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JOINT PREPARATORY COMMITTEE

ON

PHILIPPINE AFFAIRS

REPORT OF MAY 20, 1938

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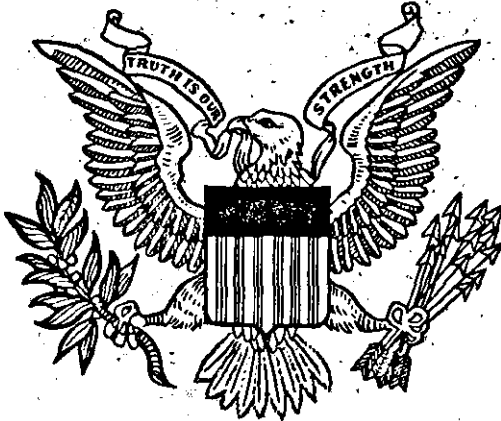
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ON
PHILIPPINE AFFAIRS
REPORT OF MAY 20, 1938.

VOLUME I



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LETTER OF TRANSMITTAL TO THE HONORABLE FRANCIS B. SAYRE, ASSISTANT SECRETARY OF STATE AND CHAIRMAN OF THE INTERDEPARTMENTAL COMMITTEE ON PHILIPPINE AFFAIRS

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS

WASHINGTON, D.C., May 20, 1938.

The Honorable

**FRANCIS B. SAYRE, *Chairman,*
The Interdepartmental Committee
on Philippine Affairs,
*Washington.***

SIR:

I have the honor to transmit herewith, for consideration by your Committee and for eventual reference to the President, one of the two signed originals of the Report of the Joint Preparatory Committee on Philippine Affairs constituted on April 14, 1937, by the President acting in accord with the President of the Philippines. To this copy, the signatures of the Honorable José Yulo and of Mr. Joaquin M. Elizalde have been affixed on their behalf by the Honorable Quintín Paredes, Resident Commissioner of the Philippines.

I am also enclosing for your convenience an unsigned copy of the Report.

I am availing myself of the courteous offer of Commissioner Paredes to take to President Quezon the other original copy of the Report, to which Mr. Elizalde's signature has been affixed by the Commissioner, and in which a space is reserved for the signature of Secretary Yulo, in order that he may sign the report himself when it shall have been received in Manila. At the same time I am sending to President Quezon by air mail an unsigned copy of the Report.

I enclose herewith, for your information, a copy of my letter of transmittal to President Quezon.

Very truly yours,

J. V. A. MACMURRAY
Chairman, Joint Preparatory Committee
on Philippine Affairs

Enclosures:

Report (one original
and copy no. 1).

Copy of letter to
President Quezon.

**LETTER OF TRANSMITTAL TO THE HONORABLE MAN-
UEL L. QUEZON, PRESIDENT OF THE COMMONWEALTH
OF THE PHILIPPINES**

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS

WASHINGTON, D. C., May 20, 1938.

The Honorable

MANUEL L. QUEZON,
The President of the Philippines,
Manila, P. I.

MR. PRESIDENT:

I have the honor to transmit herewith, for your consideration, one of the two signed originals of the Report of the Joint Preparatory Committee on Philippine Affairs constituted on April 14, 1937, by the President of the United States acting in accord with you. To this copy the signature of Mr. Joaquin M. Elizalde has been affixed on his behalf by the Honorable Quintin Paredes; and space is reserved for the signature which the Honorable José Yulo may desire to affix in person.

I am transmitting to the Honorable Francis B. Sayre, Chairman of the Interdepartmental Committee on Philippine Affairs, for consideration by that Committee and for eventual reference to the President of the United States, the other original copy of the Report, to which the signatures of Secretary Yulo and Mr. Elizalde have been affixed on their behalf by Commissioner Paredes.

While availing myself of the kind offer of Commissioner Paredes to take to you the original of the Report, I am, for your earlier information, sending to you by air mail an unsigned copy.

I enclose herewith, for your information, a copy of my letter of transmittal to Assistant Secretary Sayre.

Very truly yours,

J. V. A. MACMURRAY
Chairman, Joint Preparatory Committee
on Philippine Affairs

Enclosures:

Report (one original,
and copy no. 2).
Copy of letter to
Assistant Secretary
Sayre.

REPORT
OF THE
JOINT PREPARATORY COMMITTEE
ON
PHILIPPINE AFFAIRS

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(Volume II contains the Hearings Held Before the Committee; Volume III contains the Briefs Submitted to the Committee.)

PART I
INTRODUCTION

INTRODUCTION

1. ORGANIZATION AND PURPOSE OF THE COMMITTEE

The Joint Preparatory Committee on Philippine Affairs was created on April 14, 1937, pursuant to an arrangement between the President of the United States and the President of the Philippines. The functions of the Committee were announced on March 18, 1937, in the following joint statement of President Manuel L. Quezon and the Honorable Francis B. Sayre, Assistant Secretary of State:

Arrangements are being made for the appointment shortly of a joint preparatory committee of American and Philippine experts. The committee is to study trade relations between the United States and the Philippines and to recommend a program for the adjustment of Philippine national economy. This announcement followed conferences between President Quezon, of the Philippine Commonwealth, and the Interdepartmental Committee on Philippine Affairs, which is acting on behalf of President Roosevelt in the preliminary discussions. Assistant Secretary of State Francis B. Sayre is Chairman of this Committee.

In as much as the Independence Act provides that complete political independence of the Philippines shall become effective on July 4, 1946, and in as much as President Quezon has suggested that the date of independence might be advanced to 1938 or 1939, it was agreed that the joint committee of experts would be expected in making its recommendations to consider the bearing which an advancement in the date of independence would have on facilitating or retarding the execution of a program of economic adjustment in the Philippines. It was further agreed that preferential trade relations between the United States and the Philippines are to be terminated at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy. Thereafter, it is contemplated that trade relations between the two countries will be regulated in accordance with a reciprocal trade agreement on a non-preferential basis.¹

The American members of the Joint Preparatory Committee on Philippine Affairs were appointed by the President of the United States and the Philippine members by the President of the Philippines. The Honorable Francis B. Sayre, Assistant Secretary of State, acted as Chairman of the Committee until July 13, 1937, when the Honorable J. V. A. MacMurray, Ambassador to Turkey, was appointed Chairman.

The membership of the Committee as originally constituted on April 14, 1937, was as follows:

The Honorable José Yulo, Vice Chairman of the Committee,
Chairman of the Philippine Group, Secretary of Justice of
the Philippine Commonwealth;

¹ Department of State *Press Release* dated Mar. 18, 1937.

- Mr. Joseph E. Jacobs, Vice Chairman of the Committee, Chairman of the American Group, Chief of the Office of Philippine Affairs, Department of State;
- Dean Conrado Benitez, College of Business Administration, University of the Philippines;
- Mr. Louis Domeratzky, Chief of the Division of Regional Information, Bureau of Foreign and Domestic Commerce, Department of Commerce;
- Dr. Lynn R. Edminster, Chief Economic Analyst, Division of Trade Agreements, Department of State;
- Mr. Joaquin M. Elizalde, Member of the Philippine National Economic Council;
- Colonel Donald C. McDonald, Assistant to the Chief, Bureau of Insular Affairs, War Department;
- The Honorable Quintin Paredes, Resident Commissioner for the Philippines;
- Dr. Carl B. Robbins, Head Agricultural Economist, Agricultural Adjustment Administration, Department of Agriculture;
- The Honorable José E. Romero, Floor Leader, Majority Party in the Philippine National Assembly;
- The Honorable Manuel Roxas, Floor Leader, Minority Party in the Philippine National Assembly; and
- Dr. Frank A. Waring, Chief Economic Analyst, United States Tariff Commission.

Subsequently, two members of the Committee, Dr. Lynn R. Edminster and Dean Conrado Benitez, because of the pressure of other duties, resigned. They were replaced by two new appointees who, prior to their appointment, had been advisers to the Committee, namely:

- Dr. Ben D. Dorfman, Chief Economic Analyst, United States Tariff Commission, appointed alternate for Dr. Edminster on July 14, 1937, and a member on January 19, 1938; and
- Mr. Benito Razon, Financial Adviser to the President of the Philippines, appointed January 27, 1938.

The Committee has been assisted in its work at different times and for varying periods by a number of advisers and others, namely: Dr. Ben D. Dorfman and Mr. Benito Razon, who subsequently became members of the Committee, as mentioned above; Major Myron J. Conway, Infantry, United States Army; Mr. Owen L. Dawson, United States Agricultural Commissioner at Shanghai; Mr. William A. Lloyd, Senior Agriculturist, Department of Agriculture; Dr. George F. Luthringer, Assistant Professor in Economics, Prince-

ton University; Dr. Julius Matz, Pathologist, Bureau of Plant Industry, Department of Agriculture; Lieutenant Colonel Arsenio Natividad of the Philippine Army; Dr. Lloyd P. Rice, Professor of Economics, Dartmouth College; and Mr. Hilarion S. Silayan, Chief of the Philippine Bureau of Plant Industry. In addition, the Committee was assisted in various ways by numerous other individuals connected with the administrative departments of the Government of the United States and the Government of the Commonwealth of the Philippines.

In connection with its work, the Committee conducted public hearings in Washington (June 16, 17, 18, 22, and 23, 1937), in San Francisco (July 21 and 22, 1937), and in Manila (September 15, 16, 17, 20, 21, and 22, 1937). Briefs were filed not only by those who appeared at the public hearings but also by other interested parties. The transcript of the public hearings and texts of the briefs filed will be found in volumes II and III of this Report. During its three months' stay in the Philippines² the Committee spent about a month visiting 34 of the 50 provinces and covered approximately 4,000 miles, by motorcar, steamer, and railway.

The findings and conclusions of the Committee are discussed in parts II, III, IV, V, and VI, and its principal recommendations are set forth in part VII of the Report.

2. POLITICAL AND ECONOMIC RELATIONSHIP BETWEEN THE UNITED STATES AND THE PHILIPPINES³

The United States acquired sovereignty over the Philippines under article III of the treaty of peace between the United States and Spain, concluded at Paris on December 10, 1898, and proclaimed April 11, 1899. The United States began the organization of a civil government in the Philippines with the appointment, on April 7, 1900, of the Second Philippine Commission, composed of five Americans. Civil government was fully established on July 4, 1901, when the Honorable William Howard Taft was inaugurated as the first

²"Philippines" (in the singular) has been used throughout this Report instead of "Philippine Islands", as that is the name used in the Philippine Constitution.

³For general background material on Philippine economy, see United States Tariff Commission Report No. 118, second series, 1937, entitled "United States-Philippine Trade".

Civil Governor⁴ of the Philippine Islands, and the Commission was reconstituted to consist of five Americans and three Filipinos.

On October 16, 1907, when the first elective Philippine Assembly was convened, the legislative authority in the Islands was placed in the hands of the Philippine Legislature, which consisted of the Commission as the upper house and the Assembly as the lower house. The Commission was abolished by the Jones act of August 29, 1916,⁵ which provided for a Philippine Senate as the upper house in the Legislature; thus placing legislative functions completely in the hands of the representatives of the Filipino people. The Governor General remained the chief executive officer of the Insular Government.

On November 15, 1935, the Government of the Commonwealth of the Philippines, possessing almost complete autonomy in internal affairs, was inaugurated under authority of the Independence Act of March 24, 1934 (the Tydings-McDuffie act).⁶ On the same date a Constitution, drafted and adopted by the Filipino people and approved by the President of the United States, came into full effect. Under the provisions of the Constitution, the legislative authority was placed in the hands of a unicameral legislature, known as the National Assembly, and executive power was vested in the President of the Philippines. Under the Independence Act, the representative of the United States in the Philippines was entitled the "United States High Commissioner to the Philippine Islands".

Since the earliest days of the American occupation, there has been a progressive enlargement of the autonomy granted to the Philippines, with complete political independence as the ultimate objective. In contrast to this development in the political sphere, the economic ties, based on trade preferences, have steadily become stronger.

From August 13, 1898, until March 8, 1902, trade between the United States and the Philippines was on a non-preferential basis. Under the act of March 8, 1902,⁷ Philippine products were accorded a reduction of 25 percent from rates specified in the United States tariffs, but no preferences were accorded American products entering the Philippines until after the passage of the United States Tariff Act⁸ and the Philippine Tariff Act,⁹ both dated August 5, 1909. That legislation marked the beginning of free trade between

⁴ Pursuant to the provisions of section 8 of the act of Feb. 6, 1905, the title "Civil Governor" was changed to "Governor General". 33 Stat. 689.

⁵ 39 Stat. 545.

⁶ 48 Stat. 456. See appendix I.

⁷ 32 Stat. 54.

⁸ 36 Stat. 11.

⁹ 36 Stat. 130.

the two countries, subject only to minor restrictions. Reciprocally preferential trade would not have been possible prior to that year because of a provision in the Treaty of Paris which guaranteed for a 10-year period (commencing April 11, 1899) to Spanish ships and merchandise entering the Philippines the same treatment accorded those of the United States. The United States Tariff Act of October 3, 1913, removed the few remaining restrictions on free trade between the Philippines and the United States. Thereafter no important change occurred in the laws governing trade relationship until the passage of the Independence Act on March 24, 1934.

* The Independence Act, while imposing no restrictions upon United States products entering the Philippines, placed restrictions upon the quantities of Philippine sugar, coconut oil, and cordage which could enter the United States free of duty; it required, in addition, the imposition by the Philippines, beginning November 15, 1940, of export taxes upon Philippine products shipped to the United States; and it provided that upon the attainment of independence, Philippine products should pay the full United States customs duties. The act also provided for a trade conference to make recommendations concerning trade relations after independence. Following the passage of the Independence Act, other restrictions in the form of excise taxes and quotas were placed on sugar and coconut products, but the proceeds of these taxes have been and are being remitted to the Philippine Government.¹⁰ The provision in the Independence Act with regard to cordage was superseded by the Cordage Act of June 14, 1935,¹¹ which, although it increased the duty-free quota, made it an absolute quota.

3. OBJECTIONS TO THE PROVISIONS OF THE ● INDEPENDENCE ACT

Section 17 of the Independence Act provided that the act was not to take effect until accepted by concurrent resolution of the Philippine Legislature. Although the act did not authorize the Philippine Legislature to make its acceptance conditional upon reservations, that

¹⁰ The term "Philippine Government" has been used generally throughout this Report to designate the government or governments to which reference is made, without differentiation among the Insular Government, the Commonwealth Government, and the independent government, which have been specifically mentioned only where the text requires.

¹¹ 49 Stat. 340.

body, in its resolution of May 1, 1934, accepting the Independence Act, included the following passages:

WHEREAS, although the Philippine Legislature believes that certain provisions of the said Act need further consideration, the said Legislature deems it its duty to accept the proffer of independence thus made by the Government of the United States; . . .

(b) And because the President of the United States in his message to Congress on March second, nineteen hundred thirty-four, recommending the enactment of the said law, stated

"I do not believe that further provisions of the original law¹³ need to be changed at this time. Where imperfections or inequalities exist, I am confident that both can be corrected after proper hearing and in fairness to both peoples.";

a statement which gives the Filipino people reasonable assurances of further hearing and due consideration of their views: . . .¹³

Provisions in the earlier Hare-Hawes-Cutting act, to which the Philippine Legislature had taken exception in rejecting that act, and which it had hoped to have changed in the Tydings-McDuffie act, related to "immigration, military, and other reservations, powers of the high commissioner, and trade relations between the Islands and the United States".¹⁴

With regard to the Independence Act, the Honorable Manuel L. Quezon, then President of the Philippine Senate and Chairman of the Philippine Independence Delegation, in a letter dated March 22, 1934 (two days before the passage of the act), to the Chairman of the United States Senate Committee on Territories and Insular Affairs, Senator Millard E. Tydings, stated as follows:

There are, of course, other provisions of the bill to which we object, but we are willing to take it as it is now, and we have given up any attempt at this time to have it in any way amended, because we are relying upon the statement made by the President in his message to Congress, March 2, 1934 . . .

