

expression of economic as well as political freedom, and of the interdependence of the two. Traditionally, our Government has sought to create and maintain a democracy of opportunity in which individuals have the general freedom and the specific opportunities to work, to spend, to save, to invest, and the incentive to pursue these opportunities to the fullest extent."

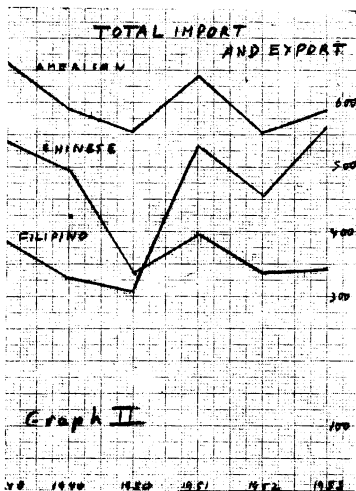
This concept, he said, "has not been made obsolete by the events of the last few decades."

"Two world wars and a world-wide depression brought a broadening of the scope of governmental activities, but this does not justify the oft-made assumption that the range of federal activities must continue to grow."

How by the touchstone of the Eisenhower statement, do the policies adopted by the Philippine Government test? What sort of atmosphere is being created? Is a democracy of opportunity being maintained? Is competitive individual enterprise being protected and fostered? Or are we playing ducks and drakes even with what little economic stability has been achieved?

Some two years ago, in the April, 1952, issue of this *Journal*, there appeared an editorial entitled "The Increasing Share of Filipino Traders in Philippine Foreign Trade". It was illustrated by a graph which showed this trend during the years from 1948 to 1951, inclusive. The present editorial, illustrated by a number of graphs, covers the years from 1948 to 1953, inclusive,—or two additional years.

Graph No. I shows the peso values of the annual imports and exports and the total trade during these 6 years. It will be seen that the lines are jagged, seemingly almost erratic, and that the total trade shows a general



over-all decrease rather than an increase. Of course, the high prices both of imports and exports during the first few years should be taken into consideration.

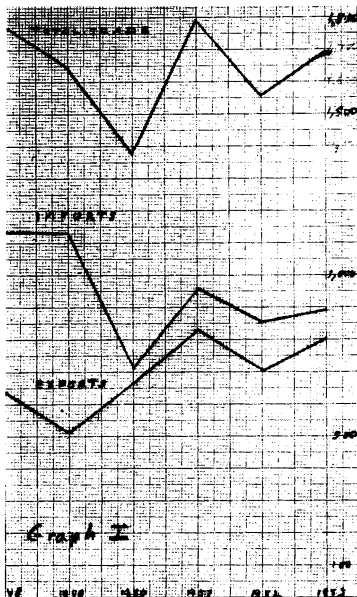
The annual export values show an upward trend, which is as it should be, but the import values show a generally downward trend, which is not as it should be, as, with a natural increase in population, increased production and earnings, and a rising standard of living, imports should increase. The jagged angularity of the lines for the total trade and for imports reflect in part the effect of the import controls which went into effect in January,

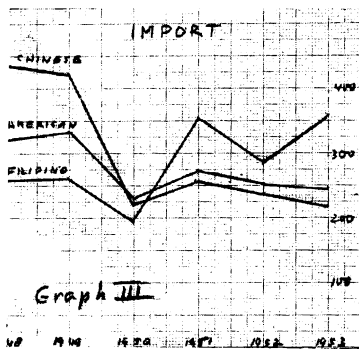
#### PHILIPPINE FOREIGN TRADE

By the traders of the principal three nationalities engaged in it  
(in millions of pesos)

Year	Total Trade	Imports	Exports
1948.....	1,774	1,136	638
American.....	660	319	341
Chinese.....	542	438	104
Filipino.....	384	260	124
1949.....	1,646	1,134	512
American.....	589	333	256
Chinese.....	495	423	72
Filipino.....	359	263	96
1950.....	1,378	712	666
American.....	556	227	329
Chinese.....	337	221	116
Filipino.....	318	197	121
1951.....	1,790	959	831
American.....	639	275	364
Filipino.....	528	354	174
Chinese.....	393	257	136
1952.....	1,557	852	703
American.....	354	252	302
Filipino.....	454	286	168
Chinese.....	333	237	96
1953.....	1,696	895	801
American.....	579	248	331
Filipino.....	560	357	203
Chinese.....	343	220	123

Source: Annual figures published by the Bureau of the Census and Statistics



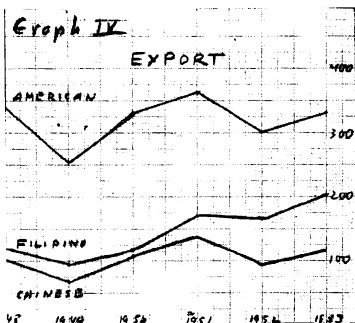


Graph III

1949, and of the exchange control which went into effect in March, 1951.

