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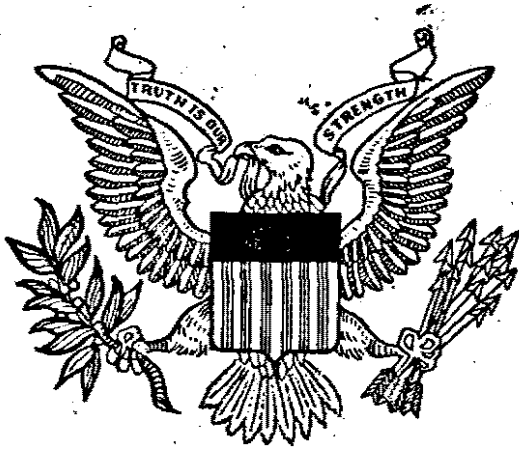
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JOINT PREPARATORY COMMITTEE
ON
PHILIPPINE AFFAIRS
REPORT OF MAY 20, 1938

VOLUME III
BRIEFS SUBMITTED TO THE COMMITTEE
GROUP 2
BRIEFS SUBMITTED IN TYPEWRITTEN FORM

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ON
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REPORT OF MAY 20, 1938

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NOTICE

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CONTENTS

Page

	Group 1	Group 2
Aguinaldo, Emilio (see Briefs of the Popular Front).		
Agusan Coconut Company: Brief.....	1	
Aldaba, Vicente C. (see Brief of National Development Company).		
Alejandrino, José (see Briefs of the Popular Front).		
American Association of Creamery Butter Manufacturers (see Supplemental Brief of the National Dairy Union).		
American Chamber of Commerce of the Philippine Islands: Brief.....	13	
American Council of Missionary Boards Related to the Philippine Islands: Brief.....		725
American Cyanamid Company: Brief.....		729
American National Live Stock Association: Brief.....		733
American Retired Teachers Association: Brief.....		737
Supplemental Brief.....		745
American Tanners: Brief Submitted by Representatives of.....		749
Appalachian Hardwood Manufacturers, Incorporated (see Briefs of the National Lumber Manufacturers Association).		
Araneta, Salvador: A Program for the Establishment of Permanent Reciprocal Trade Relations Between the United States and the Philippines.....	31	
Arizona Milk Producers Association (see Brief of the California Dairy Council).		
Asociación de los Veteranos de la Revolución: Resolution.....		759
Association of American Producers of Domestic Inedible Fats (see Briefs of the National Dairy Union).		
Association of Pacific Fisheries and the Northwest Salmon Canners Association: Brief.....		763
Belleza, Manuel Gamboa: Brief.....		767
Blanco, Pedro M.: The Philippine Problem.....	63	
Blue Bar Coconut Company: Brief.....		771
Buntal Hat Weavers' Association and the Bulacan Economic League: Brief.....		775
Buntal Manufacturing Company: Brief.....		781
Bureau of Raw Materials for American Vegetable Oils and Fats Industries: Brief.....		785
Calamba Sugar Estate (see Briefs for the Philippine Desiccated Coconut Industry: Franklin Baker Company of the Philippines <i>et al.</i>)		
California Cattlemen's Association and the California Wool Growers Association: Brief.....		803
California Cosmetic Association: Brief.....		807
California Dairy Council <i>et al.</i> : Brief.....		811
California Farm Bureau Federation: Brief.....		839
California Packing Corporation: Brief.....		845

	Page	
	Group 1	Group 2
California Sardine Products Institute: Brief.....		849
California Wool Growers Association (see Brief of the California Cattlemen's Association).		
Calumpit Municipal Council: Resolution.....		853
Carnation Company: Brief.....		857
Central Arizona Cattle Feeders' Association (see Brief of the California Dairy Council).		
Central Executive Committee of the Communist Party of the Philippines (see Communist Party).		
Challenge Cream & Butter Association (see Brief of the California Dairy Council).		
Chamber of Commerce of the Philippine Islands: Brief.....	99	
Coconut Planters of Oriental Negros (see Brief of Jesús Montenegro).		
Colorado Director of Agriculture (see Brief of the California Dairy Council).		
Columbia River Gateway Foreign Trade Association: Brief.....		861
Comité Redactor del Memorial del Trabajo: Memorial.....		863
Commonwealth Association, Inc.: An Invitation to a Patriotic Movement, and Articles of Incorporation and By-Laws.....	109	
Brief.....		881
Communist Party of the Philippines, Central Executive Committee: Brief.....		887
Confederación de Asociaciones y Plantadores de Caña Dulce, Inc.: Brief.....	135	
Supplemental Brief.....		901
Cooperative Coconut Products, Inc. (see Briefs for the Philippine Desiccated Coconut Industry).		
Cordage Institute: Brief.....		911
Supplemental Brief.....		929
Cotton Textile Institute and the Textile Export Association of the United States: Brief.....		935
Cristobal Oil Mills (see Brief for the Philippine Coconut Oil Mills).		
Crown Willamette Paper Company: Brief.....		939
Dairymen's Co-op Creamery of Boise Valley, Caldwell, Idaho (see Brief of the California Dairy Council).		
Douglas Fir Plywood Association: Brief.....		943
El Dorado Oil Works, Philippine Purchasing Agency: Brief.....		947
Embroidery Manufacturers (see Brief of S. Davis Winship).		
Espino, José Ma., Chief Appraiser, Bureau of Customs, Detailed to the Department of Finance, Manila: Memorandum.....		951
Filipino Federation of America (see Memorandum of the Honorable Hilario Camino Moncado).		
Foreign Trade Association of the San Francisco Chamber of Commerce: Brief.....		957
Foreign Trade Association of Southern California: Brief.....		965
Franklin Baker Company of the Philippines (see Briefs for the Philippine Desiccated Coconut Industry).		

CONTENTS

VII

Page

	Group 1	Group 2
Fuentebella, the Honorable José, Assemblyman for the second District, Camarines Sur, National Assembly, Manila: Memorandum.....		967
Furukawa Plantation Company, Incorporated (see Briefs for the Philippine Desiccated Coconut Industry: Franklin Baker Company of the Philippines <i>et al.</i>).....		
Gardner, Arling, Acting Commissioner of Agriculture, Cheyenne, Wyoming (see Brief of the California Dairy Council). Gates Rubber Company: Brief.....		969
General Foods Corporation (see Briefs for the Philippine Desiccated Coconut Industry). General Manufacturing Company, Inc. (see Brief of the Johnson-Pickett Rope Company). Guanson, Mateo, Sr.: Memorandum.....		973
Harley-Davidson Motor Co.: Brief.....		979
Hartendorp, A. V. H., Editor and Publisher, Philippine Magazine, Manila: Editorial.....		983
Hawes, Harry B., U.S. Representative, Philippine Sugar Association: The Sugar Industry and Its Relation to American-Philippine Affairs.....	181	
Huber, J. M., Inc.: Brief.....		989
Idaho State Dairymen's Association (see Brief of the California Dairy Council). Insular Sugar Refining Corporation: Brief.....		991
Japanese Chamber of Commerce of Manila: Memorandum.....	205	
Johnson-Pickett Rope Company and General Manufacturing Company, Inc.: Brief.....	223	
King, Eric T., on behalf of Remington Rand, Inc., <i>et al.</i> : Brief.....		993
Supplemental Brief.....		999
Labor Mining Association <i>et al.</i> : Brief.....		1001
Supplemental Brief.....		1009
Lapus, Narciso: Brief, Speech, and Supplementary Remarks.....	235	
Legionarios del Trabajo in America, Incorporated: Brief.....		1015
Libby, McNeill & Libby: Brief.....		1027
Lockwood, L. D.: Brief for the Philippine Motor Transport Association.....	265	
Los Angeles Chamber of Commerce: Brief.....		1031
Lotuaco, Agustín Y., M. D.: Brief.....		1045
Lu Do & Company (see Brief for the Philippine Coconut Oil Mills). Lucban Municipal Council: Memorial.....		1051
Luzon Industrial Corporation (see Brief for the Philippine Coconut Oil Mills). Madrigrál & Company (see Brief for the Philippine Coconut Oil Mills). Manila Chamber of Commerce: Brief.....	281	

CONTENTS

VII

Page

	Group 1	Group 2
Fuentebella, the Honorable José, Assemblyman for the second District, Camarines Sur, National Assembly, Manila: Memorandum.....		967
Furukawa Plantation Company, Incorporated (see Briefs for the Philippine Desiccated Coconut Industry: Franklin Baker Company of the Philippines <i>et al.</i>)		
Gardner, Arling, Acting Commissioner of Agriculture, Cheyenne, Wyoming (see Brief of the California Dairy Council).		
Gates Rubber Company: Brief.....		969
General Foods Corporation (see Briefs for the Philippine Desiccated Coconut Industry).		
General Manufacturing Company, Inc. (see Brief of the Johnson-Pickett Rope Company).		
Guanzon, Mateo, Sr.: Memorandum.....		973
Harley-Davidson Motor Co.: Brief.....		979
Hartendorp, A. V. H., Editor and Publisher, Philippine Magazine, Manila: Editorial.....		983
Hawes, Harry B., U.S. Representative, Philippine Sugar Association: The Sugar Industry and Its Relation to American-Philippine Affairs.....	181	
Huber, J. M., Inc.: Brief.....		989
Idaho State Dairymen's Association (see Brief of the California Dairy Council).		
Insular Sugar Refining Corporation: Brief.....		991
Japanese Chamber of Commerce of Manila: Memorandum.....	205	
Johnson-Pickett Rope Company and General Manufacturing Company, Inc.: Brief.....	223	
King, Eric T., on behalf of Remington Rand, Inc., <i>et al.</i> : Brief.....		993
Supplemental Brief.....		999
Labor Mining Association <i>et al.</i> : Brief.....		1001
Supplemental Brief.....		1009
Lapus, Narciso: Brief, Speech, and Supplementary Remarks.....	235	
Legionarios del Trabajo in America, Incorporated: Brief.....		1015
Libby, McNeill & Libby: Brief.....		1027
Lockwood, L. D.: Brief for the Philippine Motor Transport Association.....	265	
Los Angeles Chamber of Commerce: Brief.....		1031
Lotuaco, Agustín Y., M. D.: Brief.....		1045
Lu Do & Company (see Brief for the Philippine Coconut Oil Mills).		
Luchan Municipal Council: Memorial.....		1051
Luzon Industrial Corporation (see Brief for the Philippine Coconut Oil Mills).		
Madrigal & Company (see Brief for the Philippine Coconut Oil Mills).		
Manila Chamber of Commerce: Brief.....	281	

	Group 1	Group 2
North Pacific Millers' Association: Brief (see Brief of the Millers' National Federation). Supplemental Brief.....		1253
Northeastern Lumber Manufacturers Association (see Briefs of the National Lumber Manufacturers Association).		
Northern Hemlock and Hardwood Manufacturers Association (see Supplemental Brief of the National Lumber Manufacturers Association).		
Northwest Salmon Cannery Association (see Brief of the Associa- tion of Pacific Fisheries).		
Northwest Shippers' Association: Brief.....		1257
Overseas Automotive Club, Incorporated: Brief.....		1261
Pacific Northwest Grain Dealers Association: Telegraphic Brief.....		1265
Philippine Automobile Dealers: Brief.....		1267
Philippine Button Corporation: Brief.....	423	
Philippine Chamber of Commerce of California: Brief.....		1271
Philippine Civic Union, Manila: Memorandum (The Philippine Problem).....	433	
Philippine Coconut Association: Brief.....	443	
Philippine Coconut Oil Mills: Brief Submitted by the Philippine Refining Company <i>et al.</i>	463	
Philippine Desiccated Coconut Corp.: Brief.....		1279
Philippine Desiccated Coconut Industry: Cooperative Coconut Products, Inc.: Brief.....	491	
Franklin Baker Company of the Philippines <i>et al.</i> : Brief.....	521	
General Foods Corporation: Brief.....	535	
Philippine Mahogany Manufacturers' Import Association: Petitions.....	549	
Philippine Manufacturing Company (see Brief for the Philippine Coconut Oil Mills).		
Philippine Motor Transport Association (see Brief of L. D. Lockwood).		
Philippine Packing Corporation: Brief.....		1281
Supplemental Brief.....		1285
Philippine Railway Bondholders' Committee: Brief.....		1289
Philippine Refining Company, Inc. (see Brief for the Philippine Coconut Oil Mills).		
Philippine Sugar Association: Brief.....	559	
Supplementary Brief.....	575	
Philippine Textile Committee: Memorandum.....		1299
Philippine-American Trade Association: Brief.....	635	
Popular Front: Briefs on Economic Problems of the Philippines, by the Hon. Juan Sumulong <i>et al.</i>	651	
Port of Seattle: Brief.....		1303
Port Traffic Development Bureau (see Portland Chamber of Commerce).		
Portland Chamber of Commerce and the Port Traffic Develop- ment Bureau: Brief.....		1307
Poultry Producers of Central California: Brief.....		1315
Procter & Gamble Trading Co.: Brief.....		1317

	Page
	Group 1 Group 2
Rattan Products Manufacturing Co., Inc.: Brief.....	673
Red V Coconut Products, Ltd. (see Briefs for the Philippine Desiccated Coconut Industry: Franklin Baker Company of the Philippines <i>et al.</i>)	
Remington Rand, Inc., <i>et al.</i> (see Brief of Eric T. King).	
Rivera, Tomas: Brief.....	1321
Roxas, Manuel L. (see Brief of the National Development Company).	
Rubber Export Association: Brief.....	1329
Rubber Manufacturers Association, Incorporated: Brief.....	1333
Sakdalista Party of the Philippines: Memorandum.....	681
Sakdalista Party of the Philippines, Provincial Directorate, Cavite, Cavite: Memorial.....	697
San Francisco Chamber of Commerce (see Brief of the Foreign Trade Association of the San Francisco Chamber of Commerce).	
Seattle Chamber of Commerce: Brief.....	1335
Shell Chemical Company: Brief.....	1355
Sison, Salvador G., <i>et al.</i> : Memorandum.....	1359
Southern Hardwood Producers, Incorporated (see Briefs of the National Lumber Manufacturers Association).	
Spencer Kellogg and Sons, Inc., Buffalo, New York: Brief.....	1373
Spencer Kellogg and Sons (Philippines), Inc. (see Brief for the Philippine Coconut Oil Mills).	
Spokane Chamber of Commerce: Telegraphic Brief.....	1379
Sumulong, Juan (see Briefs of the Popular Front).	
Sun Ripe Coconut Products Company (see Briefs for the Philippine Desiccated Coconut Industry: Franklin Baker Company of the Philippines <i>et al.</i>)	
Sweinhart, W. C., Director of Agriculture of the State of Colorado (see Brief of the California Dairy Council).	
Tacoma Chamber of Commerce: Brief.....	1381
Tanners' Council of America: Brief.....	1385
Textile Export Association of the United States (see Brief of the Cotton Textile Institute).	
Tiongco, Celerino (see Briefs of the Popular Front).	
Tobacco Merchants Association of the United States: Brief.....	1391
Tri-State Wheat Transportation Council: Telegraphic Brief.....	1397
United Dairymen's Association: Brief.....	1399
United States Beet Sugar Association: Brief.....	1409
United States Cane Sugar Refiners' Association: Brief.....	1413
Washington-Idaho Farmers Union: Telegraphic Brief.....	1417
Weber Central Dairy Association (see Brief of the California Dairy Council).	
West Coast Lumbermen's Association (see Briefs of the National Lumber Manufacturers Association).	
White (S. S.) Dental Manufacturing Co.: Brief.....	1419
Winship, S. Davis: Brief on Behalf of Embroidery Manufacturers.....	713
Wolfson, J. A.: Memorandum (Transmitted by the American Chamber of Commerce of the Philippine Islands).....	1423
Zolina, Antonio A.: Brief.....	1427

BRIEF
SUBMITTED ON BEHALF OF THE
AMERICAN COUNCIL OF MISSIONARY BOARDS
RELATED TO THE PHILIPPINE ISLANDS.

(725)

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BRIEF

SUBMITTED ON BEHALF OF THE
AMERICAN COUNCIL OF MISSIONARY BOARDS RELATED
TO THE PHILIPPINE ISLANDS

156 FIFTH AVENUE,
NEW YORK, N. Y.,

June 14, 1937.

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*Room 206, United States Tariff Commission,
8th and E Streets,
Washington, D. C.*

GENTLEMEN:

The American Council of Missionary Boards Related to the Philippine Islands is composed of official representatives of the following missionary boards: American Board of Commissions for Foreign Missions, American Baptist Foreign Mission Society, Woman's American Baptist Foreign Mission Society, Board of Foreign Missions of the Methodist Episcopal Church, Woman's Foreign Missionary Society of the Methodist Episcopal Church, Board of Foreign Missions of the Presbyterian Church in the U.S.A., Foreign Mission Society of the United Brethren in Christ, the American Bible Society, the World's Sunday School Association, the United Christian Missionary Society, and the Philippine-Borneo Faith Mission.

All of these boards are engaged in the support of the work of their churches and missions in the Philippine Islands. They are representative of the membership of the churches whose missionary work they administer. Through their participation in this work in the Philippine Islands, this large number of American citizens are deeply interested in all that concerns the welfare of the Filipino people.

At the annual meeting on May 3 of this American Council, attention was called to the negotiations pending between the Commonwealth Government and the Government of the United States with reference to trade agreements and also to the increasing militarization of the Islands. After discussion, it was voted—

That the Council, recommending that the Government of the United States be as generous as possible in its treatment of the Philippines with reference to treaty negotiations, and deploring the present tendency toward militarization of the Islands, particularly the compulsory military training in the schools, requests the chairman and the secretary to determine appropriate action that the Council might take in registering these views.

Accordingly, we hereby present this statement to the Joint Preparatory Committee on Philippine Affairs.

Yours very truly,

J. W. DECKER, *Chairman*

A. L. WARNSHUIS, *Secretary*

On behalf of the American Council of Missionary
Boards Related to the Philippine Islands

BRIEF
SUBMITTED BY THE
AMERICAN CYANAMID COMPANY

(729)

BRIEF
SUBMITTED BY THE
AMERICAN CYANAMID COMPANY

June 11, 1937.

*THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, U. S. Tariff Bldg.,
Eighth and E Streets,
Washington, D. C.*

DEAR SIR:

Pursuant to the public notice issued under date of May 26, 1937, by the Joint Preparatory Committee on Philippine Affairs, stating that written statements should be in the Committee's hands by 12 o'clock noon, June 15, 1937, the undersigned, American Cyanamid Company, admits the following statement:

American Cyanamid Company is a corporation organized under the laws of the State of Maine and, among its activities, is that of the manufacture and sale of fertilizers and fertilizer materials. For many years past, American Cyanamid Company has been selling to customers in the Philippine Islands a high-analysis fertilizer containing both nitrogen and phosphoric acid, which fertilizer is sold under the trade make "Ammo-Phos", which it manufactures at plant on New York Harbor, and has also been selling sulphate of ammonia. During the last five years the average annual combined sales of these products to the Philippine Islands amounted to something around \$750,000 to \$1,000,000, and during the calendar year 1937, this company will probably sell to Philippine customers approximately 10,000 tons of "Ammo-Phos" fertilizer of a value of about \$500,000 and about 7,500 tons of sulphate of ammonia of a value of about \$280,000.

Other American firms sell fertilizers and fertilizer materials in the Philippine Islands, where they have to compete with German and other European materials, which by reason of the cheap freight rates from Europe to the Philippines as compared with freight rates from the East Coast to the Philippines, and the use of blocked marks or other types of trade currency, make it very difficult for American producers to compete in the Philippines while still maintaining the high standard of living of their workmen in the United States.

It is our understanding that a large portion of the agricultural products exported from the Philippine Islands are exported to the United States, and it appears to us that in any reciprocal trade agree-

ment between the United States and the Philippines, United States fertilizers and fertilizer materials should be on a preferential basis and that until such time as such an agreement is entered into and the independence of the Philippines shall become effective, Philippine tariffs on non-United States fertilizers and fertilizer materials should be increased to approximately 15% *ad valorem*.

Respectfully submitted,

AMERICAN CYANAMID COMPANY
By E. V. O'DANIEL, *Vice President*

**BRIEF
OF THE
AMERICAN NATIONAL LIVE STOCK ASSOCIATION**

(733)

BRIEF
OF THE
AMERICAN NATIONAL LIVE STOCK ASSOCIATION

DENVER, COLORADO, *July 2, 1937.*

**IN THE MATTER OF TRADE NEGOTIATIONS BETWEEN THE UNITED STATES
AND THE PHILIPPINES**

The American National Live Stock Association is a voluntary organization of stockmen. It represents eighteen State associations, more than a hundred local, county, and regional associations, and a large group of individual stockmen in the West.

The stockmen here represented are producers of beef fat, which is second in importance of by-products of the cattle-raising business, and of which the normal annual production in the United States is approximately 750,000,000 pounds. Stockmen are therefore a part of the oils-and-fats industry, and, because their product is interchangeable with a wide range of other oils and fats, both domestic and foreign, stockmen are interested in every phase of the fats-and-oils industry.

They are interested in the importation of foreign oils and fats, because these come in direct competition with their beef fat. They are particularly interested in the importation of coconut oil, the principal oil produced in the Philippines. To a considerable extent that oil has taken the place of oleo oil, a beef-fat product, in the manufacture of margarine, as the following figures will show: In 1914, 57,549,000 pounds of oleo oil were used in the manufacture of margarine. In 1936 only 18,331,000 pounds were so employed. Use of coconut oil in margarine manufacture, on the other hand, rose from 322,000 pounds in 1914 to 150,465,000 pounds in 1936. Coconut oil was the most important ingredient used in the manufacture of margarine in 1936. Its importation to the United States has been steady and substantial. In terms of coconut oil, total coconut-oil and copra importations and the proportions coming from the Philippines have been as follows:

	Total	From Philippines	Percent from Philippines
1922-----	396, 647, 000	345, 801, 000	87
1927-----	577, 535, 000	508, 445, 000	88
1932-----	534, 815, 000	374, 188, 000	70
1934-----	566, 321, 000	527, 797, 000	93
1935-----	639, 610, 000	631, 268, 000	99
1936-----	551, 061, 000	546, 808, 000	99

In other words, coconut oil has been a factor in forcing oleo oil into other edible and inedible uses of a lower order and made that commodity suffer a consequent depression in price. Domestically

produced oleo oil never could compete with the foreign coconut oil. It never could be produced so cheaply.

The only hope, therefore, that the producer of beef fat has for a fair price for his fats by-product lies in tariffs or excise-tax protection. Stockmen expressed this view at the last annual meeting of the American National Live Stock Association, in a resolution concerning "Protection for Domestic Fats and Oils":

The only possible way to reestablish a market for domestic fats and oils is through protection against such foreign importations . . .

The price that the producer of cattle receives for his beef fats may easily spell the difference between profit and loss in the operation of his outfit, because value of by-products has a substantial effect on the price he receives for his live animals. In the case of beef fats, this value may run from \$2 to \$4 a head, which amount may represent his margin of profit or loss for a year's operation.

During an extended period prior to the past several years, stockmen had operated under extremely adverse conditions. Many of them were wiped out; others for years had operated at a loss. During this period, also, prices of domestic fats and oils were at low levels, forced down by the always lower prices of the imported product, and by March 31, 1934, that commodity had accumulated in storage to the extent of 2,000,000,000 pounds. To correct this situation and secure a price recovery for domestic fats, the livestock industry joined other fats-and-oils interests in a request to Congress for protection against the foreign product. Protection was given by the 73d Congress when that body added to the Revenue Act of 1934 the manufacturers' excise tax on a number of oils, including coconut oil.

It is the belief of the livestock industry that the excise tax on coconut oil has been of material aid in the recovery program for the livestock industry.

The manufacturers' excise tax imposed in May, 1934, has had a beneficial effect on prices of domestic fats and oils. They have risen above what they were before the tax was imposed. To mention a few: Oleo oil, by November, 1934, had increased in price more than 5 cents a pound; tallow, 1½ cents a pound; lard, 3½ cents a pound; lard-compound, 3 cents a pound; oleomargarine, 2 to 3 cents a pound; cottonseed oil, 3 cents a pound. Since that time, prices of these oils and fats have increased further.

It is because of the benefit to domestic oils and fats through the excise tax of 1934 that stockmen ask your Committee to recommend

no lowering of tariff protection or tax protection against the foreign competing product.

The Philippines have not been harmed by the tax, for during each of the three years since its imposition, imports of coconut oil and copra from the Islands have been above the five-year average immediately preceding May, 1934. Prices of copra in Manila have risen materially since the imposition of the tax. The tax has also been a valuable source of revenue to the Philippines, amounting to more than \$40,000,000 in refunds for the period since May, 1934. Nor has the tax been a deterrent to consumption of fats and oils. Domestic and foreign consumption is greater than before the imposition of the tax in 1934.

Oleo oil, with a somewhat restricted outlet in the margarine trade, must now compete with all other fats and oils, and stockmen must therefore depend upon a general fair level of fats-and-oils prices for a fair price on their by-product. This level cannot be maintained without the protection of duties or excise taxes on the foreign products, which, as stated, are produced at a figure with which domestic growers cannot compete.

We therefore ask that your Committee approve the action of Congress when it fixed the manufacturers' excise tax of May, 1934; that it recommend no repeal or lowering of this tax on coconut oil.

Respectfully submitted,

F. E. MOLLIN
Secretary

**BRIEF
OF THE
AMERICAN RETIRED TEACHERS ASSOCIATION**

(737)

BRIEF
OF THE
AMERICAN RETIRED TEACHERS ASSOCIATION

COPY OF PETITION TO THE CHAIRMAN, JOINT PREPARATORY COMMITTEE
ON TRADE AND ECONOMIC RELATIONS BETWEEN THE UNITED STATES
AND THE PHILIPPINES, THROUGH THE PRESIDENT OF THE UNITED
STATES

June 10, 1937.

SIR:

1. We, the hereinafter-named retired American teachers of the Philippine service, through the representative of our group, and in the interests of all American teacher pensioners and their dependents, residing in the United States, or elsewhere, respectfully petition that your Joint Preparatory Committee consider the case of the confiscation of our pension fund by a recent act of the Commonwealth Legislature as one phase of the economic adjustment to be recommended by your Committee to the Departmental committee, the President, and Congress, and that a satisfactory plan be evolved whereby American retired teachers may be assured of the payment, from a trust fund, to us, by the United States Government, of our pensions, in full, for life, and to our dependents, as specified in Act 3050 of 1922, passed by the Philippine Legislature, which pensions were assumed as valid obligations by the Commonwealth Government, and paid monthly, in full, up to December 31, 1936. After said date our pension fund, some 21,000,000 pesos, was confiscated, liquidated, and cast in a pension and insurance fund for the new Philippine Army, and for other purposes, such as, salaries of administrators up to 10,000 pesos a year, *per diem* of 70 pesos, and life pensions in full for retired constabularymen and their dependents.

2. It is earnestly urged that your Committee recommend definite arrangements to be made by executive or legislative action whereby a trust fund, sufficient to pay the pensions or annuities of retired American teachers, in full, for life, and for their dependents, as specified in Act 3050 of 1922, be deposited irrevocably, with the U.S. Treasury, by the Commonwealth Government; that such sum be obtained either from the undistributed part of the Teachers' Pension Fund, erected under Act 3050 of 1922, if any, or from any funds that may be made especially available by the Commonwealth Government, and failing which, that an equivalent sum be deducted from any refunds to be made by the United States Government to the Commonwealth Government.

3. Since the Commonwealth Government, through its representatives on this Committee, asks that, as an act of justice, the United States pay the Commonwealth Government certain sums of money such as oil-tax refunds, tobacco-tax refunds, and gold-devaluation-profits refunds, to an amount of \$100,000,000 or more, our group of American pensioners who spent the best years of their lives in faithful service to the Philippine Government, also appeal and ask, in all justice, that our relatively insignificant pensions of approximately \$65,000 a year, be guaranteed to us and our dependents for life according to Act 3050, before mentioned.

4. In addition to the large refunds above mentioned, which the Commonwealth Government seeks to secure, as soon as possible, in cash, from the United States Government, through congressional appropriations, there is being paid nearly \$4,000,000 annually to Philippine pensioners who have served the United States and been duly pensioned by U.S. laws; and, as far as is known, there is no movement on foot to deprive these faithful retired Filipino employees of the United States Government of their pensions and throw them out in old age and in sickness to become indigents and burdens on society, but instead, these enormous annual sums will continually be paid, honestly, justly, and without equivocation, to Filipino retired employees of the United States Government as long as the pension laws have specified such payments to be made.

The attention of the Committee is invited to the amounts being paid annually to Philippine pensioners of the United States Government as herewith set down, the figures having been secured from the Veterans' Bureau and various government entities:

To U.S. Army pensioners paid in Philippines.....	\$2, 713, 163. 00
To retired U.S. Navy pensioners in Philippines.....	587, 957. 76
To retired Filipino enlisted men in United States and Hawaii (approx.).....	100, 000. 00
To retired Civil employees of U.S. Navy (approx.).....	300, 000. 00
To retired U.S. Civil Service employees from Post Office, etc. (approx.).....	250, 000. 00
ANNUAL TOTAL.....	\$3, 951, 120. 76

5. The reason given for the liquidation of the Teachers' Pension Fund, was that a time might come when all the pension funds of the Government would be bankrupt; as, for example, was the fund for constabulary pensions, for the continuance of which the Teachers' Fund was confiscated, and, by means of the Magalona amendment in Act 188 of 1936, turned into a general fund from which the bankrupt constabulary fund was rehabilitated and retired constabulary-men could continue to receive their life pensions in full according to

the schedules in the original constabulary pension law, while the pensions of the teachers were arbitrarily reduced, and are to be eventually discontinued altogether, except for those sick and helpless teachers who are forced to be branded as indigents and receive a pittance down as low as \$7.50 a month.

In the case of *Baltazar vs. Lagdameo and the Government Service Insurance Board*, the attorney for the Commonwealth Government first made the claim that there was a deficit in pension funds of nearly 100,000,000 pesos which, if continued, would bankrupt the Philippine Government, but later amended his statement, admitting that the Teachers' Fund was only 2,000,000 pesos short of being solvent, not mentioning the fact that this alleged shortage was due to the failure of the Legislature to carry out the mandatory provisions of Act 3050 to appropriate certain sums yearly as the Government's part in building up the Teachers' Pension Fund, having for several years past diverted the money that rightfully belonged to the Teachers' Fund, to other uses, and would, if appropriated according to law, have kept our fund 100 percent solvent instead of 90 percent, as it was when confiscated by Act 187.

The President of the Commonwealth Government recommended to the Legislature that the Government pension funds be stabilized, and the teachers expressed their willingness to assure such future stabilization of their own funds by increasing their monthly contribution to such an amount as would satisfy actuarial calculations, but the Legislature, instead, closed out the Teachers' Fund and threw it into a common fund from which the other pensioners of bankrupt funds could, as in the case of the retired constabularymen and dependents, be paid for life in full. (Act 188 of 1936, Commonwealth Legislature, sec. 3, p. 3.)

6. Act 3050 of 1922, passed faithfully by the Philippine Legislature as an act of justice to the old teachers of the Philippines, who had borne the brunt of establishing the educational system in the early days under unusual conditions of hardships, based the pensions of retiring teachers on length of service.

Act 187 of 1936, passed by the Commonwealth Legislature, changed the basis of the act and made pensions depend, not on length of service, as was specified in Act 3050 under which we had retired and were being paid, but instead, on the amount contributed by each pensioner, with an arbitrary provision that if, at any time, it was found that we had drawn more than three times the amount contributed, or investigation showed that the pension was not needed for maintenance, cancelation of our pensions would follow. And this threat clause is being quoted to all of us retired American pensioners, by the Insurance Board set up under Act 187. (See enclosure.¹)

¹ *Post*, p. 743.

7. Act 127 of March 24, 1934, commonly known as the Tydings-McDuffie Independence Act, states, "The debts, liabilities, and obligations of the present Philippine Government, valid and subsisting at the time of the adoption of the Constitution be assumed and paid by the new government". (Sec. 2 (7).) This provision was incorporated verbatim in the ordinance appended to the Constitution. (Sec. 1 (7).)

That the life pensions of the retired teachers were assumed as valid obligations is proved by the fact that the Commonwealth Government did pay them monthly up to the time Act 187 of 1936 was passed. It is further proved by a decision of the Philippine Supreme Court in the case of *Derkum vs. The Teachers' Pension and Investment Board*, in which the Court ruled that the pension, "as of the date on which he [Derkum] retired" is a direct obligation of the Philippine Government.

8. Now, while constabularymen of the Philippines, retired for "disability incurred in the performance of duty" (Act 188, sec. 3) are paid their life pensions in full from our confiscated fund "at rates prescribed by the pension laws which have heretofore embraced them" (Act 188), an ex-superintendent of schools of the Philippines, who has been a wheel chair invalid for many years, and evidently will continue to be for the rest of his life, caused from tropical sprue incurred in the performance of duty, must lose his life pension upon which he is wholly dependent.

Likewise, an American lady teacher, retired, who has been in poor health for many years due to service in the Philippines, has a young daughter to support and educate, all on the small pension upon which they are both entirely dependent.

Another ex-superintendent of schools is now old and dependent on his small pension for a living for himself and his invalid wife who has been an invalid for more than 12 years, and upon whose care he has spent all his life's savings.

There is an ex-superintendent of schools who is now more than 70 years old, is almost totally blind, and is likewise entirely dependent on his pension for a living.

There are other cases in which retired American teachers are ill, or helpless, as far as making a living is concerned, in which untold suffering and humiliation will be forced on them by the cancelation of their pensions as prescribed in Act 187, passed by the Philippine Legislature of the Commonwealth Government.

The names of all persons whose cases are cited and others can be supplied and verified at any time requested.

In view of the foregoing explanation of our case, it is earnestly requested that your Committee give sympathetic consideration to

this petition of those of us who were sent to the Philippines by the United States Government some 35 years ago for a certain task which we faithfully and honorably performed, namely, the education and preparation of the Filipino people for complete independence, which is now near, and we, who bore the brunt of the early-day hardships in a tropical country and are now old, many of us ill and broken in health and unable to work more, appeal to our Government's representatives for just treatment for the balance of our days by having our pensions paid us in full according to the original pension Act No. 3050 of 1922, under which we retired.

CARL B. CRABTREE	Owensville, Ind.
LUTHER PARKER	Santa Cruz, Cal.
ROBERT L. BARRON	Bowling Green, Ky.
JOHN F. BROWN	Harrison, Mich.
CLAYTON I. HALSEY	Ithaca, N.Y.
CHARLES E. HOYE	Oakland, Maryland
VERNON D. GIBSON	Vernon Center, N.Y.
O. H. CHARLES	Westerville, Ohio
MRS. CAROLINE L. CHARLES	Westerville, Ohio
MRS. ALETHA E. WHIPPLE	Portland, Oregon
LEWIS P. WILLIS	Petroleum, West Va.
EDWARD J. MURPHY	Binghamton, N.Y.
MRS. MAUDE M. BORDNER	Indianapolis, Ind.
SAMUEL J. WRIGHT	Long Beach, Cal.
ADAM C. DERKUM	Los Angeles, Cal.
MRS. AGNES M. DERKUM	Los Angeles, Cal.
MISS C. AMY JACKSON	Palo Alto, Cal.
MISS HELEN P. O'MALLEY	Washington, D.C.
MISS ELIZABETH G. O'MALLEY	Washington, D.C.
FRANK L. MEINKE	La Mesa, Cal.
ARTHUR G. SPILLER	Carlsbad, Cal.
ROBERT CLAUSON	Highland, Cal.
MRS. FRANCES E. HENLEY	Sta Rosa, Cal.
MRS. SARAH B. LUKENS	Huntington, West Va.
HORACE E. CUTLER	Ft. Lauderdale, Fla.
MRS. PETTIS A. TEMPLETON	Los Angeles, Cal.
OLIVER E. STOUT	Independence, Iowa

Enclosure

COMMONWEALTH OF THE PHILIPPINES
DEPARTMENT OF FINANCE
GOVERNMENT SERVICE INSURANCE SYSTEM

MANILA, May 28, 1937.

MR. CARL B. CRABTREE,
Owensville, Gibson County,
Indiana, U.S.A.

DEAR SIR:

I have the honor to request that the enclosed blank GSIS Form No. 1 be duly accomplished by you, sworn to before a notary public, and returned to this office immediately. The data called for in the said blank form are needed for the information of the Government Service Insurance Board in connection with the following provisions of section 3 of Commonwealth Act No. 187:

... *Provided, further,* That the Board with the approval of the Secretary of Finance may, at any time, suspend or cancel the payment of any pension whenever, after due investigation, it shall have found that the amount of pensions already received by the retired teacher or employee or his beneficiaries is more than three times the amount of his contributions to the fund plus four percent interest *per annum* compounded annually and that the said retired teacher or employee or his beneficiaries are not dependent upon their pension for their maintenance; . . .

Very respectfully,

SALV. LAGDAMEO
Acting General Manager

SUPPLEMENTAL BRIEF
SUBMITTED BY THE
AMERICAN RETIRED TEACHERS ASSOCIATION

(745)

AN INDORSEMENT

ON A PETITION TO THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS, BY SEVERAL AMERICAN TEACHERS RETIRED FROM THE PHILIPPINE CIVIL SERVICE. THE PETITION WAS DATED JUNE 10, 1937 AND WAS PRESENTED BY MAIL PREVIOUS TO THE SAILING OF YOUR COMMITTEE FROM THE UNITED STATES

The American Retired Teachers Association of the Philippines has been requested by American teachers retired from the Philippine Civil Service and now residing in the United States to represent them before your honorable Committee by endorsing and furthering their petition already presented by mail previous to the sailing of your Committee from the United States.

Attention is invited to the unusual and cruel provisions of Commonwealth Act 187. These provisions are especially aggravating because of the age and health of your petitioners.

Section 4 provides a reduction based on seniority of retirement, which is practically a reduction in direct proportion to the age of the pensioner. This is contrary to all humanitarian and social practice. Usually pensions are increased with age and dependence.

Then there hangs a threat over every pensioner that his entire pension may be suspended at any time. In the case of the old and infirm this produces worry which undoubtedly reduces longevity. If by being exceptionally hardy they worry a few years under this threat, they encounter the other provisions of Act 187 which limit the payment of all pensions to 20 years counted from the date of retirement. For the great majority, who are absolutely dependent on their retirement pay, this provision punishes their will to live and definitely fixes the date of their dependence on charity.

In as much as many of the American teachers retired from the Philippine Civil Service live, or ultimately will live, in the United States, the setting up of a trust fund in Washington sufficient to cover payments to all retired American teachers, as provided in Act 3050, as amended, is urgently recommended.

These retired American teachers, after long service in the Philippine Islands, are scattered throughout the United States, each one forming the center of a group radiating good-will and fellowship between the two peoples. It is extremely regrettable that these teachers, with their backs against the wall, have been forced to complain against a law which from their experience they cannot believe to be the will of the Filipino people. In the case of these teachers the

moral and social obligations far transcend legal technicalities, and we beseech your honorable Committee to recommend justice to your petitioners and prevent a sad anti-climax to the world-heralded educational effort in the Philippine Islands.

Respectfully submitted,

FOR THE AMERICAN RETIRED TEACHERS
ASSOCIATION OF THE PHILIPPINE ISLANDS

R. G. McLEOD

MARY E. POLLEY

E. O. PARKER

LOUIS O. LISK

MANILA,

September 9, 1937.

BRIEF
SUBMITTED BY
REPRESENTATIVES OF AMERICAN TANNERS

(749)

BRIEF

To: The JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS.

From: Representatives of American TANNERS.

Subject: Leather.

To the tanning industry in the United States and to those of us here who are engaged in distributing their products, there is no point in the matter of future trade relations between the United States and the Philippine Islands that is so important as increased preferential protection for American leather. The Japanese and Australian tanners, and others, are trying very hard to take this market away from the American tanners.

A preferential tariff in favor of the United States is not only necessary but should be considerably higher than the present rate. Even with the existing preferential, Australian and Japanese tanners are able to undersell us in the Philippine Islands. In one classification, as will be enumerated, Australian tanners are shipping a quantity about equal to that being shipped from the United States. In another classification, Japanese leather is a very severe threat to the continued consumption of American leather in the Philippine Islands, and in still a third classification, Chinese tanners have already dominated the market.

If protection is not afforded the American tanner, we are sure to lose our commanding position in the leather trade in the Philippine Islands. We know only too well from bitter experience in the past that the American tanner, paying American scale of wages, cannot compete on a price basis against other countries paying only a fraction of those wages. Nor can we compete against blocked marks, depreciated currencies or disguised export subsidies. European, Australian and Japanese tanners can undersell us every time.

For example: China was formerly a very fine market for American leather. The trade has dwindled from over \$1,000,000 in 1928 to \$144,000 in 1936. Approximately half of that quantity in 1936 was represented by one item, patent leather, in which the United States is still supreme. In every other classification exports for 1936 were under \$15,000.

To Japan, the United States in 1928 sold over \$3,000,000 worth of leather. This business has dwindled from year to year so that in 1936 it amounted to \$332,000.00. While Japan has, in the meantime, produced a steadily increasing proportion of the leather required for domestic use, and is in fact already producing an exportable surplus, nevertheless Japan still continues to import certain

types of leather in good quantity—particularly the better qualities. On such leather European tanners can^d undersell us and of late years have been supplying the bulk of the quantities imported by Japan. Therefore, the business has shrunk to 10 percent of what it once was.

The same has been the case in all other oriental markets—Hong Kong, British Malaya, Netherlands East Indies. Formerly these were all good markets for American leather, but the quantity has dwindled from year to year so that they are no longer profitable.

The Philippine Islands remain the sole remaining oriental market taking a good quantity of American leather. To our mind it is highly desirable that this market be protected for the American tanner.

There are three outstanding points to be considered in connection with the leather industry and interest in this problem:

(1) The tanning industry in the Philippine Islands is not of great importance. Local raw-stock supplies (hides) are rather poor quality and are usually damaged when being removed from the carcass of the animal, and in any event are not produced in sufficient quantity to supply the leather demands of the Philippine Islands. Leather produced is principally sole leather used in the manufacture of cheaper shoes and slippers. The leather has a rather unpleasant odor, especially when damp, and this feature limits its use in favor of imported products. Chinese control a large share of the output and are reported to have little interest in improving the product.

(2) At the present time the largest share of the leather imported into the Philippine Islands comes from the United States. Her importance as a customer of the United States is illustrated by the fact that about 5 percent of all leather exported from the United States is sent to the Philippine Islands—a large share [for] a single country.

The Philippine Islands is America's best customer for sole leather. The total quantity of sole leather exported from the United States has dropped tremendously during the past ten years so that our export markets have been narrowing each year. Naturally the American tanner wants to preserve this export trade in heavy leather wherever he can. The Philippine Islands now buy a greater amount of sole leather from us than any other country. On sole-leather bends and cutsoles (the better quality) we have not as yet a great deal of competition, but on shoulders and bellies (the cheaper quality) Australia is getting approximately 50 percent of the business.

Last year in the classification of cattle-side upper leather about 20 percent of all of this type of leather shipped from the United States was sent to the Philippine Islands. It is in this classification that we face the greatest competition from Japan. The greatest difficulty at present is the fact that the low prices quoted by Japanese tanners, even though their business is not yet of great volume, have a tendency to lower the prices that can be obtained for American leather. As a consequence, generally speaking, only the very lowest grades can be sold and this business is at a price which does not represent a fair return to the American tanner.

(3) The tariff on leather ranges from 10% to 15% and is applied to imports from countries other than the United States. This preferential margin in favor of the United States must be increased if the American tanners are to hold their position in the market. The tariff of 10 percent on sole leather from Australia, based on present valuation, is little if any more than the cost of freight and insurance on similar leather from New York. The duty of 15% on upper leather coming from Japan, for example, cannot begin to cover the vast difference in cost represented by the great difference between wages paid in that country as compared with those paid by American tanners. There is also the advantage of lower freight rates and greater proximity to the market. The differential in favor of the United States should be increased to at least 25% to 30% in order to cover these differences of labor cost, freight rate and also currency differentials.

SHOE INDUSTRY IN THE PHILIPPINE ISLANDS

The shoe-manufacturing industry in the Philippine Islands comes under two general classifications: factory-made and hand-made. There are four factories in Manila manufacturing shoes. Two are owned and operated by American companies, one by a Filipino company, and one by a Chinese company. Shoes manufactured in the factories represent roughly 35% to 40% of the total production and are of the better grades of shoes. On the whole they use a better grade of raw material, both sole leather and upper leather, than goes into the hand-made shoes. Factory production represents probably 75% to 80% of all of the men's shoes made in the Philippine Islands and not more than 10% of the shoes for women and children.

The native hand industry is rather primitive, operated in small units of shops making from 10 pair per day upwards, represents 60% to 65% of the total shoe-production in the Philippine Islands. These shops produce 20% to 25% of the men's shoes and approximately 90% of the shoes for women and children. The product of

this hand industry is controlled almost entirely by Chinese who have no interest in improving the product; as a matter of fact, it is generally considered that the quality has become rather poorer and poorer as the main consideration has been the production of shoes at a cheap price, irrespective of quality or wear.

COMPETITION AND PRICE SITUATION

The statistics of the Philippine Bureau of Commerce divide leather imports into only three main classifications, namely: "sole and harness leather", "upper leather", and "other leather". However, we are at present concerned with competition within certain main subdivisions of these general classifications.

Sole leather: Sole leather is divided into two main classifications.

1. Stout leather of good fiber suitable for the outsole of shoes. This leather is usually produced from the bend or better part of the hide.
2. Shoulders and bellies (generally termed "offal") will not wear long and [are] suitable only for the poorer quality of sole on cheap shoes or for insoles, boxtoes, counters, or the under portion of heels.

On the better kinds of sole leather, that is, bends or cutsoles, the United States at the present time has not a great deal of competition. The factories generally recognize the better quality of American leather and are using same almost entirely for the bottoms of their shoes. However, a slight change in the price situation would increase competition on this type of leather.

On offal, generally so called in the leather trade, which includes the leather made from the shoulder and belly portion of the hide, we face a great deal of competition. The factories generally prefer American leather for the insoles of their shoes, but when the price difference is too great purchases are sometimes made of leather from other countries, particularly Australia. Some of the factories are using Australian leather at the present time.

For the cheaper hand-made shoes and also for slippers worn generally throughout the Islands, the outsoles and insoles are made almost entirely either from domestic tanned leather or from Australian shoulders or bellies.

In this category, offal, Australian tanners are shipping in equal or perhaps even larger quantity than the quantity coming from the United States. Evidently some mistakes have been made in the statistics kept by the Bureau of Commerce, which show imports for the first six months of 1937 as 60,594 kilos or 133,306 lbs., valued at ₱43,352.

Figures taken from the ships' manifests of cargo arriving during the same six months' period January 1st to June 30th, 1937, as per list appended hereto, show imports totaling 82,991 kilos or 182,580 lbs. Complete comparative statistics of United States Department of Commerce not yet received. Figures for 1936—full year—sole-leather offal shipped from the United States to the Philippine Islands, 257,466 pounds.

The average value of the quantity listed in the Bureau of Commerce statistics would be $32\frac{1}{2}$ centavos or $16\frac{1}{4}$ cents per lb., which value we know to be about correct. The 10% duty collected on this valuation would just about equal freight and insurance on a shipment of the same kind of leather from New York to Manila.

Landed cost of Australian sole-leather bellies after payment of duty is equivalent to $14\frac{1}{2}$ to $18\frac{1}{2}$ cents per lb. and is 3 cents to 4 cents cheaper than American leather of comparable quality. The prices of Australian sole-leather shoulders, after payment of duty, range from 20 to $25\frac{1}{2}$ cents per lb. and are from 4 cents to $7\frac{1}{2}$ cents per lb. less than comparative quality of American sole-leather shoulders. These prices may be found satisfactory to the tanners in Australia where the currency is 25¢ depreciated as against pound sterling but would not represent cost to the American tanner.

Upper leather: This is in one general classification in the Philippine Bureau of Commerce statistics. American Department of Commerce divides this general heading into various subheadings according to the animal from whose hide the leather was made. As for example, cattle hide upper leather; goat and kid upper leather; sheep and lamb upper leather; horse and colt upper leather.

On upper leather made from cattle hides we face the strongest competition from Japan. Leather of this type has recently been introduced from Japan and has been sold, duty paid, in Manila at 13¢ to $15\frac{1}{2}$ ¢ per square foot. The lowest price at which American leather can be obtained is 16¢ per foot, and this only in small quantities and odd lots of damaged grades. Regular low-grade (reject) selections sell for $17\frac{1}{2}$ ¢ to 19¢ per foot. The fact that the quantity of this type of leather coming from Japan is not larger, is due to the fact that the leather has just recently been introduced in this market, and also due to the fact that, as yet, the Japanese tanners have not got a particularly large exportable surplus of this type of leather. The Japanese tanning industry is growing steadily, and it is reasonable to expect that the exportable surpluses will be progressively increased from year to year.

The seriousness of the threat of Japanese competition cannot be judged solely by statistics. These naturally fail to show what may happen when the business grows. Experience with Japanese com-

petition in other lines has demonstrated that it is easy for the Japanese to enter the Philippine market and undersell American producers. Such Japanese leather as is coming into this market today is underselling American leather by several cents per square foot, after the payment of 15 percent duty. When we realize that Japanese tannery workers are paid only a fraction of the wage paid American tannery workers, the differences in the cost are easy to understand.

Strap leather. This material, used principally in the manufacture of men's belts, was formerly a very considerable item of export from the United States to the Philippine Islands. Until a very few years ago the United States shipped annually about 100,000 square feet of this type of leather to the Philippine Islands. Of recent years it has been coming almost entirely from China, principally from Amoy, at prices duty paid, so far below the price of American leather that it is impossible to compete. Admittedly the quality of the leather coming from China is not equal to that produced in the United States, but it sells on price. As a consequence this business has dwindled to almost nothing. In 1936, for the first time in several years, a fair quantity of this type of leather was shipped from the United States, but this went almost entirely into the manufacture of belts for the Philippine Army. In the regular channels of trade, the Philippine Islands is taking practically none of this leather from the United States today.

The price of the leather coming from China, duty paid, laid down in Manila, is approximately 20 cents per foot. Suitable quality from the United States costs not less than 32 to 35 cents.

When we realize that tannery workers in China, working 10 hours per day, earn for a full month of 30 days, with no days of rest, the equivalent of only \$6.00 U. S. currency for 300 hours' work, and that American tannery workers earn approximately the same amount for one 8-hour day, the difference of cost of production is apparent.

On this item of strap leather, there also seems to be a mistake in the figures recorded by Philippine customs statistics. These show imports for the first six months of 1937 of sole and harness leather from China (this would include this type of leather) as 6,100 kilos valued at ₱1,908. Figures taken from ships' manifests show imports during the period January 1 to June 30, 1937, as per appended list, of 9,867 kilos, or 21,707 lbs. This would be equivalent to approximately 60,000 square feet.

CONCLUSION

From the foregoing we believe that it is apparent that the present duties do not sufficiently protect American leather. In one category (strap leather) the business has almost entirely vanished. In another

(sole-leather offal) Australian tanners are today getting 50 percent of the business. In another category (side upper leather) Japanese competition is severely felt, particularly on price, and it seems apparent that unless adequate protection be accorded American leather, this competition can only be expected to grow, and also other competition develop.

Respectfully submitted,

A. W. HOGAN
719 Dakota, Manila

C. W. CUMMING
510 Chaco Bldg., Manila

H. YARAS
c/o Getz Bros. & Co.
6th Floor Soriano Bldg., Manila

A hearing is requested.

Enclosure

**IMPORTS OF LEATHER INTO MANILA FROM AUSTRALIA JANUARY 1 TO JUNE 30,
1937—PER SHIPS' MANIFESTS**

<i>Steamer</i>	<i>Arrived</i>	<i>Bales</i>	<i>Weight in kilos</i>
Taiping	January 5	47	5,973
Kamo Maru	January 18	12	1,464 (estimated)
Tanda	January 31	56	6,789
Change	February 2	8	554
Willandra	February 9	15	1,830 (estimated)
Atsuta Maru	February 15	35	4,270 (estimated)
Nankin	March 1	36	4,411
Taiping	March 8	36	4,159
Neptuna	March 16	5	610 (estimated)
Kitano Maru	March 16	33	4,026 (estimated)
Nellore	April 1	10	1,519 (actual)
		4	488 (estimated)
Change	April 5	45	5,141
Kamo Maru	April 18	34	4,158 (estimated)
Tanda	May 2	38	4,719
Taiping	May 8	26	2,831
Neptuna	May 24	47	5,734 (estimated)
Nankin	May 31	48	7,128
Change	June 5	23	2,652
Kitano Maru	June 14	44	5,368 (estimated)
Nellore	June 30	77	9,177

Total 679 bales, 82,991 kilos or 182,589 lbs.

Note Where weight is not shown on ship's manifest, weight has been estimated as shown. Average taken of all other shipments on which weight is shown, at rate of 122 kilos per bale.

IMPORTS OF LEATHER INTO MANILA FROM AMOY, CHINA, JANUARY 1 TO
JUNE 30, 1937

PRINCIPALLY STRAP LEATHER

<i>Steamer</i>	<i>Arrived</i>	<i>Bales</i>	<i>Weight in Kilos</i>
Anking	January 2	8	800
Anking	January 14	7	665
		8	880
Anking	January 23	7	525
Anking	February 2	7	264
Anking	February 18	4	340
Anking	February 27	6	552
Anking	March 20	7	798
		3	471
Anking	May 18	9	1,260
		10	1,000
Hai Hing	June 18	7	708
		5	655
		1	74

Total 92 bales, 9,867 kilos or 21,707 lbs.

RESOLUTION
ADOPTED BY THE
ASOCIACION DE LOS VETERANOS DE LA REVOLUCION

(759)

ASOCIACION
DE LOS
VETERANOS DE LA REVOLUCION
DIRECTORIO CENTRAL
MANILA

RESOLUTION

APPROVED BY THE

VETERANS OF THE REVOLUTION IN THEIR ANNUAL ASSEMBLY HELD IN MANILA, PHILIPPINE ISLANDS, ON THE SEVENTH OF FEBRUARY, NINETEEN HUNDRED THIRTY SEVEN

WHEREAS the Association of the Veterans of the Revolution was organized (by those who fought against the sovereignty of Spain and against the armed forces of the United States for the liberty and independence of the Philippine Islands) for the purpose of pursuing, within the ways of peace, the achievement of their ideals;

WHEREAS the Act of the Congress of the United States known as Tydings-McDuffie Act, passed on the 24th of March, 1934, provides that the independence of the Philippine Islands shall be proclaimed after the expiration of ten years from the date of the inauguration of the Commonwealth Government;

WHEREAS the Filipino people have accepted the Independence Act because assurances of modifications of its objectionable clauses were given;

WHEREAS the President of the United States, in his message to Congress, recommending the approval of the measure, stated that any inequalities or imperfections of the bill could be later adjusted or corrected;

WHEREAS Senator Joseph T. Robinson of Arkansas declared in Manila in November, 1935, that he was willing to support a petition from the Filipino people to shorten the transition period;

WHEREAS Senator W. H. King of Utah has made a similar statement recently;

WHEREAS many of the members of the Congressional Party who came to attend the inauguration of the Commonwealth Government of the Philippines in November, 1935, declared, when they returned to the United States, that they were convinced of the necessity of an early withdrawal of the American sovereignty from the Islands;

WHEREAS the Hare-Hawes-Cutting Act was passed by Congress, even after having been vetoed by the President of the United States at a time when the Chief Executive belonged to the Republican Party, the Senate majority [was] Republican and the House majority [Democratic];

WHEREAS at present the Legislative and Executive branches of the Federal Government of the United States are under the control of the Democratic Party which, in all its political platforms has invariably advocated for the early grant of independence of the Philippine Islands;

WHEREAS prominent leaders of the Republican Party are convinced that the United States should not continue in the Philippines with responsibility without authority and are, therefore, willing that Congress grant the Islands their immediate independence;

WHEREAS the geographical situation of the Philippine Islands is considered the weakest point in the defensive scheme of the United States in case of war;

WHEREAS it is true that the Filipino people acknowledge the highly meritorious and disinterested work of the United States, under whose direction the inhabitants of the Islands have achieved great material and intellectual progress and have enjoyed a large measure of freedom; it is, nevertheless, true that notwithstanding the acceptance of the Tydings-McDuffie Act, they are anxious to obtain their immediate, absolute, and complete independence;

THEREFORE the delegates of all the departments of the Association of the Veterans of the Revolution assembled in their annual reunion under the presidency of General Emilio Aguinaldo, unanimously resolve:

1. To request, as it is hereby respectfully requested, the Hon. President of the United States, the Congress and the people of that great Republic to pass a law granting the Philippine Islands its complete independence during the administration of the Hon. President Franklin D. Roosevelt, providing also that the trade relations between the United States and the Philippines shall be embodied in a treaty to be negotiated between the United States and the Philippines.

2. To request, as they do now request, the Hon. President of the United States to kindly initiate negotiations with such powers as he may deem necessary for the neutralization of the Philippines, once independent, as provided in the Independence Act and, should such negotiations fail to achieve their purpose, the assembly of veterans makes the solemn declaration that the Filipino people are ready to shoulder the responsibilities of an absolute and complete independ-

ence without further imposing upon the United States the burden of protecting its territorial integrity or the necessity of establishing naval bases to prevent the invasion of the Islands by any power.

3. To send a copy of this resolution to the President and the Congress of the United States, to the President of the Commonwealth of the Philippines, [to] the Chairman of the Philippine Delegation to the Trade Conference to be held in the United States, [to] the Resident Commissioner of the Philippines in the United States, and to any other authority or entity in the United States, as the President of this Assembly may deem necessary.

Adopted unanimously in the City of Manila, Philippine Islands, on the 7th of February 1937, the 39th year of the Proclamation of Philippine Independence in Kawit, Cavite.

CERTIFIED BY:

E. AGUINALDO
President

ANTONIO MONTENEGRO
Secretary

**BRIEF
OF THE
ASSOCIATION OF PACIFIC FISHERIES
AND THE
NORTHWEST SALMON CANNERS ASSOCIATION**

(768)

BRIEF
OF THE
ASSOCIATION OF PACIFIC FISHERIES
AND THE
NORTHWEST SALMON CANNERS ASSOCIATION

June 11, 1937.

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*Room 206, United States Tariff Commission,
Eighth and E Streets,
Washington, D.C.*

GENTLEMEN :

Your public notice of May 28th on "Hearings on United States-Philippine Affairs" has just come to our attention. From it we understand any brief or statement relating to these matters must be filed with you before noon on June 15, 1937. We, therefore, do not have an opportunity to prepare a formal brief or secure additional statistical information which would be helpful, but we do wish to take this opportunity to present briefly the following views of the American salmon-canning industry.

1. The Association of Pacific Fisheries and the Northwest Salmon Cannery Workers Association represent well over 80% of the American salmon-canning industry, employing some 30,000 fishermen and cannery workers.

2. In spite of the present 15% duty in the Philippine Islands on canned salmon and sardines produced in other countries, our export business to the Philippines has fallen off greatly, due largely, we believe, to the competition of the Japanese, whose low-labor and other costs enable them to pay the 15% duty there and undersell our American canned-fishery products.

3. We, therefore, greatly fear the effect on our export business with the Philippines if the announced plans of the U.S. State Department and President Quezon for negotiating a non-preferential trade agreement are carried out. If a preferential duty against non-American canned fish has been ineffective, certainly a trade agreement abolishing this preference will result in the practical exclusion of American canned fish from the Philippines.

4. We request, therefore, that any trade agreement to be negotiated should have substantial preferences granted to American canned fish to the extent of at least 25% *ad valorem*, which is the present American duty on importations of canned salmon into the United States.

5. Also request that any trade agreement should extend for a considerable number of years and further that any treaties negotiated with other nations concerning the neutrality of the Philippine Islands, or for any other purpose, be made subject to this proposed preferential trade agreement between the Governments of this country and the Philippine Commonwealth.

6. From incomplete statistics that we now have here from the U.S. Bureau of Foreign and Domestic Commerce and from the annual reports of the Insular Collector of Customs of the Philippine Islands we see that in 1926 we exported 8,140,977 lbs. of canned salmon to the Philippines; 4,742,208 lbs. in 1927; 1,575,464 lbs. in 1934; and 1,195,317 lbs. in 1935.

In the case of Japanese exports of canned sardines to the Philippines we do not have detailed statistics except for the first quarter only of the years 1937 and 1936, when the figures were 6,768,000 and 2,891,321 lbs., respectively, for these three-month periods, according to a very recent report of the American commercial attaché at Tokyo. This indicates that the following statement on page 380 of *Japanese Trade and Industry*, by Mitsubishi Economic Research Bureau, published by Macmillan & Co. in 1936 at London and New York, is no idle boast:

Exports of tomato sardines are confined to the Netherlands East Indies, the Straits Settlements, the Philippines, British India, Siam and other Far Eastern countries, the Japanese product having gained almost a monopoly in those markets.

7. Over a long period of years, under the trade policy that has prevailed, much trade, mutually beneficial to both American and Philippine industries, has been developed, including passenger, mail and freight services on our steamers. Any change in trade policy which would lower the bars to Japanese exploitation of the Philippines can only result in severe losses to many of our Pacific-coast key industries like the fisheries, steamship lines, flouring, lumber, mining machinery, road-making machinery, etc., etc.

8. Under a preferential trade agreement our business with the Philippines would be increased and therefore would be in line with the recently announced policy of President Roosevelt that \$160,000,000 should be spent to build up our merchant marine.

Respectively submitted,

NORTHWEST SALMON CANNERS ASSOCIATION

A. I. ELLSWORTH, *Secretary*

ASSOCIATION OF PACIFIC FISHERIES

WILLIAM TIMSON, *President*

BRIEF
SUBMITTED BY .
MANUEL GAMBOA BELLEZA

(767)

BRIEF

SUBMITTED BY

MANUEL GAMBOA BELLEZA

(Translation)

SILAY, August 27, 1937.

His Excellency

JOHN VAN A. MACMURRAY.

YOUR EXCELLENCY:

I have the honor to respectfully suggest that, as one of the amendments to the economic provisions of the Tydings-McDuffie act, the distribution of centrifugal sugar quotas to the various plantations be based on their production for the year 1934.

The method of distributing quotas to the various Philippine plantations based on their production for 1931, 1932 and 1933 was one of the provisions of the old Hare-Hawes-Cutting act which could not be enforced because it was not accepted by the Senate and the House of Representatives of the Philippines. The Hare-Hawes-Cutting act was drafted in 1931, submitted to the U.S. Congress in December, 1932, and passed on January 17, 1933, and the provision contained in the aforementioned legislation regarding the distribution of sugar quotas based on the production for 1931, 1932 and 1933 was based on certain valid reasons; but it would be a great injustice to include it in the Tydings-McDuffie act, which was passed only in 1934 and which should not have retroactive effect, according to an internationally recognized principle of law.

Furthermore, by basing the estimate of sugar quotas on the productions for 1931, 1932 and 1933, a great injustice would be done in that quite a few planters, unfortunately for them, suffered a reduction of over ninety-nine percent (99%) of their production for 1934, which, of course, means their utter ruin, whereas other planters who are more fortunate have had a reduction of hardly ten percent (10%) of their production for 1934, which, of course, is evidently utterly unfair, the weight of the limitation not having been equitably distributed among Philippine planters, as it should have been done, the quota of centrifugal sugar adjudicated by the United States to the Philippine Islands not being solely the patrimony of certain privileged parties, but of all the planters in this region.

In order to bring into bolder relief the utter unfairness of the method of distributing the sugar quotas which has been adopted, I will mention my own case. Prior to the enforcement of the Tydings-

McDuffie act I acquired from the Philippine National Bank the right to purchase, on the instalment plan, lots nos. 805, 804, 791, 792 and 794 of the Murcia, Occidental Negros, Cadastral Survey, assessed at ₱12,410.00 and paying land taxes amounting to ₱108.00 a year. Lot no. 805, which is the largest of all, having an area of about 130 hectares, and [which] is attached to the Bacolod-Murcia Milling Co., produced in 1914 about 700 piculs of centrifugal sugar, but owing to the anomalous distribution of sugar quotas based on the 1931, 1932 and 1933 productions, only the ridiculous quota of 58 piculs of centrifugal sugar (58 p.p.) was adjudicated to me, representing a reduction of over 99% of my production for 1934; said quota does not include reserve sugar, which has not any market quotation and is more of a burden to the planter, as he has to pay storage for keeping it in a warehouse.

As a logical and necessary result I am about to be foreclosed by the Philippine National Bank, owing to my failure to pay the balances due, and in the event of a foreclosure I shall lose the sum of ₱4,200.00 already paid.

Being convinced of the unfairness of the method of distributing sugar quotas, the Philippine Legislature passed Act No. 4166, section 8 of which provides that the distribution of sugar quotas, either reserve or for home consumption, shall be based on the 1932-1933 or 1933-1934 crops, or at least most of them; but this legal provision has been of very little help to the planters affected, because of the small quantity of sugar quota for home consumption, and as far as reserve sugar is concerned it will not be of any use at all for alleviating their troubles, for the reason that it is unmarketable.

Bearing in mind the unfairness of the distribution of sugar quotas, the President of the Philippines has issued every year Executive orders; but they have granted advantages only to such centrals as the Rosario Sugar Mill, the Bataan Sugar Company, the Nueva Ecija Sugar Mill, Inc., the Hind Sugar Co., the Central Azucarera del Norte, the Central Leonor de Hijos de I. de la Rama and Co., the Mabalacat Sugar Mill and the College of Agriculture, University of the Philippines, but never to sugar-growers of Occidental Negros, who have undergone great hardships as a result of the unfair distribution of quotas under the Tydings-McDuffie act.

But, on the other hand, if sugar quotas are allocated to the various sugar centrals and plantations on the basis of their production for 1934, the weight of the limitation is distributed equitably among all

770

BRIEFS SUBMITTED TO THE COMMITTEE

concerned, without causing any one of them great losses which may mean their utter ruin.

Trusting to get justice from Y.E., I remain,

Very respectfully yours,

MANUEL GAMBO BELLEZA

Calle P. Burgos #43,

Silay, Occidental Negros,

Philippines

**BRIEF
OF THE
BLUE BAR COCONUT COMPANY**

(See also briefs for the Philippine Desiccated Coconut Industry.)

BRIEF
OF THE
BLUE BAR COCONUT COMPANY

MANILA, P. I., *June 14, 1937.*

THE JOINT PREPARATORY COMMISSION ON PHILIPPINE AFFAIRS,
*Room 206, U.S. Tariff Commission,
8th & E Streets,
Washington, D.C.*

GENTLEMEN:

In connection with your consideration of economic relations between the United States and the Philippine Islands, we beg to submit the following:

We have been engaged in the manufacture of desiccated coconut at Pagsanjan, Laguna Province, Philippine Islands, for a number of years. Last year, 1936, the output of our plant, together with the production of another factory the sale of whose product we handle, totaled over eleven million pounds. These factories give employment to over 700 persons.

The fact that Philippine desiccated coconut has been admitted duty-free into the United States while the Ceylon product was assessed $3\frac{1}{2}\text{¢}$ per lb. has permitted the Philippine product to supplant almost entirely the Ceylon product in the United States market. If this tariff preference is removed or greatly reduced, it will force us to discontinue operations with consequent loss of employment to a substantial number of persons, as mentioned above.

It is estimated that labor rates in the Philippine Islands are about 300% of those prevailing in Ceylon. To offset this disadvantage and also the higher cost of coconuts, freight rates, etc., in the Philippine Islands, we believe that it is necessary that the present tariff preference of $3\frac{1}{2}\text{¢}$ per lb., or very nearly that amount, be maintained in order that the operation of this industry may be continued in the Philippine Islands.

Our capital investment in the Philippine Islands is a large one. The greater part of this investment would probably be lost if it became necessary for us to discontinue operations in the Philippine Islands. However, we believe that from an economic standpoint the more important considerations are the loss of employment in the Philippine Islands which would be involved and the fact that there would be no direct check upon the price of Ceylon desiccated coconut

offered in the United States market (Ceylon and the Philippine Islands being the principal producers of desiccated coconut).

Very truly yours,

BLUE BAR COCONUT COMPANY
C. H. SLEEPER
Ass't. Treasurer

BRIEF
OF THE
BUNTAL HAT WEAVERS' ASSOCIATION
AND THE
BULACAN ECONOMIC LEAGUE

BRIEF
OF THE
BUNTAL HAT WEAVERS' ASSOCIATION
AND THE
BULACAN ECONOMIC LEAGUE

September 10, 1937.

THE HONORABLE MEMBERS
OF THE JOINT COMMITTEE,
PHILIPPINE-AMERICAN
TRADE RELATIONS,
Manila, Philippines.

GENTLEMEN :

For more than 30 years now, buntal-hat industry has been the source of livelihood of thousands of families in the Provinces of Bulacan, Pampanga, Nueva Ecija, Laguna, and Tayabas. Buntal hats, so well known in America and Europe, constitute as one of the Philippine exports that contribute to our favorable balance of trade. Before, the Philippines has an exclusive monopoly of this export because the materials thereof are and can only be grown in our country.

Of recent years, the buntal fibers began to find their way and are now being exported to foreign countries, mainly China, where they are woven into hats by cheap labor. Since then, there was a strong competition between Philippine-made buntal hats and China buntal hats, both of which are of Philippine materials. Because of this competition the Philippines has been gradually losing its foreign markets, thereby resulting in the acute problem of unemployment and the gradual and certain death of this once prosperous Philippine home industry.

This problem finally attracted the attention of our Insular Government that several proposed legislations with a view to saving this industry have been passed. Finally, a law prohibiting the exportation of buntal fibers abroad, fathered by Assemblyman Hon. Antonio Villarama for the Second District of the Province of Bulacan, is now pending action by the President of the United States.

For the information of the honorable Committee, we beg to attach herewith the memorandum of the Director of Commerce, Manila, P.I., to the Hon. Secretary of Agriculture and Commerce, showing the conditions of the industry and the necessity of prohibiting the exportation of buntal fibers.

In view of the foregoing, and for a more detailed exposition of the facts relative to this industry and further, for the information and grasp of the hon. Committee of this industry and its problem, we beg for an authority to our Assemblyman Hon. Antonio Villarama to appear at a hearing to be designated by that hon. Committee.

Respectfully submitted,

WENCESLAO M. ORTEGA
President
Buntal Hat Weavers' Association

CIRILO S. HONORIO
Executive Secretary
Bulacan Economic League

Enclosure

MEMORANDUM

July 22, 1936.

The Honorable
THE SECRETARY OF AGRICULTURE AND COMMERCE,
Manila.

Subject: Bill No. 11 of the First National Assembly, entitled: "An Act Prohibiting the Exportation of Fibers (Buntal), Seeds, Seedlings of the Plant Commonly Known as the 'Buri'".

I have the honor to make the following comment on the above-mentioned bill:

During the administration of the late Governor General Leonard Wood, a bill was passed by the Philippine Legislature prohibiting the exportation of buntal fiber from the Philippines, but the bill was vetoed by the Governor General on the main ground, that, as the buri palm is not a monopoly of the Philippines, such a measure might cause the Chinese to turn to other places for supply. Again, in 1931 the Philippine Legislature passed a similar bill making it illegal to export buri seeds (nuts), palms or fibers (buntal). This bill was also vetoed by the Governor General Dwight F. Davis. Among other things, the Governor General said:

Of recent years the price of buntal hats has been brought so low that weaving them has become less and less attractive to Filipino families. The proponents of the bill believe that by prohibiting the export of the fiber it might be possible to discourage Chinese buntal-hat production and restore this household industry to the Philippine Islands. Examination of world conditions shows, however, that if the Chinese producers were denied purchase of the Philippine fiber they would obtain it elsewhere as palm tree which bears the fiber can be grown in several regions other than the Philippine Islands. If the bill becomes a law and was put into effect, it is certain that the Islands would not regain the hat-weaving industry but would lose the growing export of the fiber. It is worthy of note that the greatest exportation of buntal hats took place in the

same year that there was greatest exportation of buntal fiber. Today, the amount of fiber exported is over two and one half times that of the local consumption. It is therefore, obvious that world styles, not foreign competition, is responsible for the present lessened demand for hats. No economic development can be achieved if by legislation we destroy an industry that is competing in the world markets, in a futile attempt to foster a weaker domestic industry.

In this connection it may be stated that the prohibition of the exportation of buntal fibers affects in different ways two local industries which give livelihood to thousands of Filipino families; the buntal hat-weaving industry and buntal fiber-extraction industry. Prohibition of exportation of buntal fibers would tend to limit the market for it at least during the first few years after the prohibition has been enforced unless the production of hats locally would increase substantially and other uses for the fiber are introduced. On the other hand, the prohibition of exportation would prove beneficial to the buntal-hat industry which may likely be revived and further expanded if Chinese exports to the United States and Europe will be replaced by the supply from the Philippines.

When the original bill prohibiting the exportation of buntal fibers was introduced in 1929 in the Legislature, this bureau expressed the views that as a general principle the prohibition of the exportation of buntal fibers is not a good economic policy as it would tend to curtail the market for the fiber and thus reduce the income of the people engaged in its extraction, that there is a possibility that China might buy buntal fiber from other countries where the buri palm grows, and that the market now supplied by hats made in China might not be filled by Philippine producers.

Since the above views were expressed six years ago on the original bill as it was presented in the Legislature, further developments in the industry have taken place, among which is the tremendous decline in exports of buntal hats in this country especially in 1935. During 1934 the Philippines exported 1,213,983 buntal hats valued at ₱2,275,933. These figures dropped to only 473,478 hats exported in 1935 valued at ₱854,151. Prices for locally made hats have also fallen considerably from an average of ₱32 to ₱40 per *terno* of eight assorted hats less than ten years ago to the present price of only ₱3.20 to ₱4 per *terno*.

In view of these recent developments in the industry, the undersigned decided to look personally into the situation and to gather first-hand information not only on the views of those interested in the industry but also on the real facts obtaining therein. To this end, I have recently held conferences with exporters of buntal hats and buntal fibers in Manila, weavers of buntal hats and dealers in fiber and hats in Lucban, Tayabas, provincial and municipal officials of the Province of Tayabas, including the Provincial Governor and the president of the League of Municipal Presidents in the 2nd District of the province where most of the buntal fiber is produced, and strippers of buntal fiber in Sariaya.

Among other things, I have found the following as a result of my personal investigation and study of conditions in the industry:

- (1) There is a practical unanimity in favor of prohibiting the exportation of buntal fibers among local merchants and dealers in buntal hats and among the people engaged in weaving hats.

- (2) The local hat industry is in a critical condition, suffering from greatly reduced demand abroad and the serious drop in prices.

(3) The plight of the hat industry is attributed largely, if not wholly, to the [?competition] of cheaper buntal hats being manufactured in China and exported from that country.

(4) China has become a bigger source of supply of buntal hats than the Philippines although practically all the raw material used in China comes from the Philippines. In 1935 China manufactured also 2,000,000 hats out of Philippine buntal fiber as compared with only 473,000 hats manufactured in the Philippines.

(5) Most of the strippers of buntal fiber are also in favor of prohibiting the exportation, their main reason being that the decline in the price of Philippine buntal hats brought about by the production of cheap hats in China has also caused a decline in the price of fibers and that if the local hat industry is made more prosperous, the price of the fiber and general conditions in the stripping centers will also be improved. This view was expressed in the conference I had with the buntal-fiber strippers in Sariaya and also by the president of the League of Municipal Presidents of the 2nd District of Tayabas where most of the stripping of the fiber is done.

(6) The supply of fine fibers for local hat-weavers is becoming scarce because of a growing control of three big buyers who get most of the fibers from the strippers and export them to China.

(7) The majority of the people who extract buntal fiber do not depend upon it exclusively for their livelihood but they engage in it merely as a side occupation. On the other hand, it is estimated that about 80 percent of the people of Luchan, Tayabas, not to mention those of other towns like Baliuag, Pagbilao, Tayabas, and other hat-manufacturing centers, are chiefly dependent upon this industry.

(8) In the conference with exporters of buntal hats and buntal fibers, only one did not vote in favor of the prohibition of exportation. This merchant, however, did not cast a dissenting vote, but merely abstained. A Filipino owner of a big buri plantation in Tayabas in a conference with the undersigned voiced his strong opposition to the prohibition of exportation of buntal fibers, stating that local weavers could not make the kind of hats that New York and Paris now buy from China because while the Chinese weavers make hats according to requisition specifications, the weavers in the Philippines just follow their whims and insist on the slogan "Buy our hats as they are or you won't be able to fill your order." He also pointed out that the number of hat-weavers in the Philippines has decreased so that the production of hats here would not increase in the event that exportation of the fiber is prohibited, [that] many laborers and their families would suffer from the prohibition of buntal-fiber exports, and that the growth of the exports of buntal fiber has come side by side in the growth in the exports of buntal hats.

In addition to the above, it has also been pointed out:

(a) That exports to China have depleted the local market [of] good-quality fibers and that as a consequence, there is now a greater percentage of coarse hats produced than formerly, or conversely, that there is a smaller percentage of good-quality hats produced.

(b) That because of the depreciation in the general quality of the home product and the marketing of poor-quality Chinese buntal hats in the United States market, the reputation of the local buntal hats has greatly been damaged in that market. It is alleged by those who protest against the bill that the Chinese buntal hat, being of different weave, does not

compete directly with the Philippine buntal hat. This is not so, because "Buntal hats are buntal hats and when China produces more, the Philippines will produce less."

(c) That while it is true that the buri palm grows not only in the Philippines, but also in other countries, to prepare the fiber is a generation-old art of the Filipinos and any man untrained in this art will have the greatest difficulty to produce the smooth, clean and flexible buntal fiber, for which the district of Tayabas is famous. Besides, it is claimed, the climatic conditions must be "just right for the buntal fiber to be produced and worked". Even here in the Philippines, it is pointed out, it is only in Tayabas district, "the region around Mount [*Bambajao*] where a drizzling rain falls for a few hours every day, that the buntal fiber can be produced to advantage". Again, it is emphasized, everybody in the trade knows that the trees which produce fiber suitable for weaving hats undergo certain stages or preparation which cover several years and only trees growing under certain conditions will yield fiber for hats. We have in the Philippines big stands of buri palms the fiber of which is of a quality which cannot be used for weaving hats.

(d) That should China disappear as competitor in buntal hats, the Philippine hat manufacturers would consume so much more fiber than before because the Philippine hat industry would be greatly enhanced if all the buntal hats required in the world's markets, would have to come from here.

CONCLUSION

After weighing carefully all of the above considerations, the undersigned has come to the conclusion that while the recent decline in the buntal-hat industry of this country has been partly the result of conditions obtaining in the world markets for hats, such as the changes of fashion and the advent of synthetic materials for hat manufacture and of other new types of hats, the main cause of its decline has been the increasing production of cheaper buntal hats in China made out of the raw material supplied by the Philippines. Under these conditions, we have, therefore, to choose whether we are to continue as exporter of buntal hats or as exporter of buntal fibers. The trend of the trade indicates that we cannot long remain to be both. As between these two alternatives, there is no doubt that, as a general economic policy, the industrialization of the raw material before exportation would yield greater benefits to the country than the exportation of the raw material.

Therefore, in order to save the buntal-hat industry from further decline and possible extinction as an export industry, the exportation of the fiber has to be banned, or if complete prohibition cannot be effected now, that it be at least sufficiently restricted through the imposition of an export tax on the fiber.

Respectfully submitted,

CORNELIO BALMACEDA
Director of Commerce

Certified a true copy
I. F. TOLENTINO
*Chief, Records Section
Bureau of Commerce*

**BRIEF
OF THE
BUNTAL MANUFACTURING COMPANY**

(781)

BRIEF
OF THE
BUNTAL MANUFACTURING COMPANY

MANILA, *Sept. 17, 1937.*

THE JOINT COMMISSION OF AMERICAN-FILIPINO TRADE EXPERTS,
Manila.

DEAR SIRs:

With reference to the act prohibiting the exportation of buntal fiber to foreign countries, may we submit the following as a result of practical observation of its effect on trade in our buntal-hat and -fiber trade, and in the very life of the families of our fiber laborers.

The act has only created a legalized monopoly in favor of buntal-hat weavers who now dictate (1) the kind of fiber they want to buy and weave, and (2) the price they want to pay.

The act has thrown into waste not less than 8/10 of our valuable fiber-production, and ridiculously reduced the price of the remaining 2/10, which are the finest portions of any buntal-fiber lot, from ₱3 to ₱12 per kilo formerly, to 50¢ to 80¢ per kilo today, with no price at all for the 8/10 thus wasted inconsiderately. Said 8/10 now wasted could formerly be sold to China at very fair prices, and thus converted into cash, to the benefit of our buntal-fiber laborers, who badly need it. This formerly meant bread and butter or three meals a day to the poor fiber laborers. Now they mean hunger and mean economic slavery, and more intensive wants and sufferings to said laborers and their families, for whom the Government has not yet found, and I doubt if it ever could find, any adequate relief.

Formerly, these laborers could earn fair wages for their families, from ₱1.00 to ₱4.00 a day. Today, hardly 10 cents, a day. For, where they could before earn ₱2.00 a day, as an average, they can only get now 1/5 of it every two or three days, or 40 cents if at all every two or three days, for themselves and their families. With nothing else for their taxes as citizens, and even for their very meager life commodities. *Misery and privations* are the best words to paint or picture their home situation today.

Result: Theft of large cattle, farm products, etc., which goes on under the very eyes of those officially concerned to stamp it. And public insecurity.

And all of this came to materialize at the provocation of the very act primarily purported to promote the welfare of buntal-hat weavers only, discarding absolutely the welfare of buntal-fiber pro-

ducers and the very fact that there could be no fiber to weave into hats if the buntal-fiber producers are ousted from their trade. Fiber-producers and hat-weavers ought to go hand in hand, not the weavers trying to place the fiber-producers under their virtual monopoly, and the latter should be allowed to dispose of such fiber as local weavers would not be willing to utilize.

On the other hand, during the period of monopoly, of the buntal-hat weaving, by the Philippines our highest figure of export reached the top height of 350,000 hats only a year, whereas, through the so-called "competition of China", our buntal-hat export soared up to over 1,250,000 hats, and all buntal-fiber production was completely absorbed by both local buntal-hat weaving and China buntal-hat weaving, as against our present condition of wasting fully 8/10 of said production, and reducing to the lowest possible price the remaining 2/10 of the finest fiber produced, 50 cents to 80 cents per kilo, thus enslaving the buntal-fiber producers to the dictation of weavers' lowest price possible.

Can there be any harm to the country in having a double income from the buntal fiber, one from all fiber produced and exported without waste, and another, from all hats woven and exported, instead of wasting 8/10 of our fiber-production?

With the buntal-fiber industry allowed to continue for both local weaving and export, the fiber laborers would not be a social burden, work would be provided for them without any appropriation from the Government, and the laborers would again be able to continue paying their taxes like any other self-supporting citizens. Whereas, with their industry destroyed, they at once would become a social burden, and public safety menaced through the operation of their own and their family wants.

If desired, more detailed information and figures could be submitted.

The act prohibiting exportation of fiber to foreign countries would concretely serve the purpose of:

- Economically enslaving and hitching fiber-producers to the yoke of the buntal-hat-weaving industry, which, as in all previous time, is utterly unorganized, with the debt or money-advance system or lack of proper financing as its worst enemy;
- Depriving them of their ordinary and legitimate means of living;
- Rendering them unable to pay their taxes as citizens;

- Creating a social burden—through law-created poverty—to require millions of pesos for the Government to relieve;
- Provoking public disorder beyond the present means of the Government efficiently to stamp out, or at a very high cost for the Government to suppress; and
- Favoring only certain foreign hat-dealers to have a virtual monopoly of our hat trade, now and as ever before exclusively in their hands, thus continuing the arbitrary prices heretofore paid for hats, even the finer ones.

The act, therefore, in the interest of the Government itself, ought to be repealed.

Respectfully submitted,

BUNTAL MFG. CO., INC.
By G. NIEVA¹
President and Manager

¹ See also the brief submitted by Mr. Nieva in his own name as a citizen of the Philippines.

BRIEF
OF THE
BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE
OILS AND FATS INDUSTRIES

(785)

FINAL BRIEF¹
OF THE
BUREAU OF RAW MATERIALS FOR AMERICAN VEGETABLE
OILS AND FATS INDUSTRIES

WASHINGTON, D. C., July 10, 1937.

TREATMENT RECOMMENDED FOR PHILIPPINE COCONUT OIL AS PART OF A
PROGRAM FOR THE ADJUSTMENT OF PHILIPPINE NATIONAL ECONOMY

TO THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
Washington, D.C.

GENTLEMEN:

We have the honor to submit the following brief.

The Bureau of Raw Materials for American Vegetable Oils and Fats Industries includes, besides other elements of the oils and fats industries, both producers and consumers of Philippine coconut oil. Some of the producers of coconut oil are oil mills located in the Philippine Islands; others are oil mills located in the United States, but utilizing copra of Philippine origin as the raw material from which they produce coconut oil. This brief, therefore, will discuss the matter of coconut oil in its relation to the matter of establishing a program for the adjustment of Philippine Island economy from the point of view of those who produce Philippine coconut oil as well as from the viewpoint of consumers of this oil in the United States.

Since, however, the Committee will hold hearings in the Philippines and detailed testimony concerning specific exports from the Philippines to the United States will be submitted to the Committee in the Islands, it is requested that material dealing with the case of the Island coconut-oil-producing industry which is offered in the course of the Washington hearings be considered as supplemental to that which will be submitted in Manila.

*Program to be Recommended Should be Designed to Preserve
Existing Island Industries*

It is possible that the argument may be advanced in the course of the Committee's hearings that adjustment of Philippine national economy to the severance of political relations with the United States requires that industries which, it has been contended, provide competition for products produced within the continental United States,

¹ Since the brief first submitted to the Committee is incorporated in this final brief, it is not printed.

should be discouraged. Naturally, the adoption of such a policy towards the Philippines would mean a complete disruption of their internal economy. At one time or another it has been claimed that most every important product of the Islands offers excessive competition for the products of the United States mainland.

It would be difficult indeed to find industries which could be developed advantageously in the Philippines which would not meet with the same claims as those which have been advanced against the products of industries now solidly established. Further, it is only a matter of theory that new industries could be established which would serve to supplant existing industries and which would meet with no claim of competition with American enterprise.

It is urged that the Joint Preparatory Committee make recommendations for the preferential treatment of Philippine exports to the United States designed to preserve intact the existing industries of the Philippines. If these industries which have shown their ability to sustain the internal economy of the Islands in a satisfactory manner up to the present date are enabled to continue unimpaired, they will serve as a backlog for future economic development.

Production of Coconut Oil Constitutes the Major Manufacturing Industry of the Islands

Believing that it will be the effort of the Joint Preparatory Committee to formulate a program which will provide for the maintenance of the existing economic structure, which calls for the preservation of solidly established industries, we urge that every consideration be given to the coconut-oil-producing industry. This industry is threatened with more immediate destruction under the terms of the Tydings-McDuffie act than any other form of Philippine enterprise.

The coconut-oil industry, for all practical purposes, is entirely dependent upon the United States for the sale of its chief product, coconut oil. The cost of production of the oil is about the same as in the United States. When, therefore, the progressive export taxes become effective on the several Philippine products in the sixth year of the transition period, the Philippine coconut-oil mills will find themselves confronted with a tax of about the proportions of the present profit per pound of oil produced.

From the stage of being obliged to produce without a profit the next step-up in the export tax in the following year would mean production at a loss. The industry could hardly survive beyond more than these two years of the export taxes.

The destruction of that part of the coconut-oil-mill industry which depends upon exports to the United States for its existence will entail the loss of nine tenths of the total industry. This will mean, besides loss of employment, loss of revenue to the Government from the sales tax on coconut oil, and destruction of a capital investment of in excess of eleven million dollars. It will mean, also, the elimination from the economic picture of the Philippines, [of] the manufacturing industry which has brought to the Islands more American dollars than any other manufacturing industry which the Islands possess. Upon the coconut-oil industry has rested more of the burden of supplying the Philippines with dollars with which to pay for agricultural and industrial products purchased in the United States than has devolved upon any other manufacturing enterprise in the Philippines.

In determining upon a program for future trading relations between the Islands and the United States, the Committee will undoubtedly make every effort to provide the Philippines with the means of securing a sufficient supply of dollar-exchange to carry on trade with the United States. If the Philippines are to buy from the United States, they must have dollars with which to pay for their imports. It is urged for this reason, as well as others set forth, that the Joint Preparatory Committee recommend that the export taxes which become effective on Philippine coconut oil in the sixth year of the Commonwealth period be eliminated in their entirety.

Modification of 3-Cent-Per-Pound Excise Tax on Philippine Coconut Oil Required in Interest of Both Coconut-Oil and Copra Exports to the United States

The excise tax of 3 cents per pound which was levied on Philippine coconut oil in the Revenue Act of 1934 must be modified or the Philippines will lose a very substantial part of their coconut-oil and copra exports to the United States. This loss, under normal conditions of supply of domestic oils and fats in this country, will probably run as high as 30 to 40 percent of the present export trade of the Islands with the United States, expressed in terms of coconut oil.

Only the occurrence of three successive drought years in the United States has prevented the Philippine coconut-growing industry from feeling the full effect of the 3-cent excise tax throughout the period of time since it was levied in May, 1934. And despite these droughts, for a substantial portion of the duration of the tax the coconut-producers of the Philippines, as a result of its price-depressing effect, have been forced to accept a price for their copra, sold for oil-production, and coconuts, sold for desiccated-coconut-production, which allowed them no margin of profit and forced them to

struggle along on an income from their only cash crop which was hardly enough to sustain them.

Importers of American merchandise in the Philippines are authority for the statement that during these periods of low prices for coconut products, there was a marked reduction in their ability to sell their wares in all sections of the Islands. This is understandable because coconuts are the cash crop of a larger proportion of the population of the Islands than any other crop which is produced. One and one-half million acres are devoted to their cultivation. Over four million people, or approximately 30 percent of the total population, are dependent directly or indirectly upon the coconut and coconut-products industry for their sustenance.

The excise tax of 3 cents per pound of coconut oil used in the United States amounts to slightly more than 1.8 cents per pound of copra. The normal price of copra in the Philippines is around 16 pesos per hundred kilos. The excise tax on the oil in this copra will amount to more than 8 pesos per hundred kilos or roughly one half the value of the copra when selling at normal prices.

The United States buyers of oils and fats in considering the price which they will pay for coconut oil, add to the price of the oil the amount of the excise tax. Thus, if the price of coconut oil is 6 cents per pound, the buyer figures that he must pay 9 cents per pound for coconut oil. If the prospective buyer is a manufacturer of oleomargarine, he knows that he cannot make coconut-oil oleomargarine and compete with other makers who can offer a cottonseed-oil product made from 8-cent oil. The 3-cent excise tax combined with discriminatory taxes enacted in various States together with improvements in the method of making cottonseed-oil oleomargarine has brought about a complete change in oleomargarine formulae since 1933.

In the first quarter of 1933, the year prior to the levying of the excise tax, the percentage of coconut oil to the total of all oils and fats consumed in the manufacture of oleomargarine was 77.6 percent. In the first quarter of 1935, the year following the levying of the tax, the percentage was 52.1 percent. In the first quarter of 1936 it was 53.4 percent. In the last quarter of 1936 it was 38.7 percent, and in the first quarter of 1937 it was 21.6 percent. Thus, the loss of coconut oil as an oleomargarine ingredient has been 56 percent.

During the period from 1933 to 1937 the sales of oleomargarine increased heavily. This was due to the effects of the drought on the butter-supply. The increased production of margarine has kept the volume of coconut oil consumed at a fairly constant level. When cattle-feed supplies are more nearly normal and butter-production is correspondingly increased, the consumption of oleomargarine will

decline. When this decline in oleomargarine-consumption takes place, the volume of coconut oil consumed will undergo a decrease in proportion to the decline in the percentage of coconut oil employed in oleomargarine formulæ compared to 1933.

As high as 15 percent of the Philippine coconut-oil imports were formerly employed in the manufacture of lard-substitute. This outlet is due to dry up when domestic supplies of edible oils and fats return to normal.

Only the market for coconut oil in soap has held at somewhere near the normal level. Even in this field, however, manufacturers have reduced their consumption of coconut oil. Other lauric-acid-containing oils, such as palm-kernel oil, are employed when possible.

In view of the fact that the Philippines are destined to lose a very important proportion of the edible-oil market for their coconut oil, it seems fair that they be allowed to expand their market in industrial or non-edible channels. Considerably larger quantities can be consumed in the manufacture of soap, rubber-substitute and in the tanning of leather than is now possible with the 3-cent excise tax in effect. Such expansion of their market in these products can be made without injury to American agriculturists. The Joint Preparatory Committee could very consistently recommend that the 3-cent-per-pound excise tax be eliminated on coconut oil employed for non-edible usage. It is earnestly urged that such a recommendation be embodied in the report of the Committee.

The Tydings-McDuffie act promised the Philippines a duty-free quota of 200 thousand long tons of coconut oil *per annum*. It placed no restriction on imports of copra into the United States. The effect of the excise tax as levied in the Revenue Act of 1936 will be, under normal domestic-crop conditions, to restrict materially the imports of both copra and oil. Allowing Philippine coconut oil to be sold in United States markets tax-free for industrial usage will serve in part to compensate the Philippine coconut-growing industry for the loss of an important part of their United States market through the levying of a tax which, because it is in reality a tariff duty, is violative of the spirit of the Tydings-McDuffie act.

Imposition of 3-Cent Excise Tax on Philippine Coconut Oil Reduced Ratio of Imports of Same to Total Imports of Oils and Fats

For the four years (1930-33) which preceded the year 1934, in which year the 3-cent-per-pound excise tax was levied on Philippine coconut oil, the average annual importation of vegetable oils and fats and the oil-equivalent of oil-bearing seeds, copra, etc., amounted to 1,688,211,683 pounds. Coconut oil as such and in the form of copra accounted for an annual average importation of approximately 650 million pounds, or 38.45 percent of the total.

When Congress levied the 3-cent-per-pound excise tax on Philippine coconut oil in 1934 it sought to make amends for breaching the terms of the Tydings-McDuffie act, which placed no restriction upon Philippine copra imports and provided for the duty-free importation of 200 thousand long tons of coconut oil *per annum* by levying a 5-cent-per-pound excise tax on coconut oil of non-Philippine origin. It was, therefore, the clear intent of Congress to give the Philippines the entire American market for coconut oil. This market was to include not only the part which the Philippines had enjoyed prior to the levying of the excise tax, but that portion of the market which had theretofore been supplied by foreign copra-producers.

As has been stated, prior to the levying of the excise tax coconut oil as such and in the form of copra accounted for 38.45 percent of the United States imports of all oils and fats. Only by the fixation of this ratio of coconut-oil imports to total imports of oils and fats could it be contended that Congress had in some measure, by the granting of the 2-cent differential, offset the undeniable effect of the excise tax in reducing the cash return which Philippine coconut-growers would receive when selling their coconuts and copra.

The total United States imports of oils and fats and oilseeds in terms of oil in the year 1936 amounted to 2,310,234,169 pounds, an increase of approximately 600 million pounds over the 1930-33 average. Imports of Philippine coconut oil and copra in terms of oil in 1936 totaled 547,443,000 pounds. The percentage of Philippine coconut-oil imports as such and copra in terms of oil in relation to total fats and oils imports as above given for 1936, was 23.7 percent.

The average annual volume of coconut-oil and copra imports from all countries in terms of oil for the 1930-33 period was 649,247,846 pounds. The volume of Philippine coconut-oil imports in 1936 was smaller by more than 100 million pounds than the volume of coconut-oil imports from all countries for the average for the four-year period preceding the levying of the excise tax. When this drop in volume and the failure of the ratio of Philippine coconut-oil imports to anywhere near approximate the 38.45 percent of total oils and fats imports held by coconut oil from all countries for the 1930-33 average are considered by the Joint Preparatory Committee, it can hardly be conceded that Congress ameliorated the ill effect of the excise tax on Philippine coconut oil by the levying of the 5-cent-per-pound tax on coconut oil of non-Philippine origin.

Excise-Tax-Free Usage of Philippine Coconut Oil in Non-Edible Channels Should be Permitted in Order to Restore Former Position of Philippine Coconut Oil in the United States Market

It has been suggested that the permitting of coconut oil of Philippine origin to be used free of excise tax in the manufacture of non-

edible products in the United States would place Philippine oil in a stronger competitive position than it occupied prior to the imposition of the excise tax. Naturally such advantage, if any, would be as between coconut oil and other imported oils and fats, as Philippine coconut oil prior to the levying of the excise tax encountered no tax or tariff barriers when sold in the American market.

Prior to 1934 Philippine coconut oil accounted for approximately 30 percent of the total imports of oils and fats, inclusive of oilseeds and copra in terms of oil. Philippine coconut-oil imports for the four-year period 1930-33 constituted 29.5 percent of all oil and fat imports and oilseeds in terms of oil. In 1935 the share of Philippine coconut oil in the United States oil-and-fat-import market dropped to 23.91 percent. In 1936 the percentage was 23.7 percent.

Despite the heavier demand for Philippine coconut oil in edible channels, caused by the droughts of 1934 and 1936, a reduction of about 20 percent in the ratio of Philippine coconut-oil imports to imports of all oils and fats has already taken place as a result of the excise tax. A greater change in the ratio can be expected as our domestic supplies of edible oils and fats approach a normal level.

A contributory factor to the failure of Philippine coconut-oil imports to hold their own in relation to other oils and fats imports was that the 3-cent excise tax eliminated the long-standing advantage which Philippine coconut oil had enjoyed over other imported oils, such as cottonseed oil. Under the Tariff Acts of 1922 and 1930 cottonseed-oil imports bore a tariff duty of 3 cents per pound. The imposition of the 3-cent excise tax on coconut oil placed it on an exact level with cottonseed oil as applied to import tax.

Cottonseed-oil imports, which stood at zero for the four-year period from 1930 to 1933, climbed to 166,687,367 pounds in 1935 and in 1936 amounted to 127,786,606 pounds. While a considerable portion of these imports would have been made had no excise tax been placed on Philippine coconut oil, there is no doubt that the use of foreign cottonseed oil in the manufacture of oleomargarine and other edible products interfered with the consumption of coconut oil in edible channels.

Peanut oil under the Tariff Acts of 1922 and 1930 bore a duty of 4 cents per pound. This oil, which is an important oleomargarine ingredient, was thus at a 4-cent-per-pound disadvantage to Philippine coconut oil prior to the levying of the 3-cent excise tax, when its disadvantage was reduced to only one cent. Imports of peanut oil rose from the 1930-33 average of 2,146,271 pounds to 80,723,225 pounds in 1935, and in 1936 amounted to 49,006,231 pounds. While the increase is only partially chargeable to the coconut-oil excise tax, yet there is no doubt that more Philippine coconut oil would have

been imported for edible usage had the peanut-oil imports not been available for consumption.

The competitive relationship of Philippine coconut oil with oils of minor importance in edible channels was also changed by the levying of the excise tax. Of this category are imported corn oil, etc.

In the non-edible field the competitive relationship of Philippine coconut oil with other oils, which like coconut oil are valuable because of their lauric-acid content, was changed by the levying of the 3-cent excise tax on Philippine coconut oil. Of this category are duty-free oils such as babassu, ouricuri, cohune, etc.

On the basis of the foregoing we respectfully submit that permitting the excise-tax-free usage of Philippine coconut oil for non-edible purposes in the United States would not place Philippine coconut oil in a stronger competitive position than it held in the pre-excise-tax period. The adoption of such a program would do no more than to tend to restore the pre-excise-tax relationship of Philippine coconut-oil imports to the imports of all other oils and fats. It would give Philippine coconut-oil imports no larger share of the United States fat-and-oil-import market than [*they*] enjoyed prior to May 10, 1934.

Furthermore, it would compensate in partial measure for the breaching of the terms of the Tydings-McDuffie act, which promised the Philippines unrestricted access to the American market for copra and duty-free access for 200 thousand long tons of coconut oil *per annum*.

Permitting Excise-Tax-Free Usage of Philippine Coconut Oil for Non-Edible Usage Will Injure no Domestic Agricultural Interest

The three principal fats and oils produced in the United States are butter, lard and cottonseed oil. The production of butter will commonly total about $2\frac{1}{4}$ billion pounds. Lard production is ordinarily in the vicinity of $2\frac{1}{2}$ billion pounds. Cottonseed-oil production will normally approach $1\frac{1}{2}$ billion pounds. The total production of the three amounts to $6\frac{1}{4}$ billion pounds *per annum* under normal conditions.

Butter, lard and cottonseed oil are edible fats and oils. In this classification there likewise falls a considerable proportion of the remaining $1\frac{1}{2}$ billion pounds of oils and fats produced annually in the United States under normal production conditions. Corn, peanut, soy-bean, and oleo oils, and edible tallow, the production of which is in excess of 500 million pounds *per annum*, account for the larger proportion of the remaining domestic oils and fats of edible classification.

Since the total production of edible oils and fats in the United States will normally exceed $6\frac{3}{4}$ billion pounds, it may be said that

more than 85 percent of the annual domestic production is destined for edible consumption. The domestic farmers who produce these fats and the oil-bearing materials from which the oils are made are concerned chiefly with the market for edible oils and fats. There is little which they produce which could be affected adversely by allowing coconut oil of Philippine origin to be used without payment of an excise tax in non-edible channels.

Linseed oil produced from domestic-grown flaxseed will normally account for about 250 million pounds of the United States production of oils and fats employed for non-edible usage. Since, however, linseed oil finds its highest-priced field of usage in the drying field, where it is employed in the making of paints, linoleum, oilcloth, core oil [*sic*], etc., it is impossible for it to be affected by the competition of coconut oil, which possesses no drying properties.

Inedible tallows and greases and fish oils constitute the largest proportion of the domestically produced raw-material supply, which is drawn upon by the same industrial users which utilize coconut oil. While it is not apparent that the excise-tax-free usage of Philippine coconut oil could adversely affect the market for tallows, greases, and fish oils to any important degree, it should be pointed out that tallows and greases have no very close association with domestic agriculture, being largely reclaimed from refuse materials collected in the larger cities, and fish oils have none at all.

The farmer who produces a beef steer markets the animal on the hoof. He receives the meat price for every pound of fat on the animal. The meat-packer in turn receives the meat price for all save a small proportion of the tallow on the carcass. The packing-house recovery of inedible tallow from the average steer dressed amounts to only about 5½ pounds.

The retailer of meat in turn receives the meat price for the tallow on the cuts of meat which he sells. Thus from farmer on down to the retail buyer the meat price is paid for tallow.

When the tallow-renderers who make the rounds of the hotels, restaurants, boarding houses, butcher shops, etc., in the larger cities collect the scraps of fat which have been accumulated by these establishments, they perform no function which is of material importance to domestic farmers. Seventy percent of the inedible tallow and grease which is produced in the United States is of non-packing-house origin. The balance is produced by those who have no direct or indirect contact with American agriculture. Just how the prices which the processors of offal material receive for the products which they produce can in any way affect the value of livestock is not discernible.

The background of inedible tallow and grease has been discussed in the foregoing detail because it is the tallow-renderers who have

been the most prominent in advancing the contention that the excise-tax-free usage of coconut oil in non-edible products would be of injury to domestic oils and fats markets. A study of past consumption and price records does not reveal their fears to be well grounded.

The only channel of usage in which coconut oil and inedible tallow are employed together is in the manufacture of soap. They are not, however, competitive. Soaps made solely from tallow have poor lathering qualities. Coconut oil because of its high lauric-acid content has the quick lathering qualities which tallow lacks. Thus soapmakers employ tallow and coconut oil as companion ingredients in the larger proportion of their soap formulae. The tallow furnishes the body of the soap and the coconut oil the desirable quick lathering properties.

A survey of the average annual prices in the United States of Philippine coconut oil and inedible tallow as incorporated in Statistical Bulletin No. 59 of the United States Department of Agriculture (pp. 75 and 100) does not lead to the conclusion that any close relationship of coconut oil and tallow prices exists. Coconut-oil prices over a period of years have been higher than inedible-tallow prices. Obviously, if these two principal soap ingredients were in any close competitive relationship, it would have been impossible for coconut oil to sell at a cent to two cents per pound above the price of tallow for any long period of time.

Under the price-depressing influence of the 3-cent excise tax coconut oil, for the greater portion of the time that the excise tax has been in effect, has been forced to sell at a lower price-level than tallow. If the excise tax were removed on coconut oil employed for industrial usage, the normal price relationship would be restored and coconut-oil prices would exceed tallow prices. With coconut oil selling above tallow, it is obvious that tallow-renderers would have no occasion to fear injurious price competition from coconut oil.

A study of the records of consumption of coconut oil and inedible tallow in soap, as compiled by the United States Tariff Commission and the Bureau of the Census, shows that the consumption of these two raw materials in soap increased simultaneously. Since 1925 the percentage of tallow used in soap has shown a constant upward tendency, according to the Tariff Commission's "Report to Congress on Certain Vegetable Oils, Whale Oil and Copra", yet the aggregate percentage of coconut oil and other lauric-acid-containing raw materials, such as palm-kernel oil and "foots" obtained from these two oils, remained virtually unchanged in relation to total soap ingredients.

For illustration, the aggregate percentage of these materials in 1925 was 24.09 percent of total soap oils and fats. In 1923 they ag-

gregated 24.63 percent. Tallow in 1925 represented 27.61 percent of total soap ingredients; in 1932, it represented 35.47 percent, an increase of practically 8 percent. None of this increase was at the expense of coconut oil and lauric-acid-containing raw materials filling an identical function to that of coconut oil.

In respect to comparative prices, it should be stated that the price spread between Manila coconut oil delivered at Chicago and prime packers' tallow f. o. b. Chicago, was more unfavorable to coconut oil in 1932 than in 1925. Despite this disparity there was a slight increase in the percentage of coconut oil and other lauric-acid-containing materials in relation to total soap ingredients.

Even if it should be granted for purposes of argument that permitting the excise-tax-free usage of Philippine coconut oil for industrial usage would cause the price of inedible tallow to decline we cannot see that the tallow-renderers would be injured thereby. The profit of the tallow-renderer is dependent upon the price paid for the "shop fats" which he collects from the restaurants, hotels, etc., in relation to the selling price for the tallow and cracklings which he obtains therefrom. He carries no reserve stock of these "shop fats" on hand and rarely has much rendered and tallow stored [*sic*]. Whenever the price of tallow declines, the tallow-renderer merely pays a lower price for "shop fats". His margin of profit thus remains the same whether the price of tallow is 6 cents or whether it is 8 cents per pound.

Naturally, if the restaurants, hotels, chain stores, etc., have to accept lower prices for their "shop fats", they are out of pocket to the extent of the difference in price. The amount of cash involved, however, is not enough to affect their ledgers one way or another to any noticeable degree. Certainly, no American agriculturist ever feels any repercussion from the decline in the price paid for "shop fats" to those who offer them for sale to the renderers.

Since the packing houses of the country account for 30 percent of the inedible-tallow-and-grease production of the United States, we wish, before concluding our discussion of these offal products, to discuss the interest of the packers in same in relation to their total sales. The 1935 census showed that the total value of all products produced by packing houses amounted to \$2,362,369,000. Of this we estimate that 128 million dollars covered the value of edible fats and oils such as lard, oleo oil, oleostearin, edible tallow produced in packing houses. This edible-oil-and-fat production could not, however, be affected in the slightest degree by permitting the excise-tax-free usage of Philippine coconut oil in non-edible products.

Owing to the fact that the bulk of the inedible-tallow-and-grease sales of packing houses are made to the soap industry, inclusive of

the soap-plants operated by the packers themselves, it is necessary to estimate the value of such sales. The soap industry is the only customer of the packing houses for inedible tallow and greases which also utilizes coconut oil. The lubricating-grease manufacturers do not use coconut oil, and it is of no value to the stearic-acid manufacturers.

The best estimate which can be made of the value of packing-house sales of inedible tallow and grease to the soap industry in 1935 is \$13,000,000. This figure is about one half of 1 percent of the total value of all packing-house products as given in the Census of Manufactures for 1935.

With the value of inedible tallows and greases so low in relation to total value of all packing-house products, it is obvious that these products play only an infinitesimal part in setting the price of cattle and hogs on the hoof as purchased by the packers. Any increase in the price of inedible tallow or grease would be so small a factor that the packer would have great difficulty in passing it on to the farmer when he buys beef cattle. Similarly if the excise-tax-free usage of Philippine coconut oil in the manufacture of soap, rubber tires, and the tanning of leather exerted any adverse effect on the price of inedible tallow and grease, which it will not, there would be no possibility of a change in the price of a steer on the hoof because of the prospect of a lower price for the less than six pounds of inedible tallow which his carcass would yield to the packer. Nor would there be any change in the price of a hog because of the prospect of a lower price for the three pounds of inedible grease which his carcass will yield to the packer. The foregoing observation is corroborated by the Department of Agriculture in a memorandum on the subject of excise taxes submitted to the Secretary of State in 1934. The report states in part: "At existing prices there is a considerable potential supply of waste animal fats which are not now recovered, but it is extremely improbable that a greater recovery would at all affect livestock prices."

The meat-packers of the United States have a long-standing interest in foreign trade. Under normal conditions the industry is one of the largest exporters in America. The Philippines are consumers of American packing-house products. American packers are interested in increasing this market. They know that if the Philippine coconut-planters are to be permanently afflicted with low purchasing-power because of the excise tax on the coconut oil produced from Philippine copra, it will be impossible to develop further the export market in the Islands. The American packers will, therefore, not be found favoring the continuance of the excise tax on Philippine coconut oil for industrial usage.

Coconut Oil Carries Fish Oil Into Consumption in Soap

Fish oil is the only remaining domestic oil or fat which, being consumed mainly in non-edible channels, might be affected by the excise-tax-free usage of Philippine coconut oil for non-edible purposes. In 1936, 36,649,000 pounds of domestic fish oil was consumed in edible channels. Paint, varnish, linoleum, and miscellaneous drying-oil consuming-industries accounted for 87 million pounds. In neither of these two channels could the non-edible tax-free usage of Philippine coconut oil possibly affect fish oil.

The larger part of the remainder of the 257 million pounds of fish oil which was consumed in 1936, viz., 128 million pounds, went into the manufacture of soap. Before it could be consumed in soap it had to be hydrogenated. When thus hardened and used in soap it [*produced*] a product which absolutely required the use of coconut oil, otherwise the soap would have possessed such poor lathering qualities as to cause its rejection by the purchaser. It can safely be said, therefore, that if coconut oil or other lauric-acid-containing oil [*were*] not available as a companion ingredient for hydrogenated fish oil, very little of it would be used in the soap kettle. In place, therefore, of coconut oil being considered as a possible competitor of fish oil in the soap kettle, it should be considered as its best friend.

The price of fish oil as a soap ingredient is controlled solely by the price of tallow. It is purely a tallow supplement. Before the soap-maker will use it, he must be able to buy it in its hydrogenated form at a substantial price concession under inedible tallow.

Removal of Excise Tax on Coconut Oil Used Non-Edibly Will Raise Edible-Coconut-Oil Price

As before stated, domestic farmers produce very little which is consumed in the industries which employ coconut oil in the production of non-edible products. Butterfat-producers produce nothing which is consumed in these industries. Since it is contended in their behalf that they profit by forcing coconut oil to sell at higher prices because of its use as an oleomargarine ingredient, it should be pointed out that Philippine coconut oil would bring higher prices for edible usage if the excise tax were removed on that portion of the Philippine oil going into non-edible channels. This is because the excise tax depresses the selling price of Philippine coconuts for all uses and the price of all Philippine copra.

If the excise tax is lifted on that part of the coconut oil of Philippine origin going into non-edible channels (roughly 65 percent of the total United States consumption), it will raise the price-level at which all Philippine copra sells. This will mean that all coco-

nut oil of Philippine origin will sell at higher prices; and, with the excise tax remaining in effect on that part of the Philippine oil which is used edibly, manufacturers of edible products, such as oleo-margarine, will pay a higher price for coconut oil than they now pay.

In respect to the contention which has been made that in the event that the excise tax was removed on Philippine coconut oil going into non-edible channels the importers of coconut oil in the United States would have a profit of 2 cents more per pound on such oil than they now have and could sacrifice a part of said profit in order to sell [to] the edible-buyer at greater advantage; this contention, of course, is absolutely untenable. To begin with, there are no direct importers of coconut oil in the United States, other than the oil mills who import it as copra. Coconut oil is exported to the United States from the Philippines only by the mills which crush it. Their American offices or agents sell the oil in this country to consumers, rarely to speculators. Some of the larger domestic buyers purchase from the oil mills on a c. i. f. basis; others buy in sellers' or buyers' tank-cars, according to contract.

In the United States the Philippine crushed-coconut oil meets the competition of coconut oil crushed from copra grown in the Philippines. The sales of the domestic crushers are made f. o. b. tank-cars at the crushing mills.

In neither the case of the Philippine crusher nor the domestic crusher can a profit of more than $\frac{1}{8}$ of a cent per pound be realized except under some most unusual circumstance. No matter whether there is an excise tax on coconut oil or not, the margin of profit per pound of oil sold by the Philippine and the domestic crushers remains the same. The only manner in which the excise tax injures the oil mills is through its threat to the volume of business which they can do. If the tax remains in effect, they foresee that it is in time going to reduce heavily the volume of coconut oil sold in the United States or, as an alternative, will force the price of copra in the Islands to a point where the copra-producers will be in a perpetual state of impoverishment. Neither of these situations appears desirable to the oil mills and they, therefore, desire the removal of the excise tax *in toto* or in part.

If the excise tax were to be removed today on Philippine coconut oil for industrial usage, the coconut-oil mills both in the United States and in the Philippines foresee that they would practically immediately find the Philippine copra market rising about eight pesos per hundred kilos, which represents the amount of the tax burden in terms of copra. This, however, would not disconcert the oil mills. Their margin of profit per pound of oil would be the same, because the price of coconut oil must rise in proportion to the price of copra.

In respect to the contention that excise-tax-free coconut oil would crowd palm-kernel oil out of the soap kettle into the edible field, this objection has merit but is not overpowering because the total consumption of palm-kernel oil in soap amounted to only 26½ million pounds in 1936, a quite negligible volume, incapable of exerting any adverse effect on the domestic edible-oil market when forced out of its present abode. The amount of other oils of edible quality used in the soap kettle is not large, even with palm oil, because the present-day tendency is to use the high-acid oils for soapmaking. This oil could not, however, be displaced by coconut oil as it fulfils an entirely different function in the soap kettle.

Financial Interest Which Various Domestic Fats and Oils Producers Have in Non-Edible Products in Which Philippine Coconut Oil Would be Employed Excise-Tax-Free

Southern cotton farmers sell nothing to the industries which use coconut oil for making non-edible products except the "foots" which result from the refining process required to produce edible cottonseed oil. These "foots" are used in soapmaking and represent less than $\frac{2}{5}$ of 1 percent of the total value of the cotton crop.

Similar calculations for the corn crop show that the value of the small amount of corn oil used in soapmaking amounts to less than $\frac{2}{1000}$ of 1 percent of the total value of the corn crop. In the case of the soy-bean crop, the soy-bean oil used in the soap kettle constituted only $\frac{1}{6}$ of 1 percent of the total value of the crop.

Peanut-growers sell less than $\frac{1}{1000}$ of 1 percent of the value of the peanut crop to soapmakers in the shape of a small amount of off-grade peanut oil.

Definitely the financial interest of the farmers of the United States rests in increasing the purchasing-power of the Philippine Islands. They will be the direct beneficiaries from increased purchasing-power from Philippine coconut-growers. The Islands have furnished a market for over ten million dollars' worth of cotton textiles in a single year. Over 3¼ million dollars' worth of dairy products were marketed in the Philippines in 1929. Wheat flour in the amount of 4½ million dollars was purchased in the same year. Dressed meat and other packing-house exports amounted to over one million dollars. Vegetables, fresh and canned, totaled over 3¼ million dollars.

Refrigerator-equipped steamships are weekly carrying large quantities of fresh poultry, eggs, and other perishable farm products to the Philippines from the Pacific coast.

The population of the Philippines is constantly increasing. The Filipino people are educated to prefer American goods, but a country

which cannot sell, cannot buy. American farmers are not ignorant of this commercial axiom. They will approve the removal of the excise tax on Philippine coconut oil for industrial usage if its removal is required to assure the betterment of the economic status of a quarter of the population of the Philippine Islands.

Respectfully submitted,

JOHN B. GORDON

Secretary

**BRIEF
OF THE
CALIFORNIA CATTLEMEN'S ASSOCIATION
AND THE
CALIFORNIA WOOL GROWERS ASSOCIATION**

(803)

BRIEF
OF THE
CALIFORNIA CATTLEMEN'S ASSOCIATION
AND THE
CALIFORNIA WOOL GROWERS ASSOCIATION

California Cattlemen's Association is an organization of California beef-cattle producers. California Wool Growers Association is an organization of California sheep-and-wool producers. Both organizations have members in practically every county of the State.

The California livestock industry, that is, cattle and sheep, is considered the second most important industry in the State, being exceeded only by the petroleum industry. It is estimated that approximately 85% of the area of California is suitable chiefly for livestock. The prosperity of the livestock industry is therefore of vital economic importance to the State.

Beef fat is the second most important by-product of cattle—hides being the most important by-product. Fats are produced also by sheep. Stockmen, therefore, are interested in fats and oils, particularly foreign fats and oils which come in direct competition with domestic fats and oils.

The livestock industry is very much interested in the importation of coconut oil, the principal oil produced in the Philippines. Coconut oil, to a very large extent, has displaced oleo oil in the manufacture of oleomargarine. Thus, in 1914 a total of 57,500,000 pounds of oleo oil [was] used for the manufacture of oleomargarine, while in 1936 only 18,300,000 pounds of oleo oil were used for this purpose. Coconut oil was the most important ingredient used in the manufacture of oleomargarine in the year 1936.

Coconut oil has been a factor in forcing oleo oil into other edible and inedible uses that are less advantageous. Domestically produced oleo oil could never compete with coconut oil, because the latter is produced so cheaply.

Both organizations submitting this brief favor protection for domestic fats and oils. At the annual convention of the California Cattlemen's Association, held in San Francisco, December, 1936, the following resolution was unanimously adopted:

WHEREAS, those groups which stand to profit by heavy importations of fat and oils from low-cost producing countries have indicated that a fight will be made in the next Congress to reduce the excise taxes recently imposed by law on such importations; therefore,

Be it resolved That we urge our representatives in Congress not only steadfastly to resist any such effort, but instead, to take any further steps needed

adequately to protect domestic fat and oil producers by tariff duties or excise taxes on any and all such importations.

Both organizations contend that the excise tax on coconut oil, as well as on other oils produced in foreign countries, has been of material aid in the recovery of the livestock industry.

The Philippines has not been injured by the tax, because for each of the three years since its imposition, imports of coconut oil and copra from the Islands have been above the 5-year average immediately preceding May 1934.

Further, the tax has not been a deterrent to the consumption of fats and oils. Domestic and foreign consumption is greater than before the imposition of the tax in 1934.

Oleo oil must compete with all other fats and oils, and stockmen must depend on a fair level of fats-and-oils prices for a fair price on the second most important by-product of cattle. This level cannot be maintained without the protection of duties or excise taxes on foreign products, which are produced at a cost so low that domestic producers cannot compete.

We therefore respectfully request your honorable Committee to recommend against repeal or reduction of any tariffs or excise taxes on coconut oil or other oils.

Respectfully submitted,

CALIFORNIA CATTLEMEN'S ASSOCIATION
CALIFORNIA WOOL GROWERS ASSOCIATION
By JOHN CURRY, *Attorney*

Dated at San Francisco, California,
July 17, 1937.

**BRIEF
OF THE
CALIFORNIA COSMETIC ASSOCIATION**

(807)

BRIEF
OF THE
CALIFORNIA COSMETIC ASSOCIATION

. HOLLYWOOD, CALIFORNIA, *July 8, 1937.*

HON. FRANCIS B. SAYRE,
*Under Secretary of State,
Department of State,
Washington, D.C.*

SIR:

With reference to the recent proposal made by President Quezon of the Philippine Islands for the discussion of the problems confronting trade relations between the United States and that Commonwealth, and the appointment of a Joint Committee for the preliminary consideration of all matters affecting the relations between the two countries, we respectfully submit to you, in behalf of the cosmetic manufacturers on the Pacific coast, our views on the tariff situation to be presented at the hearing scheduled to be held in Washington, D. C., on July 10th.

It is our understanding that under the provisions of the Tydings-McDuffie act governing the relations between the United States and the Philippine Islands, the United States is to impose a duty on all articles imported into the United States from the Philippine Islands during the transition period, beginning with the sixth year of the present act. These import duties are to increase from year to year, up to, and until, the tenth year of the period is reached, when, it is presumed, the full tax or tariff duties are to apply on all Philippine products entering the United States. One of the fundamental considerations of the problems with which the Joint Committee is faced is the economic development of the Philippine Islands during the transition period, and to enact the subsequent legislation on a foundation which will result in the most advantageous mutual trade benefits on a lasting basis within the purview of this and later generations. It is of paramount importance to note that the manufacturers of toilet preparations, in whose behalf we are presenting these views, have exerted their best efforts over a period of years to supply the population of the Philippine Commonwealth with the finest manufactured products which embody the achievement of many years' pioneering, thus securing for the United States a leading position in that territory. On the basis of current statistics it is an established fact that the aggregate value of American and Philippine

trade relations amounts to approximately ten million dollars per month, embracing imports from and exports to the Philippine Islands. Furthermore, to attain this enviable position and maintain it at a great sacrifice during the initial stages of the pioneering work, it was essential to make considerable investments with the hope that they would ultimately inure to the mutual benefit [of] both the peoples of the United States and the Philippine Islands, and the manufacturers of the Pacific coast take considerable pride in voicing the fact that the Philippine Islands represent at this time one of their best markets in the world. In addition, it is worthy of consideration that these very same exports have provided the Philippine population to a certain extent with a means of subsistence, thereby creating a purchasing-power for the acquisition of other American-manufactured products, while the United States contributed toward the maintenance of the favorable trade relations by importing essential agricultural products from the Philippine Commonwealth.

As a matter of fact, the Philippine Islands are fundamentally an agricultural country, and to deprive them of the American market for their products would of necessity result in the Philippine Government taking retaliatory measures for the substantial or entire exclusion of American-manufactured products which have thus far enjoyed enthusiastic acceptance by the Philippine population, in preference to other products. The result will, without doubt, be disastrous, for it would open the gates of the Philippine market to foreign competition and virtually divest the American manufacturers of the secure foothold gained as a result of a long period of years of pioneering in the export activities.

Another consideration which deserves unqualified attention is the fact that all exporters on the Pacific coast avail themselves of the bottoms placed at their disposal by the Dollar Line in shipping to the Philippine Islands. In the event, therefore, of the imposition of high tariff duties with the resultant adverse effects on American shipping, the results would be tantamount to still further curtailing the tonnage transported at present by American steamships.

Apart from the facts presented thus far, it is obvious that international banking influences foreign trade to a considerable extent. The services which domestic banks and their correspondents provide in financing foreign shipments, including a great variety of related services, are indispensable, and would represent a total loss for American banks in the event that foreign trade be diverted to other countries of the world.

These are substantially the outstanding factors for which it is felt that free-trade relations should be maintained by the United States with the Philippine Islands, and to maintain the *status quo* would undoubtedly result in the preservation of the present substantial American interests in that territory. The purchasing-power of the population of the Philippine Islands is relatively low, so much so that in the final analysis any imposition of prohibitive tariff duties would preclude the possibility of American-manufactured products being marketed in that territory. In any event, however, it is respectfully recommended that mature consideration be given to the necessity of levying tariff duties, if there be no other alternative, at most favorable and low rates, giving every possible preference to the exchange of Philippine and American goods at minimum rates of duty.

It is the opinion of this association, acting on behalf of the manufacturers on the Pacific coast, that the Joint Committee will accord the problem of free-trade relations of the United States with the Philippine Islands the consideration it justly deserves, hoping that an advantageous solution may be found along the lines suggested.

You have the assurance, Mr. Under Secretary of State, of our highest esteem.

Respectfully yours,

CALIFORNIA COSMETIC ASSOCIATION
L. W. ARMSTRONG, *Executive Secretary*

BRIEF
SUBMITTED ON BEHALF OF THE
CALIFORNIA DAIRY COUNCIL ET AL.

BRIEF

SUBMITTED ON BEHALF OF THE
CALIFORNIA DAIRY COUNCIL ET AL.

This brief is submitted to your honorable Committee on behalf of:

- Weber Central Dairy Association, Ogden, Utah;
- Arling Gardner, Acting Commissioner of Agriculture, Cheyenne, Wyoming;
- National Association Milk Control Boards of America, Kalispell, Montana;
- Montana Dairymen's Association, Bozeman, Montana;
- Arizona Milk Producers Association, Phoenix, Arizona;
- Dairymen's Co-op Creamery of Boise Valley, Caldwell, Idaho;
- Idaho State Dairymen's Association, Boise, Idaho;
- Central Arizona Cattle Feeders' Association, Phoenix, Arizona;
- Nevada State Farm Bureau Dairy Department, Reno, Nevada;
- W. C. Sweinhart, Director of Agriculture, State of Colorado;
- Challenge Cream & Butter Association, a cooperative sales organization of farmer-owned and -operated creameries located in California, Idaho, Utah, Wyoming, and Colorado; and
- California Dairy Council, a cooperative educational organization of the industry embracing in its membership more than 85 percent of dairy production and manufacture in California.