Furthermore, we have seen the attitude of the chairmen of both committees of Congress toward the Filipino people's freedom and welfare, and we have no doubt that upon further investigation, when they shall have found that independence can be granted in a much shorter time and that other provisions of the bill need improvement, they will so recommend to the Congress.¹⁵

Moreover, Vice President John N. Garner, in his speech at the Joint Session of the Philippine Legislature on November 12, 1935 (three days before the inauguration of the Commonwealth Government), stated:

Our great President, Franklin D. Roosevelt, in sending the last independence bill to Congress, accompanied it with a recommendation that where there were

¹³ The Hare-Hawes-Cutting act. 47 Stat. 761.

¹⁴ H. Doc. 400, 74th Cong., 2d sess., p. 1.

¹⁵ S. Doc. 57, 74th Cong., 1st sess., pt. 1, p. 10.

¹⁶ *Congressional Record*, vol. 78, no. 64, Mar. 22, 1934, p. 5237.

inequalities in our trade relations, they should be adjusted by a Commission representing both peoples who could arrive at an equitable decision which would prove advantageous to our 120,000,000 people and to your 14,000,000 people.¹⁶

The statements quoted evidence a recognition by responsible authorities in both countries that certain "imperfections or inequalities" might be found in the Independence Act, and, if so, that they should be adjusted.

STEPS TAKEN TO REMOVE OBJECTIONS

In the light of these statements, steps were taken, even before the inauguration of the Commonwealth Government, to investigate what, if any, "imperfections or inequalities" there might be in the provisions of the Independence Act. United States Senator Carl Hayden visited the Philippines and prepared a report of his findings in the form of a letter, dated August 6, 1934, addressed to the Honorable Millard E. Tydings, Chairman of the Senate Committee on Territories and Insular Affairs.¹⁷ Four others, United States Senators Tydings, McKellar, McAdoo, and Gibson, appointed on June 16, 1934, as a special committee to study the question of "imperfections or inequalities" of the Independence Act, also visited the Philippines for about three weeks, beginning December 9, 1934; as a result of which, Senator McKellar and Senator Gibson submitted reports to the United States Senate.¹⁸

ORGANIZATION OF THE INTERDEPARTMENTAL COMMITTEE ON PHILIPPINE AFFAIRS

The Congressional committee referred to in the preceding paragraph, while in the Philippines, suggested to President Roosevelt, in a telegram dated December 31, 1934, that the Interdepartmental Committee on Philippine Affairs, which was then in the process of being organized, should study United States-Philippine trade. The Interdepartmental Committee has, since the close of the year 1934, directed studies of Philippine problems in an endeavor to coordinate the activities of the various administrative departments and agencies of the United States Government concerned with Philippine affairs. The Committee is not an administrative organization of the Government, but representatives of the Departments of State, War, Navy, Treasury, Agriculture, and Commerce, and the Tariff Commission have participated in its deliberations. It was this committee that recommended the setting up of the Joint Preparatory Committee on Philippine Affairs.

¹⁶ H. Doc. 400, 74th Cong., 2d sess., p. 44.

¹⁷ S. Doc. 120, 74th Cong., 1st sess.

¹⁸ S. Doc. 57, 74th Cong., 1st sess., pts. 1 and 2.

STEPS TAKEN IN PREPARATION FOR A TRADE CONFERENCE

On April 4, 1935, at a meeting which was attended by the Honorable Frank Murphy, then Governor General of the Philippines, the Interdepartmental Committee decided to recommend to the President of the United States that he should make public his intention to call a Philippine-American trade conference as soon as practicable after the inauguration of the Commonwealth Government. Acting upon this recommendation, the President, on April 10, 1935, made public the following letter:

MY DEAR GOVERNOR GENERAL:

As you know, consideration is being given by this Government to the question of future relations between the United States and the Philippines. These relations have been the subject of conferences which you and I have had during your visit in Washington. As a result of these discussions I contemplate calling the joint trade conference provided for in section 13 of the Tydings-McDuffie act at as early a date as practicable after the inauguration of the Commonwealth Government, in order that effective measures for promoting mutual trade advantages between the two countries may be given early consideration.

To facilitate the work of the conference I have asked our Interdepartmental Committee to continue studies already begun so that the necessary basic material will be available when the conference convenes. I trust you will also be able to inaugurate similar studies in the Philippine Islands which will provide pertinent data for consideration by the conference.

Sincerely yours,

FRANKLIN D. ROOSEVELT

REPORT OF THE UNITED STATES TARIFF COMMISSION

In keeping with the President's announcement, the Interdepartmental Committee, on July 13, 1935, designated three experts to prepare material for the contemplated trade conference: Dr. Frank A. Waring and Dr. Ben D. Dorfman, Senior Economic Analysts of the United States Tariff Commission, and Mr. J. Bartlett Richards, United States Trade Commissioner in Manila. As a result of their studies, the United States Tariff Commission, in January 1937, published a report under the title "United States-Philippine Trade, with Special Reference to the Philippine Independence Act and Other Recent Legislation".¹⁹ This material has been freely drawn upon by the Joint Preparatory Committee for incorporation in the present Report.

PHILIPPINE TECHNICAL TRADE COMMITTEE'S REPORT

While studies were being conducted by officials of the United States Government, similar preparations were also being carried on

¹⁹ United States Tariff Commission Report No. 118, second series, 1937.

in the Philippines. The Governor General of the Philippines, on July 9, 1935, appointed for this purpose the Philippine Interdepartmental Economic Committee, and a Technical Trade Committee under the chairmanship of Mr. Benito Razon.²⁰ The Technical Trade Committee created under this Executive order submitted to the President of the Commonwealth on February 17, 1936, a report on Philippine-American trade. This report has also been used by the Joint Preparatory Committee.

ORGANIZATION OF THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS

In December 1936, on the eve of relinquishing his post, High Commissioner Frank Murphy came to Washington to discuss with the President and other officials of the United States Government plans for a reconsideration of United States-Philippine relations. Following these discussions, President Quezon arrived in Washington in February 1937; and, at the request of the President of the United States, entered into discussions of United States-Philippine problems with the Honorable Francis B. Sayre, Assistant Secretary of State and Chairman of the Interdepartmental Committee on Philippine Affairs. These discussions led to an agreement between President Quezon and Assistant Secretary Sayre, which was later approved by President Roosevelt, that a committee, to be known as the Joint Preparatory Committee on Philippine Affairs, should be created to study trade relations between the United States and the Philippines and to recommend a program for the adjustment of the Philippine national economy. This Committee was constituted on April 14, 1937. Certain details in regard to the setting up of the Committee and the nature of its duties will be found in an identical letter which Assistant Secretary of State Sayre addressed on May 24, 1937, to Senator Millard E. Tydings and Congressman Leo Kocialkowski.²¹

4. COMMITTEE'S TERMS OF REFERENCE ²²

In its approach to the question of the trade relations between the United States and the Philippines and the adjustment of Philippine

²⁰ Philippine Executive Order No. 780 of July 9, 1935.

²¹ See appendix II.

²² The Committee's terms of reference did not contemplate recommendations with respect to such questions as the postponement of independence, the neutralization of the Philippines, and the retention or relinquishment of naval reservations.

economy, the Committee has followed certain principles, both of guidance and of circumscription, which were laid down in the Independence Act of March 24, 1934, and in the agreement of March 18, 1937, between President Quezon and Assistant Secretary Sayre, quoted on the first page of this part of the Report.

From an early stage in the discussions with their Philippine colleagues, the American members had also in mind a suggestion of President Roosevelt that an orderly transition of Philippine economy might require a considerable period for adjustment—a suggestion which, in the course of discussion, was eventually elaborated into the Committee's recommendation for a gradual elimination of trade preferences by the end of the year 1960, as approved in an exchange of telegrams between President Roosevelt and President Quezon in March 1938.²³

Fundamental among those principles upon which the Committee has acted is an acceptance of the fact that the Independence Act is a definitive mandate of the Congress providing for the independence of the Philippines and outlining the terms under which such independence is to be attained. The provisions of that act were under discussion in the Congress for several years; and the Committee has studied and considered the voluminous hearings which led up to the enactment of that law. The Committee has felt that it would not be justified, either by its terms of reference or on the ground of

²³The pertinent paragraphs of a Department of State *Press Release*, dated Apr. 5, 1938, in regard to this exchange of telegrams are as follows:

"On March 22, President Roosevelt telegraphed to President Quezon an expression of his feeling that the work of the Committee should be pressed to an early and mutually satisfactory conclusion. The President recalled that he had already made publicly known his own readiness, with a view to affording the Philippines ample opportunity to adjust their economy to the non-preferential status of political independence, to approve of a general plan by which the elimination of trade preferences would proceed by uniform annual accretions of 5 percent, from 25 percent at the date of independence; but he indicated that, except for certain alleviations which he understood the Committee would be prepared to recommend, the export tax provisions of the Independence Act should remain substantially intact as constituting a necessary part of the program of Philippine economic adjustment. The President furthermore suggested that President Quezon join with him in making public their common desire to have the Committee proceed along these lines with a view to reaching an early agreement upon recommendations which would have the whole-hearted support of both sides.

"In a telegram dated March 25, President Quezon replied that he was sending to the Filipino members of the Joint Preparatory Committee a radiogram to the effect that he had, after considering all the attending circumstances, come to the definite conclusion that the best interests of the Philippines would be promoted by their concurring with the American members of the Committee in the plan outlined in the President's telegram."

practical expediency, in recommending any changes in that act except such as might be required to remove "imperfections or inequalities" in the sense in which President Roosevelt used that expression in his message to the Congress on March 2, 1934.

The Committee has also been guided by the fact that its terms of reference definitely contemplate that the termination of the preferential trade relationship now existing between the United States and the Philippines should be brought about at the earliest practicable date, consistent with affording the Philippines a reasonable opportunity to adjust their economy to a position independent of trade preferences in the United States.

A further dominant consideration which the Committee has had in mind is the imperative need for stability and certainty as to the nature of the policies of the United States and the Philippines in regard to their future economic relationship, and as to the method of effectuating those policies. In the absence of a reasonable degree of certainty in this regard, various groups, both in the United States and in the Philippines, may be expected to continue agitating for changes favorable to themselves in the relationship between the two countries. Until the future economic relationship between the two countries is definitely determined, there will be no satisfactory basis for the continued economic development of the Philippines, in as much as the Philippine authorities would find it difficult to undertake the task of planning and putting into operation a long-range program of economic adjustment which is so necessary for the future well-being of their country.

The Committee recognizes the difficulties of foreseeing and evaluating the national and international economic developments that will affect the United States and the Philippines during the period contemplated by this Report, and of prescribing practical solutions for the problems involved in the development of an independent Philippine state. But the situation requires that, despite unpredictable factors, some long-range plan, however broad and general in outline, should be definitely adopted. The Committee believes that the program which it recommends would eliminate much of the existing uncertainty and afford the Philippines a reasonable opportunity to make the necessary transition.

APPENDIXES

APPENDIX I

INDEPENDENCE ACT OF MARCH 24, 1934

[PUBLIC—No. 127—73D CONGRESS]

[H. R. 8573]

AN ACT

To provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

CONVENTION TO FRAME CONSTITUTION FOR PHILIPPINE ISLANDS

SECTION 1. The Philippine Legislature is hereby authorized to provide for the election of delegates to a constitutional convention, which shall meet in the hall of the house of representatives in the capital of the Philippine Islands, at such time as the Philippine Legislature may fix, but not later than October 1, 1934, to formulate and draft a constitution for the government of the Commonwealth of the Philippine Islands, subject to the conditions and qualifications prescribed in this Act, which shall exercise jurisdiction over all the territory ceded to the United States by the treaty of peace concluded between the United States and Spain on the 10th day of December 1898, the boundaries of which are set forth in article III of said treaty, together with those islands embraced in the treaty between Spain and the United States concluded at Washington on the 7th day of November 1900. The Philippine Legislature shall provide for the necessary expenses of such convention.

CHARACTER OF CONSTITUTION—MANDATORY PROVISIONS

• SEC. 2. (a) The constitution formulated and drafted shall be republican in form, shall contain a bill of rights, and shall, either as a part thereof or in an ordinance appended thereto, contain provisions to the effect that, pending the final and complete withdrawal of the sovereignty of the United States over the Philippine Islands—

(1) All citizens of the Philippine Islands shall owe allegiance to the United States.

(2) Every officer of the government of the Commonwealth of the Philippine Islands shall, before entering upon the discharge of his duties, take and subscribe an oath of office, declaring, among other things, that he recognizes and accepts the supreme authority of and will maintain true faith and allegiance to the United States.

(3) Absolute toleration of religious sentiment shall be secured and no inhabitant or religious organization shall be molested in person or property on account of religious belief or mode of worship.

(4) Property owned by the United States, cemeteries, churches, and parsonages or convents appurtenant thereto, and all lands, buildings, and improvements used exclusively for religious, charitable, or educational purposes shall be exempt from taxation.

(5) Trade relations between the Philippine Islands and the United States shall be upon the basis prescribed in section 6.

(6) The public debt of the Philippine Islands and its subordinate branches shall not exceed limits now or hereafter fixed by the Congress of the United States; and no loans shall be contracted in foreign countries without the approval of the President of the United States.

(7) The debts, liabilities, and obligations of the present Philippine government, its Provinces, municipalities, and instrumentalities, valid and subsisting at the time of the adoption of the constitution, shall be assumed and paid by the new government.

(8) Provision shall be made for the establishment and maintenance of an adequate system of public schools, primarily conducted in the English language.

(9) Acts affecting currency, coinage, imports, exports, and immigration shall not become law until approved by the President of the United States.

(10) Foreign affairs shall be under the direct supervision and control of the United States.

(11) All acts passed by the Legislature of the Commonwealth of the Philippine Islands shall be reported to the Congress of the United States.

(12) The Philippine Islands recognizes the right of the United States to expropriate property for public uses, to maintain military and other reservations and armed forces in the Philippines, and, upon order of the President, to call into the service of such armed forces all military forces organized by the Philippine government.

(13) The decisions of the courts of the Commonwealth of the Philippine Islands shall be subject to review by the Supreme Court of the United States as provided in paragraph (6) of section 7.

(14) The United States may, by Presidential proclamation, exercise the right to intervene for the preservation of the government of the Commonwealth of the Philippine Islands and for the maintenance

of the government as provided in the constitution thereof, and for the protection of life, property, and individual liberty and for the discharge of government obligations under and in accordance with the provisions of the constitution.

(15) The authority of the United States High Commissioner to the government of the Commonwealth of the Philippine Islands, as provided in this Act, shall be recognized.

(16) Citizens and corporations of the United States shall enjoy in the Commonwealth of the Philippine Islands all the civil rights of the citizens and corporations, respectively, thereof.

(b) The constitution shall also contain the following provisions, effective as of the date of the proclamation of the President recognizing the independence of the Philippine Islands, as hereinafter provided:

(1) That the property rights of the United States and the Philippine Islands shall be promptly adjusted and settled, and that all existing property rights of citizens or corporations of the United States shall be acknowledged, respected, and safeguarded to the same extent as property rights of citizens of the Philippine Islands.

(2) That the officials elected and serving under the constitution adopted pursuant to the provisions of this Act shall be constitutional officers of the free and independent government of the Philippine Islands and qualified to function in all respects as if elected directly under such government, and shall serve their full terms of office as prescribed in the constitution.