The lines for the annual values of imports and exports also illustrate the fact,—well-known, of course, that the country's imports still exceed its exports, although the difference is decreasing. The value of Philippine exports has, though slowly, been catching up with the value of imports, and this, by itself, is as it should be; however, it is not as it should be that this has been achieved by a large reduction in the value of imports rather than by a large increase in the value of exports.

Graph II shows the values of the total annual imports and exports handled by the traders of the three principal nationalities engaged in the business. It will be noted that during the 6-year period, American traders maintained a lead, but that their business shows an overall decline, and that the lead is narrowing rapidly. The most striking feature of the graph is the sharp decline in the annual value of the total import and export trade handled by Chinese traders and the rapid increase in the Filipino traders' share in the business after 1950. In the total trade for 1951, the Filipino traders rose not only from third to second place, but came close to obtaining the first place. In so far as this increased participation by Filipino traders is based on fair competition, this is as it should be, highly desirable; in so far as this position was won through various forms of official discrimination in their favor, it is not a good thing. In this connection, it is to be noted that the trade

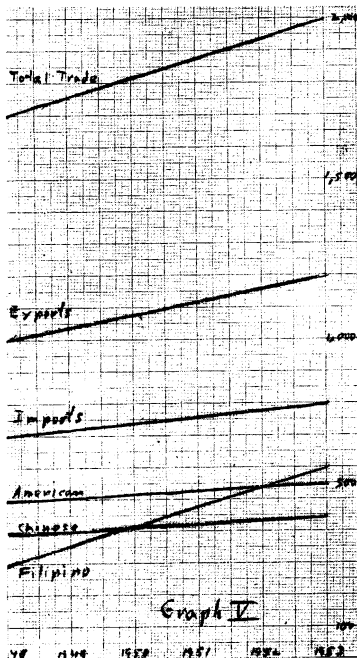


Graph IV

as a whole of all three nationalities of traders decreased rather than increased, as did the total trade of all nationalities of traders, and that the rise in the Filipino traders' position was obtained, therefore, at the cost of a loss of business by other traders. Putting it shortly, there was no increase in business; the Filipino traders only got a larger share of what there was. There was, in fact, an overall decrease in the total import and export trade, and the country as a whole is therefore no better off. What has been going on is a sort of pie-cutting, with no increase in the number of pies being baked.

Graph III shows the annual values of the import trade taken separately as between the three principal nationalities engaged in it. The Filipino importers rose from third to first place in 1951 and maintained this position thereafter. The Chinese traders, who were well in the lead in 1948 and 1949, dropped to second place in 1950 and to third place the following year. The total value of the import trade handled by the Chinese traders dropped very sharply from 1949 on. The part of the import trade handled by American traders also decreased, but less rapidly. However, there has been but little difference in the respective shares of the American and Chinese traders since 1950. Both groups have lost heavily.

Graph IV shows the annual values of the export trade taken separately as between the three nationalities of traders. In this trade, the Americans are still well in the lead, as is natural because by far the greater volume of Philippine exports go to the United States. The Filipinos



Graph V

have held the second place in this trade during the entire period and the Chinese the third place. The graph shows that the Filipino traders' share in the business is increasing, however. The gap between them and the Chinese is widening and that between them and the Americans is narrowing. The lines in this graph showing the exports are less irregular than the lines in the import graph, largely because of the fact that there is less "control" and less interference with exports than there is with imports.

These graphs, when viewed and considered together, are disquieting for the reason that while the position of the Filipino traders is improving, which, in itself, is as it should be, this is at the expense not only of other traders, but of the total trade which is certainly not as it should be.

The meaning of this is made clearer by the schematic Graph No. V, in the drawing of which an effort was made to show what could be considered the ideal trends. It will be noted that the line indicating the value of the total trade moves steadily upward; so do the lines for the values of the exports and the imports; however, the export line moves upward somewhat more sharply than the import line, to show an increasingly favorable balance of trade. Now as to the lines for the total trade handled by American, Chinese, and Filipino importers and exporters, it will be noted that the Filipino traders' line rises rapidly, which is what it should do, but that the lines for the Americans and Chinese are rising also, not declining. In other words, there is good business for all. Something constructive is going on; trade is increasing; all the main elements in the trade are prospering. The country as a whole prospers. There is no mere re-distribution of shares in an existing volume of business which is diminishing rather than increasing. There is no mere shifting or replacement of persons at a table which is less and less well supplied with food.