The eleven Western States lying west of the Continental Divide constitute a definite geographic and economic section of the Nation. It, therefore, seems appropriate to submit the following statements from that standpoint, rather than from the more limited situation in the State of California.

The Bureau of the Census estimated the total human population of the eleven Western States in 1930 at 11,869,222 persons. The urban population was estimated to be 6,992,803. The estimate of the rural population was 4,876,419. The high ratio of rural to urban population plainly indicates the predominance of agriculture in the economic status of this area.

Dairying in this area accounts for 24 percent of the total agricultural income. The additional revenue from beef cattle, swine and sheep, all of which industries are affected along with dairying by the competition of oriental oils and fats, places the annual income from these livestock operations at somewhere between 33 and 35 percent of the total agricultural income.

The agricultural census of 1935 gives the total number of female dairy animals as 3,264,000, divided as follows: Number of cows and heifers 2 years and over being kept for milk, 2,203,000; number of heifers 1 to 2 years old being kept for milk, 519,000; number of heifer calves under one year being kept for milk, 542,000.

The census reports the total number of cattle other than cows, heifers, and heifer calves being kept for milk at 7,719,000 on January 1, 1936.

The two largest items in the list of manufactured dairy products are butter and evaporated milk. The production of butter in the eleven Western States in 1935, according to the U.S. Bureau of Agricultural Economics, was 206,386,000 pounds valued at \$61,915,800. The output of evaporated milk was given as 355,931,000 pounds valued at \$22,081,000.

Attached to this brief and made a part thereof as exhibit A¹ is a complete list of the 1935 production of the long line of products made from cow's milk. The values of these products cannot be stated here for lack of official data.

The annual consumption of fluid milk as a beverage and in cooking is estimated at 140,000,000 gallons in round figures, approximating 28 million dollars in value, while the consumption of cream averaging 22 percent butterfat is 13,000,000 gallons, estimated and valued at 19 million dollars at farm prices.

The volume and values of milk, cream and manufactured dairy products do not constitute the entire contribution of the dairy cow to the general economic welfare. Dairy calves account for approximately 85 percent of veal consumption, and 30 percent plus of the beef supply is dairy beef.

Dairy cowhides are an equally important fraction of our domestic hide and leather resources. Dairy-calf hides are the very foundation of an important manufacturing industry specializing in soft-leather goods and specialties for women.

Manufacturers of pharmaceutical products rely upon the dairy animals for a number of essential extracts.

In estimating the importance of dairying it should be borne in mind, in addition to the foregoing, that the dairy cow contributes to the stability of other branches of agriculture. She provides a constant market for the by-products of many of those branches.

¹ See *post*, p. 817.

Most important of these is cotton. The market for cottonseed meal and cottonseed cake afforded by the dairy cow is a highly stabilizing influence in cotton-production. Any reduction in this outlet has an inevitably depressing influence upon cotton-growing.

Cotton is a relatively new crop in California, but its production already equals that of the more important cotton-producing States in the South and exceeds that of several. But California cotton-growers have testified at public hearings on more than one occasion that this new industry could not survive if it were not for the market which dairying provides for cotton's most important by-product. At the present time dairymen are paying \$35 per ton for cottonseed cake.

Dairying provides a market for the straw of the grain-grower and this is important in stabilizing grain-growing in the northeastern portion of the Pacific-slope area.

The importance of the dairy industry as a provider of industrial-labor income should also be considered. Lack of time has prevented assembling accurate estimates of the number of people in the eleven Western States whose entire income is derived from dairying, but close estimates for California are available. 33,375 persons in California make their living exclusively in the labor of dairy production. 19,700 persons depend upon the labor of processing and distribution of dairy products for their entire living. The total of these two is 53,075. Using the census figure of 3.4 in calculating the number of dependents upon earners of income gives a total of 181,455 people who depend upon the dairy industry for their entire livelihood. There are 667,000 dairy cows in California with an inventory value given by the State Federal Crop Reporting Service of \$45,356,000 as of January 1, 1937.

The need for the protection and encouragement of dairying is not based upon its outstanding importance as an agricultural industry alone. It is appropriate and necessary that your honorable Committee should consider the importance of milk and dairy products in relation to the health and physical condition of the American people. Public-health authorities state that approximately 40 percent of the babies born in the United States are dependent upon cow's milk from birth, and scientific research in this and many other countries has definitely established that milk and milk products constitute our most essential food for growth and development, for virility and resistance to the common human diseases. There is practically universal agreement among nutrition and public-health authorities that the consumption of milk and its equivalents in the other dairy products should average, as a minimum, a quart daily for children and adolescents and a pint daily for adults. Since the actual consumption of milk and dairy products is only about one

third the minimum recommended, the necessity for the protection and encouragement of dairying is evident.

Although the statements made up to this point do not cover all the intricate relations between dairying, industry and manufacture, it should be evident from what has been said that the degree of prosperity or adversity in the dairy industry cannot fail to have a significant influence upon the general economic situation. That material prosperity is dependent upon the constant production of new wealth from natural resources is a truism. There is no more persistent provider of this new wealth than the dairy cow. Her contribution to the material prosperity of the population of the eleven Western States is more than \$750,000 daily. It is manifest that any depressing influence upon the stability and prosperity of dairying must have a correspondingly depressing effect upon the general economy of this great territory.

The most important component of milk, from a monetary standpoint, is milkfat, or butterfat. The price of butterfat is the indicator of the economic status of the dairy farmer. The price of butter is the predominant influence on the price of butterfat.

The production of the other major manufactured dairy products is closely geared to consumptive demand. Consequently, when the supply of milk exceeds the requirements for the manufacture of these other dairy products, the surplus goes to the churn and is made into butter.

On this account the production of butter frequently expands, not in response to an increased demand at the prevailing price-level, but because there is nothing else that can be done with the butterfat except to feed it to livestock. When production increases under such circumstances consumption can only be increased through a drastic lowering of price.

Furthermore, while all dairy farmers in the territory covered by this brief are paid for their butterfat on the basis of the San Francisco quotation for 92-score butter, the San Francisco price is influenced by prices in Chicago and New York, and they in turn are influenced by the price of butter in London. Hence, dairymen in the Pacific-slope area are affected by the national and world situation in butter and its competing products.

The most dangerous competitor of butter is oleomargarine. Oleomargarine made of vegetable oils is very much lower in total food value than butter, but it contains practically the same percentage of fat and consequently supplies about the same amount of energy as a food. Butter in the United States must contain 80 percent milkfat and oleomargarine carries from 80 to 82 percent. The milkfat content of one pound of butter represents the average daily individual production of the dairy cows of the eleven Western States.

To increase the production of cows beyond this average is a long and costly process. Consequently the dairy farmer is not in position to meet foreign competition through reducing unit cost by increased volume of production, as is so often done in other industries. Other means must be provided to aid him to meet this competition.

The selling price of oleomargarine is not governed by cost of production and manufacture; it is kept at approximately half the price of butter, and the price goes up and down in accordance with the fluctuations in the price of butter.

Submitted with and made a part of this brief as exhibit B² is the 1936 Review of Vegetable and Competing Oils, compiled by the Oils and Fats Section, U.S. Bureau of Foreign and Domestic Commerce. The attention of your honorable Committee is respectfully directed to page 22 of this report, whereon is given wholesale prices of certain vegetable oils, animal fats, oleomargarine and butter. You will note that the price of coconut oil is the lowest on the list. With the aid of chemistry, oils are to a large extent interchangeable. Consequently manufacturers endeavor to use the cheapest oils in the market.

The extremely low prices of coconut oil are a constant menace to the permanency of dairying in the eleven Western States. The present import, excise and first processing taxes are a vital necessity to the maintenance and further development of dairying. It is of extreme importance to this great basic industry in the Pacific-slope States because they are the western outpost of the Nation and because of their closer geographic relation to the Philippines.

Dairying in the Pacific-slope States is only just now emerging from the disastrous effects of the recent economic break-down during which large numbers of dairymen went bankrupt and those that survived are heavily burdened with debt. The aid and protection of the present taxes on competing oils and fats is vital to the full recovery of this basic agricultural industry.

The present scale of taxes and the arrangements provided for the disposition of the tax payments have the effect of giving the Philippines a monopoly in the coconut-oil business with the United States. Any reduction in these taxes would tend to destroy this advantage. The statistical picture of this trade shows that the volume of shipments of coconut oil and copra from the Philippines to this country has not decreased since the imposition of these import and excise taxes. Furthermore, the money derived from these taxes goes to the Philippine Government to be used in contributing to the education and enlightenment of the Philippine people. Here is a case where a system of taxation serves two good ends at once. It aids in

² See *post*, p. 819.

protecting and encouraging American agriculture, on the one hand, and in promoting the advancement of the Philippines,* on the other.

In summary, the organizations in whose behalf this brief is respectfully submitted embrace within their membership fully 75 per cent of the foremost single agricultural industry in the West, contributing at producer prices upwards of \$750,000 of new wealth daily. For more than ten years they have fought for the protection afforded by these duties and taxes. They realize that any reduction in rates would be a serious menace to their existence, and they are unanimously opposed to any change looking toward a lowering of present rates. All of which is respectfully submitted for the careful consideration of your honorable Committee.

CALIFORNIA DAIRY COUNCIL
SAM H. GREENE, *Secretary-Manager*

SAN FRANCISCO, CALIFORNIA
July 20, 1937.

Exhibit A

JOINT PREPARATORY COMMITTEE ON TRADE RELATIONS BETWEEN UNITED STATES
AND PHILIPPINES.

DAIRY PRODUCTS MANUFACTURED IN ELEVEN WESTERN STATES,
1935¹

<i>Manufactured Product</i>	<i>Total</i>
Creamery butter (including whey butter)-----	206,386,000
American cheese:	
Whole milk-----	40,552,000
Part skim-----	2,445,000
Full skim-----	169,000
Swiss cheese (including block)-----	3,565,000
Brick cheese-----	458,000
Limberger cheese-----	4,000
All Italian varieties of cheese-----	363,000
Neufchatel cheese-----	5,000
Cream cheese-----	2,221,000
All other varieties of cheese-----	2,320,000
Cottage, Pot, and Bakers' cheese-----	25,404,000
Sweetened condensed milk:	
Case goods—	
Unskimmed-----	3,829,000
Bulk goods—	
Skimmed-----	5,368,000
Unskimmed-----	470,000

¹ Source of data: United States Department of Agriculture, Bureau of Agricultural Economics, Washington, D.C.

<i>Manufactured Product</i>	<i>Total</i>
Unsweetened condensed milk (plain condensed) :	
Bulk goods—	
Skimmed	15,511,000
Unskimmed	5,249,000
Evaporated milk (unsweetened) :	
Case goods—	
Unskimmed	355,931,000
Concentrated skim-milk (for animal feed)	648,000
Condensed or evaporated buttermilk (including concentrated)	3,831,000
Dry or powdered buttermilk	6,833,000
Dry or powdered whole milk	891,000
Dry or powdered skim-milk (in barrels)	44,721,000
Dry or powdered skim-milk (in bags)	26,993,000
Total dry or powdered skim	71,714,000
Dried casein (skim-milk or buttermilk product)	12,996,000
Malted milk	1,043,000
Ice-cream (gallons)	22,842,000
Sherbets (does not include water-ices) (gallons)	1,128,000

Exhibit B

U. S. DEPARTMENT OF COMMERCE
Daniel C. Roper, *Secretary*
BUREAU OF FOREIGN AND DOMESTIC COMMERCE
Alexander V. Dye, Director

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1936 REVIEW OF VEGETABLE AND COMPETING OILS

Compiled by
CHARLES E. LUND, Chief
Oils and Fats Section, Foodstuffs Division

This report is released for such use as may seem desirable.
If information contained therein is republished credit should
be given the Foodstuffs Division, Bureau of Foreign and
Domestic Commerce.

Prepared in the Foodstuffs Division
under the supervision of
FLETCHER H. RAWLS, Chief

FOREWORD

The fats and oils movement in international commerce is an important factor in the operations of many industries in the United States. It is felt desirable to provide these domestic industries, as promptly as possible, with statistics of imports, exports, production, and the price movement of the principal products in this group for 1936 and the immediate preceding years.

This review, it will be noted, further discusses the production and trade of the major products shown in the initial tables of total imports and indicates the leading countries of origin and destination of those fats and oils. The 1936 figures are preliminary, but we believe that the timely information contained in this review will convey a valuable early picture of last year's shifts in our trade in these commodities.

ALEXANDER V. DYE,

Director, Bureau of Foreign and Domestic Commerce.

FEBRUARY 1937.

1936 REVIEW OF VEGETABLE AND COMPETING OILS IMPORTS INTO THE UNITED STATES

Preliminary figures indicate that imports of vegetable oils, including the oil equivalent of oilseeds, for the calendar year 1936, amounted to 2,117 million pounds. This is a decrease of 168 million pounds as compared with 1935, but an increase of 588 million pounds over the average imports in the five years 1930 to 1934, inclusive, the latter group including the unusually low vegetable oil imports of 1934 following the Revenue Act of May in that year. The drought of 1934 reduced feed supplies and resulted in the low 1935 production of butter, lard, and tallow. The heavy 1935 imports of fats and oils followed, to supply the domestic shortage.

Imports continued heavy in 1936, particularly of products not affected by the 1934 Revenue Act. In August 1936 Title V of the Revenue Act of that year imposed some new excise taxes on imports of fats and oils into the United States and made some changes in the taxes of the 1934 Revenue Act. Imports of those products in the latter Act were sharply curtailed in the final four months of 1936.

Including "Animal Oils, Fats, and Greases" (fish oils are in this group) with the vegetable oil imports noted above, the grand total of all these oil imports in 1936 is 2,310 million pounds, a decrease of 330 million pounds from 1935 and an increase of 656 million pounds over the 5-year average of 1930-1934.

SUMMARY TABLE.—United States Imports of Oils and Oil-Bearing Materials

Class of product	1936	1935	Average 5 years, 1930-34
	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Vegetable oils.....	1, 394, 260, 558	1, 472, 755, 313	874, 451, 598
Oil equivalent of oilseeds.....	722, 554, 093	812, 597, 994	654, 176, 380
Animal and fish oils.....	193, 419, 518	354, 817, 942	125, 526, 952
Total imports.....	2, 310, 234, 169	2, 640, 081, 249	1, 654, 154, 930

IMPORTS INTO UNITED STATES

Vegetable oils ¹	1936	1935	Average 5 years, 1930-34
	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Sunflower seed oil:			
Edible.....	24, 713, 399	37, 051, 732	11, 286, 013
Inedible.....	541, 246	(2)	(2)
Corn oil.....	28, 672, 479	25, 746, 090	(2)
Cottonseed oil.....	127, 786, 606	166, 687, 367	(2)

¹ An arbitrary conversion figure of 7½ pounds per gallon has been used wherever imports of vegetable, fish, and whale oil are reported by the gallon in original statistics.

² Included in other oils.

IMPORTS INTO UNITED STATES—Continued

Vegetable oils	1936	1935	Average 5 years, 1930-34
Olive oil:	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Edible.....	60,972,440	70,788,530	71,698,477
Sulphured.....	17,400,853	33,797,218	44,449,980
Other inedible.....	12,083,829	19,743,452	12,278,625
Palm kernel oil:			
Edible.....	7,618,373	7,977,812	4,683,329
Inedible.....	12,522,741	50,592,641	13,438,849
Peanut oil.....	49,006,231	80,723,225	2,261,493
Tung oil.....	134,829,996	120,058,817	102,064,627
Coconut oil.....	322,065,415	353,396,002	304,636,054
Palm oil.....	338,788,706	297,579,208	241,163,639
Rapeseed oil.....	63,201,300	60,297,892	13,476,796
Sesame oil.....	48,928	11,088	2,140,004
Perilla oil.....	117,903,274	72,327,864	17,317,743
Soy bean oil.....	7,187,051	14,248,574	3,952,134
Linseed oil.....	760,222	2,232,451	2,992,578
Vegetable tallow.....	2,977,402	80,696	1,452,138
Carnauba wax.....	12,500,241	10,420,568	7,317,786
Vegetable wax.....	5,403,439	4,650,360	3,117,482
Other vegetable oils.....	47,276,387	44,343,726	* 14,723,851
Total.....	1,394,260,558	1,472,755,313	874,451,598
<i>Oilseed</i>			
Castor beans.....	164,076,789	77,048,961	98,426,297
Copra.....	364,493,443	454,134,203	513,567,707
Flaxseed.....	860,441,120	983,341,072	705,005,571
Sesame seed.....	117,795,133	146,394,158	55,322,802
Poppy seed.....	6,901,083	8,392,532	6,903,453
Palm nuts and kernels.....	27,443,093	50,072,548	20,473,119
Rapeseed.....	27,836,213	29,515,220	10,429,581
All other.....	131,335,491	148,430,522	13,030,485
Total.....	1,700,322,365	1,897,329,216	1,423,159,015

* Includes 9,157,392 pounds of cottonseed oil in 1934.

OIL EQUIVALENT OF IMPORTED OILSEED¹

Product	Extraction	1936	1935	Average 5 years, 1930-34
		<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Castor beans.....	45	73,834,555	34,672,032	44,291,833
Copra.....	63	229,640,869	286,104,548	323,547,655
Flaxseed.....	34	292,549,980	334,335,964	239,701,894
Sesame seed.....	47	55,363,712	68,805,154	26,001,717
Poppy seed.....	45	3,105,487	3,776,639	3,106,554
Palm nuts and kernels.....	45	12,349,392	22,532,647	9,212,904
Rapeseed.....	35	9,742,676	10,330,327	3,653,153
All other.....	35	45,967,422	51,950,683	4,660,670
Total.....		722,554,093	812,507,994	654,176,380

¹ Extraction percentages used are averages of best available estimates. Assumption is made arbitrarily that all imported oilseeds are crushed for oil. The 35 percent conversion figures on "All other oilseeds," while probably a fair one prior to 1936, is used in this report for comparable purposes only in the latter year. With a large proportion of high yielding babassu kernels included in that item in 1936, it appears that another 10 million pounds could be included as oil obtained from the "All other oilseeds" class last year.

OIL EQUIVALENT OF IMPORTED OILSEED—Continued

Product	Extraction	1936	1935	Average 5 years, 1930-34
<i>Animal oils, fats, and greases</i> ²				
Animal oils and fats, edible.....	-----	22, 102, 537	18, 895, 241	1, 301, 823
Cod oil.....	-----	20, 997, 705	20, 085, 765	16, 073, 110
Whale oil.....	-----	28, 095, 517	23, 073, 165	50, 271, 819
Cod liver oil.....	-----	43, 496, 805	34, 553, 198	19, 174, 500
Other fish oils.....	-----	1, 303, 860	1, 225, 598	19, 311, 028
Wool grease.....	-----	6, 569, 937	5, 626, 890	4, 811, 596
Tallow.....	-----	68, 936, 476	245, 850, 922	9, 101, 862
Stearic acid.....	-----	1, 816, 681	5, 507, 163	5, 481, 214
Total.....	-----	193, 419, 518	354, 817, 942	125, 526, 952

² An arbitrary conversion figure of 7½ pounds per gallon has been used wherever imports of vegetable, fish, and whale oil are reported by the gallon in original statistics.

Vegetable oils, both edible and inedible, are included in one import table in this report to convey a more complete picture of the total available amounts competitive with domestic oils. A number of these vegetable oils are interchangeable, and the higher price levels of the past two years have attracted into the edible field considerable quantities of several oils consumed largely in inedible channels in previous years.

IMPORTS

Included in the item "All other oilseeds" for 1936 were 59,021,600 pounds of babassu nuts and kernels from Brazil. This product was not separately classified in our import statistics prior to 1936. Also in the "All other oilseed" class, hempseed imports amounted to 62,814,186 pounds in 1936, with no arrivals reported since August of that year, as compared with 116,681,757 pounds in the year 1935, and 12,981,449 pounds imported in 1934.

The 1936 imports of "Other vegetable oils" included 14,553,704 pounds of kapok seed oil (no arrivals since August), 3,317,242 pounds of sesame oil, 329,226 pounds of babassu oil, 7,904,078 pounds of teaseed oil, 4,837,245 pounds of linseed oil fatty acids, and 6,794,146 pounds of fatty acids n. s. p. f. derived from vegetable oils. Among the products in the "Animal oils and fats, edible" group are imports of *edible tallow*, formerly included with the inedible commodity, but separately classified in April 1936, and which amounted to 9,757,677 pounds for the latter 9 months. Imports of *tallow* (including "edible" for the first three months) in 1936 amounted to 68,936,476 pounds. The total imports of both grades in 1936 is therefore 78,694,153 pounds, a considerable decrease from 1935 imports of 245,850,922 pounds, caused by a better domestic supply position and the additional tax in the 1936 Revenue Act. Total tallow imports in the latter four months of 1936 totaled only 2,435,797 pounds.

Also included in "Animal oils and fats, edible" were 6,238,095 pounds of lard substitutes and compounds (7,948,682 pounds in 1935, 281,061 pounds in 1934), of which 6,149,845 pounds came from the Philippine Islands. Oleo stearine imports of 5,316,765 pounds in 1936 were also included in this group and compare with 9,200,841 pounds in 1935.

Cocoon oil imports in 1936 (including the oil equivalent of imported copra) decreased 88 million pounds, caused by the shipping strike on the West Coast

and a diversion of shipments from the Philippine Islands to European markets during the year at more attractive prices. Philippine copra production is expected to be light in the first quarter of 1937, owing to typhoon damage.

Perilla oil imports ceased in the latter four months of 1936, but the total for the year was considerably in excess of previous years. The production of perilla oil in Japan in 1936 is estimated to be about the same as 1933, which, in turn, was the largest on record, amounting to 252 million pounds.

Whale oil imports, some 5 million pounds over 1935, do not include several substantial arrivals in the latter part of 1936, entered as the product of American fisheries.

Sesame seed imports, while somewhat below those of the preceding year, are considerably above the previous five year average. Receipts dropped to less than half a million pounds in the last four months of 1936.

Castor beans, on the other hand, increased in import volume the final third of 1936 to 56 million pounds, compared with 32 million pounds in the last four months of 1935, and the year's total is considerably above the average of recent years. The imports from Brazil in 1936, amounting to 145 million pounds, almost trebled the 1935 volume.

Palm nuts and kernels and palm kernel oil were evidently diverted to other markets in larger proportionate quantities in 1936, as the oil equivalent imports to the United States were nearly 50 million pounds less than in 1935.

Sunflower seed oil imports, some 12 million pounds less than in 1935, were negligible the last four months of 1936.

With England retaining the bulk of imported Egyptian cottonseed for domestic consumption, a low Russian production, and increased domestic supplies, imports of *cottonseed oil* for 1936 were 39 million pounds less than in 1935. Brazil was the largest supplier of this product in 1936. Large orders for cottonseed oil, said to be held by Japanese vegetable oil manufacturers for shipment to the United States by February 1937 or thereabout, were reported by our Tokyo Office in November 1936.

Olive oil imports were considerably under those in 1935, due to the disturbance in Spain and a poor crop in other countries. The season's olive oil yield for all countries is the lowest in the past 20 years, according to a report from Italy abstracted in the February 2nd issue of "Foodstuffs Round the World, Meats, Livestock, Fats, and Oils," published by the Foodstuffs Division. This report states that, so far as Italy is concerned, the shortage of olive oil in that country will be filled as much as possible by stimulating the production and sale of seed oils. A temporary export duty of 150 lire per quintal (about 3½¢ per pound) was assessed on Italian olive oil exports on January 28, 1937.

The tables on the following pages enumerate the imports and exports of the principal fats and oils and oil-bearing materials, showing the chief countries of destination and origin, for the years 1934, 1935, and 1936. It will be noted in each case, in the interest of disseminating desired information as quickly as possible, these statistics list only the countries shipping or receiving the bulk of the products.

All the 1936 figures in these tables are preliminary, as is the case with statistics in previous pages of this report, and corrected and final figures will appear later in "Foreign Commerce and Navigation of the United States," published by the Bureau of Foreign and Domestic Commerce, from which publication import and export figures for years previous to 1936 were obtained.

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36

Animal Oils and Fats, Edible

Commodity and principal countries of shipment	1934	1935	1936
Lard compounds and lard substitutes— Total.....	Pounds 281,061	Pounds 7,948,682	Pounds 6,238,095
Philippine Islands.....	280,671	7,774,985	6,149,845
Oleo oil—Total.....	(¹)	1,625,925	63,286
Argentina.....	(¹)	1,389,606	19,587
Canada.....	(¹)	235,267	43,699
Oleo stearine—Total.....	1,718,774	9,200,841	5,316,765
Argentina.....	905,294	6,419,008	3,385,915
Uruguay.....	370,176	1,039,422	561,030
Australia.....	269,536	993,090	774,598
New Zealand.....	80,544	111,753	28,453
Canada.....	93,224	581,971	478,167
Edible tallow—Total.....	(¹)	(¹)	April-December, inclusive 9,757,677
Canada.....	(¹)	(¹)	2,629,862
Argentina.....	(¹)	(¹)	2,638,386
Brazil.....	(¹)	(¹)	924,232
Uruguay.....	(¹)	(¹)	3,233,034
New Zealand.....	(¹)	(¹)	332,163

Animal Oils and Fats, Inedible

Beef tallow—Total.....	42,465,906	240,725,454	-----
Canada.....	2,113,238	10,756,269	-----
United Kingdom.....	9,530,283	46,018,534	-----
Argentina.....	11,228,287	61,136,297	-----
Brazil.....	2,647,218	27,666,941	-----
Uruguay.....	6,913,261	31,478,600	-----
Australia.....	5,261,578	27,403,224	-----
New Zealand.....	4,039,941	27,469,707	-----
France.....	-----	2,663,185	-----
Netherlands.....	-----	3,611,755	-----
Paraguay.....	697,354	1,752,132	-----
Tallow, inedible—total.....	(¹)	(¹)	44,906,617
United Kingdom.....	(¹)	(¹)	15,154,029
Canada.....	(¹)	(¹)	7,952,164
Argentina.....	(¹)	(¹)	1,012,207
Uruguay.....	(¹)	(¹)	1,639,601
China.....	(¹)	(¹)	296,720
Australia.....	(¹)	(¹)	12,808,870
New Zealand.....	(¹)	(¹)	4,122,784
Brazil.....	(¹)	(¹)	1,573,347

¹ Not shown separately.

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
 Continued

Animal Oils and Fats, Inedible—Continued

Commodity and principal countries of shipment	1934	1935	1936
	Pounds	Pounds	Pounds January-March inclusive
Tallow, edible and inedible—total.....	(¹)	(¹)	24, 020, 859
France.....	(¹)	(¹)	774, 640
United Kingdom.....	(¹)	(¹)	1, 201, 833
Canada.....	(¹)	(¹)	3, 108, 440
Argentina.....	(¹)	(¹)	8, 938, 833
Brazil.....	(¹)	(¹)	959, 788
Uruguay.....	(¹)	(¹)	1, 929, 456
Australia.....	(¹)	(¹)	4, 896, 542
New Zealand.....	(¹)	(¹)	1, 820, 540
Mutton tallow—Total.....	347, 393	5, 125, 468	-----
Canada.....	60, 240	158, 074	-----
Uruguay.....	37, 757	93, 482	-----
Australia.....	161, 266	1, 077, 254	-----
New Zealand.....	83, 130	3, 407, 566	-----
Argentina.....	-----	166, 389	-----
United Kingdom.....	-----	222, 723	-----
Whale oil—Total.....	Gallons 2, 665, 323	Gallons 3, 076, 422	Gallons 3, 746, 069
Norway.....	2, 105, 645	2, 698, 638	2, 338, 930
United Kingdom.....	121, 091	148, 235	184, 434
Canada.....	266, 212	179, 836	957, 585
Netherlands.....	-----	15	206, 344

Vegetable Oils, Edible

	1934	1935	1936
	Pounds	Pounds	Pounds
Sunflower seed oil—Total.....	10, 045, 992	37, 051, 732	24, 713, 399
Netherlands.....	9, 825, 094	33, 211, 762	18, 461, 869
Bulgaria.....	-----	1, 674, 058	3, 097, 462
United Kingdom.....	109, 566	821, 664	983, 822
Germany.....	111, 332	71, 896	1, 884, 248
Corn oil—Total.....	10, 769, 150	25, 746, 090	28, 672, 479
Belgium.....	1, 630, 326	6, 250, 534	6, 564, 922
Germany.....	1, 902, 678	2, 415, 494	4, 575, 909
Netherlands.....	2, 652, 466	5, 315, 127	6, 595, 554
United Kingdom.....	2, 143, 751	4, 889, 748	5, 120, 080
Japan.....	1, 646, 524	1, 746, 670	2, 611, 572
France.....	735, 836	3, 758, 991	2, 343, 396
Crude cottonseed oil—Total.....	(²)	28, 597, 488	14, 544, 320
United Kingdom.....	(²)	8, 760, 025	498, 947
Mexico.....	(²)	6, 422, 920	611, 122
Brazil.....	(²)	1, 612, 208	2, 141, 632
China.....	(²)	10, 403, 827	9, 721, 740
Japan.....	(²)	668, 817	1, 570, 879

¹ Not shown separately.

² Included in "refined."

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
Continued*Vegetable Oils, Edible—Continued*

Commodity and principal countries of shipment	1934	1935	1936
Refined cottonseed oil (including semi-refined)—Total.....	<i>Pounds</i> 9, 157, 392	<i>Pounds</i> 138, 089, 879	<i>Pounds</i> 113, 242, 286
Netherlands.....		16, 486, 170	6, 710, 340
United Kingdom.....	7, 244, 895	55, 409, 839	27, 560, 051
Mexico.....	1, 512, 160	3, 756, 920	2, 917, 288
Brazil.....	66, 451	11, 815, 096	35, 006, 833
China.....		5, 931, 969	2, 877, 880
Japan.....	120, 400	26, 382, 973	23, 188, 275
Egypt.....	120, 285	16, 382, 188	14, 938, 232
Olive oil:			
Packages less than 40 pounds—Total.....	24, 612, 737	29, 019, 319	20, 260, 894
Italy.....	21, 898, 324	25, 736, 188	17, 816, 596
Spain.....	2, 024, 126	2, 634, 580	1, 815, 778
Packages greater than 40 pounds— Total.....	31, 394, 899	41, 769, 211	40, 711, 546
France.....	1, 837, 117	1, 687, 529	3, 172, 804
Italy.....	7, 792, 956	10, 084, 714	4, 557, 437
Spain.....	21, 375, 237	28, 403, 579	30, 523, 020
Palm kernel oil—Total.....	952, 521	7, 977, 812	7, 618, 373
Germany.....	308, 000	2, 936, 417	4, 061, 291
United Kingdom.....	644, 521	2, 885, 455	629, 220
Denmark.....		1, 465, 920	
Netherlands.....		685, 020	2, 927, 071
Peanut oil—Total.....	2, 722, 383	80, 723, 225	49, 006, 231
Germany.....		1, 343, 924	
Netherlands.....	1, 442, 122	42, 818, 514	11, 111, 889
United Kingdom.....		1, 599, 950	3, 484, 017
China.....	83, 790	32, 935, 611	33, 007, 751
Hong Kong.....	1, 187, 999	1, 293, 663	1, 271, 068
Sesame oil—Total.....	72, 798	360, 058	3, 317, 242
Netherlands.....	17, 834	241, 495	2, 520, 982
Mexico.....		61, 942	
Kapok seed oil—Total.....	(¹)	(¹)	14, 553, 704
Netherland India.....	(¹)	(¹)	9, 042, 910
Japan.....	(¹)	(¹)	5, 510, 794

¹ Not shown separately.² 1934 figures include "crude."

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
Continued

Oilseeds

Commodity and principal countries of shipment	1934	1935	1936
Castor beans—Total	<i>Pounds</i> 92, 839, 588	<i>Pounds</i> 77, 048, 961	<i>Pounds</i> 164, 076, 789
Brazil.....	47, 740, 072	49, 830, 532	145, 374, 432
British India.....	30, 859, 728	12, 702, 896	6, 894, 519
Kwantung.....	7, 974, 680	14, 372, 253	10, 110, 003
China.....	6, 264, 611	.....	1, 121, 760
Copra—Total	399, 233, 969	454, 134, 203	364, 493, 443
Netherland India.....	47, 346, 060	3, 416, 693	.....
Philippine Islands.....	338, 087, 364	441, 065, 840	357, 766, 579
British Oceania.....	5, 049, 906	8, 787, 131	4, 251, 512
British Malaya.....	7, 218, 474	.....	616, 000
Flaxseed—Total	<i>55-lb. bushel</i> 14, 170, 002	<i>55-lb. bushel</i> 17, 559, 662	<i>55-lb. bushel</i> 15, 365, 020
Argentina.....	8, 592, 341	16, 150, 906	13, 167, 048
British India.....	4, 220, 946	934, 268	1, 294, 300
China.....	417, 517	300, 412	447, 063
Sesame seed—Total	<i>Pounds</i> 22, 326, 588	<i>Pounds</i> 146, 394, 158	<i>Pounds</i> 117, 795, 133
China.....	20, 729, 332	138, 278, 410	109, 270, 495
Hong Kong.....	1, 118, 732	2, 318, 271	1, 318, 688
Japan.....	110, 503	1, 284, 809	4, 182, 308
Kwantung.....	66, 615	3, 427, 006	1, 120, 000
British India.....	245, 260	312, 737	1, 309, 267
Poppy seed—Total	6, 411, 586	8, 392, 532	6, 901, 083
Hungary.....	1, 229, 425	1, 783, 638	54, 500
Netherlands.....	3, 785, 762	3, 500, 182	4, 308, 049
Poland and Danzig.....	1, 052, 285	2, 754, 491	2, 385, 675
Palm nuts and palm nut kernels—Total	8, 509, 404	50, 072, 548	27, 443, 093
Brazil.....	1, 120, 054	4, 609, 908	8, 978, 047
Gold Coast.....	.....	2, 240, 000	.....
Nigeria.....	5, 051, 890	14, 148, 415	9, 309, 637
Other British West Africa.....	2, 308, 585	4, 098, 205	.....
Other French Africa ¹.....	.....	24, 937, 575	8, 313, 334
Rapeseed—Total	9, 323, 796	29, 515, 220	27, 836, 213
Belgium.....	1, 043, 138	599, 292	1, 023, 742
Germany.....	705, 609	613, 422	470, 950
Argentina.....	637, 536	17, 799, 014	3, 280, 603
British India.....	349, 270	2, 727, 410	9, 659, 045
Japan.....	5, 997, 054	6, 885, 900	4, 348, 503
Netherlands.....	270, 770	216, 618	3, 546, 123
Hungary.....	65, 450	317, 219	2, 415, 568
Poland.....	82, 105	260, 530	2, 571, 029

¹ Does not include Madagascar, Algeria, or Tunisia.

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
Continued

Oilseeds—Continued

Commodity and principal countries of shipment	1934	1935	1936
	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Hempseed—Total.....	12, 981, 449	116, 681, 757	62, 814, 186
China.....	2, 014, 716	8, 278, 265	3, 114, 763
Japan.....	580, 179	2, 177, 305	3, 076, 518
Kwantung.....	10, 380, 094	106, 149, 929	55, 318, 045
Babassu nuts and kernels—Total.....	(^o)	(^o)	59, 021, 600
Brazil.....	(^o)	(^o)	59, 021, 600
Kapok seed—Total.....	14, 617, 641	12, 656, 625	1, 930, 007
Netherland India.....	14, 568, 038	11, 404, 459	899, 467
Japan.....		652, 320	1, 030, 540
Perilla seed—Total.....	2, 181, 378	2, 782, 566	*3, 742, 370
Kwantung.....	2, 181, 378	2, 334, 200	*3, 741, 770
China.....		448, 366	
Seeds and nuts n. s. p. f. when oils there- from are free—Total.....	451, 768	15, 314, 486	3, 348, 010
Brazil.....	448, 000	15, 261, 363	2, 831, 990
British Honduras.....		14, 433	323, 170

Vegetable Oils (Not Elsewhere Specified)

Tung oil—Total.....	110, 007, 188	120, 058, 817	134, 829, 996
China.....	100, 253, 772	108, 338, 426	127, 826, 706
Hong Kong.....	9, 749, 719	10, 460, 262	5, 981, 167
Coconut oil—Total.....	314, 802, 433	353, 396, 002	322, 065, 415
Philippine Islands.....	314, 802, 433	353, 396, 002	322, 050, 056
Palm oil—Total.....	155, 530, 876	297, 579, 208	338, 788, 706
Canada.....	7, 901, 600	10, 698, 753	1, 741, 100
British Malaya.....	725, 249	4, 746, 426	4, 000, 831
Netherland India.....	98, 977, 827	188, 251, 006	248, 227, 406
Belgian Congo.....	27, 477, 529	48, 768, 937	42, 311, 980
Nigeria.....	19, 743, 023	39, 070, 749	31, 406, 090
Olive oil, sulphured, or foots, inedible— Total.....	36, 165, 829	33, 797, 218	17, 400, 853
Greece.....	7, 287, 913	12, 081, 065	1, 456, 665
Italy.....	15, 548, 909	3, 877, 635	2, 997, 120
Portugal.....	2, 421, 964	1, 063, 548	1, 986, 506
Spain.....	479, 843	152, 603	4, 540, 192
Algeria and Tunisia.....	10, 077, 760	16, 622, 367	6, 420, 370

* Included in "Seeds and nuts, n. s. p. f."

* *Sto.*

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
 Continued

Vegetable Oils (Not Elsewhere Specified)—Continued

Commodity and principal countries of shipment	1934	1935	1936
Other inedible olive oil—Total.....	<i>Pounds</i> 9, 670, 342	<i>Pounds</i> 19, 743, 452	<i>Pounds</i> 12, 083, 820
Greece.....	472, 598	3, 196, 479	1, 316, 648
Spain.....	7, 237, 069	7, 464, 225	8, 830, 836
Algeria and Tunisia.....	1, 555, 309	8, 740, 425	1, 791, 121
Rapeseed (Colza) oil, inedible—Total.....	<i>Gallons</i> 1, 975, 841	<i>Gallons</i> 3, 348, 295	<i>Gallons</i> 3, 744, 971
Japan.....	1, 973, 761	3, 170, 207	3, 357, 637
Palm kernel oil, inedible—Total.....	<i>Pounds</i> 11, 799, 626	<i>Pounds</i> 50, 592, 641	<i>Pounds</i> 12, 522, 741
Germany.....	11, 326, 904	17, 731, 567	4, 093, 912
Denmark.....		6, 823, 377	1, 007, 628
Netherlands.....	6, 452	23, 817, 524	7, 173, 724
United Kingdom.....	466, 270	2, 099, 213	247, 477
Carnauba wax—Total.....	7, 841, 623	10, 420, 568	12, 500, 241
Brazil.....	7, 841, 623	10, 143, 282	12, 465, 275
Rapeseed (Colza) oil, n. e. s.—Total.....	<i>Gallons</i> 240, 967	<i>Gallons</i> 4, 691, 424	<i>Gallons</i> 5, 404, 137
Netherlands.....	4, 779	508, 691	149, 300
United Kingdom.....	3, 133	444, 680	121, 337
Japan.....	175, 287	3, 738, 053	5, 117, 527
Tea seed oil—Total.....	<i>Pounds</i> (¹)	<i>Pounds</i> (¹)	<i>Pounds</i> 7, 904, 078
China.....	(¹)	(¹)	5, 681, 334
Hong Kong.....	(¹)	(¹)	2, 202, 426
Linseed oil—(fatty acids)—Total.....	(¹)	(¹)	4, 837, 245
Belgium.....	(¹)	(¹)	734, 997
Netherlands.....	(¹)	(¹)	3, 533, 933
United Kingdom.....	(¹)	(¹)	500, 176
Fatty acids n. e. p. f. (derived from vegetable oils)—Total.....	(¹)	12, 653, 683	6, 794, 146
Germany.....	(¹)	5, 247, 896	2, 122, 890
Netherlands.....	(¹)	1, 289, 599	2, 137, 125
Philippine Islands.....	(¹)	5, 150, 679	.....
Canada.....	(¹)	300, 820	1, 950, 180
Soy bean oil—Total.....	2, 828, 523	14, 248, 574	7, 187, 051
Netherlands.....	1, 168, 606	1, 773, 361	2, 243, 232
Kwantung.....	1, 614, 436	9, 359, 436	3, 627, 408
United Kingdom.....		2, 399, 637	82, 857
Japan.....			632, 295
Perilla oil—Total.....	25, 164, 203	72, 327, 864	117, 903, 274
Japan.....	16, 667, 227	42, 182, 643	81, 461, 798
Kwantung.....	8, 376, 976	30, 145, 221	36, 441, 476

¹Not shown separately.

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
Continued*Vegetable Oils (Not Elsewhere Specified)*—Continued

Commodity and principal countries of shipment	1934	1935	1936
	Pounds (¹)	Pounds (¹)	Pounds 329, 226
Babassu nut oil—Total.....			
Denmark.....	(¹)	(¹)	150, 000
Brazil.....	(¹)	(¹)	179, 226

Animal Oils and Fats, Edible

Oleo oil—Total.....	20, 713, 216	9, 251, 405	9, 130, 679
Belgium.....	1, 374, 887	854, 731	934, 587
Germany.....	1, 215, 500	190, 896	354, 004
Netherlands.....	3, 343, 538	2, 064, 671	1, 852, 708
United Kingdom.....	11, 011, 674	4, 351, 212	4, 691, 536
Irish Free State.....	431, 635	439, 612	361, 114
Denmark.....	755, 812	404, 583	321, 188
Sweden.....	774, 567	131, 487	243, 347
Oleo stock—Total.....	5, 978, 936	3, 377, 907	3, 619, 765
Belgium.....	376, 627	449, 535	280, 159
Denmark.....	516, 916	444, 163	898, 903
Netherlands.....	627, 302	396, 835	247, 979
Sweden.....	1, 588, 208	788, 521	1, 139, 690
United Kingdom.....	1, 350, 055	1, 042, 864	889, 901
Switzerland.....	553, 140	99, 107	70, 764
Tallow, edible—Total.....	7, 347, 140	536, 177	708, 519
Germany.....	1, 282, 912		
Netherlands.....	1, 381, 243		
United Kingdom.....	104, 954	226, 976	53, 579
Cuba.....	3, 645, 562	183, 184	528, 324
Sweden.....		19, 836	71, 859
Lard—Total.....	431, 237, 367	96, 354, 609	111, 291, 532
Belgium.....	8, 517, 508	96, 694	1, 629, 949
Finland.....	2, 187, 670	24, 672	97, 684
Germany.....	26, 607, 500	1, 544, 314	6, 872, 422
Italy.....	5, 128, 378	168, 600	
Netherlands.....	8, 986, 049	1, 375	63, 645
United Kingdom.....	281, 149, 582	64, 524, 954	63, 547, 002
Canada.....	5, 355, 181	645, 218	2, 902, 705
Costa Rica.....	3, 512, 233	398, 480	77, 975
Guatemala.....	2, 387, 777	490, 337	600
Panama.....	2, 665, 160	769, 371	788, 841
Mexico.....	37, 032, 734	1, 113, 840	1, 699, 973
Cuba.....	26, 347, 729	24, 235, 498	31, 010, 440
Dominican Republic.....	3, 949, 834	473, 235	154, 846
Republic of Haiti.....	2, 341, 251	633, 767	543, 847
Ecuador.....	4, 382, 044	14, 800	237, 458
Venezuela.....	4, 500, 585	247, 799	42, 592
Colombia.....	92, 758	2, 998	522, 085

¹ Not shown separately.

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
 Continued

Animal Oils and Fats, Edible—Continued

Commodity and principal countries of destination	1934	1935	1936
	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Neutral lard—Total.....	3, 654, 323	1, 004, 827	876, 962
Belgium.....	1, 080, 306	236, 739	315, 512
Denmark.....	639, 034	104, 209	63, 022
Irish Free State.....	103, 535	74, 187	38, 332
Netherlands.....	493, 510	220, 401	181, 722
Sweden.....	596, 357	64, 194	53, 554
United Kingdom.....	533, 771	153, 983	107, 803
Mexico.....	42, 432	23, 422	60, 885
Switzerland.....		2, 456	48, 684
Oleo stearine—Total.....	4, 254, 556	1, 261, 159	1, 153, 040
France.....	255, 258	28, 164	28, 447
Netherlands.....	495, 301	325, 537	276, 388
United Kingdom.....	2, 847, 258	787, 775	469, 430
Canada.....	143, 020	39, 103	220, 368
Cuba.....	179, 130	19, 492	47, 774
Oleomargarine of animal or vegetable fats—Total.....	369, 056	128, 007	108, 457
Panama.....	60, 770	50, 054	55, 028
Netherland West Indies.....	143, 449	32, 655	12, 185
French West Indies.....	22, 670	15, 760	8, 325

Animal Oils, Greases and Fats, Inedible

Neats-foot oil—Total.....	1, 150, 946	887, 472	706, 696
Belgium.....	73, 442	65, 895	91, 250
France.....	224, 924	211, 341	180, 710
Germany.....	153, 961	119, 289	106, 362
Italy.....	76, 293	113, 629	62, 454
Netherlands.....	59, 181	53, 391	30, 293
Spain.....	115, 918	92, 118	36, 714
Sweden.....	58, 673	46, 311	52, 279
United Kingdom.....	62, 112	24, 474	32, 370
Canada.....	191, 296	48, 745	37, 451
Other inedible animal oils—Total.....	1, 267, 298	4, 047, 414	855, 360
Belgium.....	75, 980	91, 137	85, 523
Germany.....	131, 228	56, 435	60, 831
Sweden.....	86, 477	55, 573	102, 842
United Kingdom.....	394, 097	256, 074	232, 466
Canada.....	203, 649	3, 162, 234	122, 439
Mexico.....	126, 269	166, 959	27, 006
Fish oils—Total.....	6, 363, 891	3, 276, 003	2, 154, 242
Netherlands.....	4, 923, 477	60, 349	82, 245
United Kingdom.....	508, 341	428, 211	232, 796
Canada.....	603, 897	2, 160, 882	583, 785
Cuba.....	46, 092	122, 007	350, 121
Colombia.....	81, 845	135, 243	47, 582
Italy.....	330	21, 800	130, 943
Ecuador.....	2, 565	20, 984	105, 912
Mexico.....	44, 180	36, 301	181, 339
Japan.....	3, 509	37	109, 295

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
Continued*Animal Oils, Greases and Fats, Inedible—Continued*

Commodity and principal countries of destination	1934	1935	1936
Other animal greases and fats ¹ —Total	Pounds 55,708,180	Pounds 14,731,494	Pounds 11,448,856
Germany	1,386,321	68,321	—
Italy	1,171,991	417,997	204,520
Netherlands	4,905,336	1,506,611	3,070,667
United Kingdom	10,737,844	1,030,137	42,324
Canada	15,411,426	6,994,888	5,912,426
Guatemala	988,258	497,721	169,836
Cuba	11,388,413	2,089,283	1,069,255
Dominican Republic	1,429,780	350,662	61,764
Haiti, Republic of	995,221	158,399	—
Japan	3,222,711	32,830	8,695
Honduras	278,358	272,765	10,510
Nicaragua	642,403	362,875	4,180
Panama	231,853	131,731	11,030
Belgium	735,846	171,556	577,728
Mexico	321,756	86,304	113,219

Vegetable Oils and Fats, Edible

Cottonseed oil, refined—Total	6,186,831	3,655,133	2,573,362
Canada	362,992	222,011	196,632
Panama	1,015,761	606,053	617,209
Mexico	293,756	328,788	154,360
Cuba	1,960,728	319,270	48,817
French West Indies	266,884	6,102	—
Japan	1,413,169	1,401,744	1,140,223
Philippine Islands	382,459	479,030	187,942
Soy bean oil—Total	2,040,127	4,111,188	4,028,835
Guatemala	109,197	125,835	125,922
Cuba	754,390	2,211,881	2,244,522
Netherland West Indies	130,513	290,041	298,865
Colombia	107,250	112,674	228,210
Union of South Africa	507,340	647,582	457,949
Mozambique	165,350	188,486	248,655
Costa Rica	69,707	76,418	96,878
Dominican Republic	8,814	274,833	50,605
Corn oil—Total	1,314,066	833,101	929,398
Nicaragua	287,681	—	—
Japan	505,901	614,571	794,000
Union of South Africa	96,822	—	—
Mozambique	63,784	—	—
Cuba	60,492	—	—
Dominican Republic	55,994	—	3,834
Canada	49,476	21,550	9,991
United Kingdom	28,960	120,641	282

¹ Does not include grease stearine, oleic acid, or stearic acid.

UNITED STATES IMPORTS OF FATS AND OILS BY PRINCIPAL COUNTRIES, 1934-36—
Continued*Vegetable Oils and Fats, Edible—Continued*

Commodity and principal countries of destination	1934	1935	1936
	Pounds	Pounds	Pounds
Cooking fats, other than lard—Total	2, 180, 565	1, 219, 354	1, 622, 128
Guatemala	149, 445	88, 613	89, 386
Panama	218, 542	140, 598	223, 395
Mexico	151, 099	176, 790	286, 936
Newfoundland and Labrador	93, 540	20, 935	21, 435
Bermuda	91, 471	45, 812	59, 246
Jamaica	100, 962	59, 144	28, 085
Netherland West Indies	182, 918	61, 285	46, 724
Argentina	208, 658	1, 242	131, 441
Japan	76, 397	72, 860	59, 067
Philippine Islands	95, 279	94, 852	98, 024
Cuba	44, 267	126, 343	190, 198
Venezuela	42, 836	47, 130	56, 333
Costa Rica	37, 522	7, 268	46, 698

Expressed Oils and Fats, Inedible

Cottonseed oil, crude—Total	8, 678, 648	160, 423	381, 566
Canada	4, 060, 117	59, 888	224, 245
Cuba	4, 509, 786		593
Mexico	12, 062	39, 353	
Philippine Islands	30, 425	47, 479	4, 516
United Kingdom			96, 908
Panama	36, 938	81	47, 801
Linseed oil—Total	653, 216	986, 109	972, 543
Canada	122, 879	121, 732	80, 723
Panama	123, 040	311, 368	271, 147
Honduras	42, 192	36, 648	22, 608
Mexico	40, 617	34, 209	25, 251
Cuba	40, 383	90, 757	60, 383
Netherland West Indies	39, 024	11, 757	1, 553
Colombia	46, 500	36, 565	31, 205
Venezuela	41, 506	45, 118	33, 682
France	352	8, 103	88, 764
Vegetable soap stock—Total	17, 273, 741	14, 964, 389	19, 395, 897
United Kingdom	5, 534, 707	2, 361, 052	3, 286, 990
Canada	4, 627, 817	4, 037, 042	6, 387, 615
Mexico	305, 309	1, 012, 380	660, 483
Cuba	5, 450, 393	5, 892, 958	5, 837, 546
Argentina	827, 268	1, 124, 362	2, 402, 679

Oilseeds

Oilseeds—Total	5, 799, 985	92, 863, 097	109, 179, 287
Greece	340, 988	17, 180	10, 000
Italy	1, 137, 600	3, 000	646, 230
Poland and Danzig	258, 500	578, 600	
Mexico	3, 871, 134	2, 397, 727	2, 776, 549
France	294, 229	3, 314, 867	10, 600
Germany	411, 185	2, 277, 036	
Netherlands	103, 035	6, 723, 660	
Canada	61, 514	77, 174, 121	105, 166, 887

PRODUCTION

The 1936 drought reduced supplies of corn, livestock feed, and oilseeds, except cottonseed, and was largely responsible for greatly increased marketings of hogs and cattle in the latter part of that year.

Lard production in the United States in 1936, in establishments canvassed by the Bureau of the Census, was 1,051,724,368 pounds (including 5,903,772 pounds of neutral lard), an increase of 270 million pounds as compared with 1935. Previous years were as follows:

Year	Lard, neutral	Lard, other edible
	<i>Pounds</i>	<i>Pounds</i>
1935-----	3, 929, 484	777, 963, 650
1934-----	11, 800, 206	1, 415, 370, 733
1933-----	17, 707, 404	1, 758, 413, 397
1932-----	17, 731, 898	1, 672, 140, 715
1931-----	22, 762, 078	1, 658, 330, 192

Storage holdings of lard on January 1, 1937, of 145,522,000 pounds, were considerably above the average for that date, and compare with 52,718,000 pounds on January [?] 1936, 118,107,000 pounds in 1935, and a January-1 average of 79,129,000 pounds for the years 1932 to 1936.

Better supplies of lard and an increase of 7 million pounds in 1936 shipments to Cuba as a result of the Reciprocal Trade Agreement with that country, were responsible for a total increased export of 15 million pounds of that product last year over 1935. Lard shipments to Germany increased 5 million pounds over those of 1935.

Tallow production is shown by the Bureau of the Census at 562,801,281 pounds (96,143,787 pounds of which were, edible)—in 1936, an increase of 96,757,714 pounds over the 1935 total in both grades.

Lard compound and other lard substitutes.—The 1936 production was 1,553,876,308 pounds, a 7-million-pound increase over the 1,546,794,877 pounds in 1935, and comparing with 1,204,331,073 pounds in 1934, as computed from preliminary figures of the Bureau of the Census.

The production of creamery butter in 1936 is estimated by the United States Department of Agriculture at 1,610,255,300 pounds, a decrease of 1 percent, compared with 1,633,752,000 pounds in 1935. An additional 500 million pounds of farm butter is usually estimated annually. Imports of 9,874,005 pounds in 1936 compare with over 22 million pounds in 1935.

Production of oleomargarine, both colored and uncolored, as compiled from monthly reports of the Bureau of Internal Revenue, totals 393,229,970 pounds for the calendar year 1936, a 3 percent increase over the 1935 production of 381,592,658 pounds which was an advance of 44 percent over that of 1934. In these totals 108,106,111 pounds of cottonseed oil were consumed, an increase of 8,601,367 pounds or 9 percent over the 1935 figure of 99,504,754 pounds. The latter figure represented an increase of 82 percent over the amount of cottonseed oil consumed in margarine in 1934. Coconut oil in margarine totaled 150,464,567 pounds, a decrease of 23,752,898 pounds or 14 percent from the 1935 figure of 174,217,465 pounds, which latter was 41 percent over the 1934 consumption in that product. Babassu oil, crushed from nuts and kernels imported from Brazil, amounted to 16,133,801 pounds as a margarine ingredient in 1936, compared with 1,838,094 pounds in 1935, and none in 1934.

The increased domestic soy-bean-oil production is reflected in the 14,261,913 pound consumption of that product in margarine in 1936, compared with only 1,739,755 pounds in 1935. In the 4 years 1931 to 1934 a total of only 657,000 pounds of soy-bean oil was used in the margarine industry.

Over 76 million pounds of milk were consumed in margarine production in 1936.

Cottonseed production in 1936 is estimated at 5,513,000 tons, an increase of 784,000 tons over 1935; and the production of crude cottonseed oil in the 1936 calendar year, from preliminary figures of the Bureau of the Census, was 1,244,616,982 pounds, an increase of 61,729,068 pounds, or 5 percent over the 1935 production of 1,182,887,914 pounds.

Soy-bean production (affected by the drought) is estimated in the December crop report of the United States Department of Agriculture at 29,616,000 bushels (60 pounds each) in 1936, a decrease of 14,762,000 bushels from the 1935 production but considerably in excess of preceding years. The 1936 production of crude soy-bean oil, according to preliminary figures of the Bureau of the Census, was 225,297,183 pounds, an increase of 114 percent from the previous record 1935 production of 105,056,204 pounds.

The 1936 official estimated Manchurian soy-bean production is 4,175,000 metric tons, a 27 percent increase over their low crop of 1935.

Exports of oilseeds (believed to be mostly soy beans) from the United States in 1936 amounted to 109,179,287 pounds. Exports of soy beans in 1935, also not separately classified, were estimated by the trade at about 90 million pounds.

The 1936 drought cut deeply into *flaxseed* production of that year, which is estimated by the United States Department of Agriculture at slightly over 6 million bushels, compared with a little over 14 million bushels in 1935, and 5,700,000 bushels in 1934, the latter being the smallest on record. The Argentine crop is expected to reach 70 million bushels (56 million the year before) and the world flaxseed crop for 1936-37 is figured at about 140 million bushels, compared with 187 million bushels the previous season, and 145 million bushels average. The 1936 domestic production of linseed oil was 455,252,648 pounds, a 9 percent decrease from 1935, and comparing with 370,768,585 pounds in 1934.

The 1936 production of *peanuts*, estimated at 1,300,540,000 pounds, compares with 1,302,805,000 pounds in 1935, and a 1928-32 average of 945,886,000 pounds. The domestic production of virgin- and crude-peanut oil, as reported by the Bureau of the Census for 1936, was 70,322,493 pounds, a 57 percent increase over the 1935 production of 44,673,069 pounds, and comparing with 47,045,115 pounds in 1934. Less than 14 million pounds annually were produced in the three years preceding 1934. Payments by the United States Department of Agriculture to encourage diversion of peanuts from normal channels to the manufacture of oil have contributed to the large increase in peanut-oil production in the past three years.

PRICES

An active demand abroad for fats and oils, particularly in several European countries where a pronounced shortage is reported, has readily absorbed available world supplies, and this fact, together with improved domestic economic conditions, increased consumption, and a higher import tariff structure, has contributed to a general maintenance of the higher price levels of 1935 over the low prevailing range in 1934.

The following table illustrates the range of prices monthly for the past two years on several leading fats and oils as reported by the Bureau of Labor Sta-

tistics. The comparable prices reported by that Bureau for the month of January 1934, were:

(Per pound)

Cotton-seed oil	Coconut oil	Corn oil	Peanut oil	Oleomargarine	Lard	Butter	Tallow, edible	Tallow, packers' prime	Oleo oil
\$0. 047	\$0. 028	\$0. 036	\$0. 038	\$0. 070	\$0. 057	\$0. 199	\$0. 034	\$0. 031	\$0. 061

WHOLESALE PRICES OF SELECTED VEGETABLE OILS, LARD, OLEOMARGARINE, BUTTER, AND TALLOW
(Dollars per pound)

Year and month	Cottonseed oil, F. S. Y.	Coconut oil, crude Manila ¹	Corn oil, crude	Peanut oil, crude	Oleomar- garine, standard, uncolored	Lard, prime contract	Butter, creamery New York extra	Tallow, edible	Tallow, packers' prime	Oleo oil
1935										
January.....	\$0. 109	\$0. 044	\$0. 099	\$0. 101	\$0. 119	\$0. 136	\$0. 341	\$0. 079	\$0. 061	\$0. 108
February.....	. 114	. 052	. 104	. 103	. 125	. 143	. 356	. 086	. 067	. 121
March.....	. 108	. 058	. 106	. 105	. 141	. 144	. 313	. 087	. 071	. 135
April.....	. 103	. 055	. 095	. 095	. 140	. 138	. 340	. 076	. 070	. 127
May.....	. 105	. 054	. 090	. 095	. 140	. 141	. 269	. 077	. 074	. 125
June.....	. 101	. 046	. 090	. 094	. 140	. 147	. 241	. 080	. 073	. 121
July.....	. 096	. 038	. 088	. 089	. 135	. 151	. 237	. 075	. 066	. 116
August.....	. 099	. 038	. 090	. 090	. 130	. 168	. 248	. 091	. 068	. 114
September.....	. 102	. 042	. 091	. 095	. 130	. 169	. 260	. 093	. 071	. 123
October.....	. 104	. 048	. 094	. 095	. 142	. 151	. 278	. 095	. 074	. 126
November.....	. 103	. 048	. 098	. 095	. 145	. 138	. 318	. 096	. 072	. 128
December.....	. 107	. 045	. 102	. 097	. 145	. 117	. 342	. 092	. 073	. 130
1936										
January.....	. 101	. 047	. 097	. 093	. 145	. 109	. 346	. 079	. 068	. 124
February.....	. 097	. 047	. 091	. 089	. 145	. 112	. 368	. 073	. 063	. 116
March.....	. 094	. 045	. 082	. 085	. 145	. 111	. 321	. 066	. 061	. 106
April.....	. 094	. 045	. 082	. 086	. 143	. 113	. 312	. 070	. 056	. 102
May.....	. 088	. 041	. 082	. 080	. 130	. 104	. 273	. 060	. 046	. 095
June.....	. 091	. 041	. 081	. 082	. 125	. 103	. 296	. 061	. 053	. 081
July.....	. 098	. 045	. 089	. 087	. 125	. 110	. 338	. 078	. 063	. 088
August.....	. 101	. 048	. 096	. 093	. 134	. 122	. 354	. 089	. 066	. 098
September.....	. 102	. 059	. 098	. 091	. 138	. 118	. 346	. 091	. 073	. 105
October.....	. 099	. 065	. 093	. 088	. 140	. 117	. 327	. 086	. 072	. 101
November.....	. 100	. 066	. 089	. 088	. 140	. 119	. 335	. 088	. 078	. 107
December.....	. 110	. 084	. 098	. 099	. 142	. 135	. 342	. 101	. 084	. 127

Quotations at New York, except for peanut oil (mill price) and oleomargarine (Chicago) tallow and oleo oil (Chicago). (Source: Bureau of Labor Statistics, U. S. Department of Labor.)

¹ Does not include tax on first domestic processing.

BRIEF
SUBMITTED ON BEHALF OF THE
CALIFORNIA FARM BUREAU FEDERATION

BRIEF**SUBMITTED ON BEHALF OF THE
CALIFORNIA FARM BUREAU FEDERATION**

**TO THE HONORABLE MEMBERS OF THE JOINT PREPARATORY COMMITTEE
ON PHILIPPINE AFFAIRS:**

The California Farm Bureau Federation is a non-profit corporation organized and existing under and by virtue of the laws of the State of California. Its principal place of business is in Hilgard Hall, Berkeley, California. The California Farm Bureau Federation is composed of forty-two county Farm Bureaus within the State of California, with a combined membership of approximately twenty-five thousand individuals actually engaged in the production of agricultural commodities.

The Farm Bureau is representative of agriculture generally in California and includes in its membership thousands of farmers engaged in the production of vegetable and animal oils and fats in commercial quantities. The California Farm Bureau Federation, in making this statement, is speaking on behalf of the producers in California and other Western States of the following domestic oils and fats: lard, butter, tallow, cottonseed oil, corn oil, and peanut oil.

THE CALIFORNIA FARM BUREAU FEDERATION RESPECTFULLY SUBMITS:

(I) THAT COCONUT OIL FROM THE PHILIPPINE ISLANDS COMPETES WITH DOMESTICALLY PRODUCED OILS AND FATS AND THAT THIS COMPETITION IS DETRIMENTAL TO DOMESTIC AGRICULTURAL PROSPERITY.

It is a well-known fact that coconut oil is directly competitive with almost all domestically produced oils and fats, both as to edible and non-edible uses. In its use in the manufacture of oleomargarine it competes not only with butter but with cottonseed and other domestic oils that can equally well be used for oleomargarine production.

In its use in the manufacture of lard-compounds and vegetable shortenings, coconut oil competes with lard, cottonseed oil, peanut oil, and soy-bean oil. In the manufacture of soap it competes with tallow, grease, cottonseed oil, corn oil, and soy-bean oil.

In 1935 the imports of coconut oil into the United States, as shown by reports of the Department of Commerce, totaled 322,065,415 pounds, of which amount 322,050,056 pounds came from the Phil-

ippine Islands. In the same year there were imported into the United States 364,493,443 pounds of copra, of which 357,766,579 pounds came from the Philippines. It is evident that practically the entire supply of coconut oil and copra used in the United States comes from the Philippines.

This coconut oil and copra are produced under conditions of cheap labor which permit them to compete unfairly with domestically produced oils and fats.

Philippine coconut oil was admitted to the United States free from duty or excise taxation up to June 1934, and it prevented the normal growth and development of oil- and fat-production in the United States. The levy of import and excise taxes on foreign-produced oil in 1934 has had the effect of checking importation of coconut oil to a considerable extent, as is shown by the fact that in 1936 the importation of coconut oil, including the oil-equivalent of imported copra, was 551,706,284 pounds as compared with an average of 628,173,709 pounds for the five-year period 1930-1934, or a decrease in 1936 of more than 76,000,000 pounds.

(II) THAT FEDERAL IMPORT DUTIES AND EXCISE TAXES ON IMPORTED OILS HAVE IMPROVED PRICES RECEIVED BY PRODUCERS OF DOMESTIC OILS AND HAVE AIDED AGRICULTURAL RECOVERY.

In the early months of 1934 the prices of domestic fats and oils had reached a depression point that was ruinous to American agriculture. Cottonseed prices had dropped from an average price of \$21.55 per ton in 1926 to \$7.66 per ton in October 1922 [1932] and \$12.50 per ton in October 1933.

The passage by Congress of the excise tax on certain foreign-produced oils in the spring of 1934 caused an immediate advance in the prices of important domestic oils.

The following table compiled from the records of the Bureau of Labor Statistics shows the remarkable price recovery of domestic oils largely attributable to Federal excise and import duties on foreign-produced oils.

PRICES OF CERTAIN IMPORTANT DOMESTIC OILS AND FATS
(Cents per Pound)

Commodity	Jan. 1934	Jan. 1935	Jan. 1936	Dec. 1936
Cottonseed oil.....	4.7	10.9	10.1	11.0
Corn oil.....	3.6	9.9	9.7	9.8
Peanut oil.....	3.8	10.1	9.3	9.9
Lard.....	5.7	13.6	10.9	13.5
Butter.....	19.9	34.1	34.6	34.2
Tallow (edible).....	3.4	7.9	7.9	10.1
Tallow (Packers prime).....	3.1	6.1	6.8	8.4

It is generally believed by farm people that the excise tax on foreign-produced oils levied by Congress in 1934, and extended in its application by the Bailey amendment in 1936, played an important part in agricultural recovery. This belief is amply supported by the price-changes in domestic oils which followed the enactment of this legislation.

(III) THAT RESTRICTED IMPORTATION OF FOREIGN OILS AND FATS WILL RESULT IN EXPANSION OF DOMESTIC PRODUCTION AND AID IN BRINGING PROSPERITY TO AMERICAN AGRICULTURE.

American agriculture is constantly faced by the problem of surpluses in many of its major crops. An increase in production of domestic fats and oils would be of material benefit in the solution of this problem. If a domestic market were available, land now used in the production of surplus crops could be used to produce oil crops such as soy-beans and peanuts.

Furthermore, the stimulation of production of animal fats has a beneficial effect upon other branches of agriculture by increasing the demand for hay, grain, and forage crops.

The United States is still dependent upon a foreign supply of oil as evidenced by the importation in 1936 of 2,310,234,169 pounds of vegetable, animal, and fish oils. Much of this foreign-produced oil could and should be produced within the United States. Domestic production, however, cannot be increased in competition with low-priced foreign oils unless adequate protection is furnished by tariffs and excise taxes.

In the State of California we are facing a serious problem due to the rapid expansion of cotton-production. During the past few years there has been a steady and rapid increase in cotton plantings in the San Joaquin Valley. The cotton acreage this year in California exceeds 600,000 acres, an increase of more than 200,000 acres over 1936. Continued prosperity of this great industry, not only

in California but throughout the United States, depends to a large degree upon the maintenance of cottonseed-oil prices as well as upon cotton prices.

It is reasonable to believe that the domestic production of a substantial part of the vegetable and animal oils now imported would create a new land-use sufficient to bring about a real adjustment in production and insure agricultural prosperity.

CONCLUSION

The California Farm Bureau Federation respectfully requests that, in the interest of American agriculture and national prosperity, the present import duties and excise taxes on cocoñut oil and other foreign-produced oils and fats be continued in effect without reduction, not only during the present period of preparation for Philippine independence but also after the Philippine Commonwealth has achieved its full independence.

Respectfully submitted,

CALIFORNIA FARM BUREAU FEDERATION
LAW AND UTILITIES DEPARTMENT
By R. L. MILLER, *Attorney*

BRIEF
SUBMITTED BY THE
CALIFORNIA PACKING CORPORATION

(845)

BRIEF

SUBMITTED BY THE

CALIFORNIA PACKING CORPORATION

SAN FRANCISCO, July 20, 1937.

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
San Francisco District Office,
Bureau of Foreign & Domestic Commerce,
311 Customhouse,
San Francisco, California.

GENTLEMEN :

The California Packing Corporation is engaged in the processing and distributing of American canned fruits, vegetables, fish, and dried fruits, and other kindred agricultural products. While the exports from the United States to the Philippine Islands of the products which we manufacture do not represent a large percentage of the total trade between these two markets, nevertheless this business is of great interest and concern to us, as it represents a market to which we have been able to ship a comprehensive line of fish and American agricultural products. Between three and three and a half percent of the total export business of the California Packing Corporation in canned fruits, canned vegetables, and canned fish is consummated with the Philippine Islands, which is a very substantial percentage.

With the difficulties which exist at the present time in many foreign countries due to exchange regulations, quotas and other hindrances to the flow of international trade, our export business is struggling in an endeavor to hold its own, and it is vital to us that such a market as now exists in the Philippine Islands be preserved for us, and it is of concern not only to processors such as ourselves but to the farmers producing the crops and the labor here which is needed to grow and prepare these agricultural products.

Such a present outlet which we have for shipment to the Philippine Islands would be lost to us if a severe tariff were placed on our goods, and even with a somewhat more reasonable tariff, business would seriously suffer—or even an equal tariff with some cheap labor-producing countries. We need preferential treatment.

It is generally recognized that the buying-power of the Philippine consumer would be materially lessened with the restrictions which would result by a tariff, and were tariffs to be placed not only on exports of our products to the Philippines but also on [imports of] Philippine-produced products to the United States, the purchasing-power of the Philippine consumer would be so curtailed that the

business which now exists would be lost. Our distribution in foreign countries has grown only as the purchasing-power of the population has increased; hence, a lowering of the purchasing-power in the Philippines will very quickly and directly affect the sale of our goods. If the application of duties on Philippine exports to the United States is made, Philippine exporters would necessarily have to seek outlets for their products in other markets, and even with good fortune it would take many years to accomplish, and in the meantime the purchasing-power of consumers in the Philippines would suffer materially.

Also in the attempted development of these other markets, it is natural to assume that a definite danger would be brought about to us, because in negotiating for new markets for Philippine-produced products, the potential buyers of these products would insist on the Philippines' taking as much of their exportable surplus as possible, resulting [*in*] the detriment [*to*] the sale of our products.

Growers of agricultural products in the United States, such as fruits [*and*] vegetables, and also producers and canners of fish products, need every possible source for business, particularly due at this time to the great inroads which certain oriental countries have made in progressively increased development of their business in the Philippines.

Respectfully submitted,

CALIFORNIA PACKING CORPORATION

STANLEY POWELL

Sales Manager, Export Division

**BRIEFS
OF THE
CALIFORNIA SARDINE PRODUCTS INSTITUTE**

(849)

BRIEFS
OF THE
CALIFORNIA SARDINE PRODUCTS INSTITUTE

TELEGRAPHIC BRIEF

1937 June 15 AM 12 55

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 208, United States Tariff Commission,
8th & E Streets, Washington, D. C.

Have just been advised your notice of hearing on United States Philippine affairs. Understand any brief or statement relating these matters must be filed before noon June fifteenth thirty-seven. This precludes opportunity prepare formal brief. We consequently earnestly request this telegram be given your full consideration Stop Philippine Islands were formerly one of leading markets for California canned sardines, purchased annually large quantities of our pack. Practically all this business has now been taken over by Japanese packers, this in spite of present fifteen percent duty in Philippines on sardines purchased in other countries, as Japanese with low labor and other costs are able to absorb duty and undersell our American product Stop We are advised United States State Department and President Quezon are considering negotiation of a non-preferential trade agreement. If such an agreement should be consummated, we believe our packs will be completely eliminated in that market. It is obvious [that], if preferential duty against non-American canned sardines has been ineffective, an agreement abolishing this preference will have disastrous effects on American product and do serious injury American fishermen labor and general business Stop It is our prayer that any trade agreement that is to be negotiated should have substantial preference granted to American-pack canned sardines to the extent of at least twenty-five percent *ad valorem* which is present American duty on importation of canned salmon into United States Stop Unless this protection is afforded disastrous results will be suffered by our industry. The signers of this telegram represent ninety-eight percent of total California pack.

CALIFORNIA SARDINE PRODUCTS INSTITUTE
San Francisco, Calif.

FORMAL BRIEF

Pursuant to the public notice dated June 19, 1937, the undersigned, California Sardine Products Institute, a non-profit association representing the majority of the canners and packers of California sardines in the United States, presents this written statement on behalf of the aforementioned industry in support of the plea of such industry that adequate provision be made to protect the sale of its products in the Philippine market.

In addition to the following statement, the undersigned respectfully refers to its wire to the Committee under date of June 15, 1937; and, in accordance with the invitation contained in the aforementioned notice, the undersigned requests leave to supplement this written statement by oral presentation before the Committee. Approximately ten minutes is requested for such oral presentation.

The Nature and Extent of the California Sardine-Canning Industry

California sardines have been canned for sale in foreign and domestic markets for upwards of forty years. Plants for canning sardines are located at strategic points along the coast of California. The fish are taken by vessels operating along the coast and are transported by these vessels to shore canning plants where they are processed and canned. There are presently operating thirty plants engaged in canning California sardines. Such plants are located as follows: Three are on San Francisco Bay; eleven are on Monterey Bay; twelve are at Los Angeles harbor; and four are at San Diego.

These plants and the vessels connected with the industry provide gainful employment to approximately 7,500 persons and the industry represents a capital investment of approximately \$15,000,000. These plants are well located in less-populated areas where they furnish the principal means of livelihood for local residents.

The Importance of the Philippine Market

This industry formerly enjoyed one hundred percent of the canned-sardine business of the Philippine Islands. This was a very large and important market of the industry. Shipments amounted to between 200,000 and 300,000 cases of one-pound oval sardines, or their equivalent in other-sized cans, per season; but this business has dropped to a negligible amount because Japanese packers are selling their products in similar-sized cans in those markets at a price less than our cost of production.

Ruinous Competition by Cheap Foreign Products

Our cannery labor and fishermen are paid the highest wages paid anywhere in the world for similar employment, and any reciprocal trade agreement entered into with the Philippine Government should give adequate consideration to these factors. No adequate tariff or other provision has been made by the Philippine Government to protect our products from ruinous competition by Japanese sardine-packers. Unless some adequate and effective provision is made, the business and trade of the American industry with the Philippines will be entirely wiped out and destroyed.

In addition to the records and experience of the members of the American industry, the increasing loss of the Philippine market by American producers to those of Japan is shown by the periodical reports issued by the United States Department of Commerce, Bureau of Foreign and Domestic Commerce, which, during the period from August 1936 to May 1937, show that 83 percent of our Philippine business has been lost to Japan.

The Need for Adequate and Effective Protection to the American Industry

If our present diminished Philippine market is to be saved from complete loss, and if there is to be maintained an important outlet upon which the American industry with its higher American standards of wages and working conditions to a considerable extent depends, then it is vitally necessary that prompt and adequate measures be put into effect which will protect the Philippine market of the American California sardine-canning industry against ruinous foreign competition.

Respectfully submitted,

CALIFORNIA SARDINE PRODUCTS INSTITUTE
By H. J. ANDERSON, *Manager*

RESOLUTION
APPROVED BY THE
CALUMPIT MUNICIPAL COUNCIL

COMMONWEALTH OF THE PHILIPPINES
MUNICIPALITY OF CALUMPIT
BULACAN

EXCERPT FROM THE MINUTES OF THE ORDINARY MEETING OF THE
MUNICIPAL COUNCIL OF CALUMPIT, BULACAN, HELD IN ITS
SESSION HALL ON JULY 28, 1937

Present:

Atty. ALFREDO N. CRUZ, *Municipal President*;
Mr. TEOFILO FAJARDO, *Councilor*;
Mr. ARISTON VELOIRA, *Councilor*;
Mr. AGAPITO TORRES, *Councilor*;
Mr. PASCUAL O. CRUZ, *Councilor*; and
Mr. VENANCIO RAMOS, *Councilor*.

Absent:

Mr. CATALINO REYES, *Vice President*;
Mr. RUFINO MAÑGALONZO, *Councilor*;
Mr. PEDRO MACAM, *Councilor*; and
Mr. NEMESIO TORRES (deceased), *Councilor*.

Resolution No. 48

On motion by Councilor Ariston Veloira, seconded by Councilor Teofilo Fajardo,

WHEREAS, there is a plan presented by His Excellency the President of the Philippine Commonwealth to the Joint Committee of Experts to look into the economic and political conditions of the Islands;

WHEREAS, the said plan is for shortening the period of transition for the concession of the Philippine independence in 1938 or 1939 instead of 1945;

WHEREAS, the President of the Commonwealth, taking at heart the cause of his people, with his characteristic foresight has conceived Experts to look into the economic and political conditions of the provisions of the Tydings-McDuffie act;

WHEREAS, there is also the proposition by the President of the Commonwealth of raising the daily wages of the laboring classes to promote the welfare of the said masses constituting the majority of the people;

WHEREAS, this proposition is but the realization of the all-important statement made on several occasions by His Excellency the President of the Commonwealth, with regard to the cause of the poor and needy, that they be accorded due regard and justice;

Be it therefore resolved, That this Council, being conscious of the benefit that will result in the realization of the plan of His Excellency the President of the Commonwealth for the early granting of the Philippine independence and also of his proposition for promoting the general welfare of the people, specially the laboring classes—this body does, as it hereby adheres, to the said plan and proposition of His Excellency the President of the Philippine Commonwealth;

Be it further resolved, That the municipal secretary be, as he is hereby ordered, to send copies of this resolution to the Joint Committee of Experts and to His Excellency the President of the Philippine Commonwealth at Manila.

Unanimously approved.

I hereby certify to the correctness of the above resolution.

JUSTO M. DE LA PAZ

Municipal Secretary

BRIEF
SUBMITTED BY THE
CARNATION COMPANY

(857)

BRIEF
 SUBMITTED BY THE
CARNATION COMPANY

MILWAUKEE, Wis., July 17, 1937.

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
San Francisco District Office,
Bureau of Foreign & Domestic Commerce,
311 Customhouse,
San Francisco, California.

SIRS:

Pursuant to press releases of your Committee giving notice of its intention to hold hearings in San Francisco from July 21 to July 23, inclusive, for the purpose of receiving statements of views and hearing oral presentations regarding the effect of existing legislation and proposed changes in the existing preferential trade relations between the United States and the Philippines, the undersigned, a manufacturer and packer of evaporated and condensed milk in cans, respectfully submits its views.

The consumption of evaporated and condensed milk in the Philippines has steadily and rapidly increased, as shown by the total imports into the Philippines for the years 1934, 1935, and 1936, which were as follows:

1934.....	26,453,326 lbs.
1935.....	29,553,259 lbs.
1936.....	33,737,733 lbs.

and for the first four months of 1937, which were 13,270,699 lbs. as compared to 10,558,800 lbs., 9,715,030 lbs. and 8,574,041 lbs. for the first four months of 1936, 1935 and 1934, respectively.

The Philippine market, as shown by the above, is a very important market for the dairy farmer and manufacturer of the United States and one which promises to be a much larger market, as the effect of the educational program of the American manufacturers is felt and living conditions in the Philippines improve. Also, new industries are being developed in the Philippines which will increase the purchasing-power of the people; and the population of the Philippines is increasing, which will do much toward making the Philippines a larger market for the products of the farmers and manufacturers of the United States.

The imports of evaporated and condensed milk from the United States into the Philippines during the years 1934 through April 1937 were as follows:

1934.....	10,459,796 lbs.
1935.....	11,495,100 lbs.
1936.....	11,526,684 lbs.
(4 mos.) 1937.....	4,921,965 lbs.

and represented from 35% to 40% of the total amount of evaporated and condensed milk imported into the Philippines during those years. In 1929, however, the United States supplied approximately 98% of the evaporated and condensed milk imported into the Philippines. This decline in the proportion of Philippine business enjoyed by the United States farmer and manufacturer from approximately 98% to approximately 40% was due to the fact that the American farmer and manufacturer, because of lower costs of production in certain foreign countries and the granting of subsidies by certain foreign countries to the farmers or manufacturers of such countries, has not been in a position to compete with these foreign products. Had there not been free trade between the Philippines and the United States, the decline, with its commensurate loss to the United States farmer and manufacturer, would have been much larger. This business in the Philippines, with its direct benefit to the United States farmer (providing a market for their milk in excess of twenty-six million pounds in 1936), has been built up and maintained at considerable expense to the American manufacturers of these products. This company alone, besides doing considerable advertising and maintaining a sales force, is providing at this time two registered nurses in the puericulture centers of the Philippines, who are devoting their entire time [to] educating and teaching the people how to live, prepare their food and conduct themselves so as to improve their general health, the value of which to the Philippines cannot be measured in dollars and cents.

We believe [*not only*] that this valuable export market for the American dairy farmer and manufacturer should be protected but [that] action should be taken to restore that business which rightfully belongs to them but which they are unable to enjoy because of cheaper production costs in foreign countries and the practice of certain foreign countries [*of granting*] subsidies by adjusting rates of duty on milk canned in countries other than the United States, so as to protect shipments from the United States.

We recommend;

(a) That the trade relations as having been determined by the McDuffie-Tydings act, which among other things allows canned milk to be admitted free of duty into the Philippine Islands, shall not be altered directly or indirectly so as to prejudice the United States farmers and manufacturers of canned milk, at least until July 4, 1946.

(b) That an attempt be made to continue by a treaty preferential relations between the United States and the Philippines to protect articles which are the growth, product and manufacture of the United States, if and when the Philippines are granted their full independence; and

(c) That a study of the Philippine tariff laws be made with a view to adjusting rates of duty where necessary to accord reasonable protection to the United States products in the Philippines.

Respectfully yours,

CARNATION COMPANY
By E. S. HARTWICK, *Secretary*

**BRIEF
OF THE
COLUMBIA RIVER GATEWAY FOREIGN TRADE
ASSOCIATION**

(861)

BRIEF
OF THE
COLUMBIA RIVER GATEWAY FOREIGN TRADE
ASSOCIATION

July 13, 1937.

*THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
c/o Bureau of Foreign and Domestic Commerce,
311 Customhouse,
San Francisco, California.*

GENTLEMEN :

The Columbia River Gateway Foreign Trade Association is, as the name implies, a foreign-trade association embracing within its geographical boundaries the area dependent upon the Columbia River as its gateway to the high seas. Its membership is drawn from all parts of this area, from Astoria, Oregon, on the west, to Walla Walla, Washington, on the east; and from Longview, Washington, on the north, to Medford, Oregon, on the south. Not only is its geographical coverage extensive but it includes within its membership representatives of such major commodities as wheat and flour, lumber, fresh fruit, dried fruit, canned fruit, fishery products, mechanical stokers and swimming suits, as well as accredited representatives of the principal banks, steamship lines, and railroads.

The Columbia River Gateway Foreign Trade Association and its entire membership are sincerely interested in the maintenance and the future development of our trade with the Philippine Islands. The association believes that special reciprocal-trade treatment is feasible, desirable and necessary. The association has available a mass of data showing the value of Philippine trade to this area and its future potentialities. However, in view of the fact that the National Foreign Trade Association, of which the Columbia River Gateway Foreign Trade Association is an affiliate, has filed with the Committee a comprehensive brief, the association believes it unnecessary to repeat the arguments advanced and therefore begs the privilege of filing with the Committee this letter corroborating the testimony included in the brief of the National Foreign Trade Association and endorsing same in its entirety.

Very truly yours,

LLOYD J. WENTWORTH
President

MEMORIAL
SUBMITTED BY THE
COMITE REDACTOR DEL MEMORIAL DEL TRABAJO

MEMORIAL
SUBMITTED BY THE
COMITE REDACTOR DEL MEMORIAL DEL TRABAJO

GENTLEMEN:

The laboring classes of the Philippines, conscious of their responsibility towards the nation to which they are proud to belong, and being anxious to look after their own interests in the concourse of opinions and propositions which undoubtedly are to be submitted to your honorable Commission by the various entities which represent the multifarious phases of the present and future national economy of the people of these Islands, have the honor to submit to you the present

LABOR MEMORIAL

which sets forth the viewpoints of labor, relative to economic and political problems which your Commission proposes to study here, with a view to proposing the most adequate solution and one which is compatible with the fundamental aspirations of the Filipino people and to establish at the same time the bases of [a] mutual and more equitable commercial-relations program between the Philippines and the United States in the future.

As you will see at the end of this memorial, it is signed by the various and most outstanding labor associations organized in the Philippines, not only those located at the capital, but also those in the provinces where exist agricultural, industrial, mineral, etc., associations:

I. Our Unanimous Fundamental Aspirations

We wish to state likewise, before your Commission, that the labor organizations of the Philippines, laying aside their antagonisms and differences on questions of leadership and procedure, present themselves and speak through this memorial as one man, and as such proclaim and hold, with the utmost good faith and with the most sincere conviction, the following national aspiration, firmly and unanimously, as a basis and an instrument for the achievement of their looked-for social redemption. Following is said basic aspiration:

COMPLETE AND ABSOLUTE INDEPENDENCE ON OR BEFORE 1939, AT ALL COSTS AND WITH ALL ITS CONSEQUENCES

We formulate this national postulate as a principle, a means and a ground, which comprises the traditional and genuine aspiration of the Filipino people in general and of the Filipino laboring classes in particular, without failing to take and to consider the circumstances which at present prevail all over the world, and above all in the Far East, where our beloved country is located.

Independence has been the sole and honorable ideal of our revolutions against foreign yokes which tried to establish and in fact did establish here their respective sovereignties. It has invariably been the outcry of our national heroes, particularly of Andres Bonifacio, our great plebian, the laborer hero, *par excellence*, the real founder and father of democracy in the Philippines.

We hold that without independence there can be neither a substantial freedom nor real and efficient prosperity for any people and that independence is the most efficient means for achieving the utmost dignification of labor and the welfare and the happiness of the humble and disinherited social classes. History tells us that in independent countries the rights and the worth of labor are more completely vindicated than in those countries which are subjected to foreign sovereignty, especially if the governing countries are on an industrial stage of development and have an excess of population and their colonies are agricultural peoples which are [*merely*] the suppliers of raw material and of the necessary dumping ground for the excess of population of the governing countries.

We hereby demand that that independence be complete and absolute; that is that there be no restrictions to national powers, no hindrances to the territorial integrity of the Philippines; because it is only thus that the freedom to be enjoyed by her inhabitants shall be useful and fruitful of good, and with the ample and unlimited zone wherein the activities of the government and of the people are to be developed, particularly the laboring classes, it will be easier for us to fight for the economic prosperity and the social equality of the laborer with the other classes which make up the community.

II. Objections to the Long Transition Period

When the Tydings-McDuffie act was subjected to public discussion, we, the Filipino laborers, heeding advices and assurances given by our national leaders to the effect that the Government of the United States would soon proceed to study and remedy the unfair and discriminatory provisions of the aforementioned liberation, thereby gave our consent to the same, though through said act we saw our invariable aspirations of our immediate—complete and immediate—inde-

pendence thwarted, we nevertheless acquiesced to its postponement until 1946 trusting that the ten years of transition would afford an excellent opportunity for the Filipino people to make the necessary adjustments in their economic interests so that the Philippine Republic would be restored under the most favorable auspices of peace, prosperity and well-being, thanks to the magnanimous cooperation of the United States.

But in less than a year during which the aforesaid organic law had been in force, we observed that, while the legislation and the national administration of the Philippines limited themselves so far [as] to follow literally each and every one of the provisions of the aforementioned legislation, the American Congress, on the other hand, has enacted new laws, and tried to enact others which substantially restrict and amend a few of the provisions of the aforementioned act, to the manifest detriment of Philippine interests—such as the Jones-Costigan act, the attempt to limit the immigration of Filipino laborers to Hawaii, etc.—without taking into account the will of our majority as it should have been done, considering the fact that the Tydings-McDuffie act, on being accepted by the Philippine Legislature was in fact and by right converted into a bilateral contract—at least this was our presumption—and consequently the same could not be amended unilaterally.

Realizing therefore that the Congress of the United States may make use at any time of its unlimited powers to amend any legislation which has been adopted for the Philippines, and with a view to forestalling possible dangers which the same implies in the readjustment and stability of our national economy, we have thought the matter over and have reached the conclusion that the best thing for the Philippines is complete separation at earliest date practicable; our people at present being in the best possible condition for assuming completely their duties and responsibilities incident to an independent and progressive nation.

On the contrary, the economic readjustment which it was proposed to secure for the Philippines through the ten years' transition period, would not be a myth as far as we are concerned; not only because Congress is already amending the law to the detriment of the general interests of our country and particularly of the dignity and worth of [the] Filipino laborer; but also because from the sixth year of said transition period the economic restrictions contained in the aforementioned legislation would commence to be enforced until the completion of the tenth year; so that instead of finding itself strong and robust for carrying the enormous burden of independence, it will become weaker and weaker every year, until it will be seriously enfeebled when it will need a maximum of economic and political strength which render stable and happy all independent governments

and emancipated peoples. We believe that the President of our Commonwealth was more than justified when, in his recently completed arrangements with the Washington authorities, he has proclaimed that a most adequate solution to the present difficulties to the cause of Philippine independence, which is subjected at present to the tutelage of the United States, is the grant of complete liberty to the Filipino people, not later than July 4, 1939. President Quezon did nothing but interpret exactly the most ardent wishes of the laboring classes of his country, that and no other being our insistent demand ever since we took up arms against Spanish sovereignty.

With the uncertainty of our political status it is not possible for us to prepare a definite program of national economy, with a view to establishing the most solid and precise foundations of our future republic. In the present commercial relations of the Philippines with the United States preference for American interests rather than Filipino interests weighs more in the balance. If we had complete authority to carry out our commercial and diplomatic negotiations with other countries we would be able to legislate with less impediments and sign preferential or reciprocal treaties with countries which give us identical consideration.

The uncertainty of international relations, the constant lack of equilibrium between world powers, the probabilities of war which is increasingly evident in the Far East within the present decade and the determination of Japan to carry out her motto of "Asia for the Asiatics"—are a few of the many causes which lead us to pessimism, discouragement and serious worries, and which make us combat the lengthening of our dependency status for more years.

As the sons of this land and as the soldiers of labor which constitute the strongest bond of brotherhood and progress among all the races of the world, we, the Filipino laborers, do not care to expose ourselves to dangers of war or enmity with any nations, much less with our neighboring countries. Hence we delight to be free as soon as practicable from the tutelage of the United States, this tutelage being a factor of the great danger which we try to avert.

When we say that we wish independence on or before 1939, at all costs and with all its consequences, we mean that we are prepared for all the multifarious and serious effects which an independence so obtained would have for our country, especially to labor conditions toward itself and in its relation to capital. But all of these, far from discouraging us, encourage us the more to wish as soon as practicable independence at any cost; as we are justly convinced that such effects would become worse and would reach the greatest degree of complexity and importance contrary to the purpose of the grant, as under the political-economic provisions of the Tydings-McDuffie act which

are essentially discriminatory towards the Philippines, the present state of uncertainty is to continue until the date provided for by said act, that is till 1946.

III. Temporary and Partial Benefits Accruing from Free Trade

The lessons of the past and present, derived from the measures of industrial progress and commercial development which with the sovereignty and the example of America have been introduced in these Islands, till they have been deeply embedded in our social institutions and general conditions of life, raising them to a degree to be envied by other subjected peoples in the Orient—said lessons have been productive of results so markedly contrary to what they were intended, and the benefits accruing from such measures had been so temporary, that we cannot see our way to go on trusting to their firmness and utility; on the contrary, they have become for us a source of warning and advice, so that we no longer desire them nor do we accept a long transition period any further; though it may lead us to a collapse the same shall be only temporary, as later a strong and healthy reaction of our national vitality will take place.

We recognize that to the American Government and capital is due the establishment in these Islands of a higher scale of wages, a maximum of ₱1 per day for laborers of public works and in private factories and shops in general. But it is painful to have to admit that said Government and said capital have habituated us to an apparently high standard of living, but as a matter of fact it is not the conditions of life of the masses which have been raised but the cost of their vital necessities.

The increase of these needs and the cost of articles of common use for the ordinary classes of our citizens have been increasing in geometric progression, whereas the wages of the laborers in general not only have not been increased but they have not been kept at ₱1 a day, but on the contrary have been cut progressively until they have reached a minimum rate of from ₱0.40 to ₱0.80 per day in most of the plantations, factories, shops, etc. Our moneyed classes, in adopting the new standard of commodities corresponding to the high standard of living brought to us by the American regime, and especially since the establishment of free trade, have been gradually adapted to the most whimsical necessities and to luxuries bordering on extravagance, a few rich men enmeshing themselves in those vices which lead to our ruination.

These same rich men who are responsible for bringing about in our midst a caste of moneyed aristocrats of whom not a few have been conspicuous only as millionaires for a day.

Our capitalists, with a few honorable exceptions, both natives and foreigners, in the meantime push on the one hand their business transactions, to get out of their capital and their operations as large profits as possible, in order to use more of such profits for satisfying their habitual needs for luxury, affluence and even eccentricity, instead of enlarging the sphere of industrial or agricultural activities, and thus give employment to the ever-increasing number of unemployed as a result of the replacement by modern machinery, most of which is imported from the United States; on the other hand, they maintain their many laborers at the very bottom of living conditions and take advantage of every downward trend in their operations to pretend to have suffered losses, and to effect a compulsory reduction of personnel, of salary or both; and if on this account or for some other reason the laborers stage a walk-out, said employers are clever enough to ask for the help of the Government and take advantage of the dissensions in the ranks of labor to make such walk-outs fail and subject the laborers to such conditions as they wish to impose.

On the other hand we admit the fact that the sugar industry represents for the coffers of our Government a high percentage of annual income, of which the sugar-barons would be proud, and a few of them affirm that the existence of our Government is largely due to them. Due to this belief and this pride they say, "Why hurry, and why not wait for the ten years provided for by the Tydings-McDuffie act?"

The sugar-barons as a matter of fact have no reason for being impatient. The questions of liberty and independence of our country are secondary as far as they are concerned to the preservation of our present advantages derived from free trade. But for the thousands and thousands of laborers who work from sunrise to sunset on plantations in order to be able to earn the daily wage of ₱0.40 and those who work as mere cogs in an enormous wheel on sugar centrals in order to be able to earn ₱0.80 a day; these and their respective families are naturally interested in putting a stop once and for all to this miserable state of affairs and the sooner the better.

Considering the enormous distance between the life of so many thousands of souls who are condemned to perpetual poverty and the life of abundance, luxury and superfluity of the sugar-estate owners and stockholders, the laboring classes cannot help exclaiming for themselves and for their country: "When will this infernal state of affairs end? Why should America, the altruistic, who has constantly made war against slavery, show indifference towards this condition of our pariahs and quasi-slaves?"

Until such time as our sugar-central owners and sugar-growers treat their workmen as their partners and give them a proper share of the profits, the latter's condition as pariahs will never improve. Owners of sugar centrals have entirely paid all their debts amounting to millions to the banks, whereas their laborers continue to live in increasingly miserable conditions.

IV. Private Capitalists Failed to Support the Government in Bringing About an Improvement of Salaries

The practice of reducing salaries and cutting the personnel has become general and inveterate in the largest factories and shops, so that the President of the Commonwealth has been constrained to issue Executive Orders 49 and 50, and ask the National Assembly to enact acts nos. 37 and 211 with a view to raising to ₱30 the minimum monthly salary of our employees in the official service who, up to that time had been getting from ₱15 to ₱20 a month only, and with a view to establishing as minimum daily wage the sum of ₱1 on public works.

Up to the present time employers or manufacturers who follow the example set by the Government are very few indeed, in spite of the fact that there has been so much talk to the effect that the trade of our country and that of the United States, with which our country is in close relationship, is rapidly tending towards normalcy, if not to greater prosperity than in previous years.

But the President of the Commonwealth, hardly an hour after his recent return to the city, announces that he would again order the minimum wage of laborers working on Manila public works raised to ₱1.25 a day, and to ₱1 the wages earned by laborers in the provinces. To this effect he issued Executive Order No. 105, which rendered the raising of such wages effective as of August 19, 1937. Let us see if so humane an example set by our Government would not again be destroyed by our manufacturers and capitalists.

The insistence of the Philippine Government in its determination to go on raising the wages and salaries of employees and laborers of the ordinary class to ₱30 per month for the former and to ₱1.25 a day for the latter was based on the knowledge which it had on actual living conditions of our laboring classes and on current prices of articles of prime necessity in our markets. When private institutions and official commissions have devoted themselves to the study of the problem of food and shelter of our laboring classes and have reached the conclusion that under the most ordinary circumstances a laborer or an employee with a family consisting of his wife and three children needs, at least, to earn ₱1.50 per day in order to be able to feed and clothe themselves like men, and not like pariahs.

When the Fact Investigating Board created in 1935 by Governor General Frank Murphy submitted a report, that, as a general rule, there were many laborers of both sexes in our cigar factories who are getting only ₱0.30 a day and the general average of wages is from ₱0.60 to ₱0.80, the aforementioned board could not help stating further in its report this shameful and inhuman and anomalous situation, and in this connection admitted that the amount of ₱1 ought to be the lowest which laborers should receive.

It should be borne in mind that manufactured tobacco is one of our principal industrial products directly benefited by free trade with the United States; but in spite of this fact, it is nevertheless the one industry which keeps over fifty thousand Filipino laborers in the most abject poverty. How can you expect to wish that the Philippine laboring classes continue to tolerate this state of affairs? Where is that prosperity and that high standard of living boasted by our free-trade advocates?

In spite of all, however, we do not undertake to deny that free trade has greatly fostered our industries and has consequently increased the volume of our trade with the United States; but it must be admitted that such progress and volume have only caused the increase in the number of employed laborers but have not tended to bring about a positive improvement² for the living condition of our industrial workers or those in our shops and much less those in our fields.

Can there be a more convincing demonstration of the temporary nature of the benefits derived by the Philippine laboring classes from the apparent entrance of American capital and advantages accruing from free trade as that afforded by the embroidery industry? From the beginning up to the present time the aforementioned industry, wherein the Filipino woman represents 90 percent of its approximately 50,000 workers, has been exploited almost exclusively by American capital. It began in a feeble sort of way in 1912 as a mere trial, and thanks to the protection of free trade it developed by leaps and bounds. At present it is estimated that the amount of capital invested in this industry totals about 7½ million pesos and that it produces *per annum* an average of 7 million pesos. So lucrative was it from the very beginning to work in this new industry that the female worker who least exerted herself could earn from ₱5 to ₱10 a week so that the enthusiasm for the same rapidly spread through the remotest provinces. Thousands of Filipino women exchanged their old home and factory work for those of embroidery business. But to what level have those munificent salaries reached? To some 25% to 30% female workers who now get over ₱2 to ₱4 a week this is very rare.

V. Temporary and Edifying Economic Collapse

We assert that any economic collapse which as a result of independence at any early date may overtake our people shall not either be so enduring nor perceptible, while on the contrary it will only be of a temporary nature and perhaps in the end will be highly beneficial and constructive. The stark reality which is bound to replace the fictitious reality accruing from free trade, will compel every one concerned, the Government, capital and labor, to undertake new productive enterprises; to extend their activities to such regions in our country which are still unexploited and to sources of national wealth which have not yet been tapped; to look for new markets for our commercial expansion; to adopt our own monetary system and subordinate our desires and mode of living to social discipline which is more nationalistic than foreign, more economical than wasteful, till such time as the foundations of the new life are on a firmer basis and better adapted to adopting new and higher modes of living which are in harmony with contemporary civilization.

With the ready cash in our Government coffers, and considering the following: The substantial surplus for the budgets of recent years and which are maintained in geometric progression; the one hundred million pesos accruing from the excise tax on oil; the one million pesos accruing from the sugar tax; the 46 million pesos which accrue to Filipino coffers as a result of the devaluation of the dollar, and in equity ought to be turned over to us by authority of Congress, instead of refusing its delivery; our financial credit in and out of the Philippines, which is amounting more and more as a result of our exceedingly solvent condition; our mineral resources which are increasingly being exploited, etc. etc.—we have more than sufficient resources for hoping great things of the potential wealth of our people and the ability of our Government to bring about a very adequate solution of the difficulties and obstacles which independence at an early date might bring. If such funds are wisely invested, and if our current funds which are constantly mounting are also wisely invested, we are of the opinion that the Filipino people shall overcome all difficulties prophesied by the timid and traditional enemies of our early emancipation.

VI. A Constructive Plan of National Activities

As a contribution towards a socio-economic program which is at the same time more efficient and comprehensive, we have drafted an outline of propositions and activities, which directly and indirectly, would benefit the interests of our proletariat, as our Government even though only that of a mere Commonwealth would make up its mind to immediately undertake all those with which it is

concerned, and as the Government of the United States, in everything which concerns it, should willingly render its cooperation. Following is an outline of our

PROGRAM OF LEGISLATION AND ADMINISTRATION WITH WHICH THE POSSIBLE ADVERSE CONSEQUENCES TO THE LABORING CLASSES OF THE PHILIPPINES AS A RESULT OF THE EARLY GRANTING OF INDEPENDENCE MAY BE MET

1. Establishment of agricultural and rural cooperative colonies. Modern farms. Horticulture. Scientific raising of fowls, largely in suburbs of the city and in rice-producing regions. Banks or loan associations for these colonies for small farmers.
2. Diversification of food, textile, chemical and medicinal plants. Cattle ranches. Reforestation.
3. A most scientific development of our fish industry. Manufacture of canned goods.
4. More intensive and extensive industrialization, giving preference to home industries. Nationalization of retail trade.
5. Exploitation by the Government, with its lack of Philippine private capital, of mineral resources and water power. Flood-control projects.
6. Merchant Marine exploited by the Government, or by Philippine private capital with a subsidy and aid from the former.
7. Nationalization of the most principal land, sea and air means of transportation.
8. A more extensive plan of public works and improvements, with a view to promoting national rather than local or political interests.
9. A more equitable redistribution of population. A more efficient official aid to the promotion of inter-migration, more intense and efficient campaign against malaria, the white plague, and infant mortality.
10. Acquisition by the Government of certain estates to be sold conditionally and in small parcels to present tenants and to other common citizens. Complete suppression in all regions of our country of the feudal system and of tenant slavery. Limitation of the properties of churches and religious corporations.
11. Free general education. Preferential development of vocational careers rather than academic ones. Government scholarships for industrial careers.
12. Increase of national militia in all stations. Local manufacture of arms, munitions and other means for the defense of our nation, under the exclusive control of our Government.
13. Nationalization of labor. More stringent restrictions against the immigration and stay in our country of foreign workmen, with the exception of skilled workers for a limited period.
14. A more modern labor legislation. Permanent measures for lowering prices of articles of prime necessity. Social justice and insurance. Effective reduction of hours of labor. A minimum scale of wages. Protection to old age, to the female worker about to become a mother and to orphaned children. Labor representation in economic, social, industrial, educational, political, etc., enterprises and commissions already created and about to be created by the Government.
15. Tariff barriers against goods from foreign countries other than articles of prime necessity. Preferential or reciprocity treaties with countries which shall give to us more advantageous commercial concessions. More foreign markets.

16. A minimum tariff by the United States for Philippine sugar when the present free-trade relations terminate, and exchange of certain commercial concessions to be granted by the Philippines to the United States. A more equitable distribution of profits between sugar-planters and centrals, together with a share to be given the workmen.

17. A minimum tariff for Philippine manufactured tobacco entering the United States, upon the termination of free trade. The same for American cigars and cigarettes coming into the Philippines. Absolute ban of exportation of leaf tobacco. Official intercession in the system of wages or distribution of harvests between the workman and the plantation-owner on big tobacco plantations, the same as against monopoly in the purchases of harvests by large monopolistic companies.

18. Minimum tariff on oil and copra, hemp and rope, hats, embroidery and other important products of Philippine manufacture going into the United States, upon the termination of free trade; without prejudice to the grant of reciprocal concessions in favor of certain American productions coming to our country. Absolute ban against the exportation of buntal fibers and other useful fibers for the manufacture of hats.

19. A substantial reduction of the salary of Government officials and all its branches, and a radical suppression of appropriations for superfluous expenditures and for needs which are not urgent. General standardization of salaries on the basis of an oriental instead of an occidental standard, as far as possible.

20. Suppression of usury, luxuries, prohibited games, and dishonest amusements.

It should be noted in the foregoing program that most of the propositions set forth above have already become realities under the present regime; some have been embodied in acts and enterprises which are in full activity; others are mere projects under study, if not experiments. There are some the carrying out and success of which depend more principally on the good-will of the United States, and as a result they require able negotiations by our national leaders and representatives. Practically all of them are found within the powers of the present regime and are authorized in our Constitution, with the exception of two or more requiring some constitutional amendment and others which presume the necessity of said arrangements or negotiations with other countries other than the United States.

VII. Solutions to the Unemployment and the Agrarian Conflict Problems

Through the fostering and extension of several of the activities initiated and undertaken by our Government, among which may be mentioned the establishment of agricultural colonies, the fostering of the inter-migration with financial and technical aid of the Government to the immigrants and colonies, largely in the extremely fertile valleys of Mindanao, Mindoro, Palawan, and northern Luzon, it will be possible to replace an unlimited number of farm hands who

are more contented with their subordinate condition in many provinces where the tenancy system leaves much to be desired. The same thing may be stated as regards a considerable portion of those who work on sugarcane plantations, the radical limitation of which is rightly feared by sugar capitalists. Both in these agricultural colonies and in other zones in our country not developed but which are useful for agrarian purposes, it will be possible to place many of the Filipinos who had been repatriated from the United States and from Hawaii. These laborers, with their savings and experience acquired on American plantations, will be able, with or without the financial and technical aid of the Government, to organize model agricultural farms, thus making productive those lands lying idle and fallow.

Through the creation of a more adequate Merchant Marine, the increase of our national militia in all its various features and with the nationalization of our most important means [of] land, sea and air transportation, our seamen shall be able to find more stable improvements and shall multiply and acquire greater ability. The thousands of scout soldiers to whom licenses shall be issued will increase the ranks of our army and will spread therein more efficient military education and experience.

Through the diversification of food, textile, chemical, medicinal, etc., plants, giving preference to those of local consumption and those which furnish raw materials of assured and lucrative exportation, we will be able to fill in its areas which had been abandoned by reason of the reduction of the cultivation of sugarcane, coconuts and other plants affected by the change of our national status. Thus, the majority of workmen which shall be let out as a result of such production shall be retained on their fields.

Through the intense and extensive industrialization program which our Government, through the National Development Company and by reason of the lack of private capital, shall undertake, especially as preference is given to manual and home industries, shall make the least possible use of imported machinery, great help of a positive nature shall thereby be afforded, if not a complete solution, to the unemployment problem which is at the same time the main reason back of the unrest among the masses.

Through the nationalization of labor and retail trade and a more stringent regulation of hours of labor and the adoption of other protective measures for labor in Philippine shops, factories, offices, etc., the interests of the Filipino laborer shall be greatly favored, as thereby new activities and lines of work shall be opened to him, not a few of which are at present in foreign hands and are performed by a relatively small number of our compatriots.

[In] the securing of treaties of trade reciprocity with other countries especially [with] the United States, [in] the adoption by the

latter of minimum and preferential tariffs for our principal products for consumption, such as sugar, oil, manufactured tobacco, ropes, hats, etc., in exchange [*for*] advantages likewise of a commercial nature which may be granted by the Philippines, we are of the opinion that the adverse effects of free trade and the withdrawal of American sovereignty over these Islands shall be minimized to a large extent, not only for the benefit of the many laborers and their families who are dependent on the aforementioned industries, but also for the capitalists who have investments in the same, not a few of whom are held by Americans or foreigners.

In the proposed purchase by the Government of large estates to be sold in small parcels to the tenants, though it is necessary to go slowly on account of a number of adverse reasons and circumstances attending the problem, it is undeniable, however, that all proposals tending to restrict and suppress the ownership of vast estates by a few privileged classes, and to redistribute the same among the greatest number of disinherited families, is a well-justified step in bringing about real social justice and a more equitable distribution of national wealth. If our Government makes a wise choice from among the big estates, so that only such are acquired as national rather than local interests imperatively demand, for productive and not for merely residential purposes, and if upon reselling the same in small lots to the present tenants thereof, such precautionary measures are adopted as shall prevent the same from being subject in the future to liens and encumbrances except in favor of the estate alone, we are of the opinion that the plan of purchase and resale so adopted would greatly result in eradicating the agrarian conflicts which are of such frequent occurrence in those provinces where the aforementioned estates are located and will not recur in the future.

The unemployment problem in our cities would be rendered less complex and serious if our fields and rural regions were made into attractive and productive labor and cultivation zones, instead of being as they are now, places of slavery, general unrest and mental deterioration. The fieldhands would feel happier in remaining on their places instead of invading as they do now, the cities, where they believe they can find a better life, and where later they are keenly disappointed, because they only contribute towards enlarging the army of unemployed and the vagabonds.

Independence, which is the best practice school for the development of a greater sense of responsibility on the part of governments and of peoples, will habituate the Filipinos to a more economical system of national administration, and will cause to prevail a standard of salary for our Government offices and employees, lower and more in harmony with the idiosyncrasies of our people in lieu of the present prevailing scale in and out of our Government which was

brought here by the great and magnanimous North American nation. When it will be possible to effect retrenchment through the foregoing, it will then be practicable to cover deficits in school budgets, increase funds set aside for public works, and create new productive activities, which shall furnish work to the largest possible number of unemployed laborers.

VIII. Our Confidence in an Independent Pro-Labor Government

The foregoing, honorable Commissioners, are our ideas regarding the utility and the disposal of our multifarious resources which are so abundant in our country, with which our people and our Government shall be able to meet the present difficulties and reverses which are predicted and feared for the Philippines, especially for the laboring classes, as soon as the Philippines are granted their complete sovereignty within two, instead of, ten years.

We wish to say in conclusion: If all the foregoing were not sufficient and if all our hopes were thwarted, by reason of the numerous difficulties and obstacles which we should have to overcome as a result of our deviation from the path carved out for us by the sovereignty, the laws and the examples of the United States, we, the Filipino laborers, have resolved to go through any necessary sacrifices on condition that the same be the price set for the complete freedom and absolute independence of our beloved country.

With an independent government, watched and influenced by a strong labor public opinion, it is to be hoped that the restoration of the Philippine Republic shall be a reality, the same to be a model of fair play and protection towards the laboring classes. On the other hand, we have an unshakable confidence in the traditional generosity of the American nation. The same thing may be said as regards the sincerity of her purpose in at last deciding to grant to the Filipino people the petition of independence which has a thousand times been reiterated. And the sooner such decision is carried out, the more undying shall be our gratitude towards that nation.

Respectfully submitted,

For the Committee:

LOPE K. SANTOS
President

JOSÉ C. HILARIO
Secretary

Impresor, periodista, Fundador y Obrero, Presidente Honorario de
 1.º Presidente de la Union del la Federacion de Barberos de Fi-
 Trabajo; 2.º Presidente del Cong- lipinas, ex-Secretario del Congreso
 reso Obrero de Filipinas Obrero de Filipinas y ex-Gran
 Secretario de los Legionarios del
 Trabajo

RUPERTO S. CRISTOBAL*Member*

Presidente, Congreso Obrero de Filipinas y Vice Presidente, Federacion Nacional del Trabajo

PATRICIO A. DIONISIO*Member*

Abogado, periodista y Consejero del Kapatirang Magbubukid sa Filipinas (Confederacion de los Obreros del Campo)

ANGEL MARIN*Member*

President, National Federation of Labor

RUFO M. COVACHA*Member*

Miner, writer; President National Labor League; President, United Mine Workers of the Philippines; ex-General Secretary, Congreso Obrero, Inc.

ALFONSO DE LEON*Member*

Presidente de la Asociacion de los Obreros de la Fabrica de Cerveza de San Miguel

ACTUAL HEADS OF LABOR ORGANIZATIONS**CRESCENCIANO TORRES**

Presidente, Federacion Nacional del Trabajo, Manila y Negros Occidental

ESTEBAN I. VAZQUEZ

President General, Philippine Labor Union de Negros Occidental

PACIFICO M. BERNARTE

President, Philippine Bartenders' Union

GUILLERMO CAPADOCIA

Presidente, Union de Servidores de Filipinas

ISABELO TEJADA

Acting President, National Federation of Labor; Presidente, Federacion de los Obreros de la Industria Tabacalera de Filipinas.

FLORENCIO CELESTINO

Presidente, Congreso Supremo de Marineros.

GREGORIO PINEDA

Presidente, Union de Impresores.

MANUEL JOVEN

Presidente, Katipunan ng mga Anak-Pawis sa Filipinas

PILAR BALMORI

Presidenta, Federacion del Trabajo de Filipinas

SEGUNDO RAMOS

Vice Presidente, Congreso Obrero de Filipinas

AMADO R. CASTRO

Presidente, Kapatirang Magbubukid, Centro de Luzon.

This is to certify that the foregoing are the translations in English of the labor memorial written in Spanish and submitted to the Joint Preparatory Committee on Philippine Affairs, on the morning of September 10, 1937.

MANILA, *September 18, 1937.*

FOR the COMITE REDACTOR DEL MEMORIAL DEL TRABAJO:

LOPE K. SANTOS

President

JOSÉ C. HILARIO

Secretary

**BRIEF
OF THE
COMMONWEALTH ASSOCIATION, INC.**

(See also An Invitation to a Patriotic Movement, etc., submitted by this Association.)

BRIEF
OF THE
COMMONWEALTH ASSOCIATION, INC.

The Commonwealth Association Incorporated had its beginning some four years ago when the 72nd United States Congress was considering to alter the political and the economic relations then existing between the United States and the Philippine Islands. The final approval of the Hare-Hawes-Cutting law, which was superseded by the Tydings-McDuffie act, encouraged the final incorporation of the Association on June 23, 1936 and from that time on its aims and purposes became more defined in advocating for the continuation of the Commonwealth Government beyond the transition period of ten years, minus the onerous economic provisions, provided for in that superseding act, the regime to last as long as it proves beneficial to the Philippines and the United States.

Prompted by the candid desire of seeing all-consuming justice to be done among American and Filipino citizens alike, we the members of this Association, forming part of that body of citizens, respectfully submit this brief which mainly deals with the following

PROPOSITIONS

FIRST. THAT MUTUALLY BENEFICIAL COMMERCIAL PARTNERSHIP BETWEEN THE UNITED STATES AND THE PHILIPPINES SHOULD BE THE LEADING ROLE EVEN BEYOND THE TEN-YEAR TRANSITION PERIOD;

SECOND. THAT THE GRADUATED EXPORT TAXES, AS SET FORTH UNDER SECTION 6 OF THE TYDINGS-MCDUFFIE LAW, UPON PHILIPPINE SUGAR (BOTH RAW AND REFINED), PHILIPPINE COCONUT OIL, PHILIPPINE TOBACCO, AND UPON ALL OTHER PHILIPPINE PRODUCTS EXPORTABLE TO THE UNITED STATES SHOULD BE ABOLISHED;

THIRD. THAT THE PRESENT TRADE RELATIONS BETWEEN THE UNITED STATES AND THE PHILIPPINE ISLANDS SHOULD BE CONTINUED INDEFINITELY, IN THE VOLUME AT LEAST PERMITTED BY THE TYDINGS-MCDUFFIE LAW.

In support of the foregoing propositions we are presenting the following

ARGUMENTS

I

First. On the proposition that mutually beneficial commercial partnership between the United States and the Philippines should be the leading role in the American-Philippines relations even after the ten-year transition period.

Statistics speak boldly that the proportion of total Philippine exports to the United States increased from 18% during the first year

of American occupation to 80% in 1935, that the increase was greatly accelerated by the imposition of free-trade relations between the United States and the Philippine Islands.

There is no doubt that after 1940, the principal effect of the Tydings-McDuffie law will be to destroy approximately 60% of the present export trade of the Philippines and the present export trade of the United States to the Philippines to the approximate loss of no less than \$940,355. This commercial break-down will inevitably follow if the present trade conditions between these two nations shall be terminated by force of the seeming lack of mercantile reciprocity purported in the present Philippine Independence Law.

If international commerce is gradually restricting its bounds, day by day, as a result of the efforts of nations toward becoming self-sufficient, and their tendency is to group themselves into economic blocs, such as shown by England, Canada, Australia, New Zealand and South Africa, we see no reason why the United States and the Philippines may not profit from the experiences of the countries mentioned. The contrary results would come about in the event the trade mutuality existing between the United States and the Philippines were terminated—the Philippines shall become economically important to meet the exigencies of political status. Besides, current statistics show that the United States shall lose an enormous amount of exports to the Philippines to the tune of no less than \$50,000,000-\$60,000,000 worth of goods annually. In addition, American shipping in the Pacific will suffer and the one billion dollars' investment of Americans in the Islands will have to be liquidated in the same way that American investments in China are now being liquidated, and in many instances are given up as total loss on account of the present war.

Second. On the proposition that the graduated export taxes, as set forth under section 6 of the Tydings-McDuffie law, upon Philippine sugar (both raw and refined), Philippine coconut oil, Philippine tobacco, and all other Philippine products exportable to the United States should be abolished.

No doubt the export taxes as provided in that act will bring about a more or less complete liquidation of the principal industries of the Philippines. To the coconut-oil industry, we beg to offer the following facts: Coconut-oil exports in 1936 amounted to \$13,871,759, and of the copra meal and cake, the by-product, to \$1,829,039 or a total of \$15,700,798. The liquidation of the Philippine coconut industry alone will, by force of the graduated export tax upon coconut oil, inevitably result in the reduction of Philippine export in

the amount of about \$2,700,798. Investments in the coconut-oil mills, refineries, etc., amounting to about \$11,895,000 will be largely destroyed, and Americans and several thousands of Filipinos will be deprived of employment.

Cigars shipped to the United States in 1936 were valued at \$2,372,181; 86% of all cigars exported from the Philippines went to the United States. About 67% of the total quantity of cigars produced in the Philippines is shipped to the United States (Tariff Commission Report, p. 137). As a result of the graduated export taxes the approximately 20,000 factory laborers employed in the manufacture of tobacco products, have to be thrown out of work (Tariff Commission Report, p. 136). This is to be the bald fact because by the time the export taxes have to be imposed upon Philippine cigars, tobacco-growers on 75,000 small farms and 15 large plantations will be seriously affected. Incidentally, the \$3,515,598 worth of tobacco products shipped to the Philippines from the United States in the form of articles which are necessary in the manufacture of better tobacco and cigars in these Islands shall be lost.

To the sugar industry: In 1936 shipments of sugar and its by-products, such as molasses and alcohol were valued at \$62,290,805 which is equivalent to 46% of all exports in 1936; practically all was shipped to the United States. "Investments in the industry are estimated at \$265,000,000 of which \$84,000,000 is invested in centrals in which 15% of the Philippine population are employed and dependent upon for their means of livelihood" (Tariff Commission Report, p. 62). For a more detailed discussion of the Philippine sugar industry, please refer to pages 45 and 63 of Report No. 118 of the United States Tariff Commission on the United States-Philippine Trade, quoted on page 7 of the brief submitted by the Philippine Sugar Association to this committee.

Third. On the proposition that the present trade relations between the United States and the Philippine Islands should be continued indefinitely, in the volume at least permitted by the Tydings-McDuffie law:

We believe that the present trade relations between the United States and the Philippines are most beneficial to both countries. Under the said law the products of the United States enter the Philippines duty-free without any quantitative limitation whatsoever during the Commonwealth period. Philippine products enter the United States duty-free during the same period subject to the quantitative limitations as therein set forth in said act. This phase of the question has been lengthily and ably discussed on page 2 of the brief submitted by the Philippine Sugar Association, to which we respectfully refer this Committee.

In conclusion, in view of the foregoing facts we beg to recommend:

First. That the mutually beneficial commercial partnership between the United States and the Philippines should have the leading role in American-Philippine relations, even after the ten-year transition period.

Second. That the export taxes on Philippine sugar, Philippine tobacco, Philippine coconut oil, and all other products of the Philippines exportable to the United States provided for in the Tydings-McDuffie act should be repealed.

Third. That the present trade between the United States and the Philippines at least in the volume permitted by the Tydings-McDuffie act, should be continued indefinitely, and logically if this trade is to continue satisfactorily the political relationship under which it developed successfully must also continue indefinitely.

Respectfully submitted,

COMMONWEALTH ASSOCIATION, INC.

By PEDRO M. BLANCO, *President*

BRIEF
SUBMITTED BY THE
CENTRAL EXECUTIVE COMMITTEE
OF THE
COMMUNIST PARTY OF THE PHILIPPINES

(887)

BRIEF
SUBMITTED BY THE
CENTRAL EXECUTIVE COMMITTEE
OF THE
COMMUNIST PARTY OF THE PHILIPPINES

MANILA, *September 7, 1957.*

TO THE CHAIRMAN AND MEMBERS
OF THE JOINT PREPARATORY COMMITTEE
ON PHILIPPINE AFFAIRS,
*Legislative Building,
Manila.*

GENTLEMEN:

Since the trade relationship between the United States and the Philippines is again at issue, depending on your Joint Committee for a satisfactory solution and its outcome being of vital importance to the working masses of this country, the Communist Party of the Philippines, in behalf of the Filipino working masses, hereby submits to you for consideration the following demands:

1. That immediate, complete and absolute independence of the Philippines be recognized, enabling thereby the Filipino people to constitute themselves into a democratic republic;
2. That complete severance of the present trade relationship between the United States and the Philippines be effected immediately, and in lieu thereof a new trade relationship based on equality recognized between friendly independent states be established; and
3. The complete withdrawal from the Philippines of all American armed forces together with military advisers be immediately effected.

The foregoing are the unshaken demands of the exploited and oppressed masses of workers and peasants of the Philippines, for the consecution [*attainment*] of which an unceasing bloody struggle has been waged at the expense of immeasurable human sacrifices. No sober or sane person can successfully contradict the genuineness of these demands.

It may be objected, however, that two among these demands are beyond the scope of your Joint Committee and that you are not committed to pass judgment upon them so far as concerns trade relationship. Nevertheless, if your Joint Committee's business is to

find a satisfactory solution of this mutual relationship, there is no doubt that political and military issues cannot be ignored without jeopardizing the success of the main issue, for they are questions that are directly related to the economic life of a colonial country like the Philippines. The recognition of immediate, complete and absolute independence and the withdrawal of American armed forces and military advisers from these Islands are prime prerequisites of a fair and equitable trade relationship between the United States and the Philippines and of a self-governing Philippines.

1. On Immediate Independence

In support of our demand for immediate independence, we invite the attention of the Members of the Joint Committee to make a cursory review of the Filipino people's struggle for freedom. During the Spanish domination our struggles for independence were interrupted only at short intervals. When Magellan met his death in the hands of our great Lapulapu, the first leader of our struggle for emancipation, the warning against foreign encroachment was heroically sounded. The punishment of the first foreign invader more than anything else was a sign of hatred and revolt against foreign domination. In fact, it became a deep-rooted lesson, nay, a tradition handed to us by our forefathers, a tradition which teaches us how to resist any invasion.

It is true that "peace and order" was finally established in this country, and it is equally true that such was not the result of voluntary cooperation of the people but of ruthless repression and brutal force. Corruption, land-grabbing, exploitation, oppression and slavery thrived unbridled under this sham "peace and order" regime.

Our brethren in Mindanao and Sulu bore the brunt of this alien imposition. But in spite of the savage attacks against them they have not been wholly subdued in their struggle for upholding their right to self-determination. Even the efforts exercised by a few well-to-do Filipinos who, by bribery and cunning, by coercion and terror, were forced to become allies and lackeys of our foreign masters, have miserably failed to conquer the revolting Moros. Their constant uprisings, though slandered and stigmatized as banditry or piracy, which epithets the Catholic hierarchy were fond of hurling against all rebels, proved beyond question that our demand for immediate independence is the undying demand of exploited and oppressed masses, the great majority of the Filipino people.

Every measure of the Government calculated to enforce unjust tribute, or any kind of tribute, against the people, and every step taken with a view to exploiting and oppressing them were unfailingly countered by militant protest and bloody uprising. The pages of our history are full of such heroic and courageous deeds against our oppressors, the final chapter of which culminated in the national revolutionary struggle for independence that overthrew the long-hated power of reactionary Spain in this country.

But our task of driving Spain out of our country had come to a halt. America appeared suddenly and loomed large on our national scene. At the outset America posed as our ally and liberator, but through the urge of trade expansion and power she revealed her true nature as a bloody invader and conqueror. We were again conquered by the will of Providence, that is, by overwhelming brutal force!

At the outset America did not have a well-defined policy to pursue in her Philippine venture. Upon learning of the rich, inexhaustible tropical products and vast unexplored mineral resources of this country, however, America's colonial policy took on a definite and clear character. The Washington protocol of August 12, 1898, was one of its immediate manifestations. It was then stated that America's intention was to have at least a commercial base in and around the city of Manila. Her objective apparently was to participate in the Asiatic and Far Eastern markets. Then "we see with sudden clearness", says Hon. Frank A. Vanderlip, in the *Century Magazine*, August 1898, "that some of the most revered of our political maxims have outlived their force . . . A new mainspring . . . has become the directing force . . . the mainspring of commercialism." Thus for the sake of trade expansion the spirit that animated America in Cuba was surprisingly reversed as regards the Philippines. And "in 1900, Senator Lodge, speaking of the issues raised by the Treaty of Paris, said: 'We make no hypocritical pretense of being interested in the Philippines solely on account of others. We believe in Trade Expansion.'" (Blount, *American Occupation of the Philippines*, p. 123.)