(3) That the debts and liabilities of the Philippine Islands, its Provinces, cities, municipalities, and instrumentalities, which shall be valid and subsisting at the time of the final and complete withdrawal of the sovereignty of the United States, shall be assumed by the free and independent government of the Philippine Islands; and that where bonds have been issued under authority of an Act of Congress of the United States by the Philippine Islands, or any Province, city, or municipality therein, the Philippine government will make adequate provision for the necessary funds for the payment of interest and principal, and such obligations shall be a first lien on the taxes collected in the Philippine Islands.

(4) That the government of the Philippine Islands, on becoming independent of the United States, will assume all continuing obligations assumed by the United States under the treaty of peace with Spain ceding said Philippine Islands to the United States.

(5) That by way of further assurance the government of the Philippine Islands will embody the foregoing provisions (except paragraph (2)) in a treaty with the United States.

SUBMISSION OF CONSTITUTION TO THE PRESIDENT OF THE UNITED STATES

SEC. 3. Upon the drafting and approval of the constitution by the constitutional convention in the Philippine Islands, the constitution shall be submitted within two years after the enactment of this Act to the President of the United States, who shall determine whether or not it conforms with the provisions of this Act. If the President finds that the proposed constitution conforms substantially with the provisions of this Act he shall so certify to the Governor General of the Philippine Islands, who shall so advise the constitutional convention. If the President finds that the constitution does not conform with the provisions of this Act he shall so advise the Governor General of the Philippine Islands, stating wherein in his judgment the constitution does not so conform and submitting provisions which will in his judgment make the constitution so conform. The Governor General shall in turn submit such message to the constitutional convention for further action by them pursuant to the same procedure hereinbefore defined, until the President and the constitutional convention are in agreement.

SUBMISSION OF CONSTITUTION TO FILIPINO PEOPLE

SEC. 4. After the President of the United States has certified that the constitution conforms with the provisions of this Act, it shall be submitted to the people of the Philippine Islands for their ratification or rejection at an election to be held within four months after the date of such certification, on a date to be fixed by the Philippine Legislature, at which election the qualified voters of the Philippine Islands shall have an opportunity to vote directly for or against the proposed constitution and ordinances appended thereto. Such election shall be held in such manner as may be prescribed by the Philippine Legislature, to which the return of the election shall be made. The Philippine Legislature shall by law provide for the canvassing of the return and shall certify the result to the Governor General of the Philippine Islands, together with a statement of the votes cast, and a copy of said constitution and ordinances. If a majority of the votes cast shall be for the constitution, such vote shall be deemed an expression of the will of the people of the Philippine Islands in favor of Philippine independence, and the Governor General shall, within thirty days after receipt of the certification from the Philippine Legislature, issue a proclamation for the election of officers of the government of the Commonwealth of the Philippine Islands provided for in the constitution. The election shall take place not earlier than three months nor later than six months after the proclamation by the Governor General ordering such election. When the election of the officers provided for under

the constitution has been held and the results determined, the Governor General of the Philippine Islands shall certify the results of the election to the President of the United States, who shall thereupon issue a proclamation announcing the results of the election, and upon the issuance of such proclamation by the President the existing Philippine government shall terminate and the new government shall enter upon its rights, privileges, powers, and duties, as provided under the constitution. The present government of the Philippine Islands shall provide for the orderly transfer of the functions of government.

If a majority of the votes cast are against the constitution, the existing government of the Philippine Islands shall continue without regard to the provisions of this Act.

TRANSFER OF PROPERTY AND RIGHTS TO PHILIPPINE COMMONWEALTH

SEC. 5. All the property and rights which may have been acquired in the Philippine Islands by the United States under the treaties mentioned in the first section of this Act, except such land or other property as has heretofore been designated by the President of the United States for Military and other reservations of the Government of the United States, and except such land or other property or rights or interests therein as may have been sold or otherwise disposed of in accordance with law, are hereby granted to the government of the Commonwealth of the Philippine Islands when constituted.

RELATIONS WITH THE UNITED STATES PENDING COMPLETE INDEPENDENCE

SEC. 6. After the date of the inauguration of the government of the Commonwealth of the Philippine Islands trade relations between the United States and the Philippine Islands shall be as now provided by law, subject to the following exceptions:

(a) There shall be levied, collected, and paid on all refined sugars in excess of fifty thousand long tons, and on unrefined sugars in excess of eight hundred thousand long tons, coming into the United States from the Philippine Islands in any calendar year, the same rates of duty which are required by the laws of the United States to be levied, collected, and paid upon like articles imported from foreign countries.

(b) There shall be levied, collected, and paid on all coconut oil coming into the United States from the Philippine Islands in any calendar year in excess of two hundred thousand long tons, the same rates of duty which are required by the laws of the United States to be levied, collected, and paid upon like articles imported from foreign countries.

(c) There shall be levied, collected, and paid on all yarn, twine, cord, cordage, rope and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fibers, coming into the United States from the Philippine Islands in any calendar year in excess of a collective total of three million pounds of all such articles hereinbefore enumerated, the same rates of duty which are required by the laws of the United States to be levied, collected, and paid upon like articles imported from foreign countries.

(d) In the event that in any year the limit in the case of any article which may be exported to the United States free of duty shall be reached by the Philippine Islands, the amount or quantity of such articles produced or manufactured in the Philippine Islands thereafter that may be so exported to the United States free of duty shall be allocated, under export permits issued by the government of the Commonwealth of the Philippine Islands, to the producers or manufacturers of such articles proportionately on the basis of their exportation to the United States in the preceding year; except that in the case of unrefined sugar the amount thereof to be exported annually to the United States free of duty shall be allocated to the sugar-producing mills of the islands proportionately on the basis of their average annual production for the calendar years 1931, 1932, and 1933, and the amount of sugar from each mill which may be so exported shall be allocated in each year between the mill and the planters on the basis of the proportion of sugar to which the mill and the planters are respectively entitled. The government of the Philippine Islands is authorized to adopt the necessary laws and regulations for putting into effect the allocation hereinbefore provided.

(e) The government of the Commonwealth of the Philippine Islands shall impose and collect an export tax on all articles that may be exported to the United States from the Philippine Islands free of duty under the provisions of existing law as modified by the foregoing provisions of this section, including the articles enumerated in subdivisions (a), (b), and (c), within the limitations therein specified, as follows:

(1) During the sixth year after the inauguration of the new government the export tax shall be 5 per centum of the rates of duty which are required by the laws of the United States to be levied, collected, and paid on like articles imported from foreign countries;

(2) During the seventh year after the inauguration of the new government the export tax shall be 10 per centum of the rates of duty which are required by the laws of the United States to be levied, collected, and paid on like articles imported from foreign countries;

(3) During the eighth year after the inauguration of the new government the export tax shall be 15 per centum of the rates of

duty which are required by the laws of the United States to be levied, collected, and paid on like articles imported from foreign countries;

(4) During the ninth year after the inauguration of the new government the export tax shall be 20 per centum of the rates of duty which are required by the laws of the United States to be levied, collected, and paid on like articles imported from foreign countries;

(5) After the expiration of the ninth year after the inauguration of the new government the export tax shall be 25 per centum of the rates of duty which are required by the laws of the United States to be levied, collected, and paid on like articles imported from foreign countries.

The government of the Commonwealth of the Philippine Islands shall place all funds received from such export taxes in a sinking fund, and such funds shall, in addition to other moneys available for that purpose, be applied solely to the payment of the principal and interest on the bonded indebtedness of the Philippine Islands, its Provinces, municipalities, and instrumentalities, until such indebtedness has been fully discharged.

When used in this section in a geographical sense, the term "United States" includes all Territories and possessions of the United States, except the Philippine Islands, the Virgin Islands, American Samoa, and the island of Guam.

SEC. 7. Until the final and complete withdrawal of American sovereignty over the Philippine Islands—

(1) Every duly adopted amendment to the constitution of the government of the Commonwealth of the Philippine Islands shall be submitted to the President of the United States for approval. If the President approves the amendment or if the President fails to disapprove such amendment within six months from the time of its submission, the amendment shall take effect as a part of such constitution.

(2) The President of the United States shall have authority to suspend the taking effect of or the operation of any law, contract, or executive order of the government of the Commonwealth of the Philippine Islands, which in his judgment will result in a failure of the government of the Commonwealth of the Philippine Islands to fulfill its contracts, or to meet its bonded indebtedness and interest thereon or to provide for its sinking funds, or which seems likely to impair the reserves for the protection of the currency of the Philippine Islands, or which in his judgment will violate international obligations of the United States.

(3) The Chief Executive of the Commonwealth of the Philippine Islands shall make an annual report to the President and Congress

of the United States of the proceedings and operations of the government of the Commonwealth of the Philippine Islands and shall make such other reports as the President or Congress may request.

(4) The President shall appoint, by and with the advice and consent of the Senate, a United States High Commissioner to the government of the Commonwealth of the Philippine Islands who shall hold office at the pleasure of the President and until his successor is appointed and qualified. He shall be known as the United States High Commissioner to the Philippine Islands. He shall be the representative of the President of the United States in the Philippine Islands and shall be recognized as such by the government of the Commonwealth of the Philippine Islands, by the commanding officers of the military forces of the United States, and by all civil officials of the United States in the Philippine Islands. He shall have access to all records of the government or any subdivision thereof, and shall be furnished by the Chief Executive of the Commonwealth of the Philippine Islands with such information as he shall request.

If the government of the Commonwealth of the Philippine Islands fails to pay any of its bonded or other indebtedness or the interest thereon when due or to fulfill any of its contracts, the United States High Commissioner shall immediately report the facts to the President, who may thereupon direct the High Commissioner to take over the customs offices and administration of the same, administer the same, and apply such part of the revenue received therefrom as may be necessary for the payment of such overdue indebtedness or for the fulfillment of such contracts. The United States High Commissioner shall annually, and at such other times as the President may require, render an official report to the President and Congress of the United States. He shall perform such additional duties and functions as may be delegated to him from time to time by the President under the provisions of this Act.

The United States High Commissioner shall receive the same compensation as is now received by the Governor General of the Philippine Islands, and shall have such staff and assistants as the President may deem advisable and as may be appropriated for by Congress, including a financial expert, who shall receive for submission to the High Commissioner a duplicate copy of the reports of the insular auditor. Appeals from decisions of the insular auditor may be taken to the President of the United States. The salaries and expenses of the High Commissioner and his staff and assistants shall be paid by the United States.

The first United States High Commissioner appointed under this Act shall take office upon the inauguration of the new government of the Commonwealth of the Philippine Islands.

(5) The government of the Commonwealth of the Philippine Islands shall provide for the selection of a Resident Commissioner to the United States, and shall fix his term of office. He shall be the representative of the government of the Commonwealth of the Philippine Islands and shall be entitled to official recognition as such by all departments upon presentation to the President of credentials signed by the Chief Executive of said government. He shall have a seat in the House of Representatives of the United States, with the right of debate, but without the right of voting. His salary and expenses shall be fixed and paid by the government of the Philippine Islands. Until a Resident Commissioner is selected and qualified under this section, existing law governing the appointment of Resident Commissioners from the Philippine Islands shall continue in effect.

(6) Review by the Supreme Court of the United States of cases from the Philippine Islands shall be as now provided by law; and such review shall also extend to all cases involving the constitution of the Commonwealth of the Philippine Islands.

SEC. 8. (a) Effective upon the acceptance of this Act by concurrent resolution of the Philippine Legislature or by a convention called for that purpose, as provided in section 17—

(1) For the purposes of the Immigration Act of 1917, the Immigration Act of 1924 (except section 13 (c)), this section, and all other laws of the United States relating to the immigration, exclusion, or expulsion of aliens, citizens of the Philippine Islands who are not citizens of the United States shall be considered as if they were aliens. For such purposes the Philippine Islands shall be considered as a separate country and shall have for each fiscal year a quota of fifty. This paragraph shall not apply to a person coming or seeking to come to the Territory of Hawaii who does not apply for and secure an immigration or passport visa, but such immigration shall be determined by the Department of the Interior on the basis of the needs of industries in the Territory of Hawaii.

(2) Citizens of the Philippine Islands who are not citizens of the United States shall not be admitted to the continental United States from the Territory of Hawaii (whether entering such Territory before or after the effective date of this section) unless they belong to a class declared to be nonimmigrants by section 3 of the Immigration Act of 1924 or to a class declared to be nonquota immigrants under the provisions of section 4 of such Act other than subdivision (c) thereof, or unless they were admitted to such Territory under an immigration visa. The Secretary of Labor shall by regulations provide a method for such exclusion and for the admission of such excepted classes.

(3) Any Foreign Service officer may be assigned to duty in the Philippine Islands, under a commission as a consular officer, for such period as may be necessary and under such regulations as the Secretary of State may prescribe, during which assignment such officer shall be considered as stationed in a foreign country; but his powers and duties shall be confined to the performance of such of the official acts and notarial and other services, which such officer might properly perform in respect of the administration of the immigration laws if assigned to a foreign country as a consular officer, as may be authorized by the Secretary of State.

(4) For the purposes of sections 18 and 20 of the Immigration Act of 1917, as amended, the Philippine Islands shall be considered to be a foreign country.

(b) The provisions of this section are in addition to the provisions of the immigration laws now in force, and shall be enforced as a part of such laws, and all the penal or other provisions of such laws not inapplicable, shall apply to and be enforced in connection with the provisions of this section. An alien, although admissible under the provisions of this section, shall not be admitted to the United States if he is excluded by any provision of the immigration laws other than this section, and an alien, although admissible under the provisions of the immigration laws other than this section, shall not be admitted to the United States if he is excluded by any provision of this section.

(c) Terms defined in the Immigration Act of 1924 shall, when used in this section, have the meaning assigned to such terms in that Act.

SEC. 9. There shall be no obligation on the part of the United States to meet the interest or principal of bonds and other obligations of the government of the Philippine Islands or of the Provincial and municipal governments thereof, hereafter issued during the continuance of United States sovereignty in the Philippine Islands: *Provided*, That such bonds and obligations hereafter issued shall not be exempt from taxation in the United States or by authority of the United States.

RECOGNITION OF PHILIPPINE INDEPENDENCE AND WITHDRAWAL OF
AMERICAN SOVEREIGNTY

SEC. 10. (a) On the 4th day of July immediately following the expiration of a period of ten years from the date of the inauguration of the new government under the constitution provided for in this Act the President of the United States shall by proclamation withdraw and surrender all right of possession, supervision, jurisdiction, control, or sovereignty then existing and exercised by the United States in and over the territory and people of the Philippine

Islands, including all military and other reservations of the Government of the United States in the Philippines (except such naval reservations and fueling stations as are reserved under section 5), and, on behalf of the United States, shall recognize the independence of the Philippine Islands as a separate and self-governing nation and acknowledge the authority and control over the same of the government instituted by the people thereof, under the constitution then in force.

(b) The President of the United States is hereby authorized and empowered to enter into negotiations with the government of the Philippine Islands, not later than two years after his proclamation recognizing the independence of the Philippine Islands, for the adjustment and settlement of all questions relating to naval reservations and fueling stations of the United States in the Philippine Islands, and pending such adjustment and settlement the matter of naval reservations and fueling stations shall remain in its present status.

NEUTRALIZATION OF PHILIPPINE ISLANDS

SEC. 11. The President is requested, at the earliest practicable date, to enter into negotiations with foreign powers with a view to the conclusion of a treaty for the perpetual neutralization of the Philippine Islands, if and when Philippine independence shall have been achieved.

