

NEW ERA OPENING IN THE PHILIPPINES

Guarantee of Rights Alters Standing of Americans With \$90,000,000 Invested Now

BANK FACILITIES EXPAND

Head of Benguet Mining Co. Tells of Work Done, Outlook for Development

By PAUL HEFFERNAN

If Western capitalism is to help shape the future of the Orient, American citizens and American capital can join in the test unhandicapped, at least so far as the Philippine Islands are concerned. This is the meaning that the financial district is reading into the outcome of the plebiscite by which the new Philippine Republic last week accorded to American citizens rights paralleling the constitutional guarantees assured to the Filipinos themselves.

To the estimated \$90,000,000 of American capital invested in the islands and to other aggregates earmarked for placement there, the voting wiped out a barrier to Americans owning more than 40 per cent of any Philippine enterprise. To Filipinos, the plebiscite assured continuance of the benefits of free trade with the United States until 1954 under the Bell Act, whose effectiveness hinged upon American property rights winning parity in the islands with those of Filipinos.

Self Interest as a Factor

Immediate self-interest was a big factor, therefore, in the Filipinos' endorsing the parity principle for which President Manuel Roxas campaigned so earnestly, but the decision is notable—if only in a nominal sense—because it marks the first departure from the readiness of certain undeveloped nations since the depression to stand on their political sovereignty and invoke the principle of economic self-determination as warrant for ostracizing or confiscating foreign capital or limiting it in the future to a subordinate status. Moreover, the Philippine green light was flashed to American capital, not by a Government in professed behalf of its constituents, but by the constituents themselves.

To one American industrialist here, the plebiscite vindicated nearly a half-century of Philippine career as soldier, lawyer and mining enterpriser, and brought assurance that the 7,000-odd Pacific islands now husbanded under their own flag are destined, despite myriad dialects and living patterns, to move ahead toward a balanced economy bearing the lasting stamp of Western culture.

Haussermann's Analysis

While at the Waldorf-Astoria Hotel last week, seventy-nine-year-old John W. Haussermann, president of the Benguet Mining Company, said that he would go back to the islands in June to see the progress being made in the mountains of Luzon near Baguio toward rehabilitating the gold mines which he took over and put on a paying basis during the first World War, only to have them overrun and wrecked by Japanese invaders twenty-five years later. Benguet has spent a million dollars since the war toward putting the mines back into working condition, Mr. Haussermann said, and the plebiscite's outcome is an encouragement to American capital to persist toward this objective.

Beyond the capital needs required for reconstructing built-up areas ravaged by the war lie great investment opportunities, Mr. Haussermann said, for developing the islands' stores of mineral and forest wealth and for diversifying an agriculture on tillable lands of greater area than those of Japan, which once supported a population four times that of the Philippines. Such enterprises, he said, would continue to enhance the relatively high Pacific living standards evolved by Filipinos during forty years of American political tutelage and eventually would achieve for the new republic a self-supporting economy. With economic independence thus reared upon the foundation stone of political independence—according to the Haussermann vision—the islands could still in fact remain a lasting American outpost in the Pacific, culturally, a testimonial to American institutions, and, economically, a neutral free zone—or warehouse—for American products destined for less-developed parts of the East.

The plight of the islands today is a far cry, however, from the industrialist's vision. At snail's pace, the new republic is climbing out of the debris of war. Shortages in

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the islands are compounded by shortages here, and even with overseas manufacturers unable to deliver capital and consumer goods, the balance of trade is still running against the islands. In 1946 the deficit was \$54,338,000, compared with an export surplus of \$43,093,000 in 1941. Since the war the Philippines have had to import their normal export mainstay—sugar—and much time still must pass before growing requirements will permit sugar production anywhere near pre-war levels.

Although the integrity of the currency has been preserved by maintenance of reserves assuring parity with the American dollar, a war-swollen money supply, circulating amid a war-shrunk supply of goods, has inflated the price level to nearly four times the pre-war level, presaging the inevitability of a difficult deflationary adjustment before industrial enterprise can be resumed on a truly normal basis. However, little by little, normal business methods are being re-established. The National City Bank's branch office in Manila is functioning, and the Bank of America National Trust and Savings Association is about to open an office there.

Financial help from official America, financiers point out, hardly can be said to have been proportionate to sacrifices made by the Filipinos in taking on the full brunt of the war's only impact on American soil. A \$75,000,000 credit which Congress last August authorized the Reconstruction Finance Corporation to make available to the Philippines became effective only early this month, with a five-year loan of \$25,000,000 at 2 per cent interest as a first installment. The \$400,000,000 fund authorized by Congress for paying war-damage claims is still untapped, formalities for making application for compensation having just been completed. This fund, which gives priority to claims of less than 1,000 pesos, will be disbursed for the most part in small amounts over a period that may run into years, but, however spent, it will be a sorely needed stimulant to the islands' wrecked economy, if only a token of American gratitude for Filipino sacrifices.