

The first lines of Longfellow's poem, "The Ship of State", are so familiar that they have become somewhat stale. The last few lines, not so well known, express the feeling of every citizen in a democracy:

"Sail on, nor fear to breast the sea!  
Our hearts, our hopes, are all with thee,  
Our hearts, our hopes, our prayers, our tears,  
Our faith triumphant o'er our fears,  
Are all with thee—are all with thee!"

President Quirino is to be congratulated on the success of his ten-day state visit to Indonesia which he made last month in return for the visit of

**President Quirino's Visit to Indonesia** President Sukarno to this country early last year.

The President and his party were made to feel most welcome and the visit definitely strengthened the cordiality of the relations between the two countries.

The Philippine President carefully avoided the hortatory in the several speeches he made, yet found opportunity to suggest that in the present world situation, an independent policy, seen in effect as neutrality, to which Indonesia is clinging even at the expense of refusing Western aid, is of doubtful value, and that the idea of the people of southern and southeastern Asia constituting themselves into a "third force" is not likely to be effective in practice.

There is good evidence for the belief that the Indonesians, though their territory is vastly greater than the Philippines and their population four times as large, and though their culture is far more autochthonous, yet look up to the Filipinos, and it may become clearer to them as time passes that what they admire in the Filipinos is precisely that which the Filipinos owe to their eclecticism.

While the people of Indonesia have clung to their old and established ways, the Filipinos for centuries have not scorned to borrow from other peoples and have not hesitated to adapt themselves to the modern world. As a consequence, they are better prepared for modern nationhood.

Thanks largely to Spain, the Filipinos are more united as a people; thanks largely to America, they are more practiced in governmental administration. Literacy is further advanced and the people are better prepared to govern themselves.

The nationalistic spirit runs high in Indonesia, at least in the major parts of it, but this nationalism takes the form largely—as it does in some other Moslem countries, of suspicion and fear of foreigners and distrust of all foreign influence. The offer of American technical assistance was recently refused because of a misunderstanding of American motives.

As the Indonesians may learn in these matters from the Filipinos, so the Filipinos may take an object lesson from Indonesia as to the dangers of a narrow nationalism.

But the situation involves much more than merely the taking of such lessons. For without outside assistance, for a period of time at least, Indonesia may not, almost certainly would not, be able to stand. And the risks to the world entailed in a collapse would be very great.

A writer in the July *Foreign Affairs*, General Augustin Guillaume, states that it is clear that—

"the ancient East, from the Arab states of the Mediterranean basin to Pakistan, India, and the new Indonesian Republic, is not yet fully aware of this [the present] world revolution. . . . Whatever dreams it may have of forming a third, pre-traditionalist, feudal, and artisan in nature—can not survive the inexorable lessons of reality. Should the West succumb, each of these countries would have to surrender to Communism; their very nationalism would have prepared them for that fate."

Another writer in that same issue of *Foreign Affairs*, Jacques Soustelle, states:

"The time has come to view things in the Far East realistically. If France retreated from Tonkin and Saigon, Indo-China would at once fall into Soviet hands, and Malaya as far as Singapore would quickly follow. What would happen then to Indonesia, Burma, and Siam? And who would expect that the Philippines, Ceylon, and India would be immune? With all Southeast Asia at stake, the mastery of the Pacific as a whole is plainly in balance."

A collapse in Indonesia as much as the fall of Indo-China would break America's, that is to say, civilization's, defense chain in the Pacific and would largely isolate the Philippines,—which was liberated during the last war, as everyone knows, from the direction of Australia and the East Indies.

There was great good reason in President Quirino's state visit to Indonesia and in his wise counsel with respect to "neutrality" and the practical powerlessness of the so-called "third force".

**Act 601, known as the Foreign Exchange Tax Law, which imposed a 17% tax on the value in Philippine pesos of foreign exchange sold or authorized to be sold by the Central Bank, was made effective for two years from the date of its approval on March 28, 1951, and would therefore have expired in March, next year.**

Although it was allegedly an emergency measure, adopted to arrest a flight of capital and to further curb imports, it also proved lucrative as a revenue measure, and there was little hope, therefore, that the Act would be allowed to expire, despite the fact that, while it accomplished the purposes aimed at, it also brought about effects extremely deleterious to the Philippine economy,—not only further heavy increases in the cost of imports, but also further discouragement of foreign capital investment.

As it appeared obvious that the life of the Act would be extended regardless of all argument to the contrary, few serious voices were raised demanding that the exchange tax be abolished, but it was strongly urged that the law be drastically amended in various respects.

The most practical proposals to this effect were advanced by Mr. J. A. Parrish, then President of the American Chamber of Commerce, in an article entitled, "Should the Exchange Tax Law be Amended?" which was published in the January issue of this *Journal* and which received widespread attention and support.

At least three bills embodying amendments were introduced in the House of Representatives and in February and March the Committee of Ways and Means, under the Chairmanship of Representative Cipriano S. Allas, held a number of public hearings which were attended by Mr. Parrish and other members of the American Chamber of Commerce. Following the hearings, the Committee of Ways and Means submitted a report and introduced Bill No. 3116, prepared by the Committee, which incorporated some of the features of the three earlier bills,—No. 2322, introduced by Representatives Roy and Marcos, No. 2476, introduced by Representative Romualdez, and No. 2990, introduced by Representatives Ferrer, Fortich, Hilado, Marcos, and Pelaez.

The first of these bills, No. 2322, sought to exempt from the tax the remittances for payment of outstanding obligations contracted prior to March 28, 1951, (the date the law went into effect) the proceeds of which were used for agricultural or industrial rehabilitation. The second, No. 2476, would have extended the life of the Act for another year but reduced the tax from 17% to 12-1/2%. And the third, No. 2990, would have included agricultural machinery and implements among the imports payment for which is exempted in the original Act.