NOTIFICATION TO FOREIGN GOVERNMENTS

SEC. 12. Upon the proclamation and recognition of the independence of the Philippine Islands, the President shall notify the governments with which the United States is in diplomatic correspondence thereof and invite said governments to recognize the independence of the Philippine Islands.

TARIFF DUTIES AFTER INDEPENDENCE

SEC. 13. After the Philippine Islands have become a free and independent nation there shall be levied, collected, and paid upon all articles coming into the United States from the Philippine Islands the rates of duty which are required to be levied, collected, and paid upon like articles imported from other foreign countries: *Provided*, That at least one year prior to the date fixed in this Act for the independence of the Philippine Islands, there shall be held a conference of representatives of the Government of the United States and the government of the Commonwealth of the Philippine Islands, such representatives to be appointed by the President of the United States and the Chief Executive of the Commonwealth of the Philippine Islands, respectively, for the purpose of formulating recommendations as to future trade relations between the Government of the

United States and the independent government of the Philippine Islands, the time, place, and manner of holding such conference to be determined by the President of the United States; but nothing in this proviso shall be construed to modify or affect in any way any provision of this Act relating to the procedure leading up to Philippine independence or the date upon which the Philippine Islands shall become independent.

IMMIGRATION AFTER INDEPENDENCE

SEC. 14. Upon the final and complete withdrawal of American sovereignty over the Philippine Islands the immigration laws of the United States (including all the provisions thereof relating to persons ineligible to citizenship) shall apply to persons who were born in the Philippine Islands to the same extent as in the case of other foreign countries.

CERTAIN STATUTES CONTINUED IN FORCE

SEC. 15. Except as in this Act otherwise provided, the laws now or hereafter in force in the Philippine Islands shall continue in force in the Commonwealth of the Philippine Islands until altered, amended, or repealed by the Legislature of the Commonwealth of the Philippine Islands or by the Congress of the United States, and all references in such laws to the government or officials of the Philippines or Philippine Islands shall be construed, insofar as applicable, to refer to the government and corresponding officials respectively of the Commonwealth of the Philippine Islands. The government of the Commonwealth of the Philippine Islands shall be deemed successor to the present government of the Philippine Islands and of all the rights and obligations thereof. Except as otherwise provided in this Act, all laws or parts of laws relating to the present government of the Philippine Islands and its administration are hereby repealed as of the date of the inauguration of the government of the Commonwealth of the Philippine Islands.

SEC. 16. If any provision of this Act is declared unconstitutional or the applicability thereof to any person or circumstance is held invalid, the validity of the remainder of the Act and the applicability of such provisions to other persons and circumstances shall not be affected thereby.

EFFECTIVE DATE

SEC. 17. The foregoing provisions of this Act shall not take effect until accepted by concurrent resolution of the Philippine Legislature, or by a convention called for the purpose of passing upon that question as may be provided by the Philippine Legislature.

Approved, March 24, 1934.

APPENDIX II

LETTER TO THE HONORABLE MILLARD E. TYDINGS FROM THE HONORABLE FRANCIS B. SAYRE

DEPARTMENT OF STATE

FOR THE PRESS

MAY 24, 1937.

The following is the text of a letter from Mr. Francis B. Sayre, Chairman of the Interdepartmental Committee on Philippine Affairs, to Senator Tydings, Chairman of the Senate Committee on Territories and Insular Affairs. A similar letter was sent to Congressman Leo Kocialkowski, Chairman of the House Committee on Insular Affairs.

WASHINGTON, D.C.

May 24, 1937.

The Honorable

MILLARD E. TYDINGS,

United States Senate.

MY DEAR SENATOR TYDINGS:

As promised in the conversation which the Secretary of War and I had with you on February 23, 1937, with regard to the approaching visit of President Quezon of the Philippine Commonwealth and the expected discussions between him and the Interdepartmental Committee on Philippine Affairs, I now wish to acquaint you and the other members of the Senate Committee on Territories and Insular Affairs with the progress and results of the discussions which ensued. In so doing, I feel that it is desirable to review some of the circumstances which led up to these discussions.

The Tydings-McDuffie Independence Act, approved on March 24, 1934, provides the arrangements which control and guide, until July 4, 1946, the relationship which exists between the Government of the United States and the Commonwealth Government of the Philippines set up on November 15, 1935. This act did not become effective, as you know, until its provisions were accepted by concurrent resolution of the Philippine Legislature on May 1, 1934. In this resolution it was stated that, in accepting the Tydings-McDuffie act, the Legislature relied upon a statement of President Roosevelt "which gives to the Filipino people reasonable assurances of further hearing and due consideration of their views."¹⁹

The statement of President Roosevelt referred to was that contained in his message to Congress on March 2, 1934, recommending the enactment of the Tydings-McDuffie act, as follows:

"I do not believe that other provisions of the original law need be changed at this time. Where imperfections or inequalities exist, I am confident that they can be corrected after proper hearing and in fairness to both peoples."²⁰

¹⁹ H. Doc. 400, 74th Cong., 2d sess., p. 1.

²⁰ H. Doc. 272, 73d Cong., 2d sess.

Provisions in the earlier Hare-Hawes-Cutting act to which the Philippine Legislature took exception, in rejecting that act, and which they hoped to have corrected in the Tydings-McDuffie act, related "to immigration, military, and other reservations, powers of the High Commissioner, and trade relations between the Islands and the United States".²¹

With regard to the Tydings-McDuffie act, the Honorable Manuel L. Quezon, then President of the Philippine Senate and Chairman of the Philippine Independence Delegation, in a letter to you, dated March 22, 1934, two days before the passage of the act, stated as follows:

"There are, of course, other provisions of the bill to which we object, but we are willing to take it as it is now, and we have given up any attempt at this time to have it in any way amended, because we are relying upon the statement made by the President in his message to Congress, March 2, 1934 . . .

"Furthermore, we have seen the attitude of the chairmen of both committees of Congress toward the Filipino people's freedom and welfare, and we have no doubt that upon further investigation, when they shall have found that independence can be granted in a much shorter time and that other provisions of the bill need improvement, they will so recommend to the Congress."²²

Moreover, Vice President John N. Garner, in his speech at the Joint Session of the Philippine Legislature on November 12, 1935 (three days before the inauguration of the Commonwealth Government), stated in regard to "inequalities in our trade relations" as follows:

"Our great President, Franklin D. Roosevelt, in sending the last independence bill to Congress, accompanied it with a recommendation that where there were inequalities in our trade relations, they should be adjusted by a Commission representing both peoples who could arrive at an equitable decision which would prove advantageous to our 120,000,000 people and to your 14,000,000 people."²³

The statements quoted evidence a feeling on the part of responsible persons in both countries that certain "imperfections or inequalities" may be found, upon further study, to exist in the Independence Act. These so-called imperfections or inequalities in regard to future relationships have been regarded as being susceptible of adjustment through joint study and conference.

Contemporaneously with the recognition that imperfections and inequalities might exist in the Independence Act, an Interdepartmental Committee on Philippine Affairs was set up in December 1934. Acting upon a suggestion made by you and Senators McKellar, McAdoo, and Gibson in a joint telegram to President Roosevelt, this Committee began, in January 1935, a study of United States-Philippine trade relations.²⁴ Since that time, this Interdepartmental Committee has been studying Philippine problems and coordinating the activities of the various administrative departments and agencies of the United States Government concerned with Philippine affairs. In the recent discussions with President Quezon, the deliberations of the Interdepartmental Committee have been attended by representatives of the Departments of State, War, Navy, Treasury, Agriculture, Commerce, and the Tariff Commission. It is the opinion of this Committee,

²¹ S. Doc. 57, 74th Cong., 1st sess., pt. 1, p. 10.

²² *Congressional Record*, vol. 78, no. 64, Mar. 22, 1934, p. 5237.

²³ H. Doc. 400, 74th Cong., 2d sess., p. 44.

²⁴ Joint telegram, dated Dec. 31, 1934, from Manila.

as well as of President Quezon, that, in justice to the United States and to the Philippines, uncertainties and misconceptions in regard to the future political and economic relations between the two countries should be removed as soon as practicable. Until these uncertainties are removed, necessary economic adjustments in the Islands will be delayed.

The Interdepartmental Committee is also of the opinion, on the basis of evidence now available, that certain modifications in existing legislation may be necessary to facilitate the adjustment of Philippine economy to a position independent of preferences in the United States market. However, the Committee cannot, until further study has been given the subject, recommend the specific adjustments which should be undertaken, nor can it estimate the period of time which will be required for making such adjustments. Much study has been devoted to a consideration of these matters by both the United States and the Philippine Governments, but no joint program has been formulated.

In addition to the problems involved in the adjustment of the national economy of the Philippines, there are comparable problems involved in providing an adjustment of American export trade to a non-preferential, competitive position in the Philippine market. According to the terms of the Independence Act, American producers and export interests will be faced with an abrupt transition, on July 4, 1946, from a condition of free access to the Philippine market to one in which full Philippine tariff duties apply. The problems involved in this adjustment should likewise be studied.

A recognition of these problems led the Interdepartmental Committee to the conclusion that it was desirable that a joint committee of American and Philippine experts be set up to study the problems and to formulate recommendations looking toward the correction of any "imperfections or inequalities" which might be found to exist in the present arrangements. President Roosevelt concurred in the proposal that the committee be created and he approved the appointment of the American members of the Committee. This Joint Committee held its first meeting on April 19, 1937, and is now carrying on its studies.

The Joint Committee will conduct its studies with the general understanding (agreed upon between the Interdepartmental Committee and President Quezon) that preferential trade relations between the United States and the Philippines will be terminated at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy. This does not mean that preferential tariff rates or preferential excise rates will be withdrawn prior to July 4, 1946, the date for complete independence fixed by the terms of the Independence Act. The studies of the Joint Committee will be based on the assumption that trade preferences will be terminated on that date or as soon as practicable thereafter, having in mind the difficult task of economic adjustment with which the Islands appear to be faced as trade preferences are withdrawn.

President Quezon, as you doubtless know, has suggested advancement of the date of independence to December, 1938, or July 4, 1939. With reference to this suggestion, the Interdepartmental Committee and President Quezon have agreed •that, insofar as they are authorized to speak, complete political independence of the Philippines shall become effective not later than July 4, 1946, the date fixed under the terms of the Independence Act. The Joint Committee, however, is instructed, in making its recommendations, to consider the bearing an advancement in the date of political independence to 1938 or 1939 would have on determining the date of termination of trade preferences between the United States and the Philippine Islands and on facilitating or retarding the execution of a program of economic adjustment in the Philippines. Legislation by Con-

gress would, of course, be required to effect any change in the date of independence.

The functions of the Joint Committee, in general, are to consider proposals which have been made for changing the political and economic relations of the United States with the Philippines; to hold public hearings for interested parties both in the United States and in the Philippines; to study the problem of making adjustments in Philippine national economy; to prepare the way for a trade conference; and to make recommendations. Among the problems which will be given consideration by the Joint Committee are the following:

The character of the trade preferences which should exist for a specified, limited period.

The precise arrangements for governing the trade relations between the United States and the Philippine Islands after the termination of preferential trade relations.

Economic adjustments that could be undertaken in the Philippines and methods of executing and financing such adjustments.

The need or appropriateness of changes in the Philippine currency and banking system, and in the provisions for servicing Philippine bonded indebtedness, that may be required to implement the plan for economic adjustment recommended by the Joint Committee.

Adequate protection of the rights and interests of the United States and its citizens in the Philippines and of the Philippines and its citizens in the United States after the attainment of independence.

The bearing which the possible negotiation of the neutralization agreement provided for in section 11 of the Tydings-McDuffie Independence Act would have on the problems studied by the Joint Committee.

It is anticipated that the report and recommendations of the Joint Committee will be submitted sometime before the close of 1937 to the President of the United States through the Interdepartmental Committee on Philippine Affairs and to the President of the Commonwealth Government. It is hoped that this report may be available in ample time for consideration by the Congress and by the Philippine Assembly this coming autumn and winter.

For over a quarter of a century successive administrations of our Government have based their policy with reference to the Philippines upon an abiding confidence in the ability of the Philippine people ultimately to govern themselves as a free and independent nation. The task is one which involves problems of great magnitude. These problems are not merely those relating to trade between the two peoples but political and economic considerations of far-reaching significance to the United States, to the Philippines, and to all nations having interests in the Far East. The attainment of the objectives which both peoples have had in mind will require patience, a sense of fair play, and cooperation. It is believed that the leaders of both peoples, imbued with the highest ideals, will be able to surmount the difficulties that yet lie ahead of them. I can assure you that, with such ideals in mind, the Joint Committee will endeavor to make some contribution toward the successful conclusion of this great undertaking.

In view of the public interest in the problem, especially at this time, you may care to make this letter and its enclosures a matter of record for the information of Congress and the public.

Sincerely yours,

FRANCIS B. SAYRE
*Chairman, Interdepartmental Committee
on Philippine Affairs*

APPENDIX III

RECOMMENDATIONS FOR INCREASES IN PHILIPPINE IMPORT DUTIES

PHILIPPINE TARIFF ACT		PRESENT RATE	RECOM- MENDED RATE
<i>Paragraph</i>			
267	Evaporated milk.....	10 percent ad valorem	25 percent ad valorem
212	Fish, in cans, glass, or jars—		
	(a) Cod, herring, mullet, haddock, salmon, mackerel, sardines....	15 percent ad valorem	25 percent ad valorem
	(b) Other common preserved fish, shell-fish, and seafood.....	20 percent ad valorem	25 percent ad valorem
97, 98, 99, 100	Cotton textiles, as shown below*		

PARAGRAPH 97

SCHEDULE	PRESENT RATE	RECOM- MENDED RATE
(a) Up to 10 threads.....	\$0. 10	\$0. 14
(b) Over 10 to 15.....	. 10	. 16
(c) Over 15 to 20.....	. 10- 14	. 19
(d) Over 20 to 24.....	. 14	. 22
(e) Over 24 to 28.....	. 14	. 26
(f) Over 28 to 32.....	. 14- 20	. 30
(g) Over 32 to 36.....	. 20	. 35
(h) Over 36 to 40.....	. 20- 26	. 40
(i) Over 40 to 44.....	. 26	. 45
(j) Over 44 to 48.....	. 32	. 50
(k) Over 48 to 52.....	. 32	. 55
(l) Over 52 to 56.....	. 32	. 60
(m) Over 56 to 60.....	. 32	. 65
(n) Over 60.....	. 32	. 70

*When the increased duties herein provided become effective, the Japanese gentleman's agreement limiting the shipment of cotton textiles to the Philippines will, as provided therein, no longer be operative.