Imperialism had triumphed over altruism! And through the Treaty of Paris, the Philippines, then of eight million inhabitants, was sold in bondage to America. The change of master was effected for \$20,000,000, through the officiousness of Archbishop Chapelle. (*Ibid.* pp. 133-134.)

We do not in the least invoke moral considerations in support of our plea. Morality under imperialism is nothing but an abstract word devoid of any meaning. Our demand for immediate independence is mainly based on the right of self-determination and of

a peaceful national existence—the right to free ourselves from the clutches of the next imperialist war.

The imperialist world today is rapidly transforming each country into a veritable military camp. Every imperialist power is feverishly preparing for war. However, it is misleading to presume that the aim of the next world war is to end war, to make the world safe for democracy, or to uphold the principle of self-determination. The first World War loudly denounced these imperialist lies. If another world war bursts out, it will be a war between the possessors of vast markets and colonies and those who, under the Treaty of Versailles, were deprived of war plunders, all of which clearly indicate that a new repartition of the world markets and colonies is about to be effected.

The Philippines is an American colony. America is a strong competitor in the Asiatic market. Great Britain and France also have their heavy investments as well as vast colonies in Asia. Counter to this is the ambition of Japan to grab China and close her doors to her powerful imperialist rivals. Germany and Italy, which in alliance with Japan, are bent on invading the Soviet Union, are encouraging the Japanese militarists in their aggressive policy in China. It is obvious, therefore, that their immediate aim is to redivide China among themselves. Thus an imperialist world blood-bath is imminent in the struggle for the redivision of the already divided world. It must be recalled at this juncture that the Philippines is not too far away from either Japan or China.

If the aim of imperialist war is but to divide the world markets and colonies among the imperialist powers, it is illogical for colonial peoples to participate in it, for to do so means the strengthening of imperialist domination over the colonial peoples and the continuation of the exploiting relationship between the imperialist powers and the enslaved colonial countries. It is, therefore, evident that the only way out of this bloody conflict, the only way to prevent America from being involved in this imperialist massacre is to recognize the immediate, complete and absolute independence of this country, for it would not only save America from endangering her internal stability but also save the Philippines from possible invasion by another imperialist power.

The American people imbued with a liberal and democratic tradition are against war. In fact, President Roosevelt was overwhelmingly supported in his plank of democracy against fascism and war. It is our earnest belief that if our plea for immediate freedom should be put before the American masses, it would no doubt be endorsed by them overwhelmingly.

2. On Complete Severance of Trade Relations

Under the present free-trade relationship between the United States and the Philippines the latter would remain more closely tied to American economy. The perpetuation of this economic tie signifies the continued economic dependence of the Philippines upon the United States and hence the increasing difficulty of political independence. Without the corresponding self-determination in matters of national economy, political independence cannot possibly survive. Furthermore, the development of this national economy is impossible without the possibility of industrialization in our country. Under the present trade arrangement no suitable economic planning can be developed along the line of self-sufficiency. In the interest of those American manufacturers who dread trade competition, the United States is compelled to prevent the Philippines from a plan of industrialization. This deliberate attempt on the part of the United States to retard the development of industrialism in this country is in accord with the following rules of modern colonialism: (1) to possess an exclusive territory wherein to invest gainfully surplus capital; (2) to possess an exclusive market for the export of manufactured goods; (3) to possess an exclusive territory where rich and vast sources of cheap raw materials can be had; (4) to possess also exclusively a territory where cheap and docile labor can be intensely and ruthlessly exploited. It is clear that a victim of imperialism cannot develop its own industry or the productive forces of its society to any marked degree.

Nor is it possible for the Philippines under the present trade relationship to modernize its agriculture without giving way to foreign monopoly capital. Agricultural economy on a modernistic basis alone is not adequate to abolish the present feudalistic foundations of our rural life. For the modernization of agriculture it is basically necessary to collectivize farms and to establish an adequate market for their produce. In view of the possible competition this agricultural planning may entail in the American market, the American agricultural interests will undoubtedly place themselves squarely against it, as it happens at present, in the case of sugar, coconut oil, etc. Hence it is necessary to release the Philippines from this economic bondage and at the same time to develop new markets for its agricultural produce in other friendly countries. To the extent that this agricultural planning develops in this country, the living standards of the peasant masses, who have been reduced to the category of peons and slaves through centuries of exploitation, will be raised.

It is now plain that once the Philippines is freed from the American economic bondage, it can promote its own industries and develop

the necessary markets for its products both at home and abroad without much difficulty. Then and only then can there be the possibility of planning a self-sufficient economy, the immediate results of which will be:

(1) The feudalistic methods of farming can easily be abolished and the level of the peasant masses be raised to that of semi-industrial workers. The present pauperized condition of the peasant masses can be not only improved but eventually eradicated.

(2) The industrialization of the Philippines makes possible not only the improvement of the miserable standards of living of the working masses in general but the raising of the present scale of the average daily wage of ₱0.55 and the absorption of the bulk of the 1,500,000 unemployed.

(3) The exploitation of the toiling masses by the capitalist class can be abolished or at least minimized more effectively and more quickly. The immense wealth produced by labor and unjustly appropriated by big landlords and capitalists can be rapidly socialized, or at least its distribution can be rationalized; and

(4) The Philippines will acquire more concrete economic independence to the extent that it will develop its industry and agriculture on a national basis, and a rapid social and cultural development of the laboring masses will become possible.

The severing of the present economic ties between the United States and the Philippines will solve the problem of Filipino competition in the American market more satisfactorily, and, moreover, it will give these Islands the right to shape [*their*] own economic potentialities independently in accordance with our national interests and needs.

It may be argued in this connection that there will be an economic and financial collapse, if the preferential trade relationship is not continued. This in fact is the usual argument of our principal vested interests, especially the sugar group. This argument is obviously false and needs only a few facts and some plain common sense to have it disproved.

As to economic collapse. The principal beneficiaries of this free-trade relationship is the sugar industry, and we propose to concentrate our discussion on this group. According to the statistics published by their organ, *The Sugar News*,¹ there are some 2,000,000 people dependent on this industry. Of these, 15,000 are planters,

¹ Taken from the Report of the Trade Committee of the Department of Agriculture and Commerce.

75,000 constitute their dependents, and the rest of the 2,000,000, or 1,910,000, are employees of centrals, tenants, plantation laborers, and their families. The total exports of sugar to the United States in 1934 was ₱131,141,373. The total income from sugar can be limited to this figure, the local consumption being a very negligible figure.

According to the same statistics, the total amount paid out in wages and salaries for the year 1934 was ₱24,000,000, of which ₱12,000,000 went to centrals' employees, and another ₱12,000,000 to the plantation laborers. The distribution of the income may be shown as follows:

	<i>No. of Persons Dependent</i>	<i>Amount Received</i>
Workers and dependents.....	1, 910, 000	₱24, 000, 000
Employees and dependents.....	90, 000	107, 000, 000
Total.....	2, 000, 000	₱131, 000, 000

The above figures show that the wage-earners get between ₱12 and ₱13 per person per year. On the assumption that each laborer has four dependents, each family received ₱60 per year. And this is the prosperity that our sugar magnates are so fond of extolling!

The point that we want to bring home is the impossibility of economic collapse; and we say there can be no collapse where there is nothing to collapse from. It is true, of course, that the 90,000 people who are now supported in ease and luxury by the sugar preference may have to reduce their standard of living; but we are absolutely certain that the masses cannot be any worse off than they are now.

Some bourgeois economists claim that there will be bound to be an increase in unemployment if the preference is withdrawn. Again, we beg to disagree. The industries that are now being protected by the free-trade arrangement are by the very need of such protection the weak industries. It is a well-known truism in classical economics, which our so-called economists have not evidently understood, that, where productive capacity is devoted to one industry, it is automatically withheld from another industry. The productive capacity which has been devoted to industries that are now seeking the continuation of preference could have been devoted to some other industries with much greater effectiveness. The truth of the matter is that our export industries, especially sugar, have been pampered both by the Philippine Government and the United States Government. All this pampering, however, has to be paid for by somebody; and it is clear who, in the final analysis, pay—the masses of America and the masses of the Philippines.

The masses of the Philippines have to pay in higher prices of the goods which they consume. They have to pay further by having

to produce commodities which are not in demand and by the failure to produce commodities which are actually needed. For example, every year there is a recurring rice crisis, brought about by the scarcity of rice-production. Why has rice-production not kept pace with the needs of the people? Our answer is: Because the Government chose to devote the production capacity of the people to industries which should not have been developed in the first place.

It should be clear from the above that there will not be much more unemployment even if the sugar industry were to collapse. The masses of the people can transfer from sugar-production to some more productive occupation. They could go to rice-production, to planting of vegetables, to raising of hogs and other livestock—in fact to products which are in demand locally. Or they could devote their productive capacities to effect a balanced industrial development of the country.

Under the present prejudicial arrangements, it is quite impossible to bring about such industrialization. The tribute which the masses have to pay to the capitalists of America and the Philippines is so onerous and so burdensome as to discourage such development. Remove the tribute—that is to say, remove the preference, and we are confident that a faster industrial development will take place.

As to financial collapse. We have just shown that an economic collapse is impossible. In this section we shall show that the bogey of financial collapse is another one of the capitalists' beautiful fictions. We shall again concentrate on sugar industry because it is the most vociferous of the bourgeois groups.

The sugar industry claims to contributing 43% of the total insular revenues for the year 1932. That it is a patent lie can be seen from any report of Philippine Government finances.

The report of the Insular Auditor, dated March 1934, gives the following figures as the incomes for the years 1933 and 1932:

<i>Revenues from Taxation (*)</i>	1933	1932
Import duties.....	P15,300,000	P18,500,000
Excise taxes.....	15,300,000	20,300,000
License & business taxes.....	14,900,000	14,500,000
Income tax.....	3,000,000	3,400,000
Wharfage fees.....	3,700,000	3,000,000
Customs documentary stamp tax.....	600,000	600,000
Internal rev. doc. stamp tax.....	600,000	600,000
Tonnage dues.....	400,000	400,000
Immigration tax.....	300,000	300,000
Inheritance tax.....	400,000	600,000
Franchise tax.....	200,000	200,000
Total.....	P54,700,000	P60,400,000

* Pages 36-37. We are offering the figures in round numbers.

Of the total revenues from taxation amounting to ₱60,000,000 in 1932, ₱16,000,000 came from customs duties. We are not aware that the sugar industry constitutes any part of this revenue. On the contrary, the preference tends to reduce our revenues from this source. Of the ₱20,000,000 from excise taxes, sugar constitutes a very negligible proportion in as much as sugar is exported and not consumed locally. The license [and] business taxes are not paid by sugar alone: it does not even pay one fifth of the revenues. Assuming that it pays the one fifth, the sugar industry constitutes, say, ₱3,000,000 in license and business taxes. The other sources, like income, inheritance, and stamp taxes, constitute a small proportion of the total revenues. Assuming for the sake of argument that sugar-men pay all the income taxes, all the inheritance taxes, and all the rest of the minor taxes, the industry can only account for less than 20% of the total insular revenues. We are assuming here, for lack of available data, that the sugar group pays all the income taxes, inheritance taxes, wharfage dues, documentary stamps, etc., which of course is not likely. Of the total ₱60,000,000 income of the Insular Government we have removed ₱48,000,000 as definitely impossible to have been contributed by sugar. Of the remaining ₱12,000,000, all or part may be contributed by sugar. A reasonable estimate will give credit to this industry for half of this sum, namely, ₱6,000,000.

It may be claimed that the sugar group contributes in high land taxes, in poll taxes and other taxes pertaining to the local governments. In fact, they count all sources that have any connection however remote from the sugar industry. As to these taxes, they can be collected whether or not the sugar industry is abandoned. The land taxes will still be paid, so will the poll taxes. So long as the land remains intact, and so long as it produces, it will be a source of revenue, whether it is devoted to sugar, to coconut, or to rice-production.

It is then clear from the above that sugar can only account for ₱6,000,000 contribution to the insular revenue, or 10% of the total revenues.

On the reverse side, let us examine the income foregone because of the sugar industry. The customs revenues not collected as a result of the preference given to the United States would amount to, at least equal to, our present import taxes, or a total of ₱15,000,000. This is an understatement, if we consider the fact that only 20% of our exports go to other countries. Excise taxes may also increase if we devote the capital which is now devoted to sugar to any industry which has a local consumption. Moreover, the total productivity would increase, if we transfer our resources to industries

which are worth while developing; and the increase in productivity will of course increase our other possible sources of revenue.

Balancing the incomes which are collected from sugar, which would not have been collected without the sugar industry, with the income that may be collected if we abandon the industry, we come to the conclusion that sugar is a liability rather than an asset so far as Government revenues are concerned.

This is not to say that we are totally ungrateful to America. With all her power, the United States could have committed worse exploitation. That she did not do so even if she could, may be counted to her favor.

We count among America's contributions to the Philippines better health conditions, better roads, and perhaps formal democracy. However, we believe that America has not improved the economic status of the Philippine masses. The masses today still live on rice and "*bagoong*" (crushed salted fish), as they used to live 37 years ago. They still dwell in *nipa* shacks, wear the same clothing, and live in the same old way. The so-called "American influence" does not touch the masses, at least in the economic sphere. The masses cannot afford American-made products—radios, automobiles, even food products. The so-called "prosperity" in the Philippines is enjoyed only by the imperialists and their tools—that is, by no more than 100,000 persons in the Philippines.

3. On the Withdrawal of American Armed Forces

Concerning immediate withdrawal of all American armed forces and military advisers from the Islands, its paramount importance can easily be gaged. While American Army and Navy are stationed in the Islands and while the American military advisers predominate in the shaping of our armed forces, the responsibility of the Philippines to maintain complete political and economic independence would result only in mockery.

If democracy should be the basic foundation upon which to build the new Philippine state, the upbuilding of its armed forces must, necessarily, rest entirely upon the will and responsibility of the people. All outside pressure, all alien interference of any kind, must not take part in the shaping of their organization as well as their policies. To make this fundamental requirement possible, the withdrawal of all American armed forces and military advisers from the Islands is one of the first conditions that must be fulfilled. Unless it is done, the expression of the will and responsibility of the people is insecure.

Furthermore, the presence of American armed forces in the Philippines and the continuance of American military advisers in the

highest command of the Philippine Army which is now being rapidly organized and which is demagogically called "National Defense", cannot but as suspiciously be looked upon as a mere appendage of the United States forces in the Pacific with twofold purposes: first, as a preparation for the next imperialist wholesale slaughter; and second, for the ruthless repression of all working-class resistance against their oppressors and exploiters.

With the presence of American armed forces equal protection to foreigners and Filipinos is almost impossible to enforce. The interests of the natives, if these happen not to be closely attached to, or amalgamated with, those of the Americans, cannot hope to claim for justice. Americans shall be looked upon as the only well-protected group and therefore the ones to enjoy the most privileges. This is the lesson taught us during the last three decades of American domination, under which American imperialism became the predominating element above the rest. Hence, the unfairness of these armed forces remaining any longer in the Islands.

With American armed forces and military advisers directly shaping the foundations of the Philippine Army, militarism cannot be nipped in the bud. On the contrary, it will gain more stimulus, impetus, and strength. But the Philippines cannot at all afford to be a militarist state. The Filipino people is striving for peace and progress; it abhors war. Militarism, on the other hand, is bent for war and destruction. It is a barrier to liberty, peace, and democracy; a menace to the stability of a democratically governed social order. It is shown time and again in South American countries that the maintenance of a huge body of military careerists surrounded by a huge army of unclass-consciously disciplined soldiers completely detached from all direct contact with the people, eventually results in social chaos and war. For it usually turns out to be an army of mercenaries whose avowed purpose is but to defend the class interests of those who are at the helm of the government, the capitalists, and, therefore, places itself openly against the interests of the working class, against the very people who directly shoulder the heavy burden of its support. And because militarism usually degenerates into an insatiable monster whose demand for more and ever more armaments knows no limit, the people, once tired and aroused against this insatiability, may eventually rebel and come into clash with these military parasites. Hence, its menace to the internal peace and order.

We maintain that the defense of the Philippines should be left alone to itself. The Filipino people should be left to decide of their own volition as to what kind of armed organization they need to adequately police their own territory. The Philippines needs no huge army of parasites that hinges on militarism. By organizing a

National Militia independently of the State, that is, by organizing and training all of its able-bodied citizens in the handling of arms for defense, the Filipino people not only will avoid provoking invasion but can also defend successfully their national integrity. The main problem now that confronts us is how to make the people loyal to their constituted authorities. Hence, the need of founding the state as an organ of the people, by the people; and for the people—a real democratic state.

Finally, in order to make the Philippines a democratically governed country, it must, first and foremost, be able to exercise its right of full sovereignty over its own territory, and in accordance with its own capability and responsibility, to shape its own independent existence, without outside pressure of any kind.

The American people, whose traditional liberalism was the fruit of its glorious Revolution and its sense of justice epitomized in its Declaration of Independence, cannot at all ignore our just demands.

Conclusion

In conclusion, if Philippine independence, complete and absolute, shall be recognized now, or before the United States becomes entangled in the next imperialist world war, for new repartition of markets and colonies, the Filipino people will be able to set up a democratic republic under which the following outcome can possibly be attained:

1. Since it ceases to be a colony or an area to be reallocated among imperialist powers, the Philippines shall cease to be an object of attack, and the United States, having left the Philippines, shall become free from being entangled in the next imperialist bloody conflict.

2. Free and independent, the Philippines shall be able to freely formulate and develop an adequate program for national economy mainly based upon the immediate needs of its people.

3. With feudalism now reigning supreme on the farms, with its train of pauperized peons and slaves dragging behind it, an independent Philippines can easily devise ways and means to abolish it and in its stead establish an extensive modernized farming, based on collective cooperatives.

4. With economic independence enjoyed by the Philippines, it shall be able to freely promote and develop new industries by which not only the present large numbers of its unemployed can be absorbed, but also the wages of its working masses who have hitherto been reduced to an extremely impoverished state, can be raised to a much higher level; furthermore, the savage exploitation of the workers by the capitalists can be minimized, and finally eradicated.

5. The economic independence of the masses being greatly enhanced, the necessary social protection or the long-hoped-for introduction of an adequate system of social insurance hitherto ignored, can be established, and consequently the cultural development, the necessary education of the masses hitherto systematically hindered by the exploiting class can be developed to such an unprecedented extent.

6. By organizing a National Militia and by arming the people for national defense, the present reactionary policy which clearly tends towards the fascization of the Philippine Army, or, at least, to convert it into a military oligarchy whose purpose is to perpetuate in power the privileged minority, can easily be corrected.

7. Freed from domination of American capital and manufactured products, and having thus lost the American market for its agricultural produce, the Philippines will be able to find and develop new markets among the nations which are willing to trade on an equitable basis.

And finally, the Philippines with its inexhaustible natural resources at its command and with a democratic government wholeheartedly supported by the working people, eventually would be able to develop a system of social order under which exploitation and oppression shall have no place. Hence, liberty and democracy shall reign supreme, and no nations, however powerful they may be, will be able to destroy our independence without destroying altogether the whole of the Filipino people.

Then and only then can the Filipino people be able to show before the world that the spirit of the Great American Revolution of 1776, which greatly inspired our National Revolution of 1896, is the successful guide to our national independent existence.

Very truly yours,

THE CENTRAL EXECUTIVE COMMITTEE
COMMUNIST PARTY OF THE PHILIPPINES

SUPPLEMENTAL BRIEF
OF THE
CONFEDERACION DE ASOCIACIONES Y PLANTADORES
DE CAÑA DULCE, INC.

SUPPLEMENTAL BRIEF
OF THE
CONFEDERACION DE ASOCIACIONES Y PLANTADORES
DE CANA DULCE, INC.

October 23rd, 1937.

THE JOINT PREPARATORY COMMITTEE
ON PHILIPPINE AFFAIRS
Manila, Philippines.

GENTLEMEN :

In the course of my testimony on September 16th, I was asked by one of the members of the Committee to present afterwards a detailed statement supporting the assertion in our brief that 40% of the income of the Government is derived from the sugar industry. In compliance with the request I am now forwarding several copies of said statement.

For lack of time we are unable to secure data for the latest crop, and the data we are presenting are those prepared by the Philippine Sugar Association for the 1931-32 crop, which is [*are*] about the same as that of our latest crop.

Hoping that these data will be satisfactory, I remain

Very respectfully yours,

JOSÉ J. MIRASOL

**ESTIMATED AMOUNT OF TAXES WHICH THE PHILIPPINE
SUGAR INDUSTRY DIRECTLY AND INDIRECTLY
PAYS ANNUALLY**

(Corrected Copy)

SUMMARY

(1) Sales tax of 1½%	₱2, 475, 073. 50
(2) Manufacturers' tax of 1%	563, 694. 38
(3) Wharfage tax of ₱2.00 per 1,000 kilos (metric ton)	2, 065, 120. 00
(4) Income tax, 3%	1, 440, 000. 00
(5) Land and property tax	2, 450, 000. 00
(6) Centrals' property tax	197, 338. 43
(7) Poll tax, ₱2.00 per head	600, 000. 00
(8) Import duties	2, 793, 740. 00
(9) Tonnage and pier dues	435, 122. 25
(10) Excise taxes on distilled spirits (molasses)	3, 959, 173. 11
(11) Internal-revenue tax on gasoline, crude oil, etc	2, 436, 776. 00
(12) Miscellaneous taxes (licenses)	1, 055, 600. 00
Total taxes paid by the sugar industry	₱20, 471, 637. 67

REMARKS

The total taxes paid annually by the sugar industry in the amount of ₱20,471,637.67 represent a tax of ₱1.29 per picul on the total production and ₱1.40 per picul on the total exportation.

According to the Collector of Internal Revenue, the *per-capita* tax in the Philippines in 1930 was ₱4.264 based on a population of 13,106,833. The ₱20,471,637.67 in taxes collected from the sugar industry represent a *per-capita* tax of ₱13.65 on the basis of the 1,500,000 people dependent upon the sugar industry, indicating that those engaged in the sugar industry pay three times as much in taxes as the average Filipino.

As the total estimated income of the Philippine Government for 1933 is placed at ₱48,000,000.00, the sugar industry directly and indirectly contributes 43 percent to the total revenue of the Government.

The foregoing data confirm the statement that the Philippine sugar industry is the main pillar of the economic structure of the Philippine Islands.

ESTIMATED AMOUNT OF TAXES WHICH THE PHILIPPINE SUGAR INDUSTRY DIRECTLY AND INDIRECTLY PAYS ANNUALLY

The following calculations are based on these sugar data:

	<i>Long tons of 2,240 lbs.</i>	<i>Piculs of 139.44 lbs.</i>
Centrifugal sugar production for 1931-32 crop.....	985,000	15,823,000
Centrifugal sugar consumption locally.....	75,000	1,205,000
<hr/>		
Balance available for export.....	910,000	14,618,000
Centrifugal sugar for export.....	850,000	13,654,000
Refined sugar for export.....	60,000	964,000
<hr/>		
	910,000	14,618,000
<hr/>		

Amount of tax paid

(1) Sales tax of 1½%:

(a) The sugar exported by dealers is subject to a sales tax of 1½%. As 40% of the total sugar exported is made by dealers a tax amounting to ₱712,035 is paid by them, as calculated below.

40% of 15,823,000 piculs..... 6,329,200 piculs

piculs at ₱7.50 per picul,
₱47,469,000; 1½% tax on
₱47,469,000.....

₱712,035.00

(b) The supplies which the centrals purchase from local merchants are subject to a sales tax of 1½%. The sugar industry annually purchases approximately ₱1.00 worth of supplies for every picul of sugar produced. In 1931-32, the value of these supplies is estimated at ₱15,823,000. These include the 50,000 tons of fertilizers used by the industry, valued at ₱4,500,000.

1½% tax on ₱15,823,000..... 237,345.00

(c) The 1,205,000 piculs of sugar consumed locally are also subject to 1½% sales tax. As the retail price is about 18 centavos per kilo or ₱11.38 per picul, the total value of the 1,205,000 piculs of sugar consumed locally is ₱13,712,900.

1½% tax on ₱13,712,900..... 205,693.50

Amount of tax paid

(1) Sales tax of 1½%—Continued.

(d) Other supplies purchased by the 1,500,000 planters, laborers and their families constituting 12% of the total population dependent upon the sugar industry, are also subject to a sales tax of 1½%. The total sales-tax collection in 1931 is not yet available but is reliably estimated at ₱12,000,000. Deducting from this the taxes in subsections (a), (b) and (c) leaves a balance of about ₱11,000,000.00.

12% of ₱11,000,000..... ₱1,320,000.00 ₱2,475,073.50

(2) Manufacturers' tax of 1%:

The sales of sugar received by the centrals under their milling contracts with the planters are subject to 1% tax (act 3082). As the centrals receive about 47½% of the sugar or 7,515,925 piculs valued on the basis of ₱7.50 per picul or ₱56,369,437.50, the centrals pay in taxes

1% on ₱56,369,437.50..... 563,694.38

(3) Wharfage tax:

(a) There is a wharfage tax of \$1.00 per 1,000 kilos or ₱2.00 per metric ton on every merchandise exported from the Philippine Islands. The tax on the 910,000 long tons or 924,560 metric tons at ₱2.00 per metric ton amounts to.....

1,849,120.00

(b) The tax on the 108,000 metric tons of molasses and syrup for export from the 1931-32 crop at ₱2.00 per metric ton.....

216,000.00 2,065,120.00

(4) Income tax:

The incomes derived by the centrals, corporations and landowners and planters from the sugar industry are subject to an income tax. As the income tax is graduated depending upon the income, the minimum rate of 3% is used as a basis. The total investment in the sugar industry is as follows:

Amount of tax paid

(4) Income tax—Continued.

Investments in centrals.....	₱168,025,069.00
Investments in lands.....	280,000,000.00
Crop loans.....	25,000,000.00
Miscellaneous investments.....	10,000,000.00

 483,025,069.00

Basing on a return of 10% on the total investment of approximately ₱480,000,000, the amount of annual income derived from this investment subject to income tax is ₱48,000,000.

3% on ₱48,000,000.....

₱1,440,000.00

(5) Land and property tax:

The real estate and property tax is $\frac{3}{8}$ of 1% on the assessed value of sugar lands and improvements. Based on 350,000 hectares devoted to sugarcane with assessed value including improvements of ₱800.00 per hectare, the total value of sugar lands is ₱280,000,000.

$\frac{3}{8}$ of 1% on ₱280,000,000.....

2,450,000.00

(6) Centrals' property taxes:

The centrals' sites, and lands belonging to the centrals are also subject to $\frac{3}{8}$ of 1% tax. Based on a representative central with a capacity of 3,000 tons paying a property tax of ₱3.880 or ₱2.93 per ton capacity, the total taxes paid by all the centrals on the basis of a combined capacity of 67,351 tons would be.....

197,338.48

(7) Poll taxes:

Cedula tax of ₱2.00 paid by 300,000 male persons engaged in sugar-production. This is calculated on the basis of 5 in a family of the 1,500,000 people dependent upon the sugar industry.....

600,000.00

(8) Import duties:

(a) The jute bags imported by the sugar industry are subject to import duties at the rates of 4 centavos per kilo and 4 centavos per sack. Of the 16,000,000 bags used annually, 75 percent or 12,000,000 bags are imported as cloth and 25 percent or 4,000,000 bags as manufactured bags. The duties paid are as follows:

4 centavos per kilo on the
12,000,000 bags or 6,000,000
kilos ($\frac{1}{2}$ kilo per bag).....

240,000.00

	<i>Amount of tax paid</i>
(8) Import duties—Continued.	
4 centavos per bag on 4,000,000 sacks-----	₱160,000.00
	400,000.00
(b) The fertilizers used in the sugar industry imported from countries other than the United States are subject to an import duty, ranging from 5 to 25 percent <i>ad valorem</i> . According to the Collector of Customs, the total amount of duties collected in 1931 on fertilizers imported into the Philippines aggregated ₱108,948. As practically all of these fertilizers were used by the sugar industry or at least 97%, the duties paid by the sugar industry for its fertilizers may be placed at 97% of ₱108,948-----	105,830.00
(c) The crude petroleum, gasoline, paints, and other oils consumed by the sugar industry and imported from countries other than the United States are also subject to import duties of about 10% <i>ad valorem</i> . According to the Insular Collector of Customs, the duties on these articles collected in 1931 amounted to ₱881,375. As the sugar industry consumes a great portion of these articles, on the basis of the importance of the sugar industry as an export commodity, 48% of these articles [are] consumed by the sugar industry. 48% of ₱881,375-----	423,060.00
	828,740.00
(d) Miscellaneous articles consumed by the sugar industry imported from countries other than the United States also are subject to import duties. The total duties collected on dutiable articles imported into the Philippine Islands in 1931, according to the Collector of Customs, amounted to ₱16,469,789.41. Deducting the amount of duties enumerated in subsections (a), (b) and (c) amounting to ₱928,740 leaves a balance of ₱15,541,049.41.	

Amount of tax paid

(8) Import duties—Continued.

As there are at least 1,500,000 people dependent upon the sugar industry or about 12% of the total population, it is reasonable to apply at least 12% of these duties to the sugar industry.

12% of ₱15,541,049.41----- ₱1,865,000.00 ₱2,798,740.00

(9) Tonnage and pier dues:

The Insular Collector of Customs in 1931 reported the following dues collected:

Tonnage dues-----	485,155.40
Pier collections-----	153,467.10
	588,622.50

As the above dues are paid according to the size or tonnage of the vessels, and since the total volume of sugar and molasses carried by all vessels in 1931 amounted to 798,105 equivalent to 25% of the total incoming and outgoing cargo, the dues paid as a result of the shipment of sugar therefrom amounted to 25% of ₱588,622.50 or-----

147,562.50

There are other customs collections, such as customs stamps, amounting to ₱704,540.07, storage charges in the amount of ₱22,101.85 and various other customs fees aggregating ₱288,597.26 or a total of ₱1,015,239. As the value of sugar and molasses exported in 1931 amounted to ₱100,460,659 or 25% of the total value of Philippine commerce, the sugar industry's share of these taxes may be computed at 25% of ₱1,015,239.

287,559.75

435,122.25

(10) Excise taxes on distilled spirits (molasses):

Distilled spirits produced from molasses are subject to internal-revenue tax of ₱0.38 per proof liter. In 1930, according to the Collector of Internal Revenue, the total taxes collected from distilled spirits amounted to ₱4,211,886.29. As molasses from sugar cane represented 94% of the raw materials used in distilled spirits, the amount of taxes applicable to the sugar industry would be 94% of ₱4,211,886.29-----

3,959,173.11

*Amount of tax paid***(11) Internal-revenue taxes on gasoline, crude oil and other oils:**

The Collector of Internal Revenue in his Annual Report for 1930 recorded a total collection of ₱5,076,616.67 as excise taxes on gasoline, crude oil and other lubricating oils. The sugar centrals, planters and persons engaged in the industry are no doubt the main consumers of these oils. Basing on the proportion of the sugar exports to the total value of all exports, the sugar industry pays for these oils 48% of ₱5,076,616.67-----

₱2,436,776.00

(12) Miscellaneous taxes:

(a) There are other taxes such as licenses paid by merchants, brokers, bankers, professionals and others doing business in sugar, which cannot be accurately determined but may be conservatively estimated at-----

₱500,000.00

(b) The excise taxes on imported articles in 1930, such as wines, cigars and cigarettes and manufactured tobacco, etc., amounted to-----

2,880,000.00

There are also similar taxes aggregating ₱7,000,000 on like domestic products but as the bulk of cigars and cigarettes are exported abroad, the amount of taxes on the products sold locally for consumption may be placed at 25% of ₱7,000,000 or-----

1,750,000.00

4,630,000.00

Based on the percentage of the 1,500,000 people dependent upon the sugar industry, 12% of these taxes are paid by the industry--

555,600.00

1,055,600.00

Total taxes paid by the sugar industry-----

20,471,637.67

NOTE.—This is equivalent to a tax of ₱1.29 per picul on the basis of the production of 15,823,000 piculs for the 1931-32 crop, and a tax of ₱1.40 per picul on the basis of 14,618,000 piculs for export in 1931-32.

BRIEF
SUBMITTED BY THE
CORDAGE INSTITUTE

(911)

BRIEF
ON
HARD-FIBER CORDAGE AND TWINE
AND
UNITED STATES-PHILIPPINE AFFAIRS
SUBMITTED BY THE
CORDAGE INSTITUTE

June 19, 1937

To the JOINT PREPARATORY COMMITTEE
ON PHILIPPINE AFFAIRS.

GENTLEMEN :

FOREWORD

As the best customer of the Philippine Islands, purchasing more than one third of the third largest export commodity of the Philippines, and furnishing, therefore, a substantial portion of the livelihood of between 2,000,000 and 2,500,000 Philippine people dependent directly or indirectly upon the production of abaca (Manila fiber), and, as a nation-old and a necessary United States industry, we lay before you our views on the matter of cordage and the relationship of cordage and twine to those broader issues which your Committee, in accordance with the joint statement of the Honorable Francis B. Sayre and President Quezon of March 18, 1937, is considering.

Let us state at the outset that we recognize both the enormous proportions and the delicacy of the task which any Committee would face in an effort to recommend to the President of the United States and to the President of the Philippine Commonwealth any legislative program affecting United States-Philippine affairs with its multiple mutual problems and complexities.

The mutuality of interests between the people of the Philippine Islands and the hard-fiber cordage and twine industry of the United States is obvious from the fact that the United States industry, with factories in thirteen States and large distributing agencies and branches in all States, is using in those cordage and twine plants hard-fiber products grown on more than 1,000,000 acres of Philippine soil, as to the furnishing of which the Philippines enjoy a virtual monopoly among the hard-fiber cordage manufacturers of the United States.

The United States cordage and twine industry has consistently maintained a position regarding the political status of the Philippine Islands. We hold that the welfare of thirteen million or more

Philippine people transcends the interest of any one industry, whether in the United States or the Philippines. That has been our position since the earliest consideration of Philippine political and economic questions.

We especially emphasize this fact, as we understand your Committee will consider the effect which a changed political status of the Philippine Islands other than that provided for or contemplated in existing law will have on economic and other varying questions that are bound up in the Philippine-United States relationship.

The United States cordage and twine industry is entirely sympathetic with any plan actually calculated to enhance and maintain trade between the Philippines and the United States, consistent with the economic necessities of the United States and the Philippines, and with due regard to the interests of the two peoples and of those industries in the two countries affected by these trade conditions.

We are not entirely unselfish in this viewpoint. It would appear that our best interests would be served by a very close relationship between the Philippines and the United States.

We reiterate for your especial consideration, with respect to cordage and twine, the fact that the industry which submits this memorandum uses as one of its basic raw materials, practically exclusively, a basic agricultural product of the Philippine Islands, abaca or Manila fiber. We are confident that our position with respect to cordage is sound, to wit: That it will be to the best interest of the Philippine Islands and the Philippine people as well as to the best interests of the United States and the two industries, cordage and twine, and fiber, if the mutuality of economic concern operates to increase the shipment to the United States of Manila fiber (abaca), and to the discouragement of additional shipments of hard-fiber cordage and twine (a manufactured product) from the Philippine Islands to the United States.

We have not, and do not suggest, an embargo on Philippine cordage and twine—although we believe that in reality the best interests of the two countries might thereby be served—for the reason that we seek to place no unnecessary burden upon the existing Philippine cordage and twine industry. In this connection it should be remembered that it is only in the last 18 years that the Philippines have sent to the United States in excess of 1,000,000 pounds of cordage *per annum*.

In our opinion, so far as hard-fiber cordage and twine products are concerned, a quota system, or an absolute limitation on the maximum quantity of such products which may be shipped from the

Philippines into the United States in any one year, is the most equitable plan or system yet devised. It offers protection to the United States industry, continuation, without unnecessary hardship, of the present Philippine cordage and twine industry, and encouragement to the vast fiber (abaca) industry of the Philippines.

We specifically recommend, therefore, a continuation for an indefinite period, regardless of political questions or status, of the provisions of the Cordage Act, Public 137, 74th Congress, as representing a fair and equitable adjustment of the question involved, which settlement, as we shall attempt to develop hereinafter, was enacted into law by Congress upon the stated agreement of the representatives of the Philippine people and the cordage and twine industry of the United States.

It must be evident that the Tariff Act of 1930, designed to protect the United States cordage and twine industry primarily as to imports from such countries as Great Britain, Holland, Mexico, Belgium, and Cuba, would be wholly inadequate as a protection against imports of cordage and twine from the Philippines, where, as the facts will demonstrate, labor costs are relatively lower than in those foreign countries as to whose products the tariff provisions of the act of 1930 were designed. (See U. S. Tariff Commission's Report No. 118, entitled "United States-Philippine Trade", p. 135.)

To properly develop these opinions of the United States cordage and twine industry, and in order that your Committee may fully understand the position of this industry, it seems advisable that there be presented a brief statement of the character of the products under discussion, the economic history back of this question and present-day facts concerning the United States hard-fiber cordage and twine industry, as well as a *résumé* of the developments of this competition between the Philippines and the United States, and what has been the effort of the United States industry to alleviate the seriousness of the problem presented.

PRODUCTS

(References: U. S. Tariff Act of 1930)

The products with which this statement deals are divided into two general classes: finished or manufactured products and raw materials.

Manufactured Products

The manufactured products are generally separated into three major classes or groups, viz:

(NOTE: Reference to the U.S. Tariff Act of 1930 and the paragraphs in that act under which these products come are noted for convenience.)

(1) Cordage (rope), including cables, of hard fibers, composed of three or more strands, each strand composed of two or more yarns.

Reference:

Par. 1005. (a) Cordage, including cables, tarred or untarred, composed of three or more strands, each strand composed of two or more yarns:

(1) Wholly or in chief value of manila (abaca), sisal, henequen, or other hard fiber, 2 cents per pound; and in addition thereto, on any of the foregoing smaller than three-fourths of one inch in diameter, 15 per centum *ad valorem*;

(2) Cords and twines of hard fibers.

Reference:

Par. 1005. (b) Cords and twines (whether or not composed of three or more strands, each strand composed of two or more yarns), tarred or untarred, single or plied, wholly or in chief value of manila (abaca), sisal, henequen, or other hard fiber, 40 per centum *ad valorem*.

(3) Binding twine (binder twine).

Reference:

Par. 1622. All binding twine manufactured from New Zealand hemp, henequen, manila, istle or Tampico fiber, sisal grass, or sunn, or a mixture of any two or more of them, of single ply and measuring not exceeding seven hundred and fifty feet to the pound.

There are also included any products of the industry, wholly or in chief value of vegetable fiber, except cotton, not specially provided for in the Tariff Act of 1930 and to which par. 1023 of said act would apply.

Reference:

Par. 1023. All manufactures, wholly or in chief value of vegetable fiber, except cotton, not specifically provided for, 40 per centum *ad valorem*.

The products of the industry are treated collectively in this statement, even though they are specifically covered by separate provisions of the Tariff Act, in that the major processes of manufacture (preparation of fibers and spinning of yarn) are the same as to all products and raw materials, locations of manufacture, processing machinery and labor are comparable for all products. Certain finishing processes, such as "balling", are also comparable.

The term "cordage", "cords" and "twines" cannot be easily defined; these terms are used loosely to include anything and everything made of any twisted fiber with length and strength.

All of the products enumerated, whether cordage, cords, twines, or threads, etc., are made from fibers. (See section entitled "Raw Materials".)

The first manufacturing step in producing any thread, twine, cord or cordage is to lay the fiber parallel, the ends overlapping, in a long ribbon of fiber called a sliver. When the sliver is twisted a yarn is produced. This yarn is sometimes called a thread or twine, if it is used as a completed article in that form, such as binder twine. Sometimes this yarn is sold as such (Lath yarn) and is used as a completed article in that form and under that name.

Twisting together two or more yarns is a further step in the manufacture of twines, cords, cordage, etc. If the article produced by merely twisting two or more yarns together is used in that completed form then it is known as a "tying" or "wrapping" twine or cord, sometimes a "thread". The adjective "wrapping" or "tying" in common usage is often deleted and the article is merely known as a "twine", "cord", or "thread". If the yarns are given an extra twist (in the same direction of the twist in the yarn) at the same time that two or more yarns are twisted together, then the article is known as a "cord" or, a more commonly used term, a "laid" twine. This extra twist in such a cord or laid twine is to prevent the untwisting of the twine.

Two or more yarns when twisted together, for use in further manufacturing, form what is known as a "strand"; three or more such strands when twisted together produce a "rope" or "cordage".

Cordage is seldom, if ever, less than $\frac{3}{16}$ " diameter. The twisting of the yarn into a strand is known as "forming" and the twisting of the strand into rope or cordage is known as "laying". Here again the principle of extra twists is employed to prevent untwisting of the rope.

Three or more ropes twisted together produce a cable. Cable is sometimes referred to colloquially as "hawsër-laid". (This principle of "cable" construction is also used in producing threads and twines of various soft fibers such as cotton, linen, etc., of small diameter; such products are not covered by this statement.)

The sizes of products of this industry vary materially from (a) yarns or twine of less than $\frac{1}{8}$ " diameter to (b) ropes and cables as large as 6" diameter.

Raw Materials

Reference:

Par. 1684. Grasses and fibers; henequen, sisal, manila, jute, jute butts, kapok, istle or Tampico fiber, New Zealand fiber, sunn, maguey, ramie or China grass, raffia, pulu, and all other textile grasses or fibrous vegetable substances, not dressed or manufactured in any manner, and not specifically provided for.

The raw materials, coming from the Philippines, are principally abaca (*misa textilis*), commonly called Manila fiber, and maguey (*agave cantala*). These are treated separately and in detail hereinafter, under the title of "The Primary Philippine Industry".

THE CORDAGE AND TWINE INDUSTRY IN THE UNITED STATES

The cordage and twine industry is as old as the United States. It is significant that many of the cordage and twine companies in the United States operating today were founded more than a century ago.

The cordage plants of the United States are located in thirteen States, from the Atlantic to the Pacific and from the Gulf to the Canadian border. (See appendix.¹) The few strands of cordage and twine made in a primitive manner in the pioneer days have grown to a total annual production in the United States in excess of three hundred million (300,000,000) pounds, based on a 40-hour work week.

Capital investment in the United States cordage and twine industry is approximately fifty-five million dollars (\$55,000,000.00).

Branches and distributors are located in each of the forty-eight States and the District of Columbia.

Cordage and Twine Industry Essential to Any People

Cordage and twine are essential to any nation. The more primitive a people the more cordage and twine *per capita* are used. A high degree of progress does not lessen, however, the necessity for these products. Cordage is produced by practically all peoples of the world, including the natives of the lesser-developed countries who make it by hand. As the industry is essential to every nation, practically every country has become self-sufficient in its production.

A domestic industry in the United States, [it] is practically indispensable in peace and war. It is essential to American shipping, railroad and other transportation, transmission of power (as in the mining of coal), production of oil, construction and engineering projects, fishing industry, lumbering, farming and practically every line of productive or service effort.

Wrapping twine, of hard fiber, has always been and has become increasingly important to the economic welfare of the nation. It is used primarily for the tying of heavier packages such as newspapers, the products of paper mills, lumber, and express, parcel-post and freight packages of general character.

Little need be said of binder twine and its importance to the American people. Through its use the cost of grain is materially reduced. Without it, it would be practically impossible to harvest the crops that feed the world. During the World War the price of binder twine was fixed by the Government, just as was the price of the grains it was used to bind.

Cordage is particularly essential to the United States Government, in the conduct of operations of the Army, Navy, Engineering Corps (including flood-control work), Coast Guard, Lighthouse Service and, in fact, every department of governmental activity.

Cordage is considered so essential to the United States Navy that it maintains its own manufacturing plant at the Charlestown Navy

¹ Post, p. 927.

Yard, Boston, Mass. This plant supplies some of the Navy's requirements during peacetimes, but is totally inadequate during war.

During the World War the domestic cordage industry was classified as "essential" and was called upon to supply the Allies as well as the United States with cordage. It is estimated that between 75,000,000 and 85,000,000 pounds of cordage were furnished by the United States cordage industry for direct war purposes and millions of pounds were sold to industries producing the necessities of war.

PRODUCTIVE CAPACITY OF DOMESTIC INDUSTRY COMPARED TO SALES

The productive capacity of the industry in the United States today is at least three hundred million pounds (300,000,000) *per annum*, based on a 40-hour work week. Any unit in the industry can operate three shifts a day, which would give a theoretical productive capacity in the United States in excess of nine hundred million pounds (900,000,000) *per annum*. This is mentioned because on page 130 of the U.S. Tariff Commission Report No. 118, entitled "United States-Philippine Trade", the statement is made, referring to the Philippine cordage industry, that "The total annual-spindle-capacity of the five Philippine cordage mills is 57,024,000 pounds of fiber". The report does not state whether this is for one, two, or three shifts. It appears that it might be for three shifts.

The total production of the United States cordage and twine industry in 1935 (Census of Manufactures, 1935—Department of Commerce, Bureau of the Census) was 241,117,195 pounds, or approximately only twenty-seven percent (27%) of the United States industry's capacity, based on three shifts.

EMPLOYMENT IN THE DOMESTIC INDUSTRY

Many of the present employees have been engaged in the industry for upwards of fifty years, and many of them represent the third or fourth generation engaged in the production of cordage and twine. Trained exclusively in this particular trade, they find it difficult when idle to obtain profitable employment in other industries. In some instances the industrial life of a whole community depends mainly upon cordage and twine manufacture.

The low point of employment, of which we have any record, appears to have been in June 1933 and a recent survey of our industry indicates that in December 1936, no improvement, in this respect, had occurred.

THE PRIMARY PHILIPPINE INDUSTRY

The principal component part of hard-fiber cordage and twine is fiber. All of the hard fibers from which hard-fiber cordage and twine are produced are imported into the United States, climatic conditions operating against their growth in the United States.

The principal fibers are (1) abaca, commonly referred to as "Manila fiber" and coming from the Philippine Islands and Sumatra, (2) henequen, grown and produced in Mexico, and (3) sisal from Cuba, Africa, Dutch East Indies and, to a lesser extent, in other countries.

All of the hard fibers are on the free-list.

The fact that these fibers are on the free-list is a matter of importance in considering the trade relations between the Philippines and the United States.

Manila fiber (abaca) is probably the most important product grown in the Philippine Islands. Over a million acres are devoted to this product. It is grown over a wide area in the Islands. It is estimated that between 2,000,000 and 2,500,000 people are dependent directly or indirectly on abaca-production for all or part of their livelihood. It is improbable that any other product affects so many Filipinos.

The American cordage industry is the best customer of the Philippines for Manila fiber (abaca). Exports to the United States were \$3,811,009 in 1934, 33.21 percent of total exports of abaca, while exports to the next largest consuming country, Japan, were only 27.45 percent of total exports, and to Great Britain, only 21.35 percent. (Annual Report of the Governor General of the Philippine Islands, 1935, covering the period January 1, to November 14.)

Manila fiber (abaca) is the third-largest export of the Philippine Islands, excluding gold.

The production of abaca, or Manila fiber, has been at times the leading agricultural industry in the Philippine Islands, and it continues to be, from the large number of people dependent on it and the great number exclusively dependent on it, an important branch of Philippine agriculture.—Major General Frank McIntyre, representing the Philippine Government. National Recovery Administration Hearing, August 14, 1934.

The United State Government is fully alive to the importance of assured supplies of Manila fiber and Manila rope, not only in times of peace but in national emergencies. The Philippine Islands are, on their part, vitally interested in the United States as a consuming market for Manila fiber. It then naturally follows that: As a defensive measure the United States manufacturers, if they are to continue to function, will have to combat Philippine-manufactured rope and twine, sold at destructive competitive prices in the United States, by encouraging the production of Manila fiber in countries nearer to the United States; also to use every effort to depress the price of Manila fiber now grown in the Philippine Islands, and to encourage the use of substitute fibers, thereby seriously affecting the consumption of Manila fiber (the Islands' third-largest export) now grown in the Philippine Islands.

The consumption of cordage and twine in the United States is not dependent on the place of manufacture of same. The Philippines, now enjoying a monopoly of the production of Manila fiber, can reasonably expect to sell to the United States a pound of Manila fiber for every pound of Manila rope and twine they do not ship.

EXPORTS FROM THE UNITED STATES

Cordage and twine exports from the United States have declined from approximately 27.6 percent of the total domestic sales in 1922, to 3.4 percent in 1935. Figures for 1936 are not available. (Note: United States Census figures on production are used in arriving at this comparison. It is believed that the production figures are reasonably comparable to sales. The export figures are taken from U. S. Department of Commerce year books.) This decrease of exports, in actual pounds, has been from 79,000,000 pounds to 8,500,000 pounds (approximate), or a decrease of 70,500,000 pounds.

IMPORTS FROM ALL COUNTRIES

Imports from all countries have increased from approximately 6,380,000 pounds in 1921 to 80,145,527 pounds in 1936, or an increase of approximately 74,000,000 pounds.

Off-shore cordage and twine has usurped approximately one fourth of the domestic markets for cordage and twine in the past fifteen years.

TARIFF HISTORY COMPARISON OF TARIFF ACTS

Classification Tariff Act of 1930	Tariff Act of					
	1930		1922		1918	
	Rate	Para- graph	Rate	Para- graph	Rate	Para- graph
Cordage, including cables of hard fibers:						
$\frac{3}{8}$ inch and more in diameter.....	2¢ lb.	1005	$\frac{3}{8}$ ¢ lb.	1005	$\frac{3}{8}$ ¢ lb.	268
Less than $\frac{3}{8}$ inch in diameter.....	2¢ lb. & 15%	1005	$\frac{3}{8}$ ¢ lb.	1005	$\frac{3}{8}$ ¢ lb.	268
Cords and twines of hard fibers.....	40%	1005	$\frac{3}{8}$ ¢ lb. or 40% ¹	1005 or 1021	$\frac{3}{8}$ ¢ lb. ² or 35% ²	268 or 284
Binding twine.....	Free	1622	Free	1521	Free	415

¹ If less than $\frac{3}{8}$ -inch diameter; T.D. 30070, effective 2/21/1924.

² At $\frac{1}{4}$ cent per pound as cordage under par. 268 or at 35 percent as a manufacture of vegetable fiber, n.s.p.f., under par. 284 according to diameter. (See 11 Ct. Cust. Appls. 134, and 14 Ct. Cust. Appls. 184.)

PRISON COMPETITION

While ordinarily domestic competitive problems would not have a direct bearing upon imports, the competition which the domestic industry suffers from prisons in the United States has in this case a direct and powerful bearing upon the question of further competition from foreign countries. For years the production of cordage and twine products in the prisons of the United States has grown alarmingly until during 1932 (last available figures) they amounted to 28 percent of the sales, including exports, of domestic manufacturers, or 67,357,961 pounds.

Years of effort have been spent to obtain remedial legislative enactments but prison competition continues to grow. It is unnatural competition which the domestic industry faces and creates a situation making the importation of cordage and twine products all the more serious.

WAGES AND HOURS IN THE U. S. CORDAGE-AND-TWINE INDUSTRY

The average wage per day of 8 hours, in the cordage and twine industry in the United States today, exceeds \$4.25. Employees are working approximately 40 hours a week. There are some few exceptions to this.

Wages have increased approximately 10 percent since December 1936. At that time the industry was paying 10 percent more than required under the National Industrial Recovery Act.

The above does not include general or mill superintendent or assistants, planning men, cost men, chemists, power-plant chief engineer, master mechanic, foremen, or others in supervisory capacity.

In the United States Tariff Commission Report No. 118 on "United States-Philippine Trade", on page 130, is the statement—referring to Philippine cordage manufacturers—to the effect that Philippine "laborers receive from 40 cents to \$2.50 per day depending upon the kind of work which they perform". It is not our opinion that the U.S. Tariff Commission intended to publish a misleading statement but such a means of expressing labor rates probably would lead to erroneous conclusions. It is difficult for us to believe that the average daily rate of productive labor in the Philippines, comparable to the type of labor included in the averages given above for United States workmen, is anywhere near the maximum amount mentioned in the Report.

The United States cordage and twine industry will be glad to furnish this Committee with detailed figures concerning wages and hours, but feels that similar and comparable figures should be obtained from all Philippine manufacturers and made public concurrently.

BINDER TWINE

The United States Tariff Commission Report No. 118, entitled "United States-Philippine Trade", calls particular attention, on pages 133 and 135, to the fact that the Cordage Act of 1935 "is absolute, no shipments in excess of it being permitted, and includes not only cordage but also binder twine which is on the free-list of the Tariff Act of 1930".

The question has been repeatedly asked of different representatives of the United States cordage and twine industry as to why it was equitable to permit binder twine to come in free of duty from foreign nations and to include binder twine in a quota restriction from the Philippines. Of course, the complete answer is that the Philippines are enjoying a preference in that the Cordage Act of 1934 permits the Philippines to send in so many pounds of cordage and twine free of duty. This quota was related to past imports of Philippine cordage and twine to the United States and represents an increase over normal imports and not a decrease. We have no doubt that foreign countries, such as Great Britain, would be most pleased to enter into a quota arrangement, whereby they could send cordage and twine to the United States free of duty, and that the maximum that they could send in would be something in excess of what they had been sending in normally the last few years.

The fact is that the United States Congress saw fit to protect American workmen manufacturing cordage and twine. These products are made in the same mills. There would have been no purpose in stopping or limiting Philippine cordage and permitting Philippine twine to enter in unlimited amounts.

The Tydings-McDuffie act (Public No. 127, 73d Congress), in providing for the limitation of 3,000,000 pounds, uses the words: "There should 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." (Underscoring [italics] ours.) That wording was very carefully drawn to include every known type of twine, rope, et cetera, of hard fibers.

The proposed voluntary agreement under N.R.A. covered cordage and twine.

The proposed voluntary agreement between Philippine-United States cordage and twine manufacturers covered binder twine as well as rope, twine, and cordage. Therein, the United States manu-

facturers were willing to use the terminology of the Tydings-McDuffie act (Public No. 127, 73d Congress).

The original Tydings cordage bill (S. 2209, 74th Congress) referred to "All yarns, twines, cords, cordage, rope and cable, tarred or untarred, wholly or in part of Manila (abaca) or other hard fiber."

At the hearings of the Tydings-Kociałkowski bill (Public 137, 74th Congress) before the Committee on Insular Affairs of the House of Representatives, the question of binder twine was raised by a member of the Committee with the third witness.

Later at the hearings, J. C. McDaniel of Cordage Institute, representing the entire United States cordage and twine industry, stated that if the bill did not include binder twine, it should be made to do so. No member of the Committee and no witness took exception to this statement. The record will show that in redrafting the bill, as finally passed, the wording was made to definitely include binder twine. Subsequently, as a result of a protest on behalf of Filipinos, the Treasury substantiated the record by the issuance of a Treasury decision, declaring binder twine included in the act.

FREIGHT RATES

The U.S. Tariff Commission Report No. 118, entitled "United States-Philippine Trade", refers, on page 133, specifically to the freight rates on rope and on fiber from the Philippines to the United States, and the fact that the rate on rope is in excess of the rate on fiber.

There is nothing unusual about this. It is quite common for freight rates on finished products of higher relative value to be higher than rates on raw materials. It is also true that sometimes the way these commodities pack and stow affects the freight rates. Freight rates are based on volume of traffic, cost of handling, value of product, et cetera. The principal point is that these rates are subject to review by the United States Shipping Board, and on August 15, 1936, the Department of Commerce, U.S. Shipping Board Bureau, handed down an opinion, in response to a protest by a Philippine cordage manufacturer, refusing to order a decrease in the rate on cordage from the Philippines to the United States (Report and Order of the Department of Commerce, U.S. Shipping Board Bureau, in the matter of no. 180: *Johnson-Pickett Rope Company vs. Dollar Steamship Lines, Inc., Ltd., et al.*)

It is most unfortunate, in any report, to speak of some of the advantages or disadvantages on the one side or the other, and not cover the subject fully. For instance, the fact that (1) the Philippine manufacturers use loose fiber, while United States manufacturers have to bear the cost of opening fiber in bales; (2) that the United

States manufacturer must bear the additional cost of heating his plant, an element not to be calculated in the cost of Philippine production; or (3) many other advantages or disadvantages to both sides, too numerous to mention, might be developed.

STEPS TAKEN BY U.S. CORDAGE MANUFACTURERS TO OBTAIN RELIEF FROM EXCESSIVE COMPETITION OF PHILIPPINE-MADE CORDAGE AND TWINE

As early as 1921, United States cordage manufacturers foresaw the danger of the potential competition of Philippine-made cordage and twine. They petitioned the United States Congress at the time, but nothing was done. This was repeated in 1929 and 1930.

Following the passage of the Tariff Act of 1930, cordage and twine manufacturers took more interest in the various proposals concerning Philippine independence. We took every opportunity of presenting to Congress the picture of the competition from the Philippines. Our position with respect to independence has been consistent; to wit: that the welfare of thirteen million Filipinos can transcend the interests of the United States cordage and twine manufacturers.

The Philippine Independence Act as finally enacted provided that three million pounds of cordage and twine from the Philippines could enter the United States each year duty-free, which left an indefinite amount which could be brought in and pay the full existing duties at time of import. An unlimited amount of binder twine could thus be sent in free of duty, so long as binder twine was on the free-list. It was probable, however, that up until the time, during each calendar year, that the three-million-pound quota of cordage and twine had been imported, any binder-twine imports would be charged against the 3,000,000 pounds. During the last five years of this act, export taxes would be placed on all exports from the Philippines to the United States (that can enter the United States duty-free) to the extent of 5, 10, 15, 20 and 25 percent of the existing import duties into the United States.

The above-mentioned provisions of the Philippine Independence Act were to take effect November 15, 1935, the date of the inauguration of the Philippine Commonwealth. The Tydings-McDuffie act (Public No. 127, 73d Congress) became a law March 24, 1934.

The 3,000,000 pounds of cordage and twine, which could be sent to the United States from the Philippines free of duty, were to be allocated on the basis of export permits issued by the Government of the Commonwealth of the Philippine Islands on the basis of the exportations in the preceding year.

The delay in the inauguration of the Philippine Commonwealth, the race by Philippine cordage manufacturers prior to that inaugura-

tion to effect the allocation of cordage and twine subsequent to same, and the conditions in the United States incident to the passage of the National Recovery Act, aggravated an already serious condition.

Accordingly, United States cordage and twine manufacturers first sought a solution under N.R.A. The Attorney General held that N.R.A. did not apply to the Philippines. A voluntary agreement under the auspices of N.R.A., between United States and Philippine cordage and twine manufacturers, failed, although the United States manufacturers and one Philippine manufacturer signed the agreement.

In the latter part of 1934 and the early part of 1935, efforts were made to negotiate an agreement between the Philippine and United States cordage and twine manufacturers. It provided for an absolute limitation of 4,500,000 pounds per year. The agreement was never effected for the reason that the Filipinos claimed a misunderstanding and that the 4,500,000 pounds were to be a "duty-free" quota and they would be permitted to send in unlimited amounts over and above the 4,500,000 pounds, paying the full duty.

Subsequently, about March 1935, the United States cordage manufacturers appealed to Congress. Several bills were introduced in Congress. One proposal was a bill providing 4,500,000 pounds annual limitation on imports of Philippine cordage. Senator Tydings introduced such a bill with the limitation fixed at 5,000,000 pounds, 3,000,000 pounds of which would be duty-free, the balance to carry full duty, the latter being effective only after the inauguration of the Philippine Commonwealth, under the Tydings-McDuffie act. Congressman Kocialkowski, Chairman of the House Committee on Insular Affairs, introduced an identical bill in the House, and hearings were held in that body. At the suggestion of the House Committee, the United States cordage manufacturers met with representatives of the Philippines, who were present in this country, in an effort to reach a compromise and agree on a bill which the Committee would approve.

The Honorable Manuel L. Quezon and Honorable Manuel Roxas represented the Filipinos in this conference, while the United States cordage and twine manufacturers were represented by E. W. Brewster and J. S. McDaniel. In reaching an understanding, the United States cordage and twine manufacturers conceded each and every point demanded by the Filipinos, to wit:

The 5,000,000-lb. maximum limit in the original Tydings-Kocialkowski bill was increased to 6,000,000 lbs.;

The provisions for tariff duties over and above 3,000,000 lbs. on and after the inauguration of the Philippine Commonwealth were eliminated;

The method of allocation of the exports from the Islands to the United States was left to the determination of the Filipino conferees;

A time limit of three years was written into the bill, at the request of the Filipinos;

An extension of the act by proclamation of the President of the United States, only upon acceptance by the President of the Commonwealth of the Philippines, was provided. It was expected, on both sides, that this act would be renewed, on or before the expiration of the first three years.

CONCLUSION

The hard-fiber cordage and twine industry of the United States is certain that your Committee will agree to the wisdom of maintaining the provisions of the Cordage Act of 1935. That law represents an agreement, between the Filipinos and the manufacturers in the United States, enacted into a law by Congress, and signed and accepted by the President of the United States and President Quezon. There is every reason to believe that the President of the United States will approve the renewal of this act, as permitted under the law, if his advisors so recommend. It is our opinion that the Filipinos are still in agreement with United States manufacturers concerning the advisability of keeping this matter settled.

It is understood that one of the purposes of President Quezon's visit to the United States at the present time is to attempt to establish a fixed basis for the trade relations between the United States and the Philippine Islands and avoid the unsettled conditions incident to a changing basis from time to time. It was a similar reason that led the United States manufacturers and Filipinos to enter into the agreement in the enactment of the Cordage Act of 1935.

This Committee's responsibilities are prodigious. Your findings will have great influence, not only in changes in existing law inequitable to the Filipinos or inconsistent with their national economy, but in the welfare of an old-established American industry and two and one-half million Filipino abaca producers.

We are hopeful that this Committee in its considerations will give due weight to:

1. The economic value of the Manila-fiber (abaca) agricultural industry to the Philippines and 2,500,000 Filipinos.
2. The inherent necessity of a hard-fiber cordage and twine industry in the United States to the United States Government, industry, and agriculture, in peace and war times.
3. If the United States cordage and twine industry is to continue to exist and supply the normal and emergency domestic require-

ments, excessive imports of these products must be curtailed. Increased imports mean decreased domestic production, with consequently increased domestic costs.

4. A quota or limitation system appears as the only possible solution, because (a) Philippine manufacturers can ship unlimited amounts and pay existing United States tariff duties, which are based on labor rates much higher than those in the Philippines and (b) it appears impossible, under the "most-favored-nation" policy of the United States to adopt tariff rates to compensate for the varying labor costs in different countries.

5. Continuation of Public 137, 74th Congress, does not place a burden on the Philippine cordage and twine industry, which can continue (a) to enjoy the entire Philippine market and a part of the oriental market, as in the past, and (b) can ship each year to the United States market an amount only recently agreed to as reasonable.

6. The Cordage Act, the result of an agreement made at the request of the United States Congress, is of relatively recent date and may be one point which is thereby removed from the grounds of discussion and controversy. The necessity for the provisions of the Cordage Act are as great today, if not greater, than when Congress passed same.

7. The United States cordage and twine industry is the most important customer of the Philippine abaca industry. It is axiomatic that it is to the benefit of the seller to avoid anything inimical to the buyer's best interests.

Respectfully submitted, on behalf of the entire hard-fiber cordage and twine industry of the United States,

J. S. McDANIEL

Chairman, Cordage Institute

Appendix

LIST OF HARD-FIBER CORDAGE & TWINE MANUFACTURERS IN THE UNITED STATES

American Manufacturing Company, Noble and West Streets, Brooklyn, New York.
Badger Cordage Mills, Inc., 423 North Plankinton Avenue, Milwaukee, Wisconsin.

Cating Rope Works, Inc., 58-59 Sixty-fourth Street, Maspeth, New York.

Columbian Rope Company, 309 Genesee Street, Auburn, New York.

Cupples Company, Mfrs., Inc., 886 Third Avenue, Brooklyn, New York.

Federal Fibre Mills, 401-425 Galemie Street, New Orleans, Louisiana.

Edwin H. Fidler Company, 517 Arch Street, Philadelphia, Pennsylvania.

Great Western Cordage, Inc., 1564 Industrial Street, Los Angeles, California.

J. C. Groendyke Company, 606 South Dearborn Street, Chicago, Illinois.

Hooven & Allison Company, Xenia, Ohio.

International Harvester Company, 606 South Michigan Avenue, Chicago, Illinois.

Thos. Jackson & Son Company, Reading, Pennsylvania.

R. A. Kelly Company, Xenia, Ohio.

Mengden & Sons Company, 6028 Navigation Boulevard, Houston, Texas.

New Bedford Cordage Company, 233 Broadway, New York, New York.

Peoria Cordage Company, 1502 South Washington Street, Peoria, Illinois.

Plymouth Cordage Company, North Plymouth, Massachusetts.

Portland Cordage Company, Seattle, Washington.

Portland Cordage Company, 1336 NW. Northrup Street, Portland, Oregon.

Rinek Cordage Company, Easton, Pennsylvania.

E. T. Rugg Company, 1 Sisal Street, Newark, Ohio.

St. Louis Cordage Mills, Eleventh and Lafayette Streets, St. Louis, Missouri.

Tubbs Cordage Company, 200 Bush Street, San Francisco, California.

Wall Rope Works, Inc., 43 South Street, New York, New York.

Waterbury Rope Company, Inc., 401 Park Avenue, Brooklyn, New York.

Whitlock Cordage Company, 46 South Street, New York, New York.

SUPPLEMENTAL BRIEF
SUBMITTED BY THE
CORDAGE INSTITUTE

(929)

SUPPLEMENTAL BRIEF

SUBMITTED BY THE
CORDAGE INSTITUTEMANILA, P.I., *September 17, 1937.*

Honorable J. VAN A. MACMURRAY, Chairman,
Joint Preparatory Committee on Philippine Affairs,
Manila Hotel,
Manila, Philippine Islands.

MY DEAR MR. MACMURRAY:

In the hearing September 17, 1937, in the matter of the hard-fiber cordage and twine, Mr. John T. Pickett appeared in behalf of the Johnson-Pickett Rope Company. Certain of his oral statements, perhaps the brief filed by him, if the same follows the tenor of his oral statement, and some of the questions and answers before your Committee, seem to me to leave the record misleading if not inaccurate.

POUNDS AND KILOS

Mr. Pickett has inadvertently placed the senior Senator from Maryland, Mr. Tydings, in the position of charging that seventeen members of the Senate Committee on Territories and Insular Affairs, and twenty-two members of the House Committee on Insular Affairs were either stupid or ignorant. It is unfortunate that Mr. Pickett furnished only part of the record which the committee would find voluminous and illuminating. To show how unjust the inference is let it be noted that Senator Tydings, long after his statement, introduced Senate Bill No. 2209, providing for an absolute limitation on hard-fiber cordage and twine of five million pounds, three million pounds of which would be duty-free, in which he uses "pounds" not "kilos".

The original Independence Act was debated at length by both the House and Senate Committees. There could not have been the slightest possibility that all the distinguished Congressmen and Senators, then members of the United States Congress, or the able witnesses before the congressional committees could have been mistaken.

The bill was undoubtedly submitted by the President of the United States to the executive branches of the Government for comment before signing. There is no record I am aware of that would indicate that there was any thought that the United States Congress had inadvertently used "pounds" instead of "kilos"; in fact, it would be

most unusual for the United States Congress to be using the metric system of weights and measures instead of the English system commonly employed.

Mr. Pickett's statement questions the intelligence of two Independence Commissions sent to the United States by the Philippine people, composed of some of the leading officials of the Philippines, and, in addition, is a reflection on the understanding and intelligence of that patriot, the former Commissioner Pedro Guevara, and that distinguished educator and representative of the Philippine people, the Honorable Camilo Osias.

Two Congresses reviewed the first and second Independence Acts; ninety-six members in the Senate, and four hundred thirty-five members in the House, passed upon the matter.

At this late date, the charge is made that all of these men were thinking of "kilos" but expressing the same in "pounds". To charge the United States Congress and the executive branches of our Government with such an error is an absurdity, too manifest to require extended discussion other than to direct it to your attention.

Three million pounds of hard-fiber cordage and twine which could enter the United States from the Philippines under the Hawes-Cutting act and the Tydings-McDuffie act was determined upon because it was considered the existing "*status quo*" which was the agreed-upon formula at the time for sugar, coconut oil and hard-fibre cordage and twine, the three commodities deemed worthy by the United States Congress of particular mention.

THE CORDAGE QUOTA ACT

Since the passage of the two Independence Acts by the United States Congress, economic conditions warranted the Congress in passing the Cordage Act, Public 137, 74th Congress. The duty-free limitation of three million pounds, written in identical language in both Independence Acts, was brought to the consideration of the Congress, which determined—after full hearings and at which hearings representatives of the Johnson-Pickett Rope Company were heard—that the provisions of the Independence Act should be changed and that an absolute limitation of six million pounds be determined upon. This is all covered in brief filed by myself under date June 19, 1937. It is called to your attention here to further illustrate that as late as 1935—*one year after the reported statement by Senator Tydings*—the United States Congress took cognizance of "*three million pounds*" and not "*three million kilos*".

LABOR COSTS AND EFFICIENCY

I must take particular exception to Mr. Pickett's unwarranted and unfounded testimony as to his understanding that the United States cordage and twine industry employs the cheapest labor in the United States. Such statement is entirely misleading; you have the statement contained in the brief of June 19. A copy of that brief was voluntarily furnished to the American representative of the Johnson-Pickett Rope Company. The statements contained therein concerning the wage rates paid in the United States cordage and twine industry are the result of a study of the National Industrial Conference Board, whose ability and integrity have not been questioned. The wages presented were current and since then labor costs have been increased again by the United States cordage and twine manufacturers. Anyone with the least knowledge must know that employees of the United States cordage and twine industry are among the high, if not the highest, paid for comparable labor.

No attempt was made by Mr. Pickett to offer any oral testimony—and your Committee will know whether he did so in his brief—as to what is actually paid by Philippine mills for their labor.

The question of comparable efficiency was raised. In the brief of June 19, on page 16, it was stated: "The United States cordage and twine industry will be glad to furnish this Committee with detailed figures concerning wages and hours, but feels that similar and comparable figures should be obtained from all Philippine manufacturers".

TRANSPORTATION CHARGES

The brief of the United States cordage and twine manufacturers went into this matter thoroughly. However, let us reiterate that we have no control over freight rates; they are controlled by a *United States Government body*, the United States Department of Commerce. That department only recently declined a request on the part of the Johnson-Pickett Rope Company to decrease the freight rate on rope.

There was inserted into the record today a rate-sheet of the Associated Steamship Lines, indicating a recent advance in the freight rate on rope from the Philippines to the United States. The inference is misleading because nothing was said about an increase in freight rates on fiber to the United States, which increase was relatively more than the increase on rope.

BINDER TWINE

There has been a great deal said about binder twine and discrimination against Philippine cordage manufacturers. This matter

was gone into thoroughly in the brief filed June 19, last. As Doctor Dorfman very ably developed in today's hearings, the Philippine manufacturers have not made binder twine, at least for the United States market. The largest amount of binder twine ever exported from the Philippines to the United States in any one year was 50,000 pounds. This is such a small relative amount compared to the millions of pounds consumed in the United States as to be absolutely negligible. Mr. Pickett's contention, therefore, is not for the protection of an established binder-twine industry, for export to the United States, but to open the door for a new industry. It is not protection for an established business, but a request to establish a new business not now in existence. There can be no discrimination in prohibiting the importation of a commodity not now produced by the exporting country. The Philippines can be assured that the United States will take care of any necessary limitation of the imports of binder twine from foreign countries. That problem is not one which should needlessly worry the Filipino people or Philippine cordage manufacturers. The necessity of maintaining the American binder-twine industry has been recognized and negotiations to limit the quantities of binder twine imported into the United States from foreign countries are today underway.

CORDAGE QUOTA ACT BENEFICIAL TO PHILIPPINES

Mr. Pickett is inconsistent in requesting that unlimited quantities of cordage, over and above a free-duty amount, be permitted entry into the United States "paying full duty" while, in the same testimony, declaring that Philippine manufacturers "could not pay 20% of the existing duties" and do business in the United States. His own testimony demonstrates that the Cordage Quota Act was beneficial to the Philippines in that it permitted the sale, in the United States, of 3,000,000 pounds more cordage and twine than would be possible under the two Independence Acts.

The cordage and twine manufacturers of the United States are entirely sympathetic with the thought of establishing such trade relations between the Philippine Islands and the United States as will be to the mutual advantage of the two people.

Permit me to reiterate the desire of the industry I represent to cooperate with your Committee to the fullest extent. We will be glad to furnish any additional data you may require for your confidential use and purposes, and consistent with our competitive necessities.

As the deliberations of your body will ultimately be submitted for review, both by the American Congress and the Philippine Assembly,

and will ultimately appear in printed form, I respectfully request that this memorandum be made part of the official records of your Commission and appear with other testimony and briefs.

Respectfully submitted, on behalf of the entire hard-fiber cordage and twine industry of the United States,

J. S. McDANIEL

Chairman, Cordage Institute

**BRIEF
OF THE
COTTON TEXTILE INSTITUTE
AND THE
TEXTILE EXPORT ASSOCIATION OF THE UNITED STATES**

(935)

BRIEF
OF THE
COTTON TEXTILE INSTITUTE
AND THE
TEXTILE EXPORT ASSOCIATION OF THE UNITED STATES

STATEMENT FOR JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS, MADE JOINTLY BY THE COTTON TEXTILE INSTITUTE, REPRESENTING 75 PERCENT OF THE COTTON MILLS OF THE UNITED STATES, AND THE TEXTILE EXPORT ASSOCIATION OF THE UNITED STATES, WHOSE MEMBERSHIP HANDLES 70 PERCENT OF THE COTTON PIECE-GOODS EXPORTED FROM THE UNITED STATES

We urge that consideration be given to the restoration in whole, or in part, of the large volume of cotton business that has been lost to the shippers of the United States.

The exhibit below sets forth the extent to which the participation of the United States in the cotton-goods business with the Philippines has dwindled in recent years:

COTTON PIECE-GOODS IMPORTS
PHILIPPINE ISLANDS

Year	PHILIPPINE ISLANDS			TOTAL ALL COUNTRIES
	FROM JAPAN	FROM U. S. A.	FROM OTHERS	
	Sq. meters	Sq. meters	Sq. meters	Sq. meters
1927-----	19, 848, 000	63, 078, 000	18, 432, 000	101, 358, 000
1928-----	24, 350, 000	79, 084, 000	20, 242, 000	123, 676, 000
1929-----	19, 741, 000	77, 965, 000	20, 511, 000	118, 217, 000
1930-----	26, 988, 000	41, 315, 000	15, 708, 000	84, 011, 000
1931-----	32, 764, 000	46, 876, 000	15, 036, 000	94, 676, 000
1932-----	20, 620, 000	88, 064, 000	13, 722, 000	122, 406, 000
1933-----	23, 687, 000	67, 712, 000	9, 526, 000	100, 925, 000
Total 7 yrs-----	167, 998, 000	464, 094, 000	113, 177, 000	745, 269, 000
Average for 7 yrs-----	24, 000, 000	66, 299, 000	16, 168, 000	106, 467, 000
1934-----	56, 356, 000	43, 312, 000	7, 482, 000	107, 150, 000
Total 8 yrs-----	224, 354, 000	507, 406, 000	120, 659, 000	852, 419, 000
Average for 8 yrs-----	28, 044, 000	63, 426, 000	15, 082, 000	106, 554, 000
1935-----	72, 374, 000	35, 250, 000	5, 700, 000	113, 325, 000
1936-----	47, 414, 000	27, 583, 000	29, 914, 000	99, 911, 000

For 7 years prior to 1934 the average imports of cotton piece-goods into the Philippines from all countries was about 106,000,000 sq. meters per year. The United States supplied about 66,000,000 sq. meters, Japan supplied about 24,000,000 sq. meters, and the balance was shipped by other countries.

In 1934, the situation began to change. In that year Japan shipped 56,000,000 sq. meters, or about $2\frac{1}{4}$ times what they had shipped in the previous 7 years' average, and 24,000,000 sq. meters more than they had shipped in any previous year, whereas, the United States shipped only 43,000,000 sq. meters in 1934, or one third less than their 7 years' average.

In 1935, Japan's shipments increased to 72,000,000 sq. meters, as compared with 35,000,000 from the United States. In the latter half of 1935, the Japanese entered into an arrangement with our State Department whereby Japan undertook to limit their shipments of cotton piece-goods to the Philippines. A copy of the press release relative to the agreement is attached. From the total figures noted in the agreement our exporters naturally expected that this would result in an equal division between Japan and the United States on shipments of cotton cloths to the Philippines, or about 45,000,000 sq. meters each.

Subsequent developments have demonstrated that while the agreement was effective in limiting Japan's shipments of cotton piece-goods, it did not attain the underlying objective, namely, enable the United States to regain a reasonable part of the volume it has lost. As the agreement was with Japan alone for cotton piece-goods only, it had no bearing upon Japan's shipments of rayon piece-goods, nor upon the shipments of cotton piece-goods from other countries.

In the first fiscal year of the agreement, Japan's cotton piece-goods shipments were 52,500,000 sq. meters (3,000,000 sq. meters over the maximum quota figure). In the first eight months of the second fiscal year of the agreement, Japan's shipments were 36,000,000 sq. meters, whereas the United States shipped 18,000,000 sq. meters of which about 6,000,000 were embroidery cloths. It will be noted, therefore, that in recent months shipments of cloths for consumption have been made in the ratio of three to one in favor of Japan.

It will further be noted that in the first 20 months of the agreement, Japan had shipped all but 1,500,000 sq. meters of the total of 90,000,000 for two years. Included in all the United States figures are embroidery cloths (goods sent to the Philippines to be made into garments, then embroidered and returned here) totaling at least 8,000,000 sq. meters yearly, which figure must be deducted from the United States cotton piece-goods total, to determine the net consumption volume of American cloths. These deductions must necessarily be made, if we are to arrive at a fair comparison with the Japanese figures.

Japan's shipments of rayons have increased tremendously: 6,000,000 sq. meters in 1932; 5,000,000 in 1933; 7,000,000 in 1934. Then they almost doubled in 1935 to 13,000,000, and again almost doubled in 1936 to 24,000,000. China's shipments of cotton piece-goods were negligible prior to the Japanese agreement, but in the calendar year 1936 they were over 11,000,000 sq. meters. The combination of rayons from Japan and cotton piece-goods from China totals 36,000,000 sq. meters for 1936. Japan's prices of rayons are so low that the rayon piece-goods replace certain classes of cotton piece-goods heretofore supplied by the United States.

The particulars heretofore mentioned demonstrate that the Japanese agreement has failed in its objective and it appears that the solution to the problem lies in either of the following courses:

A. A quota arrangement limiting the shipments (meter volume) of all countries other than the United States. The quota to be established by the Philippine Government and based on a percentage of the average of combined cotton piece-goods and rayon shipments for recent years of countries other than the United States. The quota could be sufficiently liberal in its volume limitation to avoid any important objection from the affected countries and still regain for us a fair share of the Philippine business.

B. Substantially increase the present tariff rates which have been in effect since 1909.

C. Make certain changes in classification in conjunction with a tariff increase.

Of the three courses suggested, the most effective appears to be the quota arrangement, as the quantity which each country could ship is thereby definitely limited, whereas tariff revision always leaves the way open for some country to arrange by subsidy or otherwise to continue their business in the market.

The quota figures, or the degree of tariff increase, of the changes in classification necessary to accomplish the desired objective could obviously be determined only after rather extended study and research, but now as always we are ready to collaborate in any program which will afford us reasonable prospect of regaining, in whole or in part, the very substantial volume of business which the United States textile industry has heretofore enjoyed from the Philippine Islands.

June 15, 1937.

BRIEF
SUBMITTED BY THE
CROWN WILLAMETTE PAPER COMPANY

(939)

BRIEF

SUBMITTED BY THE

CROWN WILLAMETTE PAPER COMPANY

July 16, 1937

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
San Francisco District Office,
Bureau of Foreign and Domestic Commerce,
311 Customhouse,
San Francisco, Calif.

GENTLEMEN:

We respectfully submit for your consideration the following data covering the paper business between the Philippine Islands and the United States, in as much as it is of vital importance toward the continuance of the present considerable volume of trade between the two nations.

1. The United States Government statistics show that during 1936 the following newsprint and coarse papers were purchased by the Philippine Islands:

<i>Classification</i>		<i>Pounds</i>	
Newsprint paper.....	#4711	3, 148, 016	\$73, 185
Book paper, not coated.....	4714	3, 486, 318	159, 323
Cover paper.....	4720	9, 668	1, 481
Surface-coated paper.....	4725	507, 418	38, 683
Greaseproof and waterproof papers.....	4721	508, 455	119, 619
Wrapping paper, except Kraft.....	4723	7, 224, 971	210, 254
Kraft wrapping paper.....	4724	572, 886	21, 207
Paper bags.....	4776	1, 187, 322	69, 426
Tissue and crepe paper.....	4726	84, 693	7, 211
Toilet paper.....	4728	547, 086	41, 223
Paper towels and napkins.....	4729	145, 415	13, 734
		<hr/>	<hr/>
		17, 402, 248	\$755, 446

2. The present volume of business has been developed through the invaluable assistance of the present rate of duty in favor of American papers.

3. If the present preferential duties on American paper were withdrawn, the business would be lost or at least curtailed to such an extent that it would be negligible. This is a practical certainty, owing to the close proximity of large paper-manufacturing nations who—

- (a) would enjoy low freight rates;
- (b) have a low standard of wages;
- (c) be determined in developing their trade in the Philippine Islands.

4. In the manufacture of coarse paper the percentage of the total cost which goes to labor is approximately 44%, and in converted products such as greaseproof bags, toilet, and towels, about 50%. Therefore the loss of the present volume of business with the Philippine Islands would represent a considerable direct loss to American labor.

5. The revenue accruing to the steamship companies in the movement of this tonnage amounts to about \$78,000.00, which would, of course, be lost if the paper industry cannot sell their products in the Philippine Islands.

6. President Roosevelt is reported in the press urging a building program for the American Merchant Marine. We respectfully point out that the maintenance of our trade with the Philippine Islands would greatly assist in the preservation of the American Merchant Marine.

In view of the foregoing facts, we respectfully urge the Committee that the present tariff of the Philippine Islands in favor of American papers be maintained, and hope that our plea will be heeded.

Respectfully submitted,

CROWN WILLAMETTE PAPER COMPANY
DIVISION OF CROWN ZELLERBACK CORPORATION
R. A. McDONALD, *Vice President*

BRIEF
SUBMITTED ON BEHALF OF THE
DOUGLAS FIR PLYWOOD ASSOCIATION

(943)

BRIEF
SUBMITTED ON BEHALF OF THE
DOUGLAS FIR PLYWOOD ASSOCIATION

CULBERTSON & LEROY
ATTORNEYS AND COUNSELORS AT LAW, COLORADO BUILDING
WASHINGTON, D. C.

June 12, 1937

*THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
8th & E Streets,
Washington, D.C.*

GENTLEMEN :

As Washington counsel for the Douglas Fir Plywood Association of Tacoma, Washington, we have been requested to submit a brief statement indicating something of the nature and extent of its interest in the work of the Joint Committee.

The Douglas-fir-plywood industry is a young and growing industry located in the States of Washington and Oregon. The industry is active in both the domestic and foreign markets. It has organized a Webb-Pomerene-act corporation called "Pacific Forest Industries". The managing director of that association, Mr. Axel H. Oxholm, for some months past has been on a protracted trip through Latin America, Africa, and Europe, in connection with the development of export markets.

Pacific Forest Industries is desirous of developing a market in the Philippine Islands as soon as the contemplated change in the national status of the Islands makes that possible. Recently, on behalf of the Pacific Forest Industries, we made inquiry of the Federal Trade Commission to ascertain whether there had been any such change in the status of the Islands which would permit the development of that market as an export field under the Webb-Pomerene act. We were advised that the Federal Trade Commission had not recognized as yet any change in the national status of the Philippine Islands which would authorize the exploitation of that market under the Webb-Pomerene act.

On that account this presentation is made on behalf of the domestic industry by its domestic trade association, the Douglas Fir Plywood Association of Tacoma, Washington. It is made with the purpose of making available to this Joint Committee such informational

data as may enable it to take appropriate steps to protect the industry both during the present national status of the Philippine Islands and their ultimate independent status, whenever that shall transpire.

As an aid to that end the following facts may be pertinent. In view of the national status of the Islands up to the present time, they comprise a remote domestic market and not a foreign market. As a consequence, a small amount of business has been developed by the various mills directly. The volume of this business is small but shows promise of growth. Shipments of Douglas-fir plywood to the Philippines by the various mills since 1927 have been as follows:

1927-----	3,000	square feet	
1928-----	20,000	" "	
1929-----	18,870	" "	
1930-----	48,314	" "	
1931-----	149,952	" "	
1932-----	36,098	" "	
1933-----	56,839	" "	
1934-----	58,240	" "	
1935-----	42,280	" "	
1936-----	154,211	" "	
1937-----	122,100	" "	(first 4 months)

The industry feels that although there may appear to be an opportunity to develop a market in the Islands, there would seem to be a probability that the Japanese manufacturers of plywood would move in as soon as the Islands gain an independent national status and absorb whatever business is available because of their extremely low prices.

With respect to the development of markets abroad for plywood, the industry is peculiarly vulnerable to Japanese competition. The industry maintains one of the highest wage-levels in the Northwest. It is also dependent for its raw materials on "peeler logs" of Douglas fir. These are selected sections of large logs, free of knots and other imperfections. The supply is limited because it is incidental to regular Douglas-fir lumbering operations. The lumber companies charge substantially higher prices for the "peeler logs".

Japanese interests in the last few years have been making increasingly large purchases of "peeler logs" and even of standing Douglas-fir timber. This raw material is taken to Japan and converted into plywood at the prevailing low Japanese wage-level. This places the Japanese in a dominating position, particularly in the markets in the Orient. In 1936, 13,000,000 square feet of Douglas-fir plywood was manufactured in Japan.

As a result of this situation the industry has been unable to obtain any business in China, Japan, or any of the other oriental countries due to the fact that Japanese-made Douglas-fir plywood is being sold in these countries at prices far below those possible for the countries here. The industry feels that the quality supplied by it is much better than the Japanese-made article. For this reason it is felt that the demand for the American product will continue in the Philippines if the price difference is not too great.

Although the above statistical record is not impressive the shipments by the mills directly during the current year indicate an increasing demand without any particular [? effort] on the part of the mills to increase the volume. With this growth of popularity of the product it is possible that a market might develop for 500,000 to 1,000,000 square feet per year.

By way of amplifying the informational data contained herein, there is filed herewith a copy of a printed booklet descriptive of the industry and entitled *The Douglas Fir Plywood Industry and the Development of Its Export Trade*.

In connection with this preliminary statement and pursuant to the supplementary public notice of June 8, 1937, issued by the Acting Chairman, it is respectfully requested that the industry may have leave to file such further statement as may be appropriate within the time as now extended to 12 o'clock, July 10, 1937.

Respectfully submitted,

CULBERTSON & LEROY
By HOWARD S. LEROY

BRIEF
SUBMITTED BY THE
EL DORADO OIL WORKS, PHILIPPINE PURCHASING
AGENCY

(947)

BRIEF
SUBMITTED BY THE
EL DORADO OIL WORKS, PHILIPPINE PURCHASING
AGENCY

MANILA, P. I., September 7, 1937

TO THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Manila, P.I.

GENTLEMEN:

We have the honor to submit the following statement in connection with trade conditions between the Philippines and the United States, so far as they pertain to copra and coconut oil.

The El Dorado Oil Works, a California corporation, has engaged in the crushing of copra in the State of California for the past 47 years. The company has two plants, located at Berkeley and Oakland, California, with a crushing capacity of 13,000 to 15,000 tons monthly, making it today the largest copra-crushing enterprise in the United States. From the year 1918, El Dorado Oil Works has maintained its own buying organization in the Philippines for the purpose of purchasing and shipping raw material to the Pacific coast. With the thought of making world market prices available to copra-producers throughout the Philippine Islands, we have expanded our buying and shipping activities to almost every producing province in the archipelago.

The United States, as you know, is the greatest single consumer of industrial fats and oils, and, as a corollary to this, it is the greatest importer of copra, as such or as coconut oil, from the Philippine Islands. For some years past the imports of industrial fats and oils into the United States have run between 750,000 and one million tons, and as far as we can see there is no diminution of these imports imminent.

Other than inedible tallow there is no major source of American supply for soap-kettle purposes, and this is but a small proportion of the requirements. Other domestic United States fats and oils are butter, lard, cottonseed oil, soy-bean oil, linseed oil, and peanut oil.

It has been said that the excise tax of 3 cents, and subsequent taxes, would prove an incentive to American farmers to produce substitutes for imported fats, making the country independent of outside supplies. We know today that this hope is no nearer fulfilment than when the excise tax was first imposed, and possibly can never be realized for the lauric-acid raw materials of commerce, such as copra and palm kernels, demand a tropical environment for their growth.

The major vegetable-oil supply of the United States is only a by-product. We refer to cottonseed oil. American farmers, of course, will never be able to grow cotton for the sole purpose of supplying the United States with cottonseed oil. Normally our cottonseed-oil requirements represent the seed from 15 million bales of cotton. It has been said that the production of cotton by the United States in excess of 10 million bales presents a difficult marketing problem and means unprofitable prices for farmers. When and if the United States is confined to production of ten million bales of cotton there will be a further deficit of 250,000 tons in the domestic-oil supply (one million bales of cotton furnishing seed for approximately 50,000 tons of refined oil). It is true that there has been a large increase in soy-bean acreage since the imposition of the excise tax. In 1932 there were 12,634 tons of soy-bean oil consumed from imported and domestic sources. In 1936 there were 92,281 tons of soy-bean oil consumed, almost entirely of domestic origin. This is a sevenfold increase, but there was less soy-bean oil used in the soap kettle in 1936 than 1932, the entire increase having gone into edible and paint channels. There likewise has been no increase, nor is there much likelihood of material increase, in the domestic inedible-tallow supply, for this source is also but a by-product of packing-house industries and is governed, not by the necessities of the United States for oil and fats but rather by the production of animals for meat supply. If that remotest of possibilities is ever realized whereby our inedible-tallow poundage equals our industrial demand, we would still find it necessary to import a lauric-acid fat such as coconut oil to complement tallow in soap formulas, for the latter alone will not produce a finished soap of the required lathering and detergent qualities. We ask that the Committee note that none of the domestic oils listed above are produced for soap purposes and there is not the remotest evidence that American farmers would find it profitable to expand their production of these materials if the increase was destined in the future for soap purposes.

Edible interests of all descriptions have emphasized the necessity of maintaining the excise tax on coconut oil because of its competition with butter and cottonseed oil. Where such competition exists the excise tax on coconut oil can be defended and we consider American farmers entitled to the protection but, as we have shown, no harm is done to any domestic product of the United States as far as soap usage is concerned, for butter and cottonseed oil are not produced for this purpose. It therefore follows that the excise tax on soap-

kettle coconut oil is of no benefit to the edible-oil industry of America and a decided burden to the soap-consuming public and the soap industry as a whole. There are no better soaps manufactured the world over than those produced in the United States, and for the production of good soaps coconut oil is a prime ingredient. The more we increase the cost of production of American soaps by the imposition of excise taxes, the wider we open our doors to the entry of foreign soaps privileged by lower-priced raw materials as well as cheaper labor. At the same time we narrow our export market for American soap-producers. It is our earnest belief that should the excise tax on coconut oil intended for use in American soap kettles be removed it would be of enormous benefit to Philippine copra-producers, the American-consuming public, and the American soap industry. Also copra should continue to be admitted free of duty into the United States from the Philippines.

Respectfully submitted,

EL DORADO OIL WORKS
By MANUEL IGUAL, *Manager*

MEMORANDUM

SUBMITTED BY

**JOSÉ MA. ESPINO, CHIEF APPRAISER, BUREAU OF
CUSTOMS, DETAILED TO THE DEPARTMENT
OF FINANCE, MANILA**

(951)

MEMORANDUM
FOR THE
JOINT PREPARATORY COMMITTEE ON PHILIPPINE
AFFAIRS

RE UNITED STATES-PHILIPPINES FREE-TRADE ARRANGEMENT NOT
EQUALLY RECIPROCAL

FREE ENTRY OF PHILIPPINE PRODUCTS INTO THE UNITED STATES
RESTRICTED

Under section 12 of the Philippine Tariff Act of August 5, 1909, as amended by the United States Tariff Acts of October 3, 1913, September 21, 1922, and June 17, 1930, all articles, the growth, product, or manufacture of the United States, upon which no drawback of customs duties has been allowed, are entitled to free entry into the Philippines, provided that they are shipped directly under a through bill of lading from the United States to the Philippines. It will be seen from these provisions of the Philippine tariff law that, with the exception of the requirement of direct shipment and through bill of lading, all American products are entitled to free entry into the Philippines without any restriction.

On the other hand, the entry of Philippine products into the United States is not entirely free. Under section 301, part I, title III, of the United States Tariff Act of June 17, 1930, articles, the growth or product of, or manufactured in the Philippines from Philippine or United States materials, will be admitted into the United States duty-free if they do not contain foreign materials to the value of more than 20 *per centum* of their total value, if no drawback of customs duties has been allowed on them, and provided that they are shipped directly under a through bill of lading from the Philippines to the United States. This free-entry provision has been modified by the Tydings-McDuffie law, the Jones-Costigan Sugar Limitation Act, and the Philippine Cordage Limitation Law.

According to the Tydings-McDuffie law, the free entry into the United States of Philippine sugar, coconut oil, and abaca cordage will be limited to 850,000 long tons, 200,000 long tons, and 3,000,000 pounds, respectively, a year. The quantity in excess of the limitation will be subject to customs duty. The Tydings-McDuffie act, approved on March 24, 1934, further provides for the imposition by the Philippine Commonwealth of a graduated export tax on all dutiable articles exported to the United States during the sixth, seventh, eighth, ninth, and tenth years after the inauguration of the Commonwealth, at

the rate of 5, 10, 15, 20, and 25 *per centum*, respectively, of the rates of duty prescribed by the American tariff law.

The Jones-Costigan act, which was approved by President Roosevelt on May 9, 1934, provides in part a quota on Philippine sugar that may enter into the United States during the current year, which in 1934 was fixed at 1,015,185 short tons, in 1935, 981,958 short tons, and in 1936, 1,068,057 short tons. In effect it modifies the terms of the Tydings-McDuffie law which does not set any limit to the quantity of sugar that may be exported by the Philippines to the United States subject to duty in excess of the free-entry limitation in the amount of 850,000 long tons. Since it has been decided that the Jones-Costigan act is the controlling law, therefore there is a limit to the amount of sugar that the Philippines could ship to the United States—free of duty up to 850,000 long tons, and dutiable in excess thereof but not beyond the yearly quota prescribed by the Jones-Costigan law.

The quota on Philippine cordage set by the Tydings-McDuffie act at 3,000,000 pounds a year free of duty has been increased to 6,000,000 pounds by the Philippine Cordage Limitation Law which was passed on June 14, 1935. Under this act the importation into the United States of abaca cordage is limited to 6,000,000 pounds a year, for three years subject to extension for another three years or more, which 6,000,000 pounds will enter the United States free of duty. After the expiration of the operation of the Cordage Limitation Act, the provision of the Tydings-McDuffie law relating to the quota on cordage will automatically resume operation.

Other Congressional acts which in effect change the spirit of free-trade agreement between the United States and the Philippines are the Revenue Acts of 1934, 1935, and 1936. The United States Revenue Act of 1934, effective on May 10, 1934, imposed a processing tax of three cents per pound on Philippine coconut oil extracted—either in the Philippines or in the United States—from copra of Philippine origin. The Revenue Act of 1935 amended that of 1934 and subjected Philippine-made fatty acids, vegetable lard, soap, and some other products to excise tax. The 1936 Revenue Act amended both of the preceding acts and, so far as the Philippines is concerned, extended the list of taxable oils and increased the rates on some of the oils already taxed. The effects of these revenue acts are to lessen the use and decrease the price of Philippine coconut oil in the United States, and, consequently, to reduce its exportation from, and production in, the Philippines.

OTHER BARRIERS TO ENTRY OF PHILIPPINE PRODUCTS INTO THE UNITED STATES

In addition to the restrictions imposed upon Philippine products entering the United States described in the preceding paragraphs, the provisions of section 22 of the Philippine Tariff Act of August 5, 1909, may be mentioned. According to that section, drawback of customs duties will not be allowed on articles exported to the United States or any of its territories, which are admitted therein free of duty. There is no similar prohibition of drawback on shipments of American goods to the Philippines.

Apropos [of] the use of foreign materials in the manufacture of Philippine articles entitled to free entry into the United States, certain barriers are still placed in their way, notwithstanding the fact that said materials are the growth, product, or manufacture of the United States, or are of foreign origin valued [at] 20 *per centum* or less of the total value of the finished product. Examples of these difficulties which stand in the way are the following:

On March 12, 1934, the Commissioner of Customs of the United States, under Treasury Decision No. 46918-3, published the summary of the decisions of the Bureau of Customs, some of which affect the commerce and trade of the Philippines. Reference is made to the importation into the United States of Philippine beer contained in American or foreign-made bottles. While beer was admitted free entry, the bottles were subject to duty on the ground that they were not components of articles manufactured in the Philippines, since the filling of containers was not considered a manufacture or production within the meaning of section 301 of the United States Tariff Act of 1930. (See also T.Ds. nos. 48306 and 48855.)

On April 17, 1935, another case was decided by the United States Customs Court against the free entry of the containers of certain gin distilled in the Philippines. According to the decision of the United States Customs Court, the glass bottles, being of foreign manufacture, were subject to duty, while the gin contained in the said bottles was entitled to free entry into the United States. In short, the glass bottles were properly dutiable at one third the rate provided therefor in paragraph 217 of the United States Tariff Act of 1930 by virtue of paragraph 810 of said act; while the gin was free of duty under the provisions of section 301 of the said Tariff Act of 1930. This decision is published in Treasury Decision No. 47649.

United States Tariff Discriminatory

A comparison of the foregoing provisions of the United States Tariff Act of 1930, and the rules and decisions governed thereby or

pertaining thereto, with identical provisions of the Philippine Tariff Act of 1909 affecting the free-trade relation of both countries, will reveal a certain ill-balanced reciprocal arrangement. In the first place, there is no provision in the Philippine tariff law restricting or limiting the use of foreign materials in articles manufactured in the United States and imported into the Philippines free of duty. In other words, while all American goods are admitted duty-free into the Philippines, not all Philippine products are imported into the United States free of duty. For example, Philippine embroideries containing foreign materials in excess of 20 *per centum* of their total value are subject to duty upon entry into the United States. (Sec. 12, Philippine Tariff Act of August 5, 1909 as amended by the United States Tariff Acts of 1913, 1922, and 1930.)

In the second place, bottles of American or foreign origin, imported as the usual containers of Philippine beer and gin, are not entitled to free entry into the United States as components of beer or gin manufactured in the Philippines. (Treasury Decisions nos. 46918, 47649, 48306, and 48855.) On the other hand, under rule 13 (*h*) of the Philippine Tariff Act of 1909, no duties are assessed on similar containers of American products imported into the Philippines free of duty, so long as they are the usual containers adopted for use in the *bona-fide* transportation of such American goods.

Unequal Reciprocal Treatment

It will be seen from the foregoing considerations that the tendency in the United States is to restrict the importation of Philippine products and manufactures into that country. On the other hand, the Philippine tariff and other laws do not contain any restrictive or discriminatory provision affecting unfavorably the free flow of American goods into the Philippines. In short, the present free-trade arrangement between the United States and the Philippines, so far as the provisions of the tariff laws of both countries are concerned, is not based on equal reciprocal treatment—favorable to the products of the United States, but unfavorable to those of the Philippines.

All the foregoing considerations regarding the barriers to the entry of Philippine products into the United States should be taken into consideration by the Joint Preparatory Committee. The United States-Philippine tariff relation should be adjusted in a manner that would be equally advantageous to both countries.

Respectfully submitted,

JOSÉ MA. ESPINO
*Chief Appraiser, Bureau of Customs
Detailed to the Department of Finance*

BRIEF
SUBMITTED ON BEHALF OF THE
FOREIGN TRADE ASSOCIATION OF THE SAN FRANCISCO
CHAMBER OF COMMERCE

BRIEF

SUBMITTED ON BEHALF OF THE
FOREIGN TRADE ASSOCIATION OF THE SAN FRANCISCO
CHAMBER OF COMMERCE

TO THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS:

The Foreign Trade Association of the San Francisco Chamber of Commerce numbers among its membership about 350 of the leading exporters, importers, foreign-trade bankers, shipping companies, and other institutions, all interested in foreign trade and concerned with our relations with the Philippines.

The Foreign Trade Association therefore presents this brief, not in the interest of any specific product in the Philippine-American trade but in the interests of San Francisco and the Pacific Coast in general. The Foreign Trade Association, in an endeavor to secure specific information on the possible effects of Philippine economic as well as political independence, sent a *questionnaire* to its entire membership and others interested requesting information as to the general effect upon their business in the Islands if their products were subjected to the Philippine tariff now imposed on foreign products.

Of the replies received and tabulated, about 45 percent indicated a prospective complete loss of their exports to the Philippines, while 50 percent indicated that their sales would be considerably reduced. The balance of 5 percent indicated that the application of duties would not greatly affect their sales.

There are many factors which will affect exports to the Philippines from San Francisco in the event of a complete severance of trade protection under mutual tariff concessions, even as they have been set forth in the Tydings-McDuffie act.

Political independence has been uppermost in the minds of the Philippine leaders. While the economic aspects of independence have received much consideration, they have been subordinated to the idea of political independence.

In the Tydings-McDuffie act, provision was made in section 13 for calling a conference of representatives of the Government of the United States and the Government of the Philippine Islands for the purpose of formulating recommendations as to future trade relations between the two governments. Although the act merely specifies that such conference shall be held at least one year "prior to the date fixed in this Act for the independence of the Philippine Islands" (July 4, 1946), the appointment of this Joint Preparatory

Committee some eight years prior to the final date fixed for the conference shows the increasing importance now attached to the economic questions arising from independence and the realization that definite and satisfactory steps must be taken preparatory to such independence.

It is the confident belief of all parties interested in the continued economic progress of the Philippine Islands that this Committee and the conference provided for in section 13 of the act will recommend and the Congress of the United States and the Legislature of the Philippines will adopt measures really adequate to protect the trade relations between the United States and the Philippine Islands so as not to impair the economic, social, and political institutions of the Islands nor defeat the avowed purpose to secure real and effective independence at the end of the transition period.

The Tydings-McDuffie act makes no provision for trade relations after independence and its provisions for transition during the Commonwealth period are arbitrary and destructive of existing trade.

The trade relations between the Philippine Islands and the United States and the civil rights of citizens and corporations of the United States by the action of Congress and of the Philippine people have thus been definitely fixed and determined until July 4, 1946. Having thus been determined and fixed, many citizens and corporations, [*relying*] thereon and depending on the good faith of the two Governments, have made definite commitments and incurred definite obligations.

We, therefore, respectfully submit that it is fundamental that the trade relations between the Philippine Islands and the United States, and the civil rights of citizens and corporations of the United States cannot, in fairness and in good faith, be amended so as to be less favorable to citizens, corporations and residents of and investors in the Philippines than as provided in the act itself.

On the contrary, it has generally been recognized that in many respects the economic provisions of the act are unfair and do not make sufficient allowance for the necessary economic adjustment in the Philippine Islands prior to the date of the recognition of independence.

Viewed from the standpoint of an independent, self-sufficient national economy, the present economy of the Philippines is over-balanced and abnormal. It has been built up on reliance on the protected American markets which the free-trade policy of the 1909

act set in motion. The result has been, in some industries, high cost, which would make competition in the world market difficult, if not impossible. Quantities are also produced in some industries which could not be disposed of profitably in competition with other areas outside the customs barriers and restrictions imposed by American and Philippine law.

If the provisions of the Independence Act were allowed to become effective, as they now are, many Philippine products would be seriously and disastrously affected.

The first fact, then, is the destruction of the Philippine economy which the enforcement of the provisions of the Independence Act would bring about. The second fact is the effect on the standard of living, or, more accurately, the sources of existence of thousands of Philippine people.

The realization of the effect on the Philippine people is becoming, with the shortening of time before political independence, only too vivid. The Philippine Islands are not as yet highly developed industrially. Their need of industrial products and, indeed, of capital goods for establishing their own industries have heretofore been supplied through the proceeds of their export trade. Throughout the larger part of the Islands, every-day necessities and conveniences are supplied from the proceeds of their exports of agricultural products.

We are deeply concerned over the large and, we believe, unnecessary losses which, with the application of the economic provisions of the act, will be incurred by United States investors in affected Philippine industries. We understand that either in the United States or in the Philippine Islands such industries will present to the Committee information and data. For the purpose of this brief, therefore, we are primarily concerned over the loss which will be the direct result of the application of the economic provisions of the act to the agricultural producers and manufacturers and to the transportation companies on the Pacific coast.

We have discussed the effects of those economic provisions on the Philippines, where it is obvious that if any present Philippine industries are ruined and as a result thereof Philippine exports are reduced by more than 50 percent, the sale of goods and services by the United States to the Philippines must proportionately decline. As a matter of fact, the decline will be more than proportionate for Pacific-coast manufacturers and agricultural producers, in as much as the large Philippine trade now carried on in the Pacific area represents a larger proportion of the total trade of that area than it does in other areas of the United States. The loss of the preferential position for Pacific-coast products in the Philippine market will therefore seriously affect the foreign commerce of that area.

Free trade between the Philippine Islands and the United States undoubtedly has resulted in incalculable advantages to the Philippine people in education, communication, medical and other services of the Government and in a higher level of living, but it has also been a great advantage to the Pacific Coast, for it has provided a large outlet to its manufacturers and the agricultural products of this territory as well as a great benefit to our Merchant Marine. In order that the Committee may have some idea of the imports through San Francisco and the exports from San Francisco, we are attaching hereto figures by commodities for the year 1936.

We are concerned not only with this probable loss in trade on the basis of present conditions, but even more over the loss of a market which, in the future, promises to be of far greater value to the United States. The population of the Philippine Islands is rapidly increasing. The level of living of the Philippine people is steadily rising. New industries are being developed and they are increasing the purchasing-power of the Philippines. Demands for the products of the Occident are steadily increasing. We can see no valid reason why it is not possible to make a mutually advantageous trade agreement between the two countries which will continue indefinitely after the recognition of the independence of the Philippine Islands.

We respectfully submit that it would be mutually advantageous to both countries to continue preferential trade relations on a fair and equitable basis for an indefinite period after recognition of the independence of the Philippine Islands. As long as Philippine products have free access to the highly protected markets of the United States, products of the United States should be reciprocally protected in the Philippine Islands, at least to the extent of permitting the United States to retain outlets in the Philippine Islands heretofore enjoyed. We have had an opportunity of reading the briefs submitted by the Millers' National Federation, the North Pacific Millers' Association, the National Foreign Trade Council, Inc., the National Foreign Trade Association, Inc., and other briefs which were submitted to your Committee at Washington, D. C., in defense of a longer period of reciprocal relations and wish to heartily endorse these briefs as submitted.

Respectfully submitted on behalf of the

FOREIGN TRADE ASSOCIATION OF THE
SAN FRANCISCO CHAMBER OF COMMERCE
V. B. SMITH, *Chairman*
Philippine-American Trade Committee

JULY 20, 1937.

PHILIPPINE ISLANDS

IMPORTS THROUGH SAN FRANCISCO

January 1, 1936 to December 31, 1936

The following figures represent tons of 2,000 pounds.

The column marked "total" is total imports through San Francisco from all foreign countries.

	Tons	Total	Percent of total
Canned fish.....	82	2,966	2%
Animal products, N.O.S.....	33,187	6,623	48
Desiccated coconuts.....	25,769	25,958	99%
Feed (Oil cake).....	6,289	15,687	40
Nuts, N.O.S.....	56	1,558	3%
Edible vegetable oil.....	103	2,157	4%
Canned pineapple.....	4,069	5,334	76%
Rice.....	269	6,948	4
Sugar.....	61,525	79,411	77%
Liquors, N.O.S.....	187	536	35
Copra oil seeds.....	66,337	68,809	96%
Coconut oil.....	16,300	16,300	100
Rubber.....	22	2,191	1
Tobacco.....	328	597	55
Cordage.....	330	693	47%
Manufactured cotton.....	45	4,133	1
Unmanufactured fiber.....	2,324	3,711	62%
Kapok.....	74	3,228	2
Lumber.....	7,655	17,725	43
Wood manufacture.....	12	2,331	1/2
Ferro-alloys.....	104	3,440	3
Iron ore.....	400	400	100
Unclassified.....	687	5,139	13

EXPORTS FROM SAN FRANCISCO

Butter, eggs, & cheese.....	134	1,289	10
Canned salmon.....	122	6,016	2
Canned fish, N.O.S.....	3,472	15,476	22%
Dried fish.....	110	675	16
Leather & manufacture.....	220	480	46
Canned meats.....	422	567	74%
Canned milk.....	2,859	5,692	50
Animal products, N.O.S.....	48	1,375	3 1/2
Cereals.....	109	346	31%
Coffee.....	129	554	23
Flour.....	182	7,026	2%
Foodstuffs, N.O.S.....	2,835	5,548	51
Canned fruit.....	787	110,766	1
Dried fruit.....	628	144,798	1/2
Fresh fruit.....	1,140	41,272	2%
Hay and feed.....	226	10,409	2
Oil, cooking.....	71	347	20%
Sugar.....	123	420	29
Canned vegetables.....	366	12,102	7
Fresh vegetables.....	477	11,675	4
Rubber manufacture.....	198	2,848	7

EXPORTS FROM SAN FRANCISCO—Continued

	Tons	Total	Percent of total
Tobacco.....	221	559	39½
Other vegetable products.....	849	6,370	13½
Burlaps.....	246	434	56½
Cotton manufactures.....	154	707	21½
Fiber manufactures.....	30	51	59
Linoleum.....	26	2,044	1
Textiles, N.O.S.....	88	366	24
Lumber.....	213	79,758	½
Paper manufacture.....	4,184	23,475	18
Pencil slats.....	31	3,456	1
Wood and manufacture.....	74	860	8½
Asphalt, petroleum.....	6,742	68,184	10
Brick.....	153	4,006	4
Cement.....	28	3,063	1
China.....	182	271	67
Oil, gasoline.....	7,400	23,457	31½
Naphtha.....	4,404	5,285	83½
Oil.....	106	5,896	2
Lubricating oil.....	2,554	66,660	4
Glass & manufacture.....	97	315	30½
Salt.....	158	35,370	½
Roofing.....	866	12,102	7
Sulphur.....	35	930	4
Other non-metallic minerals.....	638	5,540	11½
Bars (iron).....	761	1,073	7
Pig iron.....	170	170	100
Scrap.....	141	62,050	-----
Tin-plate.....	43	217	2
Iron, N.O.S.....	72	266	27
Pipe & fittings.....	102	840	12
Rails.....	874	8,214	10
Structural steel.....	68	596	11
Wire.....	152	513	29½
Steel, N.O.S.....	345	828	41½
Advanced manufactures.....	692	3,892	17½
Lead.....	230	8,869	2½
Zinc.....	94	406	23
Metals, N.O.S.....	137	5,071	2
Autos; parts.....	618	4,424	14
Electrical machinery.....	442	2,923	15
Machines; parts.....	1,396	8,364	16½
Drugs & chemicals.....	1,280	12,704	10
Explosives.....	143	197	72½
Dynamite.....	2,155	2,669	81
Fertilizers.....	14,925	17,781	84
Paint.....	977	6,892	14
Soap.....	347	803	43
Unclassified.....	791	3,389	23
Bulk oil.....	68,745	1,562,165	4½

The above figures represent tons of 2,000 pounds.

The column marked "total" is total exports from San Francisco to all foreign countries.

BRIEF
SUBMITTED BY THE
FOREIGN TRADE ASSOCIATION OF SOUTHERN
CALIFORNIA

BRIEF

SUBMITTED BY THE

FOREIGN TRADE ASSOCIATION OF SOUTHERN CALIFORNIA
LOS ANGELES, U. S. A.*July 19, 1937*JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*c/o Chamber of Commerce,
San Francisco, California.*

GENTLEMEN:

This association fears the result of any precipitous action changing the existing relations between the United States and the Philippine Islands.

We have no knowledge concerning possible political situations which might cause our own Government to desire separation from the Islands and therefore have no expression to offer on this angle. From information at hand, however, based upon statements of influential citizens of the Islands, after more mature consideration perhaps we are caused to question as to whether "independence" is really the desire of the Philippine people.

We do, however, commend to your most favorable consideration, any commercial inequalities existing under the terms of the Tydings-McDuffie act, and express the further hope that American investments in the Islands will be accorded the utmost of protection for a reasonable period of time.

Respectfully submitted,

FOREIGN TRADE ASSOCIATION OF SOUTHERN CALIFORNIA

WILL R. FORKER, *Executive Secretary*

MEMORANDUM

SUBMITTED BY

**THE HONORABLE JOSÉ FUENTEBELLA, ASSEMBLYMAN
FOR THE SECOND DISTRICT, CAMARINES SUR,
NATIONAL ASSEMBLY, MANILA**

(967)

MEMORANDUM

SUBMITTED BY

THE HONORABLE JOSÉ FUENTEBELLA

(Official translation)

Sept. 10, 1937

To the JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS.

MEMORANDUM

The present memorandum has for its objects to ask the Joint Preparatory Committee that in rendering its report it should recommend the suppression of free entry into the United States of cordage manufactured in the Philippines, and consequently the repeal of section "c", article VI of the Tydings McDuffie law.

The exportation of cordage manufactured in the Philippines is entirely prejudicial to the interests of the abaca-producers. And these producers represent one third of, if not more than, the total inhabitants of the Philippines. And the only ones favored by such free entry are the three cordage companies now existing in the Philippines namely: The Manila Cordage Company, Johnson-Pickett Rope Company, and Elizalde Rope Company. This last company is duly and efficiently represented in the Joint Preparatory Committee.

Because of the cost of production, cordage manufactured outside of the country cannot face the competition of the cordage manufactured in the Philippines. And if these foreign cordage manufacturers who are the principal consumers of our hemp or abaca, cannot stand such competition, in what form or manner can the abaca planters or producers demand and hope for better prices for their hemp?

We believe that it is high time for the Government to adopt a definite policy with regard to this matter: it should favor either the abaca producers or planters, or the cordage manufacturers of the Philippines.

Respectfully submitted,

J. FUENTEBELLA
Assemblyman, Second Dist.
Camarines Sur
(Abaca Region)

**BRIEF
OF THE
GATES RUBBER COMPANY**

(989)

BRIEF
OF THE
GATES RUBBER COMPANY

DENVER, COLORADO, *June 28, 1937.*

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
Eighth and E Streets,
Washington, District of Columbia.

GENTLEMEN :

It will not be possible for a representative of the Export Department of the Gates Rubber Company to appear before the Joint Preparatory Committee on Philippine Affairs when this Committee assembles in San Francisco for oral hearings. However, we should like very much to submit our views in writing at this time for the consideration of this Committee and for consideration regarding the reciprocal trade agreement which will come up at some time in the future. It is our desire that the products manufactured by the Gates Rubber Company be given fair treatment in any reciprocal agreement effected.

The products in which we are principally interested in having included in any agreements that might be made are, first, our line of Gates Vulco ropes or power-transmission V-belts made of cotton and rubber. These are at the present time being sold in the Philippine Islands through the Engineering Equipment and Supply Company of Manila. Our product is one essential to the development of industry in the Philippine Islands. I say this because you are perhaps acquainted with the way the multiple V-belt drive on all types of large power-transmission equipment and the single V-belt drive on all types of light-duty machinery have been replacing the old-fashioned type of driving. If this product is not subjected to duty or quota restrictions it will mean that Philippine industry will benefit in the long run by having access, at low prices, to a supply of V-type power-transmission belts which are an acknowledged leader in the quality field throughout the world.

The second classification of merchandise which we are interested in preserving equitable treatment for is our line of rubber automobile accessories including fan belts, radiator hose, air hose, mats, patches, gasoline-pump hose, paint-spray hose, pump tubing and water hose.

A third important line which will undoubtedly be well represented by the major manufacturers in this country is tires and tubes. We are just now entering the Philippine market with the line of Gates Vulco tires and tubes and they are going to be merchandised through

the Philippine Exporting and Importing Company, whose New York office is 630 Fifth Avenue, New York, and the Manila office is in the Kneedler Building, Carriedo Street, Manila. As we understand this organization, it is completely under Philippine control and management, so we can undoubtedly expect action from their side to see that the Government gives tires and tubes generally favorable treatment. However, we also wish to add our voice to that of other tire and tube manufacturers in the United States for favorable treatment of American manufacturers of tires and tubes in any trade agreement.

Regarding the effects of existing legislation, I should like to bring up the question as to the effect of the Robinson-Patman act regarding business conducted in the Philippine Islands between now and the time complete independence takes effect. Is it necessary that American manufacturers continue to operate under the terms of the Robinson-Patman act as applied to Hawaii and Puerto Rico at the present time?

We should much appreciate your accepting this letter as a statement of our views and will appreciate a reply to this last question.

Cordially yours,

E. E. PARRISH
EXPORT DEPARTMENT

MEMORANDUM
SUBMITTED BY
MATEO GUANZON, SR.

(973)

MEMORANDUM

SUBMITTED BY

MATEO GUANZON, SR.

(Translation)

BACOLOD, OCCIDENTAL NEGROS, P.I.,*August 25, 1937***GENTLEMEN:**

The undersigned, Mateo Guanzon, Sr., of the municipality of Bacolod, Occidental Negros, P.I., respectfully appears before the Joint Committee of American and Filipino Experts and presents the following:

MEMORANDUM

As a result of the conference held in Washington between Assistant Secretary of State Sayre and the President of the Commonwealth of the Philippines, Mr. Quezon, a Joint Committee of American and Filipino Experts has been created for the purpose of investigating and studying the economic relations between both countries and adjusting the same to the future status of the Philippines, the immediate independence of which is proposed by the President as a measure serving the interests of both Nations.

In addition to the definition of the existence and purposes of the Committee mentioned, which were at the proper time published by the agencies of the Philippine Government, estimable persons have had an opportunity to comment thereon in the press and in social circles. The undersigned, however, does not believe that he is committing an indiscretion by saying that the Committee mentioned has been created as an instrument for the conciliation of the American interests with those of the Filipinos, giving the latter certain representation, considering that since 1900, when the American sovereignty was established in these Islands, until 1935, and until the political ties between both Nations shall be severed definitively, in accordance with the provisions of the Tydings-McDuffie Independence Act, the United States Congress has always controlled the foreign trade of the Philippines as well as the currency system of the Islands.

In view of the historical fact that the United States have always exercised their sovereign rights over Philippine affairs, there would be no justification for any modification of the American-Philippine economic relations established by the Tydings-McDuffie act until these Islands shall have been granted the right of trading freely with foreign countries and of freely coining their own currency, adjusting the same to the fluctuations of their domestic commerce.

However, in our humble opinion, an addition to said relations, deemed indispensable and imperative in view of the present circumstances, such as, for instance, the granting by the United States to the Philippines of a loan of two billion dollars in the shape of airplanes, swift small vessels, guns, etc., and the necessary ammunition, would be admissible if one considers the moral obligation of America under the said Tydings-McDuffie act.

If Philippine independence is supported by armaments and the Philippine Army is directed by an expert, American investments in the Islands will be safe, because the Philippine Constitution grants American citizens the same rights as Philippine citizens.

Upon the granting of a loan in the form and manner above indicated, about the time of the opening of the sessions of Congress in January 1938, the Philippine Republic could be established or inaugurated on the 4th of July or 30th of December of the same year, in the security that the Philippine people, having accepted its Constitution without mental reservation, will live up to its charter in which, as we can affirm without boasting, the genius of our race has shown all its fine qualities, in commanding the Government of the people to foster economic stability among the popular masses, by which we understand our Constitutional Assembly to have pronounced itself against penury, assuring domestic peace and order and solving automatically the social question which unfortunately has already taken root in our country, not because of negligence on the part of our leaders but through the force of circumstances, because of the dependent condition of our nation.

So long as Congress controls our foreign commerce and so long as we Filipinos are deprived of the right to legislate on our currency system, these being two vital instruments of the national economy without which no nation can develop its economic interests, we shall have to bow to the force of circumstances in view of our inability to live up to our Constitution, as we are deprived of the instruments necessary for our economic development.

In order to remove these obstacles, President Quezon has proposed a shortening of the transitory period of our independence, his principal object being to foster the welfare and happiness of the masses of the Philippine people and plant the real tree of democracy in our country.

It will not be useless on our part to say that the method of reversion to the taxpayers by the promotion of public works is completely inefficacious, because 50% of the funds remains in the hands of the contractors, 25% goes to the foremen, and only the remainder, 25%, reaches the working-man, after numerous deductions. The facts have

demonstrated that the wage system is depressing and is the cause of the strikes which occur so frequently in the factories and the fields, in America, Europe, and other parts of the globe. The facts have demonstrated that the laborer does not care to save his money, and unless his wife is there when he receives his half-monthly or monthly wages, he returns to his quarters or dwelling without a dime, because he has left his last peseta in the hands of the canteen-keeper or of the woman selling tasty *dinuguan* or *linaga*.

On the other hand, by a prudent distribution of the public lands and under Government leadership, they would be able to grow their own daily rice and to use their additional income to pay for the needs of the Government.

But there is some prejudice against the distribution of the public lands, despite the constitutional mandate that the Government shall promote economic stability among the people. As it is the purpose of that distribution of the public lands to implant true democracy in our country and promote the welfare and happiness of the people, the conservative elements should incline toward commerce, where they will find an ample field for accumulating wealth.

It is an established fact that we Filipinos repudiate the division between the rich and the poor, because of its tragic consequences. It is, likewise, an established fact that land monopoly has given rise to acts of violence in Russia and Spain. Let us divide the public lands into small lots, thus multiplying our agricultural class, and let us divide them between the merchants and the agriculturists, seeing that we have taken American democracy for a model.

We know from experience that the business people or bankers controlled the Federal Government for many years, until President Roosevelt emerged from the agricultural class and led in the creation of the New Deal. Until when will the agriculturist party remain in power in America? That will depend upon the electorate whose instability is the best guaranty of the solidity of the democratic system prevailing in the United States.

CONCLUSION

The economic security of all the people should be the concern of the State, says the Philippine Constitution, by implanting democracy in the country, maintaining peace and order at home, and thus settling the social question automatically, which is only possible if the Philippine Government is given the vital instruments for developing its economic resources, that is, when the Philippine people shall enjoy its national liberty and independence.

And, in order to insure Philippine independence and provide security for the American investments in the Islands, the United States

Congress is under moral obligations to grant the Philippine Government a loan of two billion dollars in armaments and ammunition, and the sooner it does it, the better it will be for both Nations. The Philippine people proposes to consume American goods the importation of which in the ports of the Islands can only be stopped by the committee of Americans and Filipinos which shall meet in the year 1944 to conclude a commercial treaty between both peoples, in case there should by then have been a change in the situation.

Respectfully submitted,

MATEO GUANZON, SR.

To the HON. JOINT COMMITTEE
OF AMERICANS AND FILIPINOS

**BRIEF
OF THE
HARLEY-DAVIDSON MOTOR CO.**

(979)

**BRIEF
OF THE
HARLEY-DAVIDSON MOTOR CO.**

**MILWAUKEE, WISCONSIN,
June 8, 1937**

**THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
8th & E Streets,
Washington, D.C.**

GENTLEMEN:

We received a copy of the public notice for the press, dated May 28, with reference to the Joint Preparatory Committee on Philippine Affairs which was created to study United States-Philippine trade relations and to recommend a program for the adjustment of Philippine national economy.

We are manufacturers of Harley-Davidson motorcycles and side-cars, and while sales to the Philippines have never been exceptionally heavy, nevertheless all the motorcycles that were used in the Philippines were of American origin. All motorcycles used in the Philippines by the police and the constabulary were made in the United States.

In the last few years Japan has developed quite a motorcycle industry. Several concerns in Japan have practically copied our 1200 c.c. model because in the past the Japanese Army used that model exclusively both in Japan and Manchuria. Then the Japanese Government decided to purchase only Japan-built motorcycles, and as a result our dealers have been unable to sell the Government, and the manufacturing of duplicates of our model has been encouraged. Naturally, it costs less to copy a model than to originally produce it. Furthermore, labor costs in Japan are very much lower than they are here. Our dealer in Shanghai has already complained of price competition from these Japanese-built motorcycles. There is every indication that, when the Philippines are entirely free, Japanese manufacturers will endeavor to corral the motorcycle business in the Philippines. They not only will have a distinct advantage, so far as the price is concerned, but transportation costs will also be very much lower than those of the American manufacturer.

For this reason, we are anxious to have some provision made whereby we can retain our Philippine market. A preferential in tariff could do this. If, for instance, the Philippine Government fixed a certain rate of duty on motorcycles and then had a special provision exempting American motorcycles from all or a part of this duty, it

would enable us to meet Japanese competition. If some such arrangement cannot be made it looks very much as though we will lose the Philippine market.

The point might be brought up that we do not enjoy a preferential duty in China but still are able to hold our market. That is true. Our dealer in Shanghai complained that these Japanese-built motorcycles were being sold at lower prices than he could quote because the Japanese-built motorcycles had been smuggled into Shanghai. That, of course, made a very great differential in prices that even the objection of the Chinese to buy Japanese products could not overcome. That feeling does not exist in the Philippines and price would be a determining factor.

