline of Philippine exports to the United States upon taking effect of the provisions of the Tydings-McDuffie Law in 1946, the purchasing power of the Philippines will be seriously impaired. It is therefore, of utmost importance then for China to buy more of Philippine products to maintain her ability to absorb as much Chinese goods as is being imported at present. With the buying power of 450, million Chinese one can just visualize how much trade could be boosted up if China after the war could settle down to the work of reconstruction.

5. That in the process of time the Chinese would be obliged to relinquish their business hold in the Philippines is evident. While on the other hand, instead of advocating for the return of the "lost trade" which is in the hands of aliens, some Filipino leaders such as Secretary Avelino and others are far-sighted enough to sound the clarion call, "Go South Young Men" (meaning Mindanao, the land of promise and opportunity) where vast natural resources are still untapped. What hundred fold returns from such virgin lands!

6. Being close neighbors, the governments of both countries should exert their best efforts to maintain closer economic and cultural relations between China and the Philippines, which will be for the mutual betterment of the Chinese and the Filipino peoples.

DR. C. CHAY VIZCARRA

Medical Surgeon

Associate of Dr. H. W. Miller

Former Staff Member of

MANILA SANITARIUM & HOSPITAL

ILOILO MISSION HOSPITAL

Tel. 5-29-68

40 Baclaran, Parañaque