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PARAGRAPH 98

SCHEDULE	PRESENT RATE	RECOMMENDED RATE
(a) Up to 10 threads.....	\$0. 18	\$0. 27
(b) Over 10 to 15.....	. 18	. 31
(c) Over 15 to 20.....	. 18- 27	. 35
(d) Over 20 to 24.....	. 27 *	. 40
(e) Over 24 to 28.....	. 27	. 45
(f) Over 28 to 32.....	. 27- 34	. 50
(g) Over 32 to 36.....	. 34	. 55
(h) Over 36 to 40.....	. 34- 40	. 61
(i) Over 40 to 44.....	. 40	. 67
(j) Over 44 to 48.....	. 50	. 73
(k) Over 48 to 52.....	. 50	. 79
(l) Over 52 to 56.....	. 50	. 85
(m) Over 56 to 60.....	. 50	. 91
(n) Over 60.....	. 50	. 97

PARAGRAPH 99

SCHEDULE	PRESENT RATE	RECOMMENDED RATE
(a) Up to 10 threads.....	\$0. 14	\$0. 21
(b) Over 10 to 15.....	. 14	. 24
(c) Over 15 to 20.....	. 14- 18	. 28
(d) Over 20 to 24.....	. 18	. 32
(e) Over 24 to 28.....	. 18	. 37
(f) Over 28 to 32.....	. 18- 24	. 43
(g) Over 32 to 36.....	. 24	. 49
(h) Over 36 to 40.....	. 24- 30	. 55
(i) Over 40 to 44.....	. 30	. 61
(j) Over 44 to 48.....	. 34	. 67
(k) Over 48 to 52.....	. 34	. 73
(l) Over 52 to 56.....	. 34	. 79
(m) Over 56 to 60.....	. 34	. 85
(n) Over 60.....	. 34	. 91

PARAGRAPH 100

SCHEDULE	PRESENT RATE	RECOMMENDED RATE
(a) Up to 10 threads.....	\$0. 24	\$0. 36
(b) Over 10 to 15.....	. 24	. 41
(c) Over 15 to 20.....	. 24- 32	. 46
(d) Over 20 to 24.....	. 32	. 52
(e) Over 24 to 28.....	. 32	. 58
(f) Over 28 to 32.....	. 42	. 64
(g) Over 32 to 36.....	. 42	. 70
(h) Over 36 to 40.....	. 42- 52	. 76
(i) Over 40 to 44.....	. 52	. 83 *
(j) Over 44 to 48.....	. 60	. 90
(k) Over 48 to 52.....	. 60	. 97
(l) Over 52 to 56.....	. 60	1. 04
(m) Over 56 to 60.....	. 60	1. 11
(n) Over 60.....	. 60	1. 18

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SURTAXES ON COTTON TEXTILES

	PRESENT RATE	RECOM- MENDED RATE
PARAGRAPHS 97 AND 99		
Bleached and dyed in the piece.....	None	20 percent
Manufactured with dyed yarn.....	30 percent	30 percent
Stamped or printed.....	30 percent	40 percent
PARAGRAPHS 98 AND 100		
Bleached and dyed in the piece.....	None	30 percent
Manufactured with dyed yarn.....	40 percent	40 percent
Stamped or printed.....	40 percent	50 percent

APPENDIX IV, TABLE 1

PHILIPPINE INSULAR REVENUES

Consolidated Budget Statement of the Central Government for Fiscal Years 1927, 1930, 1933, 1936

	IN PESOS				Ratio to total income
	1927	1930	1933	1936	
	Amount				
A. REVENUE FROM TAXATION--NET (Insular Portion)	58,566,449	60,570,525	51,724,922	72,704,867	70.3
1. Import duties	15,952,850	17,841,386	15,262,666	22,484,295	21.7
2. Excise tax	18,696,557	19,594,278	15,283,161	22,151,018	21.4
3. License and business tax	22,371,156	21,179,206	14,937,297	20,069,778	19.4
4. Income tax	3,332,198	4,340,917	3,089,535	4,506,667	4.4
5. Wharfage fees	2,474,960	3,050,639	3,780,627	3,464,088	3.4
6. Customs documentary stamp tax	633,838	737,734	605,962	632,527	.6
7. Internal revenue documentary stamp tax	745,889	838,601	635,819	830,841	.6
8. Tonnage dues	384,006	456,321	447,736	504,534	.5
9. Immigration tax	355,024	401,488	269,716	350,650	.3
10. Inheritance tax	538,776	1,011,717	423,104	613,719	.6
11. Franchise tax	157,522	183,203	153,382	126,021	.1
12. Miscellaneous taxes	13,855	---	---	134,812	.1
Gross receipts from taxation	65,656,631	69,635,489	54,889,006	75,866,950	73.3
Deduct - apportionment of internal revenue to local governments	(3,164,084)	(3,164,084)	3,164,084	3,164,084	3.1
Deduct - apportionment of motor vehicle, manufactured oil tax, and highways special funds	(3,926,098)	(5,900,881)	---	---	---
B. INCIDENTAL REVENUE	4,399,193	5,027,656	4,655,539	6,327,168	6.1
1. Revenue from public forests	1,387,825	1,762,408	1,328,931	2,237,103	2.2
2. United States internal revenue	736,909	643,584	766,142	1,345,890	1.3
3. Fines and forfeitures	727,569	715,083	537,490	692,701	.7
4. Sales of public domain	31,432	107,806	90,394	153,364	.2
5. Interest on bank deposits	1,460,991 (1)	1,740,609	337,614	461,334	.4
6. Interest on investments	(1)	(1)	1,218,995	1,285,689	1.2
7. Other incidental revenue	54,467	56,166	375,969	151,087	.2
C. EARNINGS AND OTHER CREDITS	15,416,802	17,791,052	12,164,424	13,535,229	13.1
1. Operating income of commercial and industrial units	9,362,257	9,234,974	6,656,511	6,051,404	7.8
2. Income incidental to functional activities	4,376,207	5,020,158	4,447,557	5,436,290	5.3
3. Other	1,678,338	3,465,920	1,060,356	47,535	.1
Total revenues and earnings	83,503,188	83,389,233	68,544,885	92,567,264	89.4
D. REPAYMENT OF LOANS AND ADVANCES	1,303,524	4,373,515	1,281,048	4,884,974	4.7
1. By Philippine National Bank	---	2,637,120	1,000,000	4,679,249	4.5
2. Other	1,303,524	1,736,395	281,048	205,725	.2
E. EXTRAORDINARY INCOME	3,817,223	7,221,680	200,000 (2)	6,050,000 (3)	5.8
1. Sale of bonds	3,817,223	7,221,680	---	---	---
2. Transfers	---	---	200,000 (2)	6,050,000 (3)	5.8
Total receipts and transfers	33,503,191	94,984,428	70,025,934	103,502,238	100.
F. NET REVENUES AVAILABLE FOR MEETING ORDINARY EXPENDITURES (A + B + C-2)	67,341,849	70,618,339	60,825,015	84,468,325	80.5
G. PER CAPITA REVENUES	4.84	4.63	3.73	4.94	---
1. From taxation (A)	4.84	4.63	3.73	4.94	---
2. Net revenues (F)	5.57	5.39	4.38	5.73	---

(1) Not separately reported.

(2) From Depository Fund, Manila Harbor Board.

(3) From Exchange Standard Fund.

Source: Based on Reports of the Auditor General of the Philippines.

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APPENDIX IV, TABLE 2

PHILIPPINE INSULAR EXPENDITURES

Consolidated Budget Statement of the Central Government for Fiscal Years 1927, 1930, 1933, 1936

	IN PESOS				Ratio to total expenditures
	1927	1930	1933	1936	
A. GENERAL WELFARE SERVICES	51,129,122	57,231,366	49,133,733	62,036,925	67.2
1. <u>General administration</u>	6,077,145	7,218,902	6,650,199	7,235,785	7.9
a. Executive direction and control	1,630,543	2,056,816	2,232,850	3,230,555	3.5
b. Legislation	1,834,036	2,012,334	1,692,272	1,250,573	1.4
c. Adjudication	2,612,566	3,149,752	2,725,077	2,754,657	3.0
2. <u>Protective services</u>	10,151,855	11,116,125	10,162,488	17,435,644	18.9
a. National defense	5,271,391	5,504,392	4,399,551	10,716,477	11.6
b. Law and order	4,379,394	5,018,052	3,975,593	4,231,848	4.6
c. Public health	223,533	213,696	180,027	132,823	.2
d. Protection against force majeure	113,252	122,150	75,415	75,093	.1
e. Regulation of public utilities	164,285	257,835	1,530,902	1,785,428	1.9
f. Other protective services	--	--	--	--	--
3. <u>Social improvement</u>	10,304,890	11,023,411	17,670,537	19,311,273	20.9
a. Public education	8,662,587	9,032,459	16,642,732	18,035,629	19.5
b. Public correction	955,753	927,293	653,239	783,520	.9
c. Public charity	686,550	1,063,659	374,566	481,140	.5
d. Other social improvement	--	--	--	10,984	.01
4. <u>Economic development</u>	7,941,773	8,807,856	14,650,510	18,134,223	19.7
a. Conservation of natural resources	663,568	786,386	700,150	737,158	.8
b. Development of commerce	2,940,744	3,118,401	6,255,190	7,630,148	8.3
c. Development of agriculture	3,122,373	3,741,565	6,622,732	8,849,112	9.6
d. Development of industrial arts and sciences	551,479	537,237	446,621	240,447	.3
e. Development of mineral resources	--	--	--	5,737	.01
f. Other economic developments	533,660	489,039	494,306	540,884	.6
g. Philippine publicity	129,949	134,722	131,511	130,737	.14
5. <u>Aid to local governments</u>	16,653,457	19,125,073	(1)	(1)	--
B. DEBT SERVICES	10,085,616	19,495,741	9,281,385	8,395,350	9.1
1. Interest and exchange on Insular bonds	6,959,644	6,139,899	5,313,177	5,854,175	6.3
2. Contribution to sinking funds of Insular bonds	3,125,972	4,001,885	3,968,209	2,541,175	2.8
3. Added sinking fund Manila port works bonds	--	9,353,957 ⁽²⁾	--	--	--
C. REVENUE SERVICE	9,081,777	9,727,251	8,034,546	8,058,383	8.7
1. Expense of revenue collection	1,768,704	1,890,943	2,068,361	2,014,433	2.2
2. Operating expense of commercial and industrial units	7,313,074	7,836,308	5,966,185	6,043,950	6.5
D. INVESTMENTS AND OUTLAYS	13,577,056	14,371,232	2,244,923	12,690,908	13.7
1. Interest loans or advances to Railroad Companies	687,239	687,288	2,232,293	1,390,668	--
2. Real estate mortgage loans	2,067,936	457,680	--	--	--
3. Purchase of Metropolitan water district bonds	3,612,697	3,015,363	--	(3)	--
4. Purchase and construction of public works	5,926,908	8,266,831	(4)	(5)	--
5. Miscellaneous loans and investments	1,282,276	1,946,070	12,630	11,300,240	--
E. MISCELLANEOUS AND EXTRAORDINARY CHARGES	316,727	263,971	840,442	1,124,626	1.2
1. Retirement gratuities and pensions	205,032	258,125	840,442	1,124,626	--
2. Other	111,695	5,846	--	--	--
F. TOTAL FUNCTIONAL EXPENDITURES (gross budget charges)	84,190,298	101,151,561	69,539,030	92,366,193	100.0
G. NET RECURRING EXPENDITURES (A, B, C-1, D-1, and E-1) chargeable against ordinary revenues	63,875,713	79,623,463	63,556,214	75,022,002	--
H. AID TO LOCAL GOVERNMENTS	16,653,457	19,123,073	16,742,026	23,637,899	--
I. PER CAPITA EXPENDITURES (net G)	5.28	6.08 ⁽⁶⁾	4.58	5.09	--

(1) Included in other groups.

(2) Of which ₱9,270,754 represents additional contribution to sinking fund of Manila port works bonds.

(3) Of which ₱9,990,000 represents purchase of stocks of Manila Railroad Company.

(4) ₱848,241 of outlays for construction and equipment included in other groups.

(5) ₱5,332,143 of outlays for construction and equipment included in other groups.

(6) Less B-3 would be 5.36.

Source: Based on Reports of the Auditor General of the Philippines.

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APPENDIX V

DETAILED STATEMENT OF ALL THE OUTSTANDING BONDS ISSUED BY THE VARIOUS BRANCHES AND ENTITIES OF THE PHILIPPINE GOVERNMENT, SHOWING THE HISTORY AND THE PRESENT STATUS OF EACH AS OF DECEMBER 31, 1936