Yours very truly,

HARLEY-DAVIDSON MOTOR Co.
E. V. GUMYEW

EDITORIAL
SUBMITTED BY
A. V. H. HARTENDORP
EDITOR AND PUBLISHER, PHILIPPINE MAGAZINE
MANILA

(983)

EDITORIAL

SUBMITTED BY

A. V. H. HARTENDORP

EDITOR AND PUBLISHER, PHILIPPINE MAGAZINE, MANILA

Among the ablest and most inclusive reports submitted to the Joint Preparatory Committee on United States-Philippine Trade is the brief of the National Foreign Trade Council, Inc., a twenty-four-year-old American organization, and its affiliate, the National Foreign Trade Association, Inc., which now represent some five hundred of the leading American exporters, importers, foreign-trade banks, shipping companies, and other institutions in thirty-one States, all interested in foreign trade and affected by American relations with the Philippines and many of them actively engaged in Philippine trade; and also the brief of our own Philippine-American Trade Association, which summarizes some ten or twelve briefs submitted by various local Philippine and local American industrial and trade organizations.

The two United States organizations in their joint brief closed with the following generalizations (here slightly abbreviated):

(1) The economic provisions of the Tydings-McDuffie Act do not reflect a sound commercial policy and to allow them to become operative will precipitate distress and disorder in the Philippines and will endanger the object of the Independence Act and be destructive of American business; hence the law must be revised and amended in important respects.

(2) The policy of reciprocal-trade advantages cannot be abandoned in 1946, nor should the arbitrary and capricious export tax be allowed to become effective in 1940.

(3) Reciprocal-trade advantages during the period of adjustment after political independence must be such as to protect the existing Philippine economy and at the same time encourage the development of an independent Philippine economy, and also to protect, consistently with the foregoing, the legitimate claims of American industry, labor, and investments.

(4) The Department of State should proceed immediately to obtain the necessary exceptions in our commercial treaty structure in order to permit the continuation of preferences during the above-mentioned period after the Philippines becomes a "foreign nation".

It is interesting to compare with the preceding, the so-called "Fundamentals" as announced by the Philippine-American Trade Association and subscribed to by all the Philippine entities which submitted separate briefs. These, again somewhat abbreviated, are:

(1) Trade relations between the United States and the Philippines were definitely determined in the Tydings-McDuffie Act, which having been formally accepted by the Filipino people, can not be altered to their prejudice. Thus, at least until July 4, 1946, Philippine exports should be admitted free of duty into the United States, American exports should be admitted free of duty

into the Philippines, and no excise or other taxes should be imposed which result directly or indirectly in discrimination against the products of either country.

(2) The imposition of export taxes in the Philippines on exports to the United States in 1940, and of import duties by the United States and the Philippines each on the exports of the other from 1946 on, will be disastrous to the producers and manufacturers of both countries, and, time being too short to make the necessary readjustments, the export tax provisions should be repealed and free trade between the two countries, with the present or other reasonable quantitative limitations, should be continued after 1946.

(3) Irrespective of any change in the political status of the Philippines, a continuation of the present free-trade relations between the two countries would be advantageous to both because the United States is an essential market for many Philippine tropical products which are urgently required there and because the Philippines constitutes a large market for American products and will be a much larger market in the future if these products continue to be admitted free of duty. Such free-trade relations should therefore be continued indefinitely after 1946.

Both the American and Philippine groups agree that the economic provisions of the Tydings-McDuffie act are unsound and would be disastrous to the Philippines and destructive of American business, and urge, therefore, that the law should be amended, abolishing the arbitrary and capricious export taxes which begin to go into effect in 1940.

The American group advocates the continuation "during the period of adjustment" after independence of reciprocal trade preferences, while the Philippine group comes out more boldly for continued free trade.

The American group speaks of encouraging the gradual development of an "independent Philippine economy", while the Philippine group urges the continuation of the free-trade relationship indefinitely, regardless of any change in the political status of the country.

On the whole and for present practical purposes, there is complete unanimity. As for the rest, the position of the Philippine group appears to be the more logical, for if Philippine-American trade is mutually beneficial, why seek to change it by any arbitrary means with the hope of achieving an "independent Philippine economy" which, in the very nature of things must long, if not forever, remain a mere fancy?

Foreign trade is one of the essentials of modern civilizations and is the result, precisely, of the fact that nations are not "economically independent" in the trade sense. There is not a nation in the world that must not import certain commodities and it must export other commodities to pay for them. It is therefore a wholly monstrous notion that a lucrative mutual trade between any two countries,

built up, it may be, through years of human effort, should be wilfully destroyed for any reason whatever, and, most inexcusable of all, for such a phantasm as an "independent economy". The Philippines, especially, as a small, chiefly agricultural country, and industrially still to be developed, and therefore a debtor country, cannot hope for many decades to establish an economy that would be independent of a large export trade.

There are, it is true, certain theorists even among ourselves, who, fired by the words, "economic independence", speak as if the destruction of our trade with America might be some sort of blessing in disguise, talking glibly of finding other markets for our products. But there is no such market as the United States anywhere else in the world, and while it is wise to diversify our production, so as to make us less dependent on one or two products, and to be constantly seeking new markets, it is supreme folly to speak of a possible loss of the American market as if this would not do anything but bring our whole economic, social, and political system crashing down about us.

Our political leaders understand this well enough, despite these theorists. The Philippine Legislature formally "declined to accept" the Hawes-Cutting act, precursor of the Tydings-McDuffie act, because, according to the Concurrent Resolution adopted, the provisions affecting trade relations between the two countries

"would seriously imperil the economic, social, and political institutions of this country and might defeat its avowed purpose to secure independence to the Philippine Islands. . . ."

In the later Concurrent Resolution accepting the Tydings-McDuffie act, one of the reasons given for acceptance was:

"Because the President of the United States in his message to Congress . . . recommending the enactment of said law, stated: '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';—a statement which gives to the Filipino people reasonable assurances of further hearing and due consideration of their views. . . ."

"Economic independence" for the Philippines in the only true sense of the phrase must be based not on freedom from the necessity of exporting and importing, nor upon "economic as well as political separation" from the United States, but upon the development of a much greater national wealth than now exists, with reserve means that would carry the country through periods of depression or stress without too great a damage to the national structure. Such a growth in wealth should normally take place as the country develops and its trade increases, but the process would be fatally reversed should

we lose our preferential trade connections with the United States at any time during the next few decades at least.

The reference in the American brief to an "independent economy" for the Philippines is unquestionably an echo, beneficently transmogrified, of the vicious campaign of the lobbyists, representing not the interests of the United States but of small groups, who succeeded in writing the economic clauses into the so-called Independence, or Tydings-McDuffie, Act.

That the interests of the United States and of its people as a whole should be short-sightedly sacrificed and that the Philippine problem, which is purely a political problem of nation-building, should be confused by the tactics of such men, and, above all, that the people of the Philippines should be placed on an altar to a Moloch of irresponsibility and greed, is one of the outrages of history.

Talk to the effect that the Philippine-American trade is anything but advantageous to both sides is arrant nonsense. The argument that the American people forfeit the value of the duties that might be collected on imports from the Philippines if free trade did not exist between them, is a pissing one, and, furthermore, if the Philippine trade was destroyed, there wouldn't be any Philippine imports to collect duty on. Duties might be collected on similar imports from other countries, but this is a feeblity, too. Who would put duties first in the matter of necessary foreign imports? It is true that because of American tariff protection, the people of the Philippines get higher prices for their products, but the people of the Philippines pay correspondingly higher prices for what they buy from the United States. And it is not true that the people of the United States pay any more for Philippine products than they would have to pay if similar commodities were imported from foreign countries, or produced in the United States, for that matter. The bugaboo of "competition" cannot be raised with any sense as regards a tropical and agricultural country and a temperate-zone, industrial nation. There may be a few special interests that suffer direct loss, although indirectly they, too, benefit, but both countries as a whole can only profit. No one except perhaps these lobbyists could see any advantage in putting, for instance, the State of Florida "outside the tariff wall". While the general policy of the United States Government is to remove barriers to trade, those who would erect fresh barriers between America and the Philippines have been listened to!

It cannot be doubted that the United States Government will rectify the errors committed, and is even now in the course of doing so, but it is important that all confusion as to the real situation be wiped out. The clear rationality of the Philippine-American Trade Association's recommendation that free trade between the United States and the Philippines be continued indefinitely, with the present

or other reasonable quantitative limitations, stands out with great clearness.

It is painful to state—and it is only said here because the writer believes that it is true and that it should be declared—that the horrors of war in North China and especially the brutal shelling and bombing in and about Shanghai, which has resulted in the death of a number of Americans as well as thousands of innocent victims of other blood, and the arrival in Manila of several thousand American women and children as “refugees”, is positively to be ascribed in large part to the American policy with reference to “withdrawing” from the Philippines which the Japanese in their conceit attribute to weakness and fear of their puissant arms.

A short time ago, Secretary of State Cordell Hull considered it necessary to make a long statement to the press in explanation of why 1,100 U.S. Marines were to be sent from San Diego to Shanghai—to arrive there about five weeks later. The whole thing sounded as if he expected his action would be criticized in sending these men to Shanghai for the protection of American lives and property in a truly international city, a great and beautiful city which Americans had a large part in building, now being wantonly destroyed by the Japanese. Deaths of non-combatants run into the tens of thousands and property damage is already close to a half billion dollars.

Statements of Japanese leaders and articles in the Japanese press indicated clearly that the Japanese at first feared the possibility of strong international intervention, but as the weeks passed and nothing was done but memorandum-writing, the Japanese adopted more aggressive measures of ever greater *schrecklichkeit*.

Yet Japan would be far more sensitive to “economic sanctions” than was Italy, and could not stand a real boycott for more than a few weeks. That America is opposed to war is to its credit, but mere moral opposition to war will not banish it from the earth. Something more than wishing is called for. Moral conceptions must be backed up by physical strength and by determination to apply it when necessary. It may not be necessary to resort to war “to end war”; the World War was not a success as such. But pressure other than moral disapproval must be brought to bear against armed aggressors and mass murderers, for they mock at it. They must be stopped!

BRIEF
OF
J. M. HUBER, INC.

(989)

BRIEF
OF
J. M. HUBER, INC.

NEW YORK, N. Y., *July 2nd, 1937*

To the CHAIRMAN,
JOINT PREPARATORY COMMITTEE
ON PHILIPPINE AFFAIRS,
*State Department,
Washington, D.C.*

DEAR SIR:

As exporters of all kinds of printing inks to the Philippines, we are greatly interested in the hearings being conducted by your Committee.

The total value of exports of printing inks to the Philippines is not very large. Yet, it is another item of export to the Islands which may be affected by the policy our Government may finally adopt.

We understand that our Government's policy apparently is that as soon as the Philippine Islands are granted full independence, all tariff preferences are to be withdrawn, and both import and export tariffs are to be placed on all goods. We are of the opinion that if this policy is carried out, the Philippines will find themselves in a very difficult situation, in as much as their own industry and agriculture have been primarily developed for free trade with the U.S.A. If this policy is carried out, in our particular line we would be facing very stiff competition from countries where much lower manufacturing costs prevail and which can obtain lower freight rates to the Islands.

We believe that if the trade with the Islands is thrown open to the world, exports of American goods to the Philippines will be greatly hampered and the market will be practically lost to us.

Very respectfully yours,

J. M. HUBER, INC.,
LOUIS A. LARA, *Export Manager*

**BRIEF
OF THE
INSULAR SUGAR REFINING CORPORATION**

(991)

BRIEF
OF THE
INSULAR SUGAR REFINING CORPORATION

September 9, 1937

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Manila, P. I.

GENTLEMEN:

Our company is not making an individual report to your Committee because as members of the Philippine Sugar Association we have been given the opportunity to familiarize ourselves with the comments on the subject of "refined sugar" made by the association. (See statement in printed report by Harry B. Hawes, United States representative of the Philippine Sugar Association, pp. 17 and 18.¹) Since this statement covers the broad aspects of sugar-refining in the Philippine Islands, we believe it supplies in a comprehensive form the data you are seeking. We might remark that Philippine refined sugar is shipped principally to the Pacific coast and thereby provides a substantial tonnage of return cargo for ships carrying American exports to the Orient.

If in the course of your proceedings it becomes desirable to secure data based on the statistical records of an individual manufacturer in our industry, we take this opportunity to state that we hold such statistics at the disposal of your Committee.

Yours respectfully,

INSULAR SUGAR REFINING CORPORATION
H. A. BURGERS
General Manager

¹ See this print, *ante*, pp. 199-200.

BRIEF
SUBMITTED BY
ERIC T. KING
ON BEHALF OF
REMINGTON RAND, INC., ET AL.

(993)

BRIEF

SUBMITTED BY
ERIC T. KING
ON BEHALF OF

REMINGTON RAND, INC., ET AL.

WASHINGTON, D. C., *June 14, 1937.*

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*Room 206, United States Tariff Commission,
8th & E Sts., N.W., Washington, D.C.*

TERMINATION OF PREFERENTIAL TRADE RELATIONS BETWEEN THE UNITED
STATES AND PHILIPPINE COMMONWEALTH WITH RELATION TO AMERI-
CAN OFFICE APPLIANCES AND EQUIPMENT

GENTLEMEN :

Pursuant to your public notices of May 28 and June 8, the following is submitted on behalf of certain American manufacturers of typewriters, calculating and adding machines, tabulating machines, and other office appliances and equipment covered in the present Philippine tariff under paragraphs nos. 185 and 45.

The four companies presenting this statement provide well over 95% of the new typewriters exported from the United States—smaller, but important, percentages of the other items discussed herein.

During the 39-year tenure of the Philippine Islands by the United States, an office-equipment market has been pioneered there and developed to an extent measured by American exports amounting to \$670,000 in 1929, \$500,000 in 1936, and averaging for the last eight calendar years \$370,000 annually. It is impossible to state the actual cash investment by American exporters to develop this business; certainly it aggregates several million dollars, comprising travel, educational work in the Islands such as establishment of schools and cooperation with existing schools, training of and financial assistance to Philippine distributors, advertising and, in at least one case, the establishment of a branch office in Manila.

This statement seeks to point out the probable effects, as we see them, of an early or a sudden termination of preferential trade relations upon the exports of American office equipment and upon the establishment [of] Philippine importers of such products. Surely the protection of American interests and investments in the Philippines must command sympathetic consideration in arriving at a mutually advantageous time for such termination to take effect.

Typewriters.—The extent of our typewriter exports to the Philippines will be found in the Summary attached to this statement.

Twenty-five years ago the United States was exporting about 90% of the typewriter units entering international trade. By 1929, our share had dropped to about 80%; by 1932, 71%; and last year somewhat below 60%. In round numbers the totals of units exported by the four leading typewriter-exporting nations were as follows: (1936) U.S., 260,000; Germany, 120,000; Switzerland, 30,000; United Kingdom, 9,000. Allowing conservatively for the exports of Canada, Sweden, Italy, and lesser exporters, American participation was surely below 60%.

The principal factors causing the rapid decline during the last eight years have been: (1) Price competition from Germany and Switzerland, the former based upon cheap labor, subsidy and exchange manipulation—the latter chiefly due to the employment of cottage labor; (2) virtual closing to American typewriters of such important markets as Germany and Italy, and highly restrictive imports' control in the United Kingdom, Switzerland, France and Soviet Russia—all of which are typewriter-producing countries; (3) diversion of purchases to the other producing countries, due to unilateral trade-balancing policies, clearing agreements, etc., by such non-producing markets as Poland, Denmark, Greece, Turkey, Brazil, and many others; (4) British Empire preferences, sentimental as well as concrete.

In the Philippines, United States typewriter trade has suffered less, probably, than in any other foreign market except Cuba. Yet in spite of our preferential treatment (free vs. 15% duty on other foreign typewriters) Switzerland shipped 500 typewriters there in 1936, which with over 100 from other sources accounted for about 12% of Philippine imports. It is fair to assume that with the end of preferential treatment our share of the Philippine market will fall rapidly from 88% to 60%—about one third. With trade at last year's level this would represent a loss of about 1,200 machines worth about \$62,000 at point of export and about \$100,000 at retail in the Philippines, and representing about 30,000 man-hours of factory employment.

The Philippine importers of typewriters, encountering a sudden loss of a third of their business, especially just as they are emerging from an 8-year struggle under adverse business conditions, face relatively a far graver situation than the American manufacturers. In our judgment, not less than three years would suffice to give them

reasonable opportunity to readjust their businesses so as to avoid serious consequences.

The American typewriter-manufacturers are in entire agreement with the administration's policy of removing trade restrictions in order to restore as far as possible the free and open competitive conditions in international trade that existed a quarter of a century ago. But that competition must be fair. The American typewriter industry believes that its typewriters are the world's best, its prices are higher, it pays higher real wages, and all of the basic patents are long since expired. It was first in the field, but for many years has expected and welcomed clean foreign competition. For several years past, however, and currently, unfair competition has robbed American typewriter-exporters of a very considerable share of their earned markets. It has been price competition, artificially supported, and made possible by working conditions and commercial policies abroad which we earnestly hope may never be duplicated here and which we believe will not be tolerated here.

This competition has, within the past two years, invaded our own duty-free home market, and has steadily and rapidly intensified. The home markets of these European competitors are not open to free competition from the United States. How long this devastating condition will persist, is beyond our vision, but while it does prevail, the industry believes that practical considerations should outweigh the idealistic, and that preferential treatment in the Philippines should not be surrendered.

Other office machines.—Similarly, but perhaps to a lesser extent, termination of preferences would result in diminished exports by American manufacturers of other types of office machines. Adding and calculating machines of excellent design and quality are produced in several European countries: their competition is keenly felt throughout the world. Competition has so far been upon a fairer plane than in the case of typewriters. Germany, Sweden and Switzerland are the principal competitors in these types of machines. Tabulating machines have not become, as yet, a very important factor in Philippine consumption, but they too are produced in Europe to some extent.

In the calculating-machine group, the United States furnished machines to the FOB value of \$95,000 in 1929, \$22,000 in 1932, and \$137,000 in 1936—normally over 95% of the total Philippine imports of such machines.

Metal office furniture.—Probably due to the American influence in the commercial development of the Philippines, the Islands stand out as prolific users of metal office furniture. Our exports have averaged about \$100,000 in FOB value during the last eight years. Despite the 15% preferential provided in paragraph #45A of the Philippine

tariff, Japan and Germany have contributed 1½% to 5% of Philippine imports during recent years. It is believed that, the preference removed, Japan would secure the bulk of this trade within a very short time.

Conclusions.—In the light of the facts presented it seems certain that American office-equipment trade with the Philippines would be severely curtailed by termination of preferential treatment. In our opinion the blow would be most severe upon typewriters and office furniture. Especially in view of the nature of the competition we are facing in the typewriter trade, we urge that in the event of such general termination, typewriters be made a specific exception. We urge that such general termination be deferred until the statutory date upon which the Philippines shall become fully independent, July 4, 1946. In any event, in order to avoid serious dislocations and losses in the office equipment with, and in, the Philippines, we urge that the existing preferential treatment of *all office machines and equipment* be maintained for at least three years following the announcement of the conclusion of any agreement to terminate.

Respectfully submitted,

ERIC T. KING, *representing*

REMINGTON RAND, INC.

ROYAL TYPEWRITER COMPANY, INC.

L. C. SMITH & CORONA TYPEWRITERS, INC.

UNDERWOOD ELLIOTT FISHER COMPANY

SUMMARY OF UNITED STATES EXPORTS OF OFFICE EQUIPMENT TO THE PHILIPPINE ISLANDS, 1929 TO 1936

(Values are in Thousands of Dollars)

	Typewriters		Adding & calculating machines	Other office machines, incl. cash registers	Office furniture	Total office equipment
	No.	Val.	Val.	Val.	Val.	Val.
1929.....	4829	\$246	\$95	\$131	\$196	\$668
1930.....	4419	220	64	135	149	568
1931.....	2138	107	32	44	91	274
1932.....	1572	75	22	32	64	193
1933.....	1621	83	26	50	55	214
1934.....	1834	96	45	37	54	232
1935.....	2853	139	57	58	64	318
1936.....	4433	233	137	73	?	500 (est'd)

SUPPLEMENTAL BRIEF
SUBMITTED BY
ERIC T. KING
ON BEHALF OF
REMINGTON RAND, INC., ET AL.

(999)

SUPPLEMENTAL BRIEF

SUBMITTED BY

ERIC T. KING

ON BEHALF OF

REMINGTON RAND, INC., ET AL.

WASHINGTON, D. C., *July 6, 1937.*

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*Room 206, United States Tariff Commission,
Washington, D.C.*

TERMINATION OF PREFERENTIAL TRADE RELATIONS BETWEEN THE UNITED
STATES AND PHILIPPINE COMMONWEALTH WITH RELATION TO
AMERICAN OFFICE APPLIANCES AND EQUIPMENT

Supplementary Statement

GENTLEMEN:

Reference is made to the statement filed with you on June 14, 1937, and bearing that date. Herein is offered for your consideration a suggestion supplementing the final paragraph of the former statement.

Office equipment is an essential vehicle in the modern development of commerce, government, and the professions. The safe evolution of a sound Philippine national economy requires that office equipment be available to all users, present and potential, at reasonable prices.

Therefore, we urge that any steps agreed upon toward eliminating the present American preferences be accomplished through gradual reductions of the existing Philippine tariff rates to foreign countries, rather than through imposing the present duties upon American office equipment.

Respectfully submitted,

ERIC T. KING, *representing*

REMINGTON RAND, INC.

ROYAL TYPEWRITER COMPANY, INC.

L. C. SMITH & CORONA TYPEWRITERS, INC.

UNDERWOOD ELLIOTT FISHER COMPANY

BRIEF
SUBMITTED ON BEHALF OF THE
LABOR MINING ASSOCIATION ET AL.

(1001)

BRIEF
SUBMITTED ON BEHALF OF THE
LABOR MINING ASSOCIATION ET AL.

Sept. 9, 1937

The Honorable JOINT COMMITTEE OF EXPERTS,
THRU MR. BEN DORFMAN.

HON. SIR:

We have the courtesy to submit our brief in conformity with your publication dated Sept. 8, 1937.

Herewith find six copies of the brief in English, and the other copies will be sent later with Spanish translation for Spanish members of the honorable Joint Committee.

Hoping this will meet your favorable consideration.

Very respectfully yours,

GENEROSO G. DAYAO, *Delegate*
MR. MAXIMO CARLIÑO, *Delegate*
MR. MONTES BATIWAN, *Delegate*

Post Address:
Balut Island Tondo,
Manila, P. I.

MEMORIAL EXPOSITION TO THE HONORABLE COMMITTEE ON ECONOMIC RELATIONS BE- TWEEN AMERICA AND THE PHILIPPINES

Our cordial salute to all and everyone of the Joint Committee:

The Labor Agricultural Organization has the courtesy to extend our ardent desire for the benefit of your memorable monument erected in the Orient by the new world, the American people.

Various resolutions and proceedings adopted by the various labor organizations affiliated to the Labor Mining Association in the Philippine Islands.

GREETING

WHEREAS: We cannot express by our poor language the great joy if the early freedom will be granted sooner rather than later, because you may lose the great title as National Builder.

WHEREAS: We are satisfied if the American market will be closed for the Philippine products, but may we remind you that this will not meet the common desire of the common people and residents of the United States.

WHEREAS: We suggest equality of trade shipment between the Philippines and American ports, and the human scale must be used rather than commercial, speculative and concentrated merchandizing.

WHEREAS: We further recommend that the economic freedom of exercising our own monetary and coinage system be based upon the agreement to be approved by the international law. We possess billions of billions [*sic*] of gold [*of*] one thousand-fine grams. We are impossible to reveal because we are not under a free hand.

WHEREAS: More further remind, that when the Philippines free we can improve our tobacco by scientific economic process; then our industry may increase 100% profit and various nations may have the advantages of commercial share.

WHEREAS: Furthermore we desire to make you understand that when coconut, lumbang, cupang, and castor oil are improved economically by scientific development as such combustible and domestic light, we are sure to lighten every corner of the whole world.

WHEREAS: Therefore, when early independence is granted the abaca plants are practically available to improve economically by manufacturing same into dry-goods and domestic papers beside rope and cordage and the caunong fibers can be substituted for cable of high seas.

WHEREAS: If your people intended to close the American market for the Philippine sugar, we believe it will meet our satisfaction because we can eliminate the use of centrals and machineries in order to save and gain the forty percent industrial improvement more than the present status, and further we remind your honorable duty when above-mentioned industry will be converted into international economy.

WHEREAS: After the independence we are sure to improve the human machine in order to work properly on the agricultural affairs, when agricultural wealth carries out 30 millions of factor wealth is forthcoming. Is it not a big income per year?

WHEREAS: What is the result of the early independence? We were given a great opportunity to be able to construct water defense, air power, and terrestrial forces, such that as pocket warboat for coast defense, and light chainboat for Pacific free zone.

WHEREAS: The last result for early independence will be the glory and the happiness of your immerial memorable [*sic*] monument erected in the Orient and the adoption of free Pacific zone is the best, rather than the Pacific fortification race.

WHEREAS: In conclusion we hereby express our everlasting gratitude and material courtesy to the American people thru her honorable Joint Committee and the American Congress of the U. S.

WHEREAS: We certify that this is a political economic document as we believe that aforementioned statement is correct according to the best of our knowledge.

By: GAUDENCIO VILLACARIGO

Secretary General, Cagurray Agricultural Association

By: MAXIMO CARIÑO

President of Baguio Branch National Federation of Labor

By: GENEROSO G. DAYAO

Delegate and Manager of the Labor Mining Association

[Here follows an illustration showing the white Filipino under the influence of the churches.]

RESOLUTION APPROVED BY THE CAGURRAY AGRICULTURAL ASSOCIATION

We are willing to accept the early absolute independence at an earliest opportunity rather than after 1938-39. If America desires to grant the independence, we are willingly to render everything in accordance with her behalf or the American people.

The closing of the American market for the Philippine product is a prejudice to the American benefit and interest.

LIFE ECONOMY BETWEEN WHITE AND BROWN FILIPINO CITIZENS

About three hundred years ago the Filipino people were governed by the Spanish Government under the Fasis rule and regulations. There after the white citizens sowed the unforgotten seed of vengeance and revenge to the soil of the heart of every brown Filipino citizen and mostly spread widely and grown secretly within the blood through the nerves of every native. The only remedy is life economy or in another word life protection by the American people is the proper way must be adopted thru the hands and mind of the honorable Expert Committee.

The white Filipino citizen has occupied the major power of the Commonwealth Government and the brown were only helper of the same. This practice must be taken into consideration economically by the honorable Joint Committee on the life economic relation.

THE BUILDER OF A NATION

The builder of a nation is a great master economy on national affairs. The new world. The American people erected a memorial monument in the Far East known as the Filipino Commonwealth. In order to avoid the interior disorder or civil war, the builder must take into consideration, thus the honorable Joint Committee on Expert Relation to adopt and proceed immediately the remedy for the life economic of the Filipino people as follows:

- (a) Equality of trade shipment between Philippines and American ports.
- (b) Free economic exercise of coinage and monetary system.
- (c) Free economic building of war armament for the benefit of the new nation on the Orient.

[Here follows an illustration showing the brown Filipino at work.]

A good builder is always adopting the paramount factor of life safety diminish of fracture on economic relation. The great master must have an economic confidence to his subordinate of building warship, air power, and terrestrial forces of which the Philippines are having abundant production. We have about two billions paramount factors of war and wealth materials.

FREE PACIFIC ZONE IS THE GREAT ECONOMICAL RELATION BETWEEN THE TWO NATIONS.

During the World War about the year 1914 the great Pacific Ocean were blockaded, so all shipping charges have been increased to 100% and the Philippines were much affected, especially the United States. The adoption of free zone over the Pacific the most economic relation

between the two countries and will remain unaffected. The Philippines will take its share to guard the western part of the Pacific zone by the Philippine expenses of building light, swift, war-boats, and scientific gases in which we are abundant and possess.

We have more or less six hundred billions of factors of war-wealth in which we cannot offer our friendly and material courtesy to our master because we are not free. If economic freedom is to be adopted the Filipinos are ready to share up the great task of the national economic aspect in order to handle the job equally over the race on the Pacific. If the American people did not separate economically from the Crown of England there will not be a powerful nation over the Western Hemisphere. So do, the Philippines expect to separate early from the United States of America in order to become a great nation in the Eastern Hemisphere and to exercise our own wealth amounting to six hundred millions of factor of wealth.

AGRICULTURAL ENTERPRISES IS A GREAT ECONOMICAL SUPPORT IN ORDER TO BRING INTO MATERIAL COURTESY THE ARDENT DESIRE OF THE FILIPINO PEOPLE.

Our six hundred millions of agricultural wealth has never been exercised by the Filipino human machine between the Christian and non-Christian tribes because we believed our land belongs to state. Our tobacco industry when improved we can challenge the whole world production. When the Filipinos are free. We can materialize our courtesy on the line of friendly to the American Nation. Is it not your pride to see? That your memorable monument would become strong and powerful over the Orient.

THE ADOPTION OF COMMERCIAL HUMAN SCALE IS THE MOST ECONOMICAL RELATION RATHER THAN SPECULATIVE AND CONCENTRATED SCALE OF MERCHANDISE.

Let the Philippine commerce and trade be free from the supreme law of the queen of the gold and silver. This is the most justifiable economic relation between the two Nations over the East and West.

May I remind you honorable Members of the Joint Committee that we possess billions and billions of war-wealth and war materials hiding within our secret treasurers in which we cannot ever expose because we are subordinate under the supreme rule of the other country that gold only will know when we can exercise our justified freedom. In order for you to become a great builder of the nation the freedom-scale must be taken into consideration for the benefit of both Nations. Respectfully submitted thru your honor[able] member of the honorable Committee on Economic Trade Relation by

the various small-farmer organizations listed below affiliated to the Cagurray Agricultural Association.

Members of Cagurray Agricultural Association;
 Tilaga Farming Organization;
 Santa Teresa Planting Association;
 Sibalat Society of Burry Flour Maker.

[Here follows an illustration entitled "Historical prophecy of the Filipino and his idea in the future picture showing the probable ties between America and the Filipino in connection with trade relations".]

RESOLUTION ADOPTED BY THE VARIOUS ORGANIZATIONS AFFILIATED TO
 THE MINING LABOR ASSOCIATION

WHEREAS: The Labor Federation Branch Acop Place, the Labor Mining Branch Sobong Gubatan, Tublay, Mountain Province, the Kibongan Labor Mining Branch, the Cabototan and Madagum Labor Mining Association of the non-Christian tribes, hereby approved and proceed to file to the honorable Joint Committee on Economic Expert thru our delegate, Mr. Generoso G. Dayao, to bring our desire and wills for the protection of our little happy Philippines.

WHEREAS: We further request to the honorable Economic Expert that the Philippines must be given an early economic freedom for the benefit of both the Christian and the non-Christian tribes at the Mountain Province. In order not to rob or to take away our little natural mineral claims of which we been occupying within immemorial time and we are driven by the iron hand of the Quartz Hill Company under the authority and order of the Board of Directors of the same.

WHEREAS: Therefore we respectfully comment that the only remedy is the early economic independence and with our own support for the maintenance of our country, we have millions of gold bullions [of] one-thousand-fine grams to furnish for the building of our water force, air power, and terrestrial defense if we are free from the hand of the conquering power.

WHEREAS: Further resolve that the builder of a nation must take into consideration the paramount factor of economic safety to avoid cracking or fracture of the agglomerate material within the Philippine territory, especially the American rock and the Philippine stone from the quarry.

WHEREAS: As finally agreed this association offers our material courtesy and cooperation to the master builder on condition that the scale of economic freedom must be adopted for the benefit of both Nations, the Mexico and the Philips [*sic*].

1008

BRIEFS SUBMITTED TO THE COMMITTEE

We further resolve to deposit our confidence into the hands and brains of the honorable Joint Committee on Economic Expert.

We hereby certified to the correctness of this document done in Benguet, Mountain Province.

By: **MONTES BATIWAN**

SUPPLEMENTAL BRIEF
OF THE
LABOR MINING ASSOCIATION ET AL.

(1009)

1010

BRIEFS SUBMITTED TO THE COMMITTEE

SUPPLEMENTAL BRIEF
OF THE
LABOR MINING ASSOCIATION ET AL.

September 20, 1937.

THE CHAIRMAN,
JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 362, Legislative Bldg., Manila.

SIR:

In as much as I shall be departing for my home province today because of urgent family affairs, I regret I cannot be present during the hearing for which I was authorized to represent the Labor Mining Association, scheduled on September 21, 1937, as per your letter of the 13th instant.

Permit me, therefore, to file a supplement to the brief already prepared by them, in seventeen copies.

Thanking you for this favor, and please acknowledge receipt.

Very respectfully,

RUF0 M. SAN JUAN

SUPPLEMENTAL BRIEF

EFFECTS OF THE REJECTION OF THE HARE-HAWES-CUTTING ACT AND
ITS SUBSTITUTION BY THE TYDINGS-McDUFFIE ACT

The issue which caused the rejection of the Hare-Hawes-Cutting act (Public Act 311, 72 U. S. Congress), was the unfavorable economic provisions and other iniquities accorded to the Filipinos, as sponsored by Hon. Manuel L. Quezon who promised the people that he would get a better law. The rejection of the said act by the Philippine Legislature thru the leadership of Mr. Quezon, gave birth to two new strong political parties, namely, the Pros and the Antis. The leaders of the Pros assured the people that Mr. Quezon could not secure a better law and that the Hare-Hawes-Cutting act as it was, was already satisfactory and acceptable. In the face of this issue, Mr. Quezon headed a mission to the United States, compos[ed] of his followers in the Philippine Legislature and some businessmen, at the expense of the Government. On his return, he brought with him the so-called Tydings-McDuffie Act (Public Act 127, 73d U.S. Congress), which is a reproduction of the former Hare-Hawes-Cutting act. All the unfavorable economic provisions and iniquities assailed by Mr. Quezon and his followers were left unaltered. The only change is the misleading insertion of section 10(b) which the Antis claimed will be tantamount to the conversion of the present military bases into fueling stations of the United States after Philippine independence.

Mr. Quezon and his followers bragged much about the improvements of the said Independence Act, and because of the powerful government machinery which was in solid support behind him, he and his party won the general elections of 1934 with an overwhelming majority. Tangibly, the only practical result of Mr. Quezon's labor in connection with this independence law, was his political advantage over his opponents who afterward permitted themselves to be absorbed by Mr. Quezon into a sole political party subterfuge known as the "Coalition", the tendency of which was primarily to distribute political plums among themselves and to virtually destroy Democracy in the Philippines. They forget that by one-party government, they have demolished the republican form of government in the country and thus openly violate the provisions of the Tydings-McDuffie act to this effect. This Coalition Party has presented a common platform during the last presidential election of 1935. General Emilio Aguinaldo tried to save Democracy from its destruction by presenting his candidacy for President, but the avalanche of the Coalition Party with the open support of then Governor General Frank Murphy was so formidable that no opposition could withstand. Upon the inauguration of the Commonwealth, the little provincial and municipal au-

tonomy we have, was also destroyed by merely appointing provincial governors, members of the Provincial Board, municipal mayors, vice mayors and councilmen, positions which were heretofore included in the general elections. Our form of government is fast becoming a dictatorial system patterned after that of the Italian Nazi. It openly embraces Catholicism and it is the first time in Philippine history that a Catholic church was built side by side with the official residence of the Chief Executive known as the Malacañang Palace, where Cardinal Dougherty resided during his sojourn here as guest of our Government. At present no official social gathering of the State is complete without being graced by the presence of the Archbishop or his representative. This explains why most recent appointments for important positions in the Government are Knights of Columbus. All these are probably the consequence of President Quezon's trip to Rome when he took the S.S. *Conte Verde* offered by the Pope.

THE MORAL OBLIGATION TO REDEEM THE PROMISE OF THE PHILIPPINE INDEPENDENCE

The Filipino people were made to believe by their constituted leaders that President Franklin Delano Roosevelt has made tacit promise to improve the Independence Act and cast out all iniquities and discriminatory provisions imposed upon, by said Act, to the Filipinos [*sic*], and ultimately, give the Philippines independence if the people still so desire. The demand for independence is still effervescent in the heart of every true Filipino, except a handful of moneyed and half-breed Filipinos who are timid or afraid of independence for selfish motives. In fact, no candidate for any elective position will dare utter a word against it, lest he surely lose his election. The same ardent desire of the people was made manifest not only in their previous act of fighting Spain and later the United States, but in accepting the Tydings-McDuffie act despite the discriminatory provisions against them, which if not were for the required acceptance, said act could have been declared right on its face as *unconstitutional*, following the doctrine laid out by the Federal Supreme Court in *Re Coconut Oil Excise Tax*, "That no discriminatory laws shall be passed in any American territory or possession where American flag hurls". American jurisprudence is replete with Federal cases holding the same view. But it was accepted merely because there was a promise for independence which only God knows when to come.

We prefer immediate independence with or without trade relation, rather than admit our inferiority and make it of record with our consent, the humiliation imposed upon us. A man is born to be free,

and same is true with respect to a nation. No nation will ever feel happy under the subjugation of other nation against her will. Undoubtedly, the United States of America who champions Democracy will not govern a country against the will of the governed, and no "Government of the people, by the people, and for the people", will ever exist or thrive among the people where such a form of government is denied. Under the circumstances there is no other alternative than to give the Filipino people their freedom.

WHETHER PHILIPPINE RESOURCES CAN MAINTAIN AN INDEPENDENT GOVERNMENT

We sustain that our present economic resources can maintain an independent government. Ever since the American occupation in the Philippines, the expense of the Government has been supported by the Filipinos from their own independent budget. We have been supporting our Philippine Constabulary which was responsible in keeping peace and order locally, aside the fact that the Philippine Government since the American occupation has been maintaining thousands of American officials who were exorbitantly paid with salaries they themselves never dreamed of receiving from the American Government. These American officials were responsible in making the abrupt high living standard of the Filipinos who imitated them. Unfortunately, the same salaries were kept after Filipinizing these positions formerly occupied by Americans. These salaries must be standardized as the compensation given to former-American officials were based upon a privilege of colonizer over her colonies, that is, "to the victors belong the spoils". Then we can obviate the practice of importing foreign experts who have not done much locally, as conditions existing here are problems distinct from their own country. Consequently, our budget for salaries may be reduced to one half without hampering the efficiency of our officials, and if necessary, increase taxation and make more adjustment to suit prevailing conditions.

WHAT ECONOMICAL RESOURCES PHILIPPINES CAN AVAIL OF IN CASE OF IMMEDIATE INDEPENDENCE

The time United States imposes full tariff on Philippine products on the same level as a foreign country, the Philippines will doubly increase its revenue by applying the tariff reciprocally, as at present United States controls from 75% to 90% of our imports, and from this source alone Philippines will have an income from custom duties [of] an amount of scores of million pesos without including what we shall get out of custom duties for goods coming from other countries. Then, we shall have our natural resources developed, like minerals,

forest products, etc., and from this source we expect to raise considerable amount. We can have reciprocal tariff agreement with other countries by means of treaties, or we can look for another foreign market for our products in countries where they can accord us fair dealing, should American people reject our commodities. We shall industrialize the Philippines thru government's backing if private enterprise will not initiate it, and we shall endeavor to be self-sufficient as much as possible. Nay, there are many ways of keeping ourselves within our means without jeopardizing our independence. Unfortunately, under the present laws Filipino people are being tied from head to foot and could not move freely when it comes to foreign trade relations, currency, etc.

Filipinos are used to hardship and live within their means. After reducing our present budget to less than one half of the present expenditures for salaries, we can give better emphasis to our national defense and make it more efficient. Aeroplanes and submarines will be effective enough to keep the Philippines safe from foreign invasion. We challenge those who say otherwise. Give us a chance, and we will prove before the world that we know our guts. We shall not perish under the tropical sun that shines all through the year and makes this place, our Philippines, the paradise for foreigners.

CONCLUSION

We demand, then, immediate independence. The sooner we get it, the better for us. The longer we suffer under the present Tydings-McDuffie act, the longer the agony lasts, and we fear that the time we attain the last year of the transitory period, we shall either be slaves or physically and economically disabled, and consequently, unfit to run our own Government. Let trade relations come later, as we sincerely believe that time and circumstances will automatically solve this problem. American people or their businessmen will crave more for an understandingly better trade relations between the two countries than the people of the Philippines. We should not allow ourselves to be tied with trade parleys in advance. Give us the liberty and our ever desired freedom, as "Where there is will there is way".

On the other hand, if independence cannot be immediately granted now or in the near future, we respectfully demand that all iniquities and discriminatory provisions in the Tydings-McDuffie act be repealed, and that using the powers granted to His Excellency the President of the United States of America by section 2, paragraph (a), subsection 14 of the said act, we also request that a bicameral system of Republican form of government patterned after that of the United States be restored and that the Provincial Government autonomy be fortified.

Respectfully submitted,

RUF0 M. SAN JUAN

BRIEF
OF THE
LEGIONARIOS DEL TRABAJO IN AMERICA, INCORPORATED

(1015)

BRIEF
OF THE
LEGIONARIOS DEL TRABAJO IN AMERICA, INCORPORATED
LOS ANGELES, CALIFORNIA, July 12, 1937.

Memorandum to
The Honorable **JOINT PREPARATORY COMMITTEE ON PHILIPPINE**
AFFAIRS,
311 Customhouse,
San Francisco, California.

In compliance with your kind favor of June 28, 1937, we respectfully submit this memorandum supplementing the following resolutions approved at the semiannual convention of the Legionarios del Trabajo in America, held in the city of Stockton, County of San Joaquin, State of California, on July 3, 4, and 5, 1937, inclusive, reading as follows:

WHEREAS, the Filipino residents in the United States, under the so-called Expatriation Act (act of July 10, 1935, 49 Stat. 478), desiring to take advantage of the said law, but by reason of the fact that the said act only makes eligible native-born Filipino citizens who are not citizens of the United States to apply for the benefits of the said law, their families, to wit, wives, and children born in the United States and other countries, due to their political status, are not eligible to enjoy the benefits of said act; now therefore,

Be it resolved by the Grand Assembly of the Supreme Fraternal Council of the Legionarios del Trabajo in America, now assembled, That the said act of July 10, 1935, be amended to include American wives and children or of foreign birth, to be made eligible to enjoy the benefits of the said Expatriation Law;

Be it further resolved, That a copy of the said resolution be furnished the Joint Preparatory Committee on Philippine Affairs created under the provisions of the McDuffie-Tydings law and that copies of this resolution be furnished the Committees on Immigration and Naturalization of the House of Representatives and the Senate, the Speaker of the House of Representatives and the President of the Senate of the United States, the Speaker and members of the Philippine National Assembly, President Franklin D. Roosevelt, President Manuel L. Quezon, and all members of Congress;

Be it also further resolved, That the Judicial Board of the Supreme Fraternal Council of the Legionarios del Trabajo in America be authorized to devise ways and means to raise funds to finance the campaign in pushing this measure through at the next Congress of the United States.

The other resolution which deals with the act of March 24, 1934 (Public No. 127, 73d Congress), 48 Stat. 456, commonly known as the McDuffie-Tydings law, provides as follows:

WHEREAS, the Joint Preparatory Committee on Philippine Affairs is now in conference proposing to advance the independence of the Philippines from 1946 to approximately 1938-39, and more particularly studying the trade relation of the Philippines and the United States;

WHEREAS, that President Manuel L. Quezon of the Philippine Commonwealth Government has submitted his proposal to advance the date of the independence of the Philippines from 1946 to approximately 1938 or 1939 and the continuation of the present economic set-up for an indefinite time; and

WHEREAS, that the said proposition has been given wide publicity and consideration by both members of the United States House of Representatives and Senate, specifically the advance of the date of the independence of the Philippines;

Now therefore, be it resolved, by the Grand Assembly of the Supreme Fraternal Council of the Legionarios del Trabajo in America, now assembled, That the said proposal, to wit: The independence of the Philippines shall be granted on July 4, 1939, instead of July 4, 1946, and the present free-trade relation between the United States and the Philippines be continued indefinitely;

Be it further resolved, That the Grand Assembly of the Supreme Fraternal Council of the Legionarios del Trabajo in America memorializes the Congress of the United States, [to amend] the provision or provisions of the McDuffie-Tydings law which fix the date of independence of the Philippines from July 4, 1946, to July 4, 1939;

Be it also further resolved, That the economic provisions of the said McDuffie-Tydings law be amended that in the event the independence of the Philippines is granted on July 4, 1939, the free-trade relations between the two countries must be continued for a period of not less than ten (10) years from the date of independence, or permanently;

Also, be it further resolved, That the immigration laws as provided by the said McDuffie-Tydings law be amended that instead of restricting the immigration of citizens of the Philippines, a special commission composed of representatives of the two Governments shall promulgate from time to time needful rules and regulations; or that the quota must be fixed to one thousand (1,000) instead of fifty (50) annually; and

Be it also further resolved, That the grand delegate be authorized to devise ways and means to carry out the intent and purpose of this resolution.

1. WHY SECTION 1 OF THE ACT OF JULY 10, 1935, MUST BE AMENDED

We respectfully propose the following amendment to section 1 of the act of July 10, 1935:

That any native-born Filipino, or his wife and children, without reference to their political status, who are residing in any State or the District of Columbia on the effective date of this act, who desires to return to the Philippine Islands, may apply to the Secretary of Labor, upon some form as the Secretary may prescribe through any officer of the Immigration Service for the benefits of this act. Upon approval of such application, the Secretary of Labor shall notify such Filipino or any member of his family, to wit, wife and children, forthwith, shall certify to the Secretary of Navy and the Secretary of War that such Filipino or any member of his family is eligible to be returned to the

Philippines under the terms of this act; every Filipino or such person who is so certified shall be entitled, at the expense of the United States, to transportation and maintenance from his present residence to a port on the west coast of the United States and to [?] from] such port to passage and maintenance to the port of Manila, Philippine Islands, whenever space on such [sic] transports is available, or on any ship of United States registry operated by a commercial steamship company which has a contract with the Secretary of Labor, as provided in section 2.

That the word "Filipino" in any provisions of this act shall be defined to include native-born Filipinos, wife, and children, without regard to their citizenship.

Since the repatriation of native-born Filipinos under the act in question was started in April 1936, difficulties arise as to the repatriation of American-born children and wives of native-born citizens of the Philippines, who are residing in the United States.

There are 651 adult and minor repatriates who have departed for the Philippine Islands, including the party who left for San Francisco on June 26, 1937. There may have been a few more from the Seattle district not included in this figure. The records relative to American-born children show that there are 79 children who had departed up to and including November 1936, and the fare charged by the Dollar Steamship Line for the children is \$45 each.

No figure is available as to the number of wives who have taken advantage of the Repatriation Act. The present practice is that American wives who have departed with their Filipino husbands paid their own transportation. It has been contended that American wives find it difficult to live in the Islands. Upon investigation of the matter there is no official showing by either of the two Governments that such is the case. At present there is a determined desire by American wives to depart with their husbands to the Philippines under the act, but for financial reasons and their political status, they find it without remedy to enjoy the privilege granted their husbands. Hence, they have to remain and depend [on] charitable aid, which means additional load to City, County, State, and Federal relief administrations.

The contention discouraging the stay of American wives in the Philippines may be refuted as follows:

First, Racial Discrimination

That even if they reside in the United States, they are confronted with many barriers in social, economic, and political life. They suffer racial discrimination and are socially ostracized.

Second, Failure to Secure Legitimate Employment

Not only are they unhappy while residing in the United States, but they are being restricted and discriminated from securing

legitimate employment if they are known to be married to Filipinos. Consequently they could not help their Filipino husbands to support and maintain the family. This barrier causes them to resort [to] immoral practices when every honest intention to earn a decent livelihood fails them and their Filipino husbands are without employment. This practice may be found in dance halls, gambling houses, and houses of prostitution.

Third, Better Opportunities in the Philippines

Whereas, if they were included as such persons entitled to enjoy the benefits under the Repatriation Act, the Filipino husbands will have better opportunities in securing employment to support their families and afford their children to better citizenship. Land may be applied for by their husbands with the Government, and this alone will establish them successfully.

It is true that during the first months of their residence in the Philippines, our American wives will find it difficult to adapt themselves to the living and climatic conditions. They will find different environments and social contact, but this is only natural with any other person, race, or nationality wherever one may prefer to reside.

By reason of limited number of American wives who have joined their husbands in the Philippines, we cannot base the argument on the small percentage, but if they were really the persons whose character and reputation are above reproach, and who have intelligently analyzed their marriage to Filipinos, then it will be an entirely different question.

However, if for some good reasons they are likely to become public charges, it is only just and proper to repatriate them at the expense of the Philippine Government. Rules and regulations may be prescribed to make it as strict and rigid as possible.

Fourth, Intermarriage Held Illegal in Some States

Experience shows that American women prove better wives than Filipino women if marriage is ever consummated with Filipinos who have resided in the United States for a good number of years. Reasons may be due to their Americanized customs and mode of living. To ignore this situation means to admit our failure to analyze the changes, foresee their development and result, and our inability to find some intelligent adjustment of behavior that may protect the individual and the race.

We have lost sight of the fact that the basic reality in life is not politics nor industry but human relationships—the associations of a man with a woman, and of parents with a child.

There are 13 States prohibiting intermarriage between the Filipinos, as Malays and whites, and unfortunately in these States reside more than two thirds of the Filipino population in continental United States.

The 13 [*sic*] States which by inference limit the freedom are Arizona, California, Georgia, Idaho, Missouri, Mississippi, South Dakota, Utah, and Wyoming by preventing marriages between whites, or Caucasians, and Mongolians. Three of these States, namely, California, South Dakota, and Wyoming, use the term "Malay" in the text of their marriage laws.

Nevada makes it unlawful for a white person [to marry one] of the black, brown, yellow, or red race. Nebraska declares void marriages between a white person and a person of one eighth or more negro, Japanese, or Chinese blood. Oklahoma prohibits the marriage of persons of African descent with persons not of African descent by declaring it unlawful.

Oregon states that it shall be unlawful for any white person hereafter to intermarry with any person having one fourth or more negro, Chinese, or Kanaka blood, or any person having more than one half Indian blood. It was unlawful after 1924 in Virginia for any person to marry any save a white person, one having no trace whatever of any blood other than Caucasian or a person of other admixture of blood than white and American Indian of one sixteenth or less.

Georgia has made elaborate provision in recent legislation for the discovering of race prior to issuance of marriage licenses, and makes felonious and void the intermarriage of a white person and a person with an ascertainable trace of African, West Indian, Asiatic Indian, or Mongolian blood.

As a result of the foregoing miscegenation laws, records show that there are illegitimate children born from Filipinos' and whites' unlicensed *ménages*, who by reason of financial conditions and the existing laws endanger Filipino homes.

It is therefore strongly recommended that American-born wives and children of native-born citizens of the Philippines be included as such persons who may be entitled to enjoy the benefits under the Repatriation Act in question for the mutual benefits of the two Governments.

2. APPLICATION OF IMMIGRATION LAWS

We propose that the provisions of subdivision 1 of section 8 of the act of March 24, 1934, may be amended to read as follows:

(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 purpose the Philippine Islands shall be considered as a separate country and shall have for each fiscal year a quota of one thousand. 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 the industries in the Territory of Hawaii.

Our proposal to raise the quota allocated for the Philippines is based upon the fact that at the present time citizens of the United States are not limited [*in coming*] to the Philippine Islands. In as much as the Filipinos consider the United States as their mother country, there is no reason why the citizens of the Philippines should be limited to a quota of 50 every year. The proposed increase of 1,000 Filipinos entering the United States annually signifies a sincere friendly gesture on the part of the American people. It will be interpreted by the Filipino people that they are not discriminated [against] as a race. While the Philippines is in the course of re-adjustment and in the stage of reorganization preparing its people for self-government, the sending of more Filipinos to continue their studies, accumulate enough capital, acquire modern ways of living, and at the same time build the good-will—these are beneficial to both countries. At the present time, the annual quota of 50 creates dissension, and it is deeply resented by the Filipinos.

The coming of the Filipinos [*to*] the United States serves as a good medium of advertisement by educating them to use American-made products, which increases consumption and America's market in the Orient.

We therefore respectfully recommend that the annual quota of 50 be increased to 1,000 a year.

3. AUTHORIZING THE NATURALIZATION OF CERTAIN NATIVE-BORN FILIPINOS

Pursuant to another resolution duly approved at the semiannual convention of the Legionarios del Trabajo in America, held recently in the city of Stockton, the following bill has been proposed:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That certain native-born citizens of the Philippines, who are not citizens of the United States, are hereby made eligible to become citizens of the United States if they [*were*] residing within the continental United States before May 1, 1934; provided, however, that their application for citizenship is made prior to January 1, 1940.

The proposed measure is intended to remedy the peculiar political status of an estimated population of 55,000 to 75,000 Filipinos residing in the United States, before the acceptance of the Independence Law on May 1, 1934.

Political status of these native-born citizens of the Philippines has been complicated by section 8 of the McDuffie-Tydings law which reads that: "For the purpose of the Immigration Act of 1924 (excepting Section 13(c), all the citizens of the Philippine Islands who are not citizens of the United States shall be considered as if they were aliens"; whereas, a decision by the United States Circuit Court of Appeals (77 Federal Second Series 988) and confirmed by the Supreme Court (volume 56, Supreme Court Reporter, page 138) decided on October 14, 1935, declares that: "Certain other citizens of the Philippines are neither aliens nor citizens, but do owe allegiance to the United States." By this interpretation, Filipinos who [were] residing in this country prior to the acceptance of the Independence Law are not aliens subject to deportation, unless they leave the United States and lose their status as "resident aliens" or that of "returning residents".

These native-born Filipinos, numbering two thirds of the above-estimated figure, are now residing in this country, not eligible to naturalization if they have not served [in] the United States Navy, with an honorable discharge.

It is therefore respectfully submitted to your honorable Committee that the proposed measure may be introduced in Congress to correct their political status of "neither citizens nor aliens", which term amounts to a mere fiction and [is] unknown in the realm of international law.

4. THE ADVANCE OF PHILIPPINE INDEPENDENCE

That the provisions of section 10 (a) of the act of March 24, 1934, be amended to read as follows:

Section 10 (a). On the 4th day of July of 1939, 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 in the United States and 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.

We maintain that the proposed amendment will serve the complete abatement of threatened destructive trade provisions now in the McDuffie-Tydings act and the continuation of the present economic set-up which, if acknowledged by the two Governments, may establish an indefinite free-trade relation.

This will test the much-discussed theory that any country will pledge itself to use its armed forces to secure the integrity of inde-

pendent Philippines. That any nation will spend its blood and its treasure to defend Philippine shores and homes because some other country will violate them is not in the realm of reality. As concluded by authoritative sources, the only ones who will defend the Philippines are the Filipinos. It is not expected that Japan covets the Philippines. The propaganda to that effect is generally traceable to those that have some ulterior motive to be served.

There is no doubt that the United States overwhelmingly backs any reasonable step to this end. The misrepresentations and innuendos of American pacifist organizations which have especially been bitter in their attacks against the military adviser and the Philippine national defense program, saying that they attribute the plan to some sinister motive or some fanciful purpose, are actually entirely non-existent.

(a) Retention of American Naval Base

Referring to the retention of American naval reservations and fueling stations in the Philippines after independence, the McDuffie-Tydings law provides that the United States and the Philippines will negotiate this question after the granting of independence. The matter of naval base or reservations is regarded as primarily one for consideration of the United States. If its interest would benefit by the retention of a naval base, there is no reason why the proposition of retaining [the] American naval base should [not¹] be agreeable with the Philippine Government.

The defense plans of the Philippines are complete in themselves and do not depend in any way directly or indirectly upon outside assistance. It is believed that the interest of the United States is paramount in the matter and that officials of that country are the ones to make the decision at the proper time.

Writers of Far Eastern affairs, claim that the Philippines gives the United States an influence in the Far East. It provides with adjacent naval and air bases for any action that the United States might wish to take in China and with the most effective Far Eastern base for any concerted international pressure on Japan. There has been a fear that if the United States withdraw from the Islands entirely, America will lose a valuable foundation for any attempt to maintain international democracy in eastern Asia by methods short of war.

Two solutions are being offered to the so-called Philippine dilemma. First is to secure an international guaranty of Philippine independence similar to the Nine-Power Treaty relating to China, adopted at the Washington Conference; and the second is to leave the Philippines on the doorstep of the League of Nations.

¹ Correction made in the hearing held in San Francisco on July 31, 1937.

The solutions referred to above are alleged to contain the same flaw. Japan, Italy, and Germany have shown [that] international guaranties, whether contained in special treaties or in the League Covenant, can be maintained only by force.

(b) *Foreign Intervention*

The question that has been proposed again and again, whether or not Japan menaces the integrity of an independent Philippines, [if it] has been accepted that Japan has never given any indication of a desire to invade the Philippine Islands. The American Government, in an overwhelming majority of its people, desires the national security of the Philippine Republic. Although the American people as a whole were taken by surprise when the Philippine National Defense Act was enacted, there was at first a certain amount of skepticism; but this feeling has been replaced by one of comprehension and realization with which the Filipino people have approached this crucial problem.

It could not be denied that the United States is a peace-loving nation. It has an inherent shrinking from preparation for war. As a consequence, pacifist organizations receive much more attention and space than they merit. They are very vocal, but the notice they make is out of proportion to their influence. They have consistently and bitterly opposed every effort at preparedness on the part of the United States and will do the same with reference to national defense. However, it is not believed that war is a solution of international quarrels. It is the poorest solution to any problem. No matter how it ends, both sides lose.

Indeed it is difficult for an American to believe that the repression or weakening of any part of Asia is a benefit to any power. The United States is committed to its policy by geographical, economic, and political facts. In the same measure America is also bound to a policy of cooperation with all powers which sincerely profess a similar purpose.

Cuba and the Philippines are a part of the history of the United States. While many Cubans doubt whether the termination of the Platt amendment marks the end of American intervention in their affairs, the Filipinos find themselves speculating on American intervention provided under the Independence Act.

From the international standpoint, the control of concession diplomacy rests upon three broad lines of development. In the first place certain economic tendencies themselves are making for more satisfactory international conditions. Secondly there are political tendencies that well can be strengthened by an informed public opinion in the capital-exporting countries. And, thirdly, the develop-

ment of international law itself is producing legal safeguards restricting the old play of world politics in backward countries. In other words, this development serves as restrictions of intervention.

(c) *National Outstanding Obligations*

The argument whether or not the Philippine Government is ready to meet all its outstanding obligations, including approximately ₱135,000,000, has been very ably answered by the Philippine Secretary of Finance, Antonio de las Alas, who said that the Philippines has an amortization fund of about ₱75,000,000 and has assets which can be used to offset whatever may be owing to the citizens and Government of the United States.

(d) *Free-Trade Relation*

The granting of earlier independence, the only problem advanced for the economic readjustment of the Nation's wealth which we respectfully submit is a free-trade relation between the two countries. It may be effected if independence is granted in 1939; or a treaty similar to the United States-Cuban pact might be negotiated which is beneficial to both countries.

We respectfully recommend to the honorable Committee that a free-trade relation may be continued for at least 10 years, if not permanently, or the immediate enactment of the pending bill authorizing the Commonwealth President to increase the tariff rates to as high as 400 percent or to lower them to not more than 75 percent.

Respectfully submitted,

ROQUE E. DE LA YSLA
Grand Delegate

Attest:

NEMESIO M. HOLGADO, *Acting Grand Secretary*
(SEAL)

BRIEF
OF
LIBBY, McNEILL & LIBBY

(1027)

BRIEF
OF
LIBBY, McNEILL & LIBBY

CHICAGO, ILL., July 14, 1937

FRANCIS B. SAYRE, *Acting Chairman*
Joint Preparatory Committee on Philippine Affairs
c/o Bureau of Foreign and Domestic Commerce
311 Custom House
San Francisco, California

DEAR SIR:

As a factor in the canned-foods and dried-fruits industries which has developed over a period of many years a worth-while outlet for its products in the Philippine Islands, we naturally look askance on any measure that would have the effect of entirely closing the Philippine Islands to many important American agricultural products and greatly restricting the importation of others.

We believe it is generally accepted that the present Philippine economy cannot be preserved unless the market for its products in the U. S. is maintained.

Likewise, we believe it is generally conceded that American exports play an important part in the American economic structure, for which reason any measure which would seriously disrupt American exports to the Philippines—the eleventh most important customer for American exports—would have serious repercussions.

To illustrate the effect on American industry the closing of the Philippine market would have, we use as an example the item—

Canned Milk

In 1929 the Philippines imported in concentrated canned-milk form the equivalent of approximately 61,000,000 pounds of fresh milk. Of this total 98% was furnished by the American dairy industry.

In 1935 the Philippine imports of canned milk from all countries was the equivalent of approximately 73,000,000 pounds of fresh milk. Of this total 69% was furnished by the American dairy industry.

By 1936 the total Philippine imports of canned milk from all countries was the equivalent of 85,000,000 pounds of fresh milk.

However, in the year 1936 American participation in the imports of canned milk into the Philippines had dropped to but 40% of the total as against 98% for the year 1929.

From the foregoing we find two important developments: (1) An increase in the consumption of canned milk—the sale of which in the Philippine Islands was developed by American enterprise and expense; (2) a decline in American participation in this business.

The explanation of the foregoing may be summarized by the explanation that Holland is now a keen contender for the canned-milk business in the Philippines by virtue of its subsidized canned-milk industry, which subsidy at present amounts to approximately \$0.60 per case for a standard-size case of evaporated milk.

From the foregoing we arrive at the conclusion that if American canned milk imported into the Philippines would—in addition to competing with subsidized canned milk from Holland and other countries—be assessed a duty, then this valuable outlet would be promptly lost in the American dairy industry.

The foregoing illustration on canned milk serves as an example of what may be expected in the Philippine Islands in regard to American exports of practically all canned foods and dried fruits in the event these products would be assessed duties and, in addition, be handicapped by competing with subsidized industries in foreign countries.

In view of the foregoing, we are of the opinion that any measure adopted, changing the present trade relations between the U. S. A. and the Philippine Islands, should facilitate the exchange of commodities between the two countries, rather than disrupt trading relations which have been developed between the two countries during the past forty years.

Yours very truly,

LIBBY, McNEILL & LIBBY
By W. P. DENNIS

BRIEF
SUBMITTED BY THE
LOS ANGELES CHAMBER OF COMMERCE

(1031)

BRIEF
OF THE
LOS ANGELES CHAMBER OF COMMERCE

LOS ANGELES, CALIFORNIA, *July 15, 1937.*

To the JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS.

GENTLEMEN:

With reference to the proposals to advance the date for independence of the Philippine Islands and for ending the preferential trade arrangements between the United States and the Philippine Islands, the Los Angeles Chamber of Commerce respectfully submits to your honorable Committee the following statements.

I. THE PACIFIC ERA

Any consideration of the future of the Philippine Islands, in order to be adequate, should include a study of developments around the Pacific basin and the relations of the Philippines thereto.

Early in the present century the late Theodore Roosevelt called attention to the coming of the Pacific era—destined, as he said, to be the greatest era of all time. Since the opening of the Panama Canal, and especially since the conclusion of the Great War, the Pacific era has been evolving. This is apparent in the development of shipping and commerce of the Pacific. We can specifically point to the development of our own commerce and trade in southern California as a feature of the early years of the Pacific era.

After the close of the World War it was impossible to make a direct shipment from Los Angeles to any point in the Orient because of a lack of shipping facilities. We had to send our merchandise to San Francisco or Seattle in order to ship it to Japan, China, the Philippines, or elsewhere across the Pacific.

In 1919-20 the Los Angeles Chamber of Commerce organized 50 civic-minded citizens who contributed \$1,000 each to form a steamship company to charter freighters from the United States Shipping Board and to inaugurate direct steamship service from Los Angeles to the Orient. Sailings were 60 days apart and the first ship carried 300 tons of cargo. Yet today, after only 17 years, our trans-Pacific service has been developed until we have a sailing to Manila every third day, and still more frequently to some other ports of the Orient—and this does not take into consideration the many oil tankers sailing from Los Angeles; and in the north-Pacific range of countries from Japan to the Philippine Islands, inclusive, there was shipped through

the port of Los Angeles in 1936 a total of 1,910,299 tons of cargo—an average of 5,234 tons a day. This is practically all new business, developed in the last one and a half decades, and it has been built up without encroaching on the commerce of other ports and communities, for our sister ports on the Pacific have continued to develop and grow during this time.

This is only the beginning of the development of the Pacific era. Looking forward to the next two, three, or four decades we can see a great expansion of this trade and commerce which will be a very important element in world prosperity.

II. AMERICAN INFLUENCE IN THE PHILIPPINES

The Philippine Islands bear an important relation to the future of Pacific trade and commerce. Since the American occupation of the Philippines, which was practically coincident with the beginning of the present century, the population of the Islands has increased about two and a half times, and a new generation of American-Orientals has developed.

The standard of living of the great bulk of the Filipino people has been very much elevated and is, in fact, considerably higher than that of most of their neighbors in that section of the world. Likewise the commerce of the Islands, both as a source of supply for raw materials needed in the world's industry, and as a market for manufactured products, particularly those of the United States, has developed enormously—all of which facts should be kept prominently in the foreground in considering the future of the Philippine Islands.

This also especially is important from the standpoint of the Filipino people. As indicated above, their higher standard of living undoubtedly is due to what has been accomplished through American occupation and the consequent development of trade, industry, and commerce. The Filipino people doubtless will desire to recognize the duty, as well as the advantage, of continuing such relations as will preserve to them the benefits acquired and the standards of living already gained, as well as making still further advancement, instead of reverting to their former position.

III. PHILIPPINE-PACIFIC-COAST TRADE

Naturally, the Pacific Coast of the United States is closely affiliated commercially with the Philippines and is intensely interested in all economic and commercial developments having a bearing on their trade. With the development of the resources of the Philip-

pires, much American capital has been invested therein, and many industries also have been built along the Pacific coast to handle Philippine products and to manufacture goods for the Philippine market. This fact should be given due weight in the consideration of preferential trade relations between the United States and the Philippines.

In their industrial interests there is a considerable divergence between Pacific-coast communities. The Northwest is principally concerned with such products as lumber, flour, canned fish, certain types of machinery, dairy products, and similar goods; while the Southwest is concerned with such export commodities as petroleum products, automobile tires and accessories, canned sardines, over-issue newspapers, citrus fruits, other types of machinery, and miscellaneous manufactures.

All leading Pacific-coast port cities, however, have a common interest in the importation of Philippine products. Oil mills, cordage plants, soap factories, furniture plants and other concerns using hard wood, and a host of lesser industries, have been created to use products coming from the Philippine Islands.

All this development has taken place largely as a result of preferential trade arrangements which have been in existence between the Philippines and the United States. Under these arrangements the Philippines have developed rapidly and, as already pointed out, their people have advanced to a higher standard of living than most of their neighbors.

The creation of new wealth thus made possible has opened new markets and created new demands for the products of the Pacific coast, as well as sources of raw materials for our factories, both of which in turn have increased employment. A disturbance of these relations therefore might be very serious, not only for the people of the Philippine Islands but also, in a degree, for the United States as well.

IV. THE PHILIPPINES AND THE PACIFIC SOUTHWEST

Southern California and the Pacific Southwest has built up its share of this commerce and industry through our relations with the Philippines in the last one and a half decades. Attached is a detailed tabulation of the trade through the port of Los Angeles to and from the Philippine Islands, and we believe we are safe in saying that the development of the last few years indicates that this trade will grow in an astonishing manner if artificial barriers are not created to disrupt it. Hence the interest of the Pacific Southwest in the economic future of the Philippines is readily apparent.

That our trade with the Philippines is steadily increasing is indicated by the fact that our exports through Los Angeles harbor to the Philippine Islands last year averaged a little more than \$500,000 a month, while in the four months since the ending of the maritime strike the value of exports to the Philippines has been as follows:

March 1937 -----	\$503,982
April -----	516,284
May -----	555,857
June -----	336,472

The largest single commodity exported to the Philippines from the Los Angeles territory in these four months has been automobile, truck, and airplane tires and tubes, which aggregated \$450,000 for these four months. In other words, the Philippines affords a million-dollar annual market for the Los-Angeles-made tires, and the market is constantly increasing.

V. DATE OF INDEPENDENCE

In the past there have, of course, been divergent views with reference to the wisdom of the independence of the Philippine Islands, but it is now the established policy of the United States to make the Philippines completely independent, and we are therefore expressing no opinion on this subject, accepting independence as a settled policy. We sympathize with the aspirations of that element of the Filipino people who are ambitious that their country shall become an independent nation. While there may be a difference of opinion as to the date on which independence will become effective, we consider this a detail in which the welfare of the Filipino people is paramount to our own, and therefore we are not giving it consideration in this statement.

VI. PREFERENTIAL TRADE ARRANGEMENTS

We are, however, very much concerned with the economic aspects of the problems before your honorable Committee. Any disruption of present preferential trade arrangements between the two countries must inevitably bring serious consequences and economic loss both to the people of the Philippine Islands and to those of the United States who are concerned with Philippine trade.

We therefore believe that there should be no shortening of the time during which such preferential trade arrangements shall continue in force. On the contrary it is our belief that the present arrangements should continue at least until July 1, 1946, as at present contemplated, and as that date approaches this question should again be brought up for consideration in the light of such developments

as may take place in the next few years of preparation for, or of actual experience with, independence.

VII. PHILIPPINE EXPORT DUTIES

There are differences of opinion as to the wisdom of the present provisions making mandatory an export duty on Philippine products amounting to 5 percent of the normal United States duty in the year ending June 30, 1941, and increasing at a progressive ratio to 25 percent of the normal United States duty in the year ending June 30, 1946. We are not asking that this provision be abandoned nor that it be continued, believing this to be a question of internal policy for the Government of the Philippine Islands to decide. The provision should, however, be permissive instead of mandatory, and hence left to the judgment of the Filipino people as expressed through the acts of the Philippine Assembly.

VIII. CONCLUSIONS

Without expressing itself with reference to the date on which independence should become operative, the Los Angeles Chamber of Commerce therefore desires to recommend to your honorable Committee.

1. That action should be taken providing that present preferential trade arrangements between the United States and the Philippine Islands shall be continued at least until June 30, 1946.

2. That provision be made for a further study of the economic independence of the Philippine Islands and the trade relations between the United States and the Philippines, such study to be made during the year beginning July 1, 1944, with a view to continuing present preferential trade arrangements, if necessary or desirable, or to bringing about such modified reciprocal trade agreement as may seem advantageous to the people of both countries.

3. That the present provision relating to export duties on Philippine products exported to the United States during the years 1941 to 1946 be made permissive and not mandatory, to the end that the Filipino people themselves may be free to act on this proposition as their judgment may dictate, it being an internal question affecting the revenues and economy of their Government.

Respectfully submitted,

LOS ANGELES CHAMBER OF COMMERCE
SECRETARY AND GENERAL MANAGER

EXPORTS TO THE PHILIPPINE ISLANDS THROUGH LOS ANGELES HARBOR

FOR THE CALENDAR YEAR 1936, AND FOUR MONTHS OF 1937—MARCH, APRIL, MAY,
AND JUNE—FOLLOWING THE MARITIME STRIKES

	Calendar year 1936	Four months of 1937
Edible live animals and birds.....	\$50	\$460
Fresh, preserved, and canned meats.....	77, 530	46, 370
Dairy products.....	7, 194	—
Preserved fish.....	9, 770	—
Canned sardines and pilchards.....	187, 730	104, 460
Canned mackerel.....	6, 960	1, 700
Other canned fish and fish products.....	7, 960	7, 060
Leather.....	160	—
Boots and shoes.....	7, 231	5, 620
Other leather manufactures.....	1, 265	1, 240
Animal oils and greases.....	—	40
Inedible live animals and birds.....	3, 050	120
Bonemeal and flour.....	1, 850	20
Fish oils.....	410	—
Other inedible animal products.....	135	50
Barley, corn, oats, rice, wheat, rye, etc.....	420	—
Flour and meal of corn, rice, wheat, rye, etc.....	3, 620	—
Grain preparations.....	27, 220	23, 610
Oil cakes and meals.....	30	20
Dairy, poultry, and mill feeds.....	440	10
Dried and preserved vegetables.....	2, 050	460
Fresh vegetables.....	4, 386	2, 430
Canned vegetables.....	3, 348	1, 860
Vegetable preparations.....	4, 721	1, 210
Grapefruit.....	6, 790	2, 390
Lemons.....	19, 090	7, 210
Oranges.....	79, 490	54, 570
Other fresh fruits.....	18, 435	740
Dried fruits.....	1, 970	—
Canned fruits.....	1, 110	30
Preserved fruits and preparations.....	380	390
Walnuts.....	1, 130	—
Other nuts and preparations.....	290	40
Edible vegetable oils and fats.....	9, 060	1, 840
Cocoa beans, cocoa, and chocolate.....	2, 750	340
Coffee.....	11, 193	1, 700
Tea.....	140	—
Spices.....	200	—
Miscellaneous sugar and related products.....	4, 970	6, 840
Honey.....	150	70
Whiskey and other spirits.....	820	—
Wines and champagne.....	2	530
Beer and ales.....	16, 910	19, 191
Other beverages and flavorings.....	21, 144	11, 290
Fruit juices.....	16, 051	8, 193
Miscellaneous vegetable food products.....	1, 570	22
Scrap and reclaimed rubber.....	600	—

	Calendar year 1936	Four months of 1937
Auto, truck, and airplane casings	\$818, 150	\$406, 340
Inner tubes	67, 583	43, 430
Molded and hard-rubber goods	3, 100	1, 950
Other rubber manufactures	2, 317	2, 807
Gums and balsams	—	60
Other oilseeds	—	20
Naval stores	330	—
Expressed oils and fats, inedible	1, 350	30
Essential and distilled oils	4, 230	1, 640
Dyeing and tanning material	—	470
Field and garden seeds	—	30
Nursery and greenhouse stock	10	10
Tobacco and manufactures	22, 760	—
Miscellaneous inedible vegetable products	10	10
Cotton rags and waste	40	—
Cotton yarn, thread, and cordage	8, 650	4, 231
Cotton cloth	368, 850	112, 330
Cotton wearing apparel	3, 190	3, 960
Other cotton manufactures	2, 562	11, 150
Jute and manufactures	3, 330	1, 520
Flax, hemp, ramie and manufactures	110	40
Wool rugs and carpets	140	160
Wool wearing apparel	670	815
Other wool and mohair manufactures	5	—
Hair and manufactures	2, 700	22
Silk wearing apparel	500	2, 170
Other silk manufactures	1, 275	—
Rayon and manufactures	1, 020	4, 770
Linoleum and olcloth	30	—
Miscellaneous textile products	16, 220	5, 261
Softwood lumber	320	—
Mill manufactures	1, 190	—
Furniture (including wicker)	510	305
Miscellaneous wood manufactures	3, 450	4, 481
Old newspapers and magazines	41, 960	69, 990
Other paper manufactures	59, 380	25, 250
Bulk fuel oil	672, 040	267, 380
Bulk gasoline	1, 786, 070	350, 900
Bulk kerosene	609, 010	154, 560
Bulk diesel oil	164, 420	130, 440
Gasoline in cases	90, 270	34, 840
Kerosene in cases	87, 343	88, 330
Lubricating oil in cases	12, 495	4, 140
Other bulk petroleum products	11, 140	—
Other cased petroleum products	2, 265	870
Window and plate glass	480	100
Other glass manufactures	16, 927	10, 110
Clays	8, 200	4, 275
China, porcelain, and earthenware	4, 080	3, 770
Brick, tiles, etc	6, 561	8, 990
Abrasives	100	180
Asbestos manufactures	5, 760	14, 920

BRIEFS SUBMITTED IN TYPEWRITTEN FORM

1039

	Calendar year 1936	Four months of 1937
Other non-metallic minerals and manufactures	\$16,566	\$12,830
Iron and steel semi-manufactures	3,780	2,450
Steel-mill products, structural iron, railway material, etc.	89,365	37,690
Cutlery, hollowware, metal furniture, stoves, etc.	37,094	5,125
Tools, hardware, scales, and other iron and steel manufactures	12,695	6,425
Iron drums, barrels, cylinders, and containers	27,225	9,770
Ferro-alloys	1,060	4,000
Aluminum and manufactures	580	2,050
Copper and manufactures	840	5,980
Brass, bronze, and manufactures	10,470	2,450
Tin and manufactures	110	—
Zinc and manufactures	1,020	1,140
Other metals and manufactures	3,750	1,161
Platinum, jewelry, gold, and silverware	50	—
Electric generators, motors, batteries, etc.	23,781	10,590
Electrical appliances	12,770	10,590
Communication and other electrical apparatus	21,702	9,756
Industrial machinery	72,300	74,390
Office appliances	260	1,430
Agricultural machinery and implements	96,535	11,970
Passenger automobiles	58,150	2,570
Motor trucks, buses, and chassis	31,610	1,880
Automobile parts and accessories	18,801	7,390
Other vehicles and parts	55,550	33,220
Coal tar and products	20	—
Medicinal and pharmaceutical products	8,655	2,910
Industrial chemical specialties	1,441	870
Industrial chemicals N.O.S.	11,770	9,879
Sodium compounds	12,220	3,635
Borax	1,850	400
Compressed or liquified gases	220	90
Pigments, paints, and varnishes	43,485	18,720
Fertilizers (chemical)	60	120
Explosives, fuses, etc.	47,520	—
Soap and toilet preparations	65,685	35,841
Cameras, films, scientific and professional instruments	28,850	20,510
Musical instruments	3,520	2,600
Miscellaneous office supplies	6,395	2,401
Toys, athletic and sporting goods	1,927	55
Books, lithographed and printed matter	9,831	3,067
Composition roofing	575	700
Household and personal effects	5,165	9,495
Miscellaneous	26,660	8,692
Total	\$6,164,739	\$2,413,215

LOS ANGELES CHAMBER OF COMMERCE
LOS ANGELES, CALIFORNIA

June 10, 1937

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS
Room 206, U. S. Tariff Commission
8th & E Streets
Washington, D.C.

GENTLEMEN:

The Board of Directors of the Los Angeles Chamber of Commerce has had before it today a report from the Harbor, Foreign Commerce and Shipping Committee of this organization, calling attention to the press releases issued by your Committee under date of May 28 last, in which it is stated that a proposal has been made to advance the date of the Philippines' independence to 1938 or 1939, and also terminate preferential trade relations between the United States and the Philippines at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy.

It is further stated that views in writing and application for supplementary oral presentation of views must be submitted to your Committee not later than 12 o'clock noon, June 15, 1937—which is next Tuesday.

While we are not prepared at this time to submit an argument on the questions involved in these proposals, may we ask permission to place before your Committee the following.

(1) The Pacific Coast is tremendously interested in the relations between the United States and the Philippine Islands because we here on this coast immediately face the Philippines. They are one of our largest markets as well as one of our chief sources of supply of raw materials, and we have intimate contacts with the people of the Islands. We believe, therefore, that the views and opinions of Pacific Coast interests should be given careful consideration by your Committee.

(2) While the independence of the Philippines has been discussed for many years and has been definitely determined upon for 1946, the two propositions in the proposals submitted, as above indicated, came upon us with startling suddenness, and we are averse to expressing an off-hand opinion on a matter of such great importance both to us of the Pacific Coast and to the business interests of the United States as a whole.

(3) In view of the absence of any published information for these proposals, no time has been allowed us to ascertain any authentic reasons why these proposals should come up on such short notice. It is presumed that your honorable Committee desires to obtain the

views of those most interested in the problems involved, and the reasons for those views. Off-hand, our business interests who are greatly concerned in trade with the Philippines would be disposed to oppose the proposals, but such views might be modified if we knew the reasons therefor.

(4) Naturally, we desire to present a carefully considered and intelligent expression of all phases of the problems involved in the study which your honorable Committee is making, and, in view of the fact that these studies will be carried on for several months, we do not see any reason why the presentation of written views should be limited to next Tuesday, June 15. We understand that your honorable Committee proposes to sail for the Philippine Islands later in the summer and hold hearings on these questions in Manila in September, returning to the United States after such hearings.

(5) May we, therefore, file the following with your honorable Committee:

(a) We earnestly protest the short time allowed for filing written briefs with your Committee and applications for supplementary oral presentation, and we request that the time be extended for filing such written presentation of views until after the return of your honorable Committee from the Philippines in the fall, to the end that your Committee may have at its disposal as complete information on the problems involved as possible.

(b) We further request that your honorable Committee hold one or more hearings on the Pacific coast after the return of the Committee from the Philippines in the fall, in as much as members of your Committee necessarily will be here on the coast, and this will obviate the necessity of Pacific-coast cities and other interests sending delegations to Washington to be heard at this time.

Respectfully submitted,

LOS ANGELES CHAMBER OF COMMERCE
A. G. ARNOLL
Secretary and General Manager

LOS ANGELES CHAMBER OF COMMERCE
LOS ANGELES, CALIFORNIA

July 8, 1937.

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
8th and E Streets,
Washington, D. C.

GENTLEMEN:

With reference to the study by your Committee of the proposal to advance the independence of the Philippines from 1946 to approximately 1938-1939, and more particularly the proposal to discontinue or modify the existing preferential trade relations, the Los Angeles Chamber of Commerce, after limited study, conferences, and trade-group and individual contacts, respectfully submits the following statements and requests for consideration by your honorable body.

1. Los Angeles and other west-coast centers have a special interest in commerce with the Orient. Millions of dollars have been invested in industry and in the growth and production of fruits and vegetables with which to cater to that market. The foreign commerce of the west coast is responsible for a very substantial share of employment. Any serious dislocation of trade with the Philippine Islands is bound to affect, detrimentally, industry and agriculture of this region and more than likely to curtail the volume of trade now enjoyed not only with the Philippines but with other Asiatic nations.

2. Numerous conferences, committee meetings, and interviews with importers and exporters of this area (representing the following industries: sugar, cosmetics, men's and women's apparel, petroleum, copra, tobacco, mining machinery, general exporting and importing, shipping, banking, and other lines) have developed the unanimous recommendation "that the preferential trade relations be continued as at present provided for in the Independence Act to July 1946 and that the interim or transition period be used in arriving at the most desirable agreement to follow from there on".

3. The proposals thus far have been stated in brief and general terms, leaving those interested somewhat confused and uncertain as to what is contemplated. In behalf of these interested parties, we respectfully recommend that the proposals be qualified—that the intent thereof be more fully outlined and that when so clarified additional time be set aside for the preparation and acceptance of briefs applicable to and directed at the proposals as qualified.

4. For the year 1936 the exports from the port of Los Angeles to the Philippines amounted to \$6,192,524, of which the principal commodities were meats, fresh and preserved, canned sardines, cereals, citrus

fruits, automobile tires, fuel oil, gasoline, kerosene, diesel oil, structural iron, cutlery, hardware and furniture, electrical apparatus, agricultural machinery, passenger automobiles and motor trucks, paints and varnishes, explosives, toilet preparations, cameras and films.

For the same period the imports through Los Angeles harbor amounted to \$4,100,000, of which the principal commodities were oil cakes and meals, refined and cubed sugar, crude rubber, copra, expressed oils and fats (inedible), tobacco products, flax, hemp and ramie, Manila and hemp rope, vegetable fibers, hardwood lumber.

This \$10,000,000 trade between Los Angeles County and the Philippine Islands consists of commodities which our respective markets are able to supply each other to advantage. Any sudden interference with present preferential trade relations will seriously dislocate business at both ends; will work a hardship on the investments of industry and agriculture now catering to this trade; will seriously affect employment of those now engaged in carrying on this commerce; will necessitate adjustment to new terms; and will require the seeking of new and less advantageous markets.

The Los Angeles Chamber of Commerce respectfully applies for the privilege of submitting additional written and oral evidence to your Committee during the hearings scheduled for San Francisco on July 21-22-23.

Respectfully submitted,

LOS ANGELES CHAMBER OF COMMERCE
SECRETARY AND GENERAL MANAGER

BRIEF
SUBMITTED BY
AGUSTIN Y. LOTUACO, M.D.

BRIEF

SUBMITTED BY

AGUSTIN Y. LOTUACO, M.D.

GAPAN, NUEVA ECIJA, *August 16, 1937.*

JOINT COMMITTEE ON PHILIPPINE AFFAIRS,
National Assembly, Manila,
Philippines.

SIRS:

God is supreme to all human and human laws.

"Do unto others as you would they should do unto you."

God has aside for us (brown people) these group of Islands with its endless natural wealth and we people living in it are having our own customs, names, commerce, religion, etc., which were quite different from the Europeans and the Western people. When foreigners like F. Magellan, M. L. Legazpi and others visited these rich Islands they fooled our fathers in all ways and means to steal and to plunder the wealth and to enslave our fathers, mothers, sisters, and relatives. These newcomers exploited our females. Quezon is a good evidence and proof. They took away our young men for slaves or soldiers. These newcomers, not contented with all, as said above, still changed our natural religion, names, etc., for the one they have. Since then, 1521, our fathers fought and [are] still fighting for our right of independent ideas not to be dictated by strangers who are introducing their own for the one God has given us (brown people). As a result, [there is] not an inch of land at present not stained by the brown blood.

In the year 1896 we had another revolution, the result of which we established our independence. Then, and at short intervals the Americans came to wage war for whom W. J. Bryan says: "and the nation that makes an unjust war is nothing but a great gang." Our fathers fought the Americans. After five continuous years fighting both the Americans and the Spaniards, our fathers put down their arms through deception and promises. To that promises our fathers are fooled again and again. It seems that Americans [and] Spaniards are the same in giving their gentlemen's agreements. And it seems Raymond Leslie Buell is correct in saying in his book, *The Washington Conference*, page 364, which says: "Outwardly America is clothed in a religious garb of mercy! Forbearance, justice and humanity, and she assumes an air of perfect unconcern. But at

heart, Americans are greedy and insatiated, always sharpening their claws of tyranny and aggression, looking for their opportunity to pounce upon their victims—the White Races regarded the world as their property and all other races are greatly their inferiors—they were defying destiny and woe to them.”

When the Americans came in these Islands, then called Philippines, our fathers narrated to us: Formerly one can own any piece of land without document and title of ownership. Any inhabitant can cultivate this piece of land without molesting from the owner and can harvest the crops they planted any time. And to this time, there are several cases like this still exist throughout the Philippines. This shows that natural brown Filipinos never fight nor quarrel for stomach sake or economy and with very, very little but honest effort we can earn our daily subsistence.

When Quezon and company were in Europe, Cuba, and Mexico recently they were spending ₱50.00 each daily. While other nations' representatives doing the same work as Quezon and company did to other foreign countries are only spending each one every day barely less than one fourth what Quezon and company are spending each one daily abroad. This vividly portray that finance is sound in the Philippines and economic problem is excellent.

Referring, as mentioned above, for what then—this Committee of experts is form? Is it for the sake of the 14 million brown people or for the sake of the 1,300 Filipinos who gave banquet at the Manila Hotel to His Excellency Hon. Governor General Murphy, who made his first and last visit to President Roosevelt? Let the Philippines Free Press Vol. XXXI No. 33 its editorial answers: “. . . It is extremely doubtful if the Americans of the joint mission will learn anything in the Philippines that they could not learn in the United States.”

These group of Islands have abundant iron, gold, silver, copper, etc., fertile soil, source of our endless natural wealth, forests with valuable woods, ocean and rivers with different kind of fishes; bed of ocean and seas with diamond and pearls, groves, sources of excellent papers and rope. These wealth are carried away by these newcomers with them to Europe and to America. They are continuously doing this plunderings or otherwise of these group of Islands' wealth since 5,000 years B.C. However, if the Americans succeed in digging the most valuable mines (gold) she does it for at least 1,500 years of continuous labor days and nights. Even if she succeeds in taking all our mines still we have the manna, Ex. XVI: 15, the fertile soil, source of our daily foods.

Recently, the Philippines received from U.S.A. customhouse from coconuts tariff ₱100,000,000 and so on. This clearly pointed out that commerce in the Philippines is big. How much more would be the flow-in of money to the Philippines if we are allowed by U.S.A. to trade to other countries of the world and does not give us mandatory order as stated in M. T. law for which Oppenheimer says: "Law is nothing more than the expression of the conqueror's will."

The Philippines is the milking cows of Europe and the Western capitalists. NEPA is an American fine shape of patriotism moulded by scholars and diplomats merely for American digestions. We see everywhere in the Archipelago and no one would dare to deny that all and all, that such and such as the music instruments, engineer and local carpenters instruments and tools, Hollywood beauty culture, drugs with humanity and without humanity, typewriters, fountain pens, gasolines, petroleum, automobiles, machines, leathers and canvas for shoes, nails, can foods, radios, photographs, phonographs, home decorations, guns for sports, rotten and old-made guns for the Philippine Army, etc., and etc. and etc. are from America. Yet the American Army stationed in the Philippines purchased sugar and cement from Java merely to demonstrate something—while cement and sugar are abundant in the Philippines. Sugar as stated above and in M. T. law even limits our productions while by 1914 speeches of governor generals, politicians, lecturers and newspapermen induced the Archipelago to plant sugarcanes. When limitation came the poor farmers received nothing from landed owners but debt and debt.

If this ₱100,000,000 which we received from U.S.A. is to be used in establishing factories for articles mentioned above precisely and most important of all is arsenal to each province of the Archipelago—America does valuable and humanitarian love: 1. Making the Philippines to become economic independent. 2. Jobless is greatly decreased. 3. Increased immensely the Philippines population. But America will not allow to do that, for we, the brown people is their milking cows, and, no more. History proves all.

America will order Quezon to use the ₱100,000,000 for constructing schools, and provincial highways for American commerce to pass through them merely for Americans while natives are but slaves. This is different from our original customs of ways of trading many centuries before the Spanish discovered these group of Islands of the brown people, as recorded by Blair and Robertson: "The Philippine Islands, Vol. XXXIV, page 187; *ibid.*, vol. XXXIV, page 186; by José Rizal "The Indolence of the Filipinos". Not-like now we brown people are destined for our milk for the white and red people capitalists only (*sic*).

Many centuries before the Spaniards discovered these group of Islands of the brown people, foreign commerce were coming in our

ports or in the middle of the current and announce their presence by beating of drum. This shows the character of our forefathers were respected by foreigners; honest, meek, obedient to laws and to their chiefs and above all economic problem was then stable and sound. Compare and wait for result of the suppose humane and generous duty of the joint mission who are now in the Philippines and this joint mission wishing or studying plans or receive instruction to look for means and ways they can suggest to their superior the president of the U.S.A. for the benefit of Philippines economic problem.

NOTE.—When our forefathers were having their peaceful, honest life, homely, helping others from abroad who came to the Islands, morally good, healthy not syphilitic, meek, gentle, humble but brave, hospitable, obedient to laws and to their chiefs, and above all sound economic—they were then free, independent—that is no nation can dictate their affairs—and also master of their own affairs.

In conclusion therefore and so that the brown people can breathe new life—please I implore to your superior also my superior in human laws and my conqueror by force besides, through the joint mission to give now our independence. I am sure the 14 million brown people will be thankful forever and will be more useful to U.S.A. in many ways in time to come excepting the 1,300 Filipinos who gave a banquet to Governor General Murphy. These 1,300 Filipinos are traitors to General Antonio Luna's principle concerning this Archipelago.

Yours in Christ,

AGUSTÍN Y. LOTUACO, M.D.
(Sakdalista)

**MEMORIAL
OF THE
LUCBAN MUNICIPAL COUNCIL**

(1051)

COMMONWEALTH OF THE PHILIPPINES

MUNICIPALITY OF LUCBAN

TAYABAS

MEMORIAL OF THE MUNICIPAL COUNCIL OF LUCBAN, PRESENTED TO THE PHILIPPINE-AMERICAN PREPARATORY COMMITTEE OF EXPERTS HEADED BY HON. JOHN VAN MACMURRAY ON THE OCCASION OF ITS VISIT SEPTEMBER 10, 1937

GENTLEMEN:

On behalf of the people of the municipality of Lucban, Province of Tayabas, Philippines, the undersigned, members of the Municipal Council, respectfully and earnestly solicit your help and assistance in the solution of our serious problem, "the prohibition of the exportation of buntal fibers to foreign countries".

Before the exportation of buntal fibers to foreign countries like China and Japan, the yearly income of the people of this municipality alone, from the buntal-hat industry was over a million pesos. After the exportation of such fibers became an established business, which permitted foreign competition of said industry, the yearly income fell to only about fifty thousand pesos (₱50,000.00) which is only five *per centum* of the former income. To prove this assertion, we submit for your consideration and guidance statistics and graphs hereto attached.

The buntal-fibers exportation prohibition act, which was duly approved by the National Assembly, is now at the hand of His Excellency The Great President of the United States for consideration. The Presidential sanction on the said prohibition act means a blessing to our now prostrate buntal-hat industry; it containing provisions conducive to saving the said buntal-hat industry from complete ruin and unhappy situation which may be forthcoming due to keen competition and monopolistic exportation of buntal fibers abroad. The unfavorable consideration of the Great President of the United States on said prohibition act will materially redound to the virtual killing of the buntal-hat industry, and sacrifice the prosperity of an American territory to no advantage whatsoever to anyone under her sovereignty, but merely to the benefit and interest of foreign competitors.

There is no denying the fact that the life and blood of a good many towns of this Province, as well as the Provinces of Laguna and Bulacan, especially this municipality depend mostly upon the buntal-hat industry. For some years now, the people of this municipality are undergoing one of the severest trials of their lives due to the said keen competition abroad with the resulting tremendous fall in the prices of our buntal hats. We are fully conscious that our greatest com-

petitor is China, and she relies on us for the supply of her buntal fibers. This being the fact, it is quite easy to remove her, if our Government really chooses to. We sincerely believe that should the very objective of this memorial materializes, prosperity without peradventure of any doubt will return to us for keeps, where commercial and industrial activities will mark a feverish tempo.

We, therefore, reiterate our oft-repeated request to prohibit the exportation of buntal fibers. We submit to you our case respectfully and earnestly. In it are the wishes, prayers, fears and hopes of the people of Lucban, whom in fact and in law, we represent. We await with confidence and eagerness the consummation of the very objective of this memorial.

Respectfully submitted,

ESTANISLAO CADAVEZ
Municipal President

PANTALEON NANTES
Councilor

JUAN B. RAÑOLA
Councilor

ALFREDO N. OBLEADA
Councilor

JOSÉ V. ELEAZAR
Councilor

ALFREDO O. CABUNGOAL
Councilor

DOMINGO N. CASIÑO
Municipal Secretary

Annex

PHILIPPINE EXPORTS OF BUNTAL FIBERS AND BUNTAL HATS

	Buntal fibers ^a		Buntal hats ^b	
	Quantity (Kilos)	Value (Pesos)	Quantity (Number)	Value (Pesos)
1913.....			218, 947	643, 802
1914.....			198, 641	525, 000
1915.....			163, 129	336, 743
1916.....			319, 731	890, 340
1917.....			345, 834	1, 097, 660
1918.....			303, 029	1, 015, 430
1919.....			350, 720	1, 149, 698
1920.....			209, 398	886, 879
1921.....			142, 558	419, 316
1922.....			251, 399	777, 373
1923.....			374, 301	1, 158, 850
1924.....	33, 892	170, 426	580, 085	2, 258, 604
1925.....	28, 380	156, 231	910, 132	4, 669, 178
1926.....	18, 664	91, 491	672, 260	3, 039, 160
1927.....	52, 504	257, 734	258, 984	3, 065, 621
1928.....	168, 806	913, 769	1, 239, 629	6, 499, 407
1929.....	222, 137	1, 454, 487	871, 844	4, 032, 123
1930.....	208, 567	1, 397, 269	854, 578	2, 514, 632
1931.....	76, 616	562, 797	528, 940	1, 101, 105
1932.....	56, 273	105, 735	735, 772	1, 181, 036
1933.....	129, 324	417, 841	980, 150	1, 529, 162
1934.....	150, 351	604, 667	1, 213, 983	2, 275, 933
1935.....	131, 380	556, 674	473, 478	854, 151
1936.....	163, 844	654, 751	523, 377	762, 784

^a Data prior to 1924 for buntal fibers not separately stated.

^b Figures prior to 1913 for buntal hats not available.

* First 11 months only. [No reference in table.]

TABLE OF BUNTAL-HAT EXPORTS FROM LUCBAN, TAYABAS

CENTER OF THE BUNTAL-HAT INDUSTRY

(Lucban hats are known commercially as bangkok hats)

1922.....	₱201, 000. 00	1929.....	₱1, 467, 000. 00
1923.....	601, 000. 00	1930.....	830, 000. 00
1924.....	731, 000. 00	1931.....	361, 000. 00
1925.....	1, 416, 000. 00	1932.....	48, 000. 00
1926.....	1, 079, 000. 00	1933.....	157, 000. 00
1927.....	1, 033, 000. 00	1934.....	100, 000. 00
1928.....	1, 318, 000. 00	1935.....	70, 000. 00

Lucban is the center of the hat industry. The other surrounding towns engaged in the same industry are Lucena, Pagbilao, Sariaya, Tayabas, Lopez, Sampaloc, Mauban, all of Tayabas Province, and Luisiana, Cavinti, and Majay-jay, Laguna. When the demand for this kind of buntal hats was at its maximum, the greatest production has reached 2,200 *ternos* weekly, or 17,600 hats, making a total of 70,400 hats a month more or less.

AVERAGE EXPORT PRICES OF BUNTAL FIBER & BUNTAL HATS

BUNTAL FIBER
(Export price per kilo)

BUNTAL HATS
(Export price per hat)

Year	To China	To other countries	To all countries
1924.....	P4.42	P5.20	P3.89
1925.....	5.55	5.91	5.13
1926.....	4.90	4.51	4.52
1927.....	4.98	5.90	5.67
1928.....	5.43	3.30	5.24
1929.....	6.55	5.70	8.56
1930.....	6.69	8.47	2.04
1931.....	7.34	8.20	2.02
1932.....	2.29	1.71	1.48
1933.....	3.23	3.06	1.55
1934.....	4.09	2.96	1.87
1935.....	4.24	6.00	1.80
1936 (6 mo.).....	3.60	2.80	1.68

COMMONWEALTH OF THE PHILIPPINES

MUNICIPALITY OF LUCBAN

PROVINCE OF TAYARAS

OFFICE OF THE TREASURER

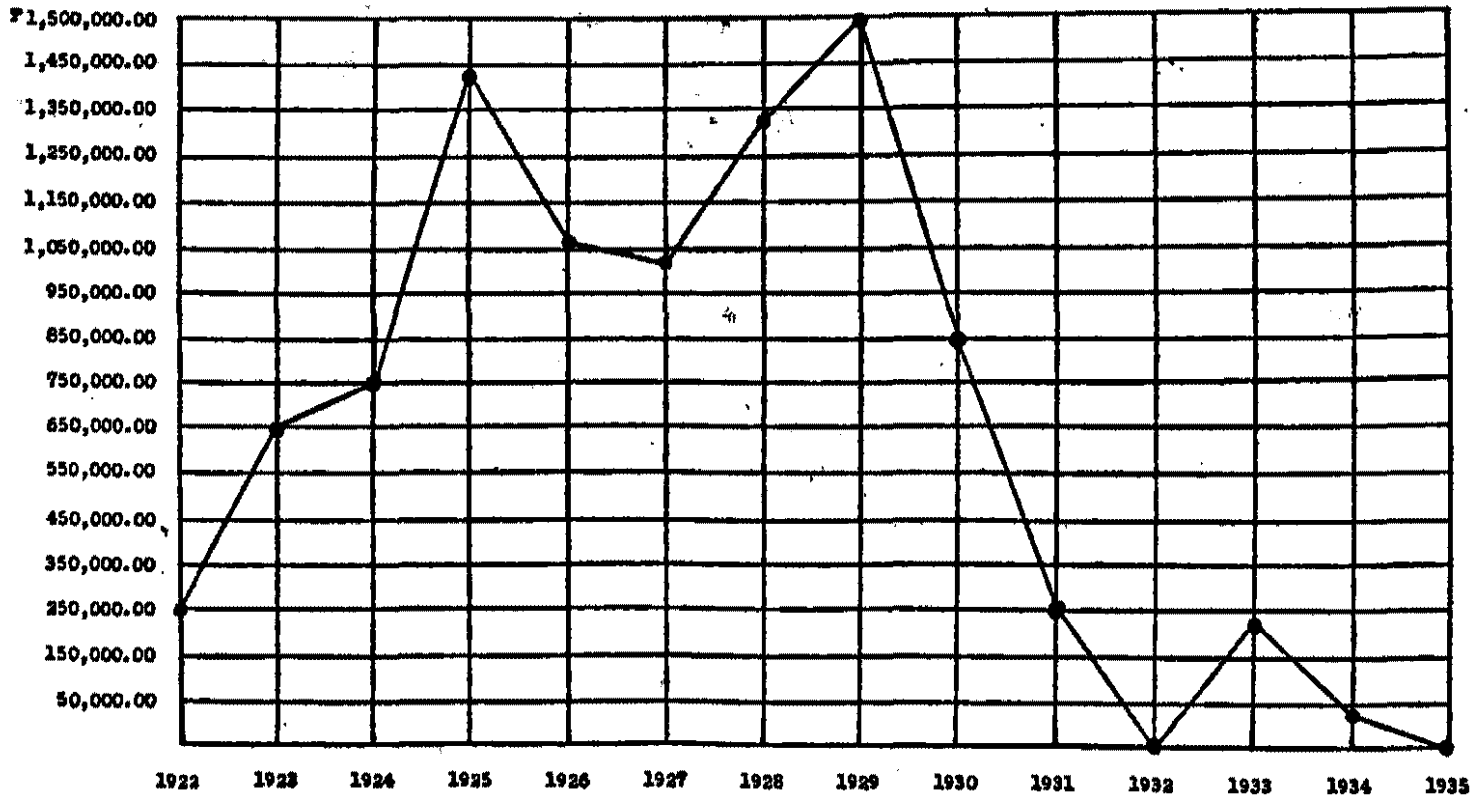
COMPARATIVE STATEMENT OF PERCENTAGE TAX COLLECTED FROM BUNTAL FIBERS AND HATS DURING THE YEARS 1925 TO 1935

1925	1926	1927	1928	1929	1930
P42,241.66	P33,741.34	P15,362.39	P41,144.52	P43,685.28	P24,173.34
1931	1932	1933	1934	1935	
P10,691.95	P1,406.01	P3,172.16	P2,937.37	P2,021.14	

CERTIFIED CORRECT:

M. F. QUEBIEBO, *Municipal Treasurer*By NICANOR I. CUVIN, *Internal Revenue Clerk*

VALUE OF BUNTAL HATS MANUFACTURED IN AND SENT OUT OF LUCBAN, TAYABAS, FOR THE PERIOD COVERING FROM 1922 TO 1935



**EXPLANATORY LETTER
OF THE
MANILA TOBACCO ASSOCIATION**

(1057)

EXPLANATORY LETTER
OF THE
MANILA TOBACCO ASSOCIATION

MANILA, PHILIPPINE ISLANDS, *September 28, 1937.*

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS.
Manila, P. I.

GENTLEMEN:

As an additional statement to our brief, in that part of it which discusses the effects of the export tax, we beg to submit the following:

I

Our purpose in quoting the chapter on cigars of the Philippine Economic Association was merely to show that even an entity not identified with the manufacture and export of tobacco products, could, by a simple analysis, prove that the export tax will be a serious handicap to the Philippine cigar industry.

The last paragraph on page 20 and the first on page 21 of our brief read as follows:

In the sixth year of the Commonwealth period a levy of 5 percent will amount to \$4.68 per 1000 cigars. Thus the cost per unit of class-A cigar at \$14.00 per thousand will be 2.8 centavos. This, added to .94 of a centavo which represents the export tax per unit, will bring the cost of one cigar to 3.74 centavos, exclusive of the importer's and distributor's profit. If this is to be sold in the American market at 5 centavos a piece, the importer is left with a margin of 1.26 centavos per unit.

It is the consensus of opinion among local cigar manufacturers that even the 5 percent levy would be a most difficult problem to overcome. For importers and distributors of Philippine cigars in the American market expect to realize a wider margin of profit on our cigars than in the home-made products in view of the systematic and intensive advertising of American-made cigars and the exceedingly large volume of sales made on them. Consumption of Philippine cigars in the United States represents barely 3 percent of the total and therefore cuts a negligible figure into the American trade on cigars.

In the first quotation only the importer is reckoned and no mention is made of the jobber and the retailer.

In the second, admission is made that "the consensus of opinion among local cigar manufacturers [is] that even the 5-percent levy would be a most difficult problem to overcome".

To clarify these two statements we may be permitted to offer the following explanation:

II

The cigar trade in the United States has some established percentages to cover selling, delivery, advertising, profits, etc. These percentages are based upon the price quoted for the consumer. In the case of Philippine class-A cigars, retailed at 2 for five cents, the computation is as follows:

<i>Price to the Consumer—\$25.00 Per Thousand</i>		
Importer	10%	\$2. 50
Jobber	12%	3. 00
Retailer.....	20%	5. 00
		<hr/>
		\$10. 50
Factory price to importer cif. destination.....		\$14. 50*
		<hr/>
TOTAL		\$25. 00

* See Cost of Manufacture, pp. 22 and 23.

From the above computation it will be seen that the amount of \$25.00 is totally divided among all the participants in the trade in such proportions that none of them will countenance a reduction in their respective shares. If this is so, may we inquire who will shoulder the export tax?

III

In the first year of the imposition of the export tax, the 5% to be collected will amount to \$4.68 for every thousand cigars, class A, at the price of \$14.50 quoted above. This tax, if added to the total amount of \$25.00 will increase the sale price to the consumer and, consequently, place these cigars in another price category. As things stand now, such a possibility is too remote to deserve discussion.

This being the case, no hope can be entertained for the industry when the export tax is put in force.

IV

The bulk of our cigar exports to the United States consists of class A, almost 95 percent of the total. In the production of these cigars the manufacturer makes a profit of about half a dollar on every thousand units. And there are no means of increasing this profit because if we raise the price and the importer believes that he cannot find an outlet for them, the consequence would be that we get no orders.

Experience has demonstrated that the price the consumer is willing to pay for articles of general use is the price for which such articles can be sold if it affords a reasonable amount for production, marketing and profits. On this side of the ocean we are entirely dependent upon the willingness of the trade in the United States for the sale of our products in that market. We cannot dictate, neither can we launch an aggressive campaign of advertising because our limited capital precludes any such attempt.

V

With the foregoing explanations we reiterate our statement that the export of Philippine cigars to the United States will not survive the imposition of the export tax and, as a consequence, the whole industry will suffer, causing thus a reverse effect upon the economic readjustment for which the transition period was intended.

Respectfully submitted,

MANILA TOBACCO ASSOCIATION

MANUEL V. GALLEGOS, *President*

**BRIEF
OF THE
MANUFACTURERS' ASSOCIATION OF WASHINGTON**

76144—38—vol. 8—67

(1061)

BRIEF
OF THE
MANUFACTURERS' ASSOCIATION OF WASHINGTON

SEATTLE, July 15, 1937.

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS
San Francisco District Office
Bureau of Foreign and Domestic Commerce
311 Customhouse
San Francisco, California

GENTLEMEN :

In response to your press release for the morning of June 19, 1937, in which you announce the hearings to be held in San Francisco, July 21 to July 23, inclusive, for the purpose of receiving the views of Pacific-coast interests relative to Philippine affairs, we respectfully submit.

1. That the Manufacturers' Association of Washington, which has continuously represented the manufacturing interests of the State of Washington since January 1900, includes in its membership a number of manufacturers who are vitally interested in trade relations with the Philippines, namely, those producing

Beverages	Flour
Box shooks	Furniture
Canned fruits and berries	Meat, fish, dairy and specialty food products
Confectionery	Metal manufactures
Cordage	Paper products

both as to a market for the finished products and as a source of raw materials.

2. There was cleared through the port of Seattle, during the calendar year of 1936, for the Philippines, agricultural and manufactured products to the value of \$3,706,358.00. During the same year there was received at the port of Seattle from the Philippines products to the value of \$4,638,836.00.

3. The Philippines is one of the best markets the State of Washington has for several of its basic products. On the other hand, some of the State's industries are consumers of substantial quantities of Philippine products, namely sugar and tropical woods.

4. That one of our manufacturers of machinery now has orders on hand for \$100,000.00 worth of equipment for use in the Philippines and anticipates that this year's business with the Islands will approximate \$250,000.00.

5. That each and every one of these Washington manufacturers believes preferential trade relations between the U.S.A. and the Philippines are essential to the continuance and development of their business to and from the Islands, and to the maintenance and security of their vested interests.

We, therefore, vigorously protest the inauguration and establishment of any further trade barriers, the entering into of any non-preferential trade agreements, and recommend at the earliest practical time the execution of a reciprocal trade agreement on a preferential basis to the end that the Philippines may continue to enjoy a profitable market in the United States, and the manufacturers and producers of the latter can enter the Philippines in competition with those of other countries.

We believe that the United States should continue to encourage the rising standards of living in the Philippines, should justify the costs of production established in this country, and guarantee unto the shipping interests of both countries adequate and efficient agencies of transportation.

Respectfully submitted,

MANUFACTURERS' ASSOCIATION OF WASHINGTON
By F. F. LANDRY, *President*.

BRIEF
SUBMITTED BY
J. F. MARIAS

(1065)

BRIEF

SUBMITTED BY

J. F. MARIAS**To the JOINT PREPARATORY COMMITTEE ON UNITED STATES-PHILIPPINE
TRADE:**

My understanding of this Committee is that it shall try to correct errors in the present Philippines Independence Act and that the Committee wants to hear from all who may have helpful suggestions to offer. Assuming that this understanding is correct, I beg leave to present my reactions, but, first, in order that the Committee may appraise my remarks, I shall briefly state my experience in the Islands and with the Islands and its people.

I lived in the Islands for five years, 1920-1925. I am still in direct contact, handling imports and exports; therefore my experience covers a period of seventeen years.

My first three years in the Islands were as the head of the United States Shipping Board for the entire Orient. During this period I made a general survey and reported my findings directly to President Harding, particularly concerning the extension of the coastwise laws to the Islands. I wrote the bill creating the Manila Harbor Board, and served twice as a harbor commissioner. I also wrote the shipping report for the Wood-Forbes mission. I was used in an advisory capacity by three of the Governors General. I served on the Leprosy Board and many other boards. Later, as the president of the Bank of the Philippine Islands I became the responsible person over about twenty-five business concerns in the Islands. This was the result of the first depression in 1922.

This experience gave me, I believe, experience of such a serious nature that I hope I may be excused if I stress the importance of very serious caution. Now I am in the importing and exporting business that keeps me in constant touch with the Islands and my old friends over there, but which cannot be harmed greatly because the commodities which I major are already under either political or economic control. I refer to copra, and petroleum products from here. In other words, there is nothing mercenary in any of my remarks. Furthermore, nothing that I say is influenced by political motive. I have never been politically appointed to any position but have served as a United States official under three Presidents, both Republican and Democratic.

The United States has had almost forty years of experience in the Islands and the result of that experience to date is the enactment of

the Independence Bill. In the light of this concentrated experience, both the Filipinos and ourselves have the right to expect this act to be as near perfect as is possible; but instead we find that it is full of errors that most certainly could have been avoided had the bill been properly prepared. The conclusion, therefore, is that experience was thrown to the winds, and the members of Congress impressed by the appeals of special interests, mainly the American owners of Cuban sugar properties.

President Quezon has asked that independence be granted in 1938 or 1939, or at a time before the beginning of the period in which restrictions shall have been placed against P.I. exports through export taxes.

Most of the people whom I contact who are interested in the situation state that the act is bad. In other words, there seems to be enough criticism of it to offer the suggestion that instead of trying to correct it, it should be repealed and a new start made. I am in favor of this method. I shall repeat here, for emphasis, that it is almost unbelievable that after forty years of experience, we should be so careless in enacting such an important piece of legislation. Certainly we must take warning by these errors.

I believe that this question is entirely too serious to be kicked around by ever-changing Congresses. The Filipinos, if not ourselves, are entitled to much better consideration. After all, it is they who will have to assume the greatest responsibility. There should be enacted a law which would create a trial period. You may answer that the whole period of our possession has been one of trial and that the Jones act and subsequent acts have provided different trial situations, and add that the Filipinos have lived up to their end of the bargain, et cetera, et cetera. Very well, but then, why the present blunders? We must be honest enough to admit these and start anew.

The Filipinos are very remarkable people, very industrious and ambitious, but they are "new" people, if I may use that expression. Barely the first generation is now holding within the palm of its hand the destiny of millions of people who have never known responsibility, military necessities and international intrigue. I am not saying that they are not capable, but I am trying to impress you with the gravity of the undertaking. The responsibility is still ours. Still, by the admitted unfair Independence Act, we are willing, apparently, to release ourselves from this obligation. I repeat that the Filipinos are entitled to more intelligent and honest consideration than that. Certainly history cautions us. We need look no further back than the

World War and think of the small nations created during the Peace Conference. However, all of those details belong to other phases of the general situation. I bring them out only to say that as great as has been our contribution to the welfare of these fine people, we have much yet to do and we must not be remiss in that duty.

On the other hand, I hold steadfast to the belief that we, too, are entitled to something over and above having done a good deed and having enjoyed a certain amount of new business which now seems about to be passed over to our foreign national competitors, particularly Japan. I do not speak of Japan as a military threat. I do not believe she wants the Philippines for military advantage, but most certainly she does want it for her commercial advantage, and just as certainly I do not blame her.

We made the Philippines, according to one Government report I read, our ninth-best customer from nothing. That is illustration enough to show us the importance of direct contact—being on the ground. But, comparing this business with the business we do with other nations, we can conclude that even if we lose it all, we will not have lost a great deal, but that is not the proper comparison. What we must consider is the *per-capita* business. It has been said that we sell more *per capita* to the Filipinos than to any other nationals. That is important. Now, then, let us, with this thought in mind, raise our eyes and see the huge potential market just across the way—hundreds of millions of Chinese. True, we are already selling them—and that is the point. We want to continue selling them, and it is mighty important that we be as close to them as possible. Just why we should give up our only direct contact in the Orient is something I cannot understand. Certainly the depression must have stressed the importance of developing foreign markets. Think of how important it is to our cotton industry that Chinese be sold more of our goods. The lessening of our ties with the Orient by whatever means may be the difference between a successful United States and a continued economically disrupted United States. I am sure that we cannot afford to lose any business or chance of getting business.

The Filipino people are truly grateful for all that we have done for them in taking them from under the yoke of Spain, creating an educational system second to none on earth, establishing sanitation, hygiene, et cetera, and they would be the last people on earth to do anything that would hurt us. They will agree, I feel sure, to any reasonable suggestion from us that would enable us to maintain our "post-office address" in the Orient so that we might continue with our close contact with the other peoples of the Orient.

What I am leading up to is simply that we should be permitted to continue using the Philippine Islands as our commercial base in the Orient, regardless of the ultimate disposition of the question.

Presenting this suggestion to eminent Filipinos a couple of years ago under private discussions, they readily agreed that we are entitled to a small piece of territory in order to give us, as nearly as possible, something approaching the advantages of the British in Hong Kong and Singapore, and the French and Dutch. It was then suggested by me that they deed us in fee simple a certain piece of land. They replied that it might be better for us to accept the land under a perpetual lease, or something amounting to the same thing, because under the former situation we would have to be prepared to defend it from military attack, whereas under the latter suggestion, the Philippines would be, at least, the legal protector.

My contention is that any new consideration must include the granting of something to us that will minimize our chances of losing our direct contacts with the Orient.

Some years ago we Americans made strenuous efforts to build up Manila as the distributing port for American goods in the Orient. The Filipinos, seeing the advantages to themselves, eagerly endorsed this plan. The plan is still a good one for both peoples. Many times we tried to establish direct steamship services both from the Atlantic ports and the Pacific ports. Foreign lines, taking advantage of our weakened steamship position, did not permit us to really make a serious attempt. Then we anticipated that the extension of the coastwise laws to include the Philippines would force direct services, because we could then be assured of full cargoes; but this too failed, due in great part to foreign interference. Then, as was inevitable, our ships little by little became fewer, and consequently our competition weaker. Foreign nationals built better and faster ships. Soon we became so weak as competitors that we could make no effectual bid for even our own business. So the foreigners established direct services handling our goods. Now we have the Pan-American clipper service that actually puts us closer to the Philippines, as to mail service, than we are to any other oriental country. In other words, all of these latest developments in our favor, plus the revived activity in rebuilding our Merchant Marine, are about to be lost, because unless they have been directed toward benefiting our trade, they have been to no future utility at all.

It seems to be almost a foregone conclusion that we shall lose our present business in the Philippines to the Japanese. We have already lost lots of it. Trade balances have to be maintained. As Japan is situated by her ability to manufacture so much cheaper than any other nation, most certainly she will absorb more and more of the raw products of the Philippines. We must not blame Japan. And, we must not blame the Philippines. It is our fault, pure and simple, if we provide for our own commercial suicide, especially when the Filipinos are so eager to cooperate with us in any reasonable solution

of our own affairs. There is just one thing that must not happen, and that is to shut ourselves off from that great potential trade in China. Of course, we shall continue to do business with China regardless of what might happen in the Philippines. The point is that the British think it very much to their commercial advantage to be located as they are in Singapore and Hong Kong, and so do I. Should we not strive to meet their advantages by making some arrangements with the Philippines? We must not lose that chance. Even though we might never use the district, were it granted us, it is much safer to have it arranged for us now than be sorry that we did not do so when we had the chance.

Having had direct contact with the foreign influence working against us even on the steps of our National Capitol in Washington, particularly relative to former subsidy bills and the coastwise laws extension, I must include in this brief my honest conviction that a great deal of this work of getting us out of the Orient can be charged against these same foreign elements. I do not accuse the Filipinos of working with them or accepting it in whatever disguise it may be presented, because I do not believe it, but I feel very sure that it is working relentlessly.

In concluding, please permit me to say that when we made promises to the Filipino people we really meant them. We are responsible for their future. Nothing I have said herein is against their desires for complete independence. I merely want to say that it is my opinion that the only honest way to handle the situation is to repeal the present act and start anew, bearing in mind that nothing must be done that will injure either the Filipinos or ourselves.

J. F. MARIAS

FACTS ABOUT THE PHILIPPINES

SUBMITTED BY

PATRICK McCRANN

(1071)

FACTS ABOUT THE PHILIPPINES

BY

PATRICK McCRANN

GENTLEMEN OF THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE-AMERICAN AFFAIRS:

I have been here in the Philippines watching the progress made by the Filipinos under the American Government and Commonwealth Government since the Spanish-American War.

There were no free schools or school buildings like we have now. Only about seven percent of the Filipinos could speak Spanish and no English. The undersigned built the first two free schools in Santo Tomas, La Union, in April or May 1901 and it was then that free education began. Soldiers were detailed to teach the children.

Great improvements have been made since that time and we now can see concrete post offices, provincial buildings, municipal buildings, docks, colleges, universities, banks and private buildings and homes. You can travel over first-class public roads and bridges, and good second-class roads connect nearly every town or *barrio*.

Others have written about the progress made in trade between the two countries so I will not waste time writing about what you know.

Regarding the transition period contained in the Tydings-McDuffie act. It would be suicidal to advance the time from 1946 to 1938 or 1939. It would not be just to Americans and Filipinos nor to others who have investments here and made commitments in accordance with the provisions of the Tydings-McDuffie act, which was accepted by the people of the Philippines.

The Filipinos having made great strides financially and otherwise in such a short time, they should not forget how much more they may progress by remaining under the American flag until 1946 or longer.

The Jones law was the best for the Philippines. It could have been modified in order to give the Filipinos all the authority they enjoy under the Commonwealth.

Now let us study the sugar industry and other business: In case no one else has gone to the trouble to state the reason why sugar from the Philippines is unable to compete with sugar from Cuba and Java, I submit the following reasons:

The cost of production per picul of sugar in the Philippines is about.....	₱4. 00
Cost of production in Cuba is about.....	₱2. 00
Cost of production in Java is about.....	₱1. 80
Cost of Filipino sugar laborers per day is about.....	. 80 centavos
Cost of Cuban sugar laborers per day is about.....	. 40 centavos

Cost of Javanese sugar laborers per day is about.....	. 30 centavos
The number of piculs of sugar that can be grown per hectare in the Philippines is about.....	90 piculs
The number of piculs of sugar that can be grown in Cuba and Java per hectare is about.....	180 piculs

In Cuba and Java the land is better adapted for growing sugarcane and the cost of production is less than half what it costs in the Philippines, because in Cuba and Java the sugarcane can be ratooned from 5 to 7 times, but here in the Philippines ratooning can be done in some places only one time and then they have to plow the land and prepare it for planting again.

The sugar land must be given a rest in between plantings or the crops will be poor, and the amount of piculs per hectare will be greatly reduced. Some sugar land produces less than 40 piculs per hectare.

Gentlemen, here is the reason the sugar business will surely die unless you come to a suitable trade agreement:

Full tariff per picul of sugar from the Philippines to the United States about.....	₱5.40
Cost of production per picul in the Philippines about.....	₱4.00
Cost of transportation per picul from Manila to the United States market about.....	₱1.40
Total cost about.....	₱10.80
Sale per picul in the United States is generally between ₱9.00 or ₱10.00 per picul. Let us get the larger figure.....	₱10.00
Total loss to planters and sugar centrals.....	₱ .80

Now gentlemen the sugar centrals get either 40-60 or 50-50 parts of the sugar from the sugarcane-planters and the sugar-planters have to pay about 50 percent of their share to their tenants (*casamas*). So you must agree that the sugar business will surely die unless you can come to terms on a trade agreement. The United States will be entitled to something good in the line of trade from the Philippines for allowing the sugar, hemp, tobacco, and coconut products from the Philippines [to] go free to the market in the United States, because there is no other free market for Philippine sugar, hemp, tobacco and coconut oil products.

Cotton cannot be grown as a substitute on the sugar land or any other land in the Philippines. There may be some places in the Philippines where cotton will grow on a small scale, but no one seems to know where those places are.

The writer and several others tried planting sample crops of cotton and the experiments were a failure and no cotton grew in some places.

The sugar centrals, hemp, tobacco and sugar plantations and coconut groves are the backbone of the Commonwealth Government income. They give employment to millions of men and if this business becomes paralyzed for lack of trade agreement with the United States the sugar centrals and plantations will become worthless and those millions of men will be thrown out of employment and they and their families may starve.

Not only the business mentioned above will be affected. The land transportation and shipping business will also be affected. And the income of the Government will be greatly reduced.

It seems that the Commonwealth would be satisfied if the United States could modify the Tydings-McDuffie act and allow the free trade until 1946 and after July 4, 1946 the Commonwealth could be given the alternative between complete independence or a new trade agreement advantageous to both countries.

Between now and 1946 the Philippine Government and the United States will have plenty of time to study what will be best for the Philippines and the United States.

What good would it be if the United States steps out and the Japanese Government steps in? It would mean that the Filipinos would become the vassals or slaves of the Japanese and they would not have economic or any kind of independence.

The Japanese would treat the Filipinos about the way they have treated the Formosans, Koreans and Chinese. We all want the Philippines to have independence when able to maintain it.

There has been more freedom in the Philippines than in any other country except the United States and that is the reason we oldtimers have invested all our money here and we think that what is good for us and for our investments would also be good for the Filipinos and others. It would be wise for the Filipinos to string along with the United States as long as possible.

Regarding the defense of the Philippines: It will take a long time to train an army to defend the country against a strong power. All you gentlemen know by experience and history what is required to make good soldiers. They should have a long period of training, including plenty of target practice. Generals also need practice maneuvering brigades, divisions and armies.

Gentlemen: Without economic independence, independence would fail to satisfy the country and might be the cause of unrest. It would only be an invitation to starve, and the people might feel dissatisfied if they had nothing to eat. Independence means having a good livelihood with a strong government to defend the country.

Very respectfully,

PATRICK McCRRANN

ANGELES, PAMPANGA, P.I.

August 24, 1937.

**BRIEF
OF THE
MILLERS' NATIONAL FEDERATION
AND THE
NORTH PACIFIC MILLERS' ASSOCIATION**
(See also Supplemental Brief of the North Pacific Millers' Association.)

(1075)

BRIEF
SUBMITTED BY THE---
MILLERS' NATIONAL FEDERATION¹
CHICAGO

June 9, 1937.

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*Room 206, United States Tariff Commission,
Eighth and E Streets,
Washington, D.C.*

GENTLEMEN:

Referring to public notice entitled, "Hearings on United States-Philippine Affairs", released under date of May 28, 1937, acting under authority conferred upon me by resolution adopted by the Board of Directors of the Millers' National Federation on May 25, 1937, I present for the consideration of your Committee at the public hearing scheduled for June 16, 1937, the following:

1. Milling plants operated by the members of the Millers' National Federation produce approximately eighty-one and one-half percent of the total flour produced in the United States.

2. The milling industry of the United States, during recent years, has suffered a severe decline in the amount of flour exported to foreign nations.

3. We view with alarm a trade policy effective between the United States and the Philippine Commonwealth based upon a non-preferential basis.

4. We are hopeful and strongly urge that reconsideration be given to the announced policy, released to the press by the Department of State under date of March 18, 1937, from which we quote:

Thereafter, it is contemplated that trade relations between the two countries will be regulated in accordance with a reciprocal trade agreement on the non-preferential basis.