That is what "nationalization" means if it is carried out in a discriminating and therefore destructive manner.

The discrepancies between the graphs showing the facts as they are, and the schematic graph showing what they ideally should be, bring out the general unsoundness of the Philippine economy with respect to foreign trade and the relations of the elements engaged in it. Yet what ideally should be, could be much more closely approached under wiser governmental policies.

The facts brought out in the preceding editorial do not support the allegation of the champions of "nationalization" that foreign traders have

### In the Domestic Trade

a "strangle-hold" on the economy of the country, at least in so far as foreign trade is concerned. The facts are that Filipino traders have for some years occupied the first place in the import trade, second place in the export trade, and are coming close to holding first place in the combined import and export trade.

In so far as the domestic retail trade is concerned, the facts do not bear out the "strangle-hold" metaphor either. An article taken from the March-April *Business Letter* of the Philippine National Bank, reprinted elsewhere in this issue, brings out the following facts,—all for 1953. Filipino-owned retail establishments number 88% and foreign-owned only 12% of the total number. Filipino assets in the retail trade total ₱270,000,000, or 63%, of all such assets, those of the foreign merchants amounting to ₱157,000,000, or 37%. However, it is still true that of the gross sales for the year, totalling ₱1,082,000,000, some ₱615,000,000, or 57%, was credited to foreign retailers and ₱467,000,000, or 43%, to Filipino dealers.

After all the talk, of late, the facts as to the ownership of the country's rice mills are also surprising. Of the 7,325 rice mills in the country, only 249, or 3.4%, are owned by foreigners, according to the same Philippine National Bank publication, which obtained its figures from the Bureau of the Census and Statistics.

That foreigners, especially Americans and Chinese, play an important role in the economy of the country is true, but these interests have nothing like a strangle-hold on the economy. Indeed, it is these interests which are being threatened by strangulation, which, economically, is as mad a thing as if the foreign merchants were being physically strangled in all the cities and towns of the Philippines. The very fact that they hold the important position they still do, makes it economically necessary and of the first importance to protect them from radical efforts at nationalization to prevent a collapse of the country's whole economy.

Let our Philippine law-makers ponder President Eisenhower's statement in his State of the Union Message, delivered a few months ago:

"A government can strive, as ours is striving, to maintain an economic system whose doors are open to enterprise and ambition,—those personal qualities on which economic growth largely depends... Enterprise and ambition are qualities which no government can supply. Fortunately, no American Government need concern itself on this score; our people have these qualities in good measure."

What can the proponents of nationalization gain by deliberately defeating and nullifying the enterprise and ambition of such an important element in the population as the foreign business element? And as, on the other hand, the Filipinos, like the Americans, have the qualities of enterprise and ambition in good measure, they can succeed, as they are succeeding, in gaining an increasing share in the country's business, through natural and honest means, without, in this process, inflicting harm on the foreign element or destroying or damaging the existing economic machinery.

*Time*, in its issue of May 17, contained a number of particularly interesting paragraphs in a generally interesting article entitled, "Imperialism,—U. S. Policy Will Chaos or Order Take its and 'Colonialism' Place?" The *Journal* takes the liberty of quoting them:

"U. S. Policy. What the U. S. needs is a new set of measuring rods by which to judge its own self-interest in the clash between awakening colonial peoples and their imperial masters. Henry A. Byroade, the U. S. Assistant Secretary of State for Near Eastern, South Asian, and African Affairs, recently provided such a set. West Point graduate laid down two guiding principles that henceforth will shape U. S. attitudes towards colonialism: progress and order.

"The U. S., said Byroade, recognizes that 'the disintegration of the old colonialism is inevitable. We believe that much blood and treasure may be saved if the Western world determines firmly to hasten rather than hamper... orderly evolution to self-determination.' But the U. S. will not sponsor independence simply for its own sake. 'We want [colonial peoples] to maintain their independence against the new Soviet imperialism. We do not want the vast labor and pain expended in the struggle for freedom to be wasted by the premature creation of a state that will collapse like a stack of cards at the first hint of difficulty...' In short, the progress must be real, and to be real, it must endure.

"Order, the second principle, means that the U. S. expects that a newly independent people will not prove a menace to its own minorities, or a nuisance to its neighbors. The U. S., Byroade suggested, expects new nations to be capable of (1) meeting their obligations to all other nations, including the old empires; (2) tackling their age-old problems of poverty, disease, and social discrimination; (3) protecting human rights.

"Whatever newborn nation resolves to do these things will be helping itself. And in so doing, it can count on the U. S."

"A business isn't worth a damn unless you get out and compete."—HARRY WINFORD MORRISON, head of the Morrison-Knudsen Company (the world's biggest heavy-construction firm).