Name of Bond	Na- ture of bond	Authority of Issue				Date of		Dura- tion in Years	Inter- est rate per annum	Amount Authorized			Sinking Fund Reserve				Net Bonded Liability	Purpose of Issue
		Act of Con- gress of the United States	Act of the P. I. Legislature	No.	Date Approved	Issue	Maturity			Total	Issued	Unissued	Cash	Investments	Cancelled bonds, Act 3014	Total		
CENTRAL GOVERNMENT:																		
Public Improvement of 1909	R	Feb. 6, 1905	1954 May 20, 1909	Aug. 1, 1909	Aug. 1, 1939	10-30	4	P5,000,000.00	P5,000,000.00	----	P 45,099.20	P791,000.00	P1,744,000.00	P2,580,099.20	P419,900.80	To construct public works projects, etc.		
Railroad purchase	R	Aug. 29, 1916	2615 Feb. 4, 1916	Dec. 1, 1916	Dec. 1, 1946	10-30	4	8,000,000.00	8,000,000.00	----	21,302.74	1,218,000.00	3,156,000.00	4,395,302.74	3,604,697.26	To purchase capital stock of the Manila Railroad Company		
Public Improvement of 1921	C	July 21, 1921	2940 Feb. 5, 1921	Aug. 1, 1921	Aug. 1, 1941	20	5-1/2	20,000,000.00	20,000,000.00	----	362,839.00	8,572,500.00	4,910,000.00	13,845,339.00	6,154,661.00	To construct irrigation systems and other public improvements		
Financial interests protection	C	July 21, 1921	2999 Feb. 2, 1922	Feb. 1, 1922	Feb. 1, 1952	30	5	10,000,000.00	10,000,000.00	----	(15,870.73)	982,000.00	2,568,000.00	3,534,119.27	6,465,870.73	To protect the financial interests of the Government		
Irrigation and other permanent public works	C	May 31, 1922	3013 Mar. 5, 1922	July 1, 1922	July 1, 1952	30	4-1/2	45,000,000.00	23,600,000.00	b 19,400,000.00	(7,307.03)	1,754,000.00	6,476,000.00	8,222,692.97	15,377,307.03	To provide funds for the construction of public improvements, etc.		
Currency	C	May 31, 1922	3058 June 13, 1922	July 15, 1922	July 15, 1952	30	4-1/2	47,000,000.00	46,000,000.00	b 1,000,000.00	(27,687.74)	4,192,000.00	11,940,000.00	16,004,312.26	29,995,687.74	To provide funds with which to constitute the Exchange Standard fund and the Treasury Certificate fund		
Cebu port works and improvement, first series	C	May 31, 1922	3413 Dec. 7, 1927	Mar. 1, 1928	Mar. 1, 1958	30	4-1/2	1,500,000.00	1,500,000.00	----	1,686.07	95,000.00	174,000.00	270,686.07	1,229,313.93	To provide funds for the extension and improvement of the port of Cebu, Cebu		
Cebu port works and improvement, second series	C	May 31, 1922	3413 Dec. 7, 1927	Sept. 15, 1929	Sept. 15, 1959	30	4-1/2	1,500,000.00	1,500,000.00	----	14,353.74	136,000.00	78,000.00	228,353.74	1,271,646.26			
Cebu port works and improvement, third series	C	May 31, 1922	3413 Dec. 7, 1927	Mar. 15, 1930	Mar. 15, 1960	30	4-1/2	1,000,000.00	1,000,000.00	----	4,400.94	126,000.00	----	130,400.94	869,599.06			
Iloilo port works and improvement, first series	C	May 31, 1922	3417 Dec. 7, 1927	Apr. 1, 1928	Apr. 1, 1958	30	4-1/2	1,500,000.00	1,500,000.00	----	4,918.94	61,000.00	204,000.00	269,918.94	1,230,081.06	To provide funds for the construction and improvement of the port of Iloilo, Iloilo		
Iloilo port works and improvement, second series	C	May 31, 1922	3417 Dec. 7, 1927	Oct. 15, 1929	Oct. 15, 1959	30	4-1/2	1,000,000.00	1,000,000.00	----	23,796.91	108,000.00	20,000.00	151,796.91	848,203.09			
Iloilo port works and improvement, third series	C	May 31, 1922	3417 Dec. 7, 1927	Apr. 15, 1930	Apr. 15, 1960	30	4-1/2	1,850,000.00	1,850,000.00	----	5,557.08	235,000.00	----	240,557.08	1,609,442.92			
Total (excluding collateral bonds in the amount of P16,567,000.00 which are shown and indicated below by "a" under the respective entities)									139,350,000.00	118,950,000.00	20,400,000.00	433,088.52	18,270,500.00	31,170,000.00	49,873,588.52	69,076,411.48		
PROVINCIAL GOVERNMENTS:																		
Iloilo public improvement ^a	R	May 31, 1922	3228 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	4-1/2	1,121,000.00	1,121,000.00	----	3,461.55	81,000.00	181,000.00	265,461.55	855,538.45	To construct waterworks systems, etc.		
Pangasinan public improvement ^a	R	May 31, 1922	3228 Nov. 12, 1925	Mar. 1, 1926	Mar. 1, 1956	30	4-1/2	857,000.00	857,000.00	----	2,789.73	84,000.00	118,000.00	204,789.73	652,210.27			
Occidental Negros public improvement ^a	R	May 31, 1922	3229 Nov. 14, 1925	Apr. 1, 1926	Apr. 1, 1956	30	4-1/2	800,000.00	800,000.00	----	2,956.35	116,000.00	72,000.00	190,956.35	609,043.65			
Marinduque public improvement ^a	R	May 31, 1922	3268 Dec. 9, 1925	May 1, 1926	May 1, 1956	30	4-1/2	111,000.00	111,000.00	----	1,418.63	25,000.00	----	26,418.63	84,581.37			
Laguna public improvement ^a	C	May 31, 1922	3265 Dec. 7, 1925	May 1, 1927	May 1, 1957	30	4-1/2	196,000.00	196,000.00	----	1,470.70	51,000.00	2,000.00	54,470.70	141,529.30			
Iloos Norte public improvement ^a	R	May 31, 1922	3266 Dec. 7, 1925	June 1, 1926	June 1, 1956	30	4-1/2	442,000.00	442,000.00	----	1,486.74	61,000.00	42,000.00	104,486.74	337,513.26			
Iloos Sur public improvement ^a	C	May 31, 1922	3278 Nov. 30, 1926	July 1, 1927	July 1, 1957	30	4-1/2	260,000.00	260,000.00	----	352.57	17,500.00	36,000.00	53,852.57	206,147.43	To construct public works, etc.		
Tarlac public improvement ^a	C	May 31, 1922	3279 Nov. 30, 1926	July 1, 1927	July 1, 1957	30	4-1/2	343,000.00	343,000.00	1,000.00	565.35	18,000.00	52,000.00	70,565.35	271,434.65			
Pampanga public improvement ^a	C	May 31, 1922	3282 Nov. 30, 1926	July 1, 1927	July 1, 1957	30	4-1/2	955,000.00	954,000.00	1,000.00	1,660.26	59,000.00	138,000.00	198,660.26	755,339.74			
Nueva Ecija public improvement ^a	C	May 31, 1922	3289 Dec. 7, 1926	July 1, 1927	July 1, 1957	30	4-1/2	690,000.00	690,000.00	----	1,185.69	23,000.00	118,000.00	142,185.69	547,814.31			
Bulacan public improvement ^a	C	May 31, 1922	3331 Dec. 7, 1926	July 1, 1927	July 1, 1957	30	4-1/2	474,000.00	474,000.00	----	1,801.47	34,000.00	62,000.00	97,801.47	376,198.53			
Camrines Sur public improvement ^a	C	May 31, 1922	3280 Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	4-1/2	160,000.00	160,000.00	----	4,403.20	18,500.00	10,000.00	32,903.20	127,096.80			
La Union public improvement ^a	C	May 31, 1922	3281 Nov. 30, 1926	Jan. 1, 1928	Jan. 1, 1958	30	4-1/2	330,000.00	220,000.00	110,000.00	1,274.93	67,000.00	----	68,274.93	151,725.07			
Occidental Negros public improvement, first issue ^a	R	May 31, 1922	3987 Dec. 3, 1932	July 1, 1933	July 1, 1963	30	5	1,500,000.00	(1,277,700.00	----	2,467.19	74,000.00	----	76,467.19	1,201,232.81	To construct road and to reimburse Insular Government of outstanding loans contracted for permanent improvement		
Occidental Negros public improvement, second issue ^a		May 31, 1922	3987 Dec. 3, 1932	May 16, 1936	May 16, 1966	30	5										(222,300.00	----
Cebu public improvement ^a		May 31, 1922	3471 Dec. 7, 1928	May 4, 1936	May 4, 1966	30	5	500,000.00	500,000.00	----	----	----	----	----	500,000.00	To construct provincial capital, Cebu, Cebu		
Total									8,739,000.00	8,627,000.00	112,000.00	27,294.36	729,000.00	831,000.00	1,587,294.36	7,039,705.64		

Source: Report of the Auditor General of the Philippines for the fiscal year ended December 31, 1936. (Continued on following page.)

APPENDIX V—Continued

DETAILED STATEMENT OF ALL THE OUTSTANDING BONDS ISSUED BY THE VARIOUS BRANCHES AND ENTITIES OF THE PHILIPPINE GOVERNMENT, SHOWING THE HISTORY AND THE PRESENT STATUS OF EACH AS OF DECEMBER 31, 1936 - Continued

Name of Bond	Nature of bond	Authority of Issue		Date of Issue		Maturity	Duration in years	Interest rate per annum	Amount Authorized			Sinking Fund Reserve				Net Bonded Liability	Purpose of Issue
		Act of Congress of the United States	Act of the Philippine Legislature	Date Approved	Issue				Total	Issued	Unissued	Cash	Investments	Cancelled bonds Act 3014	Total		
MUNICIPAL GOVERNMENTS:																	
Cebu sewer and waterworks, Cebu	R	July 1, 1902	2009 Dec. 27, 1910	Jan. 1, 1911	Jan. 1, 1941	10-30	c 4		P 250,000.00	P 250,000.00	P - - - -	P 1,653.28	P 102,000.00	P 102,000.00	P 205,653.28	P 44,346.72	To construct sewer and water supply system, etc.
Majayjay sewer and waterworks, Laguna	R	Aug. 29, 1916	2773 Mar. 8, 1918	Jan. 1, 1919	Jan. 1, 1949	30	c 5		60,000.00	40,000.00	20,000.00	1,333.59	17,000.00	- - - -	18,333.59	21,666.41	
Santa Cruz sewer and waterworks, Laguna	R	Aug. 29, 1916	2773 Mar. 8, 1918	Jan. 1, 1919	Jan. 1, 1949	30	c 5		90,000.00	90,000.00	- - - -	875.62	41,000.00	- - - -	41,875.62	48,124.38	
Bangue sewer and waterworks, Abra	R	Aug. 29, 1916	2836 Mar. 8, 1919	Jan. 1, 1919	Jan. 1, 1949	30	c 5		40,000.00	40,000.00	- - - -	474.55	18,000.00	- - - -	18,474.55	21,525.45	
Cebatuan waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 15, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		4,000.00	8,000.00	- - - -	818.04	1,000.00	- - - -	1,818.04	6,181.96	
Dingle waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		20,000.00	20,000.00	- - - -	1,180.11	1,500.00	2,000.00	4,680.11	15,319.89	
Iloilo waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		358,000.00	358,000.00	- - - -	1,931.07	56,000.00	42,000.00	79,951.07	288,048.93	
Jaro waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		94,000.00	94,000.00	- - - -	2,126.55	10,000.00	10,000.00	22,126.55	71,873.45	
La Paz waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		80,000.00	80,000.00	- - - -	449.34	11,500.00	7,000.00	12,949.34	61,050.66	
Masahit waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		3,000.00	3,000.00	- - - -	681.72	- - - -	- - - -	681.72	2,318.28	
Pavia waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		25,000.00	25,000.00	- - - -	361.26	3,500.00	2,000.00	5,861.26	19,138.74	
Pototan waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		159,300.00	159,300.00	100.00	1,006.09	12,500.00	24,000.00	37,506.09	121,693.91	
Santa Barbara waterworks system, Iloilo ^a	R	May 31, 1922	3222 Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2		104,800.00	104,800.00	- - - -	1,866.20	12,500.00	11,000.00	24,866.20	79,933.80	
Bacarré waterworks system, Ilocos Norte ^a	R	May 31, 1922	3266 Dec. 7, 1925	June 1, 1926	June 1, 1956	30	d 4-1/2		7,000.00	7,000.00	- - - -	1,570.28	- - - -	- - - -	1,570.28	5,429.72	
Loang waterworks system, Ilocos Norte ^a	R	May 31, 1922	3266 Dec. 7, 1925	June 1, 1926	June 1, 1956	30	d 4-1/2		89,000.00	89,000.00	- - - -	763.21	12,000.00	8,000.00	20,763.21	68,236.79	
Pasayquin waterworks system, Ilocos Norte ^a	R	May 31, 1922	3266 Dec. 7, 1925	June 1, 1926	June 1, 1956	30	d 4-1/2		10,000.00	10,000.00	- - - -	1,265.69	1,000.00	- - - -	2,265.69	7,734.31	
Vigan waterworks system, Ilocos Sur ^a	C	May 31, 1922	3278 Nov. 30, 1926	July 1, 1927	July 1, 1957	30	d 4-1/2		90,000.00	90,000.00	- - - -	1,272.33	7,000.00	10,000.00	18,272.33	71,727.67	
Camaligan waterworks system, Camarines Sur ^a	C	May 31, 1922	3280 Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2		5,000.00	5,000.00	- - - -	986.37	- - - -	- - - -	986.37	4,013.63	
Canaman waterworks system, Camarines Sur ^a	C	May 31, 1922	3280 Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2		5,000.00	5,000.00	- - - -	986.37	- - - -	- - - -	986.37	4,013.63	
Magarao waterworks system, Camarines Sur ^a	C	May 31, 1922	3280 Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2		15,000.00	15,000.00	- - - -	2,004.10	1,000.00	- - - -	3,004.10	11,995.90	
Naga waterworks system, Camarines Sur ^a	C	May 31, 1922	3280 Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2		37,500.00	37,000.00	500.00	575.92	7,000.00	- - - -	7,575.92	29,424.08	
Iloilo public improvement bonds ^a		May 31, 1922	4205 July 25, 1935	May 16, 1936	May 16, 1966	30	d 5		350,000.00	350,000.00	- - - -	- - - -	- - - -	- - - -	- - - -	350,000.00	
Total									1,880,600.00	1,860,000.00	20,600.00	23,681.89	294,500.00	218,000.00	536,181.89	1,325,818.11	
CITY OF MANILA:																	
Public improvement, Act 2894 ^a	C	May 31, 1922	3051 Mar. 11, 1922	June 1, 1922	Dec. 1, 1950	28-1/2	d 4-1/2		5,500,000.00	5,500,000.00	- - - -	715.83	878,000.00	1,390,000.00	2,268,715.83	5,231,284.17	To construct public works and other improvements
Lowland improvement ^a	C	May 31, 1922	3352 Nov. 17, 1927	May 1, 1928	May 1, 1958	10-30	d 4-1/2		1,000,000.00	1,000,000.00	- - - -	1,603.23	83,000.00	100,000.00	184,603.23	815,396.77	To fill lowlands in the City of Manila
Public improvement, first issue	C	May 31, 1922	3456 Dec. 3, 1928	Apr. 1, 1929	Apr. 1, 1959	30	d 4-1/2		10,000,000.00	(1,000,000.00)	8,500,000.00	911.35	94,000.00	60,000.00	154,911.35	845,088.65	To construct permanent public improvements
Public improvement, second issue		May 31, 1922	3456 Dec. 3, 1928	Dec. 16, 1935	Dec. 16, 1965	30	d 5			(500,000.00)	- - - -	9,685.67	- - - -	- - - -	9,685.67	490,314.33	
Total									16,500,000.00	8,000,000.00	8,500,000.00	12,916.08	1,055,000.00	1,550,000.00	2,617,916.08	5,382,083.92	
METROPOLITAN WATER DISTRICT:																	
Sewer and waterworks (Manila), second series	R	July 1, 1908	1523 Apr. 14, 1905	Jan. 2, 1907	Jan. 2, 1937	10-30	c 4		4,000,000.00	4,000,000.00	- - - -	1,407,911.68	144,000.00	2,468,000.00	4,019,911.68	(19,911.68)	To provide funds for the construction and extension of sewer and waterworks systems for the City of Manila
Sewer and waterworks (Manila), third series	R	July 1, 1902	1523 Apr. 14, 1905	Jan. 2, 1908	Jan. 2, 1938	10-30	c 4		2,000,000.00	2,000,000.00	- - - -	15,818.75	1,166,472.50	788,000.00	1,970,291.25	29,708.75	
Metropolitan Water District -- 1st issue	C	May 31, 1922	3204 Dec. 3, 1924	Apr. 1, 1925	Apr. 1, 1955	10-30	d 5		6,000,000.00	6,000,000.00	- - - -	5,996.41	642,000.00	980,000.00	1,627,996.41	4,372,003.59	Extension of sewer and water supply systems
Metropolitan Water District -- 2nd issue	C	May 31, 1922	3255 Dec. 3, 1925	Oct. 1, 1929	Oct. 1, 1959	30	d 4-1/2			(3,000,000.00)	- - - -	970.70	408,000.00	62,000.00	470,970.70	2,529,029.30	
Metropolitan Water District -- 3rd issue	C	May 31, 1922	3255 Dec. 3, 1925	Apr. 1, 1931	Apr. 1, 1961	30	d 4-1/2		6,000,000.00	(500,000.00)	- - - -	1,805.94	52,000.00	- - - -	53,805.94	445,194.06	
Metropolitan Water District -- 4th issue	C	May 31, 1922	3255 Dec. 3, 1925	Mar. 15, 1935	Mar. 15, 1965	30	d 5			(500,000.00)	- - - -	2,306.94	7,000.00	- - - -	9,306.94	490,893.06	
										(500,000.00)	1,500,000.00	686.00	9,000.00	- - - -	9,686.00	490,314.00	
Total									18,000,000.00	16,500,000.00	1,500,000.00	1,435,496.42	2,428,472.50	4,298,000.00	8,163,968.92	8,336,031.08	
Grand total									P184,469,600.00	P153,937,000.00	P30,532,500.00	P1,932,477.27	P22,777,472.50	P38,067,000.00	P62,775,949.77	P91,160,050.25	

a Total collateral bonds, P16,567,000.00
 b (Unissued bonds under Acts 3013 and 3058 in the sum of P19,400,000.00 and P1,000,000.00, respectively, are authorized to be cancelled under Act 3383.)

c Payable quarterly
 d Payable semi-annually
 R Registered
 C Coupon

Source: Report of the Auditor General of the Philippines for the fiscal year ended December 31, 1936.