The above [was] copied from the joint statement of President Quezon and Mr. Sayre, Chairman of the Interdepartmental Committee on Philippine Affairs.

¹ This brief was submitted as the brief of the North Pacific Millers' Association also.

We urge that in lieu of a non-preferential basis, a basis of substantial preferences be substituted, and that the agreement cover an extended period after independence is granted, and that any treaties with other nations regarding neutrality of the Philippines or for other purposes, be negotiated subject to this proposed trade agreement as between the United States and the Philippine Commonwealth.

5. We feel that the enormous amount of money, time and effort that have been involved in the development and carrying on of American trade with the Philippines since the time the Philippines became a possession of the United States are entitled to generous consideration by both the United States Government and the Government of the Philippine Commonwealth, and that this trade should not be destroyed and the investments made in the development of this trade imperiled by such a pronounced difference in trade policy than [*sic*] has prevailed since the conclusion of the Spanish-American War.

6. Attached we are submitting tabulation marked Exhibit A, showing exportation of American wheat flour to the Philippine Islands for the years 1926 to 1936, both inclusive. These figures are as officially reported by the Department of Commerce, excepting for the years 1934, 1935 and 1936 the figures are copied from the *Northwestern Miller* of April 28, 1937, from the official statistics of the Department of Commerce from which thousands [of figures!] are omitted, so that for these three years there may be slight variations, but less than 1,000, more or less, barrels in each year, from the official statistics.

For the imports of flour from countries other than the United States, these statistics cover the years 1928-36, both inclusive, taken from the ships' manifests, supplied to the customs house at the ports of entry in the Philippines. These statistics have been furnished through the courtesy of the Pacific Commercial Company, Manila, P.I.

During the past few years our mills have been severely handicapped with competition from Australia, Japan and Canada, owing to the abnormally high price of American wheat, and in order to secure the volume of business that has been going [to those countries], subsidies and indemnities have, from time to time, been effective to assist our mills in meeting competition from other countries. In other words, the duty of forty-seven cents a hundred kilos on flour imports from countries other than the United States (imports from the United States admitted free) has not been sufficient to protect the flour business from the United States to the Philippine Islands.

Imagine what the situation would be if our wheat-producers and millers would have to depend upon a non-preferential agreement between the two nations. It is obvious that the flour business would be completely lost and our wheat-producers deprived of that outlet for their wheat in the form of flour. There are no flour mills in the Philippines, so that the total importation of wheat is in the form of flour.

7. In addition to the loss of the flour business to the wheat-producers and the millers of the United States, it is well to remember that all of this flour is packed in 49-pound cotton bags. These cotton bags are the product of American cotton and American labor, the same as the wheat is the product of the American wheat-producer and the manufacturing of the flour the product of American labor.

8. Wheat flour has provided the basic deadweight cargo for American ships serving the oriental markets from the Pacific Northwest ports, from which ports practically all of the flour has been shipped. When the Pacific Northwest lost most of its flour business to China, the effect of that loss was disastrous to American ships' trans-Pacific revenue and has contributed substantially to the insolvency of certain trans-Pacific lines that have been forced to discontinue service and have gone through bankruptcy courts. The result is that the number of American ships in the trans-Pacific trade has been substantially reduced since the loss of the Chinese flour trade.

Exporters from the United States are now deprived of direct service they formerly rendered to outports of both the Philippine Islands and China because of the loss of the Chinese flour trade. Naturally, this has been detrimental to the entire export trade to those ports from this country and has been instrumental in diverting purchases of products other than flour to other nations, instead of the United States, from the outports of both China and the Philippines.

If an agreement is entered into with the Philippines that does not provide substantial and adequate protection for American shipments to the Philippines, the remaining ships that are serving the principal ports of the Orient probably will be unable to operate unless at enormous subsidies (mail or direct) from the United States Government, subsidies substantially greater than heretofore granted through mail contracts. If this trade is protected for years to come in the form of adequate preferential trade agreements, basic deadweight cargo will automatically be provided to justify the continuance and enlargement of trans-Pacific shipping by American boats, which is essential

to the maintenance and expansion of our foreign trade, and indemnities and subsidies on flour exports would not be required.

We respectfully refer you to the public statement in today's press releases, wherein President Roosevelt is reported to be urging a \$160,000,000 building program for American Merchant Marine. We urge that the maintenance and expansion of our foreign trade with the Philippine Islands through preferential trade agreements will be very helpful in the President's Merchant Marine program.

We respectfully request that Mr. Herman Fakler, Vice President of the Millers' National Federation, with offices National Press Building, Washington, D. C., and Mr. A. E. Mallon, member of the Export Committee and Executive Committee of the Millers' National Federation, be extended the privilege of making brief supplementary oral statements to the Committee at the public hearing on behalf of the undersigned, and that 30 minutes be granted them.

Respectfully submitted,

MILLERS' NATIONAL FEDERATION
By O. D. FISHER, *President*

EXHIBIT A REFERRED TO IN PARAGRAPH 6 IN LETTER OF MILLERS' NATIONAL FEDERATION, DATED JUNE 9TH, 1937

Flour—Philippine Islands

Basis—Barrel of 196 lbs.

American flour Statistics of exports compiled by Department of Commerce.

Canadian " Statistics compiled from ships' manifests at ports of entry in Philippine Islands.

Australian " " " " " " " " " " " " " " " "

Japanese " " " " " " " " " " " " " " " "

Chinese " " " " " " " " " " " " " " " "

Year	American	%	Canadian	%	Australian	%	Japanese	%	Chinese	%	Total (100%)
1926.....	609,520										609,520
1927.....	634,677										634,677
1928.....	769,448	88.3	37,234	4.3	64,533	7.4					871,215
1929.....	778,028	86.6	32,529	3.6	88,296	9.8					898,853
1930.....	669,602	86.1	29,410	3.8	79,066	10.1					778,078
1931.....	678,148	82.6	45,031	5.5	98,176	11.9					821,355
1932.....	573,919	74.5	80,539	10.5	112,321	14.6	3,435	0.4			770,214
1933.....	506,824	66.3	109,734	14.4	121,915	15.9	20,712	2.7	5,437	0.7	764,622
1934.....	486,000	62.3	100,952	13.0	148,291	19.0	36,894	4.7	7,565	1.0	779,702
1935.....	248,000	28.2	161,496	18.3	363,895	41.3	104,775	11.9	2,550	0.3	880,716
1936.....	363,000	35.7	201,930	19.8	362,779	35.6	83,525	8.2	6,702	0.9	1,017,936

RESOLUTION
ADOPTED BY THE
MINNEAPOLIS CIVIC & COMMERCE ASSOCIATION:
GREATER NORTHWEST COMMITTEE

(1081)

RESOLUTION
ADOPTED BY THE
MINNEAPOLIS CIVIC & COMMERCE ASSOCIATION:
GREATER NORTHWEST COMMITTEE

June 8, 1937.

WHEREAS it is indisputable that the prosperity of American agriculture has suffered immeasurably by the loss of our agricultural export markets of 1929 and prior years, and

WHEREAS it has been the policy of the Federal Government to resort to every economic stratagem, including export subsidies, in an effort to perpetuate such foreign markets as are still retained, to regain foreign markets which have been lost, and to acquire new foreign markets, and

WHEREAS wheat in the past has constituted one of the major export crops of the United States and carries with it the agricultural prosperity of a large section of our country including the near Northwest, the Great Plains area and the Pacific Northwest, and

WHEREAS under negotiations at the present time certain policies which concern themselves with the future independence of the Philippine Islands and the trade relations which will contribute to Philippine national economy will be under consideration, and

WHEREAS it has been suggested that these negotiations might include a disturbance of the present preferential treatment of United States wheat flour imported into the Philippines, and

WHEREAS it is highly inconsistent for the Federal Government to expend money and endeavor in the acquisition of new export markets for wheat under highly competitive conditions and at the same time to consider erection of barriers which will destroy a natural market already established, at the same time injecting a complication into any new Philippine economy by rendering more difficult and expensive the acquisition of a basic food commodity,

Now, Therefore, be it resolved by the Greater Northwest Committee of the Minneapolis Civic & Commerce Association that we most strenuously object to any trade policy which would disturb the present preferential treatment of American export surpluses, particularly wheat, to the Philippine Islands.

MEMORANDUM

SUBMITTED BY

**THE HONORABLE HILARIO CAMINO MONCADO, PRESIDENT
OF THE FILIPINO FEDERATION OF AMERICA**

(1083)

MEMORANDUM

SUBMITTED BY

THE HONORABLE HILARIO CAMINO MONCADO, PRESIDENT
OF THE FILIPINO FEDERATION OF AMERICAGENTLEMEN OF THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE
AFFAIRS:

I realize the importance of your work to future relations between the United States and the Philippines. I understand that the purpose of these hearings is to provide ample opportunity for the presentation of all kinds of views concerning economic and other relationships between the two countries.

Mr. Francis B. Sayre, who acted as temporary Chairman of the hearings in Washington, said that "it has been agreed that, within a certain specified scope, this Committee should have general and fairly extensive powers of recommendation; that the Filipinos should be given an opportunity to attain economic as well as political independence; and that preferential trade relations between the United States and the Philippines should be terminated at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy."

Believing that Congress, the one which has the final word in any change of present United States-Philippine relations, will give your recommendations close study and prompt consideration, I, as a citizen of the Philippines, president and founder of the Filipino Federation of America, by far the largest organization of Filipinos outside of the Philippines, and member of the constitutional convention which drafted the Constitution of the Commonwealth of the Philippines, appreciate this opportunity to present some pertinent facts, which I hope will be helpful in the formulation of your report.

President Manuel Quezon suggested that the date of the Philippine independence be advanced to 1938 or 1939. One of the reasons for his suggestion is that the present Philippine status is uncertain and that Congress has violated the spirit of the Independence Act and may do so again.

I admit that there have been changes concerning the importation of Philippine coconut oil, sugar and cordage, but these changes have not hurt the Philippines. In fact, they have helped the Islands tremendously.

A windfall of \$50,000,000 is about to be delivered by the United States Treasury to the Philippine Government, thanks to the 3-cent tax on the processing of every pound of Philippine coconut oil in

this country. I understand that the Philippines will continue to receive \$24,000,000 annually from this single source alone.

President Quezon himself has outlined a laudable plan on how to spend this tremendous sum. I am sure the Filipino people will greatly benefit from this money brought about by an act of Congress, which was at first considered by Mr. Quezon and other Filipinos as a violation of the McDuffie-Tydings act.

The Jones-Costigan act changed the quota of sugar from the Philippines, and yet again the change was for the better, as far as the Islands were concerned. We were given a quota considerably larger than the one specified in the Independence Act. We should not complain about this either. And furthermore, if the new sugar bill will go through Congress, the Philippine Government will receive about \$15,000,000 annually.

The limitation placed upon Philippine cordage was arrived at as a compromise between Mr. Quezon himself and representatives of American cordage manufacturers. Experts say that the limitation was very liberal and did the Philippines much good.

With all the money the Philippines are going to get from the United States, we shall be able to put to work many of the ideas we have been talking about for so long. The windfalls are tremendous considering that the 1936 Philippine revenue from taxation was only \$36,352,000, according to the latest report of the auditor of the Philippine Government.

I hope that the money we are getting from the United States shall not be boondoggled into pork barrel and other political projects or for the benefit of special interests but for the building-up of a permanent economic system in the Philippines, which shall make the Philippines a really independent country. I hope that this committee will contribute its genius to the attainment of such a very much desired system.

Mr. Quezon also believes that he can obtain a post-independence treaty from the United States which shall eliminate present uncertainties. What makes Mr. Quezon believe that the United States Senate would be willing to agree to a treaty treating the Philippines more liberally than the Independence Act? What guaranty can he give us that the advancing of independence in 1938 or 1939 will not prove disastrous to us?

Records of the United States Congress will show that I was one of the most ardent advocates of Philippine independence. I appeared before many congressional committees fighting for the freedom of my country. While Filipino political leaders were talking about a nebu-

lous "immediate, complete and absolute independence", I took a practical attitude and advocated a fixed date.

I traveled all over the United States to deliver speeches and have articles published urging Philippine independence. It gives me much inner satisfaction that my people recognized my work here by electing me to the constitutional convention.

I want Philippine independence to be a reality. I believe that the surest way to attain it is to continue the present relations with the United States until at least July 4, 1946.

"It would not be fair or right suddenly to make abrupt changes which might entail economic disaster to the Philippines", declared Assistant Secretary of State Sayre; "I am sure that the American people want the Filipino people to have every opportunity to establish a sound economic regime in order that they may be able to maintain their independence."

Let us not ruin our chances for genuine and lasting independence. We can and should wait for 1946. That is early enough for every Filipino who puts the interests of country above personal ambition.

Furthermore, there is much to be done under the protecting wing of the United States. The national-defense program cannot possibly be ready by next year or 1939. It takes time to build up an effective army. With all due respect to Commander in Chief Quezon and Field Marshal Douglas MacArthur, I do not believe they are magicians. Let us give the army more time to develop.

Then there is the matter of Filipino status in the United States after independence. It should be determined before the Islands are set free. Filipinos entered this country as American nationals, and any legislation or legislative inaction which would deprive them of their rights and privileges as nationals would be unjust.

The number of Filipinos in continental United States is variously estimated from 50,000 to 75,000. For economic and other reasons many of them want to remain in this country. Thousands are married and employed in permanent occupations.

Eminent evidence of the desire of Filipinos to stay in the United States is the fact that the Filipino repatriation measure enacted at the height of the depression could last year induce only 553 Filipinos to accept the offer of a free one-way trip to their homeland in exchange for their right of free re-entry into this country.

In as much as Filipinos in the United States are even now not citizens of this country, although they are not aliens because they are United States nationals, their status will surely be more complicated after Philippine independence, unless a clear definition of their status is made soon. Thousands of Filipinos in the United States want to acquire citizenship or at least be allowed to retain the privileges they now enjoy as nationals even after independence.

Various studies made of the Filipino immigrant indicate that he is no disturber of the public peace, charge upon taxes, or menace to health and morals. On the other hand, during normal times he is almost indispensable. His economic competition with white Americans is limited almost entirely to the lowest wage-earning occupations.

In as much as the present number of Filipinos in the United States will continue to diminish as a result of the Philippines Independence Act and the Welch Repatriation Act, there can be no Filipino menace in the United States whether it be economic or social.

More than any Filipino, I have had more to do with Filipino immigrants here. My organization, ever since its foundation, has worked for the betterment of the status and situation of the Filipinos in Hawaii and the United States. American observers have commented very favorably on the success of the Filipino Federation of America.

There are many problems which for the lack of time I cannot discuss here. I am sure other Filipinos in Manila will take them up. These problems cannot be solved by bringing about independence in 1938 or 1939. Let us take advantage of the time for preparation which Congress has given us. Let us have common sense in our patriotic outpourings.

Let us not blame Congress for situations of uncertainty which we ourselves create by hasty declarations. Philippine commerce and industry have been disturbed by talk of independence next year. After they have painfully tried to adjust themselves to independence in 1946, why should we upset the whole arrangement again by setting another date?

I yield to no man in my love for Philippine independence, but I want it to be permanent and real. Independence next year or [in] 1939 would be disastrous to the Philippines.

BRIEF
SUBMITTED BY
GERARDO C. MONDEN
ON
NATIONAL ECONOMIC SELF-SUFFICIENCY

(1089)

BRIEF

SUBMITTED BY

GERARDO C. MONDEN

ON

NATIONAL ECONOMIC SELF-SUFFICIENCY

HOW IT MAY BE ACHIEVED—REMEDIES SUGGESTED

Under the stress of the rehabilitation program for national economic stability, every nation has to set forth its ideal goal for which all its available means and processes of production are set into operation to accomplish—that goal is its national economic self-sufficiency.

At these difficult and trying moments, when even an ordinary citizen is afforded the opportunity to decipher his views on our economic situations, the proponent hereof should like to offer seven remedies for the honorable members of the Joint Committee of Philippine-American Experts for consideration. Although out of these some may have been taken up already in the briefs of the other proponents, I believe that they may still cast some light on some aspects of economic subjects under deliberation relative to the Philippine-American relations. Precisely so; because economic problems are so interwoven into such a delicate pattern that to disregard or pull off some threads thereof will greatly affect the rest. The Philippine-American trade relations are so intimately interwoven that even a mere shortage of wheat-production or the overproduction of sugar can readily interrupt the purchasing-power of both countries. Hence, in the analysis of the situation, I cannot dissociate the purely local from the exclusively international economic problems; nor can I ever fail to emphasize the apparently insignificant details which will, in some way or other, greatly affect the major policies of both countries towards one another and towards Japan and China in particular; nor can I abandon the social non-employment problems of the Philippines.

Thus, Philippine-American trade stability can only be accomplished through the inauguration of new economic policies based on the following proposals:

1. By subjecting the Chinese and the Japanese to a strictly penal adherence to local legislation, to congressional enactments, and to the trade parity or reciprocity agreements entered into by the consular representatives of the United States and of the Philippines on the one hand and on the other by those of the Japanese and the Chinese Governments; because

(a) The overwhelming importation of Japanese and of Chinese goods has its tendency to impoverish the Philippines by no less than ₱10,000,000 per annum;

(b) The existing limitation of imports of cotton, silk, and rayon piece-goods to 90,000,000 square meters for the last two years ending August 1, 1937 has been already exceeded by 12,000,000 due to the absence of adequate safeguards to maintain trade parity;

(c) They are not buying our sugar, copra, and hemp to any appreciable extent except those produced locally by their respective nationals;

(d) Their trade monopoly enables them to dictate the minimum prices of our own exports; and

(e) We do not have consular representations at some foreign ports of entry to take charge of our interests and to enable us to secure direct connections with the world markets for our surplus products.

2. By extending to the P.I. the rigid enforcement of the modified Exclusion Laws not only against Chinese coolies but also against Japanese and Chinese merchants, manufacturers, or any other of their professional classes to engage in business in the Islands; because

(a) Their unlimited influx has its inevitable tendency to forestall our economic progress, to overrun the entire Philippines, and to outbid us in almost all business enterprises at such a propitious period of rehabilitation that we are still individually deficient in the control of all means of production and marketing which are 80 percent exclusively under their monopoly;

(b) On several occasions, they indulge in dastard violations of our laws, regarding illegal acquisitions of real estate, espionage, importation of contraband dynamites, opium, and surplus quotas;

(c) They evince sinister designs in spite of their friendly missions and clarifying propaganda in the expression of their altruistic aims that never can convince any thinking mortal, by their own examples with the other peoples;

(d) In spite of centuries or decades of residence in the Islands, they cannot be assimilated to our mood of thinking, feeling, and living, nor will they ever want to be other than Chinese citizens and Japanese subjects much to our discomfiture in spite of our hospitality and the enjoyment of the protection of our laws; and

(e) To evade the requirements of our corporation law, there are very rare instances by which they file their incorporation

papers with the 55-percent capital investment for Filipinos, in most cases though their assets reach millions of pesos, they prefer to have their business enterprises in the registration name of individual ownership, or agencies of their respective homeland corporations.

3. By prohibiting them from acquiring property of the public domain or of private ownership either by purchase or by lease; because

(a) Under the existing laws, the gradual concentration of real property in fewer hands cannot be averted;

(b) Further acquisition of property or of rights thereof by both the Chinese and the Japanese will eventually lead to serious complications as to offer opportunities for economic penetration through unlimited investments and for military intervention;

(c) Through inadequate system of usury prosecutions vast real estates, apparently registered in the name of former Filipino owners, are actually controlled by the Japanese and by the Chinese merchants mostly in the localities on account of foreclosure of contracts of *pacto de retro* and mortgages, or sales;

(d) The transpiring 25-year period of leases of the vast tracts of the public domain in Davao and in other provinces in the Philippines and the illegal subleases have brought about misunderstandings of a very nauseating character; and

(e) Their investments in real estates as well as in their developments have already assumed a staggering proportion of approximately a billion pesos as to bring about international complications on insignificant pretexts.

4. By offering to them the reasonable compensation for improvements on land leases of the public domain and for private lands they had acquired through purchases or leases; because

(a) Further extension of another 25 years of lease will deprive Filipinos of our sacred patrimony and aggravate social unrests among the landless tenants;

(b) There are anomalous subleases that have to be canceled by mere executive orders of the Department Secretary in compliance with the strict requirements of our land law;

(c) Without such compensation, they will create troubles against unjust forfeiture; and

(d) They indulge in acquiring lands through nefarious practices and through usurious transactions.

5. By utilizing the surplus Commonwealth funds in the purchase of machineries from the U.S. exclusively, for the manufacture of cotton cloth, glasswares, rubber products, paper, rayons, chemical products

and any other as well as for all other industrialization purposes with the joint Philippine-American investments in order to do away with social problems of non-employment and unrests; because

(a) The inevitable shifts of the expanding rural families to the urban centers demand the creation of opportunities for employment in the Government-owned and -operated factories where labor wages have just been fixed to not less than ₱1.25 *per diem*;

(b) The parceling out of the friars' lands to the non-paying tenants for installment reimbursements has proved dilatory and ineffective in bringing about rehabilitation;

(c) Mindanao and Mindoro offer the landless tenants the better opportunities for improvements and less expense for the Commonwealth colonization plan;

(d) Industrialization is the only salvation by which the enormous importation of machineries, foodstuffs, and textiles can ever be counterbalanced; and

(e) In the event of cessation of free-trade relations with the United States, the Filipinos can readily stand on our own resources with the adequate supply of raw materials for economic self-sufficiency.

6. By an extensive and intensive development of agricultural, mineral, and marine resources through colonization of the unexplored virgin lands, through subsidies of deserving corporations whose mining properties are excellent, and through large-scale establishments of canning factories for the fishing industry; because

(a) Private initiative cannot carry on the tremendous outlay of capital in the exploitation of our natural resources;

(b) Government-owned and -operated enterprises have proved profitable and more stable for private investors;

(c) We have sufficient surplus funds with which the National Development Corporation can facilitate exploitation in accordance with section 9 of article XIII of the Commonwealth Constitution; and

(d) Foreigners are taking advantage of the situation, by investing unlimited capital backed up by their governments.

7. By establishing inter-island and inter-continental merchant marine, railways, and other means of transportation facilities for shipment and transshipment of imports and exports under the Commonwealth management and ownership; because

(a) Under foreign monopoly, cargo and passenger rates are charged exorbitant;

(b) Even our exports of sugar and coconut oil or hemp are carried on Japanese bottoms;

(c) These will insure economy on the part of the Government of the Commonwealth, or any subdivisions thereof in the exploitation of our natural resources and in marketing our products to foreign ports;

(d) With the Merchant Marine, commercial aviation will be afforded the impetus for a more extensive aerial defense;

(e) With the commercial aviation once in turn established, naval preparedness follows next in order;

(f) Again, all these demand the consequent establishment step by step of dockyards, munition factories, depots, arsenals, aerial factories, automobile manufacturing centers, and machinery foundries.

GERARDO C. MONDEN

OUR EXCESS BAGGAGE

BY

GERARDO C. MONDEN

(1095)

OUR EXCESS BAGGAGE

BY

GERARDO C. MONDEN

Do we have excess baggages in the Philippines? If so, what must we do with them? Do they constitute an asset or a liability? If so, how may we dispose of them to advantage?

Doubtless, every sailor knows that, in times of imminent danger of shipwreck amidst the tempests at midocean, every baggage and every cargo must have to be thrown overboard to enable the vessel in distress to take its course and fight out the engulfing billows that may bury its sailors down their doom.

Our Commonwealth, likewise, is in the throes of economic distress that threatens its transition period with ruin and perdition. It sets sail in calm waters. Yet, because of the portentous clouds that loom at a distance, every passenger apprehends its danger. Engrossed in such a dilemma as to what course to take and as to what means shall be employed to avert the cataclysm, the best talents and the most intrepid technicians are being marshaled forth.

But, "Upon what incident shall the destiny of the Philippines depend?" (Rizal.) Indeed, there are so many "leftovers"—some petty and insignificant details in the course of the deliberation—that may yet be overlooked, set aside, or totally ignored, but which may affect the trend of human affairs. The octopus, the sunken road, the horse-shoe nail, or the Cross at Calvary really did alter the destinies of Mark Antony, of Napoleon Bonaparte, and of half the human race. Hence, it is in the expectation of that eventuality that every civic-minded citizen, who feels conscious of his obligation towards his country's safety, must be afforded adequate expression of his analysis of situations affecting the vital concerns of life, liberty, and the pursuit of happiness either through the forum or through the press.

Who knows that a tiny spark from the innocent-looking chimney may ignite some combustible materials that will, in turn, set the steamship into a hell of conflagration before the impending perils at a distance may overwhelm it down to its doom? Who knows that some tiny sea-weevils or worms may have eaten up the hull of that ship as to be readily gobbled up to splinters by even an ordinary commotion? Who knows that some perfidious shoals or some unsuspecting embankments may sooner have that blindfolded craft stranded unaware of the tidal waves and the receding tides? Who knows that some thoughtless and disgruntled trustees amongst the crews and passengers may bestir the excess baggages and cargoes.

into a vengeful mutiny? Who knows that, due to lack of foresight—of some mathematical or common-sense speculation—the engine may run short of fuel and its breathing burdens depleted of their most essential provisions? Or, who knows that all such burdens contained and such breathless container in some still unforeseen defects of their own may prove to be unseaworthy—deficient in some essentials? Nobody knows; except, perhaps, some superintellectuals may have been able to reconnoiter beforehand such minute particulars.

Yet, how often do we hear from the unrestrained and over-reassuring utterances of our sea captains, nautical engineers, and midshipmen that the very steamship at their exclusive responsibilities and commands is safe and sound. Idealistic it may be for such Magellans, Cabots, Elcanos, Marco Polos, Columbus, Amerigus, Nelsons, Deweys, or Perries to assure their crews of lands afar and of their vessels as safe and sound!

What shall be done to these irresponsible excess baggages and cargoes? Shall their lives be jeopardized as not to be attended to—not to be taken on board the ship; or, if taken along in the meantime during the transition period of easy sailing, merely to be thrown overboard when the ordeals of freedom shall come forth to challenge the Filipino race?

Indeed, leadership of the first order is what the Filipinos need—that leadership that makes everybody work. Even a pauper must be set to work rather than merely doled out his daily rations at the charities. It should be the concern of that leadership. If willing to work, these irresponsibles must be afforded adequate facilities rather than merely told to take advantage of the banking privileges for loans; but, if unwilling to work, they must be disciplined because they are the burdens to society. Such rehabilitating devices as the Anti-Usury Board, the local National bank agencies, government-owned and -operated enterprises—all these must be thoroughly supervised in order to achieve the purposes for which they have been created. Laws are passed in order to institute some palliative remedies; but, when set into execution, they do not work well and satisfactorily. There is, for instance, the legislative enactment no. 4197 which sets aside a million pesos for transportation of home-seekers; but how can it function when it requires that, before they are entitled to free transportation, they must have a *carabao*, a plow, [and] ₱250 cash, and must have already staked a homestead in Mindanao or somewhere else? There is another act, no. 186, which provides for the subdivision of public agricultural lands, or the friars' lands. But, are they all disposed of?

and if some have been already done so, could the tenants pay their instalments in arrears faithfully? Never. Many have reverted to the Government through cancelation of purchase contracts. Even in usury, does the insignificant board capably catch the scoundrels? Never. Only in Manila, or in its suburbs are the complainants benefited. The *provincianos* are intrusted to the provincial fiscals, who are, in most cases, too busy to attend to prosecutions, too lazy to serve the search warrants except through the local police and the constabulary, and too easily won over to sympathy with the well-to-do usurers through some shady deal. Appropriation for such a great task of only ₱70,000 has become the national laughing stock; and plus the local chapter together they constitute the most interesting comedy. The board was created on the assumption that the victims are responsables. They do not even care to file their charges against the scoundrels—too soft-hearted. Even the *Anti-Usury Bulletin* was cut up, in spite of its potential reformatory power.

About the local bank agencies. These are the worst managed. The deserving faithful farmers cannot generally borrow. There is too much rotten deal; and if complaints are sent to the higher-ups, they are merely referred to mere clerks who hand down the decision saying: "Your application for a loan is disapproved because the provincial treasurer in his report says that your property is valueless." Inspectors who are no other than municipal treasurers; but, in spite of the *per diem* and the commission, they do not really visit the property, nor accurately assess the property. And if they report favorably, the provincial treasurer disapproves of the recommendation when told by some adverse political adherent that the borrower is indebted to someone else. The provincial treasurer does not care to investigate. The best province which is the worst hit by the rotten deal is Agusan under José Orteza, now on fire. If loans are advanced, taxes in arrears are required to be deducted from the loan. The remaining two thirds or one half can no longer sufficiently be used for the purchase of implements, seeds, or *carabaos* as set forth in the application for loan; and there are no provincial agronomists detailed to supervise or to see to it that the loan has been accordingly spent. When maturity and accounting come, confiscation will be the result. Banks have already confiscated large tracts of cultivated lands; and some years later, they will likely own the entire Philippine agricultural lands. Thus, the establishment of local bank agencies will prove to be not a blessing but a strangulating device; for, instead of helping the farmers stand on their own feet to evade the usurers, the Government stifles them to death. Unless supervision be assigned to provincial agronomists, no economic salvation can ever be accomplished. The legislative and executive devices are excellent on paper; on actual field work, they prove to be the dis-

grace of the Coalition Party and the despair of the responsible officials in finding out that, as President Quezon has just recommended to the Assembly the repeal of the probation law for its inefficacy, the economic rehabilitating devices are unworthy of public confidence.

Hence, our sea captains and *tripulantes* have to be taught the lessons which they should welcome rather than resent; for they are never perfect human beings who are free from errors and oversight. Even the mute inarticulate earthquake that has just cracked the Heacock Building and ruined some provincial churches and other structures is teaching them the lesson—that the fundamental economic planning must be reconditioned and stabilized. The earthquake says to Gaches: "Hey, Gaches, next time you build a structure, you must instruct Engineer Odum to secure a stable foundation of excellent iron nettings proportionate to the weight of the superstructure." The earthquake also talks to Daddy Quezon and his compeers, saying: "Hey, Commonwealth Sea Captains and Midshipmen, you, too, must have to recondition your Governmental structure with an expert economic planning; for I shall have to come next time to put your Ship of State to the most rigid test—perhaps, I may come again in the form of a social upheaval on account of economic distress." Right now, we are even feeling the tremors of the Sino-Japanese wars; since our economic life is so interrelated that perturbations at the far-distant ends affect us a great deal. Local Chinese and Japanese nationals are daily raising the prices of their commodities to our prejudice as consumers; and we can no longer export to China because of the Japanese blockade.

But such responsables, being blind to the glares of their idealistic precepts of dignity, prestige, honor, or category, and deaf to all the criticisms and suggestions of some civic-spirited citizens, resent so much as to feel indignant with any utterance that may tend to a diminution of their personality. They assume all the responsibilities of an official hierarchy and look upon those who do not appear on the fattening vouchers as mere excess baggages—mere irresponsibles and as just the mandated wards. Of course, it is their privilege to maintain such an attitude of trusteeship under the representative republican form of administration wherein sovereign prerogatives are delegated to them. Yet, it does not entirely mean that the sovereign people whose interests are linked intimately with theirs must be entirely shorn of our prerogatives to call up their attention to some minute particulars which they may have overlooked and which, by sheer force of intellectual keenness of analysis of situations, may yet unravel the unseaworthiness of our Ship of State as to be entitled to serious considerations. Nor should the Constitution be construed to

mean that only those in their official category should assume all responsibilities of guidance. Perhaps, some painstaking private citizen can render more laudable service—some high-thinking men of nobler strain may still achieve honor better than those in the actual direction of our affairs; since, really, they cannot, in all cases, concentrate their diversified attention to every minor particular, nor can they ever accommodate the acknowledged non-essentials on board their steamship during calm weather. Colonel House, for instance, as a private citizen, could not have enabled Ambassador Page and President Wilson to perceive clearly the intricate international situations as to adopt the appropriate policies of Government.

His Excellency President Manuel L. Quezon has just pointed out that very idea of presupposed responsibility in a democracy wherein everybody—foreigner, citizen, and official—must feel duty-bound to cooperate with him in his administration. He is now realizing that the probation law is ineffective to carry out its purposes in that the people of Manila alone are benefited—not the *provincianos*. Yet, out of the twenty million inhabitants in the Philippines, barely 1 percent feel such an impulse towards our immense undertakings—the rest of the 99 percent are irresponsibles—mere excess baggages and cargoes on board Quezon's yacht, mere undesirable pernicious aliens and do-nothing citizens. They do not burn the midnight lamp, nor bother their pleasure-loving and gambling-addicted heads that could have been utilized to advantage if they only attempt to blaze their own pioneering trails through the unknown climes or try to discover some means by which their families [can] be stabilized economically. Everything goes to the expert advisers, everything to the Government midshipmen—to the heads of the executive departments—and everything to Daddy Quezon in prayers; so much so that our overburdened President had to rail at us in his recent utterances: "I cannot take you all on board my yacht; you are supposed to be all responsible people capable of helping out yourselves."

Yet, the contrary is just the reverse of what we are. Ninety-nine percent of us are really irresponsibles. We have the irresponsible idiots who have lost their birthright of sacred citizenship by selling their properties, rights, privileges, and even their only souls to foreign thralldom and slavery in the absence of any prohibition to that effect. We have the illiterates—Christians and non-Christians—who constitute a serious liability except to be fed up in flames in the event of war as forcible conscripts by reason of their absorption to Sakdalism and Communism. We have the floating population that have no stable economic foundation for themselves and for their families to depend upon in times of distress. We have the unemployed who cannot create their own ideas nor establish their own business; and if told

to take advantage of the colonization law, they merely respond that "Well, we are all right in our barber shops, in the Muelle de la Industria as *cargadores*, and in our employments; we are earning good pay." There are the victims of nefarious traffickings in things sacred, those whose ultra-innocent trends of psychic proclivities offer a delicious morsel for the much larger fishes at sea or for the more astute beasts who growl at social justice—victims of usury and unfair dealings. We have those who cannot adapt themselves to the amenities of social wrongs, nor to their own environments except to be expatriated back to their shores from the United States, or huddled at some urban centers from industrial employment.

Again, there are those who are lashed forever by distress partly through their own weaknesses and partly through the mighty elemental powers—of flood, of storms, and of conflagration—whose still heroic souls so characteristic of Filipino racial heritage keep moving on and on in spite of the drizzling gales of misfortunes beating upon their indomitable breasts. They are such men of heroic mold, who dare cut up their own undertakings—establishing corporations, toiling for intellectual equipage, or blazing their own trails amidst privations. They are such class of men who deserve subsidies and the facilities afforded by the Government. Yet, they, too, constitute Daddy Quezon's liabilities; but who, upon the recognition of their fitness and honesty, may be utilized to advantage, as our assets, in the regeneration of our huge economic projects of industrialization. They are the deserving graduates of colleges and universities capable of leading their irresponsible brethren out of squalor of poverty into the magnificence of prosperity.

Thus, instead of abandoning them to their own initiatives amidst potential drawbacks to progress, these excess baggages 'must be utilized to advantage by the Government; for will there never be a more intensified shake-up even prior to the transpiration of the transition period? Certainly, there will be. The Commonwealth is heading for the rocks. It will not be a mere earthquake—not a mere flapping of the sail, but a rent made by the gale. (Longfellow.) Our Government may turn out to be enriched with revenue, with the excise-tax refunds, or with its industrial ventures; but the governed irresponsibles—our excess baggages—which are inevitably becoming impoverished, will turn out to be the liabilities instead of assets, in the absence of adequate safeguards. They are harassed by deterrent factors that impede their progress.

The first impediment is the enormous flow of Philippine money in the form of silver and gold towards Japan and China as a result of an overwhelming trade balance of unfavorable imports of goods and merchandise from China worth ₱5,365,564 for 1936 against only

₱1,974,838 exports, and ₱26,528,530 worth of imports from Japan against only the sum of ₱16,786,272 of our exports. Our counterbalancing exports to these two countries cannot even be considered our own; because their respective nationals are the ones conducting the operations of business—in lumbering, partly in mining, in hemp-stripping, of which 50 percent of our total exports are Japanese, in rubber-shoe manufacturing, and in other undertakings. Chinese and Japanese goods the prices of which have substantially increased by 30 percent, 24 percent, and 6 percent, consist of foodstuffs—eggs, ham, beans, canned goods, tea, oils, silk articles, chinaware, novelties, paper goods, cosmetics, toiletries, and cotton piece-goods, or rayons. The Director of the Bureau of Commerce does not yet consider that there is need for official intervention or control of market quotations; because, according to his *obiter dictum*, the proclamation must be based on internal conditions rather than those developing outside. Lucky yet that the favorable trade balance of ₱237,504,863 for the P.I. against ₱122,994,525 worth of imports from the U.S. for 1936, and even for the last 6 months of 1937, which is showing an improvement by ₱26,796,521, practically offsets our losses, including those with Spain, which have dropped from ₱3,055,020 to only ₱240,587. But, should the outside perturbations prolong and the favorable trade balance of the P.I. with the U.S. of ₱178,629,069 for the last 6 months against imports of ₱108,658,213, as well as with Great Britain, which has increased from ₱19,896,631 to ₱26,769,384, be altered the other way, very likely an acute economic crisis will affect our Commonwealth. Hence, it must be averted.

The next are the internal contributory factors—the cannibalistic tendency of merchants towards squeezing blood out of their purchasers in times of distress by raising the prices of their goods, yet lowering those of the farmers; the relentless demands of the rampaging landlords for three fourths of their tenants' products; the unmitigating prosecutions of local bank agencies for unpaid interests and for the foreclosure of mortgages; the seasonal calamities of locust and fungi infestations, or of flood; the stampeding internal-revenue agents for unsettled tax accounts and for confiscations of petty landholdings; and the perturbing outbursts of agrarian troubles and pestilence. At the bottom of the social strata to bear the burdens of economic distress are the farmers and the laborers. President Quezon has just deemed it a palliative remedy to fix the standard limit of ₱1 in the provinces and ₱1.25 in the city of Manila. Whether this will prove salutary, or whether it will be otherwise, only the event will teach us in its hour. But, it is doubtful; because only those employed in the Government-owned and -operated enterprises can reap the benefits—all the other private concerns are not af-

fect. They can still ply their trade unhampered with the monthly wages of ₱15 or with ₱0.25 *per diem* as starvation compensation.

Thus, we all take pride in the apparent financial stability of the Commonwealth, with its ₱100,000,000 in revenue, its ₱100,000,000 in coconut-oil excise-tax refund, its profits of ₱10,000,000 from its enterprises, its \$56,000,000 in another excise-tax refund for the first half of 1937. But we do not realize that the existing economic strangulation is actually gripping our excess baggages almost to the verge of famine. Crimes are increasing—robbery here and murder there. Local tobacco factories and mining promotions are under threats of stagnation and closure. Mining investors are no longer paying their companies for unpaid balance of three fourths of their subscriptions to the capital stock. Almost 150 mining companies and promotions are affected; and together with the 92 cigar and 17 cigarette factories will be forced to close their business. The U.S. is exporting to P.I. about ₱7,000,000 worth of cigarettes; whereas, in turn, the P.I. is exporting to U.S. almost the same amount's worth of tobacco and cigars. These industries have no adequate protection. The Tydings-McDuffie law restricts exportation of tobacco and cigars to U.S. So does the New Deal policy. About 575,000 factory laborers and about 5,000 planters will be turned out of work. In lumbering, likewise, the 150 sawmills and power-logging operations under license with a total of 40,000 laborers and the investment of ₱30,000,000, there is not much protection against Japanese and Chinese monopoly.

What policy shall we adopt? Establish a Commonwealth bank with its long-term investment; apportion the surplus money among public improvements as frozen assets to dwindle into nothingness; buy the friars' lands to be parceled out among the non-paying tenants? It is true, as adverted to, that investments in land purchases as advanced by the then Governor Taft proved successful; but it took years and decades before we could get back the money. The plan is a poor substitute for the amelioration of agrarian outbursts. Instead, the tenants on the friars' lands must be afforded facilities for settlement in Mindanao, where Government pays nothing except for survey and partition of the available homesteads. To invest only ₱7,000,000 in bank is to keep the money tied up for several years in litigations involved in the foreclosure of mortgages. Hence, the only safe investment of immediate returns is in our industrialization for economic self-sufficiency as its ideal goal of stabilization.

Really, we need several doctors of the type of José Rizal to diagnose our economic and social maladies of a very complicated character. So far we cannot yet ascertain the root-cause of our strangulation, so divergent are the means suggested for which the surplus funds be spent. Yet, we forget that the economic cancer has to undergo extreme care in

its operation in the same way we do the reconditioning of our Government devices. We forget that the acute swellings of the ankles at the foot are caused by tonsilitis and that in operating [on] the patient of that disease the doctor has to extract two nodules right at the cavity of the esophagus; in the same way we do realize that the hastening urbanization demands the establishment of factories. Throughout the provinces of Central Luzon where agriculture has already advanced a declining stage, lands are being sold for no less than a thousand pesos per hectare; whereas, in Mindanao they could be acquired for ten pesos. People are becoming city-minded and adventure-addicts; because of the gradual expansion of families. Continuous rice-cultivation without rotation of crops tends to impoverish the soil. In Mindanao, where a farmer can reap as much as eighty *cavanes* of palay per *cavan* of seedling, in Central Luzon he can reap only as much as twenty-five *cavanes*. In Mindanao, there is no need for any irrigation system like the Angat, nor any rotation of crops, nor any Sakdalism and Communism as in Central Luzon, where farmers are converted into serfdom through gradual concentration of petty landholdings in fewer hands—in the banks, in the friars, in the rich, or in the sugar centrals. Hence, it is not out of tune to suggest that colonization must be undertaken by the Government with the available surplus funds on hand, as well as industrialization—in the purchase of machineries for textile manufacturing, for mining operations, for foundries, for ceramics or glassware, for dockyards, munition arsenals, for automobile factories, etc.

In round numbers, we are importing chiefly from U.S., Japan, and China *per annum* to the value of:

₱14,000,000	(U. S.)	worth of cotton goods, silk and rayons.
16,000,000	(Japan)	“ “ “ “ “
1,500,000	(China)	“ “ “ “ “
₱26,500,000	(U. S.)	worth of machineries and automobiles.
1,500,000	(Japan)	“ “ “ “ “
500,000	(China)	“ “ “ “ “
₱7,500,000	(U. S.)	worth of foodstuffs—meat, milk, flour.
600,000	(Japan)	“ “ “ “ “
600,000	(China)	“ “ “ “ “
₱16,000,000	(U. S.)	worth of paper, chemicals, tobacco.
500,000	(Japan)	“ “ “ “ “
200,000	(China)	“ “ “ “ “

On the contrary, we have the exports to China and Japan which are too insignificant and nil. Our chief export is mainly to the United States. Most of these are owned and operated by their respective nationals, as in hemp by Japan, in embroideries by the Americans, partly in sugar by the Americans, and in lumber exclu-

sively by the three nations. In round numbers, we are exporting to them *per annum* to the value of:

₱2,000,000	(U. S.)	worth of lumber.
1,500,000	(Japan)	" "
500,000	(China)	" "
₱7,000,000	(U. S.)	worth of tobacco.
500,000	(Japan)	" "
300,000	(China)	" "
₱19,500,000	(U. S.)	worth of coprax and copra cakes.
	(Japan)	none
	(China)	none
₱9,000,000	(U. S.)	worth of hemp and cordage.
6,300,000	(Japan)	" " "
	(China)	none
₱66,000,000	(U. S.)	worth of sugar.
	(Japan)	none
	(China)	none
₱10,200,000	(U. S.)	worth of embroideries.
	(Japan)	none
	(China)	none

The figures show graphically that we lack connections and publicity abroad for our staple products due to the absence of consular representation and Filipino merchants at some commercial ports to display our merchandise and goods. Japan and China do not need our sugar and coprax; and we cannot make them like our sugar unless Filipinos have some bazars or establishments at their commercial centers to create demand. Yet, we are getting so much of their chinaware and porcelains, though we can manufacture them here already, their cotton goods, silk and rayons without any stopgap at our ports of entry through the Bureau of Customs. We have the gentleman's agreement with Japan to the extent of 45,000,000 square meters in each of the two years beginning August 1, 1935, with a 10-percent margin for anticipation of carry-over and a limit of 26,000,000 square meters in any half year. But, since the Japs are very cunning, they transgress that agreement through transshipment of surplus [of] 7,527,000 square meters at Hong Kong, and, together with the direct shipments, they have already exceeded their quota by 6,000,000 to reach 12,000,000 by the close of the two years' limitation agreement. Hence, comes the demand for Filipino representation as commercial attaches at some consular legations of the U. S. established in different countries, and the strict enforcement of prohibitory agreements.

The next suggestion is the purchase of machineries for intensive and extensive industrialization, for mining operations, for lumbering, for textile manufacture, for shoe and automobile-tire factories, for hemp-stripping, for paper mills and for any other industrial productions. These will instantly set every idle hand and brain into func-

tion for any profitable undertaking under the supervision of the local government agencies. It is an unprecedented venture that will generate the means of production in the exploitation of our natural resources and enable the Government to standardize the prices of commodities. Hundreds of mining corporations that are now under stagnation due to uncertainties can be subsidized or loaned the machineries on a profit-sharing basis. Other manufacturing establishments can also be facilitated to such an extent that eight years hence the Government will realize ₱2,000,000,000 out of its initial investment of ₱100,000,000. The Government can engage in fishing, mining, mercantile, agricultural, or lumbering industries to compete with foreign investments of ₱1,000,000,000. Private citizens will feel more secure in their investment. There will then be no necessity for setting up tariff walls; since these are prejudicial to ourselves as the consumers. Textiles will eventually diminish in their importations; and trade parity be maintained with Japan and China.

The next is the reconditioning of Commonwealth laws and the re-vamping of Congressional enactments on tariffs, currency, migration, and public-land disposals for the purpose of prohibiting Japanese and Chinese influx of investments in the exploitation of our natural resources and in the monopoly of fishing, lumbering, and agricultural industries. It is quite safer to invite U.S. investors; but it is too precarious to allow an unlimited influx of immigrants and capital of both the Japanese and Chinese. It will always involve military operations and the consequent gobbling up of the Philippines, though it is unlikely that both Japan and China have some political ambitions to acquire the Philippines. The nine revolverlike-hold-up demands poked through the ribs of China by the Japanese as to arouse a universal indignation are the clearest and most eloquent manifestations of Japanese foreign policies. Such precedents must have taught us the lessons to deal with Japanese cautiously. Even how tame or friendly a dragon or lion may be, the moment some obfuscation of mind bestirs their native instincts to set aside ethical standards of international comity, they will have to throttle and strangulate their victims with their hideous fangs and claws. Japan, particularly, is ruled over by the militant Samurai and Shoguns who assume tutelage over the Eastern Hemisphere as the exclusive descendants of the Sun God that rules the universe. They do not even fight their enemy, should they march forward against the sun; nor do they want to be captured alive—they prefer the *harakiri*, by ripping their abdomen with their swords whenever cornered in an impending danger of captivity. They acknowledge no gentleman's agreements, nor any local legislation, nor any friendship except for strategic purposes as a camouflaged smoke screen to waylay the unsuspecting Filipinos.

Lastly, it is suggested that the President of the United States and Congress should promulgate enactments or Executive orders that may tend to protect vested rights and interests of the American and Filipino citizens by prohibiting migration of Japanese and Chinese to the P. I. and investment of capital. Migration law of the U. S. must be applied to the Philippines. We are already suffering from economic anemia. Chinese *sari-sari* stores are found everywhere in the Islands—in every *barrio*, municipality, capital, and in every corner of the streets. We would not have complained of this anomaly if they ever filed their naturalization papers to become Filipino citizens. It would even be better if the National Assembly enact the Mexican form of forced citizenship after foreigners have resided in the Islands for more than ten years. Citizenship must be construed to follow the livelihood pursuits by virtue of their enjoyment of the protection of our laws. Even Chinese *mestizos* prefer Chinese citizenship; the Japanese, likewise. If they do not want to become Filipino citizens, they must get out of the Islands after ten years' residence. Again, 90 percent of our mercantile industries are owned and operated by the Chinese. All our cities—Manila, Baguio, Zamboanga, Iloilo, Davao, Cebu, and the provincial capitals are infested with their hotels, restaurants, *sari-sari* stores, bazars, lumber mills, factories, breweries, shops, refreshment parlors, barber shops, and *carenderias*. They enjoy protection of our laws; but, in return, we get only their business-privilege fees. In Red Cross drives for contributions to the relief funds for victims of flood, fire, or any other calamity, there is not a single instance of Chinese and Japanese manifestation of voluntary sympathy. Yet, they are contributing funds to carry on the wars of their respective countries. What can we profit from them in case of war? Nothing. They are our pernicious excess baggages—traitors to the country that gives them their daily nourishment for more than a century. Even citizenship of their offspring follows that of their parents, unless they elect to become Filipino citizens upon reaching the age of majority. They are acquiring property in the Islands to the detriment of the Filipinos. Up to the present, Chinese investments [have] reached already ₱1,000,000,000; the Japanese, ₱100,000,000; and the Americans, ₱400,000,000. In order to evade the rigidities of our corporation law, they have their business named after an individual, to the discomfiture of the Assemblymen; because the requirement of 55 percent investment must be owned by Filipinos. But this refers only to corporations, not to individuals. Besides, the Japanese investments are mostly subsidies from the Imperial Government as well as further expansions of their homeland corporations. The Japanese syndicates have already entered into long-term contracts with almost all our mining corporations through their authorized agents for the operation and exclusive purchase of all our output of

basic metals—manganese, chromium, iron, coal, copper, asbestos, and asphalt. The result will be that the U. S. will be deprived of such raw materials. Pyrites and sulphur are also monopolized. Even in lumber, there are already contracts entered into by them with the Filipino concessionaries of timberlands for their exclusive operation.

In view of such imperceptible and peaceful economic penetration and the subsequent control of 90 percent [of] business interests in the Islands by the Chinese and Japanese, it becomes, therefore, imperative that the Commonwealth should adopt the retrenchment policy. It is such a disease of consumption that keeps on sapping the vitality of the Filipinos in protracted illness. In spite of the remedies—of the *Bagong Katipunan* and of the (NEPA) National Economic Protectionism Association, or of the gentleman's agreement and of tariff-wall building—not much can be effected to fight out the yellow peril. Unless the industrialization and the retrenchment policies could be afforded their militant execution, the Filipinos will become a languishing race, emaciated, and doomed to slavery within our own territory. We are overrun and overflowed, camouflaged and deceived, outbidden and conquered by the Japanese and the Chinese. By the time the blessings have come to us with the excise-tax refunds, together with the Commonwealth earnings in its enterprises and in revenue collections, we hesitate to invest them for our militant economic warfare. In short, we are apprehensive of Japanese military operations; but we are unmindful of their peaceful economic penetrations. We do not visualize the dangers attendant upon Chinese intrusions because they have no armies and navies to scare us to death; but, when the ordeals of freedom shall place us to the test, the first to perish will be the Chinese. History repeats itself. Philippine history abounds in Chinese massacre in the hands of insurgents. Since they are not with us, they are, of course, against us. Whichever of the two belligerents shall triumph, woe unto the Philippines; for the victor shall become more and more strengthened. Then, shall we come to realize that their pestilential economic penetrations are far much deadlier than their combined military maneuvers. Hence, we must entrench our economic plannings—war goes on.

When such warfare keeps on and private initiative fails to offer an economic counter charge, is it not proper that the Government should step in? that it should muster its courage to rally all the available human power and even all its excess baggages and cargoes? At most we shall have the available half a billion pesos by the end of December 1937. As per despatches of Acting Treasurer of the U.S. Federal Government, Wayne Taylor, dated August 16, to Brigadier General Charles Burnett, Chief of the Bureau of Insular Affairs, the Philippines shall have another refundable excise-tax

collection for the first half of 1937 in an amount of ₱47,753,613.65. This amount, together with the ₱100,000,000 excise-tax refund already received, with the Government income of ₱50,000,000 from its own enterprises under the auspices of the National Economic Council, and with the internal-revenue income of ₱100,000,000, will fairly stabilize the Government finance. The question that confronts the Government is its investment for rehabilitation purposes in the employ of the National Development Company to accommodate our surplus baggages and counterbalance Chinese and Japanese imports. This company has its capital stock only of ₱50,000,000 and only about ₱10,000,000 has been paid in. Article XIII, section 9, of the Commonwealth Constitution, sets forth that:

It shall be the duty of the State to safeguard the social progress of its inhabitants, and to plant the national economy, with the aid of the National Economic Council; it may operate and establish such industries and means of transportation and communication as may be considered important to national welfare and defense; and, when necessary, upon payment of just compensation, may transfer to public ownership private enterprises suitable for nationalization.

The proposed purchase of friars' lands, the establishment of colonies for guttapercha plantations, the investment of ₱7,000,000 for the Commonwealth Bank, the purchase of railway interests in Panay for ₱10,000,000 to be transferred to Mindanao, the expenditure for public improvements, the purchase of Japanese improvements of 350 kilometers of Davao road and of plantation buildings in the event the President of the U. S. and Congress shall strictly refuse further extension of their leaseholdings, all these are laudable projects; but, the adoption of the retrenchment and the industrialization policies is just as laudable as any one of these. It must even command the most attention and the greatest outlay in order to offset the annual loss of ₱16,000,000 for the Philippine Army. Purchases to be made of industrialization machineries for agricultural and manufacturing projects are not frozen or dead investments. The Philippines may even undertake the purchase of all means of communication and transportation facilities—the railways, the inter-oceanic and inter-island steamship lines, as is set forth in the Constitution; in order to do away with foreign monopoly. Even our sugar, hemp and oil exported to U. S. are carried on Japanese bottoms; and our inter-island vessels are almost exclusively Chinese.

OUR JAPANESE AND CHINESE PROBLEMS
INVOLVING IMMIGRATION

BY
GERARDO C. MONDEN

(111)

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2. In substantiating my contention that the rigid enforcement of the modified Exclusion Law be applied to the Chinese and the Japanese merchants, manufacturers, and any other of their professional classes to engage in business in the Philippines, I have the following to offer:

(b) 1. A study of our statistics reveals that these aliens constitute a menace to society; because they are smuggling contraband goods to our detriment at the rate *per annum* during the last ten years from 1927 to 1936 of 228,619 kilos of opium, 9,098 cases of gambling cards, and 5,884 ammunitions consisting of revolvers, rifles, dynamites, and other war materials.

These contraband goods enter chiefly the Manila port. But those that enter the other ports must be far greater in number; because we have only one Coast Guard cutter to go after the derelicts. They pass through the southern Islands where the ports are inadequately guarded.

The effects are that several Chinese and Filipinos victimized have become surprisingly rich through collusion or direct sale of opium, that many have been prosecuted and sent to jail, that many have been impoverished and victimized by some abortive uprisings of the equipped Sakdals and Communists whose only pleasure is to ruin the Government by being misguided by their leaders, and that they cause an additional outlay for the Government for their prosecution.

(a) 2. Likewise is their immigration. They come through the ports of Manila, Cebu, Davao, Zamboanga, and Iloilo; but, even those that are recorded are already quite alarming. Their Chinese junks drop anchor at some coastal towns and *barrios* to leave behind them some immigrants. Authorities hardly notice them.

A study of our statistics also shows that the average *per-annum* immigration during the last ten years since 1927 to 1936 reveals the Chinese arrivals of 17,035 and 14,750 departures with the *per-annum* remainder of 2,285; and the Japanese arrivals of 2,696 and 1,960 departures with the *per-annum* remainder of 736: whereas, the Americans show for the same period the average

per-annum arrivals of 5,238 and 4,792 departures (exclusive of the U.S. Army) with 446 remainder.

Thus, in Manila alone, the average *per annum* of seizures at the Bureau of Customs is 126, of protests due to violations of immigration law and customs regulations 239, and of convictions 75. Prosecutions at the provincial capitals are not included—those relative to violations of internal-revenue law, usury, and other crimes. If we could have the data, violations must be alarming.

In usury violations, the Chinese predominate, some Filipinos next, Japanese the third, and others less. Chinese merchants are everywhere in every *barrio*, municipality, or provincial capital. At the municipality of Liloan, Leyte, alone, I filed the charges of usury against Chinese merchants, aside from the one hundred other petty Filipino usurers. The chief of them all, whose name is Jo Bianco, who victimized fifty farmers, has already been convicted. The rest are still pending. The Anti-Usury Board knows everything about these cases; because some were dismissed through amicable return or settlements of coconut lands encumbered through mortgage and *pacto de retro* sales. The wealthiest in the *barrios* are the Chinese. In all other towns of Leyte, there are rampant Chinese usurers; so also in Agusan Province, in Surigao, in Tarlac, where I have gone through; and in almost all provinces as the Anti-Usury Board has found it out.

How do the Chinese victimize the farmers? A Chinaman, for instance, opens accounts current to the petty farmer day by day. When the amount reaches to as much as one hundred or five hundred pesos, he consults an attorney or a notary public to draft a contract of mortgage or *pacto de retro* sale with the stipulation that, in consideration for the sum of ₱1,000, or five hundred, the farmer-borrower parts away his land to the Chinaman, or promises to repurchase it after two years, but upon failure the land will be owned by the Chinaman. But, due to decrease in prices of copra and hemp, the farmer can no longer rescue his property. Or if it be a rice field, failure to produce at one season leads to another burden of indebtedness; more so, if the family member gets sick or harassed by prosecutions fictitious or otherwise in which case the *pater familias* has to dispose of his only property of ₱5,000 assessed valuation for only ₱200 in most cases. Again, suppose that the actual price of coconut per kilo at the locality is 6 centavos, the creditor-Chinaman deducts one centavo; and when the farmer, due to necessity, takes his hemp or copra to another store to evade the deduction interest, the Chinaman gets angry and instantly presents civil action before the court

for immediate payment of debt. The farmer cannot do otherwise except to part away his land. Thus arises the gradual concentration of petty landholdings in fewer hands, mostly in Chinese hands.

(c)-3- On the part of the Japanese, though not so much recorded evidences of their undesirability as the Chinese, it is quite very alarming to learn from persons who have come from Davao news about Japanese secret storage of ammunitions and other implements of war hidden somewhere in the cemeteries in the guise of coffins not through the ships but through some air-planes. There may be some truth in it; for oftentimes whenever there is a foul odor, that odor is indicative of the presence of a rotting organism. In my home province just close to Davao, which is Agusan, we could hear airplanes zooming at midnight. I also hear news that the Japanese expect to fortify Mount Apo and Samal Island at the Davao Gulf. I have seen some Japanese fishing-boats making maps of our seas. These may have sinister designs; in as much as the Japanese in Davao have openly declared their intention to stand by their landholdings. Every responsible public official whom I have interviewed concludes that Davao will be another Hopeh-Chahar, another Manchukuo. I believe so too; because of sinistral designs in Japanese friendly and peaceful economic penetration which is their chief camouflage smoke screen for consequent military operations. They are even driving the Americans out of business through competition with their cheap materials.

In view of the foregoing presentation of the salient facts about the Japanese and the Chinese aliens in particular, I come to plead before you that something must be done to avert the unlimited influx of the undesirables—of those who have created in us the impression of sinistral designs. There must be a militant economic warfare jointly undertaken by both the Commonwealth and the Federal Governments in order to stabilize our trade relationships. American businessmen cannot expect to dispose of their machineries, flour, mineral oil, and cotton manufactures if our buying-power be diminished through keen competition of outbidding Japanese and Chinese goods. You are getting from us hemp and coprax through the Chinese and Japanese middlemen, not directly but indirectly. Yet, instead of getting our money into your coffers you allow it to drift into the Japanese and Chinese hands for the additional goods you could have sold to us if your prices were on the level with the competitors. Due to an overwhelming trade balance in favor of these aliens, we are enriching the Japanese by 11,000,000 pesos on the average *per annum*, and the Chinese by 6,000,000, as well as impoverishing you with 70,000,000 pesos by our

surplus balance of exports. At least there must be some saving device; and for our part, we want the enactment of the Japanese and Chinese Exclusion Law. They ruin your business enterprises in the same way and effect as their bombardments have demolished your fortifications. Your military defenses become a hollow mockery if you allow yourselves to be defeated in business by these aliens in the Islands. It is this friendly economic penetration that is disruptive of your commercial and industrial prestige in the Philippines. Too much condescension to gentlemen's agreements and cautions of delicate situations or courtesies tend to ruin the U.S.-Philippine trade. The gentlemen's agreement limiting importation of cotton manufactures to 45,000,000 *per annum* has been disregarded through transshipment of Japanese imports at Hong Kong to such an extent that the quota limitation for two years has been exceeded by 12,000,000 square meters; yet, U.S. still condescends to the Japanese plea for another year more. We have already too much of the Chinese and the Japanese in our small Casiana yacht that I fear we might be sinking with too much of their competing baggages and cargoes. There must be a stopgap to such an influx. In 1935 Hong Kong exported to the P.I. ₱3,634 worth of cotton goods; but in 1936 it rose to ₱1,082,360. Whose exports really must these be! Certainly, Japanese. That is one-way traffic of evading the gentlemen's agreement.

On the other hand, although we want Japanese and Chinese Exclusion Law to be passed by Congress, we also want the U.S. manufacturers to find out and employ means by which we could maintain our trade stability. On the part of the consumers ourselves we want reduction of textiles and other competitive goods to come to the level with the Japanese and the Chinese. If Americans could establish cotton-textile factories in the Islands, we can supply them with raw materials. By 1936 alone we have planted cotton to the extent of 1,982 hectares with the production of 491,840 kilos, with the average per-hectare yield of 248 kilos and price of ₱0.16. With the establishment of such textile factories by the Government and by the American manufacturers, we can raise more because our lands are very fertile for cotton. In kapok we have planted 2,294,470 trees in 1936, covering an area of 7,572 hectares with the production of 1,408,410 kilos and the average price per kilo of 0.32 centavos. We can still double that if we have proper incentives as to prices. You can, thus, outbid Japan, because Japan buys cotton from U.S. to the cost of 69.7% of raw materials, 8.1% for wages, 11.5% for transportation and for insurance services, plus 3.5% profit for commission merchant and exporter and the 7.2% of the total cost of production for all other expenses. Hence, although Japan is handicapped by the lack of raw material at the initial stage of production, and the disturbing factors of freight, in-

insurance, and others at the next stage to the last, she can still surmount high tariff walls, quotas, restrictions, or diversion policies. Besides, in Japan there are government-owned and -operated textile-manufacturing establishments. The U.S. and the British India supplies Japan with 93.6% of raw cotton and Australia 97% of wool. In spite of the minimum wages between 8.1% and 10.8% the Japanese *per-capita* wage is represented only by 78.5% of the receipts, because 18.7% is reserved for welfare work and 2.7% for relief fund. That shows $\frac{1}{8}$ of Japan's total imports is represented by textile industries.

Compared with our laborers among the coconut- and abaca-growing regions, they receive generally 33% of the entire selling price of hemp and coprax; yet we, the petty coconut and abaca planters, do not complain against the 3-cent excise-tax imposition because it redounds to the benefit of our Government and because we hardly feel it so heavily affecting our income. It is in the existence of the uninterrupted monopoly of Chinese local buyers where lies the vital problem. The excise tax is a blessing to us in disguise. Our only complaint is not in its abolition; rather it is in the expenditure of its portion in the improvement of the qualities of our production of hemp and coprax. To eliminate Chinese middlemen, American soap-manufacturers must transfer their factories to the strategic positions of raw materials; so must the oil-crushers; so will the canning factories, the textile centers, and the paper mills.

Now, going deeper into the study of why the Philippines, and even the Government, has preferred sugar-production to all other agricultural industries, the following items of average yield per season per hectare will show that sugarcane fields produce more:

Cotton.....	248 kilos	@ ₱ . 16	= ₱ 39. 68
S. potatoes.....	2, 649 "	@ . 99 per 100	= 26. 22
Tobacco.....	10. 70 quin.	@ 5. 32	= 56. 92
Abaca.....	7. 25 piculs	@ 6. 37	= 46. 18
Sugar.....	59. 64 "	@ 7. 24	= 431. 79
Corn.....	9. 30 cavans	@ 2. 47	= 22. 97-45. 94
Rice.....	20. 60 "	@ 62. 86	= 57. 68
Bananas.....	613 bunches	@ . 20	= 122. 60-245. 20
Casava.....	4, 734 kilos	@ 1. 99 per 100	= 94. 40
Ubl.....	2, 505 "	@ 4. 20 " "	= 105. 21
Gabi.....	2, 407 "	@ 2. 64 " "	= 43. 54
Pineapple.....	3, 854 fruits	@ 3. 48 " "	= 134. 12
Peanuts.....	586 kilos	@ 9. 59 " "	= 56. 19
Mongo.....	561 "	@ 12. 49 " "	= 70. 07
Cabbages.....	894 "	@ 14. 06 " "	= 125. 70
Radishes.....	1, 450 "	@ 6. 50 " "	= 94. 25
Eggplants.....	1, 321 "	@ 3. 90 " "	= 51. 52
Beans.....	527 "	@ 9. 48 " "	= 49. 86
Coconuts.....	8 piculs	@ 4. 98 per pic.	= 39. 84-79. 68

(Abstract from *The Philippine Statistical Review*—Pub. quarterly by Department of Agriculture & Commerce, vol. IV.)

These average yield per hectare of our land shows why we prefer to raise sugarcane to produce more centrifugal sugar with its ₱431.79 per season so as to overflow the U.S. market. Bananas come next with its 245.20 of 6 months' yield for places where climate is very favorable. In banana, coconut, and abaca production, we do not have to bother ourselves after they begin to bear fruit, plowing the fields for cultivation as we do in other plantations. The general practice among us is to give $\frac{1}{3}$ of our produce to our laborers in hemp-stripping, coprax-making, and in marketing. Whereas, in the cultivation of all the others we have to give our plowmen about $\frac{2}{3}$; and among the much larger cultivated areas, the landowners have to employ regularly paid laborers. That is why, among the coconut and abaca or banana regions, standard of living does not reach the famishing level. Ordinary landholding of a family is from five to 16 hectares whereon varieties of crops are cultivated. Hence, we do not feel the excise tax. As long as prices for our coprax and hemp do not go down the level of 6 centavos for coprax and 10 for hemp per kilo, our standard of living is fairly normal. We are not sure of whether the abolition of the export tax and of the 3-cent excise tax will rebound to our benefit; because there are the Japanese and Chinese traders who control the manipulations of local prices. Among the sugar-producing regions of Panay, Negros, and Central Luzon, we find the wealthiest people; but we do also find the extremely poor who are inadequately protected by the Government in their desperate agrarian outbursts. Among us in the coconut and abaca regions, no such social unrest perturbs the serenity of our contented lives, except the Chinese merchants. Our rehabilitation-government devices—the Anti-Usury Board, the public defenders, the local bank agencies, the rural credit associations, the friars' lands tenancy subdivisions, the Arbitration Court—need yet some reconditioning with more personnel and more appropriations to carry out our economic program.

Thus far, summarizing what I have set forth in my briefs and what I have gleaned from this deliberation, I come to conclude that the United States Congress is at fault, the Philippine Government is at fault, the American businessmen are at fault, the Filipinos are at fault; and everybody is at fault, that we have allowed Japanese and Chinese economic domination in the Islands.

Congress is at fault because when the Chinese Exclusion Law was passed only the Chinese coolies and the contract laborers were thought of as likely to compete with U.S. labor. The law remains unaltered for the last forty years' extension to the P.I. Now that a new problem arises—that of the Chinese mercantile competition—that law must be modified to suit new demands under new conditions. When such a law and even our Constitution can be loopholed at random by

the Japanese and by the Chinese, we do not pay attention. We are afraid of "delicate situations" and of transgressing international comity. Hence, it is in view of such loopholes that I come to invoke the U.S. protection. "During the period of the Commonwealth, there will remain with the U.S. authority commensurate with and necessary for or appropriate to the ultimate responsibilities of sovereignty." (President Roosevelt.) We are still your nationals though not your citizens entitled to your protection; except that "for purposes of the immigration laws of the U.S., the Philippines under the Commonwealth Government is considered as a foreign country and the citizens thereof as aliens—not citizens of the U.S." (Section 8 (A) (1) Tydings-McDuffie Law.) But, "in an international sense Filipinos are citizens of the U.S. in our rights to property and person entitled to protection as of right whether at home or abroad in foreign lands". (Op. of Att. Gen. Araneta.) More so, by virtue of our mutual interests. "Reciprocally, the inhabitants of the P.I. are entitled to protection from the U.S. in the rights of property and person for the preservation of the public peace, for the maintenance of law and order, and *for the protection against encroachment upon the territory by foreign nations.*" (Magoon's Reports, p. 61; the Revised Statutes of the U.S., section 4076, Comp. Stat. S. 7624; 6 Fed. Stat. Anno., 2d ed., p. 1287.) When such statutory and constitutional guaranties were formulated, the lawgivers merely had in mind the rough-and-tumble form of encroachment through foreign invasion. They have not in the least the idea that the peaceful economic penetration by the Japanese and the Chinese competitors and loopholders is even much deadlier than actual transitory military operations. That is why Congress is at fault—no stop-gap to the unlimited influx and no reconditioning of antiquated exclusion laws.

Our Filipino lawgivers are also at fault. Section 5 of article XII of the Commonwealth Constitution states:

Save in cases of hereditary succession, no private agricultural land shall be transferred or assigned except to individuals, corporations, or associations qualified to acquire or hold lands of the public domain in the Philippines.

Again section 1 of the same article XII states:

All agricultural, timber and mineral lands of the public domain, waters, minerals, coal petroleum and other mineral oils, all forces of potential energy, and other natural resources of the Philippines belong to the State, and their disposition, exploitation, development, or utilization shall be limited to citizens of the Philippines, or to corporations or associations at least sixty per centum of the capital of which is owned by such citizens, subject to any existing right, grant, lease, or concession at the time of the inauguration of the government established under this Constitution.

It was not until lately, June 15, 1937, that a random case came up to the attention of our Solicitor General of a Japanese applying to

exploit the mineral resources under power of attorney from a group of Filipino claims-owners; and in pursuance thereof, José Melencio came to interpret the law in this manner:

The intent of the framers of the Constitution is to *restrict not only the ownership but also the holding of natural resources by foreigners . . . Consider if a case like this one wherein a Japanese resident files his application to develop and manage, as an attorney-in-fact for Filipino claims-owners of placer lime in the Mt. Province were authorized. (Aliens acting under real or fictitious names or power of attorney would be developing, managing, exploiting and utilizing our natural resources—the very situation which the Constitution seeks to avoid.)*

All such constitutional guaranties are open to loopholes; otherwise, Japanese and Chinese could not have acquired vast tracts of lands though there be no legal ownership as shown by Torrens titles, which the framers alone contemplate. The almost unlimited length of time of subleases of private lands is tantamount to an eternal acquisition of real property through possession; and there is no law penalizing Filipino owners for selling their rights to their real properties. Should these aliens come to Mindanao by the millions, we shall have no longer any room for our offspring. Because of their superior industrial organization, backed up by their homeland financiers and governments, we shall become enslaved within our own territories; since behind the peaceful economic penetration comes the military operations on insignificant pretexts.

OUR TRADE PARITY WITH JAPAN

BY

GERARDO C. MONDEN

(1121)

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SHALL THE UNFAVORABLE TRADE BALANCE PERSIST?

Under the present trade adjustment with Japan, and under the regime of unsuspecting friendliness, the Philippines is always on the losing side. Yet the Japanese, through their capable spokesman, maintain an equal opportunity with other nations, in assisting the Philippines to develop fully her vast natural resources (G. H. Enosawa, editor of *Philippines-Japan Quarterly* for March 1937), in supplying her with Japanese capital, technicians, machineries, and manufactured goods, and in maintaining complete understanding and mutual confidence. (*Idem*, President Yasaku Morokuma of Ohta Development Co., Davao.) In sustaining such friendship, the same editor, who was basking in the effulgence of Filipino hospitality while here in Manila, puts into disrepute the Filipino journalists by saying: "All propaganda to the effect that Japan has sinister designs on the sovereignty of the Philippines, to be accomplished through economic penetration, is purely bunk and nothing else." In seconding such lambasts, Leopoldo R. Aguinaldo, our business magnate, says: "I know of no local foreign investment which has been made for the purpose of gaining control or for molding business conditions or securing unfair trade advantages . . . Perhaps, it is better that those who view with suspicion and apprehension Japanese investments in this country, should change their attitude . . ." (*Idem*.)

On the other hand, the same illustrious spokesmen evince inconsistent trends of logical explanations; and they do not seem to realize that they are beating around the bush under the stress of momentary friendships and historical and emotional backgrounds. President Morokuma admits that: "Those, who promote economic cooperation between the Philippines and Japan, should be warned at the outset in inaugurating an industrial enterprise, should adhere strictly to existing laws, to secure a complete and full understanding, satisfactory to both parties concerned . . ." Editor G. H. Enosawa, likewise, admits that: "It is an absolute certainty that the present condition of an overwhelmingly favorable balance to Japan, cannot go on indefinitely." So does our business magnate, the Chairman of the Committee on Import and Export, Chamber of Commerce, P.I., when he says: "The basic objective of our industrialization program is self-sufficiency for the Philippines, as far as possible, by producing

everything which can be made under obtaining natural conditions . . . The best and soundest commercial policy for the Philippines will be one which will approach economic self-sufficiency . . . Economic independence is also necessary because it is the strength or guaranty of political independence."

Thus, it is very clear indeed that no adequate explanations and arguments can ever camouflage actual and real situations. The Filipino people cannot be bunks nor [*can*] the journalists the world over be called bunks. The Japanese editor admits the real and actual facts, that there is an overwhelmingly favorable trade balance to Japan. Yet, why not exert his efforts to restrain his people from dumping in the Philippine markets their manufactured goods? Why not suggest that there be made an agreement between Japan and the U.S. regarding the Philippine-Japanese trade adjustments to maintain an equilibrium? It is suggested by him that Filipinos must produce in the forms, size and qualities which are in demand in Japan and that we must make the terms of the transaction conform to those of the buyers and make deliveries exactly as specified. Well and good; but actual transactions show that Japanese are very exacting; and so exacting indeed that, whenever there be slight non-compliance with specifications, the Filipino businessmen become the losers. For instance, the lumber-dealers of Agusan—Mrs. Guingona, Dr. Santos, Atty. Andaya, and others who had thousands of logs awaiting shipment at Nasipit harbor, due to the delay of the Japanese steamship, ran headlong into financial ruin because, finding out that the logs were slightly bored by salt-water weevils, the Japanese would no longer buy them. Mrs. Guingona since then had to come to Manila, heart-broken, till she died; and Dr. Santos had to leave Agusan forever. There are still many instances of exacting specifications that wrought financial ruin to local businessmen. Among the mining concerns, who are not on the suspicious look-out with the Japanese and technicians, pending contracts are held in abeyance.

Again, there cannot be any plausible argument why the leaseholders in Davao should not part away with their improvements after the expiration of 25 years; and why they should be paid for in the absence of any specific agreement to the effect; or why anomalous acquisitions should not be canceled as recommended by Secretary Rodríguez. Nor can such spokesmen explain why they always threaten Filipinos whenever some incident happens. Is it because they are superior in armaments? Is that friendship? When there exists an unfavorable trade balance, is it still friendship that Jap-

anese exporters do not restrain dumping in their goods till our exports to them be on the level? Do we not feel suspicious of some Japanese caught as spies, or caught in suspicious circumstances with smuggled dynamites? Do we not feel apprehensive of dangers with regard to Japanese southward-trend policy to secure minerals that they find so abundant? Manchukuo and Manchuria can supply them the basic metals; but why still attempt to invest unlimited capital in the exploitation of our natural resources as to be suspicious [of] the United States? What Japan, through peaceful friendly economic penetration, has always been doing in China till weakling dependencies were gobbled up by her—does this not frighten us that there be armaments and legions to maneuver at midnight, to capture women, to issue the nine-point demands on pretexts of self-defense not in their own trespassed territories, then occupy lands?

To substantiate the foregoing statements, the following news items need to be set forth:

As far back as 1911, Detective Norberto Alvarez and Lieutenant Henry O Rely captured, red-handed, the two Japanese spies—Kawada and Sukanami—in the act of receiving the map of Corrigidor fortification from an American corporal and parting away ₱50,000.00 as its selling price. (*El Debate*, May 31, 1936; Manila Secret Service Archives; & *San Francisco Chronicle*, May 20, 1936.)

The Federal Grand Jury convicted an ex-Service American, Henry Thomas Thompson, and a Japanese spy, Toshio Miyazaki, in the service of the Imperial Navy as an officer, to an imprisonment of 20 years for conspiracy to commit espionage. The charge was to the effect that Thompson conspired with Miyazaki to transmit to Japanese Emperor documents, codes, books of sketches, graphs, maps, models, notes, and instruments of information with regard to the U.S. defenses. Miyazaki was found out to have promised a monthly compensation to Thompson (several having been already advanced as proved by the withdrawals from the Yokohama Specie Bank in San Francisco) at the rate of \$300.00. Two university students, Ray Yamamoto of Tacoma and Fujimoto of San Francisco, identified the pictures of the man indicated with Thompson as Toshio Miyazaki, the Lieutenant Commander of the Imperial Navy. (*El Debate*, June 27 & July 4, 1936.) But Miyazaki fled to Japan.

Lately, dynamite was discovered there in the possession of Japanese living in Coron Island. Governor Higinio Mendoza, in company with Constabulary soldiers, personally confiscated the explosives. But the Japanese had already fled to the mountains. (*La Vanguardia*, July 31, 1937.)

Chinese charges of looting and violation of their girls against Japanese troops were brought to Peking by an eyewitness writer and explorer, Mrs. Gene Lamb of Washington, D.C., after having been isolated in a Buddhist temple since the Sino-Japanese hostilities. (*The Manila Daily Bulletin*, August 5, 1937.)

Minerals worth ₱10,000,000 shall go to Japan. Several companies have entered into a contract with Fijiro Namikawa, the president of Taiyo Yoko Co. of Osaka. Governor José Island, Surigao Province: chromium in Zambales, manganese in Panay Island, and copper in Luzon. (*El Debate*, June 13, 1936.)

Approximately 60,000 hectares are occupied by the Japanese in Davao alone. (*Sunday Tribune*, July 5, 1936.)

Japanese in Davao besought Malacanang officials for longer leases to continue 25 years more in partnership. It is up to U.S. to decide. Assemblymen refuse to accede to renewals. Quezon designated additional reservation to hedge in Japanese expansion in Davao. (*Manila Daily Bulletin*, April 14, 1936.)

Associated Press despatch states that the captains of 4 Japanese fishing schooners with 42 crews were captured off Kamchatka coasts by Russian guard cutters and tried for violation of territorial waters being engaged in piratical fishing. (*Sunday Tribune*, July 5, 1936.)

In the Annual Report of the Insular Collector of Customs to the Department Secretary from 1927 to 1936, appear the following items of imports and exports so overwhelmingly favorable to Japan that the Philippines is becoming squeezed of her blood and flayed of her flesh:

Imports from Japan.....	1927	₱22, 185, 451	9. 58%	Volume %
Exports to Japan.....	"	15, 447, 704	4. 96%	6. 93%
Imports from Japan.....	1928	25, 861, 753	9. 60%	
Exports to Japan.....	"	13, 943, 735	4. 50%	6. 68%
Imports from Japan.....	1929	23, 879, 095	8. 11%	
Exports to Japan.....	"	14, 259, 084	4. 34%	6. 12%
Imports from Japan.....	1930	25, 912, 971	10. 53%	
Exports to Japan.....	"	8, 743, 914	3. 28%	6. 76%
Imports from Japan.....	1931	21, 953, 482	11. 05%	
Exports to Japan.....	"	7, 176, 621	3. 45%	7. 17%
Imports from Japan.....	1932	12, 310, 012	7. 75%	
Exports to Japan.....	"	5, 144, 595	2. 70%	4. 99%
Imports from Japan.....	1933	11, 363, 204	8. 43%	
Exports to Japan.....	"	5, 921, 782	2. 80%	4. 99%
Imports from Japan.....	1934	20, 692, 548	12. 37%	
Exports to Japan.....	"	8, 523, 602	3. 86%	7. 53%
Imports from Japan.....	1935	24, 342, 949	14. 23%	
Exports to Japan.....	"	10, 718, 729	5. 68%	9. 75%
Imports from Japan.....	1936	26, 528, 530	13. 12%	
Exports to Japan.....	"	16, 786, 272	5. 68%	8. 70%

These are clear indications of trade advantages, of unfair trade manipulations whereby the Filipinos are dictated [to] by the Japanese. When they sell their toys, silk, rayons, imitation utensils, or wares, they dictate the price; and when we sell them our minerals, foodstuffs, cotton, hemp, lumber, coprax, sugar, tobacco, or hides, they also dictate the price. Yet majority or rather half the volume of such Philippine raw materials are produced by Japanese concerns in the Islands. They have invested in Davao alone ₱45,000,000; and are still pouring in unmolested because of friendship—of the one-way-traffic historical background of harmless economic penetration. And they still want an equal opportunity with U.S. in assist-

ing us [to] develop our natural resources, in employing shrewd technicians.

Thus far, in all her trade relations with any other country or dependency, Japan has always maintained the upperhand through dubiously unethical methods. The best example is the Nippo-Australian trade dispute, which shows that "wherever the Japanese have a favorable trade balance they found it particularly vulnerable to hostile quotas. . . . What the Australian Government becomes conscious of is the intense pressure of the Japanese ship-owners and exporters against all the competitors. Prices are cut below any reduction necessary to win orders. It seems like a national drive to annihilate all competition; and there are evidences of Government backing . . . Australia, upon realizing such pressure, has to table a tariff schedule by which duties upon cotton and rayon goods are altered from *ad valorem* percentages to specific rates . . . She would not want to cave in but later she was prevailed upon till the deadlock turned to the establishment of new bases for negotiations. (C. A. Hawken, M.H.R.—*Far Eastern Review* of June 1937, 24 Bund, Shanghai, China.)

Again, in all her peaceful and friendly economic penetration, Japan always adopted the policy of assuming the exercise of vested rights to such an extent that, if halted, she remonstrates at once her naval supremacy under threats of delicate situations. Such an attitude, or such a policy is well enunciated by G. H. Enosawa, editor of the *Philippine-Japan Quarterly* issue of December 1936:

If Japan's critic would face the realities of the situation and admit the justice of her *Southward Trend* policy . . . the Dutch East Indies and Australia should not have so misconstrued her policy as to exclude her commodities, capital, and emigrants . . . who would have developed their vast natural resources . . . If those States in the South Seas should abandon their chauvinistic policies and remove their discriminatory restrictions against Japanese goods, investments and emigrants to assist them in the development of their resources to the common good of the world, to make a definite contribution to an international peace . . . and to provide a livelihood for her ever-increasing 130,000,000 population—then much friction would be eliminated in any international intercourse . . . then, her intention to expand only by peaceful means . . . and merely to protect her nationals . . . would not have turned into naval and military operations . . . then, there would have been no territorial acquisitions and economic exploitation. (Published at Osaka Bldg., Hibiya, Tokyo, Japan—with branch at 407 Cu Unjlang Bldg., Manila.)

Corroborative to the foregoing as well as reflective of Japanese sentiment of altruism in assuming the self-intrusted responsibility of tutelage over the unwilling irresponsible humanity is the high-handed utterance of Ambassador Yosuke Matsuoke, formerly chief

of the Japanese Delegation that withdrew from the League of Nations in 1933 (now president of the South Manchurian Railway, that has its total length up to Sept. 1936, of 1,130.5 Km) in the Macfadden publication, *Liberty*, issue of January 16, 1937:

The first problem of Japan is her security; the second, her welfare. On these two principles her foreign policy is based, and no change of cabinet will alter them . . . Had the rulers of Manchuria been able and just administrators, they would have gotten all they need without drastic action. Now that it has come under our tutelage, Chinese, Manchus, Mongols and others enjoy such prosperity as they never before had done so. They are freer and better off than any other people of any part of China that is governed by the Chinese . . . The great natural resources of Manchuria and even of Manchukuo, which is larger than France and Germany combined, were mined by the Japanese only on a large scale . . . They have to be protected by a garrison of their own . . . They are now much better off because the Japanese have enabled their leaders to maintain an effective government . . . They have supplied the experience, the financing, and the direction. Together the Manchurians and the Japanese have extended their railways, built roads, opened new mines, increased the agricultural settlements, established new industries, expanded existing ones, and done such other things [as] would profit both peoples. (Published at Chanin Bldg., 122 East 42nd Street, N.Y.C., U.S.A.)

At the present rate of production, the Japanese-owned and -operated gold-mining industry in Manchukuo is estimated to reach in five years an output of M.Y. 200,000,000, since in 1936 alone it turned out M.Y. 10,000,000 at Clientao area under 7,000 coolie laborers and at Hsiaoshihou south of Chiamussu, capital of Sankiang Province, and the gold reserve is already M.Y. 500,000,000 . . . In the railway construction up to September 1936, already 8,771.4 Km. has been extended, plus 7,295.5 owned by Manchukuo, plus 1,130.5 by the South Manchurian Railway, and plus 345.5 privately owned. (*Far Eastern Review*, June 1937.)

Such enunciations as these are, indeed, clear and unequivocal—in that the Japanese do not want to be molested, nor their nationals be subjected to boycotts, tariff barriers; otherwise, their camouflage friendly intrusions will bear the semblance of naval, aerial, and infantry operations. Friendship is their camouflage, their potential smoke screen to naval maneuvers. “Japanese militarists have missed no opportunity to cultivate friendship and the support of Mongol princes in the buffer zone between Chahar and the Outer Mongolian frontier. Prince Teh Wang, while professing loyalty to the Chinese National Government at Nanking, is making repeated calls upon neighboring princes in a Japanese-piloted airplane presented to him by the Japanese Army. It has become the common talk that truckloads of munitions are sent by the Japanese to Prince Teh Wang. Japanese military missions station at his Palace.” (*United Press despatch*, April 12, 1936, from Kalgan, China, published by the *Manila Daily Bulletin*, April 14, 1936, p. 6.)

After such negotiations, the Japanese go to work economically, exploiting the rich provinces of Chahar and Hopeh. Partly in connivance with their established semi-autonomous North China Council, partly by force, they dumped goods into these provinces without paying tariff to the Central Government at Nanking. And under the grim watch of their star salesmen, superbly trained soldiers, they underpriced and outsold all China competitors. (See also *Philippines Free Press*, issue of July 24, 1937.)

Likewise, in the Philippines, they are employing the same tactics, the same dumpings of cheapened outselling toys, silks, and cotton-piece rayons in spite of tariff walls to outbid the Americans. They even go as far as threatening the Filipinos with military operations in case we dare touch upon delicate situations, as by canceling illegal land leases in Davao as already recommended by Secretary Eulogio Rodríguez. Under the auspices of the Japanese-Philippine Association, they are employing friendly tactics to outwit the United States.

Textile imports from Japan alone from January to May, 1936, by the square meters of rayon piece-goods and others are as follows:

12, 728, 401 sq. m. (directly)
5, 963, 844 " " (via Hong Kong)
13, 437, 240 " " (directly—rayon piece)
<hr/>
Total 32, 129, 485 " "

(*Sunday Tribune*, June 28, 1936.)

Again, to substantiate the assertions of journalists whom the editor of the *Philippines-Japan Quarterly* baptized as bunks, here are some facts that would even show that Japanese military authorities are determined to take by force what they had hitherto been unable to obtain by threat, intimidation, or bribery and friendly understanding (*Commonwealth Fortnightly*, July 1937):

Japanese militarists have missed no opportunity to cultivate friendship and the support of Mongol princes in the buffer zone between Chahar and the Outer Mongolian frontier. Prince Teh Wang, while professing loyalty to the Chinese National Government at Nanking, is making repeated calls upon neighboring princes in a Japanese-piloted airplane presented to him by the Japanese Army. A Japanese military mission is stationed at his palace, only 60 miles from the Outer Mongolian border. It is common knowledge that he has been supplied with many truck loads of Japanese armaments. (p. 6, *The Manila Daily Bulletin*, April 14, 1936.)

It is our chief objective to organize a Central Economic Council for Japan, Manchukuo, and North China to link up similar industries with Japan to advance the capital funds. (Tokyo newspaper, *Asahi Shimbun*.)

The terms we have agreed upon between the Hopeh-Chahar Political Council and the Japanese Special Service Mission at Peiping, participated in by Major

General Gun Hashimoto, Chief of Staff of the Japanese Garrison in North China, and Col. Takuro Matsui, are that:

1. Chinese troops withdraw from Lukouchiao and Lungwangmia;
2. Chinese officials [who] are responsible for the incident apologize or be punished; and
3. Sino-Japanese cooperation to suppress communism and any anti-Japanese movement.

(Domei, Despatch from Tientsin.)

Such publications aroused deep resentment throughout China. The National Government at Nanking officially warned Japan against conducting regional negotiations in the North and disavowed recognition of such agreement. (*China Critic*, a Chinese newspaper.)

The Shin Chung Mining Corporation with its \$10,000,000 capital engaged in the Lungyen iron mines near Peiping and in salt industry around Tientsin is backed up by the South Manchurian Railway and by the Kwangtung Army. (*The Review*, Chinese journal.)

All such facts and incidents prove beyond reasonable doubt that Japan really has sinister designs. Militarists want to pass through the back porch; and when halted, they fight for self-defense in spite of night maneuverings and plannings.

Again, out of petty yet well-planned turmoils, there would evolve at once military mobilizations as to execute the nine-pointed-dagger demands:

1. Establishment in North China of a special district with Japan having the right to appoint and discharge public officials, to undertake the operation of public utilities, to maintain garrisons and police force;
2. Recognition of Manchukuo Government;
3. Issuance of Executive orders requiring all interior provinces to employ Japanese assistants;
4. Suppression of communism;
5. Presentation of an outline of the definite policies of pro-Japanese relationship by the Kuomintang Party in power;
6. Recognition by the provinces of Hunan, Kwelchow, and Szechuan of the special position of Japan in China;
7. The employment of a portion of Japanese Navy on the part of China for the protection of her coasts;
8. The establishment of coastal provinces as the pro-Japanese districts with pro-Japanese authorities;
9. And recognition of Woosung, Kiangwan, and Shanghai as Japanese positions. (United Press—to *El Debate*, July 4, 1937.)

Such demands will in the not far distant tomorrows, be likewise thrust into Davao. They will be more than daggers to the Philippines—they will be hold-up revolvers. Could there be any deviating policy different from what is actually being done in China, where, at the outset, "under the grim watch of Japanese star salesmen, superbly trained soldiers, Japan underpriced and outsold all Chinese com-

petitors? . . . Soon Japan's economic interests [will] be great enough to warrant protection . . . a garrison sent out with the understanding of local authorities . . ." (*Philippines Free Press* of July 24, 1937.) Such threats constitute a virtual imposition of sovereignty—not mere sinistral designs but realities transmuted into terrorisms which the world has never witnessed since the time of Hannibal and Genghis Kahn. It is such a frightful phenomena for any Filipino who, upon seeing a Japanese friendly diplomat or salesman, visualizes machine guns sloughed off his back and daggers dangling by his side. Even the officials in the Commonwealth are afraid to touch on such "delicate situations" for fear of deathly consequences—afraid to cancel the illegal subleases, afraid to punish erring Japanese loopholers.

Certainly Japanese spokesmen overlook international courtesy. They want as much investments in the exploitation of our natural resources as any other nation—with those of the United States, with the very country that has nurtured the Filipinos for the last forty years with sufficient emotional background. That cannot be done. Congress won't tolerate that idea. It is such an economic penetration that is redolent with apprehensions which even a mere schoolboy visualizes and hears by the roar of cannon and gushings of blood in China. Friendship in the exchange of commodities should extend only as far as the threshold, not as far as our private secrets, as far as smuggling contraband goods, or employing spies to secure the man of Corrigidor, and agents to reconnoiter our seas and mountains. In the phraseology of President Quezon, "Japan and the Philippines are neighbors and it is to mutual interests that they be friends, and friendship can only be promoted through fair dealing and justice on both sides. It is but repeating a truism to say that knowledge produces understanding and understanding engenders amity . . ." (*The Philippines-Japan Quarterly*, March 1937.)

Thus, friendship must always have its limitation; only as far as fair dealing and justice on both sides. In view of the overwhelming trade balance in favor of Japan, there cannot be any fair dealing and justice on both sides. Nor can there be economic self-sufficiency, if our business magnates keep on importing Japanese goods without ever attempting to help promote the establishment of factories, chemical laboratories, and the manufacture of our machineries for textile industries and for smelting-ore foundries. Nor can there be any mutual understanding if the Japanese persist in demanding payments for their 8,000 hectares of private landholdings and 18,000 of public leaseholdings in Davao alone in the event of the ultimate decision of Congress on the referred Davao imbroglio limiting the lease to no

further than 25 years, which have already transpired. Nor can there be settlement unless Japanese reduce their exports to P.I.

Already there had been tariff walls set up by our Government; but are they so stable as to be insusceptible to courteous understanding and surreptitious back-porch passing? The Asahi beer factory, the rubber-shoes factory, the lumber industry, the mining, the fishery, the hemp, and other industries have already been on the move—in their full swing. Simply because Japanese production comes from the Philippines, the American customers have to bear the consequences of detrimental competition under the auspices of free trade, and the status of the Commonwealth is thereby affected. Not until lately that Senator Walsh of Massachusetts introduced a bill in the Senate limiting rubber shoes *per annum* to a quota of 200,000 pairs duty-free, provided no merchandise shall be accorded duty-free under said bill which is not admitted free under section 301 of the Tariff Act of 1930. Even in hemp, of which the entire Japanese exportation constitutes one half of the total Philippine exports. In lumber, likewise, the Chinese and the Japanese are enjoying the monopoly; because Filipino-owned lumber mills have local consumption. Fish, likewise, is enjoying the privilege of free trade. Yet, even then, including the Japanese production as Philippine exports, the dumping in of cheapened toys, rayons, silk, and other stuffs constitutes an engulfing menace; and Commissioner Paredes has not done anything to call up the attention of Congress to placing a stopgap to such surreptitious exportations to States under the guise of Philippines. It is a shame that Senator Walsh has done the fight, not our Commissioner. (*Philippines Herald*, Jan. 20, 1937.) He does not realize that fact, nor does he ever apprehend the dangers that Japanese-capitalized and -operated concerns in the Philippines are invading the American market to the prejudice of both the Philippines and the United States. And the Filipino official who had issued export permits to manufacturers acted merely as automatic revolvers without initiative to call up the higher authorities to such back-door subterfuge.

Indeed, so much of such atrocities—such dumping in of competitive goods, such spies, such land-grabbings, such surreptitious back-porch dealings, such murders of helpless peoples, such propaganda of altruistic intentions of friendly understanding in the face of actual realities—that the world is becoming indignant—and so indignant as to demand a world coalition (George Gothern, in *Commonwealth Fortnightly* of Dec. 1936), a boycott of Japanese goods, a closure of ports to migration and to anything else besides the impression that the Japanese constitute a yellow-fever peril. Japan

has already torn from China the provinces of Jehol and Manchuria, which are equal in size to France, Germany, Netherlands and Switzerland combined, sufficient to accommodate her 8,000,000 jobless children. She has already all the necessary sources of all kinds of metals and foodstuffs in those provinces, in Korea, and in the two Indias, New Zealand, South Africa, Argentina, Brazil, Chile, Peru for all kinds of raw materials. Here in the Philippines she has already by 1932, according to official records, 16,501, of which 12,000 are in Davao. Now they are even trebled. That same year there were 41 Japanese agricultural corporations in Davao, holding 20,998 hectares under sublease, aside from 1,000 under individual ownership. Now they are trebled.

Yet, Japanese capital, Japanese goods, and Japanese settlers keep pouring in by the thousands and the millions of pesos. A Japanese laborer employed by a Japanese corporation marries an unsuspecting native girl merely to induce her later on to solicit [a] homestead or buy a parcel of the public domain. Once her right be established, again she is induced to sell her private property to the same corporation through her husband. There comes, therefore, the dilemma; because our legislators are not far-sighted enough. They are beaten and humiliated by a mere Japanese laborer. There is no law prohibiting the sale of private property to foreigners though no foreigner or foreign corporation could buy any portion of the public domain except the lease of 1,024 hectares. And such is the glory of hospitality!

Up to last year, 1936, Japanese constituted 7 percent of the calculated 200,000 inhabitants. Their corporations are employing 20,000 persons with a yearly disbursement of about ₱6,000,000. Fifty percent of revenue receipts in Davao are paid by the Japanese. Road construction reached already as far as 350 kilometers, the Government—municipal and provincial—only 200. Japanese investments there [are] no less than ₱45,000,000 and the trade volume is 80 percent Japanese.

Public opinion is in accord with President Quezon's policy; but public opinion feels indignant, mortified, and resent[ful] with the attitude of the Japanese settlers and their Consul to threaten the Filipinos with international complications, with demands for compensation, with harangues to die fighting upon failure of their lawyers to defend their case in court litigations. There is the existing land law prohibiting subleases. Yet should Secretary Rodríguez, in compliance with the law, cancel them, does it mean that the Japanese have the right to prepare for war? Public opinion, certainly, resents such attitude; more so that they used to harass investigators. Such an attitude creates in the Filipino mind the impression of a mur-

derer who has just come up to his home from the stabbing affray in China, with his dagger still dripping with blood, ready to thrust the same dagger into the bosom of his mother; for no other [reason than] to take advantage of our country's helpless situation with our leaders too short-sighted, too blindfolded, and too pauperish as to pay more particular attention to ready cash for personal profits in the mining, lumber, and land deals than to the interests of posterity. Likewise are our irresponsible wards who sell their private lands to foreigners till they are enslaved in their own territory and compelled to socialism, communism, and Sakdalism or property-rights destroyisms.

CONCLUSION

In view of these cursory analyses of Philippine-trade disparity with Japan, of the one-sided industrial bargains, of the unlimited influx of Japanese competitive goods, of the unrestrained capital investments, of the unstamped influx of the yellow race, and of the consequent delicate situations, the writer should like to recommend the following policies to be carried out by our constituted authorities:

1. Closure of Japanese importation to the Philippines, of Japanese migration, and of Japanese capital investments till the fixed standard quotas to be determined by legislation or Executive orders approach their respective levels.

The Chinese, Japanese, and other foreign nationals actually present in the Islands must be made the bases of percentage computations; so are their respective investments in industries and in trade transactions. The census officials must take these matters into account.

Every year, proportionately, the influx of investments, immigrants, and trade volumes [of] such nations having relations with the Philippines must be allotted certain percentage to maintain trade balance as a result of industrialization.

Thus far the survey of capital investments in Philippine-export activities made by the local committee of the U. S. Tariff Commission under the direction of Trade Commissioner Bartlett Richards, proved to be salutary. According to them there are already ₱1,562,000,000 of capital investments in the Islands. (*Tribune*, May 27, 1937.) Although partially achieved for the present purposes, something more may yet be done.

Actually, our astute statesmen cannot prove to be what the public expect of them—they can be outwitted by the Japanese and Chinese. Those who execute the laws on migration are held in public suspicion because of some loopholes. One way of

dodging local immigration laws resorted to by aliens is by falsifying the return certificates or landing certificates issued by the Bureau of Customs, or by taking in minors supposed to be children of merchants here who had left a large brood in China, as if the Ship of State is unseaworthy—it needs some overhauling at the dockyards. (*Herald*, Jan. 20, 1937.)

Viewed from the constitutional or even legal point of vantage, such a regulatory step to be taken, even by mere Executive order without legislative or Congressional sanction, is in accord with the Commonwealth police or power. Besides, the Congressional migration law applying exclusively to the Chinese coolies, is in itself one-sided and prejudicially partial—it does not apply to Japanese and any other national, nor does it exclude Japanese, nor does it affect pseudo-merchants and professionals who turn out to be laborers. Even [a] quasi-sovereign state can formulate enactments or issue executive orders for the primary purpose of self-protection, binding any nation to conform to the same in spite of the absence of reciprocity agreements. (Lawrence and Minor, on *International Law*.)

2. Strict enforcement of legislative and constitutional enactments irrespective of so-called “delicate situations”.

When threatened by Japanese laborers that they would sustain court litigations, or upon their failure [to] resort to bloodshed, officials become chicken-hearted. They do not enforce orders; they still want Congress or the U. S. President to butt in for decision. Under our present political status, there is no necessity for U. S. to intervene on matters that are purely local in nature. Transgressions affect not the Congressional land laws, but ours. Laws, of course, pertinent to public domain, forests, migration, tariffs, and mining need have to be referred to U. S. Congress or President; but that goes only as far as approval is concerned, not in the execution. More so now that we are a Commonwealth, enjoying the exercise of a quasi-sovereign power. Besides, the land leases constitute not a contract between the United States and the Imperial Government of Japan but a mere understanding between the lessee Japanese settlers and the Government of the Philippines to which the Commonwealth is thereby subrogated. The Assembly can even annul such agreement, because the new government cannot be bound by such contract, entered into by the former Insular Government, under the Jones-law regime. However, in as much as the Davao imbroglio involves partly the sovereignty of the United States, the proper procedure is not to refer the settlement of the matter direct to Congress or Presi-

dent but through the United States High Commissioner after our local courts have penned their decisions on the questions at issue involving the legality of the subleases that should have been canceled by executive order of the Department Secretary. Executive orders of the cancelation should first of all have been issued; then, it would be for the Japanese to take the matter to the courts through their Filipino attorneys; then, should they lose in the litigation against the Department Secretary, some consular intervention would be in order. Possibly he may go to the High Commissioner, who in turn shall call over the complainant Japanese Consul General and the Department Secretary for a conference.

With regard to the corporation-law enforcement, in the exercise of police power, the Department Secretary can order the investigation of all such corporations organized by foreigners to ascertain the actual percentage participation on the 45 percent investments, as well as to supervise the compliance with the strict requirements of the corporation law. It can even go over the contractual obligations to find out the legality of the transactions. As it is now being done, the Securities and Exchange Commissioner lacks the personnel to investigate anomalies; so does the Director of the Bureau of Commerce—he lacks personnel. The Department of Justice G-Men may possibly do such investigations, but it is not yet organized.

Thus, with regard to the foregoing points, the present situation demands that officials should maintain their prestige, should stand by the law, rather than be outwitted by ordinary mortals. Such Davao repercussions that turned into mountains out of molehills should not have been so much publicized as to involve diplomatic interventions had proper procedure been followed under the new regime. It was therefore not strange that, from the Chief Executive's point of view, the Davao question merely constituted a mere ripple in calm waters—nothing serious about it. Yet, public opinion that has more than two eyes, two ears, and more sentiments still feels nervous about it, still feels indignant, and resent[ful] in spite of camouflage friendly understandings. There is nothing serious about a tiny match because there is yet no conflagration; nothing serious about the hold-up revolvers because they are not yet shot; nor about the overwhelming trade balance because we have yet no famine and disaster.

GERARDO C. MONDEN

BRIEF
SUBMITTED BY
JESUS MONTENEGRO
FOR THE
COCONUT PLANTERS OF ORIENTAL NEGROS

(1137)

BRIEF
SUBMITTED BY
JESUS MONTENEGRO
FOR THE
COCONUT PLANTERS OF ORIENTAL NEGROS

DUMAGUETE,
ORIENTAL NEGROS,
PHILIPPINE ISLANDS,
August 27, 1937.

THE JOINT TECHNICAL COMMITTEE,
AMERICAN-PHILIPPINE TRADE RELATIONS.

GENTLEMEN:

The following information and recommendations are furnished in behalf of the coconut-planters of Oriental Negros who have dedicated their life work to an industry which now represents an investment of at least ten million pesos and upon which approximately 225,000 people are dependent.

In general, the ideal for which we strive is a trade relationship that will contribute to the prosperity of both the people of the United States and the people of the Philippines. The coconut-planters of Oriental Negros desire to maintain and raise the standard of living that has been under development here during the period of the American regime and with this end in view they desire to see articles of American manufacture and in ever-increasing quantity. All that is required to attain this ideal is a free flow of copra into the United States both now and in future, regardless of any change in political status.

For more than thirty years throughout the successive administrations of the various Governors General, from Mr. Taft to Mr. Murphy, there has emanated from each of these great executives the slogan "Economic independence must precede political independence". The development of the resources of the country was the chief concern of each Governor General and, as a part of this program, the planting of coconut trees have been planted chiefly for the reason that the planters considered the industry a sure source of income; but the advice and instructions of these great administrators, representing the President of the United States and most of whom were in ability world-renowned, have been a contributing influence. Were they all wrong about it? That now seems to depend

largely upon the formula worked out by your Committee and subsequent action of the United States Congress.

Over ninety percent of the coconut industry of Oriental Negros is represented by small holdings of from two to four hectares of land, with from 250 to 500 coconut trees, representing a capital investment of from ₱1,500 to ₱3,000. And by "capital investment" is meant the value of human labor expended intermittently over a period of fifteen to twenty years in bringing the coconut trees to fruition.

Until recent years these small producers were comparatively prosperous. This was evidenced by a greatly improved condition of public health as a result of a more varied diet, more substantial homes, improved sanitary conditions and better clothing. Their children went to the public schools and many were enabled to defray the expenses of a college education.

With the advent of the business depression this situation was largely reversed. Silliman University in Dumaguete declined in enrolment nearly forty percent. With copra at around ₱3.50 to ₱4.00 per 100 kilos, there came the hard struggle for mere existence with a curtailment of all those features involved in social improvement which the younger generation had come to consider as necessities in life. During this period the situation was aggravated on account of budgetary difficulties of the Government when taxes were imposed and paid amounting to over eight percent on the gross income from coconut trees.

In retrospect it is now known from experience that an investment in coconut trees is a very long term investment. Taking into account the human life cycle, it is a poor investment for the man who plants the coconut trees unless he receives at least twenty percent *per annum* on his investment after the trees come to production, as he must wait at least ten years before he receives any return whatever. Whether coconut trees are a good heritage for a man to leave to his children, time and the Congress of the United States only may determine.

In Oriental Negros it requires nine to ten years for a coconut tree to begin blossoming and setting nuts, and thereafter four to five years before the tree comes to the stage of full bearing. The cost is from ₱6.00 to ₱8.00 per tree varying widely as to soil and rainfall. The production is from 40 to 100 nuts *per annum* per tree, the wide variation likewise due to character of soil and rainfall. In finished copra the production is from eight to twenty kilos per tree *per annum*.

The cost of producing and marketing copra also varies widely with local conditions. The following estimate may be considered a fair general average for this province:

	<i>Cost per Unit of 100 kilos</i>
Harvesting nuts-----	P0. 16
Assembling nuts-----	. 25
Extracting the meat-----	. 25
Drying-----	. 25
Sacking-----	. 30
Transportation, including cartage, truckage and freight-----	. 50
Direct expenses, including maintenance and general repairs-----	1. 75
Overhead expenses, including taxes and supervision-----	1. 80
Depreciation on coconut trees, plant and equipment-----	2. 50
Total-----	7. 76

A fair return to the producer of copra is a controversial subject. The factors involved include the long period of waiting without any return. Then, as well as the years of average return, there must be considered the lean years occasioned by business depression, typhoons or drought. After a study of these various factors we arrive at the conclusion that an average price of ₱13.50 per 100 kilos throughout a period of years would afford the producer a fairly good percentage of income on his investment.

When the income from copra fails to cover the necessities of life, the condition of the small producer becomes hopeless and he becomes a public menace. The coconut trees shade the land to the extent that secondary crops are impossible. To clear away the coconut trees and prepare the land for other crops would require at least two years and would involve an inordinate expenditure of money or labor.

We earnestly recommend the abolition of the excise tax on coconut oil which is in reality an import tax disguised as a processing tax, the proceeds of which may not aid the coconut-planter either directly or indirectly. The general tendency in the United States is a growing limitation to the usage of coconut oil on account of the high price to consumers made necessary by this tax. What is taking place at the present time is that the processors, in order to carry on, are gradually pushing this tax onto the producers of copra by means of lower prices for copra. \$0.03 per pound on coconut oil when translated into copra, pesos and kilos, means ₱8.58 per 100 kilos of copra. With coconut oil in the United States now subjected to competition with palm oil, palm-kernel oil and babassu oil, the imposition of the excise tax may well prove the ruination of the coconut industry of the Philippines.

It is also earnestly recommended that such adjustments may be made in the Independence Law as will enable the oil mills of the

Philippines to continue functioning. If the export taxes are not eliminated these mills are certain to go into liquidation. This means that the largest, steadiest and best customer of the coconutman is out of the picture.

Cebu is the principal market for the copra-producers of this province. The general trend of the market during a period of seven years, prior to 1935, may be seen at a glance from the following data, the prices shown being the average price for each year per unit of 100 kilos, c.i.f. Cebu:

1928	₱18.62
1929	18.27
1930	13.61
1931	8.03
1932	6.66
1933	5.22
1934	4.86

Beginning with 1935 and [up] to the present time, the market has been somewhat better with prices ranging from ₱8.00 up to ₱21.00 and now down again to around ₱8.50 per 100 kilos. During the greater part of this period the producers have made fairly good profits, ninety or more percent of which has gone to liquidate mortgages and other debts incurred during the lean years from 1931 to 1934, inclusive.

We desire to thank the members of your Committee for the opportunity to present the information herein contained, and to express the hope that the data furnished may be of assistance in attaining an equitable solution of the problems involved.

JESUS MONTENEGRO

For the Coconut Planters of Negros Oriental

**BRIEF
OF THE
NATIONAL CASH REGISTER COMPANY**

(1143)

BRIEF
OF THE
NATIONAL CASH REGISTER COMPANY

CHAIRMAN OF THE JOINT PREPARATORY COMMITTEE ON
PHILIPPINE AFFAIRS,
*Room 208, United States Tariff Commission,
8th and E Streets,
Washington, D.C.*

DEAR SIR:

In accordance with the invitation contained in Department of State news releases of April 14, May 28, and June 6, 1937, and on behalf of the National Cash Register Company, Dayton, Ohio, I am asked to present the following views regarding the proposed termination of present tariff preferentials in United States-Philippine trade.

The National Cash Register Company manufactures primarily cash registers and accounting machines, of which it is the leading producer in the world. At present it is employing over 7,000 highly trained persons in the Dayton plant. Over 40% of the output is sold abroad. The maintenance of export outlets is a factor of major consideration in continued employment opportunity for these American workmen.

Cash registers and accounting machines are highly complicated appliances. An ordinary-sized register is made up of over 5,800 separate parts. Each part must be absolutely accurate. Because of the product's complexity, accuracy, and dependability, the cost of manufacture is relatively high. Added to this is the high cost of distribution, caused by the necessity of intensive advertising and sales effort. Demand must be created. The small retailers, who constitute the principal market, must be shown by a series of demonstrations that the machine will prove profitable in their operations. Each machine must be adapted to the special use to which it is put. After the sale is made, dependable and accurate service must be provided. Altogether, then, the costs of production and of distribution are such that it is desirable to eliminate as far as possible any additional charges in order that the product may be made available to the largest number of small businessmen.

The Philippine market is supplied from our Dayton factory. Under paragraph 185 of the Philippine Tariff Act of 1909, as amended, and *ad-valorem* duty of 15% is imposed upon imports of various computing apparatus from foreign countries, whereas the American product is admitted free of duty. Under paragraph 186,

the *ad-valorem* duty on cash registers and parts from countries other than the United States is 25%. In recent years from 90 to 99% of the Philippine imports of these articles, particularly in the latter class, have come from the United States. Total imports continue to be relatively low (only a few hundred units per year) because the Philippine merchant has found it difficult to finance purchases.

It is our understanding that consideration is being given by your Committee to the complete abolition of all tariff preferentials or to their gradual reduction over a term of years. Although our company is more favorably situated than many others, we feel that any sudden cessation of preferential treatment might easily prove harmful to Philippine dealers and otherwise result in trade disturbances that cannot be easily foreseen at this time.

Therefore we respectfully suggest that, if the existing preferential, which amounts to 15 and 25% in the case of our products, is to be eliminated, it be done gradually over a three- to five-year period in order that adjustments may be made.

Of even greater importance than the question of preferential duties is that of the actual rate of duty to be imposed at the time of Philippine independence. We feel that any import duty would be of decided disadvantage to the growth of the trade and to the use of Philippine businessmen of essential office equipment. In other words, we urge that as a continuing policy the treatment now accorded American cash registers and accounting machines be adopted rather than the treatment now accorded those of foreign manufacture.

In this matter the interests of our company and of the Philippine Islands seem to run parallel. We wish to secure for our products a wider distribution which, because of the high intrinsic value of the machines, can only be accomplished by elimination of all possible expenses. The Philippine Government, on the eve of political and economic independence, is interested in permitting its citizens to acquire modern office equipment at the lowest possible cost in order that they may have access to these adjuncts of industrial and commercial success during the anticipated economic upbuilding. Local manufacture in the Philippines within the near future is scarcely conceivable; therefore free entry is the best, or only, method of insuring these advantages to the Philippine people.

The disadvantages of a duty of 25% are clearly seen by an illustration of the resulting increased cost to the purchaser. The factory list price of a certain type register is \$225. The Philippine selling price, equivalent in United States currency at exchange of 50¢ to the

peso, is \$337.50. If a 25% import duty were imposed, the mark-up in the Philippines would be based upon a higher landed cost, and the final result would be that the Philippine buyer would pay at least 75% over factory list-price. This would bring the price to almost \$400, which may prove to be a prohibitive figure for many small merchants.

From the standpoint of the Philippine Government the revenue derived from a 25% duty would not be of consequence. Even under the most favorable conditions it could amount to only a small sum, and, during the period of adjustment, it would probably be of negligible proportions because it would tend to materially reduce all importation.

We therefore urge as forcefully as possible that free entry of cash registers and accounting machines be continued by the Philippine Government in order that the Philippine merchant and businessman may be provided with this essential equipment at a price which his pocketbook will permit. Wider adoption of these products of American ingenuity and mass production, now considered so necessary to modern office management in this country, will, we feel sure, establish a firmer foundation for commercial and economic growth of the Islands.

Yours respectfully,

NATIONAL CASH REGISTER COMPANY
By: THOMAS R. TAYLOR, *Special Representative*

BRIEF
SUBMITTED ON BEHALF OF THE
NATIONAL COOPERATIVE MILK PRODUCERS'
FEDERATION

(1147)

BRIEF

SUBMITTED ON BEHALF OF THE
NATIONAL COOPERATIVE MILK PRODUCERS' FEDERATIONWASHINGTON, D. C., *June 8, 1937.*IN THE MATTER OF THE FOREIGN TRADE NEGOTIATIONS BETWEEN THE
UNITED STATES AND THE PHILIPPINES

The National Cooperative Milk Producers' Federation is a farm organization incorporated under the laws of Illinois in 1917 as a non-trading body consisting of fifty-five farmer-owned and farmer-controlled cooperative marketing associations. These associations are interested in every phase of the marketing of all dairy products. They represent both fluid-milk marketing and manufacturing type of cooperatives and market the milk and milk-products of approximately 350,000 farm families who reside in about forty-one States. A list of the member associations follows:

- Berrien County (Mich.) Milk Producers' Association, Benton Harbor, Michigan;
- California Milk Producers' Association, Los Angeles, California;
- Cedar Rapids Cooperative Dairy Company, Cedar Rapids, Iowa;
- Challenge Cream and Butter Association, Los Angeles, Calif.;
- Champaign County Milk Producers, Champaign, Illinois;
- Connecticut Milk Producers' Association, Hartford, Conn.;
- Consolidated Badger Cooperative, Shawano, Wisconsin;
- Consolidated Milk Producers for San Francisco, San Francisco, California;
- Cooperative Pure Milk Association of Cincinnati, Cincinnati, Ohio;
- Coos Bay Mutual Creamery Company, Marshfield, Oregon;
- Dairy and Poultry Cooperatives, Inc., Chicago, Ill.;
- Dairymen's Cooperative Sales Association, Pittsburgh, Pa.;
- Dairymen's League Cooperative Association, Inc., New York, N. Y.;
- Des Moines Cooperative Dairy Marketing Association, Des Moines, Iowa;
- Dubuque Cooperative Dairy Marketing Association, Inc., Dubuque, Iowa;
- Evansville Milk Producers' Association, Inc., Evansville, Indiana;

Falls Cities Cooperative Milk Producers' Ass'n, Louisville, Ky.;

Georgia Milk Producers' Confederation, Atlanta, Georgia;

Indiana Dairy Marketing Association, Muncie, Indiana;

Inland Empire Dairy Association, Spokane, Washington;

Interstate Associated Creameries, Portland, Oregon;

Inter-State Milk Producers' Cooperative, Inc., Phila., Pa.;

Land O'Lakes Creameries, Inc., Minneapolis, Minnesota;

McLean County Milk Producers' Association, Bloomington, Ill.;

Madison Milk Producers Cooperative Association, Madison, Wisconsin;

Maryland and Virginia Milk Producers' Association, Washington, D.C.;

Maryland Cooperative Milk Producers', Inc., Baltimore, Maryland;

Miami Valley Cooperative Milk Producers' Association, Dayton, Ohio;

Michigan Milk Producers' Association, Detroit, Mich.;

Mid-West Producers Creameries, Inc., Indianapolis, Ind.;

Milk Producers' Association of San Diego County, San Diego, Calif.;

Milk Producers' Association of Summit County and vicinity, Akron, O.;

Milwaukee Cooperative Milk Producers, Milwaukee, Wisc.;

Nebraska-Iowa Non-Stock Cooperative Milk Association, Omaha, Nebraska;

New England Milk Producers' Association, Boston, Mass.;

Northwestern (Ohio) Cooperative Sales Co., Toledo, Ohio;

O.K. Cooperative Milk Association, Oklahoma City, Okla.;

Peoria Milk Producers, Inc., Peoria, Ill.;

Pure Milk Association, Chicago, Ill.;

Pure Milk Producers' Association, Kansas City, Missouri;

Pure Milk Products Cooperative, Madison, Wisconsin;

Richmond Cooperative Milk Producers' Ass'n, Richmond, Va.;

St. Joseph, Missouri, Milk Producers' Ass'n, Inc., St. Joseph, Mo.;

Sanitary Milk Producers, St. Louis, Missouri;

Scioto Valley Coop. Milk Producers' Association, Inc., Columbus, Ohio;

Sioux City Milk Producers' Association, Sioux City, Iowa;

South Texas Producers Association, Inc., Houston, Texas;

Stark County Milk Producers' Association, Inc., Canton, Ohio;
 Tillamook County Creamery Association, Tillamook, Oregon;
 Tulsa Milk Producers' Cooperative Association, Tulsa,
 Oklahoma;
 Twin City Milk Producers' Association, St. Paul, Minn.;
 Twin Ports Cooperative Dairy Assoc., Superior, Wisc.;
 United Dairymen's Association, Seattle, Washington;
 Valley of Virginia Cooperative Milk Producers' Assoc., Har-
 risonburg, Virginia;
 Wisconsin Cheese Producers' Federation Cooperative, Ply-
 mouth, Wisconsin.

Program of Federation on Foreign Fats and Oils

The delegates to the twentieth annual convention of the National Cooperative Milk Producers' Federation held at St. Paul, Minnesota, November 9 to 11, 1936, unanimously adopted the following resolution:

We urge the enactment of additional Federal taxes on all foreign fats and oils which will provide a coordinated tax or tariff structure of at least five cents per pound on all foreign fats and oils and an equivalent rate of duty on the seeds or nuts from which these fats and oils are extracted. Where any such foreign fats and oils are now covered by trade agreements, we believe the tax should be made effective upon the expiration date of such trade agreement.

Pursuant to this resolution and in accordance with principles for which it has stood since its inception, the National Cooperative Milk Producers' Federation vigorously opposes any reduction in the present excise tax on the first domestic processing of certain fats and oils (including coconut oil) as imposed by section 602½ of the Revenue Act of 1934 and any lowering of the tariff on coconut oil. This general policy applies, from our standpoint, to any proposed concessions by the United States to the Philippines in connection with the negotiation of a foreign trade agreement between the two countries. In defense of this position, we respectfully request that the following facts be given studious consideration.

I. THE PRESIDENT HAS NO POWER UNDER THE RECIPROCAL TRADE ACT TO CHANGE EXCISE TAXES.

Section 602½ of the Revenue Act of 1934 is a tax on the first domestic processing of certain oils. This is an internal-revenue tax and is not a charge, exaction, or duty imposed on importation or imposed for the regulation of imports. Any and all of the oils subject to tax under section 602½ may be brought into the United States without being subject to the tax. It is only when these oils are subjected to processing in the United States that the tax applies.

The tax provided for in section 602½ above is not of the character contemplated by the Reciprocal Trade Agreements Act. The President has no power under such act to make any changes in domestic tax rates.

Such interpretation of the act was made by Mr. William Phillips, Acting Secretary of State, in a letter under date of February 23, 1935 to Mr. Charles W. Holman, Secretary of the National Cooperative Milk Producers' Federation. In this letter Mr. Phillips stated:

In accordance with the conclusion reached in this Department, I have been proceeding in the discharge of the responsibilities entrusted to me in this relation on the theory that the taxes imposed by section 602½ of the Revenue Act referred to are purely excise taxes and, as such, may not be modified by any of the proposed trade agreements nor by the Proclamation of the President.

II. NO RECOMMENDATION SHOULD BE MADE TO CONGRESS BY THE COMMITTEE TO REPEAL OR LOWER THE EXCISE TAX ON COCONUT OIL.

The excise taxes on coconut oil have been a valuable source of revenue to the Philippines. Between July 1, 1934 and January 31, 1937 the tax collections under section 602½ of the Revenue Act of 1934 on coconut oil obtained from the Philippines equaled \$44,336,506. This amount has been or will be turned over to the Philippine Government.

The purpose of the excise tax is to protect domestic producers of fats and oils. Any lowering of these taxes would be disastrous to the American market for domestic oils and fats producers and would seriously endanger an important phase of the national recovery program for these domestic producers.

COMPETITION BETWEEN COCONUT OIL AND DOMESTIC OILS & FATS

Coconut oil, the principal oil imported from the Philippines, has a great variety of uses. In 1936, 51 percent of the oil consumed in the United States was used in making soap, 25 percent in oleomargarine, six percent in lard compounds and shortenings, 10 percent in other edible products, and eight percent in other inedible products. A total of 602,273,000 pounds was consumed. Good grades of coconut oil are used for edible purposes, as in oleomargarine, chocolate fats, etc. Oil containing less than three or four percent fatty acid is specially refined to deodorize it for such purposes. It may be pressed to remove some of the liquid fats contained. Oil unfit for edible purposes is used for soap. The soap is not precipitated or rendered insoluble by salt solutions, hence it makes a "salt-water" soap. A stearin from coconut oil is used in candles, cocoa-butter substitutes and pharmacy.

Direct competition exists between coconut oil and domestic oils and fats in every important oil- and fat-using industry. In the lard-compound and -shortening industry, domestic cottonseed oil and edible tallow compete with coconut oil. All lard-compounds compete directly with lard. In the manufacture of oleomargarines, domestic oleo oil, neutral lard, cottonseed oil, peanut oil and corn oil compete with coconut oil. Oleomargarine is in direct competition with butter. In the soap industry, domestic tallow, greases, cottonseed oil, soy-bean oil and fish and marine animal oils are in competition with coconut oil.

Studies by the Tariff Commission and numerous other studies by private and Governmental agencies of price relationships and consumption trends have definitely shown that coconut oil competes on a purely price basis with domestic oils and fats. (See figure 1.²) The price-level of domestic oils and fats is determined by the price at which the manufacturers are able to obtain the foreign oils which may be used in place of the domestic products. Low prices for imported oils means that less of the domestic products are used, and as a result, stocks of domestic oils accumulate and prices are depressed. Any attempt to raise domestic prices is immediately met with a lowered rate of consumption caused by manufacturers' turning to the interchangeable imported oils and fats. This situation is true not only with respect to domestic oils as such, including cottonseed oil, peanut oil, soy-bean oil, etc., but also with butter, where oleomargarine made of foreign ingredients is the competing product, and with lard where lard compounds furnish the competition.³

² *Post*, p. 1159.

³ Excerpts from the Report to Congress of the United States Tariff Commission (Certain Vegetable Oils, Whale Oil and Copra. Report No. 41, second series, 1932) further illustrate the extent to which coconut oil competes with domestic oils and fats:

Coconut oil is used in the margarine industry as a principal ingredient of vegetable-oil margarine, and no other oil which has been tried on a commercial scale has proved as satisfactory in making this type of margarine. But vegetable-oil margarine is to a large extent interchangeable with animal-oil margarine and therefore coconut oil may be said to be interchangeable with the principal ingredients of such margarines; that is, with oleo oil, neutral lard, cottonseed, or peanut oil. (Page 15)

The question of technical interchangeability of coconut and palm-kernel oils with domestic oils is much more involved . . . The most difficult as well as quantitatively the most important question of replacement occurs in soapmaking in which these oils are almost always used in combinations in varying proportions with one or more domestic oils. . . . The proportions of coconut and palm-kernel oils as compared with the propor-

Table 1 attached hereto shows the extent to which these various oils are used in the manufacture of the leading products. Coconut oil, therefore, furnishes direct competition to domestic cotton, soybean, peanut, corn- and hog-producers, beef cattlemen and dairy farmers.

INTERCHANGEABILITY OF OILS AND FATS

The reason for this competition lies in the fact that all of these oils have similar characteristics and in practically all cases are interchangeable. An exceedingly wide range of possible substitution and interchangeability exists among oils and fats. The technical problems involved in the utilization of the majority of these oils and fats and oils for a given use become, therefore, very largely an economic problem. Obviously, the user of these raw materials will seek to make use of the cheapest available material. As the price of one oil or fat advances, a cheaper substitute will take its place.