APPENDIX VI

DETAILED STATEMENT OF ALL THE OUTSTANDING BONDS ISSUED BY THE VARIOUS BRANCHES AND AGENCIES OF THE PHILIPPINE GOVERNMENT, SHOWING THE HISTORY AND THE PROJECTED STATUS OF EACH AS OF JULY 4, 1966

Name of bond	Authority of issue				Date of issue	Date of maturity	Duration in years	Interest rate per annum	Amount authorized			Estimated sinking fund reserve	Estimated not bonded liability	Purpose of issue
	Re: (bureau of the bond)	Act of Congress of the United States	Act of the P.I. Legislature						Total	Issued	Unissued			
			No.	Date approved										
Central Government:														
Railroad purchase	R	Aug. 29, 1916	2615	Feb. 4, 1916	Dec. 1, 1916	Dec. 1, 1946	10-30	a 4	P 8,000,000.00	P 8,000,000.00	-----	P 7,736,701.61	P 263,298.39	To purchase capital stock of the Manila Railroad Company.
Financial interests protection	O	July 21, 1921	2999	Feb. 2, 1922	Feb. 1, 1922	Feb. 1, 1952	30	d 5	10,000,000.00	10,000,000.00	-----	7,208,446.24	2,791,551.76	To protect the financial interests of the Government.
Irrigation and other permanent public works	O	May 31, 1922	3013	Mar. 5, 1922	July 1, 1922	July 1, 1952	30	d 4-1/2	43,000,000.00	23,600,000.00	b 19,400,000.00	16,767,482.85	6,832,517.15	To provide funds for the construction of public improvements, etc.
Outrancy	O	May 31, 1922	3058	June 13, 1922	July 15, 1922	July 15, 1952	30	d 4-1/2	47,000,000.00	46,000,000.00	b 1,000,000.00	31,745,947.18	14,254,052.82	To provide funds with which to constitute the Exchange Standard fund and the Treasury Certificate fund.
Cebu port works and improvement, first series	O	May 31, 1922	3413	Dec. 7, 1927	Mar. 1, 1928	Mar. 1, 1958	30	d 4-1/2	1,500,000.00	1,500,000.00	-----	720,400.29	779,599.71	To provide funds for the extension and improvement of the port of Cebu, Cebu.
Cebu port works and improvement, second series	O	May 31, 1922	3413	Dec. 7, 1927	Sept. 15, 1928	Sept. 15, 1958	30	d 4-1/2	1,500,000.00	1,500,000.00	-----	626,416.96	873,583.04	
Cebu port works and improvement, third series	O	May 31, 1922	3413	Dec. 7, 1927	Mar. 15, 1930	Mar. 15, 1960	30	d 4-1/2	1,000,000.00	1,000,000.00	-----	410,502.22	589,497.78	
Iloilo port works and improvement, first series	O	May 31, 1922	3417	Dec. 7, 1927	Apr. 1, 1928	Apr. 1, 1958	30	d 4-1/2	1,500,000.00	1,500,000.00	-----	718,323.88	781,676.12	To provide funds for the construction and improvement of the port of Iloilo, Iloilo.
Iloilo port works and improvement, second series	O	May 31, 1922	3417	Dec. 7, 1927	Oct. 15, 1929	Oct. 15, 1959	30	d 4-1/2	1,000,000.00	1,000,000.00	-----	416,426.50	583,573.50	
Iloilo port works and improvement, third series	O	May 31, 1922	3417	Dec. 7, 1927	Apr. 15, 1930	Apr. 15, 1960	30	d 4-1/2	1,000,000.00	1,000,000.00	-----	757,237.11	1,032,762.89	
Total (excluding collateral bonds in the amount of P16,567,000 which are shown and indicated below by "a" under the respective entries)									P 116,350,000.00	P 95,950,000.00	P 20,400,000.00	P 67,107,486.44	P 28,242,113.16	
Provincial Governments:														
Iloilo public improvement ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	P 1,121,000.00	P 1,121,000.00	P -----	P 625,015.88	P 495,984.12	To construct waterworks system, etc.
Magsaysay public improvement ^a	R	May 31, 1922	3222	Nov. 12, 1925	Mar. 1, 1926	Mar. 1, 1956	30	d 4-1/2	877,000.00	877,000.00	-----	475,091.66	381,908.34	
Occidental Negros public improvement ^a	R	May 31, 1922	3229	Nov. 14, 1925	Apr. 1, 1926	Apr. 1, 1956	30	d 4-1/2	800,000.00	800,000.00	-----	442,214.64	357,785.36	
Marikina public improvement ^a	R	May 31, 1922	3268	Dec. 9, 1925	May 1, 1926	May 1, 1956	30	d 4-1/2	111,000.00	111,000.00	-----	61,179.75	49,820.25	
Laguna public improvement ^a	R	May 31, 1922	3265	Dec. 7, 1925	May 1, 1927	May 1, 1957	30	d 4-1/2	196,000.00	196,000.00	-----	100,585.29	95,414.71	
Iloos Norte public improvement ^a	R	May 31, 1922	3266	Dec. 7, 1925	June 1, 1926	June 1, 1956	30	d 4-1/2	442,000.00	442,000.00	-----	242,910.91	199,089.09	
Iloos Sur public improvement ^a	R	May 31, 1922	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	d 4-1/2	260,000.00	260,000.00	-----	132,105.57	127,894.43	To construct public works, etc.
Izard public improvement ^a	O	May 31, 1922	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	d 4-1/2	381,000.00	381,000.00	-----	178,340.80	167,659.20	
Pasigaya public improvement ^a	O	May 31, 1922	3282	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	d 4-1/2	954,000.00	954,000.00	1,000.00	467,228.51	466,771.49	
Surabon public improvement ^a	O	May 31, 1922	3289	Dec. 7, 1926	July 1, 1927	July 1, 1957	30	d 4-1/2	690,000.00	690,000.00	-----	352,398.12	337,601.88	
Palawan public improvement ^a	O	May 31, 1922	3331	Dec. 7, 1926	July 1, 1927	July 1, 1957	30	d 4-1/2	474,000.00	474,000.00	-----	242,003.11	231,996.89	
Comarines Sur public improvement ^a	O	May 31, 1922	3280	Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2	160,000.00	160,000.00	-----	76,398.98	61,601.02	
Union public improvement ^a	O	May 31, 1922	3281	Nov. 30, 1926	Jan. 1, 1928	Jan. 1, 1958	30	d 4-1/2	330,000.00	220,000.00	110,000.00	106,267.70	113,732.30	
Occidental Negros public improvement, first issue ^a	R	May 31, 1922	3287	Dec. 3, 1922	July 1, 1933	July 1, 1963	30	d 5	1,500,000.00	(1,277,700.00	-----	338,925.92	878,774.08	To construct road and to reimburse Insular Government of outstanding loans contracted for permanent improvement.
Occidental Negros public improvement, second issue ^a	OAR	May 31, 1922	3287	Dec. 3, 1922	May 16, 1936	May 16, 1966	30	d 5	-----	222,300.00	-----	50,754.04	171,545.96	
Cebu public improvement ^a	OAR	May 31, 1922	3471	Dec. 7, 1928	May 4, 1936	May 4, 1966	30	d 5	500,000.00	500,000.00	-----	113,289.17	385,710.83	To construct provincial capitol, Cebu, Cebu
Total									P 8,721,000.00	P 6,627,000.00	P 112,000.00	P 3,028,508.07	P 3,424,495.93	
Municipal Governments:														
Manila sewer and waterworks, Laguna	R	Aug. 29, 1916	2773	Mar. 5, 1918	Jan. 1, 1919	Jan. 1, 1949	30	c 5	60,000.00	40,000.00	P 20,000.00	P 34,509.98	P 5,490.02	
Santa Cruz sewer and waterworks, Laguna	R	Aug. 29, 1916	2773	Mar. 5, 1918	Jan. 1, 1919	Jan. 1, 1949	30	c 5	90,000.00	90,000.00	-----	77,695.11	12,304.89	
Managad sewer and waterworks, Abra	R	Aug. 29, 1916	2838	Mar. 5, 1919	Jan. 1, 1919	Jan. 1, 1949	30	c 5	40,000.00	40,000.00	-----	34,509.98	5,490.02	
Cabatuan waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 2, 1926	Jan. 1, 1956	10-30	d 4-1/2	8,000.00	8,000.00	-----	4,460.51	3,539.49	
Diaga waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	20,000.00	20,000.00	-----	11,151.37	8,848.63	
Iloilo waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	338,000.00	338,000.00	-----	188,455.33	149,544.67	
Izard waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	84,000.00	84,000.00	-----	42,340.80	32,659.20	
La Paz waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	80,000.00	80,000.00	-----	44,604.76	35,395.24	
Masina waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	3,000.00	3,000.00	-----	1,672.59	1,327.41	
Paria waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	25,000.00	25,000.00	-----	13,438.93	11,561.07	
Pototan waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	159,300.00	159,300.00	100.00	88,763.68	70,536.32	To construct sewer and water supply system, etc.
Santa Barbara waterworks system, Iloilo ^a	R	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	d 4-1/2	104,800.00	104,800.00	-----	58,432.35	46,367.65	
Sanara waterworks system, Iloos Norte ^a	R	May 31, 1922	3266	Dec. 7, 1925	June 1, 1926	June 1, 1956	30	d 4-1/2	7,000.00	7,000.00	-----	3,847.04	3,152.96	
Laaga waterworks system, Iloos Norte ^a	R	May 31, 1922	3266	Dec. 7, 1925	June 1, 1926	June 1, 1956	30	d 4-1/2	89,000.00	89,000.00	-----	46,912.03	40,087.97	
Pasigaya waterworks system, Iloos Norte ^a	R	May 31, 1922	3266	Dec. 7, 1925	June 1, 1926	June 1, 1956	30	d 4-1/2	10,000.00	10,000.00	-----	5,496.63	4,503.37	
Vigan waterworks system, Iloos Sur ^a	R	May 31, 1922	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	d 4-1/2	90,000.00	90,000.00	-----	45,964.25	44,035.75	
Comarines waterworks system, Comarines Sur ^a	O	May 31, 1922	3280	Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2	5,000.00	5,000.00	-----	2,449.61	2,550.39	
Comarines waterworks system, Comarines Sur ^a	O	May 31, 1922	3280	Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2	5,000.00	5,000.00	-----	2,449.61	2,550.39	
Magarao waterworks system, Comarines Sur ^a	O	May 31, 1922	3280	Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2	15,000.00	15,000.00	-----	7,349.35	7,650.65	
Magarao waterworks system, Comarines Sur ^a	O	May 31, 1922	3280	Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	d 4-1/2	37,500.00	37,500.00	500.00	18,128.41	18,371.59	
Iloilo public improvement bonds ^a	O & R	May 31, 1922	4205	July 25, 1935	May 16, 1936	May 16, 1966	30	d 5	750,000.00	350,000.00	-----	73,309.64	270,690.36	
Total									P 1,630,600.00	P 1,610,000.00	P 20,600.00	P 825,011.32	P 704,588.68	
City of Manila:														
Public improvement, Act 289 ^a	O	May 31, 1922	3351	Mar. 13, 1922	June 1, 1922	Dec. 1, 1950	28-1/2	d 4-1/2	5,500,000.00	5,500,000.00	P -----	P 4,235,743.68	P 1,264,256.32	To construct public works and other improvements.
Lowland improvement	O	May 31, 1922	3352	Nov. 17, 1927	May 1, 1928	May 1, 1958	10-30	d 4-1/2	1,000,000.00	1,000,000.00	-----	477,498.48	522,501.52	To fill lowlands in the City of Manila.
Public improvement, first issue	O	May 31, 1922	3456	Dec. 3, 1928	Apr. 1, 1929	Apr. 1, 1959	30	d 4-1/2	10,000,000.00	(1,000,000.00	8,500,000.00	443,803.12	556,196.88	To construct permanent public improvement.
Public improvement, second issue	O & R	May 31, 1922	3456	Dec. 3, 1928	Dec. 16, 1935	Dec. 16, 1965	30	d 5	-----	500,000.00	-----	115,811.66	189,188.34	
Total									P 16,500,000.00	P 4,000,000.00	P 8,500,000.00	P 5,272,858.94	P 2,727,134.06	
Metropolitan Water District:														
Metropolitan Water District	O	May 31, 1922	3204	Dec. 3, 1924	Apr. 1, 1925	Apr. 1, 1955	10-30	d 5	P 6,000,000.00	P 6,000,000.00	P -----	P 3,549,969.78	P 2,450,030.22	
1st issue	O	May 31, 1922	3295	Dec. 3, 1925	Oct. 1, 1929	Oct. 1, 1959	30	d 4-1/2	-----	(3,000,000.00	-----	1,251,056.99	1,748,943.01	Extension of sewer and water supply systems.
2nd issue	O	May 31, 1922	3295	Dec										

APPENDIX VII

STATEMENT OF THE TOTAL AMOUNT OF BONDS OUTSTANDING, ESTIMATED SINKING FUND AND NET INDEBTEDNESS OF INCORPORATED CITIES OF EACH YEAR FROM 1936 TO 1966, INCLUSIVE