IMPORTS OF COCONUT OIL OF PARTICULAR IMPORTANCE TO DAIRY FARMERS

In 1936 coconut oil was the most important ingredient used in the production of oleomargarine. Of all the fats and oils used, 46.6 percent was coconut oil. For this reason dairy farmers are particularly interested in the tariff and excise tax on coconut oil.

COMPETITION BETWEEN OLEOMARGARINE AND BUTTER

Although oleomargarine is an inferior product, it nevertheless is a substitute for and a direct competitor with creamery butter on the markets of the United States. The general effect of this competition is to shift a part of the demand for butter on the part of consumers of this country over to oleomargarine. This shift occurs chiefly and almost entirely because of the lower relative price of oleomargarine. Historical studies made by the National Cooperative Milk Producers' Federation have definitely established the fact that the oleomargarine industry ties itself to butter prices and that the amount of oleomargarine sales depends upon the spread between butter prices and oleomargarine prices. As long as manufacturers

tion of domestic oils may be varied within moderate limits without much change in the character of the resulting soap. (Page 14)

Although coconut oil is an important ingredient in most types and grades of soaps now on the market, it is used in somewhat varying proportions by different manufacturers and in different types and grades by the same manufacturers. . . . The tendency is for manufacturers to increase or decrease the amount of coconut oil used according to the price position of coconut oil with relation to other oils. The proportions of coconut oil used in the last decade probably do not represent the minimum for soaps of the grades and character now being made. (Page 144)

of oleomargarine can obtain cheap foreign fats and oils, dairy farmers will be unable to obtain fair prices for their butter. Coconut oil is one of the most important of these cheap foreign oils. In 1936, the cost of ingredients for a certain type of oleomargarine containing coconut oil as a major ingredient was 9.61 cents per pound. In this same year the cost of cream required for a pound of butter was 25 cents.

In recent years the consumption of oleomargarine has been rapidly increasing while the consumption of butter has actually decreased. In 1936, oleomargarine amounting to 390,161,000 pounds was consumed in the United States. This was 128,093,000 pounds more than was consumed in 1934. On the other hand, 160,480,000 less pounds of butter were consumed in 1936 than were consumed in 1934. Oleomargarine consumption in comparative percentages of creamery-butter consumption was 14.8 in 1934 and 24.4 in 1936. The decreased consumption of butter is particularly significant, since, in general, it is presumed that butter consumption increases as the national income increases. In other words, dairy farmers have not as yet received the benefits of the recent substantial increase in the national income.

WHY DAIRYMEN DESIRE HIGHER PRICES FOR OILS AND FATS

Dairymen have been interested in higher prices for fats and oils in the United States for two important reasons: A higher price-level for all oils and fats would place the competition between oleomargarine and butter on a more equalized price-level and, consequently, would make it much less damaging to butter prices. Dairymen have also felt a common interest with all other domestic producers of oils and fats in seeking better prices, because all of these other producers are potential dairymen who may go into commercial dairying when prices for their products are low in comparison with the prices of dairy products. The additional supplies of milk would tend to reduce prices of all dairy products.

IMPORTANCE OF DAIRYING TO AMERICAN FARMERS

Dairying is the most important single agricultural industry in the United States from the standpoint of income. The value of the dairy property owned by the farmers of this country is estimated by Government officials to be between eight and nine billion dollars. The taxes paid on the dairy part of that property is estimated at 80 to 90 million dollars, and the expenditures of consumers for dairy products is about \$2,600,000,000, of which approximately half repre-

sents cash value of milk and its products. American agriculture cannot prosper unless dairying is a profitable enterprise.

BENEFIT OF EXCISE TAXES TO AMERICAN FARMERS

Figure 1 shows the beneficial effect on prices of domestic fats and oils of the manufacturers' excise tax or processing tax on certain oils, including coconut oil. Since the imposition of the tax in May, 1934, the prices of domestic oils have risen very materially above the prices of foreign oils and above what they were before the imposition of the tax. By November, 1934, cottonseed-oil prices had increased three cents per pound; lard prices had increased three and one-half cents per pound; oleo-oil prices had increased over five cents per pound; tallow prices had increased one and one-half cents per pound; corn-oil prices had increased three cents per pound; oleomargarine prices had increased from two to three cents per pound; and prices of lard-compound had increased approximately three cents per pound. Prices of coconut oil did not rise materially until the end of 1934 because from June until December, 1934, stocks of coconut oil in the United States were more than twice as high as normally.

REDUCED TARIFF OR EXCISE TAXES WILL BENEFIT SOAP MANUFACTURERS RATHER THAN AMERICAN CONSUMERS

Profits of soap-manufacturers have remained high throughout the depression and are now increasing. Dow-Jones and Company report that current operations of Procter and Gamble indicate that profits for the quarter and fiscal year ending June 30, 1937 would establish new records, with the previous peak of \$22,647,548 likely to be bettered by as much as 30 percent. Lever Brothers paid a 15-percent dividend in 1936, as they had done for the preceding four years. Net profits were \$35,244,310, a new high. Colgate, Palm Olive, Peet showed net profits for 1936 of \$4,218,952. Net sales were 9.73 percent over 1935.

Throughout the last ten years, soap prices have remained practically constant. (See table 4.) From 1926 to 1931 prices of laundry soap at Philadelphia remained exactly the same. Price-decreases occurred from 1932 to 1934, and since that date prices have again remained exactly the same. These data show the control which soap-manufacturers have over the sale of their product. This fixity of prices should be compared with the variability of fats and oils prices, which are set in a competitive market. (See figure 1.) The wholesale price of soap bears no relation to the cost of raw materials used in manufacturing soap. Consequently, any reduction in fats and oils prices due to the removal of excise taxes would result in increased

profits to soap manufacturers rather than in lower prices to consumers. At the same time, these lower prices for fats and oils would be disastrous to domestic producers of fats and oils.

III. THE PHILIPPINES SHOULD BE GRANTED THEIR INDEPENDENCE AS SOON AS SUCH A PROCEDURE IS FEASIBLE, AND THE FULL TARIFF SHOULD BE CHARGED ON COCONUT OIL.

For the last fifteen years the United States has had an unfavorable balance of trade with the Philippine Islands. (See table 3.) Our imports have exceeded our exports by from five to 50 million dollars per year. This has been particularly true in the case of agricultural products. Data are available on agricultural exports and imports only for 1935. In that year total agricultural exports to the Philippines were \$6,672,000, while agricultural imports from the Philippines were \$84,024,000. If American agriculture is to obtain its fair share of the national income, it must be protected from excessive imports from countries having low standards of living.

PHILIPPINES IMPORTANT SOURCE OF COCONUT OIL

Because of the preferential tariff which has been in existence since 1902, the Philippines has always been the principal source of coconut oil and copra for the United States. From 1921 to 1936 the percentage of coconut oil and copra in terms of coconut oil obtained from the Philippines ranged from 71 to 99. (See table 2.) Since the imposition of the excise tax on the domestic processing of coconut oil in 1934, the Philippines has had a virtual monopoly of the coconut oil and copra trade of the United States.

EXCISE TAX NOT HARMFUL TO PHILIPPINES

Available data indicate that the excise tax on coconut oil has not been harmful to the Philippines. During each of the three years since the imposition of the tax, imports of coconut oil and copra from the Philippines have been above the five-year average immediately preceding the imposition of the tax. In 1935, imports were the highest that they have ever been. Despatches from the commercial attaché in Manila, as published in *Commerce Reports*, a publication of the United States Department of Commerce, showed that in 1935 copra prices in Manila were at their highest point in several years. They were almost three times as high as they were when the excise tax went into effect the previous year. Prices have continued to rise since that time so that in February, 1937, they were over five times as high as when the excise tax went into effect.

POTENTIAL PRODUCTION OF COCONUT OIL IN PHILIPPINES

An excerpt from the Report to Congress of the United States Tariff Commission, *op. cit.* 1932, illustrates the potential production of coconut oil within the Philippines. "Assuming that the 36,444,000 trees not yet in bearing will mature in 10 years at the outside, it is possible for the output of copra at the end of that period to increase more than 50 percent over the 1929 output." (Page 81.) Since imports into the United States in 1929 were 50,000,000 pounds over imports in 1936, such an increase would be disastrous to American producers of fats and oils.

Pending complete independence, the Philippine Islands are permitted to send 200,000 long tons of coconut oil into the United States duty-free. As has been shown above, this cheap source of foreign oils is detrimental to domestic producers of fats and oils. Therefore, the National Cooperative Milk Producers' Federation requests the Committee to recommend complete independence for the Islands as soon as other considerations indicate that such a procedure is feasible. Furthermore, the federation requests that no tariff concessions be granted the Philippines on coconut oil, since such concessions would be of little benefit to the Islands and would be disastrous to domestic producers of fats and oils.

In conclusion we submit to the Committee that:

1. The President has no power under the Reciprocal Trade Act to change excise taxes, this position being supported by a letter of February 23, 1935 from Mr. William Phillips, Acting Secretary of State, to Mr. Charles W. Holman, heretofore referred to.

2. No recommendation should be made to Congress by the Committee to repeal or lower the excise tax on coconut oil, since coconut oil is an important competitor of domestic fats and oils, and any lowering of the excise tax would be detrimental to American producers of fats and oils.

The Congress of the United States has recognized this direct competition between domestic and imported products in imposing an import duty on coconut oil and other imported fats and oils. Congress also recognized in the spring of 1934 that price recovery for the products of domestic producers could not be accomplished so long as imported oils and fats sold at such extremely low prices. Responding to the requests of domestic producers for an instrument to insure price recovery and recognizing the need of the Government for additional revenue, this 73d Congress incorporated in the Revenue Act of 1934

the manufacturers' excise tax on certain oils. This protection should be maintained.

3. The Philippines should be granted their independence as soon as such a procedure is feasible, and the full tariff should be levied on coconut oil imported from the Philippines so that domestic producers may be further protected from the competition of excessive imports of coconut oil at low prices.

Respectfully submitted,

A. DONALD KANE, *Counsel*

CHAS. W. HOLMAN, *Secretary*
RICHARD J. FOOTE, *Economist*

FIGURE 1. MONTHLY PRICES AT NEW YORK OF SOME OF THE PRINCIPAL CRUDE OILS USED IN THE MANUFACTURE OF SOAP

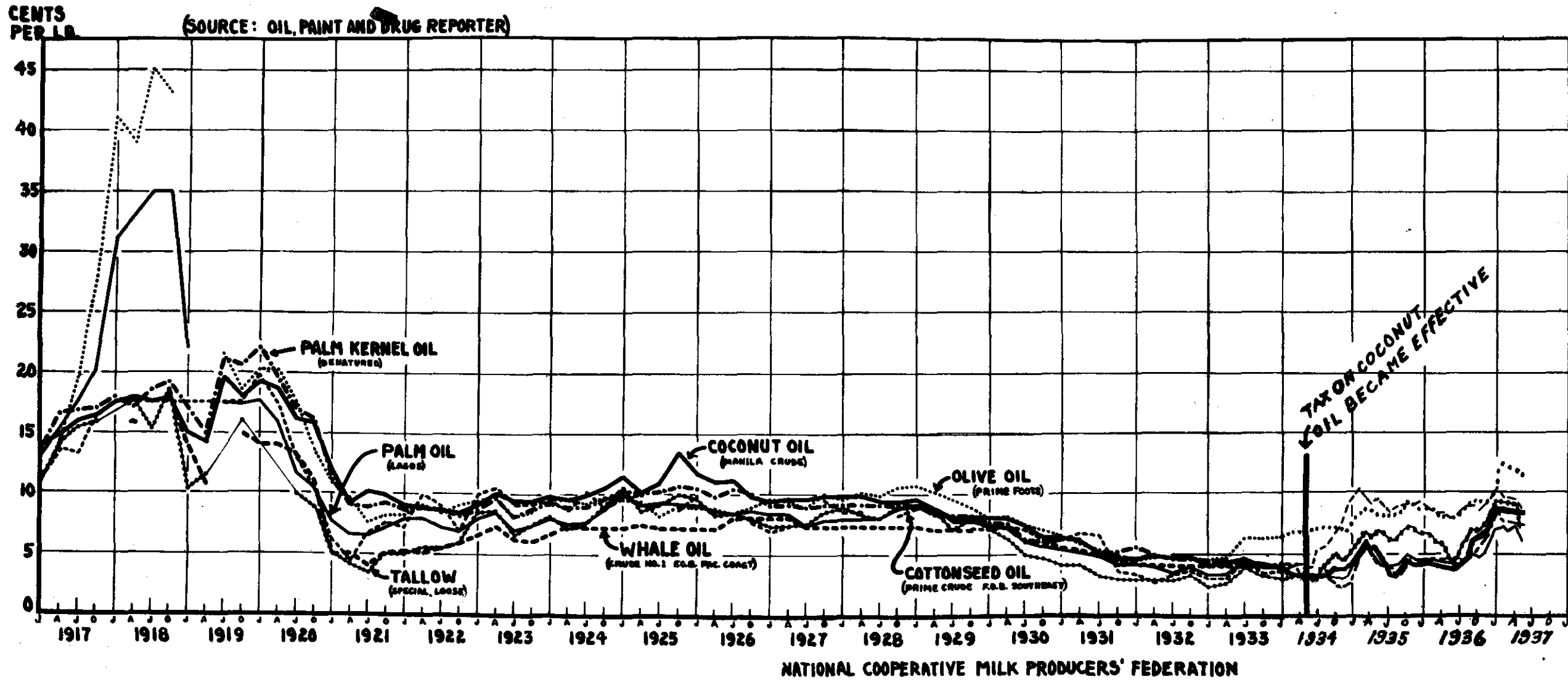


TABLE 1
FACTORY CONSUMPTION OF FATS AND OILS IN THE UNITED STATES—1936

	Thousands of pounds consumed in:						Percentage of total consumed in:				
	Total Consumed	Oleomar-garine	Lard Com-pounds & Shorten-ings	Other Edible Products	Soap	Other Inedibls Uses	Oleomar-garine	Lard Com-pounds & Shorten-ings	Other Edible Products	Soap	Other Inedible Products
Selected foreign oils:											
Coconut oil.....	602,373	180,465	38,427	60,020	307,376	45,955	24.9	6.4	10.0	51.1	7.6
Sesame oil.....	55,335	57	33,120	16,728	1,899	3,561	0.1	59.8	30.2	3.4	6.5
Palm-kernel oil.....	44,104	2,400	627	12,490	26,443	2,144	5.5	1.4	28.8	59.9	4.9
Palm oil.....	801,873	1,402	168,808	195	78,453	52,515	0.5	55.0	0.1	26.0	17.4
Babassu oil.....	35,764	15,114	5,368	2,995	8,993	2,294	45.0	15.0	8.4	25.1	6.5
Other vegetable oils.....	580,465	455	45,420	10,725	40,806	552,059	0.1	7.0	1.5	6.2	85.1
Largely foreign oils:											
Marine animal oils.....	35,358				32,603	2,755				92.1	7.9
Domestic oils & fats:											
Cottonseed oil.....	1,302,827	108,106	918,866	178,330	1,278	96,247	8.8	70.5	13.7	0.1	7.4
Corn oil.....	72,132	1,238	420	51,017	2,527	16,920	1.7	0.6	70.8	3.5	23.4
Soy-bean oil.....	184,663	14,262	113,897	21,598	5,023	29,763	7.7	61.7	11.7	2.7	10.2
Peanut oil.....	103,735	4,140	88,470	2,419	1,734	6,972	4.0	83.4	2.3	1.7	6.7
Lard.....	7,318	2,198	4,533	471	9	137	30.1	61.6	0.4	0.1	1.8
Animal stearin.....	44,918	3,550	36,358	4,370	320	320	7.9	31.0	9.7	0.7	0.7
Oleo oil.....	21,782	18,331	1,539	467	57	1,033	84.2	8.5	2.1	0.3	4.9
Tallow, edible.....	118,993		116,908	1,412		228		93.2	1.2		0.4
Tallow, inedible.....	723,974				650,020	65,954				91.0	9.0
Greases.....	210,259				93,755	111,504				47.0	53.0
Largely domestic oils:											
Fish oils.....	257,017		36,649		128,044	92,324		14.3		49.8	35.9
All oils & fats.....	4,784,226	322,719	1,610,690	263,237	1,394,538	1,093,042	6.8	33.7	7.6	29.2	22.7

Source: Based on data released by U. S. Department of Commerce: Bureau of the Census.

BRIEFS SUBMITTED IN TYPEWRITTEN FORM

1161

TABLE 2
IMPORTS OF COCONUT OIL AND COPRA INTO THE UNITED STATES—1921-1936
 [All data in pounds]

	Coconut oil ¹		Copra ²		Total coconut oil and copra in terms of coconut oil		Percent from Philippines
	Philippines (000 omitted)	Total (000 omitted)	Philippines (000 omitted)	Total (000 omitted)	Philippines (000 omitted)	Total (000 omitted)	
1921 (May 28-Dec. 31)-----	111, 082	111, 562	82, 796	189, 321	163, 243	230, 834	71
1922-----	224, 153	226, 205	193, 092	268, 956	345, 801	395, 647	87
1923-----	180, 700	181, 909	259, 896	332, 974	344, 434	391, 683	88
1924-----	224, 635	224, 770	238, 579	291, 064	374, 940	408, 140	92
1925-----	232, 499	232, 952	284, 059	364, 076	411, 456	462, 320	89
1926-----	245, 129	245, 456	275, 696	457, 599	418, 817	533, 743	79
1927-----	293, 370	293, 408	341, 389	450, 995	508, 445	577, 535	88
1928-----	290, 637	290, 697	371, 889	504, 990	524, 927	608, 841	85
1929-----	411, 936	411, 979	310, 194	570, 931	607, 358	771, 666	79
1930-----	317, 919	317, 952	336, 555	595, 339	529, 949	693, 016	77
1931-----	325, 175	325, 180	267, 471	457, 947	493, 664	613, 687	81
1932-----	249, 117	249, 143	198, 526	453, 447	374, 188	534, 815	70
1933-----	316, 078	316, 103	442, 168	660, 872	594, 644	732, 452	82
1934-----	314, 802	314, 804	338, 087	399, 234	527, 797	566, 321	93
1935-----	353, 396	353, 406	441, 066	454, 134	631, 268	639, 510	99
1936-----	322, 050	322, 065	356, 759	363, 485	546, 808	551, 061	99

¹ Data for 1921 to 1930 from U. S. Tariff Commission, *Certain Vegetable Oils, Whale Oil, and Copra*, Report No. 41, 2d Series, Table 62, p. 80. Remaining years from U. S. Tariff Commission, *Imports into the United States for Consumption by Countries*.

² Data for 1921 to 1930 from U. S. Tariff Commission, *Certain Vegetable Oils, Whale Oil, and Copra*, Report No. 41, 2d Series, Table 54, p. 83. Remaining years from United States Tariff Commission, *Imports into the United States for Consumption by Countries*.

TABLE 3

BALANCE OF TRADE BETWEEN U. S. AND PHILIPPINES

Total Value in Thousands of Dollars; i. e., 000 omitted

Year	Total exports	Total imports	Total balance
1921.....	46, 516	52, 162	5, 646
1922.....	43, 298	61, 747	18, 449
1923.....	49, 241	77, 724	28, 483
1924.....	59, 519	97, 088	37, 569
1925.....	61, 062	111, 819	50, 757
1926.....	68, 648	103, 797	35, 149
1927.....	69, 522	115, 980	46, 458
1928.....	79, 805	115, 609	35, 804
1929.....	85, 530	125, 792	40, 262
1930.....	64, 935	109, 390	44, 455
1931.....	48, 883	87, 133	38, 250
1932.....	44, 968	80, 877	35, 909
1933.....	44, 782	93, 048	48, 266
1934.....	47, 129	87, 811	40, 682
1935.....	52, 640	96, 999	44, 359

Source: *Foreign Commerce and Navigation*.

TABLE 4

WHOLESALE PRICE OF SOAP, 1926-1936

Year	Price per cake	Year	Price per cake ¹
	<i>Cents</i>		<i>Cents</i>
1926.....	4 851	1932.....	4 528
1927.....	4 851	1933.....	4 449
1928.....	4 851	1934.....	4 067
1929.....	4 851	1935.....	4 067
1930.....	4 851	1936.....	4 067
1931.....	4 851		

¹ Yellow laundry soap at factory, Philadelphia, per 11 oz. cake.

Source: Division of Wholesale Prices, U. S. Bureau of Labor Statistics.

BRIEF
SUBMITTED BY THE
NATIONAL COTTONSEED PRODUCTS ASSOCIATION

(1185)

BRIEF

SUBMITTED BY THE

NATIONAL COTTONSEED PRODUCTS ASSOCIATION

The National Cottonseed Products Association is a trade association representing the cottonseed-crushing industry of the United States. It lists as members 380 out of the 503 cottonseed-oil mills in this country. Its membership also includes 40 refiners, 41 brokers, 28 chemists and 27 dealers in cottonseed products. The industry is engaged in the buying and crushing of cottonseed and in the refining and sale of cottonseed products. The value of crude products sold by the mills averages about \$183,000,000 per year. The quantity and value of cottonseed products, for the past ten years, is shown in table 1.

TABLE I
COTTONSEED PRODUCTS
Production and Value

Year *	Oil		Cake and Meal	
	Quantity (1,000 lbs.)	Value (\$1,000)	Quantity (tons)	Value (\$1,000)
1927-----	1, 887, 910	142, 242	2, 840, 084	72, 476
1928-----	1, 476, 609	132, 372	2, 093, 354	80, 582
1929-----	1, 604, 131	133, 906	2, 281, 576	90, 706
1930-----	1, 572, 322	114, 892	2, 231, 992	82, 296
1931-----	1, 441, 881	91, 636	2, 164, 820	58, 623
1932-----	1, 694, 123	57, 546	2, 401, 202	33, 071
1933-----	1, 445, 681	47, 234	2, 093, 168	29, 467
1934-----	1, 302, 786	48, 409	1, 888, 545	39, 513
1935-----	1, 108, 582	91, 849	1, 614, 345	54, 023
1936-----	1, 163, 736	101, 454	1, 738, 883	38, 753

Year *	Hulls		Linters	
	Quantity (tons)	Value (\$1,000)	Quantity (running bales)	Value (\$1,000)
1927-----	1, 854, 389	8, 882	1, 041, 864	16, 684
1928-----	1, 320, 066	9, 995	875, 121	24, 878
1929-----	1, 368, 279	12, 842	1, 085, 766	27, 793
1930-----	1, 383, 597	12, 103	1, 038, 170	20, 149
1931-----	1, 303, 504	10, 474	823, 944	8, 969
1932-----	1, 510, 874	5, 237	875, 667	6, 694
1933-----	1, 312, 435	4, 681	741, 401	5, 931
1934-----	1, 103, 251	7, 513	800, 526	16, 490
1935-----	913, 039	10, 260	805, 083	21, 606
1936-----	987, 849	6, 568	876, 215	20, 970

* Refers to season ending July 31.

Source: U.S. Bureau of the Census, Bulletin 173: *Cotton Production and Distribution*.

It will be noted that cottonseed oil is, by a considerable margin, the most valuable product of the industry. For the past decade, it has accounted for an average of 54 percent of the value of all cottonseed products. Oil is therefore the principal factor determining the price which can be paid for cottonseed and, consequently, the amount of income which cotton-growers receive from this product. The close relationship between the price of cottonseed oil and the farm price of cottonseed is shown in table II. The only year in which these two price series failed to move together was 1936, when a fall in the price of cottonseed meal was sufficient to offset a small increase in the price of oil.

TABLE II

COTTONSEED AND COTTONSEED-OIL PRICES

Year*	Cottonseed † (dollars per ton)	Cottonseed oil ‡ (cents per pound)
1927-----	21.55	7.77
1928-----	35.94	8.75
1929-----	35.26	8.44
1930-----	30.43	7.29
1931-----	21.93	6.41
1932-----	9.52	3.19
1933-----	10.35	3.51
1934-----	14.21	4.07
1935-----	34.79	8.48
1936-----	31.19	8.63

* Ending July 31.

† Prices received by farmers.

‡ Crude, f.o.b. Southeastern Mills.

Source: U. S. Department of Agriculture: *Yearbook of Agriculture, 1930; Agricultural Statistics, 1936.*

Because of the direct relationship between cottonseed oil and coconut oil, the National Cottonseed Products Association is especially interested in trade relations between the United States and the Philippine Islands. We recognize that the Philippines occupy an important position in the field of American foreign trade. In 1936, they ranked no. 9 among our foreign customers and bought from this country \$60,351,000 worth of products. During the same year, the Islands held seventh position among the countries from whom we imported. Their sales to the United States totaled \$98,896,000.¹ This large volume of trade is of undoubted importance to both this country and the Philippines and we are in sympathy with every reasonable effort to maintain and increase it.

It does not appear advisable, however, that this trade should be promoted by means which would result in losses to American agriculture and industry. One of the major problems in this country's past relations with the Philippines has been the fact that the most important products of the Islands are serious competitors of American products. This is especially true in the case of coconut oil and copra. These commodities are the third most important product of the Philippines. They are exceeded in value only by sugar and rice. The latter is consumed almost entirely within the Islands. Approximately 90 percent of the Philippine production of copra and coconut oil combined is exported to the United States. American

¹ Data from Chamber of Commerce of the U.S.: *Our Chief Markets and Suppliers in 1936.*

imports of copra and coconut oil, for the past ten years, are shown in table III.

TABLE III
UNITED STATES IMPORTS OF COPRA AND COCONUT OIL

Year	Copra		Coconut oil
	Philippines (1,000 lbs)	Other sources (1,000 lbs)	(1,000 lbs)
1927.....	341, 380	190, 606	267, 093
1928.....	371, 889	130, 101	259, 453
1929.....	310, 194	260, 737	381, 065
1930.....	336, 555	258, 783	291, 015
1931.....	267, 471	190, 476	305, 829
1932.....	198, 526	254, 922	221, 867
1933.....	442, 168	218, 704	286, 254
1934.....	338, 087	61, 147	314, 802
1935.....	441, 066	13, 139	353, 396
1936.....	357, 767	6, 728	322, 065

Sources: United States Department of Commerce: Bureau of Foreign and Domestic Commerce.

No question can be raised regarding the need for these imports. The United States, at present, does not produce sufficient oils and fats to meet the requirements of its own population. For the most part, Philippine coconut oil supplements rather than displaces the domestic products such as cottonseed oil. The problem raised by the importation of Philippine copra and coconut oil has been primarily one of price. Most of the oils and fats used in commerce are, to a certain degree, interchangeable. While they cannot, in all instances, completely replace one another, they can generally be substituted, at least up to a certain percentage and often completely. This makes for a very close interdependence in their prices.

Suppose that cottonseed oil is selling at ten cents per pound but that it is possible to land coconut oil in this country at seven cents per pound. The latter can be substituted completely for cottonseed oil in margarine and can be partially substituted for it in vegetable shortening. Under these circumstances, the price of cottonseed oil cannot long be maintained and its tendency will be to decline toward the price-level of coconut oil. The full force of this price relationship was felt, with disastrous effects, during the depression. The price of crude cottonseed oil (Southeast Mills) declined from 9 cents per pound, in March, 1929 to 2.9 cents in March, 1933. Over the same period the price of coconut oil declined from 7.62 cents to 2.8 cents—consistently remaining a little below that of cottonseed oil. The re-

sult was a serious loss, not only to the cottonseed-oil mills, but to the farmers who grow cottonseed.

Although it is impossible to compute the relative cost of production of these two oils, there is good reason to believe that, under most conditions, coconut oil (or copra) can be landed in this country at a price which makes the production of cottonseed oil unprofitable. For this there are several reasons. The costs of land and of taxes are less in the Islands than in this country, and while the Philippines enjoys a standard of living that is high, compared with other sections of the Orient, wages are considerably lower than in the United States (cf. table IV). These circumstances would seem to account for the fact that no matter how low the price of cottonseed oil fell, during the depression, the price of coconut oil kept slightly below it. As a result, coconut oil sold while cottonseed oil accumulated in storage. Stocks of the latter oil reached an all-time high of 986,267,859 pounds, on March 31, 1934.¹

TABLE IV

DAILY WAGES PAID IN PHILIPPINE ISLANDS, 1932

Agricultural:	Maximum	Minimum	Average
Male.....	\$.60	\$.10	\$.29
Female.....	. 50	. 07	. 19
Industrial, Manila:			
Common labor.....	\$.96	\$.53	\$.75
Skilled labor.....	1. 68	. 72	1. 20
Industrial, Provincial:			
Common labor.....	\$.72	\$.35	\$.54
Skilled labor.....	1. 87	. 81	1. 09

Source: U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce: Far Eastern Series No. 134. Spec. Circ. 272, May 1, 1932.

Because the price relationship which exists between coconut oil and cottonseed oil affects all other domestically produced fats and oils, including hog lard, the producers of this group of commodities asked Congress in 1933 and 1934 to take steps which would enable them to obtain a reasonable price for their products. The result was the group of excise taxes imposed upon certain fats and oils by the Revenue Act of 1934 and extended to other oils by the Revenue Act of 1936. The immediate result of these taxes was an increase in the price of all domestic fats and oils. There is provided a margin of 3 cents per pound by which the price of the domestic oils might exceed that of coconut oil without encountering destructive price competition from the latter. The importance of this 3-cent margin becomes

¹ U.S. Department of Commerce, Bureau of the Census, *Animal and Vegetable Fats & Oils*.

clear when we note the price-changes which took place in the months immediately following the imposition of the excise. (See table V.)

TABLE V.
WHOLESALE PRICES OF CERTAIN FATS AND OILS

Year	Coconut Oil *	Cottonseed Oil †	Edible Tallow ‡	Lard §
1934				
Jan.....	2.62	3.56	3.4	5.7
Feb.....	2.62	4.18	3.5	6.6
March.....	2.50	4.44	3.7	6.7
April.....	2.39	4.40	3.8	7.1
May.....	2.44	4.23	4.0	6.6
June.....	2.33	4.68	4.0	6.8
July.....	2.25	5.10	4.4	7.2
Aug.....	2.41	5.65	5.5	9.0
Sept.....	2.64	6.55	6.8	10.2
Oct.....	3.00	7.20	6.8	10.1
Nov.....	2.86	7.91	6.7	11.2
Dec.....	3.33	8.94	7.2	12.2
1935				
Jan.....	4.15	9.58	7.9	13.6
Feb.....	4.86	10.3	8.6	14.3
March.....	5.58	9.82	8.7	14.4
April.....	5.02	9.31	7.6	13.8
May.....	4.94	9.38	7.7	14.1
June.....	4.31	8.97	8.0	14.7
July.....	3.34	8.45	7.5	15.1
Aug.....	3.44	8.72	9.1	16.8
Sept.....	3.78	8.74	9.5	16.9
Oct.....	4.50	9.17	9.5	15.1
Nov.....	4.32	9.16	9.6	13.8
Dec.....	4.25	9.36	9.2	11.7

Source:

- * and † from U.S. Department of Agriculture, Bureau of Agricultural Economics.
- ‡ and § from Bureau of Labor Statistics: *Wholesale Prices*.
- Manila crude, in tanks, l.o.b. Pacific coast.
- † Crude, in tanks, l.o.b. Southeast Mills.
- Under 1% acid, 48 litres, at Chicago.
- ‡ Prime contract, bulk in terrors, at New York.

In May 1934, crude cottonseed oil sold at 4.23 cents per pound and crude coconut oil at 2.44 cents. The imposition of the tax on the latter oil (June 10) automatically raised its cost, to the manufacturer, to 5.44 cents. This meant that cottonseed oil might advance by any amount less than 1.21 cents per pound without being checked by the price of the imported oil. Actually, cottonseed oil did advance to 4.68 cents in June, while coconut oil fell to 2.33 cents. In July, coconut oil fell still further to 2.25 cents while cottonseed oil advanced to 5.10 cents—a spread of 2.85. In August, the prices of the two oils were 2.41 and 5.65, respectively, showing that cottonseed oil had absorbed the entire 3-cent advantage provided by the excise.

During the last four months of 1934, cottonseed (and other domestic oils) continued to advance in price. After it had exceeded the 3-cent price spread, however, the price of coconut oil also advanced. For considerable periods during the past three years, other factors, such as drought and crop reduction, have brought about a spread of more than 3 cents between these two oils. It is reasonable to conclude, however, that the excise tax has been responsible for approximately 3 cents of this wider spread.

This differential of 3 cents has brought substantial benefits to large groups in American agriculture and to the processors of agricultural products. Take the cotton-grower as an example. Since the passage of the excise tax, the farm price of cottonseed has more than doubled. The average annual price paid to farmers for seed during the past three complete seasons (ending July 31) was as follows:

Season	Dollars per ton
1934 -----	\$14.21
1935 -----	34.79
1936 -----	31.19

Source: U.S. Department of Agriculture. Bureau of Agricultural Economics.

All of this increase in price cannot be credited to the excise tax. A marked decrease in production, coupled with an increase in the demand for feedstuffs (cottonseed meal) caused by the drought, was also responsible. Our conclusion (above) that the excise tax increased the price of cottonseed oil 3 cents per pound indicates, however, that it raised the price of seed sold by \$9.00 per ton. (There are 300 pounds of oil per ton of seed.) This conclusion is logical for two reasons. In the first place, the buying of cottonseed is a high competitive activity and the greater part of any price advantage received by the mills must be passed on to the growers. Secondly, the increase in the farm price of cottonseed was far in excess of \$9.00 per ton. It is therefore reasonable to assign this \$9.00 per ton increase to the influence of the excise tax.

The quantity of seed crushed during the 1934-35 season was 3,549,000 tons, which indicates that growers received \$31,941,000 additional income as a result of the excise tax. During the following season (1935-36) 3,817,751 tons of seed were crushed and the indicated gain to producers, as a result of the excise tax, was \$34,359,759. Not including the present season, the total indicated gain to cotton-growers has been \$66,300,759.

Naturally, cotton-growers have not been the only producers to benefit from the excise tax. As pointed out previously, the various fats and oils are, to a considerable degree, interchangeable and the price increase in cottonseed oil was accompanied by a similar in-

crease in the price of other domestic fats. This increase for edible tallow and for lard is shown in table V. The greater proportions of both cottonseed oil and edible tallow are used in the production of shortening. These two commodities are therefore competing directly for the same market and their prices are largely interdependent. Going one step further, we find that shortening is a direct competitor of lard and it is well known that the prices of these two latter products are closely dependent upon one another. We might trace this interdependence of prices through practically the entire field of domestic fats and oils. The above examples, however, are considered sufficient to indicate that all agricultural producers of fats and oils have been materially benefited by the excise tax.

Proposals have recently been made that the tax on Philippine coconut oil should be removed, so far as that commodity is rendered unfit for edible consumption. It is claimed that this procedure would permit industrial users (as contrasted with the food industry) to obtain their raw materials cheaply and, at the same time, would provide the domestic producers of edible fats and oils with the protection which they need. The large degree of interchangeability which exists among the fats and oils, however, makes such a claim doubtful.

The effects of such a modification of the present excise-tax structure are difficult to estimate, but we may trace several probable results. For example, coconut oil and palm-kernel oil are now selling at approximately 9 cents per pound, including the tax. If the law were modified as proposed, Philippine coconut oil would obtain a practical monopoly of the industrial market, since it could undersell palm-kernel and other similar oils by as much as 3 cents per pound. Obviously, it would be poor business for dealers in coconut oil to use this entire 3-cent advantage. They could sell the commodity at 8 cents or even $8\frac{1}{2}$ cents, and still drive palm-kernel out of the market. In the edible field, however, palm-kernel oil would not encounter this handicap since all imported oils used in food products would still be subject to the excise tax. The natural tendency would be for palm-kernel and other similar oils, now used in inedible products, to be forced out of that market into the edible oil market with a consequent increase in the competition with domestic edible oils.

Another likely result of modification of the excise tax has to do with coconut oil alone. Assuming, as we did above, that such modification permits the sale of this oil at 8 cents, the importer would have a margin of 2 cents above that which he now enjoys. With a reasonable volume of business, he could afford to apply 1 cent of this margin toward payment of the excise tax and sell coconut oil in the

edible field at 8 cents per pound—1 cent below the present price plus the tax. If his sales were divided evenly between the edible and inedible fields, he would realize on all sales an average of 1 cent per pound more than he is obtaining at present. Yet this practice would depress the price-level of all oils used in edible products.

It is the position of the National Cottonseed Products Association that the present excise tax of 3 cents per pound on Philippine coconut oil should be retained whether the oil is used in edible or inedible products. It must be remembered that the United States, over the past fifty years, has developed the protective system to an unusual degree. The result is that the producers and processors of cottonseed oil must purchase a major portion of the goods they buy in a highly protected market. The price which they obtain for their own products must therefore be sufficient to permit them to purchase, in that market, a quantity of goods large enough to maintain a desirable standard of living.

We believe that the present excise-tax rate accomplished this purpose in so far as it is possible to do so by means of regulating foreign competition. The present rate has provided the cottonseed-oil industry with a sufficient margin to carry on its operations and has enabled it to pay farmers a price for their cottonseed which yields them a profit. On the other hand, the tax has not been so high as to prevent the importation of coconut oil in large quantities (see table III). Imports have continued on a scale comparable to that which prevailed prior to the imposition of the tax and during the pre-depression years. As stated above, the United States does not produce a sufficient quantity of fats and oils to supply its needs and it would definitely be unsound, from the viewpoint of national policy, to adopt import duties or excise taxes which would prevent or even seriously discourage the importation of these commodities. Excessive duties, while they might give producers an advantage, would have a highly undesirable effect upon consumption. What is needed, by domestic producers and processors, is price protection against commodities which can be imported into this country almost regardless of cost and at a price which domestic producers—operating upon the present level of land, labor and tax costs—cannot possibly meet. It is our conviction that the present excise tax on Philippine coconut oil affords this type of protection and, for this reason, we believe it should not be changed.

BRIEF
SUBMITTED ON BEHALF OF
THE NATIONAL DAIRY UNION
AND
THE ASSOCIATION OF AMERICAN PRODUCERS OF
DOMESTIC INEDIBLE FATS

(1175)

BRIEF
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To the:

JOINT PREPARATORY COMMITTEE ON TRADE RELATIONS BETWEEN THE UNITED STATES AND THE PHILIPPINE COMMONWEALTH:

This preliminary brief is submitted on behalf of:

The National Dairy Union (Inc.)

The Association of American Producers of Domestic Inedible Fats.

The future interests of eight important natural-resource industries in the United States will be injuriously affected by any change in the trade relationships between the United States and the Philippine Commonwealth which affect would cause any increase in the importation of coconut oil or its products into the United States.

These interests are those engaged in the production of:

- | | |
|-------------------|-------------|
| 1. Cottonseed oil | 5. Lard |
| 2. Soy-bean oil | 6. Butter |
| 3. Corn oil | 7. Tallow |
| 4. Peanut oil | 8. Fish oil |

Unlike many articles of commerce, the coconut oil from one source of supply competes not alone with all other coconut oil, but all coconut oil competes with numerous other oils. This fact is too well known to be elaborated here. The scope of its interchangeability brings coconut oil into direct or near-direct competition in both edible and inedible uses with all the above-named domestic fats and oils products.

Therefore, the subject-matter of this brief cannot be limited to the specific commodities which are the products of the members of the associations of which I am the authorized representative. It will cover the entire field of domestic oils and fats production and use.

The value of the group of agricultural products with which coconut oil competes ranks second in the United States, among the recognized groups of agricultural products, with a farm value of upwards of \$1,000,000,000 a year.

The statement that "coconut oil competes with numerous other oils" is based upon definite scientific facts as well as upon even more definite statistical information. Reference is made to the publications of the United States Tariff Commission and the United States

Department of Agriculture; and to the annual records published by the Bureau of the Census showing "Factory Consumption of Fats and Oils".

**THE PRODUCERS OF DOMESTIC OILS AND FATS IN THE UNITED STATES
RESPECTFULLY SUBMIT:**

I. That the present laws relating to import duties, import taxes, and domestic processing (excise) taxes on coconut oil should be continued in effect until the Philippine Commonwealth achieves its full independence.

II. That the date of such independence should be advanced in the interest of the self-respect and morale of the Filipino people to the earliest date consistent with their ability to accept economic and political responsibility.

III. That there should be no change in the duty of two cents a pound on the importation of all coconut oil.

IV. That the tax rates on the first processing of coconut oil in the United States should not be changed; that this is a matter of our own domestic policy, outside the purview of an international conference, outside the authority conferred either in the Reciprocal Trade Agreements Law or the Philippine Independence Law. However, without prejudice to our rights, we would acquiesce in an agreement "binding" the rates as at present, namely, three cents a pound on oil of Philippine source, five cents a pound on oil from any source other than a United States possession. This is distinctly to the advantage of Philippine producers.

V. That any reductions in or reductions from this tax would be a sacrifice of domestic interests which cannot be approved and that such changes would not benefit either the Philippine trade with the United States or United States trade with Philippine nationals.

**COCONUT-OIL IMPORTS HAVE RETARDED THE DEVELOPMENT OF IMPORTANT
DOMESTIC INDUSTRIES NECESSARY FOR INDUSTRIAL USE AND NATIONAL
DEFENSE.**

Philippine coconut oil which was admitted to the United States free from duty or from internal taxation up to June 1934, had the effect of preventing the normal growth and development of fats and oils production in the United States.

Then and at all times since then [there] has existed the agricultural possibility of increasing our home production of fats and oils and ending our deficiency through increased production of these oils which are not by-product oils. This can be done through increasing the production of soy-bean oil, peanut oil, corn oil, and of lard, the

latter through the production of heavier pigs. This effort had hardly been started up to 1934, because of the low prices which prevailed in the domestic fats and oils markets, all due to the availability and use of Philippine coconut oil.

The agricultural importance of increasing our domestic fats and oils production is self-evident. Land now used for surplus crops could be used to produce oil crops if there were a domestic market. Wheat, corn, and cotton land could produce soy beans and peanuts for oil, and more corn could be used for oil.

That this has not taken place, that we are still dependent upon a foreign supply of oil amounting in 1936 to over 1,500 million pounds (not including edible olive oil, butter, or the paint oils), is due chiefly to the long retention of Philippine coconut oil on the free-list and free from internal taxes. The record of imports of foreign oils and fats from 1919 to 1933 clearly shows this situation. Nearly all were duty-free except as noted.

Between 1919 and 1934 total coconut oil (inc. copra content) ranged from 308 million pounds in 1921 up to 772 million pounds in 1929, and stood at over 700 million pounds in 1933. Palm oil went from 23 million pounds in 1921 to 287 million pounds in 1936.

That domestic production of soy-bean oil, peanut oil, and corn oil, which are not by-products, stood stationary under this load of competing imports, is shown by the Census records of their factory production.

Foreign oils were being received and used here in oleomargarine, competing with butter; in lard compounds and vegetable shortenings, competing with lard and with cottonseed oil, peanut oil and soy-bean oil, and in soap, competing with fish oil, tallow and grease, cottonseed oil, corn oil, and soy-bean oil. Domestic oil production could not increase. Prices were too low.

Cottonseed oil fluctuated only with the volume of its mother crop (lint cotton). Soy-bean oil reached a total over 10,000,000 pounds in 1929 and 89 million in 1930, 1931, and 1932, but dropped back to 26 million in 1933. Corn-oil manufacture reached a hundred million pounds back in 1922, but after ups and downs stood at 106 million in 1932 and 129 million in 1933. Peanut oil has never come up to its 1919 top of 87 million pounds. In 1933 it was down to less than 13 million pounds.

Only since the enactment of the 3-cent excise tax in 1934 on the processing of coconut, palm, palm-kernel, sesame, and sunflower oils has domestic oil production shown an appreciable growth. This growth today is in its infancy.

The agricultural implications of these facts are broad and important. The lack of a definite oil-producing industry was one of

the large factors in the break-down of cereal prices from 1930 to 1935.

Instead of planning to maintain or increase the importation of coconut oil or any other oils into the United States, a national policy should be adopted which would replace a part of its present use, and a major part of the palm oil now brought from abroad, also some of the other tropical oils, by the increased use of peanut, soy-bean and corn oils. If a fair share of the 900,000,000 pounds (approximate) of coconut, palm and babassu oils and imported whale oil and tallow, used in 1936, could be replaced by these domestic oils, say two thirds, it would create a use for land sufficient to curtail the surplus of cotton and wheat and provide for the use of sufficient corn to accomplish practically as great a "crop control" as ever accomplished by the A.A.A. and the laws under which it operated. It would be wealth-producing [and] money-saving, instead of wealth-destroying and money-spending.

THE INDUSTRIAL AND NATIONAL-DEFENSE IMPLICATIONS OF THE LONG-CONTINUED HEAVY IMPORTATION OF COCONUT OIL AND OTHER CHEAP FOREIGN OILS ARE EQUALLY IMPORTANT AND SERIOUS.

Great industrial organizations sought their oil surplus abroad, in order to make greater profits. American capital was invested abroad which might, under other circumstances, remain at home, a domestic asset if profitably employed in producing these home-grown oilseeds and oils.

It caused a flow of money from our shores across both oceans to remain permanently abroad. The flow of American capital into coconut-oil production is figured at \$13,920,000, and the flow of American dollars since the war to buy coconut oil in the Philippines and palm oil chiefly in West Africa and the Dutch East Indies, is estimated at upwards of \$35,000,000 a year, from 500 to 600 million dollars since 1919.

Our present deficiency in fats and oils, of domestic production, is a factor of national-defense weakness strikingly similar to the situation in Germany at the beginning of the World War, a vital factor in its final collapse. A deficiency in food fats in the United States is not as imminent as it was (still is) in Germany. However, we now have a marked deficiency in industrial fats and also in glycerin, a fat by-product. Glycerin is of basic importance in the manufacture of munitions and explosives. Today, with no call for emergency use in munitions or explosives, we are importing this important commodity at an average rate of over 13,000,000 pounds

a year. With the seas closed to our fats and oils and glycerin imports by another war, a munitions break-down due to this shortage alone is easily possible.

EVERY CONDITION IN THE DOMESTIC OILS AND FATS INDUSTRIES HAS IMPROVED SINCE 1934. THIS IS CHIEFLY DUE TO THE OILS AND FATS TAX ENACTMENT BY CONGRESS IN THAT YEAR.

The import and excise taxes laid on imported oils and fats in 1934 began a material improvement in both price-levels and a promise of stability favoring an increase in domestic oils and fats production. This was given greater impetus by the amendment of 1936 placing a fair compensatory tax on imported products containing any of the taxable oils. The objective of placing a firm foundation under this new price-level was brought to near completion by the further amendment (Bailey amendment) of 1936.

These acts of Congress have accomplished two purposes:

1. Established a fair "parity" price in domestic markets for oils and fats of domestic production;
2. Caused an increase in production of certain domestic oils, a greater agricultural interest in such oilseed production, and the beginning of a development which may, in a few years, make this country self-sufficient in both war and peace time, in edible and industrial fats and glycerin.

Parity price reached in 1937

The prices of domestic fats and oils reached a "zero hour" in the early weeks of 1934, under the hammering of large imports free from duties and/or taxes, and a heavy accumulated surplus in storage.

The imports for 1933 were among the largest on record. The stocks on hand January 1, 1934, broke all previous records.

The figures of record tell their own story. Every branch of oils and fats industries, with the possible exception of the butter industry, was in a panic. Heavy losses, approaching bankruptcy, were the general story. The cotton farmer's price for cottonseed had dropped from \$21.55 a ton average in 1926 to new low records of \$7.66 in October 1932, and \$12.58 in October 1933.

Congress passed the tax bill in the spring of 1934. It was signed and went into effect as to these oils and fats taxes, May 1934. In October 1934 farmers were paid an average price of \$35.62 for their cottonseed.

This tax immediately added a cost of 3 cents a pound to be paid by the user to every use made of coconut oil, palm oil, palm-kernel oil, sesame oil, and sunflower oil. The prices of the domestic oils

began an immediate advance. This is shown by the prices of the important domestic oils in January and in October 1934.

Cents per pound	Price Jan. 1, 1934	Price Oct. 1, 1934	Advance
Cottonseed oil.....	3 56	7 20	3 64
Soy-bean oil.....	3 05	6 00	2 95
Corn oil.....	3 70	7 70	4 00
Tallow.....	2 73	4 74	2 01

OTHER FACTORS WERE AT WORK, BUT TAX WAS PRINCIPAL PRICE LEVER.

It may be argued at this point that other factors were also operating. This is true. There was an A.A.A. restriction program, and a drought. However, two points should be made:

First, there was in 1934 a vast reservoir of foreign oil existing, seeking an American market. This world supply was so large, the prices so low, that except for this tax the decline in domestic production could not (except possibly as to lard) have forced this price increase. Such world reservoir of oils did exist throughout 1934 and into 1935.

Second, this new price persisted well into the following year, 1935, when there were no drought conditions and no marked reduction in production. The improved price-level persisted until an unexpected volume of untaxed imports flooded the domestic markets in the last half of 1935, forcing our prices back toward the low prices of early 1934.

VOLUME OF FOREIGN OIL SUPPLY.

The volume of available oils and fats in the world which were seeking sale in our markets in 1934, 1935 and 1936 amounted to around 8 million tons. Our markets will use 800,000 tons. Perhaps the best and most reliable world report on this subject is that of Frank Fehr and Company, of London, England.

From the *Review of the Oilseed, Oil, and Oil Cake Markets for 1935*, issued by that company, the following figures are taken:

OIL SEEDS, MAIN CROPS OF THE WORLD (LONG TONS)

Linseed.....	2, 786, 000	Cottonseed (Outside the	
Groundnuts (peanuts).....	4, 733, 000	U. S.).....	2, 315, 000
Soy beans.....	4, 525, 000	Rape seed.....	1, 091, 000
Sesamum seed.....	552, 000	Copra.....	1, 200, 000
Palm-kernel.....	571, 000	Sunflower seed.....	2, 000, 000
Hemp seed.....	525, 000		

OTHER VEGETABLE OILS (not included above) (long tons)	
1934	
Olive oil.....	813,000
Palm oil.....	321,000
Whale oil.....	413,000
Tallow.....	367,000
Lard (U. S. only).....	682,000

This table is very incomplete. The lard item is for the United States only, probably much less than one half the world production. The tallow item includes exports only for Argentina, Australia, Uruguay, and Brazil. The palm-oil item is marked "estimate only", this based apparently on recorded shipments to certain countries. The cottonseed figures do not include China's crop figures, not available.

The grand total of the Fehr estimates for all production for 1936 (with all these omissions) is as follows:

	Long Tons
Total oilseeds.....	30,840,000
Amount crushed for oil.....	21,230,000
Vegetable oil produced.....	6,101,250
Additional other oils and fats (not including butter).....	1,808,000
Total available supply of oils and fats.....	7,909,250

The drought in the United States reduced the production of butter in 1934 but 1½ percent below 1933. The drought plus A.A.A. restriction measures reduced the production of cottonseed oil but 40,000,000 pounds. It is idle to assume, in a world of oils and fats aggregating over 17 billion pounds and accorded, in large part, free access to the United States markets, that the reduction of our domestic production by even 100,000,000 pounds could have caused the readjustment of our level shown by the facts.

HIGHER PRICES ALSO PREVAILED IN NORMAL 1935 SEASON.

The effectiveness of the tax in maintaining a "parity" price-level continued in 1935 in spite of the end of the drought. It was not until January 1936 that the price weakened, except as to soy-bean oil which was erratically lower after June 1935.

The enactment of the Compensatory Tax amendment, effective September 1935, strengthened all prices.

Cottonseed-oil prices for 1935 averaged 8.48 [cents] per pound; corn oil averaged 9.5 cents; soy-bean oil averaged 7.76 cents; and tallow averaged 6.22 cents.

FURTHER PROOF IN 1936.

Further proof that imports were the chief cause of price-declines, and effective taxes the chief remedy, is found in the experience of January to August 1936.

Domestic industrial users began in 1935 to take advantage of the opportunity left in the law of 1934 to import large quantities of tax-free babassu, perilla, and other oils, cottonseed oil, chiefly from Brazil, which was subject only to a two-cent duty, and tallow, subject to a one-half-cent duty.

Imports came in as follows: Cottonseed oil, 294,000,000 pounds; perilla oil, 117,000,000 pounds; tallow, 285,000,000 pounds; babassu oil, 36,000,000 pounds; other untaxed oils, estimated, 50,000,000 pounds.

The volume of these imports and the threat of their continuance and growth forced all domestic-oil prices down.

Cottonseed oil dropped to 7.62 cents average in May; corn oil to 8.0 cents in June; and tallow to 4.00 [cents] in May.

No material factor changed except the volume of imports, untaxed or very low taxed.

Then on September 30, 1936, the Bailey amendment extending the 3-cent tax to all these new imports (except cottonseed oil) became effective.

Prices again, at once, started a recovery march. This time it was to a real "parity". On January 1, 1937, they stood as follows:

Cottonseed oil.....	10.36¢ lb.	||	Corn oil.....	10.05¢ lb.
Peanut oil.....	10.50¢ lb.	||	Tallow.....	8.79¢ lb.
Soy-bean oil.....	9.83¢ lb.	||	Fish oil.....	40-45¢ gal.

No factors changed in this period except the imports ceased in large part after September 30, the effective date of the Bailey amendment.

PRESENT AND PAST TRADE BALANCES IN FAVOR OF THE PHILIPPINE ISLANDS PRECLUDE EFFECTIVE ARGUMENT FOR FURTHER CONCESSIONS.

Entirely apart from the foregoing factual statements showing adverse effect on American agricultural [products] of the past and even the present status of Philippine coconut products in our import trade, we wish now to briefly present the following points relating to specific trade relations:

1. No additional concessions are needed to maintain present level of Philippine coconut-oil sales in the United States.

2. Present and past trade balances in favor of the Philippine Islands are entirely sufficient to maintain present level of sales of domestic products to Philippine nationals.

1. No additional concessions are necessary.

This fact has been shown repeatedly in the foregoing statement.

Neither the increase in United States consumption of Philippine coconut oil nor the prices of copra in the Philippine Islands have declined since the present tax status has obtained.

Copra prices at Manila are reported for this period as follows:

1933 average,	\$22.40	(long ton)
1934 average,	\$19.90	" "
1935 average,	\$41.70	" "
1936 average,	\$51.50	" "
1937		
(4 mo. avg.),	\$93.31	" "

This is the highest price since 1926.

2. Present and past trade balances due the Philippine nationals are ample to maintain all present and prospective sales of domestic products to the Philippines.

A careful estimate of mutual trade between the two countries is found in the U. S. Tariff Commission Report No. 118. It shows the following facts:

Larger sales of Philippine products to the United States than of United States products to the Philippines in every period except in the five-and-a-half-[year] period, 1909-1914, and the four-year period, 1919-1922. The United States favorable balance for those nine and a half years amounted to \$4,132,000.

In the other twenty-seven and a half years (ending 1935) the trade balance against the United States totaled over \$398,632,000.

This is a net unfavorable trade balance of \$394,400,000 (*sic*).

In the past two years, with 1936 figures estimated only, the annual deficit in this trade to be settled by American money to be sent to the Philippines amounts to not less than \$22,000,000 a year.

The total sales of Philippine copra and coconut oil to the United States amounted to from 10 to 17 million dollars a year back in high-price days, 1926 to 1930, and to from \$4,000,000 to \$9,000,000 a year.

In 1936 the volume was:

Copra, 358,000,000 lbs.	Est. value.....	\$9,000,000
Coconut oil, 322,050,000 lbs.	Invoice value..	\$12,226,000
		<hr/>
Total (est.).....		\$21,226,000

This one item of the trade could therefore be totally eliminated, leaving a trade balance still in their favor and fully equal to the task of supporting the present level of United States sales to the Philippines.

SALES OF UNITED STATES GOODS TO PHILIPPINES ARE CHIEFLY INDUSTRIAL. CONTINUANCE AT PRESENT LEVELS DEPENDENT NOT ON INCREASED PURCHASES OF PHILIPPINE AGRICULTURAL PRODUCTS BUT ON PRICE AT WHICH UNITED STATES MERCHANDISE CAN BE OFFERED.

The Philippine Islands have been in the relation to the United States of an agricultural colony. Their sales to us are overwhelm-

ingly agricultural. Most of such sales compete with the products of American farms.

Their purchases are of manufactured products, chiefly of low-priced commodities. In 1935, of a total bill of purchases amounting to 43 and one third million dollars from the United States, all but about 9 million was definitely industrial. The 9 million was for processed agricultural products.

These facts of record indicate that while agriculture bears the burden of the bulk of the import trade, it profits less than 18 percent in the export trade, besides bearing its share of the adverse trade balance.

Agriculture is in no state of mind to see this burden increased—not even to see it maintained.

Cotton goods, chiefly of the cheaper class, and iron and steel, are the chief United States goods sold to the Philippines—\$15,300,000 of the 45½-million-dollar total; oil, automobiles, tires, chemicals, electrical machinery, paper, and fertilizers account for \$17,600,000 of the remainder.

This illustrates the whole imperialistic theory of agricultural colonies. It is not appreciated nor approved by the agricultural people of the United States.

However, rather than demand a rearrangement which will penalize the farmers of the Philippines, who have been led into their present status by 37 years of subjection, we show that no grave dangers will come to United States industrialists by carrying on the present situation with very little change.

At the same time, we ask for this continuance of the present status of duties and excise taxes on coconut oil, because under existing conditions we see our way clear to avoid the terrible price depressions of the past, to absorb a sufficient amount of Philippine products to save their farmers from the ruin ours faced in 1933 and 1934, and at the same time to develop a fats and oils industry here which will assure self-maintenance and national preparedness for any eventuality.

Respectfully submitted,

THE NATIONAL DAIRY UNION

THE ASSOCIATION OF AMERICAN PRODUCERS OF DOMESTIC INEDIBLE FATS
June 10, 1937.

SUPPLEMENTAL BRIEF
SUBMITTED ON BEHALF OF
THE NATIONAL DAIRY UNION
THE ASSOCIATION OF AMERICAN PRODUCERS
OF DOMESTIC INEDIBLE FATS
AND
THE AMERICAN ASSOCIATION OF CREAMERY
BUTTER MANUFACTURERS

(1187)

SUPPLEMENTAL BRIEF
SUBMITTED ON BEHALF OF
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THE ASSOCIATION OF AMERICAN PRODUCERS
OF DOMESTIC INEDIBLE FATS
AND
THE AMERICAN ASSOCIATION OF CREAMERY
BUTTER MANUFACTURERS

WASHINGTON, D. C., *July 10, 1937.*

To the MEMBERS OF THE JOINT COMMITTEE:

This brief is supplemental to the preliminary brief filed for your attention on June 10, 1937, and the oral statement and examination to and by the members of your Committee, at the public hearing in Washington on June 23, 1937. The statements in this brief refer especially to statements which are found in briefs filed on behalf of other interests asking for the repeal of the present excise taxes on coconut oil. The statistical appendix is for the documentation of statements made in both the preliminary brief and in this brief.

SUPPLEMENTARY BRIEF

Argument has been made before this Committee that the present excise tax on the use of Philippine coconut oil should be repealed, at least as to denatured or inedible oil. As to the complete repeal of this tax two reasons are advanced. The first is that the tax, if continued, will cause the decline and final near-disappearance of sales of both Philippine coconut oil and Philippine copra to the United States. The second is that such trade decline and disappearance will so impoverish the Philippines that they can and will no longer purchase American products.

The further argument is that while a complete repeal of the tax is desirable for the reasons stated, the exemption of denatured or inedible oil from the tax will actually accomplish the desired purpose of permitting sales of copra and coconut oil of normal volume to the United States and at the same time not cause competitive injury to any American agricultural product.

STATEMENT OF FACTS

These arguments and statements call for further examination in the light of existing facts.

Fact No. 1 is that the United States does not now produce a sufficient quantity of fats and oils for its domestic uses. Its imports of

the major fats and oils exceeded its exports in 1936 by 1,692,000,000 lbs. and has maintained that approximate level for a period of years. (Table II, Appendix.)

Fact No. 2 is a well-known economic truism: That in a country which produces a considerable part of any product or closely related group of products needed for its own use, and has access to a large supply of imports from which to supply its further needs for such product or group of products, the prevailing market price will be the lowest price at which either domestic or imported products can be secured, and that this is the situation in the United States market for fats and oils as a group.

Fact No. 3 is that the present excise tax constitutes a monopoly of the domestic market for copra and coconut oil in the hands of Philippine suppliers to the extent of their ability to fill it (up to the Independence Act quota of 200,000 long tons), and up to two cents above the world price.

Fact No. 4 is that practically all (over 95 percent) of all the coconut oil which reaches the United States now (as oil or as copra) is inedible as and when it reaches this country (that is, until refined), so that an exemption from the 3-cent processing tax of "denatured" coconut oil would have no effect whatever in production, crushing, sales or other operations in the Islands. The total result of such a change would be its effect on the prices of coconut oil in the United States after the domestic processing, which is the point of tax incidence, had taken place. Coconut oil which is made in the Philippines, refined there so it is edible, and imported and used here in such edible form without further processing is not subject to any tax.

Fact No. 5 is that the Philippine Islands have a wealth of natural resources, which resources are being developed by an ambitious people and are needed and can be freely sold in world trade. The sales of American products to the Philippine Islands are not dependent upon our purchases from those Islands, nor upon any other bilateral trade balance. Our sales to them are not dependent upon dollar exchange, nor upon any other system of bilateral exchange. The whole political and social purpose of the act consummating Independence to the Philippine Islands is to put them "on their own" in world trade and world polity. To grant them continuous freedom from tariffs or taxes in the markets of the United States would have two dangerous results. One result would be the monopoly of a special privilege of free cheap raw materials to the manufacturers of soap and some few other industrial products in the United States; the second, a monopoly of special privilege of copra-production, purchase, sale and processing in the Philippine Islands [by] the American capitalists now on the ground in this trade in those Islands.

Fact No. 6 is that the proponents of the non-taxability of denatured coconut oil have failed, at least in good part, to disclose in their briefs and statements, their real representation. The real interests behind this proposal are coconut-oil refiners and soap manufacturers in the United States and a limited interest in copra-production, American-owned, in the Philippines. No substantially large Philippine-producing interest is here represented, nor are the large copra-crushers in the United States other than those affiliated with the soap industry. Of course oleomargarine interests do not support this proposal.

Fact No. 7 is that the Manila market for copra is a world market. This is shown by table VII in the statistical appendix to this brief. Prices of copra in London, Marseilles, and Manila move up and down in close union. In only one instance over this period covered by this table were the three sets of prices out of line. In one year (1922) the London price was out of line. This may be a statistical error. The Manila price of copra is a world price. The Philippines are [one] of the three greatest sources of supply of copra but use in the Philippines only a fraction of their own production, that fraction producing oil largely for export. However, the production is not so large a part of the world supply that variants [of] its yearly level seriously affect world markets. The world supply of copra is shipped in world trade about as follows: Philippines, 25 to 30%; Dutch East Indies, 50 to 60%; Straits Settlements and Ceylon, 20 to 25%. (Frank Fehr & Co., *Review*, 1936, page 40.)

When Manila is out of the American market, as happens at times when domestic buyers are not active for reasons of their own, this has a depressing effect on world markets (*supra*, p. 44).

THESE ARE ECONOMIC FACTS BEYOND ARGUMENT OR REFUTATION; THEY ARE THE BASIS FOR OUR POSITION THAT THE PRESENT EXCISE TAX OF 3 CENTS A POUND ON PHILIPPINE COCONUT OIL (COUPLED WITH THE FACT OF A 5-CENT EXCISE TAX ON COCONUT OIL FROM OTHER SOURCES) HAS LEFT UNCHANGED THE STATUS OF BOTH THE PHILIPPINE COCONUT-GROWER, THE PHILIPPINE CRUSHERS, AND THE CRUSHERS IN THE UNITED STATES, AND SHOULD BE RETAINED WITHOUT CHANGE.

Further proof is found in the commercial record which shows that no damage has come to any actual Philippine interest because of the tax or since it was imposed. There are some changes in shipments, in use of oils, but as stated in my preliminary brief, total sales, prices paid, and total receipts for copra and oil, sold in the United States, have increased since the tax went into effect. (See tables I and VI in the appendix.)

CONTINUATION OF TAX WILL INCREASE USE OF LAND AND LABOR IN UNITED STATES FOR PRODUCTION OF OILS.

Argument was also implied by questions propounded by one member of the Committee that the increase in production of domestic fats and oils, which would come about by the gradual curtailment of imports of other fats and oils, would not result in an "increase in wealth" because consumers would pay for the domestic products at a higher price.

This is a problem in applied economics which we leave to the Commission to work out if it has the time, commenting only that it may well be the dividing question between internationalistic and a nationalistic school of thought. But we believe that there are existing domestic resources of land and of labor capable of producing the fats and oils which we need, which are not now used for this purpose. This land is partially unused and deteriorating in value, and is partially used for the production of crops which are not needed in our own country, and are unsalable abroad, except at prices below our costs of production. Because of these facts we believe that the creation of opportunity to profitably use this labor and this land to produce what we do need, and will use at home, bears, at least the *prima-facie* evidence of being an opportunity for the production of "an increase in wealth".

REMISSION OF TAX ON DENATURED OILS WILL NOT IMPROVE CONDITION OF PHILIPPINE PRODUCERS NOR INCREASE THEIR SALES.

Such change would reduce the cost of coconut oil for soap-manufacture and for other industrial uses in the United States by the full amount of the tax and this artificial change in the market, and so far as can be forecast it would have the following effects:

First, it would cause a change in soap formulae. Since the tax reduction asked for would not affect the tax on palm, palm-kernel, or other taxable oils used in soap, this reduction in coconut-oil cost would cause soap manufacturers to shift their formulae as far as possible by replacing taxable vegetable oils with coconut oil.

Second, it would affect foreign trade with England and Holland. This would cause, undoubtedly, a sharp reduction in the use and in the purchase of palm oil and palm-kernel oil, shifting our foreign trade with England and Holland to a certain extent.

Third, effect on coconut-oil use would be limited. However, as pointed out in my statement and preliminary brief, the lauric [-acid] content of coconut oil limits its use to a certain extent.

The larger volume of alkali required to neutralize this [acid] causes irritant quality in the resulting soap.

Fourth, would depress prices of domestic fats and oils. Another factor would limit the amount of increase of coconut oil used, and this is the fact that domestic manufacturers of inedible oils (tallow and greases) and of oils which are inferior in quality and costly to refine to the point of edibility (fish oils, cottonseed foots, the low-grade corn oil and the low-grade soy-bean oils) who have no other market than for soap and industrial products, would be forced to reduce their prices to meet the two-cent reduction in the cost of coconut oil.

These two factors, the irritant quality of soap with too high coconut-oil content, and the price reduction of tallow, grease, soy-bean oil, corn oil, and foots, and soap stocks, would limit the increased use of coconut oil—just at what point, is unpredictable. But just as happened in 1933 and early 1934, there is no doubt that domestic-products prices would move to a price which would move the domestic production into consumption. While this lower price would have the same near-bankruptcy effect on domestic producers that took place in 1933 and 1934 up to the date the tax became effective, there is little doubt that it would curtail the purchase and use of even denatured coconut oil to a level not greater than that shown by consumption in 1933 and 1934. It would be of millions of dollars' benefit to domestic soap-manufacturers who use not only coconut oil but other imported crude oils and all kinds of crude and low-grade domestic fats and oils.

Fifth, would not help Philippine producers. With all domestic prices back down to 1933 levels, it is self-evident that this change in the United States will not be beneficial to Philippine producers selling in a world market. It might be beneficial to a few oil-crushers in the Philippines who could adapt their enterprises to making denatured oil, particularly to mills owned by American interests directly affiliated with or having close connections with the soap and other industrial users in the United States.

Sixth, would reduce the prices of all edible oils. The effects would not cease here. Whatever changes in soap formulae, etc., were made increasing use of denatured coconut oil and decreasing use of undenatured coconut oil or palm oil or palm-kernel oil, would certainly detour their replaced oils into edible uses if such an outlet can be found for them. Since there is an abundant supply of edible oils for these purposes now, when several

hundred million pounds of these oils go into edible channels, this dislocation and pressure for a market use is almost certain to have two results, one to force more palm and palm-kernel and coconut oil into lard-compounds in competition with cottonseed oil and lard, or into oleomargarine in competition with cottonseed oil, ultimately with butter; and, second, to set these foreign oils on a path to lower prices, thus also causing trends in the same direction for cottonseed oil, soy-bean oil, and corn oil.

Thus it appears as evident as any forecast can be convincing, that while no benefit will be provided for any real Filipino interests by this device, it is most likely to work real hardship to all domestic producers of oilseeds and all domestic crushers and processors; in other words, harm to all except the soap and other industrial users.

IMPORTANT REASONS EXIST FOR DEVELOPMENT OF LARGER OILS AND FATS PRODUCTION IN UNITED STATES.

In what may be termed the industrial development of agriculture, the place of fats and oils has become of greater importance in the past decade in the United States than in most other nations of the world. Almost unconsidered as agricultural assets until the World War, fats and oils then came into a position of great importance. As a munition material and as food their necessity became more clear. Few nations in the war list were self-sufficient in these products in 1917.

Spurred on by this fact, technical attention has been turned into this field with important results during the past 20 years. It was not until the Tax Act of 1934 that a real start was made in the United States toward a goal of self-sufficient domestic production to meet requirements. There is a cost-of-production problem involved which can be solved only by such help as has been given by this 3-cent tax.

One accomplishment of the 20-year period is the development of a fat content in our national diet, above that of any other nation, a fat content which is near to the *optimum* requirement set up by physicians and dietitians. Our diet is still deficient in fats of ample vital-element content (vitamin A). Efforts still persist to induce substitution of vitamin-deficient fats for vitamin-carrying fats; other than this the Nation is fairly supplied with edible fats. This must be maintained.

Another accomplishment of the 20 years is the advance in the scientific technique applied to fats in refining, deodorizing, and conditioning the liquid oils, in purifying and conditioning the animal fats, in improving the quality of butter and of lard, also in merchandising all of these products.

The *per-capita* consumption of soap, of lubricants, and of edible fat-compounds in the United States is the largest in the world. An equivalent use in other important nations would more [than] double the world use of all fats and oils.

But this development in the United States was accomplished up to 1934 by the importation and use of increasing amounts of foreign oils. Up to 1934 little had been accomplished toward increasing domestic production. In this country where opportunity exists for producing our total requirements, we were still absorbing increasingly large foreign supplies, forgetting and depreciating our own production. Yet as to other commodities as to which we are able to produce our own, we were doing so to an extent greater than in most other nations, and creating and protecting a higher cost of production, higher market prices and higher standards of living for all engaged in these enterprises.

Besides this, in drawing from abroad large quantities of cheaply produced fats and oils we were creating a privileged class of industrial processors and manufacturers. More important than this, as a matter of international fairness we were taking from other nations, not endowed by nature with ability to produce their own fats and oils, their legitimate source of supply of products [which] they could not themselves produce and which they greatly need.

I was told in London by an internationally famous dealer in dairy products: "We don't like to see you Americans buying Australian and New Zealand butter: We need that butter here for our English consumers." Germany, France, Italy all need an increasing supply of fats.

The fats and oil storehouses of the earth are in the Tropics, Africa, South America, and the Pacific and East Indian Islands, India, and China. Nations needing these products have colonies and possessions there partially for this reason.

The United States should not need these products from outside our own borders. We can produce them at home. We are granting freely the freedom of the Philippines because the Filipinos want it, because their natural products in large part are competitive with what our own lands and farmers are best qualified to produce.

Now we are face to face with the adjustment which must be made between a period in which we have paid the Filipinos vast sums to be dependent and a period in which we and they wish their complete independence, their ability to take their place as a nation among equal nations.

A first step was taken in 1934 when by this tax we resumed normal fats and oils prices in the United States. This permits the development of our own increased fats and oils resources, marine, vegetable, animal, a final long-time ultimate of independence as to fats and oils requirements.

To step backward now means a continuance of dependency. We do not want this; neither do the Filipinos. The next step forward should come, that is, a tariff on all coconut oil and on copra, not now but [at] a date in the future when it can be accepted by the Filipinos.

But for the present, for the first period after complete independence, the interests of both Nations and for most of their nationals will be best protected—the future most surely safeguarded by the continuance of the present excise tax of three cents on all Philippine coconut oil and a higher tax on all other coconut oil.

Respectfully submitted,

ASSOCIATION OF AMERICAN PRODUCERS
OF DOMESTIC INEDIBLE FATS

AMERICAN ASSOCIATION OF CREAMERY
BUTTER MANUFACTURERS

THE NATIONAL DAIRY UNION

By A. M. LOOMIS

WASHINGTON, D. C.

July 10, 1937.

Statistical Appendix

Attached to and a part of Supplementary Brief for Attention of Joint
Committee on Philippine-United States Trade Relations

TABLE I.—COCONUT-OIL IMPORTS FROM PHILIPPINES, 1919-1936

(In pounds, as oil and oil content of copra)

1919.....	444, 180, 160	1928.....	606, 950, 683
1920.....	349, 583, 251	1929.....	771, 666, 312
1921.....	308, 446, 916	1930.....	693, 015, 092
1922.....	395, 646, 502	1931.....	613, 686, 610
1923.....	391, 687, 237	1932.....	534, 815, 240
1924.....	408, 140, 090	1933.....	732, 452, 360
1925.....	462, 319, 307	1934.....	566, 319, 420
1926.....	533, 743, 234	1935.....	639, 510, 420
1927.....	577, 534, 368	1936.....	551, 695, 869

Source: Fer. Com. and Navigation, U. S., Department of Commerce.

TABLE II.—IMPORTS AND EXPORTS OF MAJOR FATS AND OILS, 1936*

	Imports (lbs.)	Exports (lbs.)	Import Balance (lbs.)
Coconut oil (as oil).....	322,065,000		
(as copra).....	229,640,000	17,510,000	534,195,000
Palm oil.....	338,789,000		338,789,000
Palm-kernel oil.....			20,140,000
edible.....	7,618,000		
inedible.....	12,522,000		
Sunflower oil.....			25,254,000
edible.....	24,713,000		
inedible.....	542,000		
Peanut oil.....	49,006,000		49,006,000
Sesame oil.....	49,000		49,000
Corn oil.....	28,672,000	929,000	27,643,000
Soy-bean oil.....	7,187,000	4,028,000	3,159,000
Cottonseed oil.....	127,787,000	2,955,000	124,832,000
Rape-seed oil.....	63,201,000		63,201,000
Edible animal oils (inc. lard).....	22,103,000	128,507,000	-106,404,000
Other vegetable oils.....	47,252,000	7,886,000	39,366,000
Animal oils; greases.....	89,772,000	20,347,000	69,425,000
Oil seeds.....	†211,311,000	109,179,000	102,132,000

*Does not include olive oil, castor oil, drying oils, or butter.

†Does not include copra.

Source: December 1936 Summary Foreign Commerce.

TABLE III.—IMPORTS OF THREE MAJOR OILS, 1919-1936

Year	Coconut oil	Palm oil	Palm-kernel oil
1919.....	281,063,000 lbs.	41,817,000 lbs.	1,929,000 lbs.
1920.....	214,014,000	41,948,000	1,693,000
1921.....	189,174,000	23,155,000	2,883,000
1922.....	226,214,000	57,516,000	2,179,000
1923.....	181,909,000	128,494,000	2,565,000
1924.....	224,769,000	101,779,000	4,738,000
1925.....	232,951,000	139,178,000	52,624,000
1926.....	245,456,000	130,746,000	74,979,000
1927.....	293,407,000	159,911,000	43,127,000
1928.....	290,696,000	169,227,000	53,812,000
1929.....	411,979,000	261,816,000	69,909,000
1930.....	317,951,000	287,492,000	38,970,000
1931.....	325,180,000	258,155,000	22,992,000
1932.....	249,143,000	217,167,000	2,110,000
1933.....	316,103,000	287,482,000	12,956,000
1934.....	314,804,000	155,531,000	12,753,000
1935.....	353,406,000	297,579,000	58,571,000
1936.....	322,065,000	338,789,000	20,141,000

Source: Foreign Com. and Navigation, U. S. Department of Commerce.

TABLE IV.—DOMESTIC PRODUCTION OF FOUR MAJOR VEGETABLE OILS, 1919-1936

Year	Soy-bean oil	Corn oil	Peanut oil	Cottonseed oil
1919	-----	97, 400, 000 lbs.	87, 607, 000 lbs.	1, 325, 333, 000 lbs.
1920	-----	98, 819, 000	13, 085, 000	1, 211, 464, 000
1921	-----	87, 481, 000	33, 234, 000	1, 309, 183, 000
1922	1, 482, 000 lbs.	111, 508, 000	22, 644, 000	930, 475, 000
1923	759, 000	111, 543, 000	5, 359, 000	1, 002, 922, 000
1924	2, 269, 000	117, 064, 000	6, 691, 000	979, 617, 000
1925	2, 638, 000	104, 153, 000	15, 156, 000	1, 403, 781, 000
1926	2, 659, 000	120, 041, 000	10, 644, 000	1, 617, 015, 000
1927	4, 374, 000	117, 441, 000	10, 590, 000	1, 887, 910, 000
1928	7, 285, 000	124, 327, 000	12, 439, 000	1, 476, 609, 000
1929	12, 591, 000	133, 680, 000	16, 131, 000	1, 604, 131, 000
1930	39, 129, 000	120, 747, 000	25, 495, 000	1, 572, 322, 000
1931	39, 149, 000	113, 145, 000	13, 730, 000	1, 416, 800, 000
1932	39, 445, 000	106, 496, 000	12, 845, 000	1, 571, 048, 000
1933	26, 533, 000	128, 616, 000	12, 563, 000	1, 399, 655, 000
1934	35, 365, 000	114, 609, 000	47, 045, 000	1, 224, 084, 000
1935	105, 056, 000	99, 787, 000	44, 673, 000	1, 184, 039, 000
1936	225, 297, 000	127, 170, 000	70, 214, 000	1, 247, 298, 000

Source: Bureau of Census, U. S. Department of Commerce.

TABLE V.—DOMESTIC PRODUCTION OF INEDIBLE TALLOW AND GREASES

	Tallow, inedible (lbs.)	Greases (lbs.)
1929	425, 637, 549	284, 430, 043
1930	448, 457, 577	271, 778, 898
1931	490, 739, 946	281, 797, 594
1932	479, 959, 790	242, 958, 564
1933	565, 745, 654	264, 622, 377
1934	589, 462, 460	279, 828, 088
1935	392, 150, 076	206, 217, 586
1936	480, 735, 693	247, 387, 384

Source: Bureau of Census.

TABLE VI.—PRICES OF PRINCIPAL DOMESTIC AND IMPORTED FATS AND OILS

	1933		1934		1935		1936		1937 Jan. 1
	Jan. 1	July 1	Jan. 1	July 1	Jan. 1	July 1	Jan. 1	July 1	
Soy bean	3. 05	7. 4	5. 65	5. 8	7. 7	7. 7	7. 6	7. 9	9. 8
Corn	3. 0	6. 3	3. 7	5. 2	9. 9	8. 7	9. 6	8. 9	10. 5
Inedible Tallow	2. 35	3. 66	2. 73	3. 78	5. 79	5. 65	5. 74	5. 64	8. 79
Cottonseed	2. 90	5. 45	3. 56	5. 10	9. 58	8. 45	8. 91	8. 45	10. 36
Coconut	2. 96	3. 12	2. 62	2. 25	4. 15	3. 34	4. 56	4. 28	9. 02
Palm	3. 1	4. 5	3. 9	3. 1	4. 2	4. 4	4. 6	4. 4	6. 8

Source: Bur. Agr. Economics, U. S. Department of Agriculture.

TABLE VII.—PRICES OF COPRA, 1926-1936

	Manila (cents per kilo)	London (£ s. p per ton)	Marseille (francs per ton)
1926-----	9. 78	28-12- 6	640
1927-----	5. 90	27- 7- 6	483
1928-----	8. 85	26-17- 6	477
1929-----	7. 52	23- 1- 3	418
1930-----	6. 07	18-11- 7	357
1931-----	3. 37	13-19- 7	225
1932-----	2. 84	14-18-11	193
1933-----	2. 24	11- 6-11	146
1934-----	1. 96	9- 6- 8	117
1935-----	4. 17	12-14-10	172
1936-----		15-12- 2	236

(Manila price from U. S. Tariff Commission Rep. No. 115)

(London and Marseille price from Fehr's Review, 1936.)

**BRIEF
OF THE
NATIONAL DEVELOPMENT COMPANY**

(1199)

BRIEF
OF THE
NATIONAL DEVELOPMENT COMPANY

MANILA, *September 10, 1937.*

THE CHAIRMAN,
JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Legislative Building,
Manila.

SIRS:

Heeding our President's appeal that "every Filipino with any constructive ideas should appear before this Committee and offer his suggestions", we are taking the liberty to submit the following:

1. It is understood that the Joint Committee has been appointed to study the probable effect of the shortening of the transition period as provided in the Tydings-McDuffie act on the Philippine national economy.

2. It is generally assumed that, in as much as the present Philippine economy developed under the egis of free trade with the mother country, any abrupt and complete cessation of the benefits afforded to us by that arrangement will result in the economic chaos for the Philippines. If shortening of the transition period will also mean placing the Philippines entirely outside of the American tariff wall without preferential trade arrangement, the effect would be collapse of our economic structure. However, under certain preferential arrangement, the Philippine economy can be placed on a permanent and more sound basis, if the right governmental policies are adopted.

3. The following considerations may be within the line of your enquiry:

The fact that the present Philippine economy centers around the production of export crops such as sugar, copra and tobacco, has diverted our attention from the prime objective which production in a country which must insure the health of the people, should follow. Importation of expensive daily necessities in exchange for our cheap raw materials has left the great mass of Filipinos in a situation where they have been unable to secure for themselves an abundance of supplementary prime necessities, which would insure for them excellent health. The fact that our principal staple export crops have absorbed the strength and energy of the people have precluded the development of food industries which can supply elaborated food materials at prices within the reach of the common people. Hence, the prevalence of body ills among them that can directly be traced to faulty diet. If the shortening of the transition period shall be effected with preferential trade between the Philippines and the mother country and

the abrupt cessation of the benefits derived from the free trade will be avoided, and a chance given to present export crops to be adjusted in the direction of liquidation of those which are not essential to the health of the people and for which no suitable free market can be found, it will undoubtedly eventually work for the best interest of the country. It may be stated that, in the case of export crops, their final liquidation could only be effectively brought about by shortening the transition period, as this will eliminate the existing expectation for the continuance of a *status quo*, a policy to which those connected in the production of certain export crops have persistently clung to, so that no earnest effort has been made to find solution in another direction. In a word, the way to force a solution to the problem of these crops is to press them to liquidate.

If the Philippines are to be given independence in one or two years and at the same time preferential trade with America could be arranged on the basis that would be beneficial to both countries, it is believed that the Commonwealth Government and the people would be greatly benefited if the following courses will be taken:

1. Orderly liquidation of a substantial portion of the sugar industry;
2. Development of food industries including dairy;
3. Improvement and modernization of the copra and abaca industries;
4. Development of our power resources;
5. Manufacture of fertilizers;
6. Development of our mines, such as coal, iron, gold and other valuable metals;
7. Development of free-market crops, such as rubber, pepper, derris, kapok, cacao, coffee, cassava, etc.;
8. Improvement and expansion of our home textile industry for cheap wear.

While the development of the foregoing industries will, to some extent, cut the present importation into the Islands of American products, they will, on the other hand, call for other materials not now imported, and at the same time increase the importation of others such as machinery, transportation equipments, and many articles from highly specialized factories.

Industrialization of our raw materials will immediately make possible the utilization of farm by-products, for instance, from coconut and abaca, of which large amounts are now going to waste. It will also utilize our natural resources to much greater extent.

While doubts have been expressed as to whether we have the means and the skill to develop our economy along the lines indicated, it is

believed that such doubt only exists in the minds of those who are for the *status quo* of our economy. But once the situation is upon us by the shortening of the transition period, there is great probability that under the proper governmental policy, in the direction of providing better means of transportation, better credit facilities at lower rate of interest for producers and manufacturers and an effective system of long-term financing based on small landed ownership and discouragement of absent landlordism, the course outlined would not only be feasible but also highly desirable from the ultimate health and happiness point of view of the majority of the people.

Should the Committee consider that further elaboration of the topics outlined in this communication would help in the elucidation of the problems which it is studying at present in connection with the short transition period advocated by His Excellency the President of the Commonwealth of the Philippines, the undersigned would be very willing to furnish them all the data necessary in writing or otherwise as it may desire.

Very respectfully,

VICENTE C. ALDARA
(*Industrial Technologist*)

MANUEL L. ROXAS
(*Chief, Technical Staff*)

**BRIEF
OF THE
NATIONAL INSTITUTE OF OILSEED PRODUCTS**

(1208)

BRIEF
OF THE
NATIONAL INSTITUTE OF OILSEED PRODUCTS

To THE JOINT COMMITTEE ON PHILIPPINE AFFAIRS:

The membership of this institute comprises: The oilseed crushers' operating plants on the Pacific coast; the oil-importers and dealers in the Pacific-coast ports; the various manufacturers, users of vegetable oils, operating plants on the Pacific coast.

The traffic in copra and coconut oil is of great importance to us and, therefore, we are vitally interested in any developments which might affect our trade in these commodities with the Philippine Islands.

The following figures will show clearly the importance of this commerce both to the Philippine Islands and the United States:

The imports for U.S. consumption of coconut oil were:

In 1934	314, 802, 433 lbs.
In 1935	353, 396, 002 lbs.
In 1936	322, 065, 415 lbs.

All imported from the Philippine Islands.

The imports of copra for crushing in the U.S. were:

In 1934	399, 233, 989 lbs.
of which from the Philippine Islands	338, 087, 304 lbs.
In 1935	454, 134, 203 lbs.
of which from the Philippine Islands	441, 065, 840 lbs.
In 1936	364, 493, 443 lbs.
of which from the Philippine Islands	357, 766, 579 lbs.

Taking an average yield of 63 percent oil from copra, the coconut-oil equivalent of these copra importations is:

In 1934	251, 517, 400 lbs.
In 1935	286, 104, 547 lbs.
In 1936	229, 630, 869 lbs.

Consequently, the total coconut-oil imports, both in the form of oil and in the form of oil as copra, were:

In 1934	558, 319, 833 lbs.
In 1935	639, 500, 549 lbs.
In 1936	551, 696, 284 lbs.

of which the Philippine Islands furnished:

In 1934	314, 802, 433 lbs. as oil
	212, 995, 039 lbs. as copra
Total	527, 797, 472 lbs.
In 1935	353, 396, 002 lbs. as oil
	277, 871, 503 lbs. as copra
Total	631, 267, 505 lbs.
In 1936	322, 065, 415 lbs. as oil
	225, 393, 944 lbs. as copra
Total	547, 453, 359 lbs.

No material quantity of coconut oil is imported for U.S. consumption from countries other than the Philippine Islands, because Philippine coconut oil is admitted free of duty, while oil from other foreign countries is subjected to a duty of 2 cents per pound.

The products of the coconut, copra and coconut oil, constitute one of the main sources of Philippine wealth and one of its main exports. The welfare of that business greatly affects the buying-power of the Philippine population; this, in turn, affects the business in American manufactured goods bought by and exported to the Philippine Islands.

The continental United States do not produce enough fats for their consumption. The main source for supplying this deficiency for both the edible and the soap trade has been heretofore coconut oil.

The above figures show the importance of the Philippine Islands as suppliers.

Copra, from which coconut oil is crushed, is a world commodity. By this we mean that all consuming countries, i.e., the U.S., the European countries and, to a certain extent, Japan, are buying their supplies competitively in the tropical producing centers. There is also a certain local consumption right in the countries of production. According to market conditions, and to crop conditions, the buying shifts from place to place, to fit the exigencies of trade, shipping facilities, and also because there is a difference in quality between the various producing centers.

Therefore, the United States should be on a world-trading basis, free to compete with other buying countries.

This was so up till 1934, when the Congress of the United States saw fit to change these world-trade conditions, by levying a non-uniform processing tax on coconut oil. Therefore, we have to view this new situation where the Philippine Islands have been put on an entirely different basis from that of the other producing centers.

The processing tax on coconut oil, whether imported or crushed in the United States is 5 cents per pound, but by special stipulation of the Revenue Act of 1934, the processing tax on Philippine coconut oil, or coconut oil produced in the United States from Philippine copra, is 3 cents per pound.

The import duty on coconut oil from countries other than the Philippine Islands is 2 cents per pound.

Therefore, the importation of coconut oil from countries other than the Philippines is practically impossible because the duty and tax burden is greater by 4 cents per pound than on Philippine oil.

Likewise, the importation of copra for crushing in the United States from countries other than the Philippine Islands has become

impossible because a difference of 2 cents per pound in the processing tax on the resultant oil is equivalent to \$25.20 per short ton of copra, which is an insurmountable obstacle for a commodity the delivered value of which is only on an average from \$50 to \$60 per short ton.

Consequently, under these present conditions, the United States must rely for their supply entirely upon the Philippine Islands.

As a natural result of the United States having withdrawn from other markets, the latter must rely entirely for their outlet upon Europe which now can buy at these points without the competition of the United States, with the effect that the European markets, generally, are on a much lower level for both coconut oil and copra than the United States.

It follows, then, that just as we have to rely for supplies entirely upon the Philippine Islands, they in turn have to depend almost entirely upon the United States for the absorption of their exports.

We are strongly of the opinion that, under these conditions, any change in the present economic relations between the United States and the Philippine Islands would very adversely affect the coconut-growing industry in the Islands, and consequently the buying-power of their population for American-manufactured goods, and at the same time would work a very grave hardship on the American vegetable-oil industry, and on the American industries using vegetable oils.

We even venture the assertion that any change advancing the excise on oil from Philippine copra to that imposed on other sources could and undoubtedly would mean the extinction of the copra-crushing industries in continental United States.

Therefore, after an exhaustive study of the whole question, we now strongly recommend that the economic provisions of the Tydings-McDuffie act be left absolutely unaltered because:

If the Philippine Islands should be placed on the same basis as other countries, under the present provisions of the revenue act having to pay, then, a processing tax of 5 cents per pound on coconut oil, whether imported or manufactured here from Philippine copra, the price of the commodity would become prohibitive for most uses, the tax being about 100 percent of the value of the oil, and therefore the consumption of coconut oil in the United States would be practically nil. This is neither surmise nor guess, years of experience in the trade having shown us that whenever an interchangeable commodity advances unduly as compared to other oils and fats, that commodity is discarded by the users and replaced by substitutes.

This coconut oil, then, would be replaced by cheaper substitutes, chiefly Chinese and Japanese cottonseed oil and sesame oil; European

crushed palm-kernel oil; Brazilian babassu oil, and any other oils which could be imported with a lower combined duty and tax burden than 5 cents per pound, many of which have already been found to be satisfactory substitutes both for edible and technical purposes.

As an illustration of this we may cite, for instance, that during the entire year 1936 there were imported only 20,141,114 pounds of palm-kernel oil. When, during the early part of the present year, due to a small crop in the Philippine Islands, the price of copra and the resultant coconut oil advanced to a price which the American consumers could not afford to pay, the consumers switched from coconut oil to palm-kernel oil and the importations of palm-kernel oil rose to 55,604,002 pounds, for the period January-May 1937, and according to reliable and verified reports, there is a further quantity of not less than 50,000,000 pounds [of] palm-kernel oil still to arrive against contracts closed during the period of too high prices for copra and coconut oil.

As a natural result of this, American and Philippine copra-crushers will find a lesser demand for their oil output which they in turn must translate into correspondingly smaller purchases of copra from Philippine copra-producers.

Prior to the imposition of the processing tax, the average yearly imports for the period 1930-1934 were:

Coconut oil.....	304, 636, 054 lbs.
Copra 513,567,707 lbs., equivalent to oil.....	323, 547, 655 lbs.
Total coconut oil.....	628, 183, 709 lbs.

Due to crop failures in the United States, and also to the economic dislocation of the European structure, the imports during 1935 were practically the same, but when during 1936 trade both at home and in Europe readjusted itself, the effect of the tax began immediately to be felt, and total importations during 1936 of both coconut oil and copra (calculated as oil) dropped to 551,696,284 pounds.

At the same time the importations of substitute oils increased from:

	Average 1930-1934 (yearly average)	To 1936
Cottonseed oil.....	14, 723, 851 lbs.....	127, 736, 806 lbs.
Peanut oil.....	2, 261, 493 lbs.....	49, 006, 231 lbs.
Rapeseed oil.....	13, 476, 796 lbs.....	63, 201, 300 lbs.
Sesame seed.....	55, 322, 802 lbs.....	117, 795, 133 lbs.

Some of the increase in imports of cottonseed oil and sesame seed must be attributed to the small U.S. cotton crop, but it shows quite clearly, however, that smaller importation and consumption of coco-

nut oil was balanced and replaced by the increased imports of other foreign oils.

Incidentally, these figures also prove, again, that the United States do not produce enough fats for their own consumption and is compelled to import foreign fats to fill the shortage.

With these figures before us, it is not difficult to forecast what would happen to the copra and coconut-oil industries if the present tax burden were increased by another 2 cents per pound or another 40 percent of the present price.

The entire United States coconut-oil market would be practically lost. Our American crushing plants would be closed and all our laborers and technical personnel thrown out of work.

The Philippine Islands would have to rely entirely for an outlet upon Europe, where, quite naturally, the price-level would again be reduced and thus very adversely affect the earning and spending power of the Philippine producers.

Worst of all, Europe could buy cheap copra and produce and use cheap coconut oil. Then they could buy duty-free (for them) palm-kernels, sesame seed, cottonseed, et cetera, produce therefrom oils at a cheaper cost of operation than the United States labor cost, retain in Europe the by-product (oil cake for cattle feed) where the market is generally higher for cattle feed than in the United States where such oils would enter with lower duties, or lower processing taxes, than the 5-cents-per-pound processing tax on coconut oil.

Palm-kernel oil pays 3 cents per lb. processing tax.

Cottonseed oil pays 3 cents per lb. duty.

Sesame oil pays 3 cents per lb. duty.

Peanut oil pays 4 cents per lb. duty.

Babassu oil is free of duty and free of processing tax.

The American consumers would have to use poorer-quality substitutes and pay tribute to Europe, Japanese and Chinese oil-crushers; our American copra-crushing plants would be closed; the Philippine coconut-growers would obtain far less returns for their produce than they are obtaining now.

We say that the Philippine copra-crushing plants would also be closed because in most European countries importation of the raw material is encouraged by imposing duties on the imported oils.

The interest of the entire coconut-growing industry in the Islands, the oil-crushing industry in continental United States, and those of the American industries using this coconut produce would be simply sacrificed for the benefit of European, Japanese and Chinese vegetable-oil crushers.

In presenting this brief the institute has confined itself to the minimum data necessary to impress the Joint Committee with its strong conviction that present economic relations between the United States and the Philippine Islands, so far as copra and coconut oil are concerned, should remain unaltered, adjusting themselves, prior to independence, in an orderly fashion as contemplated by the Tydings-McDuffie act.

Respectfully submitted,

NATIONAL INSTITUTE OF OILSEED PRODUCTS
By B. T. ROCCA, *President*

BRIEFS
SUBMITTED BY THE
NATIONAL LUMBER MANUFACTURERS ASSOCIATION

(1211)

BRIEF
OF THE
NATIONAL LUMBER MANUFACTURERS ASSOCIATION

WASHINGTON, D.C., *July 9, 1937*

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Old Land Office Building, Room 206,
Washington, D. C.

GENTLEMEN:

On June 14 notice was filed with you that the National Lumber Manufacturers Association would file a written statement by July 10 on behalf of interested lumber groups.

There is accordingly filed herewith, in fifteen copies, information supplied by the following regional associations of American lumber manufacturers:

Appalachian Hardwood Manufacturers, Inc., of Cincinnati, Ohio.

Its statement was mailed to us on July 8, 1937.

Northeastern Lumber Manufacturers Association, Inc., which represents manufacturers of softwood and hardwood lumber in New England and other northeastern States.

Southern Hardwood Producers, Inc., representing manufacturers of hardwood lumber throughout the Southern States.

West Coast Lumbermen's Association, on behalf of manufacturers of lumber, doors and plywood in western Oregon and western Washington.

The Northern Hemlock and Hardwood Mfrs. Association, Oshkosh, Wisconsin, whose member mills are located in Wisconsin and Michigan, advises us on July 9 that it desires to file information supplemental to the statements we are now filing and will get such supplement to the Committee in San Francisco before July 20.

Yours truly,

WILSON COMPTON

**THE INTEREST OF THE LUMBER INDUSTRY OF THE
PACIFIC NORTHWEST IN PHILIPPINE TRADE**

A BRIEF OFFERED TO THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS, BY THE WEST COAST LUMBERMEN'S ASSOCIATION, SEATTLE, WASHINGTON

The West Coast Lumbermen's Association, which submits this brief, is a trade organization representing loggers and lumber-manufacturers in the Douglas-fir region of Western Oregon and Western

Washington. The association has 186 members in these industries and represents approximately 75 percent of their total production.

This industry has had a much larger volume of shipments to the Philippine Islands than any other lumber-producing section of the United States.

PHILIPPINE PREFERENTIAL TARIFFS ON AMERICAN LUMBER

The present Philippine tariffs on timber products, from which American goods are exempted, are:

Logs, poles, hewn timber, etc., \$3.54 per M board feet (equivalent to \$1.50 per cubic meter).

Rough boards, etc., \$4.72 per M board feet (equivalent to \$2.00 per cubic meter).

Lumber and its products, planed or otherwise further manufactured 20 percent *ad valorem*.

The unit tariffs represent normally from 12 to 15 percent of the delivered value.

VOLUME OF NORTHERN PACIFIC-COAST LUMBER EXPORTED TO PHILIPPINE ISLANDS

Lumber shipments to the Philippine Islands from Oregon, Washington and British Columbia, 1920 to 1937, are reported as follows by the Pacific Lumber Inspection Bureau, Seattle, Washington:

Year	From Wash- ington	From Oregon	From British Columbia	Total
	<i>Ft. B. M.</i>	<i>Ft. B. M.</i>	<i>Ft. B. M.</i>	<i>Ft. B. M.</i>
1920-----	2, 141, 486	2, 283, 379	2, 996, 123	7, 420, 988
1921-----	2, 649, 855	8, 955, 340	103, 225	11, 708, 420
1922-----	704, 169	726, 417	94, 764	1, 525, 350
1923-----	3, 190, 332	2, 224, 505	126, 325	5, 541, 162
1924-----	1, 780, 799	4, 856, 151	—	6, 636, 950
1925-----	3, 016, 800	3, 109, 566	—	6, 126, 366
1926-----	5, 236, 877	3, 972, 940	15, 392	6, 335, 239
1927-----	3, 790, 579	586, 906	1, 047, 775	5, 405, 260
1928-----	4, 012, 687	766, 245	—	4, 778, 932
1929-----	5, 402, 920	1, 291, 799	—	6, 694, 719
1930-----	1, 552, 656	1, 686, 820	—	3, 239, 476
1931-----	1, 570, 185	550, 684	—	2, 120, 869
1932-----	558, 648	878, 341	—	1, 436, 989
1933-----	906, 290	399, 559	—	1, 305, 849
1934-----	1, 323, 272	1, 049, 875	—	2, 373, 147
1935-----	1, 873, 971	440, 326	—	2, 314, 297
1936-----	1, 712, 439	1, 605, 379	99, 816	3, 417, 634
1937 (4 mos. Wash. & Ore.)	1,551,460-----	—	384	1, 551, 844

The shipments from British Columbia are shown, since this Province produces species and items of lumber identical with those manufactured in Oregon and Washington. British Columbia is a natural competitor of the Pacific Northwest in all markets.

The table indicates that in the past ten years, British Columbia lumber shipments to the Philippine Islands have practically ceased. Relatively small amounts of lumber, including products remanufactured from North American logs, have been shipped to the Philippines from China and Japan. The preferential tariff has, however, largely limited importations to lumber produced in the United States.

CHANGING REQUIREMENTS OF PHILIPPINE LUMBER MARKET; IMPORTANCE OF RECENT MINING DEVELOPMENTS

A wealth of domestic woods supplies the great bulk of Philippine requirements for housing, general construction and wood-fabricating industries. In recent years, imports from the Pacific Northwest have consisted largely of clear fitches, designed for remanufacture into millwork and other factory products, and large timbers required in heavy construction. Hence, the volume of Pacific Northwest lumber exports has been limited.

The importance of the Philippine market, however, has been greatly increased by recent mining developments in the Benguet Province. For many years the gold mines of this region have utilized native pine timber. The supply of such timber is limited and active expansion in mining during the past two years indicates that in the future a substantial volume of mining lumber must be imported. Orders have been placed with one Pacific Northwestern firm for 8,400,000 feet of Douglas-fir mining timbers, required by three of the mines in the Benguet Province. Other mining companies are considering extensive purchases of Pacific-coast lumber.

Since approximately twenty mines are operating at the present time, it is estimated by engineers familiar with the region that the requirements of the district for imported lumber will average at least one million board feet per month.

These purchases are of the export-mining grade of Douglas fir. They take the lower grades produced in manufacturing the log, in sizes ranging roughly from 4 x 4 inches upward and with a wide range of lengths. The business is very desirable to Douglas-fir mills, as a means of utilizing low-grade material which it is increasingly difficult to market in the United States. The availability of such a market, in substantial proportions, will also permit the utilization of more low-grade timber and logs, now abandoned in Pacific Northwest logging operations for lack of market.

The lumber industry of Western Oregon and Western Washington has suffered severely from the loss of former offshore markets, where the low-grade inner sections of old-growth Douglas-fir logs and the knotty, coarse-grain material in small, rough logs could be marketed in the form of large "squares", heavy plank and similar items. The loss of these export outlets has caused an oversupply of the domestic market with low-grade lumber and greater waste at the sawmills in the utilization of their logs. The opening up of an important market in the Philippines for mining timbers is one of the most encouraging developments which has come about in the West-coast lumber industry for several years.

COMPETITION FROM BRITISH COLUMBIA IN SUPPLYING PHILIPPINE LUMBER MARKET IF AMERICAN PREFERENCES ARE WITHDRAWN

The competitive situation between Oregon-Washington sawmills and those in British Columbia, in the event of tariff parity in the Philippine Islands, must be fully recognized.

The natural competition between these lumber industries, operating in the same Northern Pacific forest belt and under physical conditions largely similar, has been radically changed in recent years by two facts. These are:

Preferential tariffs favoring Canadian lumber in the British Empire. This factor is discussed more fully hereafter.

Rising labor costs in the Oregon-Washington industry, causing a much greater cost of production than in British Columbia.

This situation has been recently set forth in "Comments on Report of U.S. Tariff Commission", filed with the Committee for Reciprocity Information, Washington, D.C., by the National Lumber Manufacturers Association on June 18, 1937. Reference to the "Comments" is made for further details.

In brief, the operation of the National Industrial Recovery Act and subsequent labor relations in the Pacific Northwest have advanced the average wage in the logging and sawmill industry of Western Oregon and Washington to \$6.08 per eight-hour day in April 1937, as compared with an average wage in the British Columbia industry (based upon partial information from the highest wage-paying operations) of \$4.56. The American industry is on a universal maximum-work week of forty hours, while forty-eight hours remains the minimum in British Columbia. The difference in wages represented, in April 1937, a lower production cost in British Columbia of at least \$3 per M board feet; aside from the further reduction in *pro-rata* cost of all fixed charges due to a forty-eight-hour work week.

The ability of the British Columbia industry to undersell the Oregon-Washington industry in "open" markets, not affected by tariff

preferences, is shown by the declining trade which the American mills have obtained during the past eight years. The Oregon-Washington industry supplied 82.5 percent of the "open" market exports in 1929 and dropped to 72 percent in 1936. For example, in 1929 British Columbia mills supplied 12 percent of the Chinese trade, one of the principal outlets for the lower grades of Douglas fir. In 1936, 55 percent of the total Chinese volume was taken by British Columbia.

There are, of course, limitations upon the ability of the British Columbia industry to take open markets for Douglas-fir exports. The Province has an insufficient volume of production to supply all open markets, in addition to its protected British Empire markets; long-standing trade relations have been maintained by American mills in some cases; and American mills often take foreign business at competitive prices, below actual cost, in order to utilize their low-grade production or the particular types of logs in hand, or from necessity to move stock accumulations.

The essential point is that the ability of the British Columbia industry to take any market which it finds profitable at the moment and for which it has suitable grades of timber has been well demonstrated in recent years. This would be true particularly of a Philippine market for mining timbers, an easily manufactured item and a desirable outlet for low-grade material—to any Douglas-fir sawmill.

PROBABLE COMPETITION FROM THE ORIENT THROUGH REMANUFACTURE OF PACIFIC-COAST LOGS

A very serious problem in Pacific lumber trade, to the American industry and its employees, is involved in the *increasing export of logs* to China and Japan, for remanufacture by their cheap labor. Such exports are definitely encouraged by the tariff policies of these two countries, through lower duties on logs than on the lumber manufactured therefrom.

Records compiled by the Bureau of Foreign and Domestic Commerce show an export volume of Oregon-Washington logs to China of 543 M feet in 1933, increasing to 41,539 M feet in 1936. To Japan, the log exports of 116,336 M feet in 1933 increased to 186,002 M feet in 1933 [? 1936].

Among the reasons for believing that, under tariff parity, lumber manufactured in the Orient would substantially displace lumber manufactured in the United States, are:

1. The disparity in labor costs, as, for example, between Japanese and Oregon-Washington sawmills. The *Oriental Economist* for May 1937 gives the average labor wages in the lumber

and woodworking industry of Japan, for 1935, as 12.8 sen per hour and 0.99 yen per day. Using the 1935 value of the yen at 28.7 cents, these wages were equivalent in American money to 3.67 cents per hour and 28.41 cents per day. The average wage in the West-coast logging and lumber industry, in 1935, was 61 cents per hour and \$4.89 per day. At the present time, it is 76 cents per hour and \$6.08 per day. The same publication gives the percentage of wages to total cost of production in the lumber and woodworking industry of Japan as 12.3 percent. In the west-coast industry it is 45 percent.

2. The aggressive and successful policy of Japan in extending her manufacture and trade, through the employment of her labor on imported raw materials; together with the Japanese commercial and distribution agencies now well established in the Philippine Islands.

3. Such facts as that an American firm which formerly sold box shooK in the Philippines for coconut crates has lost this business to Japanese, who manufacture shooK from hemlock logs imported from our Pacific coast.

4. The present serious competition experienced in the Pacific Northwest by manufacturers of veneers and panels from Philippine logs or fitches with competitive products manufactured in Japan from the same Philippine woods. Japanese veneers and panels, from Philippine raw material, are now selling on the Pacific coast at approximately 50 percent of the prices asked by American manufacturers.

It is our conviction that, under tariff parity in the Philippines, Japanese and Chinese lumber-manufacturers would enter that market actively, underselling products of the Pacific Northwest; and that, in the absence of cheaper timber of their own, they would enter it with lumber manufactured from Pacific-coast logs.

It must be plainly recognized that, between the competition of British Columbia on the one hand and the Orient on the other, Oregon and Washington stand to lose the Philippine lumber market if existing American preferences are withdrawn.

EFFECT OF BRITISH EMPIRE PREFERENTIAL TARIFFS UPON WEST-COAST LUMBER TRADE

We believe the existing set-up in Philippine trade should not be dealt with as an isolated matter, apart from other trade relations affecting the same American industries. Hence, we cite briefly the effect upon the lumber industry in Oregon and Washington of the

preferential tariffs against our products throughout the British Empire. This situation has been set forth fully in briefs filed with the State Department. It has been recognized by the Department as a serious loss to American trade and employment; and its correction is understood to be a definite objective of the reciprocal trade program.

Following preferential trade agreements by Canada with Australia, United Kingdom, New Zealand and South Africa, the proportion of the trade in Northern Pacific-coast lumber with these markets taken by American mills has dropped from 74.5 percent in 1929 to 6 percent in 1936. In 1936 the loss in American trade volume approximated 380 million board feet; the loss in dollar volume, over \$8,000,000; and the loss in employment, some 3,000 workers.

EFFECT OF LUMBER CONCESSIONS IN RECIPROCAL TRADE AGREEMENT WITH CANADA

Also because we believe that Philippine relations should not be considered separately from the trade of the United States as a whole, we cite the effect of the reciprocal-trade agreement with the Dominion of Canada. By its terms, the existing tariff and excise tax on lumber imports were reduced by 50 percent; and this reduction was extended, by generalization, to every other country which exports lumber to the United States. But this concession was made without any equivalent reciprocity in the British Empire lumber markets, in which Canada retained her full preferred position. In the first year's operation of the agreement, lumber imports of the United States increased 50 percent. Lumber exports slightly declined.

The west-coast lumber industry long supplied one half or more of the total foreign trade in American lumber. It has supplied about one third of the domestic consumption of lumber in this country. The net effect of the trade developments since 1929, the Canadian agreement at home and the British Empire preferences abroad, has been to seriously decrease both the domestic and the foreign markets for this industry.

AMERICAN LUMBER PREFERENCES IN THE PHILIPPINE ISLANDS SHOULD BE TERMINATED ONLY IN CONNECTION WITH THE WITHDRAWAL OF PREFERENTIAL TARIFFS BY BRITISH DOMINIONS.

We respectfully submit that the present preferred position of American lumber in the Philippine Islands should not be dealt with as an isolated situation. The United States should not further surrender existing trade advantages and open its protected markets to

competing nations without equivalent concessions in their preferential markets.

In the case of lumber, this applies specifically to the preferential tariffs against American products now imposed by British Dominions.

Philippine trade, developed through long-established commercial relations, is a definite and promising asset of the West-coast lumber industry. We ask that this asset be conserved to the fullest extent possible and for the longest time possible, in future relations with the Islands.

We also ask that the offshore lumber trade of the United States be considered and dealt with as a whole, on a basis of general reciprocity. If trade preferences are to be abandoned as inconsistent with present policy, we urge that the United States be equally insistent in demanding the abandonment of foreign tariffs which discriminate against American lumber. Present trade advantages of our industry in the Philippines should not be withdrawn until compensating concessions of a definite and specific character are obtained in British Empire markets.

IMPORTANCE OF PHILIPPINE WOODS AS RAW MATERIAL FOR WEST-COAST DOOR AND PLYWOOD INDUSTRIES

Extensive use of Philippine logs or flitches is made by large plants in Western Oregon and Western Washington, engaged in the manufacture of doors and plywood. Approximately 20 percent of the products of these plants employ Philippine woods in part. Philippine woods are widely used in many other industries in this region, in the fabrication of millwork, cabinet work, furniture and like products.

As previously noted, veneers and panels manufactured from Philippine woods in Japan seriously compete with these products of the Pacific Northwest at the present time.

Philippine hardwoods constitute a natural source of supply for industries fabricating such products in the Pacific Northwest; and this business has been built up to an extensive degree through the many years of free trade with the Islands. An important market for Philippine woods in these fabricated forms has been established in the United States; and the volume of their consumption has grown materially since they were first introduced.

West-coast forest industries believe that these plants should be protected in their established use of Philippine logs and flitches and in the business that they have built up for the fabricated products therefrom. The preferential trade relations with the Philippines under which this important industrial development has become es-

tablished should not be disturbed without equivalent concessions in other markets.

Respectfully submitted,

WEST COAST LUMBERMEN'S ASSOCIATION
By W. B. GREELEY, *Secretary Manager*

SEATTLE, WASHINGTON,
June 29, 1937.

SOUTHERN HARDWOOD PRODUCERS, INC.
NEW ORLEANS, LA.

TO: JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
United States Tariff Commission, Washington, D. C.

In the matter of adjustment of United States-Philippine trade in connection with independence of the Islands:

The Joint Committee has announced its position that preferential trade relations between the United States and the Philippines should be terminated at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy.

In this position the hardwood-lumber industry concurs.

The immediate reason may be considered to be the competition due to free entry of Philippine lumber into the United States. But the southern hardwood industry, like Philippine production of lumber and other goods, is very substantially interested in export and is interested in expanding sales abroad to various countries.

We believe that due regard should be given investments and employment in both the Philippines and the United States. But, in view of approaching Philippine independence, southern hardwood and Philippine lumber, because of their interest in various markets abroad, are both concerned as to the termination of international preferences under reciprocal trade agreements. This forward view we think we may reasonably mention in preface to a discussion of the trading situation in the competition between Philippine lumber and our lumber in our home market.

PHILIPPINE TIMBER

The Tariff Commission in its 1937 Report on "United States-Philippine Trade" states that 97.5% of Philippine forest lands is owned by the Philippine Government, which leases forest lands to lumber operators. Charges are given as from \$0.25 to \$1.25 per cubic meter (average not stated), equivalent to cubage in 1,000 feet board meas-

ure of \$0.59 to \$2.95. In contrast, prices of American hardwood stumpage, i. e. standing timber, are reported by the U. S. Forest Service as follows:

U. S. HARDWOOD STUMPAGE PRICES, 1935
1,000 Feet Board Measure

	All sales of stump- age	Second- growth stumpage	Stumpage range (all sales)
Mississippi-----	\$4. 05	\$2. 80	\$1.00 to 12.00
Tennessee-----	5. 05	3. 80	1.00 to 18.00
Kentucky-----	4. 50	3. 96	1.00 to 25.00
Indiana-----	12. 22	7. 78	†1.00 to 55.00
Wisconsin-----	11. 02	8. 71	3.00 to 16.10
New York-----	5. 39	5. 85	2.50 to 10.00
All States*-----	6. 19	4. 25	‡0.50 to 80.00

STUMPAGE SALES BY SPECIES OF LARGER PRODUCTION

All States:			
Oak-----	\$9. 05	\$4. 93	\$1.00 to 41.00
Maple-----	6. 82	6. 21	0.50 to 28.46
Red Gum-----	4. 44	4. 92	0.67 to 12.00

* All States shown in Forest Service Report of March, 1937 (p. 27).

† Walnut.

‡ Ohio walnut.

Comparatively little United States southern hardwood timber is Government-owned. Comparison of forest stands does not seem necessary. Both we and the Islands have large areas of hardwood forest land and large quantities of hardwood timber seeking profitable utilization.

Competition

The United States does export a little hardwood to the Islands; in 1935, the largest recent year, that export was 56 M feet. The 1936 export was 1 M feet. But in 1935 the import from the Islands was 25,816 M feet; in 1936, 30,825 M feet.

We expect only incidental outlet in the Islands; only as their hardwoods may not be developed in manufacture for particular uses. But we do not know of any American use of Philippine lumber not also served by American hardwoods. In our export sales we find very few countries admitting lumber free of duty.

The Tariff Commission Report states that: "Philippine mahogany, not being subject to this (United States excise) tax, has at present

an advantage in competition with hardwoods of similar type imported from foreign countries into the United States."

That American duties and excise taxes on imported lumber have been established is evidence of the reasonableness of having such import charges. It follows that entry into the United States free of duty and free of excise tax gives Philippine mahogany an advantage over woods produced at home used for similar purposes.

It is well known that labor costs in the Islands are considerably less than in the United States. And at home there are proposals for higher labor costs.

Our hardwoods and Philippine woods are employed in the same range of industrial and cabinet purposes. It is recognized that only higher-grade Philippine lumber usually comes to this country, but we have problems in disposal of our high-grade lumber. Up to the limit of supply, costs divert business to the Philippine suppliers.

The costs include producing and transportation. Beyond advantages in producing costs, the Island mills may have the advantage of world tramp rates for ocean shipment lower than our intercoastal and railroad rates. (35 Stat., page 70, chapter 152, section 3.)

Lower c.i.f. costs for lumber from the Philippine Islands and other offshore sources have diverted Pacific-coast hardwood business to these other suppliers. Further in 1935, of the imports of Philippine lumber 20.3% entered Atlantic-coast ports; and in 1936, 30.5%. About the unreported quantity shipped inland to Lake States and upper Mississippi Valley, it is evident that the much lower c.i.f. costs allow this shipment at American rail rates in competition with American hardwood lumber produced even in our central or Lake States.

Our higher transportation costs are in part due to American wages on railroads and steamers higher than for seamen on foreign-flag ships. We understand that foreign-flag lines are included in the American-Philippine Conference, and are advised that no lumber is known to move from the Islands to the United States by tramps. Record in the Maritime Commission shows no tramp movement in 1936.

Current transportation rates per M feet, are:

From Philippines:		To Pacific Coast
Conference-contract.....		\$16. 00
From Mobile, Ala.:		To Los Angeles
Intercoastal.....	Red Gum.....	16. 10
	Oak.....	19. 78
Rail.....	Red Gum.....	28. 00
	Oak.....	34. 40
From Mobile, Ala.:		To Vancouver, B. C.
Tramp rate.....		10. 00

Transshipment rates for Philippine lumber from the Pacific to Atlantic coast provide it favorable entry into eastern and northern markets.

With part of the American market diverted to foreign suppliers by lower c.i.f. costs, it is a question of serious importance to us that reasonable tariff provision be made for the equalization of hardwood competition in our home market.

RECOMMENDATIONS

Both from the immediate competitive viewpoint and the world trading situation, the hardwood industry believes that the United States preference to Philippine lumber should be terminated as soon as practicable.

Further, it seems proper that the Joint Committee should consider the following: The Congress of the United States has indicated in paragraph 404 of the Tariff Act its intention that tropical lumber produced by low-paid tropical labor should be dutiable at 15% *ad valorem*. It is true that Philippine goods are otherwise made free of duty under present statute. It is true that [a] Custom Court decision, which should be reviewed, on the language of paragraph 404, has shifted tropical lumber of certain manufacture to paragraph 1803 and therefore free except for the excise tax. It is true that paragraph 404 should be rewritten to include other tropical cabinet woods now entering the United States. But the expressed intent of Congress that tropical lumber should pay 15% *ad valorem* plus excise taxes, possible of up to 50% reduction under the Trade Agreements Act, has not been changed.

Paragraph 404 specified "mahogany". It does not specify "true mahogany". We believe that when this paragraph was written the intention was to list all tropical cabinet woods entering the United States, but the list in paragraph 404 has not been rewritten since 1922.

The 1937 Philippine Report of the Tariff Commission refers to the lumber from the Philippine Islands as "Philippine Mahogany". It is generally sold in the United States as "Philippine Mahogany". It appears that the Joint Committee must consider that paragraph 404 of the U.S. Tariff Act applies to any mahogany.

Philippine lumber is classed as "Cabinet Woods" by the Department of Commerce and the Tariff Commission, the latter in publication showing imports in 1931-5 citing reference "sec. 301 (see par. 404)".

It is respectfully requested that our recommendations be given consideration.

SOUTHERN HARDWOOD PRODUCERS, INC., New Orleans, La.

By LEE ROBINSON, *Chairman, Foreign Trade Committee*

WASHINGTON, D.C.,

July 9, 1937.

UNITED STATES-PHILIPPINE HARDWOOD-LUMBER TRADE

	U. S. IMPORTS FROM PHILIPPINES: Cabinet-wood lumber	U. S. EXPORTS TO PHILIPPINES: Hardwood lumber
	<i>M feet</i>	
1929.....	34, 521	50
1930.....	28, 068	5
1931.....	17, 965	20
1932.....	6, 936	1
1933.....	15, 411	16
1934.....	17, 352	1
1935.....	25, 816	56
1936.....	30, 825	1

PHILIPPINE LUMBER IMPORTS INTO UNITED STATES

Entries by customs districts

Customs Districts	1935 <i>M ft.</i>		1936 <i>M ft.</i>	
Massachusetts.....	185		586	
Rhode Island.....	406			
Buffalo.....			50	
New York.....	2, 321		5, 393	
Philadelphia.....	139	5, 249-20.3%	163	9, 395-30.5%
Maryland.....	47		93	
Virginia.....	952		2, 591	
N. Carolina.....	1, 120		467	
So. Carolina.....	79		52	
Florida.....			24	
New Orleans.....	5		55	
Los Angeles.....	12, 388	20, 463-72.3%	14, 169	21, 140-68.5%
San Francisco.....	2, 962		3, 747	
Oregon.....	64		193	
Washington.....	5, 049		3, 031	
Hawaii.....	99		178	
Michigan.....			33	
Total.....	25, 816		30, 825	

APPALACHIAN HARDWOOD MANUFACTURERS, INC.

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
United States Tariff Commission, Washington, D. C.

In the matter of pending United States-Philippine trade adjustments, the Appalachian Hardwood Manufacturers, Inc., an association of lumber-producers in the Southern Appalachian Mountain area, states its attitude as follows:

We concur in the position taken by the Joint Preparatory Committee on Philippine Affairs and by other divisions of the American hardwood industry, to wit: that preferential trade relations between the United States and the Philippine Islands be terminated at the earliest practicable date.

The reason for favoring such action is that the free entry of Philippine lumber increases the competition to which American hardwood-producers are subjected, and without any compensating benefit to the general public, but to the injury of both these producers and the labor they employ.

Due to cheaper stumpage and lower wages in the Philippines, the Insular lumber-manufacturers have a decided production-cost advantage over the United States firms engaged in similar activities. American hardwood-manufacturers not only must utilize more expensive stumpage and pay higher wages, but as a result of steadily advancing wages, these manufacturers are facing a progressive increase in production costs.

The production-cost differential in favor of Philippine firms is sufficient to defray a substantial portion of the ocean freight on lumber shipped to the United States. As a result, the cost of Philippine lumber at the port of entry is comparable to f. o. b. mill costs of American hardwoods of corresponding species and grades. American hardwood-producers, lacking the protection of an import duty, also are denied the protection that might be afforded by higher transportation charges on Philippine lumber, for the reason, as stated, such charges are largely offset by lower production costs.

Philippine hardwood lumber has a specialized use in the United States and instead of competing uniformly with all American hardwoods, its competition is directed against a few species and grades, to the decided detriment of the American woods affected. Here it might be stated that Philippine lumber is not an essential raw material and, further, serves no purpose that could not be served just as satisfactorily by any of several American hardwoods. The use of Philippine lumber in the United States simply means the displacement of an equal quantity of other lumber.

It is well known that dwindling *per-capita* consumption of lumber has reduced the absorptive capacity of the American market and has

made the problem of finding adequate outlets a serious one for American hardwood-producers. The gravity of this problem is revealed by the decline in American hardwood-production during the last decade, and this decline in production has been accompanied by a decrease in the employment of sawmill labor. Manifestly the situation will be aggravated by the continued admission of Philippine lumber without the imposition of a tariff duty adequate to protect both the American hardwood-producers and their employees.

Continuance of the present arrangement would mean merely that the American hardwood-manufacturers must share their domestic market with producers of Philippine lumber without prospect of receiving any corresponding benefit. As proof of this may be cited figures from *U. S. Commerce and Navigation* which show that during the five years, 1932 to 1936, inclusive, the exports of American hardwoods to the Philippines amounted to 75 M feet, while in the meantime, imports of Philippine lumber amounted to 96,340 M feet, a ratio of 1284 to 1. There is little prospect that the exports of American hardwood lumber to the Philippines will increase; on the other hand, imports of Philippine lumber are more likely to grow, particularly as American production costs rise. As these imports already are displacing American products and restricting the employment of American labor, it appears that action should be taken to protect both the domestic hardwood industry and its workers. As a step in this direction, we advocate the termination of the present preferential trade agreement between the United States and the Philippine Islands.

Respectfully submitted,

APPALACHIAN HARDWOOD MANUFACTURERS, INC.

NORTHEASTERN LUMBER MANUFACTURERS ASSOCIATION,
INC.

NEW YORK, N. Y.,
July 8, 1937.

TO JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS.

Our Board of Directors has had no opportunity to consider Philippine lumber question and the Association has taken no position except believes as matter of principle American lumber-manufacturers should be afforded fullest possible protection against low-cost foreign production, especially considering prospective labor legislation which we do not understand applies to the Philippines.

NORTHEASTERN LUMBER MANUFACTURERS ASSOCIATION, INC.

SUPPLEMENTAL BRIEF
OF THE
NATIONAL LUMBER MANUFACTURERS ASSOCIATION
SUBMITTED BY THE
NORTHERN HEMLOCK AND HARDWOOD
MANUFACTURERS ASSOCIATION

(1227)

SUPPLEMENTAL BRIEF
OF THE
NATIONAL LUMBER MANUFACTURERS ASSOCIATION
SUBMITTED BY THE
NORTHERN HEMLOCK AND HARDWOOD MANUFACTURERS
ASSOCIATION

OSHKOSH, WISCONSIN, *July 17, 1937.*

TO THE JOINT PREPARATORY COMMISSION ON PHILIPPINE AFFAIRS,
% The District Office of the Bureau of Foreign and Domestic
Commerce,
311 Custom House, San Francisco, California.

On July 9, 1937, Wilson Compton of the National Lumber Manufacturers Association, Washington, D.C., filed with your Committee certain statements relating to lumber-tariff problems, and in the letter of transmittal said: "The Northern Hemlock and Hardwood Manufacturers Association, Oshkosh, Wisconsin, whose member mills are located in Wisconsin and Michigan, advises us on July 9 that it desires to file information supplemental to the statements we are now filing and will get such supplement to the Committee in San Francisco before July 20." The Northern Hemlock and Hardwood Manufacturers Association accordingly submits this statement as supplemental information.

THE LAKE STATES HARDWOOD INDUSTRY

More than one thousand sawmills operating in the Lake States produce hardwood lumber, and many other persons cut and sell hardwood logs. Most of the operations are very small.

The Northern Hemlock and Hardwood Manufacturers Association which presents this statement is a trade association of forty-one of these lumber-manufacturers operating in Wisconsin and Michigan, producing two thirds of the hardwood lumber manufactured in the Lake States.

Wisconsin and Michigan hardwood mills cut from 12% to 15% of all of the hardwood lumber produced in the United States. The Lake States hardwoods which are most affected by imported hardwood, are birch and maple. The Wisconsin and Michigan lumbermen produce three fourths of the commercial birch lumber of the United States, and two thirds of the maple lumber. They also produce half of the basswood and elm, considerable quantities of ash and oak, and a large volume of structural softwoods.

COMPETITIVE RELATIONSHIPS

The hardwood-lumber manufacturers of the Lake States find that they are not only losing hardwood markets on the Pacific coast to

hardwoods produced in the Philippines, but that many manufacturing operations are developing in coast cities, especially on the West coast, which are in whole or in part, using Philippine hardwoods in their product. Philippine lumber is also shipped direct to the interior points, including factories in Wisconsin, Michigan, Minnesota, and Illinois, where much of the hardwood lumber produced in this region must be marketed. Under the present preferential import arrangements, plants using the imported raw material, thus favored, are reaching into the markets of American-produced hardwoods by shipments to all parts of the United States. The advantages are such that the business is naturally destined to continue to expand under the present system. Wisconsin-Michigan birch is used in manufactured items which are directly competitive with Philippine hardwoods in interior woodwork, doors, store and office fixtures, and in furniture. In the latter industry maple and other local hardwoods are directly affected by the foreign wood. In lesser degree the competition is felt in various wood-consuming uses. The tropical products comes not only in the form of lumber, but also as logs and flitches. Accordingly, the latter must be considered in developing a fair tariff equalization. The tariff adjustments under approaching Philippine independence should not be such as to increase the use of Philippine woods in American factories to displace American hardwoods through preferential treatment of the tropical woods, but should contemplate a policy of encouraging these factories to use American veneers and hardwood lumber with the tropical woods on a normal tariff competitive basis. The Philippine hardwoods do not meet any uses which are not adequately met by hardwood produced in the United States.

HARDWOOD LUMBER SHIPMENTS FROM LAKE STATES TO CALIFORNIA AND OREGON

Specified Years, 1923-1934

(Thousand feet b.m.)

Source	Year	Destination	
		California	Oregon
Lake States*-----	1923	8, 666	1, 461
	1924	2, 897	816
	1926	4, 315	1, 136
	1928	1, 940	1, 586
	1930	1, 941	335
	1932	736	283
	1934	453	128

* Minnesota, Michigan, Wisconsin.

Source: Division of Forest Economics, Forest Service, U.S. Department of Agriculture, *Lumber Distribution and Consumption, 1934*.

Compare the loss of home-hardwood business shown in declining shipments to the West coast with the increasing Philippine shipments during the same period.

U.S. IMPORTS FROM PHILIPPINES
Cabinet-Wood Lumber

	<i>M feet</i>
1929-----	34,521
1933-----	15,411
1934-----	17,352
1935-----	25,816
1936-----	30,825

The production of hardwood lumber in the Lake States:

	<i>M feet</i>
1929-----	938,000
1933-----	229,000
1934-----	319,000
1935-----	442,000
1936-----	400,000 (Est.)

The Lake States producing capacity is greater than in 1929. The Philippine import trade has recovered to the 1929 basis. The Lake States industry has far to go.

RAW MATERIAL COSTS

Considerable hardwood stumpage is in the hands of small owners and farmers. During the next few years, as the holdings of the larger hardwood mills are cut out the farm-woodlot owner, the firms attempting sustained-yield operations, and the Federal Government as the owner of national forest timber, will together be most concerned in equitable hardwood tariff protection.

The United States Department of Agriculture, in a report for the year 1934, gives the average stumpage value of hard maple as determined by actual sales in Wisconsin and Michigan at slightly more than \$4 per thousand feet, with logs selling at \$18 per thousand feet. The same report shows that the cost of birch stumpage in this region at that time ranged from \$5 to \$7, with logs worth a little more than \$20. The manufactured lumber of course carries the added burden of American wages.

WAGES

The U.S. Census for 1931 shows that over thirteen thousand men were employed in the lumber and timber operations of Wisconsin and Michigan. The estimated employment under present conditions exceeds twenty thousand men. In this region where the timber holdings are mixed with farm holdings, a considerable proportion of the

woods-workers are also small farmers who are developing lands which require the supplemental income from woods-work.

Wages in the Lake States in the hardwood-lumber industry are very generally on the minimum wage of 40¢ per hour, with an average wage running from 47¢ to 50¢ per hour. The character of the timber, and the refinement required in the average hardwood-lumber operation is such that approximately 50% of the final cost of Wisconsin-Michigan hardwood lumber is in direct wage payments. This is a fact which must be recognized in determining reasonable tariff protection for Lake States hardwoods. During many months there has been a steady increase in wages. Unemployment-compensation benefits, accident-compensation costs, the requirements of the Social Security Act, and the compelling necessity for increased taxes, all indicate continuous pressure towards increasing wage and raw-material costs. Most economists agree that underlying economic facts point towards higher wage rates and higher producing costs in the United States. This means that tariff adjustments and policies should anticipate this trend and certainly not underestimate it.

FORESTRY AND SUSTAINED-YIELD OPERATIONS

The Federal Government, a large owner of hardwoods in the national forests of Wisconsin and Michigan, considers that it is essential that a considerable proportion of the forest area of this region be put on a permanent sustained-yield basis. Educational campaigns are under way to cause lumbermen to join in such projects. Foresters and lumbermen agree that we are only now approaching economic conditions which indicate the possibility of long-time sustained-yield hardwood forestry. Local foresters recognize that the products of these forests must have a safe and reasonably certain future market if financially successful long-term operations are contemplated. This involves such tariff protection as will prevent the loss of hardwood-lumber markets to imported forest-grown raw material. Domestic hardwood forestry cannot compete with free tropical-grown imports. Hardwood forestry is not merely a question of supplying a raw material. The development of permanent hardwood forests involves the entire future industrial structure of the Lake States region.

TRANSPORTATION

Philippine woods reach the American markets with a large part of transportation costs covered by low water rates. Where logs or fitches are cut up in the coast States and made into products competing with local hardwoods, under the present preferential tariffs, these manufacturers have an undue advantage over competing man-

ufacturers using American hardwoods. The shipments from Wisconsin and Michigan, and from most of the factories using Wisconsin-Michigan hardwood products, are entirely by rail under the rail costs of the American railway-wage standards. This is a cost which Wisconsin-Michigan producers must bear in competition with foreign woods.

EXPORTS AND IMPORTS

While our woods meet Philippine products in our markets, Philippine hardwood lumber does not enter into use which is not also served by our hardwoods. So far as we know, no hardwood lumber from the Lake States is regularly exported to the Philippine Islands.

RECOMMENDATIONS

We join in the recommendations of the Southern Hardwood Producers.

Further, we ask that the farmers, woodlot owners, and sawmill men of the Lake States be given reasonable protection against not only lumber but also logs, fitches, and veneers from the Philippine Islands so that we may regain our home market and not contemplate further losses.

Any plan which would give preferential treatment to hardwoods imported into the United States to be used for the purposes already abundantly supplied by local hardwood producers penalizes our labor and robs us of our natural markets. If the Philippines requires certain types of American lumber in their economy, such types may well be given preferential treatment in the Philippine tariff, but not in exchange for preferential treatment on Philippine hardwoods which enter into competition with our hardwoods. We see no reason why the balancing commodity should be from the same industry, but it should be a commodity which the United States needs. We protest against any plan which would give preferential treatment to Philippine hardwoods entering into competition with our hardwoods as an exchange for preferential treatment which the Philippines may give any other commodity or any other lumber item.

Respectfully submitted,

NORTHERN HEMLOCK & HARDWOOD
MANUFACTURERS ASSOCIATION

By: O. T. SWAN, *Secretary Manager*

**BRIEF
OF THE
NEVADA STATE FARM BUREAU**

(1233)

BRIEF
OF THE
NEVADA STATE FARM BUREAU

BEFORE JOINT COMMITTEE OF AMERICAN AND PHILIPPINE OFFICIALS

Subject: Import Duties and Excise Taxes Upon Coconut Oil and Copra

RENO, NEVADA, July 17, 1937.

We protest any downward revision of the present tariffs and excise taxes on cocoanut oil and copra. While it is conceded that oleomargarine is now manufactured largely from domestic fats and oils, a lowering of tariffs on any foreign oils will tend to depress the prices of all domestic oils and fats, thereby lowering the price of those of domestic origin entering into competition with butter and other products made of domestic fats and oils, with ultimate reduction in prices of these products. The American producer of butter is supporting his Government with taxes on farm real estate, livestock, equipment, etc., and the product itself, all accumulating into a tax which he must pay out of his butterfat in the case of the special dairy farmer. This is far in excess of the present tariffs on foreign fats and oils. In the face of these necessary taxes, dairying has been obliged to operate and make such progress toward a fair return for its products as has been possible. It would be unfair in the face of the struggle that has been made for better prices in the past few years to introduce a depressing element in the form of reduced tariff on cocoanut oil and copra.

Cocoanut oil represents about 7 percent of the total fat consumed in the United States. A reduction in tariff with its accompanying reduction in price on this volume of fat will have the effect of lowering the price of all fats, both by its general effect on price and by encouraging greater imports of cocoanut oil into a market already oversupplied with fats and oils.

Lower prices of fats tend toward lower prices of livestock, butter, cheese, milk, and of fat-bearing seeds, and consequently lower farm income. In this particular instance the interests of all fat-producers in the continental United States are in common. The Philippine Islands are already subsidized to the extent of a 2% differential as compared with foreign fats, since foreign fats pay a tariff of 5% and Philippine cocoanut oil pays only 3%. Further reduction in this tariff would mean simply an entering wedge which in the end would lead toward further reductions and toward a larger volume of substitutions.

Livestock and dairying constitute 78% of Nevada's agricultural income, hence we feel that any lowering of prices of fats would be a serious blow to our agriculture.

The brief presented during this hearing by the California Farm Bureau Federation ¹ is in accord with the views of this organization, through its livestock and dairy departments.

Respectfully submitted,

NEVADA STATE FARM BUREAU

FLORENCE B. BOVETT, *Executive Secretary*

¹ See *ante*.

BRIEF
SUBMITTED BY
G. NIEVA IN HIS OWN NAME AS A CITIZEN
OF THE PHILIPPINES

BRIEF

SUBMITTED BY

G. NIEVA IN HIS OWN NAME AS A CITIZEN OF THE
PHILIPPINES

THE JOINT PREPARATORY COMMITTEE,
PHILIPPINE-AMERICAN ECONOMIC MISSION,
*Legislative Bldg.,
Manila, Philippines.*

DEAR SIRs:

As a citizen of the Philippines, may I not be permitted to submit the following memorandum on our independence:

PHILIPPINES A FREE COUNTRY

The Philippines are a free country, so free that aliens, chiefly Europeans, Russians of all sorts, except Chinese, have no barriers to meet to come in, in any numbers, with all their respective families and belongings, to stay here indefinitely, own land, go into mining, look for and find positions, enter into business, get married here, and do anything they want, under the dual protection of their own and our Government; whereas we, Filipinos, find the doors of America partially closed, have to meet so many restrictions while traveling, give all sorts of assurances that we will not stay long or look for positions, where we are traveling, that we have in our possession enough money to carry us on and not to be a public burden, that we are not in excess of our quota, etc.

This is really a free country, although we will surely have to impose legitimate restrictions hereafter, for the protection of the heritage of our future generations. Passports are our only wall.

LEADERS AND LEADERSHIP

Providence has never failed to give us real leaders:

RIZAL, who led the country to national consciousness;

BONIFACIO, who founded the Katipunan and started the Revolution;

General AGUINALDO, who continued and headed (1) our Revolution against Spain, 1896-1897, then (2) our cooperation with, 1898-1899, and later (3) our war against, America, 1899-1901; founded the First Philippine Republic, 1899, and laid down the foundation on which we are carrying on our political movement as our heritage from the Revolution;

TAVERA, who stood for peace, and the eventual annexation of the Philippines to America;

OSMEÑA, who led the continuation of the work of the Revolution in peace, from 1906 to 1916;

QUEZON, who replaced Osmeña from 1916 to date.

All of them, briefly speaking, measured up to the exacting requirements of their respective periods as follows:

RIZAL galvanized consciousness of the Nation for gradual, eventual freedom, through education, labor and industry.

BONIFACIO, without whom there might have been no Revolution, was the Father of Philippine Democracy, and enunciated *the principle of labor as duty*, first, and consequent right after.

General **AGUINALDO** electrified the country in its fight for liberty during the war with Spain, and had all available, although very few, trained military men of the Philippines in the Army, and the best brains of the country in his Malolos government. He was favorably compared with the famous General Kruger, leader of the Boer War.

I was a young student at the time, and, wherever we heard the name of Aguinaldo, it was heard with indescribable thrill, reverence and enthusiasm.

TAVERA worked in earnest for peace, organized the Federal Party with the ultimate annexation of the Philippines to America as its banner, pending, however, upon acceptance later by the people, and instituted party government with the Federal Party until defeated by Osmeña in 1906, with the latter's organization of the Nationalista Party.

OSMEÑA organized the Nationalista Party, defeated annexationism under the banner, first, of *immediate and complete independence*, and, later, *absolute, immediate and complete*, adding *immediate* to define when; headed the 1906 Assembly of Provincial Governors of which Osmeña and Quezon were members, and which placed (through their instrumentality) his party in power; was hailed as the leader of his epoch, as one appearing only once in a century, according to Americans who knew and sized him up, liable in their belief to create a serious national crisis in case of death. However,

QUEZON's startling leadership, although rather hesitating at the beginning, out of personal respect to Osmeña, had its factual beginning in 1916 with the passage of the Jones act, which instituted a two-chamber Legislature, the House of Representatives and Senate, and gave us an autonomous govern-

ment up to the passage of the Hare-Hawes-Cutting law, as sponsored by Osmeña and Roxas, coming into sweeping and spectacular strength with the defeat of said law in the U.S. Congress and its rejection by the Filipino people in open campaign, and the enactment, instead, and operation of the Tydings-McDuffie act, which Quezon, single-handed, unbelievably secured from the U.S. Congress when odds, personally and officially, were all at first strongly against him.

He now rules supreme. And all of you no doubt have already personally seen that, whatever President Quezon may say and wherever he may lead us to, the country solidly will stand behind him.

He is one of the three most outstanding leaders of the Orient today—Gandhi, Chiang Kai-shek, Quezon—and the most aggressive leader within the bounds of courageous Democracy.

So, whether we have independence in 1939, or in 1946, as per Tydings-McDuffie act, is rather immaterial.

What is, however, uppermost now in the mind of the country is the *permanent safety*—political, economic, physical—*of the country from aggression* from without, to be lesser or greater according as we shorten or lengthen our period of preparedness, and more or less favorable to another change of "master", perhaps forever to seal our ambition to be independent some day. For *safety* cannot be improvised, particularly with the scantiness of our cash resources and the present Sino-Japanese War just across the China Sea. But the country leaves it to President Quezon. *For a country is as its leader is.* Italy is the most outstanding present-day example of this. Even at that, however, time and cash are the supreme requirements a country cannot escape from.

We already had our independence, earned in war, from the Spanish Government in 1898, as proclaimed by General Aguinaldo in his Kawit (Cavite) home, Jan. 12, 1898, first, and later ratified in Malolos, Bulacan, then our national metropolis, Sept. 29, 1898, but only to last for six months or so, thereafter we to be taken over vanquished, notwithstanding the gallantry of our then poorly clad equipped (45,000 mixed rifles and two or four machine guns, captured shortly after their purchase), and trained Philippine Army, which however, required about 100,000 men of the American Army and Navy to conquer—both of which (the Army and Navy) could come and go and operate freely anywhere they wanted to, like the Japanese Army and Navy in the present Sino-Japanese War, but without the present orgies of massacre of innocent population. On top of that, a more or less veiled purchase price of \$20,000,000 gold

was paid by America, I suppose as a financial compensation to Spain for turning us over (to America) at the Spanish-American peace treaty in Paris.

Thanks, however, to the termination of these weary and successive (1) Philippine-Spanish, (2) Spanish-American, and (3) the Philippine-American wars, all three of them altogether unequal, and the sympathetic and cooperating attitude of America, as outlined in the late President McKinley's instructions on the matter, we have had ever since, as we still have, a chance to rest and recuperate from their ravages, choose the route of peace for the continuance of our efforts to achieve our independence in peace, and collect ourselves to get a new vigor, for the still much greater task to come. And we don't want any more temporary, six-month independence: we want a permanent one now.

Thus, the guidance and collaboration of the United States have led us steadily to where we are today.

And yet, notwithstanding the almost four decades of mutually loyal subserviency between the United States and the Philippines, there would seem to be still lacking such foundation as should furnish the strong ties for that hearty, factual understanding between America and the Philippines, for the United States would seem still to believe in the trade uselessness, plus indefensibility from the military and naval point of view, of the Philippines, and to qualify our strategic, military and commercial position in the Far East as of no veritable importance, or rather negligible, indeed, to America; and the Philippines, to be at a loss and not to know what to do, to earn a real understanding and due appreciation, on the part of America, of our deep feeling of gratitude unto the American people, and hearty readiness to reciprocate to the full measure of our ability, for all that they have so generously done in our behalf.

To quote an instance, a few years ago we passed an act protecting American textiles in the Philippines. This, however, in return, was rejected in Washington, although its revival was wanted quite recently. As against this, so much unfavorable legislation is enacted against us almost every year.

Why? We really cannot understand.

I am not going to recite any more factors operating respectively on one side or the other, for or against one or the other, but only would say that such misunderstanding, as still continues to operate to date, is obscuring the fundamental issues of American-Philippine relationship.

Such misunderstanding must be overcome, particularly at this time.

The United States are too valuable as a friend to us, and her trade, too vital for us to lose.

The Philippines are but a small country of 14,000,000 people only, but of growing buying-power, are compared with your 125,000,000 people, of enormous buying capacity.

The Filipino people and the strategical location of their country in the Far East, however, are not altogether useless to your country, and this I am afraid is what remains as not fully appreciated by the American people, particularly in the light of international armed selfishness, in (a) your foreign trade, (b) as a distributing center, under normal and emergency conditions, for American goods for the Far East, as in the present Sino-Japanese War; and (c) as an outpost of civilization and humanity in the Far East, and of your Nation's prestige, for the exercise of America's moderating power for good and in behalf of the preservation of the international community in the Orient, unless the latter were replaced by a conglomeration of large, extensive dependencies making for a new Japanese Empire to extend, in the North, from the American boundary of Alaska down to the southernmost island, the tiny Rotti Island, in the Pacific, and from the easternmost limit of the Pacific to the very border of the Suez Canal, in which case America would be pushed over to Hawaii, entirely swept out of the Pacific and the Far East, and the Pacific Ocean converted into a Japanese lake, as to all intents and purposes partially it is now so converted by the Japanese blockade of China, so freely carried on to the inarticulate consternation and numbness, if not cowardice, of foreign fleets in Asia, which furnishes seemingly a factual test of the unchallenged, feared power of Japan in the Pacific, consideration which, in my humble opinion, is, or should be, above any American selfish, impossible policy of self-isolation. This, however, would seem to be changing to a better, more dignified attitude today, as indicated by the recent, unusually stern pronouncements of President Roosevelt (F. D.) and Secretary of State Hull.

On this I will briefly elaborate a little later.

A few instances of (a) group: We are the fourth buyer of your automobiles and accessories; the second buyer of your air-conditioning equipment; a great buyer of your high-grade shoes, textiles, iron and steel, mining and other machinery, flour, etc., and, later, of your heavy and war-industries equipment—heavy and light guns, rifles, munitions, airplanes, etc.—plus experts, surely to emerge and develop here as a national-defense inescapable requirement, to mean heavier purchases, etc. This, notwithstanding the slumps our trade has suffered of late. And, once we have completed, or increased at least 50% of, our highways, ordinary and military, opening up extensive farms and regions, now still closed entirely, to the use of modern machinery and transportation—at least three times

as much room for a newer, greater trade with America should be available.

A comparison of the relative positions of America and the Philippines in your foreign trade, based on their respective populations, should throw an encouraging light on this.

The present Sino-Japanese War has emphasized the trade position of Manila, as America's distributing center for the Orient, as I understand it is now at last being seriously considered by the Westinghouse Electric Co., the General Motors and other large industrial organizations.

I feel happy at the thought that your Joint American-Philippine Preparatory Economic Mission came in time to see, a few days before the start of this present Sino-Japanese War, its merciless man-slaughtering now sweepingly changing the mental poise of the Far East to a realization of the extent to which Japan could mercilessly go anytime in her wars for forcibly controlled raw materials and also forcibly controlled market against her own, defenseless co-regionals, for almost anything, even for just an incident, however trifle and insignificant, and irrespective of what the rest of the nations of the world may think, bringing the latter at least to a belated realization of the shame of their international inertia—if not international cowardice—and the necessity of a concerted action, on the part of the great powers, on occasions like this when they should courageously act together for the preservation of international order, and for the good and protection of humanity. Not even in the smallest village of the Philippines could any one freely commit an unjustified act, of violent aggression without at once provoking the ire and punitive joint action of the community.

But for America, manslaughter, a continued merciless carnage of innocent civilian populations, the latter's calculated starvation for purposes of war, would have been much worse. Admiral Yarnell's order to the effect that, "In case of attack with bombs or machine guns by airplanes of any nationality of the defense forces or non-combatants in the sector defended by the 2nd U.S. Marine Brigade, the Commander-in-Chief has authorized these forces to open fire in self-defense", indeed was the first encouraging sign of international courage and readiness for action, instead of meek retreats and forced acceptances of mere apologies.

Then, also, you had a chance to see President Quezon in action, and in his wonderful social-justice drive, seemingly at the expense of our judiciary, but in fact at the expense of none, but to prevent the social disintegration of the country, by winning to his side all labor and radical elements, and contributing to their welfare by securing better rates of wages for them.

Thus all of this is showing that the presence of America in the Philippines is not only a blessing to our country but also to the rest of the Far East. And President Roosevelt's voice for humanity is thus proving a powerful ray of hope for the Orient.

JAPAN'S PROS AND CONS IN FAR EASTERN RELATIONSHIP

Pros

With the background of frank oriental unity, similarity of racial, political and material interests, eventual suppression of all European colonial systems, still continuing on their entirely antiquated routines of non-education, human exploitation—absolutely depressing and inhumane—and their replacement by a federation of oriental nations or states on an equal political footing, or the rebirth of the suppressed Malayan Empire, Japan could have adopted an openly enunciated policy of collaboration that would have made her leadership and influence in the Orient already tellingly decisive. The pariahs of India and the unenlightened in the Dutch Indies and other places would be getting their chance for enlightenment, instead of continuing in their present intellectual darkness. This, on the one hand, would have been a work highly beneficial for the uplift of the oriental community. On the other, such hateful racial, humiliating discriminations that Orientals have to suffer at the hands of their colonial European masters in their very home countries and societies, that make their whole selves bleed blood of anxiety to redeem themselves, would have expedited, as it would expedite any time, the materialization of such a sweeping leadership. And with Japan's ability for business and manufacturing organization, producing merchandise at so low a price, at times much less than $\frac{1}{2}$ of European prices, no matter if her goods are really worth even less than that, and with her powerful Army and Navy to play the role of safeguarder of such a new oriental community, in the course of 25 years or so there might be no more European colonies—perhaps even including India—in the Orient, with corresponding readjustments. And, through the operation of some mutually profitable understanding and treaties, and through the routes of good-will and friendship, Japan could have enormous trade expansion. After all, she practically is after controlled sources of raw materials and controlled markets, for I can hardly believe in Japan's necessity for outside room for the expansion of her population. The Japanese people are not a migratory people, as shown in Manchuria where almost all ninety-eight (98%) percent of the latter's 33,000,000 population are Chinese, with but a few hundred thousands—possibly not to exceed 2%—of Japanese civilians. The fact that the Japanese Government was planning to transplant 1,000,000 Japanese to Manchuria, in a

region made to order, where community homes and environment would be a replica of theirs at home, shows that migration to Manchuria has not been an easy, spontaneous flow of migrators, as possibly was expected by the Japanese Government. And so is the case in Korea, Siam, Java, South America, or Davao itself.

What Japan needs most is probably to enable herself to compete better and overwhelmingly with the rest of the industrial world in, and oust them from, her controlled markets.

If she wins, the whole of China, including Shanghai, will be a controlled market, where the open-door policy would abruptly come to an end, as in Manchuria, as in Korea.

Cons

Japan's wars have always been wars of most profitable investments, in which profit has been in terms of extensive territories, with scores of millions of inhabitants, definitely annexed to her empire because of just any slight, or at the slightest, incident she at once calls provocation.

The 1932 invasion of Shanghai and Manchuria, resulting in the detachment of Manchuria from China, and the present Sino-Japanese War, perhaps further to detach five or six or more of China's richest and largest provinces, plus Inner Mongolia and all presently occupied Shanghai seashore, plus fishing and other rights, not concessions, has evidently convinced the rest of the Far East of the impossibility of such a dream, and closed Japan's road to it for the coming decades. How many? How long? I don't know. But once China is disposed of, however, it should not take very, very long, if Japan is left alone, for her to also dispose of the so-called "menace of Russia", which high Japanese Naval officers term as of negligible importance in Far Eastern problems and which I was informed by a friend would have been started [in] August of last year, if Russia had not seen it better to chose then the way of peace. But I doubt if such a menace ever would materialize. For Japan could easily put any time 1,000,000 or more soldiers against Russia's whole Siberian Army, plus the whole Japanese Navy, which would be free to cooperate, and thus sweep the northern half of the rich Sakhalin Island, Vladivostok, as well as Outer Mongolia and all maritime provinces of Siberia, away unto her military fold, notwithstanding circulated rumors that Russia has an enormous army in Vladivostok, modernly and fully equipped and provisioned for a six-year war, her trans-Siberian double railway bringing Moscow nearer to the possible place of war—which I believe, however, is within the destructive power of Japanese bombers—and numerous airplanes, claimed to be all modern, fast, and powerful, causing Japan to have modern

and ample dug-outs built all over the Empire for public protection against air raids, with a capacity for 800 persons each; plus submarines and other seacraft—all supposedly able to destroy Japan in case of war. However, Japan's Army high command would seem to be not seriously concerned. So, whether Russia really has the courage and power for it, we may yet soon see, if her support of China materializes in any tangible way ere long.

However, whether Japan wins or China wins, alone or with Russia, or, with the moral and economic support of America, Great Britain and other powers, emerges to victory; or whether Japan becomes invincible, with the whole of China, plus Vladivostok and other inner or coastal portions of Siberia, under her thumb, and with Russia completely ousted from the Far East; or [whether] Japan is crushed and deprived of her Manchuria and other great provinces of China, and demoted as a great power, with communism free in the Far East; in either case, a new, far-reaching re-alignment in the Orient is bound to come, with tremendous bearing on America, the Philippines and the European powers with colonies in the Orient.

Although you may already be familiar with it, I wish to invite your attention to a book on Japan in the Pacific, captioned *Japan, The Mistress of the Pacific?* by a colonel in the British Army. I had a copy of it from Hong Kong, but I presented it to President Quezon. You may get a copy of it from Kelly and Walsh in Hong Kong, on your way back home—most timely to read now in connection with the present Sino-Japanese War.

AMERICA'S ROLE

The United States, through her achievements in the Philippines, has, however, ushered in an unprecedented, socially revolutionary era of enlightenment in the Far East, and her presence here has thus become an outpost in the interest of humanity and civilization in the Orient, the only moral power strong enough to salvage the Far East today from further orgy of massacre and destruction. Through American democracy, reasons of color and colonial status are slowly fading away, and this is now a self-solving question, through the rising wave of nationalism all over the Far East, Japan to furnish the finishing touch.

Indeed, America is the only power left that commands Japan's respect today, and the only one capable of leading the powers of the world to some definite concerted action. For, as Lloyd George says, "the British flag has ceased to be protection on sea or land", although, to my mind, it is still a very powerful factor, particularly if Russia would only be the power that she should, and confine her communistic

activities within her own bounds, stop meddling with business that is not her own in other countries, and be the great balancing factor that she could be for peace in the Pacific.

Who knows if America and Japan are not to exercise joint leadership in the Orient?

OUR PREPAREDNESS

Set to be an accomplished fact in ten years—which time I would respectfully submit it would be utterly dangerous to cut shorter— independence and national defense are indeed a source of inspiration and encouragement as respectfully programmed by the Tydings-McDuffie Independence Law, and by Field Marshal MacArthur, whom President Quezon has entrusted with the task of organizing national defense. But, however much we may be doing our best for it, I doubt if we alone could adequately cope with the present situation, in just two or three years. I do not think I need to elaborate very much on this, for I know you know better than I do our real possibilities, financial and otherwise. And if the complete modernization of the American Army and Navy is programmed for ten or twenty years, financed with billions of dollars which we don't have, every year, how long would it take us to be ready to meet and repel a powerfully armed and highly mechanized invasion?

FACTORS TO OPERATE IN OUR FAVOR

However, our being made up of islands should give us enough time to get ready to meet emergencies and make landing very risky, if we are fully equipped for it—500 miles from Formosa, 600 miles from Hong Kong, now shortened by over 180 miles by the seizure and occupation by the Japanese of Pratas Island, and still to be further shortened by the probable immediate seizure of our set of four or more small, but most strategical, islands up North—Bashi, Batán, Babayuan and Camiguín—between Formosa and Luzon, if the American Army or Navy or we would continue neglecting to develop and equip them for defense purposes; and, above all, the openly declared moral and physical support and collaboration by America, we could and should define in a treaty right now, or before it becomes too late, for obvious reasons.

AGAINST US

The incipency of our national-defense preparation, being carried on gradually, while others are already ready and fully, and still getting better, equipped to strike a blow of death and destruction any time. For ten or even twenty years would hardly be enough for us to equip ourselves with all the armaments and training we would

requires to meet a major emergency. As shown by Japan's swift blockade of China, our best could hardly match a powerful invading enemy, supported by a very powerful navy hammering us on four or six different sides at the same time, with some hundreds of airplanes flying all over the country, bombing our towns and villages, and seizing at once, the north of Luzon, Tayabas, Albay, Mindanao, Negros, Iloilo, Cebu and Palawan, with which the invader would have enough to start and impose terms.

However, for obvious reasons, if America helps us materially and openly, or collaborates with us, the situation would be altogether different. Such collaboration would allay all dangers of war, and assure peace. And such collaboration would not at all be expensive, we to furnish all the soldiers and officers to be required, and America, the rest.

Then the situation here and the Far East would be entirely different; our invasion would be much harder and dangerous, politically, physically and morally, than that of China, where the latter is utterly handicapped by the lack of means to strike at the enemy at sea, of planes and bombers and gunnery to sink army transports and warships, and where the Japanese Navy can quietly anchor at will on the Yangtze and Whangpoo Rivers, with the Japanese concession in Shanghai used as Japan's rightful base on the very Chinese soil against China.

Such would not be our case.

Then,

- (a) a better, clear definition of our respective political position; and
- (b) a better business understanding to pave, now and hereafter, the way for (a) the preservation and promotion of your trade here and in the rest of Far East; and (b) the economic salvation of the Philippines; and (c) the salvation of American prestige,

could frankly be threshed out now.

For America to recede to Hawaii would make her the laughing stock of the world, and with the mind rather cowed of European powers on oriental matters, the ousting of all Europe from the Orient would follow suit.

Who knows if present chaotic conditions are not but an omen of the new re-adjustment of international affairs already taking place in the Orient?

Who knows if destiny is not using new tools to achieve its purposes here? Who knows if we are not at the threshold of one of the greatest transitional epochs of human history?

AMERICA'S ACHIEVEMENTS IN THE FAR EAST

Aside from the Philippine achievement in nation-building, there is one other group of things now firmly rooted in the Far East.

The introduction of American business methods;

The introduction of modern American living-concepts and life commodities contributing to make international trading brisk and livelier;

The introduction of American means of rapid communication; and

The introduction of American enlightenment enabling dependent peoples to see what is happening beyond their gloomy walls of mental darkness, and paving the way to freedom and nationhood.

JAPAN'S AND AMERICA'S INFLUENCES

In fact, there are already two different influences steadily improving the lot of European colonies in the Orient:

Japan's influence born out of fear of European powers to lose their colonies, compelling them to treat the latter better than ever before, notwithstanding their racial stubbornness; and

America's frank influence born out of her open work for political betterment in the Philippines, enabling European dependencies to see the light to lead them to their road to eventual political emancipation.

It is this mental poise of said European colonies that Japan could have seized or could seize any time to foster frank orientalism without orgies of massacres in wars, but through an open act and enunciation of firm leadership, similar to America's leadership in the American continents. In this way, could you not be led to believe in the feasibility of the birth of other new nations in the Orient or the re-birth of the old Malayan Empire, to substitute for the inhumane, ignominious continuation of the so-called "French Indo-China", the "Dutch East Indies", the "British dependencies", etc., sooner or later destructively to explode? With the American and Japanese leadership and collaboration, these three huge dependencies would be three further steps in the task of nation building in the Far East in 25 years or so. Give them modern education, and the rest will take care of itself.

European ownership of colonies in the Far East is coming to an end sooner or later, and the sooner it comes, the better and the more beneficial to mankind. This may sound [like] a dream. But Europe may, sooner or later, be made up of European nations, minus their oriental colonies; the Orient, of oriental nations, minus Euro-

pean domination—like the American continents, made up of free American republics—oriental races to be living together in a real international community of oriental countries, at par with Western races.

Then:

- the opening of Far Eastern dependent countries to modern education and the consequent suppression of exploiting colonialism;
- the development of higher earning and buying capacity of oriental peoples, and consequent greater trading for all concerned, brought about through modern education;
- the preservation of the Pacific Ocean for a fair, open international trading;
- the joint leadership of America and Japan for the uplift of international community in the Far East to a higher plane of racial equality; and
- the preservation of American moderating power and prestige in the Orient,

will be made feasible through American-Philippine collaboration in the Orient—this to be America's post of honor here, the remuneration of which, both materially and morally, will be highly gratifying.

America and Japan are the only two powers that can lead to this. America and Japan are in fact already leading to it.

And Japan herself, in the possession of such power as she has, and being an oriental, should no longer lend, even indirectly, a helping hand for the continuation here of European tyrannical colonies in the Orient.

It is for this reason that I, for one at least, am decidedly in favor of:

- (1) Indefinite continuation of our present trade relation, still to be revised for the suppression of unfair provisions, to our mutual benefit; and
- (2) Open collaboration—economic and political—between America and the Philippines, by treaty.

The Philippines are not altogether a useless country, as I have shown above, as a trade unit, and as a military and naval collaborator. And America is too valuable a friend and collaborator for the people of the Philippines to lose.

There should, therefore, be every reason today for America and the Philippines to work out a comprehensive treaty to this effect, to our lasting, mutual benefit, indirectly to redound to the promotion of peace and nation-building in the Orient.

Respectfully submitted:

MANILA, November 8, 1937.

G. NIEVA

**BRIEF
OF THE
NORTH PACIFIC GRAIN GROWERS, INC.**

(1251)

BRIEF
OF THE
NORTH PACIFIC GRAIN GROWERS, INC.

SPOKANE, WASHINGTON, *July 2, 1937.*

Mr. FRANCIS B. SAYRE, *Acting Chairman,*
Joint Preparatory Committee on Philippine Affairs,
United States Tariff Commission,
8th and E Streets,
Washington, D. C.

MY DEAR SIR:

The Pacific Northwest annually produces a wheat crop in an amount substantially in excess of the consumption in this area. Because of the variety and quality, considerable outlet has always been found in the Philippine trade. A termination of the preferential trade relations between the United States and the Philippines will obviously embarrass the movement of our excess crop into those channels and materially increase the wheat-surplus problem in this area.

The North Pacific Grain Growers is a cooperative grain-marketing association representing over seven thousand grain farmers of this area and we respectfully urge that the present Philippine outlet for wheat and related products be retained; and it is further suggested that a hearing be held in the Pacific Northwest prior to hearings in the Philippines.

Respectfully yours,

E. B. SCHULZ
Manager

SUPPLEMENTAL BRIEF
OF THE
NORTH PACIFIC MILLERS' ASSOCIATION
(See also the Brief of the Millers' National Federation)

SUPPLEMENTAL BRIEF
OF THE
NORTH PACIFIC MILLERS' ASSOCIATION

June 12, 1937

The JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
8th and E Streets.

GENTLEMEN:

We hereby approve and confirm the action of Mr. O. D. Fisher, chairman, Special Committee, North Pacific Millers' Association, dated June 9, 1937, wherein he designated the brief being filed with your Committee by the Millers' National Federation¹ as likewise the brief of the North Pacific Millers' Association. All that may be said in this communication is intended as supplemental to the brief of the Millers' National Federation.

1. Attached hereto we submit tabulation, marked Exhibit A, showing exportation of American flour to the Philippine Islands and imports of flour by the Philippines for the years 1926 to 1936, both inclusive.² These figures are taken directly or indirectly from the reports by the Department of Commerce and may be accepted as accurate, excepting for slight variations limited to one thousand barrels in each year.

2. An examination of this tabulation indicates that the percentage of American flour imported by the Philippine Islands has been declining year by year since 1927, with one exception, that being the year of 1936. Effective July 1, 1936, the United States Department of Agriculture provided for the payment of an indemnity on American flour exported to the Philippine Islands, the indemnity providing in theory the difference between the selling value of American flour and that of the most favorably situated foreign competitor. That indemnity arrangement has permitted the maintenance of American flour brands to some extent in the Philippine markets; but consideration should be given to the fact that the indemnity plan now in effect expires June 30, 1937.

3. The trend of the percentage figures plainly indicates the impossibility of maintaining American flour brands in the Philippine markets without proper provision for the difference in cost, due to higher American standards of living. Those standards require

¹ See *ante*.

² Exhibit A, having been printed as part of the Millers' National Federation (see *ante*, p. 1080), is not here reprinted.

higher wages, higher cost of supplies, higher cost of wheat, and without a substantial preferential duty the Philippine markets will soon be entirely lost to American products.

4. It is a fact well known to the United States Department of Agriculture that the most burdensome surplus of American wheat has for many years been lodged in the Pacific Northwest. When the export outlets are closed, the Pacific Northwest wheat flows into the Middle West or moves by way of the Panama Canal to the Gulf and Atlantic markets, and at all points of contact it serves to depress the domestic market and in fact to destroy the normal relationship of practically all domestic markets.

5. Again referring to the tabulation of flour imported by the Philippines, it is to be noted that the Philippine Islands consumed in 1936 more than one million barrels of wheat flour. Converting that to wheat, it equals approximately five million bushels. The exportation of five million bushels of American wheat, all of which would move from the Pacific Northwest, will supply a wonderful safety valve and do more to establish and maintain normal wheat markets than any other one thing that may be accomplished.

6. The production of one million barrels of wheat flour means the production at the same time of forty thousand tons of mill feed, all of which will be sold in domestic markets and serve as a very considerable influence in the control of feed prices, which indirectly serves to control the cost of domestic food, particularly poultry and dairy foods.

7. The importance of maintaining American ships in the trans-Pacific service cannot be overstated, and it is a well-known fact in shipping service that the basic tonnage in trans-Pacific shipping is flour. The reestablishment of American flour brands in the Philippines there takes on an added importance, for all trans-Pacific lines are finding it extremely difficult to maintain service, largely due to the great decline in the movement of American flour to the Orient.

We therefore respectfully request that, in giving consideration to the treaties with the Philippine Islands, not only for the near future but for the period when American control will be removed, substantial preference be given to American products imported by the Philippines; not only because such preference is properly due the United States but because treaties drawn to that policy will contribute to the welfare not only of our own people but to those of the Philippine Commonwealth.

Mr. Herman Fakler, vice president of the Millers' National Federation, with offices, National Press Building, Washington, D.C.,

and Mr. A. E. Mallon, member of the Export Committee and of the Executive Committee of the Millers' National Federation, will be prepared to present brief supplementary oral statements, and we respectfully request that they be granted an audience by your Committee.

Respectfully submitted,

NORTH PACIFIC MILLERS' ASSOCIATION
By W. H. YOUNGER, *President*

**BRIEF
OF THE
NORTHWEST SHIPPERS' ASSOCIATION**

(1257) -

BRIEF
OF THE
NORTHWEST SHIPPERS' ASSOCIATION

SEATTLE, WASHINGTON, *July 9, 1937.*

The JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*311 Custom House Building,
San Francisco, California.*

GENTLEMEN:

The meeting of your body July 21, 22, and 23rd for the purpose of taking briefs and oral testimony on the subject of "Hearings on U. S.—Philippine Affairs", has just come to our attention.

In order that you may have a clearer understanding as to our interests in this important matter, permit me to state that the Northwest Shippers' Association is a mutual organization. Its membership is comprised of producer cooperatives, manufacturers of Northwest products, and transportation agencies, both rail and water. Its principal object is to expand our foreign commerce, particularly in the Philippine Islands and in Far Eastern markets. Included in its membership are the most influential men and concerns in all branches of trade in our four Northwest States.

A large percentage of the country's grain supply, as well as other agricultural products, are grown in this district, which, together with many manufactured products largely make up our commerce with the Philippine Islands and other Far Eastern territories.

It is only natural, therefore, that we should view a situation of this nature with none other than one of very grave concern not only from the angle of the Northwest but also from that of our good neighbors in the Philippine Commonwealth, who, we feel, are equally concerned in this two-way trade.

To change our present trade arrangement with the Philippine Islands, would have a great tendency to disturb or destroy, as the case might be, our most lucrative foreign trade, and it would be hard to measure the damage that would accrue to both the United States and the Philippine Commonwealth by enacting such a drastic policy.

Knowing that your honorable body is actuated only by the highest of ideals; that you have a conscientious, earnest desire to decide this matter to the best interests of all concerned, may we ask that we retain the present status of free trade between the two countries after the Philippine Commonwealth has attained its independence along the same lines as at present!

You will realize that the Pacific Northwest has a very much greater interest in the Philippine Islands than has the Atlantic coast or other parts of the United States in that the Far Eastern markets are not only our main source of outlet but the very subsistence of many Pacific-coast industries that are dependent upon these markets as their main source of outlet.

May we ask, therefore, that our request for a continuance of the present policy be adopted in this important matter?

Yours very truly,

NORTHWEST SHIPPERS' ASSOCIATION
FRED C. FERREE, *Secretary*

**BRIEF
OF THE
OVERSEAS AUTOMOTIVE CLUB, INCORPORATED**

(1261)

BRIEF
OF THE
OVERSEAS AUTOMOTIVE CLUB, INCORPORATED

NEW YORK, U. S. A., *June 9, 1937.*

MR. FRANCIS B. SAYRE,
*Assistant Secretary of State,
Department of State,
Washington, D.C.*

DEAR MR. SAYRE:

PHILIPPINE-AMERICAN TRADE

This letter is sent you, as a brief, for consideration by the Inter-departmental Committee studying the problem of Philippine trade, in preparation for Philippine political independence. Economic and business aspects of the proposed change are, of course, of the utmost interest to members of this organization, because of the large and satisfactorily expanding trade they have with the Islands.

Members of this organization are the export managers and sales executives representing approximately 400 manufacturers of automotive parts, accessories and garage machinery and equipment. These members and manufacturers are located in many States, including the Pacific coast, and their products include a long list of such things as batteries, spark plugs, horns, tools, engine and chassis parts, brake lining, polishes, etc., utilized in the repair or the maintenance of automobiles already on the streets and highways. This business is distinct from the sale of complete motor cars or motor trucks, although most of these manufacturers also make the component parts utilized by complete vehicle manufacturers, with whom they enjoy close relations.

Sales from here to the Philippines in the products of the members of this organization were slightly more than \$1,000,000 last year, according to Bureau of Foreign & Domestic Commerce statistics. Not included in that total are shipments of automobile tires, gasoline and lubricants, for automobile use, as such products are not handled by members of this organization. From the statistics, however, you will readily recognize the value and importance of the Philippine trade to our members. It is impossible, unfortunately, to approximate the American labor employed in the manufacture, transportation, selling and handling of this \$1,000,000 trade. Obviously, it is equivalent to a good many hundreds of years of labor, for American workmen, whose livelihood is dependent upon the maintenance of cleared channels of trade with the Philippines.

Under present conditions, this trade is tending to expand materially and should continue to increase as more American automobiles are put into service in the Islands. It is not a trade without competition. Within recent years, considerable manufacture of similar products has been undertaken by Japanese makers, who thus have added new elements of competition to that of British and German manufacturers. Although most of the Japanese production in these lines is of low grade and exported to the low-price markets, the growth of such competition through the Orient, against our lines, has been considerable and dangerous. Most sections of the Orient are, of course, price markets. The Philippine Islands, under present economy, buy today more largely on quality, maintaining open markets for the better American-grade products. The fear may be expressed as to whether, under independent economy, the Islands would not become also a price market, similar to others in the Orient.

In preparing this brief, we have asked one of our members to present his general views on the business aspects of the problem. This member has been closely concerned with Philippine business for many years, is intimately acquainted with the Islands and speaks with a knowledge extending into general business, as well as automotive. He writes:

It is an established fact that the Philippine Islands and the Filipinos, themselves, have been educated almost 100% American. The influence of any other nation or merchandise from any other country has been almost negligible. Due to the free trade between the two countries, American merchandise of almost every conceivable type has been sold in the Philippines. Most of these goods are actually sold at about the same prices at retail in the Philippines as in the United States. There is, of course, the extra cost of transportation to the Philippines, but as both wholesalers and retailers in the Philippines, particularly the Chinese and the Filipino merchants, operate and can afford to do so on closer margins than wholesalers or retailers in the United States, the public has had the benefit of buying at very favorable prices.

Immediately a tariff is placed on any merchandise, the landed cost of the article rises, the wholesale price rises and the retail price rises. This means that the number of buyers or consumers may be reduced because of their inability to pay beyond a certain price.

A tariff on American merchandise into the Philippines would obviously encourage as far as possible local manufacture which would in time affect the volume of American business.

If American goods went into the Philippines at the same tariff rates as similar merchandise from other countries, the volume of American business would be affected. There is, of course, the advantage of the fact that all the merchants in the Philippines, both wholesale and retail, are accustomed to American goods; so is the public, and for a time at least American goods should have an advantage over similar merchandise from other countries because of the natural preference for American goods. Time, however, would likely alter this position because such American merchandise has been imitated in other manufacturing countries, and at favorable prices.

Actual landed cost is usually the determining factor on the sale of merchandise in any foreign country. The experiences we have recently had through the seaman's strike and other shipping troubles and possibly more trouble of the same kind to come in the future, may cause a considerable increase in freight rates on American ships because of the heavier operating cost. Lower freight rates from European countries would reduce the landed cost of their merchandise in the Philippines.

The ability of the Filipino to buy American merchandise at higher prices due to tariff would be determined largely, of course, by the general prosperity and Philippine economic conditions. The Philippines have known no market for their exports except the United States, and I believe they will have difficulty in finding other markets when they are completely independent. Mr. Quezon made this clear in a conversation a number of us had with him at the Ambassador Hotel, New York, in May, 1934. He pointed out that there was very strong Cuban and beet-sugar pressure, both of which interests were anxious to see Philippine sugar quotas drastically reduced. Mr. Quezon stated that if the Philippines were to be thrown out by the United States as a step-child, the Philippine Government would naturally seek other affiliations.

I do not believe the Filipino people want any goods except American. Every carpenter, every farmer, every worker, every garage mechanic has been accustomed to using American tools and goods. Building construction and all industrial work in the Philippines has been developed more than less on American lines and ideas. Merchandise is going from almost every State in the Union to the Islands and the loss of that business would be felt in almost every direction notwithstanding the apathy shown by many manufacturers and others toward the entire Philippine situation. I realize that politics enter very strongly into the proposed new commercial agreement, but it certainly would be a terrible disappointment to those of us who have spent nearly forty years developing our Philippine business to have it shot out from under our feet.

Yours sincerely,

GEORGE E. QUISENBERRY, *Secretary*
OVERSEAS AUTOMOTIVE CLUB

**TELEGRAPHIC BRIEF
OF THE
PACIFIC NORTHWEST GRAIN DEALERS
ASSOCIATION**

(1285)

1266

BRIEFS SUBMITTED TO THE COMMITTEE

TELEGRAM

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1937 JUL 20 AM 3 24

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS
SAN FRANCISCO DISTRICT OFFICE BUREAU OF FOREIGN AND DOMESTIC
COMMERCE
311 CUSTOM HOUSE SFRA

THESE UNITED STATES HAVE UNDER NORMAL CONDITIONS ENJOYED A FULL
MEASURE OF THE FLOUR IMPORTED INTO THE PHILIPPINE ISLANDS WHICH
IN RECENT YEARS HAS BEEN VERY GREATLY REDUCED THEREFORE WE
STRONGLY RECOMMEND THE RETENTION OF THE PRESENT PREFERENTIAL
TREATMENT OF AMERICAN FLOUR AND RELATED AGRICULTURAL PRODUCTS
AND TO RECOVER AND RETAIN PHILIPPINE MARKET FOR AMERICAN WHEAT
AND FLOUR AND OTHER AGRICULTURAL PRODUCTS

PACIFIC NORTHWEST GRAIN DEALERS ASSOCIATION

**BRIEF
OF THE
PHILIPPINE AUTOMOBILE DEALERS**

(1287)

BRIEF
OF THE
PHILIPPINE AUTOMOBILE DEALERS

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Manila, P.I.

GENTLEMEN:

We have the honor to submit for your consideration the following to which we subscribe as the fundamentals of Philippine-American trade relations:

1. The trade relations between the United States and the Philippine Islands were definitely determined by the provisions of the Tydings-McDuffie act until July 4, 1946. That act, after approval by the President and the Congress of the United States, was formally accepted by the Filipino people. Based thereon many citizens and residents of and investors in the Philippine Islands have incurred obligations and made commitments. The trade relations so determined, in good faith and in fairness, cannot, therefore, be altered to their prejudice. Thus, at least until July 4, 1946:

(a) Articles the growth, product, or manufacture of the Philippine Islands should, with no greater limitations than those imposed by that act, and on a basis of equality with articles the growth, product, or manufacture of the United States, be admitted free of duty into the United States; and

(b) Articles the growth, product, or manufacture of the United States should, on a basis of equality with articles the growth, product, or manufacture of the Philippine Islands, be admitted free of duty into the Philippine Islands.

2. The imposition of export taxes on shipments from the Philippine Islands to the United States from November 15, 1940, and the imposition of import duties by the United States and the Philippine Islands, each on articles the growth, product, or manufacture of the other, from July 4, 1946, will be disastrous to the producers and manufacturers of both countries, and, the time being too short to make the necessary readjustments, to the Philippine Islands in particular. Therefore:

(a) The export taxes should be repealed; and

(b) Free trade between the two countries, with present or other reasonable quantitative limitations, should be continued after July 4, 1946.

3. Preferential trade relations between the United States and the Philippine Islands are advantageous to both countries: to the Philippine Islands for the United States is an essential market for many Philippine products; and to the United States for the Philippine Islands is a large market for the products of agriculture and industry of the United States, and will, if the products thereof continue to be admitted free of duty into the Philippine Islands, be a much larger market in the future. Preferential trade relations between the two countries should, therefore after July 4, 1946, be continued indefinitely.

The distribution of automobiles used in the Philippine Islands is almost 100% of American manufacture. In 1936, out of a total of 4955 importations, six were imported from Germany and twenty-three from Italy. It, naturally, follows that the capital invested in automotive distribution is almost 100% American and Filipino.

Unlike the United States and many other countries, there are no finance companies in the Philippine Islands to help the individual purchaser. This is done by the distributor or dealer himself, thus necessitating his having funds of his own or credit with the bank in a sufficient amount to carry on whether business is good or bad.

The Philippine Islands is essentially an agricultural country, and sells in the United States markets approximately 80% of its agricultural and other exports. Any reduction in income resulting from the imposition of duties, excise or other taxes on Philippine products by the United States will immediately be reflected in a decrease of the purchasing-power of the people of the Philippines, and a corresponding decrease in the number of trucks and automobiles sold, thus jeopardizing investments made by individual businessmen and bank loans. Needless to state that there will be a proportionate reduction in sales of automobiles and trucks by U.S. manufacturers to distributors and dealers in the Philippine Islands.

The localities to be affected first will be those producing sugar, hemp and copra. In 1929, when prices of these three staple products were high, the sale of automobiles, trucks and allied imports reached an all-time peak aggregating ₱34,840,428. Despite the fair prices for sugar, hemp, copra and the meteoric rise in local prices of gold, iron, copper and chromium stocks during 1936, the turn-over was approximately ₱9,000,000 less than in 1929. This, we believe, proves that any reduction in income resulting from the sales price of the essential products directly or indirectly through duties or taxes will be reflected immediately in the sale of automobiles, trucks and allied products, in direct proportion to the amount of such reduction.

During the past year United States manufacturers of cars, trucks and automobile and truck accessories sold to the Philippine Islands merchandise amounting to ₱8,500,000 or \$4,250,000. This amount of money actually left the Philippines. But on the other hand, because of this volume of business enjoyed by American manufacturers, large numbers of the Filipino population were in turn benefited.

Early pioneering in automobile and truck distribution was done by progressive Americans and Filipinos and has been carried on by them over a period of approximately 30 years. It has now reached to all parts of the Islands and includes approximately 100,000 Filipinos directly employed whose livelihood is dependent upon the free importation of automotive equipment. This includes, in practically every business center in the Islands, establishments engaged in the sale of automotive equipment, repair shops, sale of spare parts and accessories, the operation of all cars and trucks, and those engaged in merchandising allied lines such as gasoline, tires and other essentials.

In summing up the above, therefore, we feel that any alteration in the present existing free-trade relations between the United States and Philippine Islands, will do irreparable damage to the distribution of automotive units in the Philippine Islands, thus affecting adversely the large number of persons engaged in this business effort and also the much greater number represented by their dependents.

Respectfully submitted,

PHILIPPINE AUTOMOBILE DEALERS
By W. S. FICKES

BRIEF
OF THE
PHILIPPINE CHAMBER OF COMMERCE.
OF CALIFORNIA

(1271)

BRIEF
OF THE
PHILIPPINE CHAMBER OF COMMERCE OF CALIFORNIA

LOS ANGELES, CALIFORNIA, *July 15, 1937.*

The Honorable JOINT PREPARATORY COMMITTEE
ON PHILIPPINE AFFAIRS,
*San Francisco District Office,
Bureau of Foreign and Domestic Commerce,
311 Custom House, San Francisco,
California.*

GENTLEMEN :

With reference to the kind letter dated June 29, 1937, signed by Dr. Frank A. Waring for the Committee, the Philippine Chamber of Commerce of California, after carefully studying the proposal by His Excellency Manuel L. Quezon, President of the Commonwealth of the Philippines, to advance the independence of the Philippines from July 4, 1946, to July 4, 1939, respectfully recommends the continuation of the present economic set-up for at least fifteen (15) years if not for an indefinite time.

A survey of trade groups and individual contacts comes to the conclusion that to continue the preferential trade relations even after the independence of the Philippines is granted is for the mutual benefit of the two countries. This free-trade relation is in accordance with the principles enunciated since America first took possession of the Philippines.

The development of the Islands has, to a large extent, been guided by confidence that the United States would not change its principles in dealing with the Philippines. Practically every country trading with the Philippines increased its commercial dealings with the country. The geographical distribution of its foreign trade during the earlier period has undergone a material change. A marked tendency has shown for the trade to concentrate most of the growth in one particular direction, with the result that the development along the other avenues of expansion has been comparatively small.

It is submitted that:

(1) *Growth in trade by countries.*—In 1899 China had the biggest share of the foreign trade of the Philippines, with Great Britain as a close second, the United States coming third, and Spain fourth. The value of the Islands' total trade with China in that year was ₱14,000,000; with the United Kingdom ₱13,600,000; with the United States ₱10,500,000, and with Spain, ₱4,600,000.

After twenty-eight years, or in 1927, the four principal countries maintaining trade relations with the Philippines were: first, the United States, whose total trade with the Islands amounted to ₱375,000,000; second, Japan, whose total trade with this country amounted to ₱28,600,000; third, the United Kingdom, whose trade with this country amounted to ₱28,000,000; and fourth, China with a total trade with the Philippines amounting to ₱18,000,000.

Thus, the United States, which occupied third place among these various countries trading with the Philippines in 1899, now appears far ahead of all the rest with a total volume of trade with these Islands much bigger than all the trade with the other countries put together. China which then stood far in the lead now ranks fourth in the line. The value of China's trade with the Philippines increased in value 28 percent; that of the United Kingdom increased 107 percent; Spain's increased 182 percent; Japan's increased 1,466 percent; and that of the United States increased 3,471 percent.

It will be seen that the complete resumption of peace, which followed the suppression of the Filipino's armed opposition to the American rule, heralded the revival of Philippine industry and trade under an atmosphere entirely different from that which had prevailed for well nigh three hundred years. A freer and healthier economic development of the country commenced.

(2) *Economic provisions of McDuffie-Tydings act destructive.*—The trade relations between the Philippines and the United States as provided under the provisions of section 6 of the act of March 24, 1934, will prove disastrous to the present trend of business in the Philippines and will materially affect American commodities exported to the Islands.

If the duties are levied gradually on refined sugar, coconut oil, yarn, twine, cord, cordage, rope, and cable, tarred or untarred, wholly or in chief of Manila abaca or other hard fiber, and permitting the American products coming to the Philippines free of duty, no doubt an economic ruin of some important industry in the Philippines shall be difficult to prevent. Example of this is the coconut industry. This also materially affects the United States in the manufacture of soap and its allied articles when taxes keep coconut down from dominating United States market.

The Federal Tariff Commission reported that the "provisions of the Independence Act did not likely have an important direct effect upon the Philippine coconut industry during the first five years of the Commonwealth period". During the second five years the provisions will operate to bring about a more or less complete liquidation of the coconut-oil export industry. It is anticipated that "any decline in ex-

ports of coconut oil, cake, and meal, arising from the provisions of the act, however, will presumably be offset by a corresponding increase in the volume of exports of copra. Production of copra in the Islands, therefore, should be little affected."

(3) *Maritime strike and its effect.*—Foreign trade increases despite United States marine strike. In spite of adverse conditions in the United States and in other countries of the world, the foreign trade of the Philippines for 1936 showed a big increase of overseas commerce in 1935. This is due primarily to the free-trade relations existing at present.

In 1936 the foreign trade reached ₱475,146,455 against ₱359,539,059 in 1935; thus giving an increase from 1935 of ₱115,607,396.

The balance of trade last year was also favorable to the Islands by ₱70,643,757. Exports totaled ₱272,896,106, while imports were ₱202,252,349.

Both exports and imports in 1936 exceeded those of 1935, indicating that the maritime strike on the Pacific coast did not affect Philippine foreign trade at all.

(4) *Export and import index level, 1899–1927.*—A compilation of the value of the four leading crops sold abroad in 1899 with their values for 1927 will indicate the tremendous growth that has taken place in our export and import trade, which is the basis of our index level.

In 1899 Philippine exports of hemp, sugar, tobacco, and copra were valued thus:

Mantla hemp	₱15,987,000
Sugar	6,919,000
Tobacco	3,862,000
Copra	1,453,000
Total	₱28,221,000

The value of these exports in 1927 was:

Mantla hemp	₱59,374,000
Sugar	100,592,000
Tobacco	17,817,000
Copra	38,311,000
Total	₱216,094,000

The foregoing figures show that the Islands' main exports of those articles have increased eightfold from 1899 to 1927.

No less remarkable has been the development in the import trade. Increased export has naturally meant bigger purchasing-power for the Philippines as well as a development for new tastes and wants

for a greater diversity of articles, many of which are not locally produced. Hence, the value of the total imports into the Islands has increased from only about ₱38,000,000 in 1899 to approximately ₱232,000,000 in 1927.

The long list of articles imported into the Philippines in 1927 included the following principal items:

Cotton, cotton goods.....	₱46,085,427
Iron and steel manufactures, except machinery.....	19,284,390
Machinery and engines.....	11,571,000
Wheat flour.....	9,731,783
Automobiles and motortrucks and parts, except tires.....	8,427,105
Silk goods.....	7,960,729
Dairy products.....	6,582,468
Naphthas.....	6,297,866
Meat products.....	5,835,744
Tobacco products.....	5,491,741
Kerosene.....	5,605,062
Electric machinery, apparatus, and appliances.....	4,911,789

(5) *The Philippines as a buying-power.*—The buying-power of the Philippines has grown steadily during the last four decades, as may be shown and discussed below, by the increasing imports from about ₱60,000,000 in 1901 to ₱202,000,000 in 1936.

The value of Philippine exports to the United States [*from*] 1921 to 1930 was placed at ₱1,934,618,270, and the value of Philippine imports from the United States for the same period was ₱1,399,210,062. The Philippine market is of immense potential value to the United States, especially because of the rich mineral deposits in the Islands.

Inestimable values of gold, chromium, manganese, silver, copper, iron, coal, cement, and asbestos deposits are now being worked. Gold is now being produced in tremendously increasing quantities every year. Greater amount of foreign capital is flowing into the Islands and will undoubtedly augment the purchasing-power of the Islands. It is said that in the entire history of the Philippines there has never been a greater circulation of money [*than*] at present.

Chromium production is being developed on a large scale. The United States is the largest chromite-consuming nation in the world and depends entirely on foreign sources for the material, as her domestic production is insignificant. The United States will need Philippine chromium not only in time of peace for her industries but more in time of war.

(6) *Preferential or reciprocal-trade agreement.*—The United States is now buying from the Philippines 80% of Philippine exports every year; and the United States has developed and is still developing further into a very valuable market for American exports, and

is, besides, an important supplier of varied raw materials needed by American industries.

The preference or protection necessary [*is*]:

(a) The degree of preference in arranging a preferential or reciprocal trade agreement with the Philippines after independence, necessary for the principal Philippine export commodities and the effect of the export taxes on—

1. Sugar
2. Copra
3. Coconut oil
4. Desiccated coconut
5. Copra meal
6. Tobacco and tobacco products
7. Abaca
8. Cordage
9. Embroideries
10. Hats
11. Pearl buttons
12. Pineapple
13. Lumber and timber
14. Cutch (chemicals, dyes, etc.)
15. Gums and resins

(b) The degree of protection necessary and advisable for the principal United States export commodities in the Philippine market are on—

1. Cotton cloth
2. Other cotton goods
3. Iron and steel products
4. Mineral oils
5. Automobiles, truck parts and accessories
6. Paper and its manufactures
7. Dairy products
8. Silk, natural and artificial
9. Wheat flour
10. Chemical, drugs, dyes, and medicines
11. Fertilisers
12. Tobacco
13. Electrical machinery, apparatus, and appliances
14. India rubber and manufacture
15. Vegetables
16. Fish and fish products
17. Leather and manufacture
18. Meat products
19. Fruits and nuts
20. Glass and glassware

(7) *Philippine export trade to the United States.*—In 1933, when any of the legislations passed by the United States Congress restricting Philippine exports had not yet become effective, sugar constituted

60.82 percent of the total exports of the Islands, while the other major exports shared in the trade as follows:

	Percentage	Amount Pesos
(a) Coconut oil _____	8.67	
(b) Copra _____	8.47	
(c) Abaca and timber _____		2,587,214
(d) Copra meal _____		2,115,107
(e) Cordage _____		1,813,536
(f) Others _____		8,869,949

Ever since commercial relations between the United States and the Philippines began, the former has been an important outlet for Philippine exports. Even during the Spanish sovereignty, for a period of forty-three years from 1855 to 1898, the United States has claimed 29 percent of the total exports of the Philippines as against $9\frac{2}{3}$ percent in favor of Spain.

America's dominance in the Philippine export trade was intensified upon the implantation of American sovereignty. Thus, the free trade began with the United States in 1902 and swelled the export trade of the Philippines.

During the 25 years since the establishment of free trade, the Islands exported to the United States products to the value of ₱2,581,991,860; whereas, the value of its exports during a corresponding period before the act was enacted was only ₱327,859,689. This increase of Philippine exports [to] the United States has made possible a remarkable increase in the importation of American products in the Philippines. Over 80 percent of the Philippine exports now go to the United States.

(8) *Philippine import trade from the United States.*—At present, the United States dominates the Philippine import trade, [while] the latter purchased annually American products to the value of \$80,000,000 in normal years. Since 1926 the American share of the trade has never gone below 60 percent. Last year, 64 percent of the import trade was captured by the United States.

For the last ten (10) years, the average annual share of the United States in the import trade [was] 63 percent, representing imports with ₱132,681,597.

In practically every important export product of the United States the Philippines figures, if not as the leading importer, at least as one of the first 20 leading importers out of a total of 111 important countries, colonies, territories, cities, and other independent political units or subdivisions.

(9) *The non-competitive exports.*—Various Philippine products that are now exported or could be exported to the United States,

[which] do not compete with domestic products of that country and which must be encouraged, are the following items:

1. Gold bullion
2. Ores
3. Copra
4. Abaca fiber
5. Maguey fiber
6. Canton fiber
7. Quinine
8. Derris
9. Cacao
10. Coffee
11. Tropical fruits
12. Crude rubber
13. Lumbang
14. Kapok
15. Castor beans
16. Prepared tapioca
17. Cashew nuts
18. Sesame
19. Asbestos
20. Raw silk.
21. Rattan

(10) *Use of American ships.*—A brief review of the trade between the two countries demonstrates that, of the total export trade of the Philippines in 1933, the last year of unlimited free trade, amounting to ₱211,542,105, the total of ₱182,000,000, or 87 percent, was with the United States.

It should be realized that the greater portion of freight money paid to Americans overseas goes directly to American labor or to the American consumer of Philippine products bought by United States consumers, which rise in proportion to the amount of money that they have at their disposal with which to purchase our goods.

Respectfully submitted,

ROQUE E. DE LA YSLA
Secretary and Managing Director

**BRIEF
OF THE
PHILIPPINE DESICCATED COCONUT CORP.**

**(See also Briefs for the Philippine Desiccated Coconut Industry:
Franklin Baker Company of the Philippines *et al.*)**

BRIEF
OF THE
PHILIPPINE DESICCATED COCONUT CORP.

NEW YORK, *June 14, 1937.*

The JOINT PREPARATORY COMMISSION ON PHILIPPINE AFFAIRS,
Room 206, U. S. Tariff Commission,
8th & E Streets,
Washington, D. C.

GENTLEMEN:

It is our understanding that your Commission is about to conduct hearings regarding "the effects of existing legislation upon the commodities and services involved in the present economic relations between the United States and the Philippines".

Having been actively engaged in the manufacture (in the Philippine Islands) and sale (in the United States) of desiccated coconut since 1922, we desire to record our views briefly of the very probable effect of existing legislation upon our business.

In our opinion, the maintenance of all or the greater part of the present $3\frac{1}{2}\text{¢}$ per lb. tariff preference in favor of the Philippine product (as compared with desiccated coconut from Ceylon) is essential for the continuance of the desiccated-coconut industry in the Philippine Islands. This tariff preference is necessary to offset the disadvantages of higher cost of raw material (coconuts), greatly higher cost of labor, higher ocean-freight rates, etc., in the Philippine Islands. We might mention that our operations have been conducted at a loss during the last six months, despite the fact that during this period desiccated coconut from Ceylon could be imported at prices very closely approximating our sale prices.

Our production in 1936 was about eight million pounds of desiccated coconut. We employ [in] our factory at Zamboanga, P.I., about 400 persons.

We trust that after consideration of the matter your recommendation will be for a continuance of the present tariff preference of $3\frac{1}{2}\text{¢}$ per lb. upon this product.

Very truly yours,

PHILIPPINE DESICCATED COCONUT CORP.

B. V. CORCORAN

Assistant Treasurer

**BRIEF
OF THE
PHILIPPINE PACKING CORPORATION**

(1281)

**BRIEF
OF THE
PHILIPPINE PACKING CORPORATION**

June 11, 1937.

To JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS:

The Philippine Packing Corporation commenced canning pineapples in 1930. Due to depression conditions and the resulting decrease in demand for this product, the initial development program was curtailed until 1934, when normal planting was resumed. Plans call for a steady annual expansion of production to meet market requirements.

The Philippine Packing Corporation is capitalized for ₱2,500,000, representing 25,000 shares at ₱100 each. ₱1,750,000 has been paid in. The company has made an investment in the Philippines of ₱1,464,076.31. At present there is set up a reserve for depreciation of ₱663,445.81. Operations of the company are located in northern Mindanao. The canning factory and main office are in Misamis Oriental Province, about twelve miles east of the town of Cagayan. Agricultural operations are conducted in the northern part of Bukidnon Province. The fresh pineapples are transported by truck from these plantations to the factory on the coast.

This company is a wholly owned subsidiary of the California Packing Corporation. The parent company is a large producer of canned pineapples in Hawaii. The Philippines subsidiary is operated to supplement the parent company's Hawaiian output. The Philippine pack, in quality, style, and all other respects, is interchangeable, grade for grade, with the Hawaiian product. It is sold entirely in the United States, where approximately 99 percent of the pineapples consumed is the high-quality pack put up by Hawaii and the Philippines. That portion of the total which the Philippines provided is as follows:

	Ratio of P.I. Pack to Hawaii Pack
1930-----	. 27
1931-----	. 89
1932-----	2. 65
1933-----	. 08
1934-----	1. 89
1935-----	. 68
1936-----	2. 55

The 1936 Philippine pack, which may be said to be the first under normal conditions, was 277,131 cases, with a value of approximately \$776,000. The payroll for the year was \$145,411.87. A maximum of 1,385 people was employed daily during the peak period of ten

weeks. The minimum number of 250 people was employed daily throughout the year. The number of employees will increase as the pack increases.

The 1937 Philippine pack, now 25 percent completed, is estimated at 450,000 cases, with an estimated value of \$1,305,000. Our payroll for the current year will be in excess of \$200,000. We will employ a maximum of approximately 2,000 people.

The Philippine pineapple pack for 1936 required in excess of 10,000 bags of refined sugar. The 1937 pack will require 19,000 bags of refined sugar. This sugar is purchased from local refineries. In addition, the company purchases substantial quantities of Philippine lumber for use in manufacturing its boxes for carrying fruit, buildings, etc.

The Philippine Government benefits directly in the way of taxes from this pineapple project. Besides income taxes and the usual provincial and municipal taxes and licenses which the Philippine Packing Corporation paid, we might point out that our finished product is subject to the \$1.00 per ton wharfage tax, even though the canned pineapple is loaded into trans-Pacific ships over a dock built entirely at the cost of the company. This wharfage tax amounted to approximately ₱10,000 during the year 1936 and will, of course, be materially higher with the increased tonnage to be exported during this and coming years.

Supplies, such as cans, cases, labels, etc., are necessarily imported from the United States. During 1936, cans valued at approximately \$150,000 and cases valued at approximately \$30,000 were used. Machinery and equipment are imported from the United States. These supplies, machinery, etc., are, of course, now imported duty-free into the Philippines.

The Hawaii and Philippine packs of canned pineapple for 1936 represent approximately 77 percent of the world production. These packs, because of their quality, are not competitive in cost with the packs of Malaya and Formosa, the other principal producing countries. Markets other than the United States absorb only approximately 4½ percent of the combined Hawaii-Philippine pack, due to this non-competitive-cost feature. While Philippine costs are somewhat less than those for Hawaii, it is impossible to get them to a point where the Philippine pack will be competitive with foreign packs in the markets where price, and not quality, is the commanding feature. Thus, it is obvious that the United States market must absorb the greater part of the Philippine canned-pineapple pack, both now and in the future.

It requires approximately twenty months from the time of planting for pineapples to mature. Agricultural operations are carried on in

a five-year cycle; thus, fields planted in 1937 will bear in 1939 and 1940, will be planted to cover crops for soil conservation and improvement in 1941, and will be replanted during the latter part of 1942. Operations, therefore, must be planned five years into the future.

The expansion—in fact, possibly even the continuation—of this industry in the Philippines is necessarily dependent on future trade relations between the United States and the Philippines, both as regards tariff into the Philippines on cans, cases, and other supplies, as well as tariff into the United States on the finished product.

It may interest the Committee to note that the Philippines imported in 1935, canned fruits, canned vegetables, and canned fish from the United States to a total value of \$1,244,938. This compares with canned-pineapple exports from the Philippines the same year, valued at \$157,988. The California Packing Corporation, parent company of Philippine Packing Corporation, exports from \$120,000 to \$130,000 of canned fruits, fish, and vegetables to the Philippines, and is thus interested on its own part in the outcome of future trade arrangements between the United States and the Philippines, as well as on account of its subsidiary.

**SUPPLEMENTAL BRIEF
OF THE
PHILIPPINE PACKING CORPORATION**

SUPPLEMENTAL BRIEF
OF THE
PHILIPPINE PACKING CORPORATION

SAN FRANCISCO,
July 19, 1937.

To the JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS:

GENTLEMEN:

We have reviewed the transcript of the verbal statement made by our Mr. H. A. White at your Washington hearing, and now request the privilege of placing on record the following supplemental information:

PLANT DISEASES AND PESTS

On page 17 of the transcript appears a question by Mr. Elizalde as to whether we had any difficulty with plant diseases. Our answer to the effect that we had these diseases under control should be further clarified.

In our early commercial plantings, we found our fruit was subject to a bacterial disease which caused a considerable percentage of the pineapples to contain large brown spots. This disease is described in detail in a publication entitled *Bacterial Fruitlet Brown Rot of Pineapple in the Philippines*, by F. B. Serrano, published by the Bureau of Science of the Philippine Government (volume 36, Philippine Journal of Science, no. 3, July 1928). This publication shows the seriousness of the disease in its effect on the commercial growing of pineapples in the Philippines.

After a considerable expenditure of money and time, our pathologist, who had been brought to the Philippines to work on the control of this disease, developed a treatment of the fruit during its blossoming stage which reduced the damage to a point where sufficient factory recovery was obtained to warrant commercial operations. However, even under this control, the damage from this disease lowers the recovery in the canned product, both in quantity and quality ratio, substantially below that from an equal quantity of Hawaiian fruit. This difference in recovery value offsets to a great extent such advantages as the Philippines may have in wages and other costs. Furthermore, the cost of labor and materials involved in effecting such control of the disease as we have now secured, has become a considerable feature of Philippine operating costs. Hawaii is free from this cost element.

We wish also to point out that in the Philippines our planted areas are intermittently infested with the grub of the scarabaeid beetle. This grub attacks the roots of the young growing pineapple

plants, causing considerable loss and expense. We are now replanting approximately 15 percent of the areas we planted in 1936, due to damage done by this beetle grub.

During the last three years, the Province of Bukidnon, in which our plantations are located, has been infested with locusts. Although pineapple plants are not particularly attractive to locusts, the large swarms which on occasion have settled on our fields have done material damage, resulting in stunted growth of our plants and consequent delay in maturity of the fruit.

We desire to call the Committee's attention to these problems which are non-existent in Hawaii and which tend to greatly narrow the margin between Hawaiian and Philippine production costs of fruit.

ACREAGE REQUIRED

On page 18, in response to a question from Mr. Domeratzky, we stated that we are planting approximately 1,000 acres a year. We also stated that it takes about 5,000 acres or 6,000 acres to take care of our planting cycle. The figures given in this reply refer to net acres suitable for cultivation. In the Philippines, we seldom can plant more than from 50 percent to 70 percent of the area within the bounds of any described tract of land, owing to the number of large and small ravines, typical of Bukidnon.

We also request the privilege of presenting the following corrections or changes in the transcript of the June 16 hearing:

CORRECTIONS AND AMENDMENTS TO VERBAL STATEMENT OF JUNE 16, 1937¹

Page 8, last line. This reads in part as follows: ". . . that there is not 90 cents a case in the canning of pine-", and should be changed to read: ". . . that there is not 90 cents a case *profit* in the canning of *Philippine* pine-".

Page 9, line 16. The words "the equivalent of" should be inserted between the words "pay" and "from".

Page 10, line 7. The figures "1930" should be "1936".

Page 10, line 18. The word "at" should be inserted after the word "sell".

Page 10, line 19. The words "juice products" should be inserted after the word "developing".

¹ These corrections have been made in the printed transcript of the proceedings; see vol. II, pp. 10 et seq. The page numbers here given are to the typewritten transcript.

Page 10, line 21. The word "centerfuges" should be "centrifuges".

Page 10, line 22. The phrase "particularly with any possible advancement of the tariff" should be altered to read "particularly with the probability of being subject to the tariff".

Page 10, last line. We should like to insert the words "long-term" before the word "period".

Page 13, line 17. The sentence commencing with the word "Again" is not a part of Mr. Roxas' question, but a part of my reply thereto.

Page 13, last line. The word "cocoa" should be "cocoanut".

Page 15, line 5. The word "Independent" should be "Independence".

Page 15, line 13. The word "out" should be changed to the word "off".

Page 21, line 4. The word "see" should be changed to "stated".

Page 21, line 5. The word "produced" should be replaced by the words "will produce".

Page 23, line 8. The word "add" should be replaced by the word "state".

Respectfully submitted,

PHILIPPINE PACKING CORPORATION
By H. A. WHITE, *President*

BRIEF
SUBMITTED ON BEHALF OF THE
PHILIPPINE RAILWAY BONDHOLDERS' COMMITTEE

BRIEF
SUBMITTED ON BEHALF OF THE
PHILIPPINE RAILWAY BONDHOLDERS' COMMITTEE
RELATING TO THE
FIRST-MORTGAGE THIRTY-YEAR 4% SINKING-FUND GOLD
BONDS OF THE PHILIPPINE RAILWAY COMPANY

These bonds are outstanding in the aggregate principal amount of \$8,549,000, having been originally authorized in an amount not to exceed \$15,000,000. They were sold to the public beginning in 1907 on the basis of a circular of which a photostatic copy is attached.¹ The bonds mature on July 1, 1937. The Philippine Government guaranteed payment of interest on these bonds "until their maturity or redemption".

We have reason to believe that no steps have been taken by the Philippine Government to provide for either (a) payment of any interest accruing after July 1, 1937, or (b) any proposal for payment or liquidation of the principal.

According to present standards, as developed through the Security Exchange Commission, it would not seem unfair to assert that the circular is in many ways misleading, among others—

1. It at least implies a Governmental backing of the enterprise with at least an inferential moral commitment.
2. The meaning of the interest guaranty is open to the legal argument that it may continue after maturity.
3. It contains an implication that the enterprise is a Government project and would be subject to thorough supervision and Governmental control.
4. It contains statements authorized by the Treasury Department of the United States and the Secretary of War calculated to induce purchase of the bonds and to indicate a degree of security, certainly not warranted by the present attitude of the Philippine Government.
5. It contains further allusions to the guaranty of interest without mention of the limitation above quoted, namely, "until their maturity or redemption".
6. It is replete with implication of sponsorship by the Government of the United States.

In connection with the statutes pursuant to which these bonds were sold and which are recited in the indenture securing them (sec. 4 of the act of Congress of the United States, approved Feb. 6, 1905, chap.

¹ See annex 1, *post*, p. 1294.

453, 58th Congress, Session 3), the discussions in the Senate, as reported in volume 39, part 1, of the *Congressional Record*, are significant. The following extracts from the *Congressional Record* of Senate debate are instructive:

Page 150

Mr. NEWLANDS. I do not wish to take up much of the Senator's time but I suggest to him that under this bill the Philippine Government would be under obligation for a million and a half a year for thirty years, which would amount to \$45,000,000; and it seems to be assumed that ultimately the United States will be under a moral obligation regarding it, if not under legal obligation. So, if the railroad fails, the obligation ultimately falls upon the United States.

Page 153

Mr. NEWLANDS. I should feel that a moral obligation rested upon me as a Senator of the United States to vote in favor of assuming that obligation.

Page 154

Mr. NEWLANDS. As to the Friar Land bonds, the Acting Attorney General in a letter of the 26th of December last said:

"The entire transaction is to be negotiated under the auspices of the United States and by its recognition and aid."

And again, on the 31st day of December last, the same Attorney General declared, in a letter addressed to the Secretary of the Treasury:

"Although the loan is not legally guaranteed by the United States, the issue is obviously made over its faith and credit and by its aid and recognition. The bonds are offered to the public under the auspices of the United States by the direction of the Secretary of War and the authority of the Government of the Philippine Islands, founded upon the act of Congress."

In the same letter he declares:

"The interest and credit of the United States are deeply and essentially concerned in these matters."

So, there you have the view, at all events, of the moral obligation under which the United States stands regarding the Friar bonds; and I may say that in the report of the minority of the Insular Affairs Committee of the House on this bill, the minority members, at least, whose opinion may not be potential here, declared:

"This section not only fastens for a period of thirty years an indebtedness upon the people of the Philippine Islands to guarantee a dividend of five per cent, but it also, in our opinion, creates a moral, if not a legal, liability upon the United States Government to see that this guarantee is paid."

Page 298

Mr. McCUMBER. We may say that it is not guaranteed by this Government, but as long as the Philippine Islands are under the control and suzerainty of this country we are responsible for the *bona fides* of their contracts and that their contracts will be faithfully carried out. Therefore, if the Philippine Government should fail in any way to answer this requirement of payment of five

per cent upon those bonds . . . the Government of the United States as a guardian and controller of that country is morally bound to see that the amount shall be paid; . . .

Page 343

Mr. GORMAN. Upon the bonds issued for the construction of railroads under the provisions of this bill, five per cent is guaranteed by the Government of the United States, the principal of which the report accompanying the bill holds that, morally, this Government will be responsible for.

Page 344

Mr. GORMAN. So far as the railroad bonds are concerned, I understand that we do guarantee by this bill to pay five per cent, and that morally we are bound both for the interest on the bonds as well as the principal.

Opposition to this bill was voiced on the ground that it would involve the moral obligation of the United States Government.

Page 344

Mr. BAILEY. . . . I still want it incorporated in the record of Congress that if hereafter some importunate bondholder should come to Congress asking that we discharge the obligations of these bonds nobody shall be permitted to read out of the record here that I assented to the proposition that there is a moral obligation upon us to pay them. . . . It may happen that no such chance as this will occur in the case of the Philippine bonds, but I assume that it may, and so I intend to vote against these railroad bonds . . . I would no more assume the moral responsibility of this Government for those bonds than I would assume the moral responsibility on the part of any State government for bonds which it authorizes one of its municipalities to issue. . . .

The debate in the House is equally pertinent: *Congressional Record*, volume 38, part 5:

Page 4775

Mr. JONES of Virginia. Mr. Speaker, when interrupted by the gentleman from New Jersey (Mr. Lanning) I was attempting to show that whilst the Philippine Government was primarily responsible for the railroad subsidies provided for in this bill the United States would be held to be morally responsible. If Congress authorizes this guaranty of interest, the enacting clause of the Philippine act which gives it will be in these words: "By authority of the United States, be it enacted by the Philippine Commission."

But, Mr. Speaker, if there was ever room for doubt as to the moral obligation of the United States—and many honest and intelligent people have entertained doubt upon this subject—I think there can no longer be any. Governor Taft was asked when before the committee whether or not the United States would be morally or legally responsible for these bonds. Now, mark what he said:

"Not at all, except that Congress authorizes the issue. I suppose that investors have assumed that that fact would lead Congress to assume the obligation to them if the government ever became bankrupt. I only know that banking houses are entirely willing to take the bonds without a

guaranty by the government, and the rate at which the bonds sold is an indication that the shadow of the United States in the background is very valuable."

In other words, the investors will be very willing to take the bonds if they are only authorized by the Government of the United States, for they regard "the shadow of the United States in the background as very valuable."

Although Secretary Taft is an accomplished lawyer, there is even higher legal authority for my contention than is to be found in his utterances. The Acting Attorney General of the United States has given at least two official opinions, in both of which he holds that the United States is morally liable for Philippine bonds authorized and issued under circumstances and conditions precisely similar to those which will surround those provided for in this bill.

This is what he wrote to the Secretary of War :

"The entire transaction is to be negotiated under the auspices of the United States and by its recognition and aid."

Again, in a letter to the Secretary of the Treasury upon the same subject, the Acting Attorney General said :

"Although the loan is not legally guaranteed by the United States, the issue is obviously made over its faith and credit and by its aid and recognition. The bonds are offered to the public under the auspices of the United States by the direction of the Secretary of War and the authority of the government of the Philippine Islands, founded upon the act of Congress."

Mark that language—"made over its faith and credit". The United States are not to guarantee in so many words the interest which is to be paid the railroad syndicates under this bill, but we are told by the highest law officer of the Government that the guaranty of interest will be "made over its faith and credit", which can mean nothing other than that the United States will be morally bound to pay this interest in the event the revenues of the Philippine Islands shall prove to be inadequate. For one I do not doubt but that if the Philippine people are made to assume the payment of this interest, it will eventually fall upon and be paid by the United States.

By reason of the recent action of our Government the Philippine Government has to all intents and purposes become a foreign nation, and the American holders of these bonds are consequently unable to enforce any reasonable protection of their interests unless it can be accomplished as a condition imposed by their own Government upon the Philippine Government in connection with the adjustment by the latter of various financial arrangements which the Philippine Government, we understand, is now endeavoring to accomplish.

Holders of these bonds naturally look to their own Government and particularly to their representatives in Congress to take all adequate means, both practical and otherwise, for their protection.

Although the maturity of these bonds is at hand no proposal for adjustment with the holders of these bonds has been made definite either by an act of the Philippine Government or by authorized offer of any Philippine Government official duly constituted for the purpose.

Annex 1

**INTEREST UNCONDITIONALLY GUARANTEED BY THE PHILIPPINE
GOVERNMENT**

Under Act of Congress of the United States

\$4,000,000

THE PHILIPPINE RAILWAY COMPANY

First Mortgage Thirty-Year 4% Sinking Fund Gold Bonds

AVAILABLE AS SECURITY FOR UNITED STATES DEPOSITS

Dated July 1, 1907

Due July 1, 1937

Interest payable January 1 and July 1

Subject to redemption at 110 and interest on any interest date. Denominations: Coupon, \$1000; registered, \$1000 and multiples. Coupon bonds may be registered as to principal or exchanged for fully registered bonds, which may be reconverted into coupon form.

BANKERS TRUST CO., NEW YORK, TRUSTEE

Principal and interest payable in New York in United States gold coin, and in London at the fixed rate of exchange of \$4.86 per pound sterling, and in Amsterdam at the fixed rate of exchange of fl. 2.49.

THE UNDERSIGNED WILL RECEIVE SUBSCRIPTIONS FOR THE ABOVE BONDS AT 95% AND ACCRUED INTEREST TO DELIVERY, PAYABLE IN FULL ON ALLOTMENT.

The subscriptions will be closed at 3 o'clock, p.m., on Friday, November 20, 1908, or earlier, the right being reserved to reject any applications and to award a smaller amount than applied for, and to close the subscription at any time without notice. Definitive bonds will be delivered upon payment in full.

These bonds are issued, and the interest thereon guaranteed by the Philippine Government, in accordance with the terms of an Act of the United States Congress, dated February 6, 1905. All details of the mortgage and issue have been approved by the Secretary of War of the United States.

The Company has authorized an issue not to exceed \$15,000,000 First Mortgage 30-Year Sinking Fund 4% Gold Bonds. By the terms of the Company's franchise and concession, the bonds are secured by a first mortgage lien on the railway lines and property of the Company, and are issued only against completed mileage to the extent of 95% of the cost, as determined and approved by the Philippine Government. Under authority granted by the aforesaid Act of Congress, the Government of the Philippine Islands guarantees the full and prompt payment of interest on these First Mortgage bonds until their maturity or redemption.

An annual sinking fund of $\frac{1}{2}\%$ of the bonds outstanding from July 1, 1911 to July 1, 1921, and of 1% of the bonds outstanding from July 1, 1921 to July 1, 1937, is provided for by the mortgage before any dividends can be paid on the Company's stock.

The Treasury Department of the United States will accept these bonds as security for Government deposits under the terms of the following special rulings, dated August 30, 1907 and January 25, 1908, respectively:

The Secretary of the Treasury authorizes the statement that these first mortgage four percent bonds of the Philippine Railway Company, guaranteed as to interest by the Philippine Government, will be accepted by

the Treasury Department as security for deposits of the public money of the United States in National Banks on the basis of ninety percent of their market value, but not to exceed ninety percent of their par value, whenever further deposits are to be made, and may be substituted at any time for any bonds now on deposit to secure public moneys except United States Bonds.

The Treasury Department, when the deposit of public moneys with the various national banks is reduced, will require that bonds other than the following be first withdrawn: United States, Philippine, PHILIPPINE RAILWAY, Porto Rican and Hawaiian.

The Secretary of War authorizes the following statement under date of November 10, 1908:

In view of the fact that the Philippine Government invited bids for the construction of railroads in the Philippine Islands and has accepted bid of the Philippine Railway Company for the construction of railroads referred to, and has executed the contract of guaranty of the interest of their bonds, and in view of the fact that the Philippine Government realizes the paramount necessity of railroads for the welfare of the Philippine people, and in view of the intense interest which the Philippine Government takes in the success of the enterprise undertaken by the Philippine Railway Company, the Secretary of War authorizes the Bureau of Insular Affairs to receive subscriptions for these bonds.

Applications will be made to list the bonds on the London and Amsterdam Stock Exchanges, and the New York Stock Exchange, where a portion of the issue is already listed.

For further information regarding these bonds, we refer to the letter of the President of the Company on the following pages and to the concession and mortgage, copies of which may be inspected at the office of William Salomon & Co., 25 Broad Street, New York City.

The Subscription will be opened simultaneously

IN LONDON by MESSRS. GLYN, MILLS, CURRIE & CO.

IN AMSTERDAM by MESSRS. HOPE & CO., and

IN WASHINGTON, D. C., by the

BUREAU OF INSULAR AFFAIRS, UNITED STATES WAR DEPARTMENT

WILLIAM SALOMON & Co.

BANKERS

25 Broad Street
New York

181 La Salle Street
Chicago

NOVEMBER 16, 1908

Annex 2

THE PHILIPPINE RAILWAY COMPANY

NEW YORK, U. S. A.

October 10, 1908.

Messrs. WILLIAM SALOMON & Co., New York,

DEAR SIR:

In compliance with your request, I beg to submit the following information regarding the property and securities of the Philippine Railway Company:

The concession of the Company covers the construction of lines of railroad in the Philippine Islands as follows:

Island of Panay-----	100 miles
Island of Negros-----	100 miles
Island of Cebu-----	95 miles

The construction of 35 of the 95 miles on Cebu is optional and the Company has the right to construct an additional 25 miles of main line on each island.

LEGAL AUTHORITY

The legal authority of the Company is embodied in the perpetual franchise and concession granted on July 13, 1906 by the Philippine Government, under authority of the acts of the United States Congress, dated July 1, 1902 and February 6, 1905. The privileges granted by the concession include, besides the franchise and authority to build and operate the railroad lines, right of way 100 feet in width through public lands, the right of eminent domain, the right to take timber, earth, etc., from certain public lands, the right to operate electrical transmission wires for commercial as well as Company uses and the right to import, free of duty, the materials necessary for the construction of the railroad. In addition, the concession provides for the guaranty of bond interest, and fixes the Company's tax rate at $\frac{1}{2}$ of 1% of gross earnings for a period of 30 years (during the life of the First Mortgage Bonds) and 1 $\frac{1}{2}$ % for 50 years thereafter, these payments being in lieu of all other taxes. The Company is thus assured of a graduated tax based on its business, and comparatively very reasonable in amount, as the average railroad tax rate in the United States equals 3% of gross earnings.

The concession stipulated that the construction, equipment and the rolling-stock must be first-class, equal in quality, with proper regard to local conditions, to the best American practice and in accordance with definite plans approved by the Government. The Philippine Government also reserved the right to inspect, through its Auditing, Engineering and Railroad Bureaus, the Company's books and accounts, and to obtain representation on the Company's Board of Directors. These provisions have been carefully followed in the course of construction. An engineer, appointed by the Government, has closely supervised the construction of the road and all expenditures have been approved by the Government, which has also appointed two members of the Board of Directors.

CONSTRUCTION

The entire design and construction of these lines is being carried out by J. G. White & Co., Inc., engineering contractors of New York City.

Construction work has been under way for about two years on the islands of Panay and Cebu. The main line on the island of Cebu, extending from Danao to Argao, 60 miles in length, was preliminarily completed and placed in construction operation in May, 1908. On Panay, 20 miles of road, extending from the terminus at Iloilo to Pototan have been completed, and an additional 20-mile section, extending north from Pototan, is expected to be ready for operation in December, 1908. Terminals, with harbor frontage at Iloilo, are about 75% completed. Final location surveys for the balance of the projected mileage have been completed, with the exception of the northern section of the line in Negros. Equipment, consisting of 12 locomotives, 23 first- and second-class passenger cars, and 80 box cars, is now in service, in addition to

construction equipment, including 100 flat cars. Two additional Baldwin locomotives have been ordered.

TRAFFIC ESTIMATES

A conservative estimate based on traffic in sight, and made under the personal supervision of Mr. William B. Poland, Vice President and Chief Engineer of the Railway Company, after a careful investigation of the territory, indicates that the Railway lines, now completed and under construction, will fully earn the interest on their bonds, even during the first years of operation. Mr. Poland, who is the chief operating official of the Company, estimates that about 75% of the revenue will be derived from passenger traffic. The inhabitants are fond of traveling, and pleasure as well as business furnishes cause for frequent interurban journeys.

TERRITORY SERVED

The three islands of Panay, Negros and Cebu have a population per square mile, respectively, as follows: 161, 94 and 336, the average being 160, about equal to the density of population of British India. The comparative advantage in this respect of the islands on which the Railway Company's lines are located is better shown by the fact that with less than 10% of the total area of the archipelago they have nearly one quarter of the whole population, and nearly 98% of their inhabitants are recorded as civilized by the census. The population per square mile tributary to the railway lines exceeds the average for the islands, and has been estimated at 450 for Cebu and 175 for Panay, or at the rate of about 5,000 per mile of road in Cebu and 4,000 in Panay. The ports of Iloilo, the southern terminus of the line in Panay, and of Cebu located on the line in Cebu, are two of the largest cities of the Philippine Archipelago. The Government has expended large sums for the improvement of their harbor facilities.

BONDS

The Company has authorized an issue of \$15,000,000 First-Mortgage 30-Year Sinking-Fund 4% Bonds. These bonds are secured by a First-Mortgage lien on the railway lines and property of the company in the Philippine Islands, and under the terms of the concession, are only issued against completed mileage to the extent of 95% of the cost, as approved by the Philippine Government. It is further stipulated that bonds can only be issued upon completed sections of the road not less than twenty miles in length. The principal and interest are payable in United States gold coin, the former on July 1, 1937, and the latter semiannually, January 1 and July 1. An annual sinking-fund of $\frac{1}{2}\%$ of the bonds outstanding from July 1, 1911 to July 1, 1921, and of 1% of the bonds outstanding from July 1, 1921 to July 1, 1937, must be provided by the Company before any dividends can be paid on the stock. Bonds may be drawn by lot for this sinking fund at 110 and interest if not purchased at or below that price, at which the entire issue is also subject to redemption on any interest date, upon three months' notice.

INTEREST GUARANTY

The Government of the Philippine Islands guarantees by endorsement on each bond, the full 4% annual interest on these bonds, until their maturity or redemption. Any payments made by the Government under this guaranty rank as a lien upon the property, subject to the lien of the First Mortgage Bonds.

THE RAILWAY COMPANY

The Philippine Railway Company was incorporated March 5, 1906, under the laws of the State of Connecticut and has a capital stock of \$5,000,000. A list of the officers and directors follows:

Officers

Chairman of the Board,	WILLIAM SALOMON
President,	CHARLES M. SWIFT
Vice President,	FREDELIC H. REED
Vice President,	CLARENCE MCK. LEWIS
Vice President and Chief Engineer	WILLIAM B. POLAND

Directors

Gen. C. R. EDWARDS, *Chief, Bureau of Insular Affairs, U.S. War Dept.*

Gen. T. H. HUBBARD, *President, International Banking Corporation.*

CLARENCE MCK. LEWIS, *William Salomon & Co.*

Major FRANK MCINTYRE, *Asst. to Chief, Bureau of Insular Affairs, U.S. War Dept.*

WM. BARCLAY PARSONS, *Engineer.*

ALONZO POTTER, *William Salomon & Co.*

FREDERIC H. REED, *Vice President, J. G. White & Co.*

WILLIAM SALOMON, *William Salomon & Co.*

CHARLES M. SWIFT, *President.*

CORNELIUS VANDERBILT, *Capitalist.*

J. G. WHITE, *President, J. G. White & Co.*

Trustees for the First Mortgage Bondholders, The Bankers Trust Company, New York.

General Counsel, Cravath, Henderson & de Gersdorff, New York.

Examining and Consulting Auditors, Price, Waterhouse & Co., New York and London.

Gen. Edwards and Major McIntyre are officials of the Bureau of Insular Affairs of the War Department at Washington, D.C., and represent the Government of the Philippine Islands upon the Board.

Yours very truly,

CHAS. M. SWIFT
President

MEMORANDUM
SUBMITTED BY THE
PHILIPPINE TEXTILE COMMITTEE

(1220)

MEMORANDUM
SUBMITTED BY THE
PHILIPPINE TEXTILE COMMITTEE

During the seven-year period from 1927 to 1933 America's share of the cotton piece-goods imported by the Philippines averaged about 66,299,000 square meters, equal to about 62%. This percentage decreased rapidly during the following years, and during 1936 America's share in the Philippine cotton-textile business amounted to about 33% only. Furthermore, this figure includes at least 8,250,000 square meters of embroidery cloth (goods sent to the Philippines to be made into embroidered garments and returned to the U.S.A.). The United States, therefore, actually exported to the Philippine Islands during 1936 about 24,479,000 square meters, which corresponds to about 26% of the total imports of cotton piece-goods of the Philippine Islands. Furthermore, it is to be noted that with the exception of a very few items such as denims, khakis, bleached sateens, and a few grey goods, most of the business done today in American cotton textiles consists of seconds, close-outs and goods which, for some reason or other, the manufacturers are selling at bargain prices and which, for this reason only, find their way into the Philippines.

The United States used to do a very large business in goods especially manufactured and printed for the Philippine trade and this gave employment to a great number of people working not only in the spinning and weaving plants but also in the print works. This business has entirely disappeared; America's place has been taken by Japan!

In 1935 an agreement between the State Department and Japan was entered into limiting shipments of Japanese cotton piece-goods into the Philippine Islands. Transshipments of Japanese goods via foreign ports such as Hong Kong have, unfortunately, not been deducted from the Japanese quota and, for the first fiscal year of the agreement, 8,215,000 square meters of Japanese goods entered the Philippines in excess of the quota of 45,000,000 square meters. Preliminary figures for the fiscal year (from 1936-1937) indicate that excess shipments were just as large. Furthermore, said agreement did not make any provisions for shipments from other countries, and we are giving you below a statement of all cotton piece-goods and rayons imported into the Philippine Islands during the last four

years as per annual reports of the Collector of Customs (entries liquidated) :

	1936 <i>Sq. meters</i>	1935 <i>Sq. meters</i>	1934 <i>Sq. meters</i>	1933 <i>Sq. meters</i>
Cotton piece-goods				
U.S.A.....	24, 479, 406	24, 260, 590	33, 310, 603	57, 711, 639
Japan.....	47, 748, 558	72, 375, 200	56, 357, 311	23, 687, 366
China.....	13, 529, 036	1, 971, 020	2, 199, 120	3, 697, 997
Others.....	5, 914, 931	3, 728, 711	5, 382, 875	5, 827, 501
TOTAL.....	91, 671, 931	102, 335, 521	97, 249, 909	90, 924, 503
Rayons				
U.S.A.....	525, 481	432, 796	790, 926	525, 848
Japan.....	24, 327, 075	13, 692, 338	7, 239, 485	5, 078, 442
China.....	194, 032	180, 884	29, 956	79, 672
Others.....	153, 476	126, 988	77, 675	126, 612
TOTAL.....	25, 200, 064	14, 433, 006	8, 138, 042	5, 810, 574
Total				
U.S.A.....	25, 004, 887	24, 693, 386	34, 101, 529	58, 237, 487
Japan.....	72, 075, 633	86, 067, 538	63, 596, 796	28, 765, 808
China.....	13, 723, 068	2, 151, 904	2, 229, 076	3, 777, 669
Others.....	6, 068, 407	3, 855, 699	5, 460, 550	5, 954, 113

The actual arrivals from the U.S.A. during 1936 as reported by the Bureau of Customs were 19,333,336 square meters only. Embroidery cloth, estimated at 10,000,000 square meters each for 1933 and 1934, 10,989,600 square meters for 1935, and 8,250,000 square meters for 1936, [is] not included in the above U.S.A. figures.

The American Trade Commissioner in his annual report for 1936 made the following comments :

"The Hong Kong and Chinese cotton industry and the Japanese rayon industry appear, therefore, to have been the chief gainers from the quota agreement."

Most unfortunately, the agreement made between the United States and Japan did not include rayons. Previous to the agreement, Japanese shipments of rayons to the Philippines were as follows :

5,913,000 square meters in 1932
5,078,000 " " " 1933
7,239,000 " " " 1934

but in 1935 they increased to 13,692,000 square meters and reached, in 1936, the all-time record of 24,327,075 square meters against only 525,481 square meters from the U.S.A. during the same period. Japanese rayons, on account of their cheapness, have definitely replaced to a great extent American cotton piece-goods.

Japan, therefore, exported during 1936 to the Philippine Islands 72,075,633 square meters of cotton and rayon textiles against a total of only 25,004,887 square meters from the U.S.A.

The quota agreement having, therefore, failed in its objective for the simple reasons that:

1. Japanese goods transhipped via foreign ports such as Hong Kong have not been deducted from the Japanese quota;
2. Shipments of cotton piece-goods from other countries have not been limited;
3. The ever-increasing imports of Japanese rayons have not been considered;

it appears that this problem can only be solved through either of the following courses:

- (a) A quota arrangement limiting all shipments (in square meters) of all countries other than the United States. Such a quota should be established by the Philippine Government based on the average shipments of cotton piece-goods and rayons during the seven-year period from 1927 to 1933 from countries other than the U.S.A. In order to prevent the elimination of local garment manufacturers as a result of imports from foreign countries of made-up articles, in place of goods in the piece, the duties on made-up articles should be increased sufficiently to afford adequate protection to local manufacturers.
- (b) Substantially increase the present tariff rates which are antiquated, as they have already been in effect since 1909.
- (c) Make certain changes in classifications in conjunction with the tariff increase.

In 1935 former Governor General Frank Murphy recognized the plight of the American textile industry and in his special message to the Legislature on July 9th, 1935, he made the following recommendation:

"An effective adjustment of import duties on textiles and other products that would afford prompt relief to American and Philippine interests."

We hope that your honorable Committee will take into full consideration the deplorable situation which the American cotton-textile and rayon industries face today in the Philippine Islands.

The Philippine Textile Committee will be glad to furnish whatever further information you may require.

Respectfully submitted,

MANILA, August 12, 1937

P.O. box #1336

Tel. 4-90-85.

PHILIPPINE TEXTILE COMMITTEE

BRIEF
SUBMITTED BY THE
PORT OF SEATTLE

(1908)

BRIEF
SUBMITTED BY THE
PORT OF SEATTLE

The JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
8th and E Streets,
Washington, D.C.

GENTLEMEN:

The Port of Seattle, in response to your public notice of hearings to be held shortly in San Francisco in connection with your study of a proposed program for the adjustment of trade relations between the Philippine Islands and the United States, submits a brief statement of its views with relation thereto.

We are particularly concerned with that portion of your program which is devoted to the study of the proposed advancing of the date for granting full independence to the Philippine Islands from July 4th, 1946 to 1938, and the termination of the preferential trade relations between the two countries.

We are concerned because we believe that the proposed change in the existing trade arrangements between the Islands and the United States would seriously affect the major industries of this section, and particularly of Seattle. The production of wheat flour, meat products, fish products, dairy products, apples and paper are major industries of the State of Washington. The Philippine Islands demand large quantities of these products. Under the present preferential trade relationship between the two countries, the State of Washington has supplied the Islands with a large percentage of the aggregate amount of these products that are there consumed. Practically all of the exporting to the Philippine Islands from the Northwest has been through facilities located in the city of Seattle.

Vast sums of money have been spent by interests in this section in developing trade with the Philippine Islands, because the Islands offered a natural outlet for [*their*] products. Large shipping facilities have been constructed and maintained. Any change in the preferential trade relationship would, of course, reduce the quantity of Washington products marketed in the Philippine Islands and the amount of shipping through Seattle would be consequently reduced. Seattle has suffered already from a reduction in the amount of trade with the Orient, particularly China. It is in no position to suffer any further reduction of its trade.

Argument may, however, be made in favor of a reciprocal treaty on a non-preferential basis, to the point that the Philippine Islands should be permitted and encouraged to develop industrially. We

have no quarrel with this argument. We believe the United States should encourage and assist the people of the Philippine Islands to develop industrially upon a sound and economic basis, however. It would seem too plain for argument that such development cannot be accomplished over the course of a few years. The present trade arrangements between the countries have existed so long that they may be said to be normal. Under these arrangements the Philippine Islands have developed their present-day economy. Any radical change from a normal economy is bound to have serious, adverse repercussions. It may possibly be, although we do not think it likely, that over a period of many years—beyond the lifetime of persons now living—the people of the Philippines would in part recover from their losses thus sustained. However, there is no question but that the State of Washington generally, and Seattle in particular, would be permanently and irreparably damaged.

On the other hand, some foreign countries would be benefited to the extent that the Northwest would be damaged by the proposed change. However, the benefit would largely go to foreign countries which have made no direct contribution to the preparation of the people of the Philippine Islands for their independence. In the course of this preparation, the people of the Philippine Islands have been encouraged to, and actually have, raised their standard of living consistent with American policy. The anomaly of the situation is that, should the proposed change in present trade relationships between the Philippines and the United States take place, the very foreign countries which would benefit most are those whose standard of living is lower than that of either the Philippine Islands or the United States. It does not seem fair, reasonable or just that these two countries should voluntarily bring such a situation about.

We therefore respectfully urge that you recommend to the Congress of the United States continuance of preferential trade relationships between the Philippine Islands and the United States.

Respectfully submitted,

PORT OF SEATTLE
By SMITH M. WILSON, *President*

**BRIEF
OF THE
PORTLAND CHAMBER OF COMMERCE
AND THE
PORT TRAFFIC DEVELOPMENT BUREAU**

(1907)

BRIEF
OF THE
PORTLAND CHAMBER OF COMMERCE¹
ON
FUTURE PHILIPPINE-AMERICAN TRADE RELATIONS
EXCLUSIVE TRADE AGREEMENT RECOMMENDED

The businessmen of Portland, through the medium of the Portland Chamber of Commerce, urge the gentlemen of the Joint Preparatory Committee on Philippine Affairs to recommend to the President that prior to granting complete political independence to the Philippine Islands a trade agreement be negotiated, through special act of the Congress, between the United States and the Philippine Islands, granting and guaranteeing for a certain period of time exclusive and substantially favorable concessions to the products of each country bound by terms of the agreement.

As a matter of principle the businessmen of Portland who have dealings with the Islands believe that this country is entitled to exclusive trade concessions by virtue of the great sacrifices made by the United States on behalf of the Philippines over a period of almost two generations. Our people believe that the Philippine Government should and will be glad to grant such concessions.

PRECEDENT ESTABLISHED

From the standpoint of precedent we call your attention to the special trade agreement negotiated with the Republic of Cuba and the wonderful benefits attendant thereon, especially to the Cuban nation. There is no tenable reason why a similar agreement containing similar concessions to both nations a party thereto cannot or should not be entered into by the United States and the Philippine Government.

PORTLAND-PHILIPPINE TRADE

In 1921 Portland shipped 1,441 tons of merchandise to the Philippine Islands. In the first six months of 1937 exports from Portland to the Islands totaled 12,720 tons. In 16 years Portland's sales to the Philippines have increased by approximately 40 times. In 1921 there were 16 different items listed in Portland's exports to the Islands. Today the list includes 35 major items exported regularly, not including smaller shipments under the general term "merchandise".

¹The Port Traffic Development Bureau was a party to this brief; see *post*, p. 1314.

In both tonnage and value Portland's imports from the Philippine Islands are about double its exports. Average of annual imports is 50,000 tons, with copra and sugar constituting about 90 percent of this total. Other heavy imports are coconut oil, copra, meal, rope, rice, hardwood, and gold concentrates.

FARMERS' INTEREST

A glance at the list of exports from Portland to the Philippines will show to what extent our Oregon and Washington farmers are dependent on the Philippine market as an outlet for their surpluses. Flour shipments to the Philippines through the port of Portland in representative years from 1921 to date were as follows:

1921.....	50, 334 barrels
1926.....	119, 592 barrels
1931.....	170, 103 barrels
1933.....	148, 727 barrels
1934.....	130, 309 barrels
1935.....	85, 031 barrels
1936.....	108, 424 barrels

Value of this flour business last year approximated \$450,000, but in past years it has returned almost a million dollars annually. In addition, shipments to the Philippines from Columbia River ports other than Portland average 10,000 to 11,000 barrels, annually, under normal conditions.

Flour-millers and -exporters in the Portland trading area of Oregon and Washington are alarmed by and opposed to the State Department's announcement that trade with the Philippines may be governed by an ordinary trade agreement under the most-favored-nation policy.

AMERICAN FLOUR NEEDS CONCESSIONS

Instead of such an arrangement they urge an agreement based on substantial preferences. Their request is not hard to understand when one finds that as much Australian as American flour went into the Philippine market last year despite the fact that the American product entered free and flour from Australia paid a duty of 47 cents per hundred kilos.

Flour is the heavy outbound cargo from Portland to the Philippine Islands just as copra is the main inbound revenue-producer. Pacific Northwest wheat and flour depend largely on offshore markets, and the Philippine Islands alone last year absorbed approximately 75 percent of all flour exported from Portland. If this market is lost to our mills the expensive development covering a period of over a quarter of a century plus a large percent of the export business will be lost.

PAPER EXPORTS GROWING

Five or six thousand tons of paper, manufactured in the Portland area of Oregon and Washington, have found a market in the Philippines each year, and this business is growing. Already, in the first half of 1937, 4,361 tons of paper valued at \$338,000 have been loaded at Portland for the Philippines, and it is reasonable to expect that the movement will approximate 8,000 tons to the Islands by the year-end.

One of our local papermills—not the largest in the Portland district—reports that sales to the Islands in the first six months of 1937 exceeded 1,531 tons with a value of \$104,318. In the entire year of 1936 this mill's exports to the Philippines were 1,182 tons, worth \$65,174. Quoting from a statement by an executive of this firm—

If the Philippine Islands are put on a preferential tariff similar to the Cuban agreement our business will continue to expand and at no detriment to the consumers in the Philippine Islands as far as price they will pay.

EFFECT OF "NO PREFERENCE" ON CONSUMER

On the other hand, it is my opinion that if the Islands are placed on a non-preferential foreign basis our volume of business with the Philippine Islands will ultimately lessen and the consumer of paper in the Philippine Islands will have his problem more complex because of varying qualities of paper which might be received from different countries, and probably a loss of quick, reliable service, as all manufacturers would look on the Philippine Islands as simply an export tonnage possibility that would not warrant the effort and expense to painstakingly build up a volume of business which should be protected at all times, even when selling prices are considerably below cost, as has been the fairly recent condition.

In other words, these mills have made heavy sacrifices to build and maintain a steady, satisfied market in the Philippines. An abrupt severance of relations with the Philippines without first providing mutual concessions and safeguards would be an unjust hardship on both the local mill and the buyer in the Philippines.

LUMBER

Since 1933 Portland's lumber shipments to the Philippines have averaged over a million and a half feet each year.

Recent mining developments and depletion of lumber resources in the Philippines will open up a market for 10 or 12 million feet annually of low-grade Douglas fir timber for use in the mines, declare lumbermen familiar with the trade. This grade of lumber is now a glut on the domestic market, and there is little call for it elsewhere. The Philippines are looked upon as an outlet for this surplus.

CANADIAN COMPETITION

But lumber operators in the Portland area declare that they can't compete with British Columbia producers in the open market. This claim seems to be conclusively borne out by the fact that, in the past several years, Canadian shippers have cut deeply into markets formerly held by our exporters. Under present preferential treatment American lumber enjoys a near monopoly in the Philippines, but if our lumber-exporters are forced to compete on an open market basis they fear they will lose much if not all of this desirable trade.

Another very real and serious threat to our lumber sales in the Islands is the practice of Chinese and Japanese re-manufacture of Canadian and American logs with cheap labor. These lumber products could be laid down in the Philippines at a price with which American lumber exporters cannot compete.

PHILIPPINE PREFERENCE CONTINGENT ON INTER-EMPIRE PREFERENCE

Our lumber-people believe that the United States should continue preferential trade relations with the Philippines at least until Great Britain abandons its inter-empire preferences.

COPRA IMPORTS VITAL TO PORTLAND

We have been informed that the position of Durkee Famous Foods, operators of a large vegetable-oil mill in Portland, will be presented to you here by a representative of that concern. May we simply say that from a community viewpoint the continued operation of the Portland plant is extremely important to our welfare. This plant supplies employment not only for its own personnel, but, indirectly, it is the cause of employing scores of officers and seamen on American ships whose principal return cargo is copra for this mill.

PORTLAND-PHILIPPINE STEAMSHIP SERVICE

Portland is headquarters for a fleet of American ships operating to Japan, China and the Philippines with the aid, until one month ago, of a Government mail contract. Portland hopes and expects to convince the United States Maritime Commission that this service should be continued and that a direct operating subsidy should be granted the operators.

If, through failure to provide economic safeguards in our future political dealings with the Philippine Islands, we forfeit the mutual interchange of goods we now enjoy it will be extremely difficult or impossible for a steamship line to operate between Portland and the Far East at a profit, even with the aid of a Government subsidy.

SHIPS DEPEND ON PHILIPPINE TONNAGE

In other words, loss of the Philippine market would mean loss of about 80 percent of Portland's inbound tonnage from the Orient and possibly 10 percent of the export tonnage. No steamship line can continue to operate if its ships return empty.

PERISHABLE EXPORTS FROM PORTLAND

Since inauguration of refrigerated steamship service from Portland in 1933 a modest but promising export business in perishable products has grown up between this port and the Philippines. From 800 to 1,200 tons of fresh apples have moved annually from Portland since 1933, and the market is expanding. Frozen meat exports were built up from 171 tons to 553 tons within three years after refrigerator service was established.

As soon as "cooler" facilities were offered, Oregon onions began to move in volume, 2,269 tons in 1933 and comparable amounts each year thereafter. Last year the Philippines took 806 tons of Oregon potatoes. Other refrigerated cargo now appearing on our list of exports to the Philippine Islands includes butter, cheese, fresh fish, frozen poultry, fruits and vegetables, fresh pears, eggs, and frozen salmon.

A local fruit association reports:

During the past three years we have been shipping on an average of approximately 40,000 boxes of apples and pears to the Philippines.

Change in Status Would Jeopardize "Fresh" and "Frozen" Market.

This year we are making our initial shipment of cold-pack frozen strawberries to the Philippines. While the shipment is only fifty barrels, there is every possibility of increasing the volume very materially. If the Islands were to be placed on a non-preferential foreign basis, it would of course put us in a position where there would be no opportunity to develop the trade further on such commodities as strawberries. Also this would very seriously affect our sales of apples and pears to the Philippines.

During the last few years our volume of shipments to the Philippines has increased quite materially, and any changes in the political set-up would jeopardize the markets that we have developed and are developing in the Philippines at the present time.

Here again is shown the concern of our shippers and growers over any proposal to sever the political bonds between the Philippines and the United States without a preliminary economic understanding.

DOMESTIC DAIRY INTERESTS INVOLVED

The Portland area supports a great dairy industry. One product of this industry is canned milk. Through Portland alone 2,036 tons of canned milk were shipped to the Philippines in 1935. Due to marine labor troubles the shipments in 1936 were restricted to 709 tons.

CANNED GOODS' SALES GROWING

Beginning in 1931 with \$7,644, the value of Portland's sales of canned fruits and berries to the Islands has increased each year until, in 1936, it reached \$48,645. This amount is not large when considered along with other totals, but it serves to indicate how certain lines of exports have started small and, by consistent effort, are being built up.

PHILIPPINE DEPENDENCE ON U. S. OUTLET

The Portland Chamber of Commerce has fought stubbornly against levying excise taxes on goods imported from the Philippines because it has felt that to destroy the American market for Philippine exports will lower the buying-power of the Filipinos and thus injure our most important oriental market for flour, canned milk, and other agricultural produce.

Dependence of the Islands on us as an export outlet—over three fourths of all their exports to all countries—cannot be overcome without a long period of readjustment.

When we visualize the Philippine Republic suddenly cast loose from its snug position in the protected harbor of American economic preference to drift or progress under its own power in a competitive international sea, we are forced to be skeptical over the prospects of a successful voyage. On all sides will be the shoals of British inter-empire preference. A constant obstacle will be Netherland colonial preference. To the north the Japanese spheres of influence will block entry into vast markets. Other world powers also have their special spheres.

As long as such unfree and exclusive arrangements exist between other nations we feel that the laudable intent of the United States to make the Filipino free and the master of his own welfare can best be realized by providing at least economic safeguards to help him in his early struggles for existence.

1314

BRIEFS SUBMITTED TO THE COMMITTEE

PORT TRAFFIC DEVELOPMENT BUREAU

PORTLAND, OREGON

July 17, 1937.

Mr. FRED A. WARING,
Joint Preparatory Committee on Philippine Affairs,
311 Customs House
San Francisco, California.

DEAR SIR:

We wish to submit this as official notice of participation in the forthcoming hearing before your Committee at San Francisco as a party to the brief and oral argument to be presented at that hearing by the Portland Chamber of Commerce through Mr. A. M. Scott.

Very truly yours,

FRED H. REESE, *Secty.-Mgr.*

PORT TRAFFIC DEVELOPMENT BUREAU

BRIEF
SUBMITTED ON BEHALF OF THE
POULTRY PRODUCERS OF CENTRAL CALIFORNIA

(1315)

BRIEF
SUBMITTED ON BEHALF OF THE
POULTRY PRODUCERS OF CENTRAL CALIFORNIA

SAN FRANCISCO, *July 20, 1937.*

JOINT PREPARATORY COMMITTEE ON TRADE RELATIONS BETWEEN THE
UNITED STATES AND PHILIPPINE COMMONWEALTH,
*Room 237, Merchants Exchange Building,
San Francisco, California.*

GENTLEMEN:

We submit the following on behalf of 5,700 members of the Poultry Producers of Central California, comprising, for the most part, commercial egg-producers, many of whom are also interested in other lines of farming, particularly dairying:

That the excise tax now in effect on imported oils should not be reduced.

That domestic producers of products from which oil is extracted need the protection of this tax.

The members of this association are large users of oil meals and they are interested in seeing that phase of domestic agriculture firmly established and given that protection afforded by the present excise tax. We recognize that domestic producers, with their higher standards of living and the higher costs of production, cannot compete with producers operating under conditions existing in the Philippines.

Respectfully submitted,

JOHN LAWLER
General Manager

BRIEF
OF THE
PROCTER & GAMBLE TRADING CO.

BRIEF
OF THE
PROCTER & GAMBLE TRADING CO.

CEBU, CEBU, P. I., *Sept. 8, 1937.*

Ambassador JOHN VAN MACMURRAY, *Chairman*
The Joint Committee of Philippine Affairs
Manila, P. I.

DEAR SIR:

It was our earnest desire to have the opportunity of discussing some of our problems with you during your visit to Cebu. However we were informed by the official Committee that because of limited time and strict adherence to the scheduled program it would be impossible for us to have this opportunity. Therefore we are taking the liberty of submitting herewith for your consideration a few facts about ourselves and to express the opinion that under the present terms of the Tydings-McDuffie act and the Revenue Act of 1934 the discrimination against copra in favor of competing oilseeds is detrimental to our interests as exporters of copra for crushing in our mills in the United States.

The Procter & Gamble Trading Co., established primarily for the purpose of controlling the quality of copra destined for our mills, is a copra purchasing agency of the Procter & Gamble Co., Cincinnati, Ohio. Our head office is in Cincinnati, Ohio, and our principal place of business is Cebu, Philippine Islands. Throughout the southern part of the Philippines we maintain organizations for the purchase and handling of copra. These purchases are accumulated in Cebu for export to the copra-crushing mills of the Procter & Gamble Co. These mills located in Cincinnati and Baltimore represent the oilseeds-crushing industry east of the Mississippi. Oil recovered from the oilseeds crushed in these mills is used in the manufacture of Procter & Gamble products.

During the past five years our Cebu office has exported approximately 150,000 tons of copra with a delivered value of approximately \$9,000,000.00. In addition to this our home office has bought in other parts of the Philippine Islands approximately 90,000 tons roughly valued at \$5,000,000.00 or a total of 240,000 tons with an approximate value of \$14,000,000.00.

Coconut oil can to varying degrees be replaced by competing oils. Therefore the continuation of our copra exporting business depends on copra being on an equal tax basis with competing oil-bearing seeds.

It is our opinion that a discrimination of two cents per pound (on the oil produced therefrom) against copra in favor of competing oil-

seeds will so reduce the exports of copra from the Philippine Islands to the United States that an organization like ours will no longer be practical and that this discrimination will eventually result in a great loss to the oilseeds-crushing industry in the United States.

We recommend that the excise tax on copra be kept on an equal basis with competing oil-bearing seeds (three cents per pound on the oil produced therefrom) and not be increased to five cents per pound as at present provided for.

Very truly yours,

THE PROCTER & GAMBLE TRADING CO.
By J. R. LAURENCE, *Agent*

**BRIEF
OF
TOMAS RIVERA**

(1321)

BRIEF
OF
TOMAS RIVERA

INTRODUCTORY EXPLANATION

1. The adaptability of the economic program in the brief¹ to the undeveloped natural resources and to the unsolved acute unemployment and poverty problems in the Philippines, is in conformity with the policy of President F. D. Roosevelt, who, on his inaugural day, declared:

"Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this unemployment, accomplishing greatly needed projects to stimulate and reorganize the use of our great natural resources."

2. The practicability of the economy program in the brief to finance and supervise the development of natural resources to support and maintain a permanent reciprocal trade and to establish self-sufficiency, conforms with the economy program of President F. D. Roosevelt, who, on his inaugural day, declared:

"Through this program of action we address ourselves to putting our own national house in order and making income balance outgo. Our international trade relations, though vastly important, are in point of time and necessity secondary to the establishment of a sound national economy. I favor as a practical policy the putting of first things first. I shall spare no effort to restore world trade by international economic readjustment, but the emergency at home cannot wait on that accomplishment."

3. The fairness of the trade-relation program in the brief to insure peace in the Far East and to insure stabilities of the reciprocal trade and of the neutrality of the future Philippine independence, is in full accord with the international trade relations of the United States, under the policy of President F. D. Roosevelt, who, on his inaugural day, declared:

"In the field of world policy I would dedicate this nation to the policy of the good neighbor—the neighbor who resolutely respects himself and, because he does so, respects the rights of others—the neighbor who respects his obligation and respects the sanctity of his agreements in and with a world of neighbors."

4. The legality of the political aspects in the brief is based on the provisions of the T.-M. law, which provide complete Philippine inde-

¹ See *post*, p. 1324.

pendence on July 4, 1946, and the United States may hold and maintain permanent naval bases in the Philippines to protect and defend her vast and permanent interests in the Islands, to stop smugglings, to check lawlessness, to insure peace in the Far East and to safeguard the neutrality of the future Philippine independence.

BRIEF

September 1, 1937.

The Honorable JOINT PREPARATORY COMMITTEE
ON PHILIPPINE AFFAIRS,
National Assembly Building, Manila.

GENTLEMEN:

I have the honor to submit a request to this honorable body of trade experts, drawing [up] a program for future trade relation between the United States and Philippines which will take effect at the expiration of the Commonwealth regime, that the following points be included in the program:

1. That a reciprocal trade between the United States and Philippines should be established under the agreement that the total value of the United States imports into the Philippines be the same total value of Philippine exports to the United States yearly.

2. That, in order to support and maintain the said reciprocal trade, steps should be taken to aid the Filipino families to acquire and own the vast unoccupied and undeveloped agricultural lands and natural resources for development to produce more products for home consumption and exportation purposes under the financial support and supervision of the Government.

3. That, in order to support and maintain a permanent reciprocal trade, the Government should be reorganized to realize some savings and appropriate same for the proposed development of agricultural lands and natural resources with a view to producing more products for home-consumption purpose and for exportation purpose under the reciprocal trade agreement. To realize such savings, the suppression of unnecessary items in the Government appropriation should be made. Hand in hand with this economy program to realize savings to finance a reserve economic program to be planned in advance and held ready to be thrown into operation to save the new nation and the said reciprocal trade from possible economic and social crises, should be considered as safer than depending upon the foreign traders, industrialists, manufacturers and businessmen for Government income and other means to support and maintain the future Philippine independence and her reciprocal trade agreements.

4. That, in order to assure the success of the new nation and of the said reciprocal trade, the American and Filipino exporters of Philippine products who are also the industrialists, manufacturers and businessmen, having millions and millions of employees and laborers earning American money paid out to them by exporters of Philippine products to America, should be compelled to buy and import American products for sale to their employees and laborers, as well as to their

families. It should not be overlooked that at present, mostly all the Filipinos are buying their life necessities from the foreigners, while they are earning American money, the exporters of Philippine products and industrialists, manufacturers and businessmen are paying them. To make them afford, therefore, to buy, sell and use American and Filipino high-priced goods, and to enable them to return to their former high standard of living, the salaries and wages of Filipino employees and laborers should be increased.