Year	National Government			Provincial Governments			Municipal Governments			City of Manila			Metropolitan Water District			Total		
	Total amount of bonds outstanding	Estimated sinking fund	Net indebtedness	Total amount of bonds outstanding	Estimated sinking fund	Net indebtedness	Total amount of bonds outstanding	Estimated sinking fund	Net indebtedness	Total amount of bonds outstanding	Estimated sinking fund	Net indebtedness	Total amount of bonds outstanding	Estimated sinking fund	Net indebtedness	Total amount of bonds outstanding	Estimated sinking fund	Net indebtedness
1936	P118,950,000.00	P49,873,588.52	P69,076,411.48	P8,627,000.00	P1,587,294.36	P7,039,705.64	P1,860,000.00	P736,181.89	P1,123,818.11	P8,000,000.00	P2,617,916.08	P5,382,083.92	P16,500,000.00	P8,161,968.92	P8,338,031.08	P153,937,000.00	P62,776,949.77	P91,160,050.23
7	118,950,000.00	54,286,775.29	64,663,224.71	8,627,000.00	1,750,219.99	6,876,780.01	1,860,000.00	779,395.24	1,280,604.76	8,000,000.00	2,831,325.21	5,168,674.79	13,000,000.00	4,338,696.97	8,661,343.03	150,437,000.00	63,786,570.70	86,650,429.30
8	118,950,000.00	58,894,423.77	60,055,576.23	8,627,000.00	1,982,429.15	6,644,570.85	1,860,000.00	636,790.96	1,223,209.04	8,000,000.00	3,086,678.95	4,913,321.05	11,000,000.00	2,678,229.71	6,321,770.29	148,437,000.00	67,238,947.94	81,198,052.06
9	115,950,000.00	60,538,190.12	55,411,809.88	8,627,000.00	2,222,756.80	6,404,243.20	1,860,000.00	696,196.94	1,163,803.16	8,000,000.00	3,350,968.83	4,649,031.17	11,000,000.00	2,989,490.41	8,010,549.59	145,437,000.00	69,797,963.00	75,639,037.00
10	115,950,000.00	65,265,676.63	50,684,323.37	8,627,000.00	2,471,497.86	6,155,502.14	1,860,000.00	757,682.31	1,102,317.69	8,000,000.00	3,624,509.38	4,375,490.62	11,000,000.00	3,311,564.91	7,688,435.09	145,437,000.00	75,430,931.09	70,006,068.91
1	95,950,000.00	49,856,945.17	46,083,054.83	8,627,000.00	2,728,949.32	5,898,050.68	1,620,000.00	582,547.58	1,047,452.42	8,000,000.00	3,907,604.10	4,092,375.90	11,000,000.00	3,644,994.95	7,355,045.05	125,187,000.00	60,711,060.72	64,475,939.28
2	95,950,000.00	53,501,370.07	42,448,629.93	8,627,000.00	2,995,408.82	5,631,591.18	1,620,000.00	614,384.74	995,615.26	8,000,000.00	4,200,647.69	3,799,352.31	11,000,000.00	3,990,014.00	7,009,986.00	125,187,000.00	65,301,825.32	59,885,174.68
3	95,950,000.00	57,267,135.64	38,682,864.36	8,627,000.00	3,271,195.43	5,355,804.57	1,620,000.00	667,994.82	982,005.18	8,000,000.00	4,503,927.11	3,496,072.89	11,000,000.00	4,347,151.76	6,652,848.24	125,187,000.00	70,057,404.76	55,129,595.24
4	95,950,000.00	61,162,559.51	34,787,440.49	8,627,000.00	3,556,634.04	5,070,365.96	1,620,000.00	723,481.25	886,518.75	8,000,000.00	4,817,821.31	3,182,178.69	11,000,000.00	4,716,790.60	6,283,209.40	125,187,000.00	74,977,326.71	50,209,673.29
5	95,950,000.00	65,193,632.74	30,756,367.26	8,627,000.00	3,892,062.99	4,734,937.01	1,620,000.00	780,309.71	829,090.29	8,000,000.00	5,142,701.80	2,857,298.20	11,000,000.00	5,099,368.12	5,900,631.88	125,187,000.00	80,068,675.36	45,118,324.64
6	87,950,000.00	61,343,990.29	26,606,009.71	8,627,000.00	4,157,831.99	4,469,168.01	1,620,000.00	840,348.19	769,651.81	8,000,000.00	5,478,953.11	2,521,046.89	11,000,000.00	5,495,337.17	5,504,662.83	117,187,000.00	77,316,460.75	39,870,539.25
7	87,950,000.00	65,226,629.81	22,723,370.19	8,627,000.00	4,474,302.91	4,152,697.09	1,620,000.00	901,866.95	708,133.05	8,000,000.00	5,828,973.22	2,173,026.78	11,000,000.00	5,905,166.95	5,094,833.05	117,187,000.00	82,334,939.44	34,852,060.56
8	87,950,000.00	69,245,348.26	18,704,651.74	8,627,000.00	4,801,848.90	3,825,151.10	1,620,000.00	965,538.89	644,461.11	8,000,000.00	6,187,174.01	1,812,825.99	11,000,000.00	6,329,341.41	4,670,658.59	117,187,000.00	87,529,851.47	29,657,746.53
9	87,950,000.00	73,404,626.96	14,545,373.04	8,627,000.00	5,140,862.75	3,486,137.25	1,440,000.00	895,436.26	524,563.74	8,000,000.00	6,559,981.88	1,440,018.12	11,000,000.00	6,746,463.87	4,231,536.13	117,017,000.00	92,729,371.72	24,287,628.28
10	87,950,000.00	77,709,480.44	10,240,519.56	8,627,000.00	5,491,734.65	3,135,264.35	1,440,000.00	914,074.74	425,925.23	2,500,000.00	1,423,796.94	1,070,203.06	11,000,000.00	7,222,857.02	3,777,142.02	111,517,000.00	92,787,947.39	18,749,052.61
1	87,950,000.00	82,169,003.78	5,724,996.22	8,627,000.00	5,894,895.11	2,772,104.89	1,440,000.00	974,765.59	465,234.41	2,500,000.00	1,523,243.10	970,756.90	11,000,000.00	7,693,156.71	3,306,844.29	111,517,000.00	98,217,063.29	13,299,936.71
2	85,950,000.00	5,704,727.90	2,645,272.10	8,627,000.00	6,230,764.41	2,396,235.59	1,440,000.00	1,037,580.57	402,419.43	2,500,000.00	1,632,170.30	867,829.70	11,000,000.00	8,179,916.90	2,820,083.50	31,917,000.00	22,789,159.68	9,131,890.32
3	85,950,000.00	6,069,617.27	2,280,382.73	8,627,000.00	6,619,788.04	2,007,211.96	1,440,000.00	1,102,594.21	337,405.79	2,500,000.00	1,738,699.94	761,300.06	11,000,000.00	8,683,715.64	2,316,284.36	31,917,000.00	24,214,415.10	7,708,684.90
4	85,950,000.00	6,447,277.79	1,902,722.21	8,627,000.00	7,022,427.13	1,604,572.87	1,440,000.00	1,169,883.22	270,116.78	2,500,000.00	1,848,958.11	651,041.89	11,000,000.00	9,205,149.52	1,794,890.48	31,917,000.00	25,693,159.77	6,223,304.23
5	85,950,000.00	6,838,156.40	1,511,843.60	8,627,000.00	7,439,159.49	1,187,840.51	1,440,000.00	1,239,328.46	200,474.54	2,500,000.00	1,963,075.33	536,924.67	5,000,000.00	3,587,335.00	1,412,664.60	25,917,000.00	21,067,855.04	4,849,744.96
6	85,950,000.00	7,242,715.81	1,107,284.19	5,296,000.00	853,347.61	4,442,627.39	502,000.00	159,673.44	342,362.56	2,500,000.00	2,081,186.64	418,813.36	5,000,000.00	3,811,120.74	1,188,879.26	21,648,000.00	17,920,002.14	3,727,997.86
7	85,950,000.00	7,661,434.81	686,565.19	2,220,000.00	1,572,349.87	647,680.13	350,000.00	209,752.20	140,247.80	2,900,000.00	2,203,431.85	296,568.15	5,000,000.00	4,042,780.60	957,259.40	18,420,000.00	15,689,709.33	2,730,290.67
8	85,950,000.00	5,011,664.62	336,315.38	2,000,000.00	1,443,588.19	598,411.81	350,000.00	224,023.03	125,976.97	1,500,000.00	1,306,622.40	193,377.60	5,000,000.00	4,282,469.15	717,530.85	14,200,000.00	12,268,387.39	1,931,612.61
9	2,850,000.00	2,769,989.52	80,010.48	2,000,000.00	1,533,609.83	466,390.17	350,000.00	238,975.33	111,206.67	500,000.00	395,684.61	144,315.39	2,000,000.00	1,504,340.34	499,659.66	7,700,000.00	6,408,817.63	1,297,582.37
10	---	---	---	2,000,000.00	1,626,781.70	373,218.30	350,000.00	251,080.59	95,919.41	500,000.00	377,894.10	122,105.90	2,000,000.00	1,596,606.70	403,393.30	4,850,000.00	3,895,303.09	994,696.91
1	---	---	---	2,000,000.00	1,723,214.60	276,785.40	350,000.00	260,302.91	80,097.09	500,000.00	400,798.82	99,241.18	1,500,000.00	1,178,979.42	321,020.58	4,350,000.00	3,572,895.75	777,144.25
2	---	---	---	2,000,000.00	1,823,022.63	176,977.37	350,000.00	286,275.01	63,780.99	500,000.00	424,485.91	75,534.09	1,500,000.00	1,249,922.81	250,077.19	4,350,000.00	3,783,710.96	566,289.04
3	---	---	---	722,300.00	626,264.20	96,035.80	350,000.00	333,028.27	167,771.73	500,000.00	449,043.44	50,956.96	1,500,000.00	1,323,351.69	176,048.31	3,072,300.00	2,701,887.60	370,412.40
4	---	---	---	722,300.00	662,495.10	59,804.90	350,000.00	320,776.76	29,223.24	500,000.00	474,460.48	25,539.52	1,500,000.00	1,399,353.09	100,646.91	3,072,300.00	2,857,085.43	215,214.57
5	---	---	---	722,300.00	699,994.07	22,305.93	350,000.00	336,927.23	11,072.77	---	---	---	500,000.00	460,125.08	39,874.92	1,572,300.00	1,499,046.38	73,253.62
6	---	---	---	---	---	---	---	---	---	---	---	---	500,000.00	486,169.37	13,830.63	500,000.00	486,169.37	13,830.63

Source: Office of the Auditor General of the Philippines.

APPENDIX VIII

LIQUIDATION OF PHILIPPINE INDEBTEDNESS INCURRED PRIOR TO MAY 1, 1934

In connection with the preparation of a plan for the liquidation by July 4, 1946, of Philippine indebtedness incurred prior to May 1, 1934 (the date on which the Independence Act was accepted by the Philippine Legislature), under authority of acts of Congress, the Committee has made two sets of calculations which are set forth below. In making these calculations it was assumed that the proceeds of the export taxes provided for in section 6 (e) of the Independence Act (after taking into account the changes recommended by the Committee in connection with certain commodities which would otherwise pay the export tax) would total \$35,326,000, distributed as follows: 1941—\$2,019,000; 1942—\$4,037,000; 1943—\$6,056,000; 1944—\$8,074,000; 1945—\$10,093,000; and 1946 (January to July)—\$5,047,000. The debt and sinking-fund totals have been taken from the schedules found in appendixes VI and VII.

GENERAL ASSUMPTIONS ON WHICH BOTH CALCULATIONS ARE BASED

1. Bonds are valued as of July 1, 1946, rather than as of July 4, 1946, the date of independence.
2. All bonds are assumed to bear semiannual coupons. (There are a few issues on which interest is payable quarterly, but the results taking these into account would be only slightly different.)
3. Bonds held in sinking-funds, either as investments or as canceled bonds, are considered canceled as of July 1, 1946, and no further interest or sinking-fund provisions are made.
4. Bonds held in sinking-funds are shown at par, rather than at book value based on the yield rate at which they were acquired.
5. Bonds may be acquired by sinking-funds at prices representing a yield rate of $3\frac{1}{2}$ percent, compounded semiannually.
6. Short-term deposits of the Philippines with the United States Treasury earn 2 percent, compounded semiannually.
7. Deposits such as export-tax collections, which are to be devoted to meeting obligations spread over a long period of time with a schedule of disbursements determined in advance, would earn $2\frac{1}{2}$ percent, compounded semiannually.

8. Purchases of bonds for sinking-funds are spread proportionately over all outstanding issues, rather than in a fixed order according to maturity dates.

GENERAL DATA ON WHICH BOTH CALCULATIONS ARE BASED

1. The par value on July 4, 1946, of the bonded indebtedness of the Government of the Philippine Islands incurred prior to May 1, 1934, under authority of acts of Congress (subject to the fiscal arrangements under consideration), is \$61,057,350. This figure includes both canceled and uncanceled bonds in the sinking-funds.

2. Sinking-funds for these issues amounted to \$20,063,488.33 on December 31, 1936, of which \$43,238.38 was in cash and \$20,020,250.00 in bonds, either canceled or held as investments. Under present financing arrangements, sinking-funds for these issues will amount to \$40,959,551.47 on July 4, 1946.

3. Sinking-funds for issues maturing prior to July 4, 1946, amounted to \$11,310,647.20 on December 31, 1936, composed of \$916,660.95 in cash and \$10,393,986.25 in canceled bonds and investments.

FIRST CALCULATION

The first calculation, which would require the larger lump-sum payment, is based on the following special assumptions:

1. No bonds would be purchased out of funds created by export taxes. Interest at 2 percent will be earned by these funds.

2. The increase from December 31, 1936, to July 4, 1946, in sinking-funds for issues maturing after July 4, 1946, would be invested in bonds or placed on deposit in cash in the ratio of three to one.

Under these assumptions, the export tax fund on July 1, 1946, would exceed by about \$13,000,000 the value of outstanding Philippine bonded indebtedness incurred prior to May 1, 1934, under authority of acts of Congress.

These estimates have been computed as follows:

Value on July 1, 1946, of:

Total unmatured Government issues, including canceled bonds in sinking-funds, at 2½ percent.....	\$69,590,906
Bonds of par value \$35,692,250 held in sinking-funds, at 2½ percent	40,680,704
Bonds not held in sinking-funds, at 2½ percent.....	28,910,202
Cash in sinking-funds.....	5,287,302
Amount required at 2½ percent to meet future interest and principal payments.....	23,642,900
Export-tax proceeds at 2 percent.....	36,617,860
Excess of export-tax proceeds over requirements.....	12,974,960

SECOND CALCULATION

The second calculation, which would require the smaller lump-sum payment, is based on the following special assumptions:

1. Bonds would be purchased currently at a yield of $3\frac{1}{2}$ percent out of funds created by export taxes; any funds remaining after all outstanding bonds had been acquired would earn 2 percent.

2. The sinking-funds on July 4, 1946, would consist entirely of bonds, and would have priority over the tax fund in purchasing bonds from 1941 to 1946.

Under these assumptions, the export-tax fund on July 1, 1946, would be sufficient to acquire between 1941 and 1946 the entire outstanding Philippine bonded indebtedness incurred prior to May 1, 1934, under authority of acts of Congress, and would show a surplus of about \$15,800,000.

These estimates have been computed as follows:

Value on July 1, 1946, of:

Total unmatured Government issues, including canceled bonds in sinking-funds, at $3\frac{1}{2}$ percent.....	\$65,754,942
Bonds of par value \$40,959,552 held in sinking-funds, at $3\frac{1}{2}$ percent.....	44,110,872
Bonds not held in sinking-funds, at $3\frac{1}{2}$ percent.....	21,644,070
Export-tax proceeds at 2 percent, in excess of taxes equal to \$21,644,070 at $3\frac{1}{2}$ percent, or in other words, a surplus of.....	15,856,400

APPENDIX IX

TENTATIVE LIST OF PROPOSED TREATIES AND THEIR SUBJECT-MATTER

- I. Special commercial treaty, to be negotiated as soon as practicable, containing:
 1. Provisions for effectuating the Committee's recommendations concerning trade relations during the period beginning July 4, 1946, and ending with December 31, 1960; and
 2. Provision for termination, on December 31, 1960, subject to denunciation upon two years' notice at any time after July 4, 1953.
- II. Permanent treaty of general relations, containing provisions for:
 1. Recognition of the independence of the Philippines;
 2. Establishment of diplomatic representation;
 3. Recognition of the rights reserved to the United States in section 10 (b) of the Independence Act, if all questions relating thereto shall not have been previously adjusted;
 4. Continued review by United States Supreme Court of cases pending on July 4, 1946;
 5. Settlement of claims; and
 6. Matters covered in section 2 (b) of the Independence Act.
- III. Treaty of establishment, commerce and navigation, containing provisions in regard to:
 1. Entry, travel, and residence for purposes of carrying on international trade, and for other purposes so far as permitted by local law;
 2. Freedom of conscience and worship;
 3. Freedom of professional and commercial activities;
 4. National treatment in ownership of personal property;
 5. Ownership of real property;
 6. National treatment as to internal taxation;
 7. Freedom of access to courts;
 8. Security of persons and property;
 9. Freedom from domiciliary search;
 10. Succession to property;

11. Freedom of commerce and navigation;
 12. Customs treatment of goods, of a general nature not provided for in the special commercial treaty mentioned above;
 13. National treatment of shipping; recognition of flags;
 14. Recognition of juridical status of corporations, and rights of nationals in organization of corporations;
 15. Mineral resources on the public domain;
 16. Commercial travelers;
 17. Freedom of transit;
 18. Sanitary regulations; and
 19. Customary term and denunciation provisions.
- IV. Consular convention, containing standard provisions.
- V. Extradition treaty, containing standard provisions.
- VI. Military service treaty, containing standard provisions.
- VII. Arbitration treaty, containing standard provisions.
- VIII. Conciliation treaty, containing standard provisions.
- IX. Exchanges of notes on (a) air navigation, (b) pilots' licenses, and (c) certificates of airworthiness.
- X. Adherences, after the inauguration of the independent government, to various international conventions of a technical or humanitarian character, such as
1. The International Telecommunication Convention, Madrid, 1932 (convention on general radio regulations);
 2. The International Convention for the Protection of Industrial Property, signed at The Hague, November 6, 1925, and the International Convention for the Protection of Industrial Property, signed at London, June 2, 1934;
 3. Such other radio and industrial property conventions as may be in force on July 4, 1946;
 4. The International Copyright Convention, signed at Rome, June 2, 1928; and
 5. Protocol concerning military obligations in certain cases of double nationality, signed at The Hague, April 12, 1930.

APPENDIX X