5. That, in order not to affect the future neutrality of Philippine independence, to correct unfair trade relations existing in the Philippines, to insure peace in the country, to assure the success of the new nation and to assure also the stability and success of all future relations between the United States and Philippines, reciprocal trade agreements between the Philippines and all the nations to guarantee the future neutrality of the Philippine independence, should also be adopted.

6. That, in order to protect and defend her vast and permanent investments involving billions of dollars invested in sugar, cigar, cigarette and tobacco, lumber, coconut oil, mineral and cordage factories, invested in embroidery, copra and other industries, and invested in lands, banks, transportations, minings, religious and educational teachings, the United States should hold and maintain permanent naval bases in the Philippines. These vast and permanent American interests, cannot be protected and defended by laws, by pacts and by Philippine forces only, but should be by American forces also.

7. That, in order to stop the smuggling of foreign goods and immigrants into the Philippines and to stop also the smuggling of Philippine products out of the Philippines, which may affect Government revenue and future trade relations, the U. S. Fleet should patrol the Philippine waters to stop such lawlessness, to insure peace in the Far East and to safeguard the neutrality of the future Philippine independence.

EXPORTERS AND IMPORTERS AND TOTAL EXPORTS' AND IMPORTS' VALUE OF EACH

The Philippine products being exported now to the United States and foreign countries are: Sugar, copra, hemp, cordage, tobacco, coconut oil, lumber, embroideries, iron, gold, chromium, steel, silver, rice, manganese and few more others.

Chinese products being imported now into the Philippines are: Hardware goods, silk, tea, rice, paper, woolen and cotton cloth, dried fishes, ham, fruits, buttons, biscuits, textiles, eggs, medicines, wines, porcelains and many more others. The total Chinese imports into the Philippines are more than their total exports to China.

Japanese products being imported now into the Philippines are: Glasswares, textiles, paper machineries, woolen cloth, silk, bicycles, toilet articles, hardware goods, plumbing articles, coal, sporting goods, dairy products, paints, can foods, fruits, flour, shoes, beans, peanuts, threads, finished and unfinished cloth and many more others. The total Japanese imports into the Philippines are higher than their total exports to Japan.

European products being imported now into the Philippines are: Perfumes, jewelry, dairy products, meat, sporting goods, flour, textiles, woolen cloth, finished and unfinished cloth, machineries, can foods, beverages, porcelains, books, paper, shoes, hats, guns, paints, chemical products, medicines, munitions, biscuits, threads, glasswares, and many more others. The total European imports into the Philippines are higher than their total exports to Europe, except Australia and Canada.

American products being imported now into the Philippines are: Textiles, oil, can foods, cigarettes, paper, beans, machineries, books, school supplies, peanuts, gasoline, petroleum, dairy products, sporting goods, paints, asphalt, medicines, automobiles, fruits, flour, jewelry, buttons, woolen cloth, porcelains, hardware goods, toilet articles, plumbing articles, steel, iron, copper, shoes, chromium, silver, furnitures, meats, beverages, hats, chemical products, threads, finished and unfinished cloth, rubber, perfumes, glasswares, coffee, and many more others. The total American imports into the Philippines are lower than Philippine exports to America.

To prove the correctness of the above statement, please see the import and export statements attached.

PHILIPPINE TRADE WITH COUNTRIES INDICATED BELOW

Countries	Exports		Imports	
	1925	1926	1925	1926
Great Britain and Ireland.....	\$5, 791, 607	\$8, 343, 849	\$3, 570, 351	\$5, 258, 556
Australia.....	745, 792	854, 550	2, 939, 766	4, 717, 144
France.....	2, 161, 672	3, 226, 022	1, 777, 632	2, 095, 968
Italy.....	242, 815	2, 357, 303	177, 132	141, 854
Germany.....	1, 848, 972	3, 791, 573	5, 129, 756	6, 933, 933
China.....	1, 792, 106	1, 974, 838	5, 129, 756	5, 865, 564
Japan.....	10, 718, 729	16, 786, 272	24, 342, 949	26, 523, 530
United States.....	149, 871, 073	237, 504, 863	108, 733, 000	122, 999, 525

In view of the existing unfair trade relations in the Philippines as revealed above, to correct such unfairness, a compact should be concluded toward establishing international fair trade relations under the auspices of reciprocal trades similar to the ones established between the United States and foreign nations given below:

THE NATIONS OBSERVING RECIPROCAL COMPACTS

Cuba and United States ratified reciprocal trade pact on August 24, 1934.

Brazil and United States ratified reciprocal trade pact on February 27, 1935.

Belgium and United States ratified reciprocal trade pact on February 27, 1935.

Haiti and United States ratified reciprocal trade pact on March 25, 1935.

Sweden and United States ratified reciprocal trade pact on May 25, 1935.

Colombia and United States ratified reciprocal trade pact in September, 1935.

Canada and United States ratified reciprocal trade pact on November 18, 1935.

Honduras and United States ratified reciprocal trade pact in December, 1935.

Netherlands and United States ratified reciprocal trade pact on December 20, 1935.

Switzerland and United States ratified reciprocal trade pact on January 9, 1936.

Nicaragua and United States ratified reciprocal trade pact on March 11, 1936.

Guatemala and United States ratified reciprocal trade pact on April 24, 1936.

France and United States ratified reciprocal trade pact on May 9, 1936.

Costa Rica and United States ratified reciprocal trade pact on November 28, 1936.

El Salvador and United States ratified reciprocal trade pact on February 19, 1936.

The nine South American countries and the United States are about ready to ratify reciprocal trade pacts.

Spain, Italy, Argentina, Ecuador, Great Britain, Czechoslovakia and many more others are negotiating reciprocal trade agreements with the United States.

Respectfully submitted to American experts by,

TOMAS RIVERA
c/o General Delivery, Manila

**BRIEF
OF THE
RUBBER EXPORT ASSOCIATION**

(1829)

1330

BRIEFS SUBMITTED TO THE COMMITTEE

BRIEF
OF THE
RUBBER EXPORT ASSOCIATION

June 15, 1937.

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*Room 206, United States Tariff Commission,
8th and E Streets,
Washington, D. C.*

GENTLEMEN:

1. The Rubber Export Association submits for your consideration the attached brief of factors which will undoubtedly affect the American rubber industry's trade with the Philippine Islands subsequent to the Philippine independence.

2. This brief is being submitted by the association rather than by individual members due to the fact that the problem deals with the Philippines as an independent country rather than as a dependency of the United States.

Yours very truly,

BESSIE C. ZEMBRODT
THE RUBBER EXPORT ASSOCIATION

**BRIEF ON AMERICAN RUBBER PRODUCTS: TRADE WITH
THE PHILIPPINES**

1. The Philippine rubber products' market for American manufacturers is currently about two million dollars per year.

This volume of export business means a great deal to the public welfare of the United States.

It is estimated that this volume includes some 650,000 pounds of American cotton.

Production of these rubber products employs several hundred American workmen throughout the year at wages ranking exceptionally high in the American industry.

2. American rubber-products manufacturers have had protection in the Philippine market by a 25% import duty levied on rubber products imported into the Philippines from all other sources (duty based on home market value).

3. This duty has effectively curbed foreign competition on the bulk of the rubber products' market in the Philippine Islands, including automobile and truck and bus casings and tubes, rubber hose, rubber packing, and waterproof garments.

4. The chief actual and potential competition faced by the American rubber industry in the Philippine market is [from] Japan. Japanese rubber-products manufacturers have two distinct advantages over American producers—extremely low labor costs and proximity to the sources of raw rubber.

5. Japan dominates the Philippine market in several rubber-products items, such as bicycle tires and tubes, motorcycle tires and tubes, rubber boots and shoes, cheap rubber soles, rubber sheets, and rubberized fabric, in spite of the duty handicap.

6. In still other rubber-products items, such as shoes with rubber soles, rubber heels, rubber belting, gum-elastic textiles, rubber garments, drug rubber sundries, rubber cement, and miscellaneous rubber products, Japan is steadily increasing in strength in the Philippine market.

7. Unless a duty preferential practically equivalent to the present 25% duty is maintained, Japan will soon dominate the entire Philippine rubber products' market.

8. If United States producers are to remain the chief source of supply for the Philippine rubber products' market, protection must be maintained not only against Japanese competition but also against all other foreign competition. Many foreign competitors are favored with much lower labor costs than American producers have.

9. Some foreign plants of American products manufacturers have substantially lower production costs than have their American plants. Removal of the present preferential which American producers

have in the Philippine market would, in many cases, result in immediate shift of the source of supply to foreign plants.

10. American rubber-products manufacturers have made substantial investment in building up wholesale and retail dealer distributing organizations in the Philippines, under present protection, over a period of many years. Removal of this protection would result in a considerable loss to American companies having these investments.

11. The United States takes regularly 80% to 90% of all Philippine exports. The Philippines import only about 60% for their requirements from the United States. Undoubtedly the United States will continue to take most of the Philippine exports.

12. The United States regularly buys about 80% more from the Philippines than the Philippines buy from the United States, in dollar value.

13. In 1935 Japan took only 5.9% of Philippine exports and supplied 16.7% of total Philippine imports. Japanese exports to the Philippines totaled more than double Japanese imports from the Philippines in 1935 (48,059,000 yen exports *versus* 23,948,000 yen imports).

14. This association respectfully requests that the Preparatory Committee on Philippine Affairs give these problems of the American rubber industry full consideration in studying present and future economic relations between the United States and the Philippines.

Very truly yours,

BESSIE C. ZEMBRODT
THE RUBBER EXPORT ASSOCIATION

**BRIEF
OF THE
RUBBER MANUFACTURERS ASSOCIATION,
INCOPORATED**

BRIEF
OF THE
RUBBER MANUFACTURERS ASSOCIATION,
INCORPORATED

NEW YORK CITY, *June 14, 1937*

HONORABLE FRANCIS B. SAYRE, Acting Chairman
Joint Preparatory Committee on Philippine Affairs
Room 206, United States Tariff Commission
8th and E Streets
Washington, D.C.

SUBJECT: *Hearings on United States-Philippine Affairs*

DEAR SIR:

In accordance with your announcement of May 28, this statement is submitted on behalf of the rubber manufacturing industry regarding the future trade relations between the Philippine Islands and the United States.

OTHER RUBBER PRODUCTS BESIDES FOOTWEAR

We have sent you a communication today dealing in considerable detail with the problem presented by the growth in the manufacture of rubber footwear in the Philippine Islands.

We also desire to call your attention to the fact that in recent months Japanese competition in the United States in the sale of other rubber products besides rubber footwear, notably in belting, friction tape, splicing compound, hot-water bottles and other drug sundries, sporting goods, toys, erasers, and to some degree in tires, has been increasing. The possibility exists that the manufacture of these items might be transferred from Japan to the Philippine Islands in order to gain access to this market without payment of duty. It is respectfully suggested that your Committee give consideration to this subject.

This is a topic on which we may wish to submit a supplementary statement later.

Very truly yours,

A. L. VILES, *President*

**BRIEF
OF THE
SEATTLE CHAMBER OF COMMERCE**

(1335)

BRIEF
OF THE
SEATTLE CHAMBER OF COMMERCE

June 9, 1937.

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS
Room 206, United States Tariff Commission
8th and E Streets
Washington, D.C.

GENTLEMEN:

In connection with the study by your Committee of a program being considered for adjustment of trade relations between the United States and the Philippine Islands, the Seattle Chamber of Commerce has the honor to submit the following statement of the effects of existing legislation upon the commodities and services involved in the present economic relations between these two countries, and the effects of any drastic change in these relations upon the products, industries and trade of the United States Pacific Northwest.

It is understood that the program before your honorable body, among other things, contemplates advancing the date for granting full independence to the Philippine Islands from July 4, 1946 to 1937 or 1938, and the termination of present preferential trade relations between the two countries.

The State of Washington has considerable interest in any national or international policy agreed upon which will affect the trans-Pacific trade of this section of the United States, since one fifth of its exports to Asia and Oceania are marketed in the Philippine Islands. These products are the very life of the United States Pacific Northwest industries and include lumber, flour, fruits, vegetables, dairy & poultry products, canned salmon, condensed milk, paper, pulp, mill & mining machinery and numerous other items. The only American steamship service (American Mail Line) operating out of Seattle to the Philippine Islands and trans-Pacific countries is dependent upon the inbound and outbound cargo from and to that country for its regular service. Continuation of preferential trade relations between the United States and the Philippine Islands is essential to these industries, for if a policy between the two countries is established upon a non-preferential basis it will mean absolute elimination of a large percentage of our exports and this trade would revert to Australia, New Zealand, China, Japan and other countries producing agricultural or semi-manufactured products. Foreign shipping lines between those countries would be stimulated by this diversion of

trade at the expense of already existing American lines operating between the United States and the Philippine Islands.

The business interests of this country have gone to tremendous expense to develop trade with the Philippine Islands. They have made heavy investments in the Philippines in support of their sincere belief that possession of them by the United States would be lasting and [that] stable trade relations [would] exist permanently. They have invested capital in their own industries in this country and given employment to many thousands of our own people. Much of this constructive building has been in anticipation of permanent preferential trade relations with the Islands, and on a basis of favor in competing with other countries for this business.

Therefore, the Seattle Chamber of Commerce requests that your honorable body give careful consideration to the benefits of the present trade relations between the United States and the Philippine Islands, and the harmful effects to trans-Pacific trade and the United States Pacific Northwest should non-preferential trade agreements be consummated. We urge that your recommendations be for the accomplishment of preferential trade relations between the United States and the Philippine Islands.

SEATTLE CHAMBER OF COMMERCE

By J. J. UNDERWOOD

Manager, Washington D.C. Office

BRIEF

SEATTLE, WASHINGTON, *July 19, 1937*

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS
311 Customs Building
San Francisco, California

GENTLEMEN :

In connection with your investigation for the purpose of formulating recommendations as to future trade relations between the United States and the Philippine Islands, including an advance of the date for granting full independence to the Islands from July 4, 1946 to 1937 or 1938, and termination of present preferential trade relations between the two countries, the Seattle Chamber of Commerce respectfully submits the following:

FOREWORD

The Seattle Chamber of Commerce is an organization the membership of which comprises business interests directly or indirectly affiliated with the various types of industry and commerce of the United States Pacific Northwest. Its purpose, among other things, is to foster and protect business interests engaged in foreign trade.

PHILIPPINE-UNITED STATES TRADE RELATIONS

The following information we of the United States Pacific Northwest believe will be useful to your honorable body in formulating its recommendations to the President of the United States as to future trade relations between this country and the Philippine Islands. This covers the following:

Effect upon Different Lines of Business in the Pacific Northwest

(a) Should the Independence Act of 1936 be amended to advance the date of independence of the Philippine Islands from 1946 to 1938 or 1939;

(b) By cancelation of the preferential trade agreements between the United States and the Philippines when independence is granted;

(c) When the United States surrenders existing trade advantages with the Philippine Islands and opens this protected market to competing nations.

Changing of Trade Channels Prematurely

Advance of the date of independence and abrogation of trade relations in less than the agreed-upon period of 10 years would result in disturbance of existing trade channels [and] steamer service and dislocation of a number of situations affecting the economic relations

between Seattle, the United States Pacific Northwest and its export and import trade with the Philippine Islands and other Far Eastern countries. Prematurely changing these economic relations without opportunity for adjustment will result in chaotic and unstabilized conditions, to the great detriment of the United States as a whole and, in particular, to the Pacific Northwest since one third of its exports to Asia are marketed in the Philippines.

Premature Independence

It is admitted by the Filipino business interests that, already, even the thought of advanced date of independence is creating panic among them. Their fears are that, judging from present chaotic conditions among them, the Philippines cannot maintain an independent existence. This fear already has had its effect on business in the Islands, creating an uncertainty for the future.

On the question of advancing the date for attainment of complete independence, we are content to let the Filipino people decide as to the propitious time. Upon the question of future trade relations with that country and effects of its possible disturbance on the United States Pacific Northwest we are prepared to express our opinions.

Trade Relations

On the subject of the present United States-Philippine Islands trade-relations law (Independence Act of 1936) which contemplates abrogation of preferential trade relations between the United States and the Philippine Islands and establishing in lieu thereof non-preferential status between the two, we submit herewith:

1. Interpretation of present United States law which affects the future trade relations between this country and the Philippine Islands.
2. Summary of statements made by a number of our United States Pacific Northwest business interests covering (a) the importance of present trade relations between this Pacific Northwest and the Philippines, and (b) possible effects upon this trade when the proposed disturbance of it is effected.
3. Statistics covering this subject.
4. Statement of Philippine tariff duties which will apply to United States Pacific Northwest products upon abrogation of preferential trade agreements.

Interpretation of Independence Act as It Affects Trade Relations

The trade relations which are to exist between the United States and the Philippines after the Islands become independent on July 4,

1946 are set forth in the Independence Act of 1936, passed by the United States Congress.

The Independence Act provides that a "Ten-Year Commonwealth Transition Period" shall elapse before the Philippines become independent. This lapse becomes effective July 4, 1946. The act provides that in the 6th year of the "Transition Period" beginning November 15, 1940, exports from the Philippine Islands to the United States shall be subject to progressive Philippine export taxes, the proceeds of which shall be retained by the Philippine Commonwealth. These export taxes will be assessed on the following basis:

A tax equal to 5% of the prevailing United States duties applying against similar imports into the United States from foreign countries. This graduating increase scale will be: 5% of the United States tariff rate will be levied in the 6th year; 10% the 7th year; 15% the 8th year; 20% the 9th year; 25% the 10th year. This export tax will *not* apply to countries other than the United States.

Effects of the Law

After the Philippines are independent of the United States, export taxes no longer will be assessed against their products shipped to the United States. In lieu thereof the status of Philippine goods entering this country will be subject to full tariff duties such as are applied to foreign countries not parties to reciprocal trade agreements with the United States.

Expectations of the Law

The Philippine Independence Act (Tydings-McDuffie act) was accepted by the American and Philippine people upon representation that on independence of the Philippine Islands definite trade relations between the two would be consummated. In fact, the act provides for such. The President of the United States in his special message to Congress on this subject expressed confidence that imperfections and inequalities in the act were subject to corrections.

Not Anticipated

Upon announcement of the appointment by the President of the United States of the Joint Preparatory Committee on Philippine Affairs and its purposes, the Assistant Secretary of State, Francis Sayre, and the President of the Philippines, Manuel Quezon, issued a joint statement reading in part: "It was agreed that preferential trade relations between the United States and the Philippines are to be terminated." We of the Pacific Northwest conclude that trade relations between the two countries will be regulated in accordance with a reciprocal trade agreement on a non-preferential basis.

Since the Tydings-McDuffie law became effective the United States Congress has enacted laws placing import duties and quotas on a number of products imported from the Philippine Islands. These unanticipated barriers to Philippine trade have not been well accepted by the Filipino people, being interpreted by them as "broken promises" on the part of the United States Congress.

American Investments and Anticipated Security of Trade

The business interests of this country have gone to tremendous expense to develop trade with the Philippine Islands. They have made heavy investments in the Philippines in support of their sincere belief that possession of them by the United States would be lasting and [that] stable trade relations [would] exist permanently. They have invested capital in their own industries in this country and given employment to many thousands of our own people. American steamship companies operating out of Seattle have spent many millions of dollars in purchase of ships, establishing service, and maintaining offices in Manila. Much of this constructive building has been in anticipation of permanent preferential trade relations with the Islands, and on a basis of favor in competing with other countries for this business.

Shipping: Effects Thereon

The fears of Pacific Northwest producers and shipping interests in connection with possible loss of the whole or any part of their trade with the Philippines are not based on any false predictions. Already their experiences have provided a background for their fears through establishment of barriers to other of their foreign markets. To explain: China was the Pacific Northwest's best foreign customer for flour. Since our trade with China has been handicapped by high tariffs and unsound measures of the two countries, flour business with China has suffered an entire loss. Other commodities also have suffered, but flour is mentioned since it was upon this dead-weight cargo that trans-Pacific steamship lines were assured that they could depend for continuous carriage. This security was the basis for determining their ports of call in China and regularity of this service. Disturbance of our market for flour in China has been the cause of withdrawal of American steamship service to North China ports. North China markets have been lost to the United States not only for flour, but machinery, railway supplies and any number of export products. Imports have been affected likewise, and the United States has lost this direct source of supply for raw materials of North China. The point we desire to make is the detrimental effect on United States production, manufacture and shipping when trade barriers are arbi-

trarily affected without contemplating their injurious effects. Withdrawal of two American trans-Pacific steamship lines (States Steamship Co. and Tacoma-Oriental Line) were due to these two factors. The one remaining trans-Pacific line from the United States Pacific Northwest to the Far East is dependent upon the now only assured Pacific market (the Philippines), since buyers and sellers in the Islands are more inclined to patronize American ships than any other trans-Pacific country.

Flour: Effect on Exports and Domestic Industries

Many flour milling companies in the United States Pacific Northwest have discontinued. Decrease in operation, among other things, has resulted in increased prices for flour and mill feed. Much of this instability has been due to the inability of our exporters to sell their flour in its usual quantities in the Philippines and other oriental markets.

We quote from letter of the American Mail Line of Seattle:

"In the matter of exports for the Philippines, the movement of flour is a very essential factor in the maintenance of our service, and the elimination of preferential trade agreements with the Philippine Islands eliminates this tonnage and throws the Philippine flour market completely in the hands of the Australians. We would also undoubtedly lose the movement of canned milk and probably machinery and automobiles. Sugar is a very important part of our tonnage during the year from the Philippines and the loss of this movement would have a serious effect on our earnings. The same thing is true with the movement of coconuts and coconut oil, hemp and other exports. Manila is the last port of call on our service to the Orient, and with these basic commodities both outward and homeward they furnish an essential tonnage necessary in the maintenance of this service, and its loss might mean the curtailment of our service to the Philippine Islands, and we would probably have to shorten our service and make Shanghai or Hong Kong the final port of call as there would not be sufficient tonnage to continue the service to Manila, comparable with the expense necessary in the operation of vessels this long distance."

INFORMATION COVERING SOME OF THE EXPORTS FROM THE UNITED STATES PACIFIC NORTHWEST TO THE PHILIPPINE ISLANDS, AND THE COMPETITION ENCOUNTERED FROM FOREIGN COUNTRIES

Lumber.—The State of Washington sold nearly 10 million board feet of lumber to the Philippine Islands during the years 1930 to 1936 inclusive. Demands of this market, though not so great as other markets, contributed greatly toward such important industries of the United States Pacific Northwest as "lumber manufacturing" and "shipping". Canada is a potential competitor in this market when it is thrown open to a parity of tariff treatment.

Fish and fish products.—In 1928 America's share (by quantity) of Philippine Island purchases of these products was 96.01%, while

Japan's share was but .002%. In 1935 America's sales dropped to 44.73% as against Japan's increase to 49.80%. Japan is a keen competitor of the United States in the Philippine market for canned, smoked, dried and cured mackerel, salmon, shellfish, codfish and shrimp.

Fruits (fresh, canned & preserved).—The United States is the source of most of the fresh apples, grapes, lemons, oranges, prunes, raisins, jams, jellies, canned fruits and vegetables and pickles sent to the Philippine market. China supplies a considerable portion of the imports of oranges, melons and pears.

Vegetables (fresh and canned).—America's share of purchases of these products by the Philippine Islands was 46.84% in 1935. Japan secures the bulk of the trade with the Islands in fresh cabbages, cauliflower, celery, lettuce, canned beans, corn, peas, and other canned vegetables. China outranks other countries in garlic, sweet potatoes and pickled vegetables. Spain supplies canned tomatoes and several other vegetables.

Dairy products.—The Philippine Islands are the leading market for these United States products as a whole. However, for condensed milk the Netherlands outranked it in 1935. Japan is also a keen competitor of this country for condensed and evaporated milk. In butter and cheese the Netherlands and Australia have increased their importance in this market. Switzerland is on the increase as regards natural milk.

Wheat flour.—The United States is gradually losing the wheat market to Australia, Canada and Japan. In 1928 America's share of Philippine Island purchases of this product was 86.59%. In 1935 it constituted but 42.8%.

Paper and its manufactures.—Imports of these products into the Philippines from the United States advanced from 28.44% in 1899-1908 to 69.32% for the period 1931-1935. Germany, the next largest supplier, now holds second place for this trade and Japan third.

Industrial machinery.—Exports worth two and one-half million dollars went to the Philippines from the United States in 1935. The mining boom of recent importance no doubt will effect larger importation and [1 of] mining machinery to the Islands. England, Germany, Italy, Japan, France and other countries also manufacture the types of industrial machinery required by the Philippine Islands.

Soap.—The Philippines is the second-best customer of the United States, importing to a value of \$278,978 of this commodity annually.

Confectionery.—The Philippines lead all other countries in purchases of these products from the United States, amounting to \$278,000 annually.

Coffee.—The Philippines was America's second-best customer for roasted coffee, purchasing \$56,814 worth in 1935.

Clay and clay products.—The Philippines is the United States eighth-best buyer, purchasing \$113,412 worth in 1935.

Shipping.—The Philippines has been supplying about 45% of the homeward-bound cargoes of United States vessels regularly serving the Islands. Japanese bottoms continue in the lead in carrying sugar to the United States, closely followed by American vessels, and the balance practically divided between British and Norwegian ships.

Atlantic Coast vs. Pacific Coast

It is the belief of many Pacific-coast businessmen who have been close to the situation that the American interests who were proponents or who lobbied on behalf of the plan to abrogate the present preferential trade agreement between this country and the Philippine Islands had but one object in mind. It was not philanthropy which influenced their sentiment on behalf of the Philippine people to give them their right to self-government; their purpose was to convert the status of the Philippines into a *foreign country* so far as its trade relations with the United States are concerned. By this conversion they will have accomplished the application of the same high tariff duties on Philippine products imported into the United States as are applied against other foreign countries, except Cuba. These interests reason that any barriers against Philippine imports will place similar products from Cuba on a preferential basis in entering the United States.

The proximity of the Atlantic coast to Cuba naturally gives that section a greater interest in Cuban trade than in the Philippines. These Atlantic-coast interests fail to realize that the Pacific coast as a part of the United States of America is entitled to share the benefits of this country's trade with all sections of the world and should not be discriminated against in favor of other parts of this country.

PACIFIC COAST MORE INTERESTED IN THE PHILIPPINE MARKET THAN THE ATLANTIC COAST

The Pacific coast of the United States has a greater interest in any disturbance of trade with the Philippine Islands than has the Atlantic coast. The major part of the foreign trade of the Atlantic coast is with Europe. On the Pacific coast the trans-Pacific countries are our natural markets and our best customers. So far as the State of Washington is concerned, the Philippine Islands take one third of the exports of this customs district, and this one third is as important in maintaining the stability of trans-Pacific trade with

the United States as a third leg is to the equilibrium of a three-legged stool.

This situation makes it more necessary that the entire United States realize that any efforts to restrain trans-Pacific trade and curtail its market will affect the whole nation.

Some Facts Covering Imports from the Philippine Islands

Cuban sugar is dutiable at nine tenths of a cent per pound. With the abrogation of this preferential treatment of the Philippines, sugar from that area will be assessed a duty into the United States of 1.875 cents per pound. In other words, Cuban sugar will pay one half the rate of duty as that paid by Philippine sugar. It is claimed that it is not likely the price of sugar to the United States domestic consumer or supplier would be less, whatever adjustments are made.

Cocoanut oil imported into the United States from the Philippine Islands is assessed a duty (excise tax) presumably to protect the dairy and farm interests, through penalizing the use of cocoanut oil for the manufacture of butter- and lard-substitutes. The facts are that taxes assessed against imports of cocoanut oil from the Philippines are not retained by the United States but are returned to the Philippine Government. The tax thus accumulated by the United States and returnable to the Philippine Islands amounts now to \$25,000,000. This would be a nice sum which the dairy farmers could use with which to pay taxes, or offset their losses the past year or so.

TRADE WITH THE PHILIPPINE ISLANDS COMPLEMENTARY

There are 8 million people on the Pacific coast of North America and 800 million across the Pacific, a wonderful potential field for United States Pacific-coast trade. We require from the Philippine Islands their hemp, sugar, copra, tobacco, vegetable oil, etc. They need our flour, fish, meats, vegetables, dairy products, fruits, lumber, machinery, pulp and paper. This trade is not competitive, but complementary, and a healthy situation for both sections.

RAW MATERIALS FOR PACIFIC-COAST INDUSTRIES

The prospects for building up the Pacific coast as an industrial area are to a great extent dependent upon using imported raw materials. Many of these imported raw materials may be and are used to round out the program for building up our local industries, for although they are not native products they are here as a direct result of the exportation of our Pacific Northwest products to foreign countries and are as available as our native raw materials. Therefore

they can be manufactured to a higher degree and exported, used locally, or distributed to consumers in other parts of the United States.

EFFECTS UPON PRODUCERS, LABORERS, SHIPPERS, PIERS, RAIL TRANSPORTATION, TAXPAYERS

The greatest sufferers resulting from disturbance of Philippine Island trade through placing barriers against United States products into the Philippines and vice versa, are the United States Pacific-coast producers of agricultural, forest, fishing and farm products. A most important factor which also will be affected is that of transportation, viz: trans-continental, local and trans-Pacific. If exports from the United States to the Philippines decrease, steamship companies will be compelled either to withdraw from service to the Philippines or increase their freight rates to and from the Islands. Decrease in amount of imports and exports moving over Seattle piers will naturally affect our ports adversely.

SUBSIDIES

Increase in duties, prices, freight rates, etc., will result in one of two things. The Philippine Islands will buy from other countries, or the United States Government will be required to pay bounties to our American steamship lines and American producers so they can compete with foreign interests in the Philippine trade. These bounties or subsidies will be for the account of the United States taxpayers.

CANADIAN COMPETITION

It should be borne in mind that Canada produces the same type of commodities as the United States; that Canadian factories will be busy with Philippine orders when Canada is on a parity with the United States in trade conditions at the conclusion of the "Philippine Commonwealth Transition Period."

EFFECTS UPON THE PHILIPPINES AND UPON UNITED STATES LABOR

A total of two million persons in the Philippine Islands are directly or indirectly dependent upon the sugar industry. Over 4 million are dependent upon the cocoanut industry. A prosperous export trade brings with it general prosperity, while a decline or reduction of exports is sure to cause economic dislocation. Reduction in purchases by the United States of Philippine products and

unemployment among the millions of people engaged in production of export crops will reflect in the livelihood of these people and their purchasing-power and inclination for United States manufactures.

CONCLUSION

The State of Washington has considerable interest in any national or international policy agreed upon which will affect the trans-Pacific trade of this section of the United States. The exported products are the very life of the United States Pacific Northwest industries and include lumber, flour, fruits, vegetables, dairy and poultry products, canned salmon, condensed milk, paper, pulp, mill and mining machinery and numerous other items. The only American steamship service (American Mail Line) operating out of Seattle to the Philippine Islands and trans-Pacific countries is dependent upon the inbound and outbound cargo from and to that country for its regular service. Continuation of preferential trade relations between the United States and the Philippines is essential to these industries, for if a policy between the two countries is established upon a non-preferential basis it will mean absolute elimination of a large percentage of our exports and this trade will revert to Canada, Australia, New Zealand, China, Japan and other countries producing agricultural or semi-manufactured products. Foreign shipping lines between those countries would be stimulated by this diversion of trade at the expense of already-existing American lines operating between the United States and the Philippine Islands.

PETITION

The Seattle Chamber of Commerce requests that your honorable body give careful consideration to the benefits of the present trade relations between the United States and the Philippine Islands, and the harmful effects to trans-Pacific trade, to the United States as a whole, and to the Pacific Northwest in particular should non-preferential trade agreements be consummated. We urge that your recommendations be for—

- 1—Accomplishment of preferential trade agreement between the United States and the Philippine Islands if and when independence is granted; and
- 2—In the meantime consummation of agreements or mutual understandings of a binding character, which will not permit the altering of trade relations between the two countries, except by consent of both, during the life of the "Transition Period";

3—Agreements that will be more in keeping with the desires of the business interests which actually carry on the commerce between the two countries, and which will be so logical and substantial in character as to have stabilizing rather than disturbing effects upon the good-will and trade relations between the people of the United States and the Philippine Islands.

SEATTLE CHAMBER OF COMMERCE
By M. GOODE, *Manager, Foreign Trade Department*

NOTE.—Attached tariff and statistical information is supplied to emphasize the importance of the Philippines market for United States Pacific Northwest products, foreign competition encountered in that market, and tariff duties which will apply to such products if abrogation of preferential trade agreements be effected.

STATISTICS

RANK OF CERTAIN U.S.P.N.W. PRODUCTS IN THE PHILIPPINE ISLANDS BUYING

According to the 1936 figures, the United States ranked as follows in certain imports into the Philippines. These particular commodities were selected from a long list of United States products sold to the Philippine Islands, because most of the products mentioned below are furnished in large part or wholly from the United States Coast States and many from the Pacific Northwest section:

Lubricating oil.....	87%
Fuel oil.....	57%
Fruits.....	74%
Wood and mfrs. of.....	72%
Paper (unprinted).....	66%
Meat and meat products.....	60%
Dairy products.....	53%
Fish and fish products.....	51%
Vegetables.....	47%
Wheat flour.....	43%
Cereals and its mfrs.....	40% (except wheat flour)

The Philippines is one of the most important overseas markets of the United States. Its annual purchases of United States products reaches eighty million dollars in normal years. The trade of the United States with the Philippine Islands is already subject to very keen competition from foreign countries. Some of these countries are geographically in closer proximity to the Philippine Islands than is the United States, and other countries are able to produce more cheaply and undersell the United States market.

EXPORTS FROM THE UNITED STATES TO THE PHILIPPINE ISLANDS OF THE FOLLOWING-NAMED COMMODITIES

These commodities are mentioned because a number of them originate wholly or in part in the United States Pacific Northwest.

1. Total Douglas fir:

(Sawed timber)

	Quantity	Value
1935-----	275 M ft.	\$5,490
1934-----	—	—
1933-----	25 M "	825
1932-----	655 M "	8,531
1931-----	60 M "	1,500
1930-----	1,203 M "	22,772

2. Wheat flour:

(Wholly of U.S. wheat)

1935-----	247,426 bbl.	1,137,013
1934-----	*485,770 "	1,767,526
1933-----	*506,824 "	1,631,115
1932-----	*573,919 "	1,717,895
1931-----	*678,148 "	2,539,634
1930-----	*669,602 "	3,451,789

3. Wheat breakfast foods:

(Ready to eat)

1935-----	51,526 lbs.	7,318
1934-----	29,713 "	4,231
1933-----	21,785 "	3,140
1932-----	16,342 "	2,261
1931-----	9,762 "	1,307
1930-----	20,477 "	2,821

4. Wheat breakfast foods:

(To be cooked)

1935-----	30,291 lbs.	2,111
1934-----	30,871 "	2,372
1933-----	28,412 "	2,167
1932-----	37,143 "	3,518
1931-----	29,155 "	2,791
1930-----	35,907 "	3,477

5. Cereal foods (N.E.S):

1935-----	43,353 lbs.	7,055
1934-----	21,162 "	3,684
1933-----	21,609 "	3,054
1932-----	15,464 "	2,628
1931-----	12,779 "	2,270
1930-----	14,000 "	2,545

6. Total vegetables & preparations:

1935-----	810,960
1934-----	531,106
1933-----	479,340
1932-----	385,893
1931-----	495,592
1930-----	503,372

*Wheat flour—wholly of U. S. flour. Up to 1935 this commodity is classified as "Total Wheat Flour".

	<i>Quantity</i>	<i>Value</i>
7. Eggs in shell:		
1935-----	21, 090 doz.	\$5, 894
1934-----	52, 830 "	9, 620
1933-----	76, 270 "	14, 816
1932-----	23, 680 "	5, 025
1931-----	8, 445 "	2, 407
1930-----	8, 415 "	3, 061
8. Eggs and yolks:		
(Frozen, dried or canned)		
1935-----	4, 995 lbs.	1, 124
1934-----	1, 965 "	498
1933-----	700 "	323
1930-----	10 "	13
9. Butter and substitutes:		
1935-----	94, 882 lbs.	34, 941
1934-----	†243, 868 "	66, 056
1933-----	†233, 787 "	62, 759
1932-----	†92, 311 "	34, 203
1931-----	†141, 123 "	61, 841
1930-----	†194, 986 "	83, 873
10. Condensed milk:		
(Sweetened)		
1935-----	2, 603, 134 lbs.	327, 395
1934-----	5, 016, 387 "	630, 003
1933-----	1, 145, 932 "	132, 292
1932-----	3, 610, 752 "	575, 166
1931-----	6, 539, 482 "	1, 179, 351
1930-----	7, 363, 852 "	1, 343, 994
11. Evaporated milk:		
(Unsweetened)		
1935-----	15, 374, 961 lbs.	1, 023, 118
1934-----	19, 905, 683 "	1, 235, 892
1933-----	18, 663, 376 "	1, 101, 667
1932-----	17, 692, 601 "	1, 066, 072
1931-----	18, 036, 359 "	1, 479, 287
1930-----	18, 010, 910 "	1, 651, 980
12. Printing paper: book		
(Not coated)		
1935-----	2, 939, 021 lbs.	144, 420
1934-----	3, 016, 212 "	143, 595
1933-----	2, 693, 261 "	120, 725
1932-----	1, 979, 643 "	103, 822
1931-----	2, 765, 058 "	169, 770
1930-----	3, 796, 287 "	249, 127
13. Mining machinery: ore		
(Crushing & sorting)		
1935-----		357, 765
1934-----		255, 586
1933-----		146, 661
1932-----		42, 783
1931-----		49, 546
1930-----		30, 332

†Butter and substitutes. Up to 1935 the classification included butter only.

14. Other mining & quarrying machinery:	<i>Value</i>
1935.....	\$363, 181
1934.....	233, 034
1933.....	151, 671
1932.....	67, 286
1931.....	39, 602
1930.....	37, 751

Compiled by: Seattle District Office, United States Bureau of Foreign and Domestic Commerce.

From: *Foreign Commerce and Navigation of the United States.*

At request of: Seattle Chamber of Commerce.

JAPANESE COMPETITION ENCOUNTERED BY UNITED STATES PACIFIC NORTHWEST IN PRODUCTION AND EXPORTS TO THE PHILIPPINE MARKETS

(United States commodities other than those cited below experience competition from Japan, but those mentioned below are selected because many of them originate wholly or in part in the Pacific Northwest.)

Exports of Japanese canned foods to Philippines, year 1935

	<i>Cases</i>
Condensed milk.....	46, 200
Meats.....	25
Canned salmon.....	7, 223
Crab meat.....	609
Tuna, in oil.....	100
Sardines, in tomato sauce.....	154, 710
Shellfish.....	22, 774
Peas.....	774
Other vegetables.....	1, 201
Fruits & jams.....	557
Total.....	240, 612

Total production of Japanese canned foods

	<i>Year</i>	<i>Cases</i>	<i>Value in Yen</i>
Meat and milk.....	1933	891, 640	11, 722, 296
	1934	1, 038, 229	13, 366, 873
	1935	1, 136, 349	15, 416, 021
Marine products.....	1933	3, 389, 087	58, 369, 572
	1934	4, 297, 113	81, 016, 861
	1935	4, 921, 868	78, 110, 318
Fruit.....	1933	1, 467, 615	10, 518, 970
	1934	1, 733, 653	12, 846, 806
	1935	1, 841, 166	14, 219, 612
Vegetables.....	1933	552, 372	4, 078, 015
	1934	756, 848	5, 276, 737
	1935	772, 813	5, 585, 766
Grand total.....	1933	6, 300, 714	84, 688, 853
	1934	7, 825, 843	112, 507, 277
	1935	8, 672, 196	113, 331, 717

JAPANESE PRODUCTION OF FOLLOWING CANNED GOODS WHICH AFFECT UNITED STATES PACIFIC NORTHWEST

	Year	Cases	Value in yen
Condensed milk, sweetened---	1933	627, 852	8, 159, 022
	1934	749, 102	9, 496, 040
	1935	824, 011	11, 269, 641
" " unsweetened--	1933	106, 788	1, 121, 274
	1934	112, 127	1, 177, 333
	1935	123, 338	1, 233, 380
Salmon-----	1933	1, 446, 405	27, 254, 408
	1934	2, 290, 239	48, 305, 000
	1935	2, 391, 504	40, 421, 939
Crab-----	1933	324, 596	14, 606, 820
	1934	417, 083	18, 768, 735
	1935	423, 882	19, 074, 690
Clam & baby clam-----	1933	52, 500	330, 750
	1934	92, 000	717, 600
	1935	59, 468	505, 477

PHILIPPINE COMMONWEALTH: TARIFF RATES

Tariff rates on commodities mentioned below when imported from countries other than the United States. At present these goods enter the Philippine Islands from the United States, exempt from duty, but should preferential agreements not be established between this country and the Philippines, the tariff rates indicated would be assessed against United States products.

CLASS IX. PAPER AND MANUFACTURES

149. Paper of all kinds—pasteboard, bristolboard, strawboard, pulpboard.
(d) The same manufactured into articles, not otherwise provided for, 40% (newsprint).

CLASS VIII. ALIMENTARY SUBSTANCES

216. Wheat, rye, and barley, gross weight:
(a) In grain, 100 kilos, 25¢. In flour, 100 kilos, 47¢.
218. Cereals, prepared for table use—oatmeal, cracked wheat, cornstarch & similar preparations, n.o.p. 10% *ad valorem*.
212. Fish, in cans, glass or jars:
(a) Salmon, etc., plainly prepared & simply preserved. 15% *ad valorem*.
227. Vegetables, fresh: (gross weight)
(a) Onions and Irish potatoes. 100 kilos, \$1.
(b) Other, including sweet potatoes, 100 kilos, \$2.
231. Fruits, fresh, gross weight. 100 kilos, \$1.25.
269. Eggs, not otherwise provided for:
(a) Fresh or preserved, in natural form, gross weight, 100 kilos, \$8.
(b) Egg powders & other preparations of eggs, n.o.p. 100% *ad valorem*.
271. Butter, including weight of immediate containers. 1 kilo, 6 cents.
267. Milk and creams, pure, or with sufficient sugar to preserve them, 10% *ad valorem*.
Milk and creams, compounded with other substances, milk powders and tablets, any of the foregoing, n.o.p. 20% *ad valorem*.

204. Hams, bacon, and other meats and sausages, dry, cured, or smoked, not preserved in cans, incl. weight of immediate containers. 100 kilos, \$4.50.
208. Lard and substitutes thereof, n.o.p. 100 kilos, \$6.

CLASS X. WOOD AND OTHER MATERIALS AND MANUFACTURES THEREOF

155. Common wood:

(a) Including fir, hemlock, pine, etc., and woods of similar class or equivalent quality:

In logs or poles, not further advanced than hewn timber, \$1.50 per cu. meter.

In form of boards not further advanced than sawn or split into rough boards, \$2 per cubic meter.

If planed, dovetailed or cut to size, including shingles, laths, veneer, plywood, etc., 20% *ad valorem*.

160. Manufacturers of common wood, n.o.p. whether finished, turned, painted, varnished, or not, but neither inlaid, veneered, carved, etc. 25% *ad valorem*.

1 kilogram equals 2.2046 pounds.

**BRIEF
OF THE
SHELL CHEMICAL COMPANY**

(1355)

**BRIEF
OF THE
SHELL CHEMICAL COMPANY**

SAN FRANCISCO, CALIFORNIA,
July 6, 1937

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
*c/o Bureau of Foreign & Domestic Commerce,
311 Customhouse,
San Francisco, California.*

GENTLEMEN:

For the past several years the Shell Chemical Company has participated in the Philippine fertilizer trade by shipping the following quantities of sulphate of ammonia, used we understand almost entirely in the growing of sugarcane:

Year	Short tons	
1931 -----	221. 76	(approximate)
1932 -----	none	
1933 -----	9, 579. 00	
1934 -----	4, 480. 00	
1935 -----	12, 320. 00	
1936 -----	14, 857. 50	
1937 (Jan. 1-June 30) -----	2, 240. 00	

We would point out that this important percentage of the total Philippine imports of sulphate of ammonium has given employment to labor in California, not only in our own manufacturing establishment but in the manufacturing plants of those industries which in turn supply us raw materials as well as various transportation agencies in the assembly of the above-mentioned raw materials and substantial tonnage for steamship services operated out of San Francisco to Iloilo, Cebu and Manila.

American-produced sulphate of ammonia now enjoys a preference of 5 percent on the f.o.b. plant value over similar material produced in foreign countries. Philippine-produced sugar likewise enjoys a more substantial preference in the American market. This company has always looked with favor on the Philippine business for the reasons set forth above, being the only foreign market where American-produced material does enjoy a preference as to duty. It is our belief that even greater preference should be granted to materials entering into the production of Philippine sugar, which depends almost entirely on the favorable American market for its livelihood.

BRIEFS SUBMITTED IN TYPEWRITTEN FORM

1357

We would be glad to furnish such additional facts as may be required by your Committee and to testify to the above at the formal hearing which you have called for July 21st.

Very truly yours,

SHELL CHEMICAL COMPANY

S. S. LAWRENCE, *Sales Manager*

MEMORANDUM
SUBMITTED BY
SALVADOR G. SISON ET AL.

(1359)

MEMORANDUM

MANILA, P.I., September 18, 1937

HON. JOHN V. MACMURRAY

*Chairman**Joint Preparatory Committee of Experts**Manila*

SIR:

The undersigned do not represent any particular interest. We are independent citizens representing all walks of life who, anxious to obtain a square deal from the United States, have the honor to submit this memorandum.

In view of the statement issued by you shortly after your arrival in Manila that all the memorials submitted to the Committee should be limited to the discussion of the trade relations between the United States and the Philippines, we deem it proper, in the preparation of this memorandum, to quote the joint statement of President Quezon and Mr. Sayre, formerly Chairman of the Joint Preparatory Committee of American and Philippine Experts, which says in part:

"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."

In a letter addressed to Senator Millard E. Tydings, dated May 24, 1937, Mr. Sayre said:

"The functions of the joint committee, in general, will be to consider proposals which have been made for changing the political and economic relations of the United States with the Philippines."

The first Independence Act (Hare-Hawes-Cutting act) was rejected by the Philippine Legislature because—

"... the law does not satisfy the national aspirations nor does it safeguard the welfare of the Filipino people or the stability of the social, economic, and political institutions of their country."

The other reasons given by the Legislature for declining to accept the act were:

"The immigration clause was objectionable and offensive to the Filipino people; because the powers of the High Commissioner are too indefinite; and finally because the military, naval, and other reservations provided for in the said act are inconsistent with true independence, violate national integrity and [are] subject to misunderstanding."

The joint legislative committee appointed under Concurrent Resolution No. 46 of the Philippine Legislature was instructed by that body—

“. . . to petition the President and the Congress of the United States for changes therein (Hare-Hawes-Cutting act) or the enactment of such new legislation as will fully satisfy the aspirations of the Filipino people to become at the earliest practicable date a free and independent nation, under conditions and circumstances that will not imperil the political, social and economic stability of the country.”

The Tydings-McDuffie act was accepted by the Philippine Legislature relying upon President Roosevelt's statement that—

“Where imperfections or inequalities exist, I am confident that they can be corrected after proper hearing and in fairness to both peoples.”

In view of the foregoing, we are at a loss to understand why the independence question should be barred from the hearing when, to use the language of Mr. Sayre, “The functions of the joint committee . . . are to consider proposals . . . for changing the political and economic relations of the United States with the Philippines” and when the Tydings-McDuffie act does not satisfy the national aspirations of the Filipino people.

The Tydings-McDuffie act is a reproduction of the rejected Hare-Hawes-Cutting act which was turned down by the Philippine Legislature because it did not satisfy the desire of the Filipinos to be free at the earliest practicable date possible. The Independence Act is based upon a wrong philosophy. The transition period is supposed to prepare us for independence; but at the same time we are deprived of those means which are essential for the attainment of that end. In view of the powers reserved by the Government of the United States, the Commonwealth Government is far from autonomous.

This memorandum is predicated upon the thesis that the political and economic aspects of the independence problem are inseparable. They are so closely interwoven that they cannot be treated separately. In fact the dominant motive behind the passage of the Tydings-McDuffie act is economic—the desire of the agricultural interests in the United States to get rid of Philippine competition. The Filipinos never accepted the political settlement under the Tydings-McDuffie act as final. Under that act we have eight more years to go to complete our period of preparation. Many things can happen between now and eight years from now which may prevent the eventuation of independence. For instance, it is doubtful whether Philippine major products, such as sugar and coconut oil, will be able to survive in the American market as soon as the export tax begins to be levied on them. It must be borne in mind that in addition to the export tax Philippine sugar will have to bear the processing tax, and, in the case of coconut oil, the excise tax. It is highly

probable that towards the end of the transition period the United States High Commissioner may be called upon, according to the terms of the Independence Act (sec. 7, par. 4), to take over our customs offices and administration of the same in view of the failure of the Commonwealth Government to pay its bonded indebtedness or to fulfil its contracts owing to shrinkage in revenues. Such a step will amount to intervention by the United States, which intervention may last indefinitely. Besides, a large and powerful element in the United States and a small but influential group in this country which are against Philippine independence for selfish reasons are by no means inactive. They have changed their tactics by advocating for a permanent Commonwealth status or a longer transition period, hoping thus to relegate Philippine independence to the limbo of forgotten things. As long as Congress is dominated by agricultural interests and as long as they feel the pinch of Philippine competition, Philippine independence is not actually endangered. A change in the economic and political set-up in Washington would imperil Philippine independence.

That the Philippines needs a transition period to readjust her industries goes without saying. If this transition period is shortened with the consequent closing of the American market, our industries would collapse, and thus independence itself would be ultimately defeated. We therefore recommend the adoption of the Quezon plan as outlined below. By way of an explanation, President Quezon has not made any official statement as to his independence plans other than the joint Sayre-Quezon statement. However, Mr. Felipe Buen-camino, Jr., member of the National Assembly and a confidant of President Quezon, was reported by the local papers to have said that President Quezon was in favor of a fifteen-year commercial treaty between the United States and the Philippines containing the economic provisions of the Tydings-McDuffie act following independence.

If, as claimed by certain elements, the only obstacle to the granting of immediate independence is economic in character there should not be any objection to the Quezon plan which would merely reverse the process by putting the transition period after instead of before independence. The duration of the commercial treaty may be reduced to ten years as herein proposed. At any rate, it may be adjusted to suit interested parties. Such a plan has this additional advantage: it would place the independence question upon a higher plane. The Tydings-McDuffie act leaves the motive of Congress open to doubt. Moreover, it puts the cart before the horse. The Quezon plan would dissipate all doubts as to American altruism, and prepare the country for real independence. The plan might be

objected to on the ground that it would violate certain treaties of the United States. Those treaties can, however, be revised to take care of the Philippine situation. It would seem that the purpose of the Tydings-McDuffie act could be better attained by this arrangement than by requiring the transition period to precede independence for the following reasons: First, it would be impossible in the present circumstances to find new markets for our products because of our lack of power to negotiate commercial treaties; secondly, the Philippine Commonwealth cannot send diplomatic and consular representatives to foreign countries; thirdly, the Tydings-McDuffie act is very unsatisfactory on the whole; fourthly, the constant tinkering by Congress and State legislatures of the Independence Act; and, fifthly, there is nothing to prevent Congress, under the prevailing legal theory, to reverse its policy with respect to Philippine independence.

Americans might ask why we Filipinos ask for the continuation of the existing free-trade arrangement after independence has been granted to us. It looks as if we want to have the cake and eat it too. The answer is that the United States is under certain moral obligations to allow us a period of time to make the necessary readjustments. We need not recount here the history of the United States-Philippine trade relations. This was excellently done by the United States Tariff Commission (Report 118, second series). However, one very important fact was overlooked in that report. It is this: in 1909 when the Payne-Aldrich tariff act which established free trade between the United States and the Philippines was being discussed in Congress, the Philippine Legislature, through our Resident Commissioners, opposed vigorously the establishment of free trade between the United States and the Philippines. Mr. Gregorio Nieva, then Secretary of the Philippine Assembly, sent the following cablegram to our Resident Commissioners at Washington:

MANILA, March 28, 1909

Legarda and Ocampo,

-Filipino Resident Commissioners, Washington.

Assembly in yesterday's session unanimously passed a resolution insisting on action taken on May 19, 1908, as appears in Joint Resolution No. 11, protesting respectfully and energetically against proposed free trade, making it known to Congress that Legislature finds absolutely impossible to raise new revenues. Resolution was immediately sent by special message to Baguio for concurrence by Commission. Entire text will be wired to Secretary of War after passage by Legislature.

NIEVA

Secretary, Philippine Assembly

Though the reason given by the Assembly for opposing the establishment of free trade between the United States and the Philippines appears to be economic—loss of revenues to the Philippine Govern-

ment—the main reason that motivated the Assembly for taking such a step [*was*] political. The Assembly was calculating upon the probable effects of free trade upon our future political relationship with the United States. Looking in retrospect over the incident, the foresight of the Assembly was almost uncanny. Resident Commissioner Ocampo, our spokesman in Washington then, spoke prophetically in opposing the bill thus:

“Furthermore, viewing the question under its political aspect, is not there a danger that the future independence of the Philippines would be hindered by the ties consequent upon the establishment of free trade? The trusts and other corporations that would establish themselves in the Philippines, encouraged by free trade, will oppose a formidable barrier against Filipino freedom. With elements of this kind to contend—elements against which the American people are at present struggling with no seeming success—the economic ruin of the Philippine Islands and the premature death of the political ideals of the Filipinos are a sure prediction. I say this not as a mere opinion of mine. I am here voicing the feeling of my people expressed through their representatives.”

Morally, we are, therefore, justified in demanding from the United States a transition period even after we have obtained our independence. The present trade relationship between the United States and the Philippines is not of our own making. It was imposed upon us over and against our will.

The establishment of free trade between the two countries has, no doubt, created prosperity in the Philippines; but it has diverted our trade from its natural channels, tied us to the apron string of the United States, and, in the words of a Filipino economist, given rise—

“to an artificially high standard of living, with the consequent inability of the Filipinos to compete with their oriental brethren in foreign markets. We have been dependent so much upon the United States economically that the minute the present free-trade arrangement is severed, no power on earth can save us from economic ruin. Economic dependence for the Filipinos operates against political independence.”

The passage just quoted brings to the fore the intimate connections between the political and the economic aspects of Philippine independence. Independence is deferred presumably to allow us ample time to make the necessary readjustments in our national economy. By threatening to close American markets to our products in the event of immediate independence, we are compelled to consent to deferred independence. There are elements in the United States and in this country which, for the sake of promoting their selfish interests, are taking advantage of our economic dependence upon the United States to defeat the plan of advancing the date of independence. As President Quezon has pointed out, if we are not ready now to assume an independent existence, it is doubtful if we would be ready by 1946. While the provisions of the law providing for the withdrawal of the United States from the Philippines appear to be

mandatory, there seems to be nothing to prevent the President of the United States from delaying the withdrawal or even refusing to withdraw. Besides, certain interests both in the United States and in this country which are interested only in the maintenance of free-trade arrangement between the two countries will exert every effort to extend the transition period and thus defeat independence.

The Tydings-McDuffie law does not prepare us for independence. While we may be able to survive during the first five years of the transition period, it is very doubtful whether we will be able to do so as soon as the export taxes begin to be levied upon all articles exported to the United States from the Philippines. On the other hand, we are handicapped in finding new markets for our products for reasons already stated.

The Tydings-McDuffie act falls short of our national aspirations. The numerous limitations upon the powers of the Commonwealth Government nullifies the autonomy that it purports to grant. As it is the act might give rise to serious misunderstandings between the United States High Commissioner and the Commonwealth Government. The recent toast and consular incidents portend serious possibilities. An administration in Washington less sympathetic towards the Filipino cause can wreck the whole experiment.

Section 2, paragraph (14), of the Tydings-McDuffie act provides:

"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."

Section 7, paragraphs (2) and (6), of the same act states respectively:

"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.

"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."

The foregoing provisions clinched the control by the United States over the affairs of the Commonwealth. This is in addition to the power supposedly vested in Congress to make alterations in the act

as long as the United States remains sovereign in this country. In fact it has already done so in several instances over and against the opposition of the Filipinos.

We therefore submit the following proposals:

(1) Independence in 1938 or 1939 at the latest. The trade arrangements in the Independence Act are to be embodied in a ten-year treaty. The coconut excise tax shall be converted into an export tax to be levied by the Philippine Government for a period of ten years, the proceeds from which shall be spent for essential public services, such as the development of natural resources, national defense, schools, etc.

(2) The processing tax now levied on sugar exported to the United States from the Philippines to be converted also into an export tax to be levied by the Philippine Government for the same length of time. The proceeds of the tax shall be set aside for the servicing of our bonded indebtedness.

(3) If the foregoing proposal is not acceptable to Congress, we recommend the conclusion of a reciprocal agreement between the United States and the Philippines similar to those recently concluded between that country and foreign countries in accordance with the Reciprocal Trade Agreements Act.

It is true that we have not been buying as much from the United States as the Americans are buying from us. In order to redress the balance of trade between the two countries, the National Assembly should raise the tariff on textiles and other commodities from foreign countries to give American goods greater protection in the Philippine market. If necessary, we should adopt the quota system with respect to goods imported from other countries in order to bolster up the imports from the United States. The present trade arrangement is mutually advantageous to both countries. The Philippines now occupies the twelfth place as a market for American products, and its possibilities have not yet been exhausted. The claim by some Americans that such an arrangement is one-sided because the balance of trade has been in our favor for many years is therefore not well founded if everything is considered. The balance of trade as a criterion in determining the mutual benefits of any commercial arrangement is not entirely satisfactory because it does not include the so-called "invisible items" and because it views the situation from a purely bilateral standpoint when as a matter of fact it has many angles. The balance-of-trade theory is exploded by the United States Tariff Commission in its report on United States-Philippine trade (Report No. 118, second series). The Commission states:

"The status of the balance of trade between the United States and the Philippines has frequently been regarded as an index of the profitableness of the

trade to the one country or the other. The country having the credit balance has been considered the gainer, and the other country the loser. This inference, however, is not warranted. In the trade of the United States with the Philippines the customary excess of imports over exports has simply given rise to a triangular (or a polyangular) trade in which the United States has paid for this excess of imports largely by exporting goods to other countries in greater value than it has imported from them. These countries in turn, either directly or through still other countries, have exported greater values of goods to the Philippines than they have imported from them. The status of the merchandise balance of trade between the Philippines and the United States, therefore, is of no significance *per se* in respect of the gains or losses arising to either country. Moreover, the trade balance of the Philippines with the United States not only affects and is affected by the trade balances with all other countries but it is influenced also by the extent to which gold shipments, service items, capital movements and other factors enter into the trade of the islands with the United States and with all other countries. In consequence, the Philippine balance of merchandise trade with the United States must be considered not only in its relation to the balance of merchandise trade with the world as a whole but in its relation to the balance of payments with the United States and with the world as a whole."

Although it is true that the balance of trade between Japan and the Philippines has been for several years in Japan's favor that balance probably went to the United States in the form of increased purchases of raw cotton or other goods imported by Japan from the United States. Then, too, most Americans overlook the fact that American citizens enjoy the same rights and privileges as the natives in respect of the acquisition of property in, and development of the natural resources of, the Philippines—a right which is not enjoyed by Filipinos in the United States. Section 2, paragraph (16), of the Tydings-McDuffie act provides:

"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."

Moreover, American citizens practically monopolized the important positions in the Philippine Government during the first decade and a half of American occupation. Most of them received salaries very much higher than those received by the natives. It is only in recent years that the number of American officials and employees have been reduced. All told, the benefits accruing out of our mutual association are about even.

Section 11 of the Independence Act provides:

"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."

The undersigned are also in favor of the neutralization of the Philippines. Because of the troubled situation in the Far East, such

a plan will have to wait until the Far Eastern situation clears up. Although recent events have demonstrated that international agreements cannot absolutely be relied upon as a guarantee of national security, they have not entirely become worthless. We have the testimony of former Secretary of State, Henry L. Stimson who, writing recently, said that the intervention by the League of Nations in the Sino-Japanese controversy of 1931 had prevented an outright annexation of Manchuria by Japan. No power can openly violate a treaty without incurring the moral condemnation of the entire world. Those who are opposed to the neutralization of the Philippines seem to be laboring under a misapprehension. They believe that the Philippines might be forced to give certain concessions to the guaranteeing powers, which is not necessarily true. At any rate, the Philippines will lose nothing by such a treaty. On the other hand, we agree with Prof. Grayson Kirk that it will have the effect of forcing Japan to reveal her intentions with respect to the Philippines. He said:

"Would Japan sign such a treaty? That depends entirely upon the ultimate goal of Japanese policy in Southern Asia and Oceania. If amicable trade relations are the only goal of Japanese policy, a neutralization policy should command Japanese support. If, on the other hand, the Japanese do harbor hopes for the ultimate expansion of their political influence, they will probably refuse to become a party to such an agreement, alleging, as a reason, their unwillingness to aid in establishing a further basis for possible military intervention on the part of the United States and the European powers in the Far Eastern area. One thing is sure. Whatever the fate of the proposed neutralization treaty may be, it will at least have the virtue of forcing Japan to lay some of her cards on the table."

Should Japan, however, oppose such a plan because of the presence here of American naval bases, we recommend that those bases be abandoned by the United States in order to facilitate the signing of a neutralization agreement. Such a neutralization treaty should provide for the collaboration and immediate consultation of the military staffs of the signatory powers as to the steps to be taken in the event of aggression.

While opinions may differ as to the probable effect of the present undeclared Sino-Japanese war upon Philippine independence, we do not share the pessimism of those who believe that Japan will move in the moment the United States moves out. We are quoting hereunder a dispatch by Mr. Frank McNaughton, United Press staff correspondent, with which we are entirely in accord:

"Win, lose or draw, Japan's current conflict with China has barred possible Japanese aggression in the Philippines for at least 20 years, some military and diplomatic officials believed today.

"Experts pointed out the undeclared Sino-Japanese war is draining heavily on Japan's men, resources, money and materials.

"They told United Press the scope of the present struggle is such as to prohibit for many years Japanese military attention to the Philippines or any other potential fields for territorial conquest.

"Should the Japanese win and take over a vast area in North China, they pointed out, the expenditures of war and subsequent development would seriously strain Japan's internal economy.

"Japan would face the necessity of making large expenditures to develop any acquired territory. The expenditure would have to continue many years before any great material return would show.

"Also, even with success in North China, Japan must expect diplomatic and military problems possibly continuing for 20 years, experts pointed out.

"Conversely, should China win, Japan would suffer a terrific 'loss of face' and possibly lose her position as a first-class power.

"This might result in internal political repercussions with the result that home problems would preclude any interest in other territories for a long period.

"It was pointed out the constant Soviet threat resulted in political and military belief throughout Japan that the Empire cannot weaken herself unduly without courting a Russo-Japanese war."

The present troubled situation in the Far East will, without doubt, be taken advantage of by the advocates of permanent retention of the Islands. The Japanese bug-a-boo will be used as an argument to prevent the shortening of the transition period. But those elements ignored the fact that Japan and the Philippines are next-door neighbors and will remain so until the end of time. They have offered no constructive program. Of course, risk is inherent in any enterprise. We have to assume a certain amount of risk. Unless we are ready to do so, we are unworthy of independence.

A careful analysis of the present situation leads us to believe that the danger of our being involved in a war is just as great, if not greater, under the present situation. Fortunately, President Roosevelt has adopted a peace policy which may prevent the United States from getting entangled in the present Sino-Japanese imbroglio. If he has taken a different course, the war may be upon us at any time. If war is forced upon us—God forbid it!—it looks as if the burden of protecting the country will rest largely upon ourselves. And the tragedy of the situation is that we Filipinos may be forced into a war with which we are not concerned. At present we have no control over our foreign affairs. It is the United States Government that formulates the foreign policy even as regards these matters vitally affecting us.

We fully subscribe to the views of Prof. Bernabe Africa, who, reviewing Justice Malcolm's work entitled, "The Commonwealth of the Philippines" in the *Philippine Social Science Review* of June, 1937, said in part:

"In his concluding paragraphs the author speculates as to what is likely to happen to an independent Philippines. He realizes that he is treading upon a dangerous ground, for his prophecy may or may not come true. This is

specially true of human affairs where the factors are so uncertain. Nevertheless, the author speaks with a certain degree of self-assurance. According to him, an independent Philippine Government will be confronted by two major problems—internal and external. The first will be the result of the cessation of the present trade relations between the United States and the Philippines. As the Philippine major exports will not be in a position to compete in foreign markets outside of the United States, government as well as individual incomes will shrink considerably resulting in economic chaos and popular discontent if not actual uprising.

"The reviewer is of the opinion that the economic consequence of independence is not so bad as it is being pictured. In fact it has been somewhat exaggerated. That there will be a slump in our foreign trade immediately following independence may be admitted. But the shock will be temporary, and the country will survive it in the end. The author himself admits that our case is not hopeless and even suggests the way out of a difficult situation. Certainly, with or without independence, the country will continue to export gold, silver, chromite, copra, lumber, hemp, cigars, and cigarettes. Within a few years the country will produce manganese, copper, and iron in exportable quantities. These products must be paid for in cold cash. The lands now devoted to sugarcane can be converted into cotton fields. Japan can absorb all the cotton we can produce. If the present policy of the Government materializes, the country will be self-sufficient economically. The ultimate collapse of our economic structure has therefore no basis in fact.

"On the other hand, the economic provisions of the Tydings-McDuffie Law are based upon a wrong philosophy. In the first place, we are given a ten-year period within which we are expected to make the necessary readjustments in our national economy. During this period we have to look for foreign markets outside of the United States, but we lack the means to achieve that end, for we are not given control over the currency, tariff, and foreign affairs generally, and we have no power to negotiate commercial treaties. It is therefore hard to see how we can develop our foreign trade with other countries unless we are given these powers. In the words of President Quezon, 'our hands and feet are bound.' It therefore makes little difference whether we get our independence now or ten years from now. The Gordian knot will have to be cut any way. At the end of the transition period, we will be confronted by the same problem. As a matter of fact, every year that passes makes more difficult the liquidation of the Philippine question. In the second place, the Tydings-McDuffie Law is, in certain respects, in the nature of a contract between the United States and the Philippines, and therefore should not be changed by the former without the consent of the latter. In spite of this, the law has been tampered [with] and is being tampered with without our consent. Our economic position is being threatened not only by Congress but also by state legislatures.

"The external danger,' according to the author, 'will come from the menace of Chinese penetration and Japanese aggression.' The implication is that it is the presence of Americans here that is keeping off both the Chinese and the Japanese and that when independence comes it would be impossible for us to keep these alien races off. The author would have the United States quit the Philippines, which he calls the 'danger zone,' completely and absolutely to avoid friction with Japan. Most American writers who have written on the Philippine question have viewed the problem solely from the law of the jungle and have overlooked entirely certain imponderables that always go into the solution of any international question. The author of the book under review is no exception to the rule.

"If we accept the author's argument as valid, then the weak nations of the world are bound to disappear. They have no reason to exist. But we know that they still exist and will continue to exist. Certainly, international relations are not predicated solely on the law of the jungle. There are still certain moral forces at work. These moral forces may not be visible to the layman. None the less they exist. Moreover, the very selfishness of the powers themselves has, in many cases, made the existence of small nations a necessity. Filipino statesmanship will be put to a severe test, but there is no doubt that it will measure up to the occasion. The reviewer sees no reason why Japan should always be held up as the possible aggressor. And how about Mussolini and Hitler? They are avidly looking for territories to expand.

"There are several factors that militate against Japanese expansion toward the Philippines: (1) Japanese expansion has taken the direction of the Asiatic mainland; (2) the consolidation of Soviet power in Eastern Asia; (3) the gradual strengthening of China; and (4) the obstacles which the Japanese will encounter if they should expand southward. The Japanese will, in all probability, have to face an alliance of European powers which have vast interests in Asia, not to mention the possible opposition on the part of the United States. It is not therefore unreasonable to suppose that Japan is only after equality of commercial opportunity in the Philippines. She has much to lose by antagonizing the Filipinos, and everything to gain by befriending them. In fact Japan has been very friendly toward the Philippines. There is no reason to suppose that she will abandon this policy after we obtain our independence. The Davao question has been unduly exaggerated. The best solution to the Davao problem is for the Philippine Government to buy out Japanese interests in Davao. There is an intimation that the Japanese landholders would dispose of their interests if offered a fair price.

"Dr. Hu Shih has correctly sized up the Far Eastern situation. According to him, the balance of power in the Pacific which was upset as a result of the preoccupation of the powers during the World War has been reestablished since 1931. Russia is now fully armed, and China is making feverish preparations to resist further Japanese aggression upon her sovereignty. Non-Asiatic nations which have possessions in Asia are rapidly rearming to protect their interests. Even France whose Far Eastern policy has hitherto been passive is now building naval and air bases, and is strengthening her forces in French Indo-China. There is no question that such activities are intended against Japan.

"As to the danger from Chinese penetration, the reviewer does not quite share the pessimism of the author. He does not believe that the Chinese will oppose any reasonable restriction in the immigration law that the Philippine Government might enact in the future if the Chinese are placed upon the same basis as the other foreign nationals. There exists no reason why an independent Philippine Government should be unduly preoccupied with Chinese penetration. Firstly, the Chinese can be assimilated. Secondly, most of them are engaged in business. Unlike the Japanese, they do not take to agriculture and therefore there is less danger of friction between them and the natives. Hence the possibility of the latter being deprived of their patrimony is remote. Men do not migrate just for the sake of seeing new lands. They migrate for various reasons. These reasons may be religious, political, or economic, or a combination of some or all of them. In the case of the Chinese, the reason is largely economic. As long as business opportunities here are good, just so long will the Chinese continue to knock at our door. The growing economic nationalism among the Filipinos will operate to check the further influx of Chinese into this country. During the last few years, the progress of the Filipinos in this

direction has been remarkable, thanks to the effective and unceasing campaign of the government and the National Economic Protective Association."

In conclusion, we have the honor to make the following recommendations:

(1) The date of independence should be advanced to 1938 or 1939 at the latest.

(2) The transition period should follow instead of precede the grant of independence. According to this arrangement, the United States and the Philippines should conclude a ten-year treaty embodying the trade provisions of the Tydings-McDuffie act.

(3) The coconut excise tax should be continued in the form of an export tax to be levied by the Philippine Government. The proceeds from this tax shall be used to carry out the program for the economic development of the country, national defense, popular education, etc.

(4) The processing tax on sugar should also be continued until the end of the ten-year period in the form of an export tax to be levied by the Philippine Government. The proceeds from this tax shall be used for the servicing of our bonded indebtedness.

(5) If the above plan is not acceptable to Congress, we recommend immediate independence and a commercial treaty with the United States based on the Reciprocal Trade Agreements Act.

(6) The permanent neutralization of the Philippines guaranteed by the powers. Neutralized or not, an independent Philippines cannot adopt any other course than a policy of neutrality if she is to survive at all. She must adopt a friendly attitude towards every sister nation. If the powers are willing to guarantee our neutrality without our being compelled to sacrifice a portion of our sovereign rights as a *quid pro quo* we should welcome that opportunity.

Very respectfully,

[Here follow the signatures of SALVADOR G. SISON and 87 others.]

BRIEF
SUBMITTED BY
SPENCER KELLOGG AND SONS, INC.
(See also Brief for the Philippine Coconut Oil Mills)

(1373)

BRIEF

SUBMITTED BY

SPENCER KELLOGG AND SONS, INC.

BUFFALO, NEW YORK, *June 14, 1937.***THE EFFECT OF THE TYDINGS-McDUFFIE INDEPENDENCE ACT UPON
THE FUTURE OF THE PHILIPPINE COPRA-CRUSHING INDUSTRY**

In any preliminary written statement of this type, little more can be done than to suggest various angles of the subject which the Committee may explore and study with the view of making a more exhaustive analysis as it proceeds with its investigation. The submission of a more complete statement would be impossible in the short time available prior to the public hearings.

Should those provisions of the Tydings-McDuffie Independence Act which relate to coconut oil be retained without modification or amendment there seems little hope that the copra-crushing industry of the Philippine Islands can survive after the sixth year a graduated schedule of export taxes [that] shall be levied upon all coconut oil exported from the Islands to the United States. Copra, on the other hand, having always been on the free-list was not included in this legislation and will, accordingly, not be subject to any compensating levies. The initial levy is to be five percent of the United States tariff applying to coconut oil from countries other than the Philippines (at present two cents per pound). The rate is to be increased by five percent increments each year until the tenth or last year of the Commonwealth period, when the total levy will be twenty-five percent of the tariff rate, or one-half cent per pound, assuming the existing American tariff schedule applying to coconut oil is not altered.

Instead of strangling this important industry, every effort should be made to encourage and assist the new Philippine Government to develop manufacturing industries in order that the country will not be solely dependent upon exports of primary agricultural products. Of all the Islands' agricultural products, copra is second in importance, being outranked only by sugar. In fact, a great many more people are dependent upon copra for their livelihood than upon sugar, despite the latter's somewhat greater tonnage and monetary value. The many benefits accruing to the Islands, were it made possible for a continuation of the crushing of this copra by the local mills already established there, should be readily apparent. If there can be no repeal of these export taxes, then the Islands' copra-crushing industry as at present constituted is surely condemned to inevitable ruin the first year these taxes become effective.

As import statistics already on file with the Committee show, approximately one half of the coconut-oil requirements of the United States is supplied by copra-crushing mills located principally on the Pacific coast (a few are scattered in the interior and on the Atlantic coast), and the other half by mills in the Islands. This division, although fluctuating at times, has been maintained reasonably constant during recent years. It is a relationship which has many advantages, both to the Philippines and to the United States. As an example, the United States, while consuming enormous quantities of oil, cannot utilize all the oil cake resulting therefrom. Accordingly, it is more economical to crush copra in the Philippines when the oil is shipped to the United States and the cake can be exported direct to continental European countries. Many of these countries, while on an import basis for protein concentrates and other types of feedstuffs, are on an export basis with respect to oils. The most notable instance of this type today is the Netherlands. Undoubtedly, if the necessary changes are not made to insure the continuation of the crushing industry in the Islands as at present constituted, the inevitable result will be its transfer to other crushing centers in the United States and Europe.

More will be said later in this discussion pertaining to the excise taxes levied on coconut oil in the 1934 Revenue Act, but it is appropriate to cite at this point one adverse effect which these excise taxes have had upon Philippine coconut oil. A noticeable shift has resulted in the consumption of these lauric-acid-bearing oils, to the extent that babassu, palm-kernel, and other oils have been displacing coconut oil in increasing amounts. Another change not quite so easily recognized by one less well versed on the subject of oils and fats, has been the displacement of coconut oils in oleomargarine by what amounts to foreign cottonseed oil. During the preceding two years it has been necessary to import large quantities of cottonseed oil to supplement a deficiency of this oil in the United States. Admittedly only domestic cotton oil is consumed in margarine, but if there is insufficient cotton oil available for all domestic purposes nothing is gained by forcing cotton oil into margarine usage at the expense of coconut oil, thereby necessitating increased importations of foreign cotton oil to meet shortening and compound requirements, for which purpose coconut oil is not particularly adaptable. Thus it is seen that indirectly Philippine coconut oil has been gradually pushed out of its normal channels of consumption by these other oils, all of which have been imported from foreign countries with which the United States does not have either the political or social ties it enjoys with the Philippines.

Because of the existence of an important crushing industry in the Islands which under normal conditions takes about half of the copra

production, it is a recognized fact that Philippine copra-producers receive higher prices for their copra by reason of the keen competition of the local mills. In fact, the competition in purchasing copra is so acute at times that prices usually approach and are held at, or near, levels which afford extremely narrow margins of profit to crushers. Furthermore, the combination of freight rates applying to shipments of oil to the United States and cake to Europe is somewhat lower than it [would be] if the copra were shipped to the United States and the resultant cake thence exported to Europe. As already pointed out, should the export taxes not be repealed, practically all the copra-crushing necessary to supply the coconut-oil requirements of the United States will have to be carried on within continental United States. The surplus production of cake must then be reexported. The extent to which this increased crushing operation is divided between the Atlantic and Pacific coast industry will determine the scope of the losses arising from this less economical system with its higher transportation costs. Since the price of coconut oil must be maintained in the proper relationship to its competing and companion oils in industrial and edible uses in the United States, it simply means that the copra-producers in the Islands will lose doubly—the loss from the competition of the local mills' competitive bidding against each other and the burden arising from the less economical transportation costs.

The Committee already has at its disposal complete statistics to show that the United States is a large exporter of feedstuffs, particularly those of higher protein content. Copra cake and meal, being somewhat lower in protein value, [are] naturally at a disadvantage solely by reason of this one factor. But it would have to compete with the higher-protein meals derived from such oil-bearing materials as cottonseed, flaxseed, soy beans, corn germs, peanuts, etc. It is not entirely inconceivable that the added force of competition from this increased production of copra meal would have a slightly depressing effect upon the price structure of other oil cakes produced from domestic oil-bearing materials. To that extent American farmers producing these oil-bearing materials [will] be interested in maintaining the crushing relationship as it exists at present.

Should the copra-crushing industry be transferred from the Islands to the United States, there is still another adverse factor from the standpoint of the Philippines, in that the Island government would suffer a reduction in its revenue in the amount of the proceeds it derives from the sales tax applying to the sale of coconut oil. At the present time there is a double-sales tax applying on that portion of the copra crushed in the Islands. The tax is collected upon the sale of copra, whether sold for export or to local

crushers. When the oil is again sold there is a second application of the tax. While admittedly this revenue item of itself would not constitute a major source of income to the Philippine Government, nevertheless it is of sufficient importance to warrant its inclusion in the study being conducted by the Joint Preparatory Committee on Philippine Affairs.

It cannot be too strongly emphasized that the export taxes levied upon coconut oil by the Independence Act will place the American copra-crusher in the Islands in a distinctly unfavorable position as compared [*with*] crushers of similar oil-bearing materials, both in foreign countries and continental United States. These disadvantages may be traced to various reasons. The schedule of excise taxes embodied in the 1934 Revenue Act placed a levy of three cents per pound if imported from any country other than the Philippines. On the surface it appeared that the Philippine products were receiving preferential treatment. It proved, however, to be only an empty gesture.

Palm-kernel oil derived from palm kernels which come chiefly from countries on the west coast of Africa enjoys the same rate of tax as Philippine coconut oil. By reason of the similarity in the chemical compositions of the two oils, palm-kernel oil may be considered a direct competitor of coconut oil. In fact, the two oils are interchangeable almost without limitation, both of them being composed in large part of lauric and myristic acids. These acid constituents are not common to any of the more ordinary types of fats and oils produced in the United States. Palm oil, also subject to a three-cent excise tax, although not interchangeable, is a companion oil to coconut oil. Accordingly, its competition helps further to prevent any utilization of this alleged preferential advantage. Babassu oil, a direct competitor, is not taxed at all. It is similar in all its properties to coconut oil and accordingly offers sharp competition. During the past two years it has averaged three-eighths cent to one-half cent per pound under the price of coconut oil with the three-cent tax included.

From the foregoing it should be readily apparent that when the export taxes become effective, the crushers in the Islands will be forced out of the picture completely, directly by the copra-crushers in continental United States and indirectly by the force of competition from these other oils which obviously will not be subject to any corresponding levies. There seems no justification for the infliction of such discrimination upon the American copra-crushers in the Islands. In fact, this aspect alone is one of the strongest arguments why the Committee should not hesitate to recommend that the export-tax schedule applying to coconut oil be eliminated completely from the Independence Act. It should be perfectly apparent that the

crushers now operating there cannot wait until the deadline before taking steps to move their operations out of the Islands. Yet, if this disparity is not soon recognized and steps taken to correct it, the only alternative will be the complete transfer of the crushing industry to the United States by the sixth year. In fact, some advance preparations are already being made in this direction; hence, if the proper remedy is not soon forthcoming, it can easily be too late.

Since the United States has an insufficient supply of industrial oils and fats, particularly those containing lauric acid, being wholly dependent upon foreign countries to supplement this deficiency, and at the same time has an overproduction of the protein concentrates, there appears to be every reason to justify granting such concessions as will make possible the continuance of the copra-crushing industry in the Philippines. Recognizing this situation, is it not better to allow the perpetuation of this established industry as a further evidence of good faith in aiding them to build up their manufacturing industries? Certainly, this penalty can be withheld from the copra-crushing industry without fear of harming any American interest. Failure to remove these export taxes will in short be an ultimatum to the crushers to vacate and move their crushing facilities elsewhere. Any benefits which might accrue to United States interests from such action would at best be small compensation for the injuries inflicted thereby upon the Philippines.

Justice, equity, and the reputation of our country for fair dealing with smaller nations, more especially with the Philippine Islands, therefore, dictate that this preference should be granted to them in order that their established crushing industry may continue to survive for such a period of time as may be essential for the development of another manufacturing industry to replace it in their national economic structure.

Respectfully submitted,

SPENCER KELLOGG AND SONS, Inc.
By J. D. CRAIG
Assistant to the President

TELEGRAPHIC BRIEF
OF THE
SPOKANE CHAMBER OF COMMERCE

(1379)

NIGHT LETTER

June 14, 1937 11 27 pm

FRANCIS B. SAYRE,
Acting Chairman,
Joint Preparatory Committee on Philippine Affairs,
Room 808 United States Tariff Commission
8th and E Streets, Washington, D. C.

Pacific Northwest annually produces wheat crop substantially in excess of its own needs and which because of variety and quality has always found prime outlet in Philippine trade. Stop Termination of preferential trade relations between the United States and the Philippines will obviously embarrass movement our excess crop into those channels and materially aggravate wheat surplus problem our area. We respectfully urge that the present Philippine outlet for wheat and related products be retained and we further suggest that a hearing be held in the Pacific Northwest prior to hearings in the Philippines.

F. M. BALLER,
Chairman Agricultural Bureau,
Spokane Chamber of Commerce,
Spokane, Wash.

BRIEF
SUBMITTED BY THE
TACOMA CHAMBER OF COMMERCE

BRIEF
SUBMITTED BY THE
TACOMA CHAMBER OF COMMERCE

TACOMA, WASHINGTON, *July 17, 1937.*

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
San Francisco District,
Bureau of Foreign and Domestic Commerce,
311 Customhouse,
San Francisco, California.

GENTLEMEN:

Tacoma Chamber of Commerce, Tacoma, Washington, by formal vote of its Board of Directors, has gone on record in favor of the policy of continuation of preferential trade arrangements between the Philippine Islands and the United States, not only for the period before independence is established, but thereafter.

By act of Congress, which has been accepted by the people of the Philippine Islands, trade relations and the rights of citizens and corporations of the United States have been definitely determined until July 4, 1946. Those relations and the rights mentioned cannot be altered to the prejudice of the citizens and corporations of the United States without committing a breach of good faith and treating them unfairly. Many obligations and trade commitments have been made, based upon the legislation referred to.

Prior to the taking over of the Philippine Islands, subsequent to the Spanish American War, the trade between the Pacific Northwest and the Philippine Islands was of negligible proportions. Because of the fact that the Philippine Islands became a United States possession trade developed rapidly and in recent years the business with the Philippine Islands has been of such substantial proportions that it has aided greatly in the growth and prosperity of industry and agriculture in the Pacific Northwest.

We have studied the brief filed with the Committee by the North Pacific Millers' Association and also the brief filed by the Millers' National Federation.¹ With the statements made in each of these briefs we can heartily agree and, therefore, we give them our unqualified endorsement.

It is our belief that the United States should not be so altruistic as to be willing to voluntarily give away an advantage in trade relations which now exists and properly should redound to the benefit of the American businessmen. This will be the inevitable result if the preferential arrangements under which flour, canned milk, and

¹ See *ante*.

other products of the Pacific Northwest have made a place for themselves in the Philippine Islands, and these commodities must compete with world markets. We hold that the treatment of the Philippine Islands by the United States Government justifies particular consideration by the Philippine Government and that in some way the favorable arrangements existing heretofore should be continued and that the United States should be the nation most favored by the Philippine Government.

Coconut oil has been imported extensively from the Philippine Islands. Some time ago, a special tax was levied on imported coconut oil in defense of the American dairy industry because it was claimed that coconut oil was being made into substitute butter and underselling American butter. To the extent that this was true some tax was properly justified but we are convinced that a very small percentage of imported coconut oil was so used. Therefore we contend that this tax should apply only on coconut oil which is to be used in the manufacture of edible products. That proportion of the coconut oil which is imported for the purpose of manufacturing soaps, cosmetics, perfumeries, etc., should be exempt from any tax and we believe that this is a matter [to] which your Committee should give very careful consideration.

It is our thought that the period allowed before independence is established, namely, 1946, is not sufficient to permit satisfactory realization of the purposes sought in the act. For this reason particular consideration should be given to the continuation of the favorable conditions existing now which would be changed in 1946. Certainly the date of independence should not be advanced in any way and in the meantime there are certain principles which we consider fundamental and which should be maintained, namely:

1. Articles which are produced in the Philippine Islands should continue to be admitted free of duty into the United States or with no greater limitations than those imposed by the Independence Act.
2. Articles produced in the United States should continue to be admitted free of duty into the Philippine Islands. The civil rights of the citizens and corporations of the United States should continue in the Philippine Islands as at present.

It has been stated as the view of President Quezon and Assistant Secretary of State Sayre that preferential trade relations between the United States and the Philippine Islands are to be terminated at the earliest practical date. We cannot see the justice of such a contention, but on the other hand it is our view that preferential trade relations existing between the two countries have been mutually advantageous and should be indefinitely continued. We, therefore, urge

that some way be found to permit the continuation of such relations possibly by a treaty to be effected for an indefinite term.

In any event we believe that a detailed study of the entire situation cannot but convince the Committee that the best interests, not only of the United States but of the Philippine Islands, will be served by a very close relationship in every way, even after independence is established. We, therefore, respectfully recommend that such a study be made and that it be continued until a complete analysis of the views of businessmen most interested be secured and digested.

At the hearing at San Francisco, which has been set for July 21st to 23d inclusive, we anticipate that the Chambers of Commerce of the Pacific coast or at any rate of the Pacific Northwest will be represented by Mr. A. M. Scott, representing Pillsbury Flour Mills Company of Portland, Oregon, and A. E. Mallon, a member of the export committee and of the executive committee of the Millers' National Federation. These gentlemen will be prepared to present brief supplementary oral statements and we therefore respectfully request that they be granted an audience by your Committee and allowed not less than forty-five minutes to present the views of the Pacific Northwest Chambers of Commerce.

Respectfully submitted,

TACOMA CHAMBER OF COMMERCE
T. A. STEVENSON
Secretary-Manager

BRIEF
SUBMITTED BY THE
TANNERS' COUNCIL OF AMERICA

(1385)

BRIEF
SUBMITTED BY THE
TANNERS' COUNCIL OF AMERICA

NEW YORK, *July 8, 1937.*

HON. FRANCIS B. SAYRE,
*Chairman, American Committee of Experts,
c/o State Department,
Washington, D.C.*

DEAR SIR:

LEATHER TRADE WITH PHILIPPINES

No point in the matter of future relations between the United States and the Philippine Commonwealth is so important to the tanning industry as the continued preferential protection for American leather. The Japanese and Australian tanners are trying very hard to take this market away from the American tanners.

For example, the seriousness of the threat of Japanese competition is not to be judged solely by statistics. These naturally fail to show what may happen if the business grows. Experience with Japanese competition in other lines has demonstrated that it is easy for the Japanese to enter the Philippine market and undersell our domestic producers. As a matter of fact this is being done in leather at the present time even with the preferential tariff for the United States. Support of this contention is seen by comparing the statistics of exports of leather to the Philippines and other oriental countries. The American tanners' share of the trade in those countries where competition of Japanese, European, and Australian tanners must be met on an equal basis is quite small.

A preferential tariff in favor of the United States is not only necessary but should be higher than the present rate. Even with the existing preferential the Japanese tanners are able to undersell us in the Philippines. The fact that the volume is not larger may be attributed to the consumption of leather in their own market, which is large enough to prevent surpluses becoming available for export. It is reasonable to expect, with the growth of the Japanese tanning industry, that exportable surpluses will be produced in years to come.

There are three outstanding points to be considered in connection with the leather industry's interest in this problem:

- (1) The tanning industry in the Philippines is of little importance at this time and its product is of inferior quality. This is partly due to lack of technical tanning skill and partly to local raw-stock supplies being of poor quality. Not only is

native livestock of poor condition but hides are improperly removed from the carcass of the animal. Consequently the better grades of leather must be imported.

(2) At the present time nearly 98 percent of the leather imports into the Philippines comes from the United States. Her importance as a customer of the United States is illustrated by the fact that one twentieth of all the leather exported from the United States is sent to the Philippines—a large share for a single country.

Last year one fifth of all cattle side-upper leather exported from the United States went to the Philippines. In this classification, in spite of the large quantity sold by the United States, we face the greatest competition with Japan. The greatest difficulty at the present time is the fact that the low prices quoted by Japanese tanners, even though their business is of small volume, have a tendency to lower the prices that can be obtained for American leather. As a consequence, generally speaking, only the very lowest grades can be sold, and this business is at prices which do not represent a fair return to the American tanner.

The Philippine Islands are America's best customer for sole leather. The total quantity of sole leather exported from the United States has dropped tremendously during the past ten years so that our export markets have been narrowing each year. Naturally, we want to preserve our export trade in heavy leather wherever we can. The Philippines now buy a greater amount of sole leather from us than any other country. On sole-leather bends and cut soles (the better grades) we have very little competition, but on bellies and shoulders (the cheaper grades) Australia is getting approximately 50 percent of the business.

(3) The tariff on ordinary kinds of leather ranges from 10 to 15 percent, and is applied to imports from countries other than the United States. This preferential margin in favor of the United States must be increased if American tanners are to hold their position in this market. The differential in favor of the United States should be increased to at least 25 or 30 percent in order to compete with cheap Japanese labor and that country's proximity to the market.

NATIVE TANNING INDUSTRY

Little advancement has been made in the Philippine tanning industry in the lines of production or improved methods in recent years. Chief reasons for lack of development are poor quality of raw material, lack of technical knowledge, general use of primitive methods and equipment and antiquated business methods. However, the

Philippines have substantial local supplies of raw hides, skins and tanning materials. Among the numerous tanneries operating, most of which are small, only two or three have modern equipment. Cattle hides make up about 85 percent of all local supplies used. Some horse, goat and reptile skins are used.

Sole leather. This type constitutes the principal output of the tanneries, the estimated production of which amounted to less than 2,000,000 pounds in 1934. Primitive tanning methods result in a bad-smelling product when damp, which feature limits its use in favor of the imported product. Chinese control a large share of this output and are reported to have little interest in improving their product.

Upper leather. No great increase in the production of upper leather is expected unless methods are improved. Of the local annual demand of about 4,250,000 square feet, Philippine tanneries supply only about 600,000 square feet.

Side. This kind represents more than 50% of the total upper output, amounting yearly to about 315,000 square feet of a total requirement in excess of 2,000,000 square feet. Most of this product is black in color, although two or three tanners have had some success in making colored sides.

Upper. Calf-upper output by local tanners is estimated at 100,000 square feet annually, with domestic requirements approximating some 775,000 square feet.

Goat and kid. Some of this type is tanned in the Philippines, but is not suitable for shoe uppers. Almost all the requirements of about 765,000 square feet annually are imported and used mostly in the manufacture of women's footwear. Because of their light weight, these types are popular in the Islands' warm climate.

Sheep and lamb. Only a small amount of this type is tanned, with most of the 250,000 square feet of local annual requirements being imported. It is expected that demand for this type will diminish.

Horse and colt. Only limited amounts are available from local sources to fill an increasing demand. Mostly used in the production of work shoes, more than 151,000 square feet were imported in 1934.

Other. There is small production of reptile leather which mostly goes into the manufacture of goods for the tourist trade.

LEATHER IMPORTATIONS INTO PHILIPPINES

It is generally recognized in business circles in Manila that the Philippines customs statistics are open to question as to their accuracy. While the figures quoted below are illustrative of the present predominance of the American leather industry in the Philippines, it is believed that Australia and Japan particularly have increased their exports during 1936 and 1937.

TABLE SHOWING LEATHER IMPORTS

Year	From all countries	From United States	Percentage from U. S.
1929	\$1,151,714	\$1,139,766	98.9
1930	1,001,229	985,323	98.4
1931	697,233	687,866	98.6
1932	576,127	565,095	98.0
1933	572,291	545,277	95.3
1934	840,742	815,210	96.9
1935	739,842	721,899	97.6

NOTE.—Sole and harness leather imports, in 1935: Australia supplied 70,000 lbs. against 730,000 lbs. from the United States. China, the only other foreign competitor, furnished 20,000 lbs. Upper-leather imports (approximately): From United States 6,000,000 sq. ft., and from China, Japan, and Australia, 35,000 sq. ft.

The figures of the United States Department of Commerce for 1936 show that the total shipments to the Philippines of leather classed as "sole leather offal" and "other sole leather" were 411,466 pounds. Conservative trade estimates indicate that the total importation of American bellies and shoulders is at the rate of 500,000 pounds per year. Examinations made of records of leather importers who purchase offal from Australia indicate that Australia is now shipping a larger quantity of this type of leather to the Philippine Islands than is the United States.

PRICE SITUATION

Prices on sole-leather bellies from Australia, after payment of 10 percent duty, are equivalent to 14½ to 18½ cents per pound and are 3 to 4 cents cheaper than American leather of comparable quality. The price of Australian sole-leather shoulders, after payment of duty, ranges from 20 to 25½ cents per pound which prices are from 3 to 6½ cents per pound less than the comparative quality of American sole-leather shoulders.

At the present time cattlehide leather tanned in the full hide and comparable to side-upper leather is being sold there duty paid at from 13 to 15½ cents per foot, while the lowest price at which American leather can be obtained is 16 cents per foot and this is only for small quantities and odd lots of damaged grades, while regular reject selections sell for 17½ to 18 cents per foot.

PHILIPPINE TARIFF ON LEATHER

Hides and skins, tanned, without the wool or hair, curried, dyed, or not:

(a) Cow [hides], and hides not otherwise provided for, split or not, of the classes known as common sole, skirting, harness, or hydraulic leather, sheepskins (basils), and boot and shoe findings of any of the foregoing, 10 per centum *ad valorem*.

(b) The sole of other classes, and calf, goat, kid, lamb, and similar skins, sheepskins finished in imitation of any of the foregoing, not having the artificial finishes enumerated under clause (c) of this paragraph, cowhide embossed in imitation of pigskin, and boot and shoe findings of any of the foregoing, 15 per centum ad valorem.

(c) Hides and skins, not otherwise provided for, hides and skins enameled, gilt, bronzed, bleached, figured, engraved, or embossed (except as provided in clause (b) of this paragraph), chamois, vellum, and parchment leathers, and boot and shoe findings of any of the foregoing, 25 per centum ad valorem.

Respectfully submitted,

J. L. NELSON
Secretary

BRIEF
SUBMITTED BY THE
TOBACCO MERCHANTS ASSOCIATION OF THE
UNITED STATES

(1391)

July 9, 1937

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS
206, United States Tariff Commission
8th & E Streets, N.W.
Washington, D.C.

GENTLEMEN:

On behalf of the Tobacco Merchants Association of the U.S., 341 Madison Avenue, New York, N.Y., I transmit herewith for your consideration fifteen copies of its memorandum with respect to the "Exportation of American Cigarettes and Manufactured Tobaccos to the Philippines".

Very truly yours,

JOHN E. WALKER
*Counsel for the Tobacco
Merchants Association of the U.S.*

BRIEF

SUBMITTED BY THE

TOBACCO MERCHANTS ASSOCIATION OF THE
UNITED STATES

To the JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS:

The honorable the Joint Committee on Philippine Affairs having invited statements covering the consideration of legislation relating to the commodities and services included in the present economic relations between the United States and the Philippines, the Tobacco Merchants Association of the U.S., a national organization of the tobacco industry, earnestly and respectfully submits the following with respect to American exports of cigarettes and other manufactured tobacco products to the Philippines:

STATUS OF AMERICAN CIGARETTES AND MANUFACTURED TOBACCO
PRODUCTS EXPORTED TO THE PHILIPPINES

American cigarettes and other manufactured tobacco products now enter the Philippines market free of duty.

Under the Philippine Independence Act (Public No. 127, 73d Congress) this arrangement is continued pending the complete independence of the Philippines—on July 4, 1946. At that time, however, unless changed in the meanwhile by a trade pact or new legislation, American cigarettes and other tobacco products entering the Philippines would become subject to the full Philippine duties which, as now in effect on importations from other countries, amount to \$4.50 per pound, plus 25 percent *ad valorem* in the case of cigarettes, and 55 cents per pound in the case of smoking and chewing tobacco—the principal American manufactured tobacco items exported to the Philippines.

Speaking of the cigarette trade, the United States Tariff Commission, in its Report No. 118 (2nd series) entitled "United States-Philippine Trade, with Special Reference to the Philippine Independence Act and Other Recent Legislation", stated:

"... the American cigarette trade in the Philippines is dependent almost entirely upon the preferential free-trade relationship existing between the two countries. The Philippine duties on tobacco are similar to those of the United States. A tariff of \$4.50 per pound, plus 25 percent *ad valorem* on American cigarettes entering the Philippine market would be *practically prohibitive*; however, such duties will not be applied until the Philippines receive their independence on July 4, 1946." (Underscoring [*italics*] ours.)

The proposal that the date of Philippine independence be advanced to 1938 or 1939 makes the question of such a "*practically prohibitive*" tariff a matter of immediate concern to American cigarette and tobacco manufacturers.

THE PROHIBITIVE EFFECT OF THE PHILIPPINE TARIFF IF IMPOSED ON AMERICAN CIGARETTES

The American manufacturers of cigarettes have developed a market for their product in the Philippines the extent of which is evident from the fact that the total shipments of American cigarettes to the Philippines in the calendar year 1936 aggregated 2,467,206,000 cigarettes, valued at \$3,651,557.00. The American shipments accounted for virtually all of the cigarettes imported into the Philippines.

From the American standpoint, the importance of the Philippine market is indicated by the fact that the cigarette shipments to the Philippines constituted over 41 percent of our total 1936 cigarette exports (5,915,634,000), including the shipments to Alaska, Hawaii, Puerto Rico and the Virgin Islands.

To demonstrate what may be expected to happen to the American cigarette trade should such cigarettes be subjected to the Philippine import duty, it should be sufficient to point out that the value of the cigarettes brought into the Philippine market (2,467,206,000 cigarettes, valued at \$3,651,557.00) in the calendar year 1936 averaged only \$1.48 per thousand.

Weighing roughly about 3 pounds to the thousand, these American cigarettes going into the Philippines, which have an average value of only \$1.48 per M, would be assessed a specific duty of approximately \$13.50 per thousand (\$4.50 per lb.), plus 25 percent *ad valorem*, or 37 cents per thousand, making a total tariff of \$13.87. On the usual retail-package unit of 20 cigarettes having an average value of about 3 cents, the duty alone would be almost 28 cents—more than 9 times their value.

It should furthermore be noted that the Philippine internal-revenue tax on cigarettes, which applies to American goods as well as all others, is graduated on the basis of the importers' wholesale price, so that, by reason of their necessarily increased wholesale prices due to the duty, these products would also be subject to a higher internal-revenue tax.

Need it be added that the effect would be to completely close the Philippine door to the American product?

PHILIPPINE TOBACCO ESSENTIALLY CIGAR TYPE

Considerable tobacco is produced in the Philippine Islands, but it is essentially a cigar type as contrasted with the American-grown cigarette tobaccos used in the product manufactured in the United States.

The sales records show that the Philippine population prefers the American product and that it is desired above all others.

Attempts have been made to produce a substitute for American cigarettes in the Philippines by blending American cigarette tobacco with native leaf, but all such efforts have been unsuccessful.

To quote from a report by American Trade Commissioner J. B. Richardson published in "Tobacco Markets and Conditions Abroad", No. 507, March 26, 1935 (issued by the Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce) :

"It is claimed by Philippine consumers that domestic cigarettes are inferior in quality to American cigarettes, a standard on which Philippine consumers insist, to the extent that they are economically in a position to do so."

For these reasons it may be said that no substitute for American cigarettes satisfactory to the Philippine public is available in the Philippine Islands, so that the shutting off of the Philippine market to the American manufacturers would work no consequent benefit to the Philippine manufacturers.

AMERICAN CHEWING AND SMOKING TOBACCOS ALSO AFFECTED

In addition to cigarettes, American manufacturers in 1936 exported to the Philippines 601,271 pounds of chewing tobacco valued at \$287,564.00, while exports of smoking tobacco amounted to 53,222 pounds, valued at \$30,323.00.

It will be noted that the unit value of the chewing tobacco is about 46 cents per pound, and that of smoking tobacco about 57 cents per pound. The present rate of duty on these products entering the Philippine Islands from countries other than the United States is 55 cents per pound.

It seems unnecessary, therefore, to comment upon the effect that the imposition of this duty, amounting to more than the present value of chewing tobacco and practically equaling the value of smoking tobacco, would have upon this trade.

AMERICAN GROWERS WOULD SUFFER LOSS OF MARKET ALONG WITH MANUFACTURERS

American cigarette and tobacco manufacturers and their employees are not the only ones that will be affected by this loss of business, amounting to about \$4,000,000.00 a year. The loss will unquestionably be felt too by those engaged in furnishing the industry with the necessary supplies for producing about 2½ billion cigarettes and about 650 thousand pounds of smoking and chewing tobaccos, as well as by those engaged in handling and shipping these products.

Among the chief sufferers will be the American growers of the tobacco used in the production of these products who will be faced with the loss of a market amounting to almost 8,000,000 pounds of leaf tobacco a year. It requires about 10,000 acres to produce this

quantity of tobacco. The closing of this market for American tobacco products would indeed mean a real substantial loss to American tobacco farmers.

CONCLUSION

On the basis of the facts and figures herein presented, we believe that it is clearly apparent that the imposition of the Philippine tariff duties on cigarettes and other manufactured tobacco products—which presumably would apply to American cigarettes and manufactured tobacco products when the Philippines become completely independent—would be “practically prohibitive”.

The closing of the door to American tobacco products would not only be reflected in the loss of business suffered by the manufacturers and those engaged in furnishing them with supplies and handling the finished product, but would be severely felt by the American growers of tobacco.

Considering the fact that, as already pointed out, the Philippine market would be lost to America without any real corresponding benefit to the Philippines, we respectfully and earnestly submit that adequate provision ought to be made, whether by trade compact or otherwise, whereby the market for American cigarettes and manufactured tobaccos thus developed in the Philippines might be fully preserved.

All of which is respectfully submitted by the

TOBACCO MERCHANTS ASSOCIATION OF THE U. S.

By CHARLES DUSHKIND

Counsel and Managing Director

341 Madison Avenue,

New York, N. Y.

John E. Walker, Counsel,
Tower Building,
Washington, D. C.

Dated, JULY 7, 1937

TELEGRAPHIC BRIEF
OF THE
TRI-STATE WHEAT TRANSPORTATION COUNCIL

1398

BRIEFS SUBMITTED TO THE COMMITTEE

TELEGRAM

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1937 JUL 19 PM 6 40

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS
SAN FRANCISCO DISTRICT OFFICE BUREAU OF FOREIGN AND DOMESTIC COM-
MERCE 311 CUSTOMHOUSE SANFRAN

IDAHO OREGON WASHINGTON HAVE PRODUCED 110 MILLION BUSHEL OF
WHEAT IN ONE HARVEST WITH DOMESTIC REQUIREMENTS LIMITED TO 30
MILLION BUSHEL FOR SEED FEED AND HUMAN CONSUMPTION A TREMEND-
OUS VOLUME MUST EACH YEAR BE SHIPPED FROM THIS AREA THE REFER-
ENTIAL TRADE RELATIONS BETWEEN THE UNITED STATES AND THE PHILIP-
PINES PROVIDED AN ATTRACTIVE MARKET FOR A PORTION OF THIS SURPLUS
WHEAT WITHDRAWAL OF THIS RELATIONSHIP WILL BRING ADDED FINAN-
CIAL DISTRESS TO PACIFIC NORTHWEST WHEAT GROWERS

TRI-STATE WHEAT TRANSPORTATION COUNCIL

626 HUTTON BLDG SPOKANE WASHN

JAY M. PARRISH SECT.

BRIEF
SUBMITTED BY THE
UNITED DAIRYMEN'S ASSOCIATION

(1399)

BRIEF
SUBMITTED BY THE
UNITED DAIRYMEN'S ASSOCIATION

THE NORTHWEST DAIRY FARMER AND THE PHILIPPINES

The United Dairymen's Association is a producers' organization organized and incorporated under the laws of the State of Washington in 1921 and later reincorporated under the laws of the State of Delaware in 1930.

The body consists of twenty-one farmer-owned and farmer-controlled cooperative processing and marketing associations.

Our association is interested in every phase of the marketing and distribution of dairy products. They represent all of the market classifications of milk and its products, both fluid and manufactured, produced by 18,000 dairy farmers in Washington, Idaho and western Montana.

PROGRAM OF UNITED DAIRYMEN'S ASSOCIATION ON FOREIGN FATS AND OILS

The delegates to the annual meeting of the Washington State Dairymen's Association, which represents all of the producing dairymen of the State, adopted the following resolution:

"We urge the enactment by the Congress of the United States of additional Federal taxes on all foreign fats and oils, which will provide a coordinated tax or tariff structure of at least five cents per pound on all foreign fats and oils and an equivalent rate of duty on the seeds or nuts from which these fats and oils are extracted. Where any such foreign fats or oils are now covered by trade agreements, we believe the tax should be made effective upon the expiration date of such agreement."

Pursuant to this resolution of the Washington State Dairymen's Association, and in accordance with principles for which it has stood since its organization, the United Dairymen's Association is vigorously opposed to any reduction in the present excise tax on the first domestic processing of certain oils and fats (including coconut oil), as imposed by Congress and contained in section 602½ of the Revenue Act of 1934 and also to any lowering of the tariff on coconut oil. This general policy applies, from our standpoint, to any proposed concessions by the United States to the Philippines in connection with the negotiations of a foreign-trade agreement between the two countries.

In the hope that our position may be better understood, the following facts are presented in the hope that they will be given studious consideration.

THE PRESIDENT HAS NO POWER UNDER THE RECIPROCAL TRADE ACT TO CHANGE EXCISE TAXES

Section 6021½ of the Revenue Act of 1934 is a tax on the first domestic processing of certain oils. This is an internal-revenue tax and is not a charge, exaction or duty, imposed on importation or imposed for the regulation of imports. Any and all of the oils subject to tax under the above section may be brought into the United States without being subject to the tax. It is only when these oils are subjected to processing with[in] the United States that the tax applies.

The tax provided for in section 6021½ is not of the character contemplated by the Reciprocal Trade Agreements Act. The President does not possess the power under such act to make changes in domestic tax rates.

In a letter written to Mr. Charles W. Holman, under date of February 23, 1935, by Mr. William Phillips, Acting Secretary of State, the following statement of the State Department's interpretation of section 6021½ is made:

"In accordance with the conclusion reached in this department, I have been proceeding in the discharge of the responsibilities entrusted to me in this relation on the theory that the taxes imposed under Section 6021½ of the Revenue Act referred to are purely excise taxes and, as such, may not be modified by any of the proposed trade agreements, nor by proclamation of the President."

NO RECOMMENDATIONS SHOULD BE MADE TO CONGRESS BY THE COMMITTEE TO REPEAL OR LOWER THE EXCISE TAX ON COCONUT OIL

The excise taxes on coconut oil have been a valuable source of revenue to the Philippines. Between July 1, 1934 and January 31, 1937, the tax collections under section 6021½ of the Revenue Act of 1934 on coconut oil obtained from the Philippines totaled \$44,336,506.00. The act provides that these taxes be returned to the Philippine Government.

The purpose of the act is not to place a tariff on Philippine imports, but to protect the producers of domestic oils and fats. Any lowering of these taxes would be disastrous to the American market for domestic oils and fats producers and would seriously endanger an important phase of the national program for these domestic producers.

COMPETITION BETWEEN COCONUT OIL AND DOMESTIC OILS AND FATS

Coconut oil, the principal oil imported from the Philippines, has a great variety of uses and enters into competition with all domestically produced oils and fats, both animal and vegetable. It is a

competitor of lard, cottonseed oil, peanut oil and soy-bean oil in the field of shortenings and a competitor of butterfat in that it is the principal ingredient of the margarines, or so-called "butter-substitutes", in fact 25 percent of the total imported is used in the production of margarines in direct competition with the dairy industry. Six percent is used in lard-compounds and shortenings in direct competition with the hog-growers, cottonseed-growers and peanut-growers of the nation. Another 10 percent in edible products enters into competition with all of the above producers of fats and oils. Fifty-nine percent goes into inedible products, such as soap and toilet articles. A total of 602,273,000 pounds was used for the purposes enumerated above.

Studies by the Tariff Commission and numerous other studies by private and governmental agencies of price relationships and consumptive trends have definitely shown that coconut oil competes on a purely price basis with domestic oils and fats. The price-level of domestic oils and fats is determined by price at which the manufacturers are able to secure the foreign oils and fats which may be used as substitutes for domestic products.

Low prices for foreign oils mean lower prices for domestic oils, which are produced under very different conditions of living and wage-levels.

INTERCHANGEABILITY OF OILS AND FATS

The principal reason for this competition is that all of these oils have similar characteristics and in most all cases are interchangeable, giving an exceedingly wide range at least of the possibility of substituting one for the other, according to price-levels and supplies available.

The technical problems have long since been solved to this extent by scientific research, making the selection of oils for a given purpose largely an economic problem. Obviously, the user of oil is going to use the least expensive of the group when their interchangeability covers such a wide range.

IMPORTS OF COCONUT OIL OF PARTICULAR IMPORTANCE TO DAIRY FARMERS

In the year 1936 coconut oil was the most important ingredient used in the manufacture of oleomargarine. Of the total fats used, 46.6 percent was coconut oil. For this reason dairy farmers are particularly interested in the tariff and excise tax on coconut oil. Although oleomargarine is known to be inferior to butter in food value, the fact that it is a counterfeit, in that butter flavor is used in its production, either by churning it in milk to which starter has been

added or [by] the use of synthetic butter flavor, [it] therefore must be recognized as a direct competitor of creamery butter. The general effect of this competition is to shift a part of this demand for butter on the part of consumers of the United States to oleomargarine. This shift occurs chiefly, if not entirely, because of the lower relative price of the substitute, or counterfeit product. Historical studies which have been made by dairy organizations have very definitely established the fact that the oleomargarine industry ties itself to butter prices (not to the market price of oils and fats) and that the amount of oleomargarine sales depend upon the spread between butter prices and the price of oleomargarine. As long as manufacturers of oleomargarine can obtain cheap foreign fats and oils, dairy farmers are not going to be able to obtain a price for butterfat that will permit them to maintain the national standard of living which our social and economic system has set for the nation.

During the year 1936 the cost of the coconut oil and other ingredients in one of the most widely distributed oleomargarines was 9.61 cents per pound. In this same year the butterfat necessary to manufacture a pound of creamery butter cost 25 cents.

As a result of these conditions, the consumption of oleomargarine has shown an annual increase, while butter has shown an annual decrease. From 1934 to 1936, inclusive, oleomargarine showed an increased consumption for the biannual of 128,093,000 pounds and reached a total of 390,161,000 pounds for the later year in the United States. During this same period creamery-butter consumption dropped off 160,480,000 pounds from consumption of 1934. Oleomargarine consumption in comparative percentages of creamery butter consumption was 14.8 in 1934 and 24.4 in 1936. This is contrary to the conditions you would expect. In general, it is presumed that butter consumption increases as the national income increases. These data show quite conclusively that the dairy farmer has not yet received the benefits of the recent substantial increase in the national income.

WHY NORTHWEST DAIRYMEN DESIRE HIGHER PRICES FOR OILS AND FATS

Northwest dairymen have been interested in higher prices for oils and fats in the United States for the following important reasons:

1. A higher price-level for all oils and fats would place the competition between oleomargarine and butter on a more equalized price-level, and, consequently, would make it much less damaging to butter prices. Butter, which takes the greater percentage of our total butterfat-production obviously is the controlling factor in establishing the market for all dairy products.

2. The dairy interests have a common interest in the prosperity of agriculture in general, which includes all of the producers of domestic, vegetable and animal fats, with the possible exception of the 257,017,000 pounds of fish oils shown in the report of the U.S. Bureau of the Census, U.S. Department of Commerce, for the reason that all producers of animal and vegetable fats are potential producers of dairy products. If price-levels for other domestic fats are lowered as a result of foreign competition in their own field, thereby causing an overproduction of dairy products, [it] would be a bearish factor in the butterfat market.

IMPORTANCE OF DAIRYING TO NORTHWEST FARMERS

Dairying is one of the most important branches of agriculture in the States of Washington, Montana and Idaho. The future development of these States is dependent upon the expansion of dairying for the reclamation of their logged-off lands and semi-arid lands, when the latter are brought under irrigation systems now being developed. In fact, the future commerce and business of the Northwest cities is dependent upon this type of development. The value of the dairy property owned by the dairy farmers of the State of Washington alone is \$250,000,000.00. This in a State of 1,700,000 population. The general feeling is that before the United States Government enters upon a policy (suggested by some manufacturing and shipping interest) of protection of United States citizens' investments in the Philippines, the investments of our citizenry here at home, which is about one million times more than the capital invested by American interests in the Philippines, should be given the necessary protection to which it is entitled, "Charity begins at home."

In general American agriculture cannot prosper unless dairying is a profitable enterprise.

BENEFIT OF EXCISE TAXES TO NORTHWEST FARMERS

Reports of the New York market of monthly prices of the principal crude oils used in the manufacture of soap, show the benefits which have accrued to the producers of domestic oils and fats, of whatever type or character, since the excise tax on the first processing of the fats and oils became effective in May 1934. Six months following the effective date of the act, cottonseed oil had increased 8 cents per pound; lard $3\frac{1}{2}$ cents per pound; oleo oil prices increased $5\frac{1}{2}$ cents per pound; tallow prices advanced $1\frac{1}{2}$ cents per pound; corn oil advanced 3 cents per pound; oleomargarine prices increased from 2 to 3 cents per pound. Oleomargarine did not increase as rapidly as some products, due to the extremely large stocks

of coconut oil on hand at the time the excise tax became effective, and as a result coconut oil did not show a material rise until January of 1935.

SOAPMAKERS ARE ONLY PERSONS WHO WOULD BENEFIT BY REDUCED TARIFFS

The only group who would benefit by the reduction of tariffs or repeal of the excise tax would be the soap manufacturers, and they have been able to pay substantial dividends without having to increase soap prices in the last ten years. It is obvious that they have sufficient margin between the raw-material costs, processing costs, sales costs and taxes paid to take care of any increased tariffs or excise taxes levied.

THE PHILIPPINES SHOULD BE GRANTED THEIR INDEPENDENCE AS SOON AS SUCH A PROCEDURE IS FEASIBLE, AND THE FULL TARIFF SHOULD BE CHARGED ON COCONUT OIL

For the last fifteen years past our imports have exceeded our exports to and from the Philippines by from 5 [?] million] to \$50 million per year. If we are to take the year 1935, which is the only year for which these data are available, as a barometer of preceding years, these balances are even more unfavorable as they apply to agriculture than to commerce in general.

In that year, \$6,672,000.00 worth of agricultural products were exported to the Philippines as against \$84,024,000.00 in agricultural products imported from those Islands, producing an unfavorable balance of \$77,352,000.00 and that at a time when we were endeavoring to balance our domestic agriculture to our consumptive demands.

If American agriculture is to obtain its fair share of the national income, it must be protected from excessive imports from countries which do not meet our rates of pay for labor, or which do not meet our standards of living.

PHILIPPINES IMPORTANT SOURCE OF COCONUT OIL

As a result of the preferential tariff, which has been in existence since 1902, the Philippines have been the principal source of coconut oil and copra for the United States. Quoting the report of the U.S. Tariff Commission for the years 1921 to 1930, and the 1931-to-1936 U.S. Tariff Commissions Imports in the United States for consumption by countries [*sic*], it is found that Philippine imports of these oils and copra for refining purposes have steadily increased from 71 percent of the total of this oil in 1921 to 99 percent of the total in 1936. Since the excise tax provided on the first processing

of oils in 1934, the Philippines had a virtual monopoly of the coconut-oil and copra trade with the United States.

EXCISE TAX NOT HARMFUL TO PHILIPPINES

Available data indicate that the excise tax on coconut oil has not been harmful to the producers of that product in the Philippines. During each of the three years since the imposition of the tax, imports of coconut oil and copra have exceeded the five-year average for the five years preceding the imposition of the tax. In fact, imports during 1935 were the highest they have ever been. Reports of the United States Department of Commerce showed that in 1935 copra prices in Manila were at their highest point for several years. They were almost three times as high as they were when the excise tax went into effect in 1934. They have continued to rise since that time until at an early date of the present year they were over five times as high as when the tax was first imposed.

ESSENTIAL PRODUCTION OF COCONUT OIL IN PHILIPPINES

The production of coconut oil in the Philippines will undoubtedly be increased in the neighborhood of 50 percent over the 1929 production when the trees now planted come into full production, probably in the next ten years. The shipment of the greater part of their additional production to the markets of the United States would be disastrous to the producers of domestic oils and fats—pending complete independence of the Philippines, 200,000 long tons of coconut oil into the United States duty-free.

We have attempted to show that this cheap source of foreign fats, produced under conditions of labor and living which we cannot expect our people to accept, in order to meet the competition, would, therefore, be ruinous to the producer of domestic oil and fats.

Therefore, the United Dairymen's Association requests the Committee to recommend complete independence for the Islands as soon as feasible.

Furthermore, we recommend that no tariff concessions be granted the Philippines on coconut oil, since such concessions would be of little benefit to the Philippines and would be disastrous to the producers of domestic fats and oils.

In conclusion we submit to the Committee that—

1. The President has no power under the Reciprocal Trade Agreement to change excise taxes.
2. No recommendation should be made to Congress by the Committee to repeal or lower the existing tax. It would be detrimental to oils and fats producers and labor of the United States, and would go a long way toward lowering

living standards throughout the agricultural districts of America.

The Congress of the United States recognized this principle as necessary in the development of their recovery program in 1934 and it is even more necessary now in order to further develop that program.

3. The Philippines should be granted their independence as soon as such a procedure is feasible, and the full tariff levied on coconut oil imported from the Islands so that domestic labor, domestic oils and fat producers, may be given protection from excessive imports of coconut oil at low prices, so that these domestic producers may be given a chance to maintain our present standard of living and government.

Respectfully submitted

UNITED DAIRYMEN'S ASSOCIATION
By ROBERT PRIOR, *Coordinator*

BRIEF
SUBMITTED BY THE
UNITED STATES BEET SUGAR ASSOCIATION

(1409)

BRIEF
SUBMITTED BY THE
UNITED STATES BEET SUGAR ASSOCIATION

WASHINGTON, D.C., *June 15, 1937.*

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
Washington, D.C.

GENTLEMEN:

The following statement is submitted by the United States Beet Sugar Association in pursuance of the public notice issued May 28 by the Joint Preparatory Committee on Philippine Affairs, which gave opportunity for the expression of views by persons interested in the recommendations of the Committee.

I

The United States Beet Sugar Association is a voluntary association composed of beet-sugar companies operating in the States of Minnesota, Iowa, Kansas, South Dakota, Nebraska, Colorado, Wyoming, Montana, Utah, Idaho, Washington and California. In 1936 the members of this Association produced 86.94 percent of the entire beet-sugar production of the United States. At present prices the value of the 1,550,000 tons (short tons, raw value) to be produced annually by the beet-sugar industry under the terms of the Jones-Costigan act, together with the value of its by-products, approximates \$150,000,000, virtually all of which is distributed in domestic trade channels.

II

The Tydings-McDuffie act, approved March 27, 1934, established the amount of sugar which might annually be brought into the United States from the Philippine Islands without payment of duty. It is significant that the Philippines, in the three years since the passage of the Tydings-McDuffie act, have never exceeded the duty-free quotas established thereunder. The Honorable Harry B. Hawes, representing the Philippine Sugar Association in the hearings conducted by the subcommittee of the House Committee on Agriculture on pending sugar legislation, testified on March 19, 1937 that the Islands wanted no greater quota than the amount of the duty-free quota which the Tydings-McDuffie act gave to them. In view of the foregoing, there appears to be no sound reason why the Joint Committee should give consideration to any appeal for a quota of any kind permitting the Philippines to bring into the United States a quantity of sugar in ex-

cess of the duty-free amount established in the Tydings-McDuffie act.

III

Acting on a report by the United States Tariff Commission, the President of the United States, on May 9, 1934, reduced the duty on sugar of 96° polarization from \$2.50 a hundred pounds to \$1.87½ a hundred. No detailed study of costs of production has been made by an impartial government agency since that time, and as a consequence there is no justification for a recommendation by the Joint Committee which would seek to lower the rate of duty that might be applied to Philippine sugar when independence is achieved.

We urge that the increasing scale of taxes which the Tydings-McDuffie act will levy against Philippine sugar be maintained. We also urge that after independence the full rate of duty be made immediately applicable to all Philippine sugar. In any event, no reduction of such duty should be considered except in connection with the continuation of a quota system in which the amount of Philippine sugar permitted to enter the United States is limited to the amount now admitted free of duty. Moreover, provision should be made that the full rate of duty become effective whenever the quota system becomes inoperative. Such assurances were given to the domestic industry in the Cuban trade agreement, and the principles so established should be continued in the negotiation of any trade agreement with the Philippine Islands.

IV

In accordance with the Joint Committee's public announcement, we reserve the right to file a more extended statement dealing with these points within the period fixed by the Committee, which expires at 12 o'clock noon, July 10, 1937.

Respectfully submitted,

UNITED STATES BEET SUGAR ASSOCIATION
By NEIL KELLY, *Secretary*

BRIEF
SUBMITTED BY THE
UNITED STATES CANE SUGAR REFINERS' ASSOCIATION

BRIEF

SUBMITTED BY THE

UNITED STATES CANE SUGAR REFINERS' ASSOCIATION

The members of the United States Cane Sugar Refiners' Association constitute about 85 percent of the cane-sugar-refining industry of the United States and operate 16 refineries located in the States of Massachusetts, New York, New Jersey, Pennsylvania, Maryland, Georgia, Louisiana, Texas, and California.

The Philippine Independence Act of 1934 limits duty-free importations of Philippine sugar into the United States during the transition period to 800,000 long tons of raw sugar and 50,000 long tons of refined sugar.

The Jones-Costigan Sugar Act of 1934 and the Joint Resolution passed by Congress in June 1936 confirming the quota provisions of said act, limit the amount of direct-consumption sugar, which may be included within the total sugar quota allotted to the Philippine Islands, to the maximum amount of direct-consumption sugar shipped from the Philippine Islands to the United States in any of the years 1931, 1932, and 1933; the tonnage figure fixed pursuant to said formula being 80,214 short tons, raw-value. Since the quota system permits the continental-cane-sugar refiners to operate at only 60 percent of capacity, the aforesaid provision as to the Philippines gives them more liberal treatment than accorded to the United States itself.

In the sugar legislation now pending before Congress, as represented by H.R. 5326 and S. 1757, such direct-consumption sugar limitation of the Jones-Costigan act is proposed to be continued. An identical limitation is found also in the draft sugar bill submitted on April 8, 1937 by the Secretary of Agriculture to the chairman of the subcommittee of the House Committee on Agriculture; and also in the sugar bill (known as Committee Print No. 2) as reported by said subcommittee to the full House Committee on Agriculture.

Under the Smoot-Hawley Tariff Act of 1930, through an inadvertence, the traditional protection theretofore given the home refining industry, in greater or less degree, against the importation of foreign refined sugar, was omitted entirely. On the contrary, having regard to the loss in the process of refining, making it necessary to use approximately 107 pounds of raw sugar to manufacture 100 pounds of refined sugar, the Smoot-Hawley tariff rate on 100 pounds of refined sugar from a specific country is in fact less than the duty required to be paid on the raw sugar imported from the same country for manufacturing here such 100 pounds of refined sugar. The cane-sugar refining industry is the only national industry in the United

States having foreign competition, actual or potential, which does not have protection.

Labor and other factors in the manufacture of refined sugar are much lower in cost in the Philippine Islands than in the United States. Minimum wages in the continental cane-sugar refineries average approximately 60¢ per hour, the highest paid in any sector of the sugar industry supplying the American market. Wages in the Philippine Islands are but a fraction of that rate. Taxation and other costs are higher on the continent than in the Philippines.

In view of the foregoing facts and considerations, it is respectfully submitted that in any program of trade relations between the United States and the Philippines:

A. Importations of Philippine sugar to the United States under a quota system should be limited to raw sugar only, or the amount of Philippine direct-consumption sugar permitted to enter the United States should not exceed the duty-free quantity of 50,000 long tons specified by Congress in the Independence Act of 1934; and in any event, when the complete political independence of the Philippines shall become effective, no further importation of refined sugar should be permitted; and

B. In fixing any special or preferential tariff rates applicable to Philippine sugar, such rates should apply to raw sugar only. The rate of duty on Philippine refined sugar should not be less than the rate on refined sugar from other foreign countries in general. In no event should this rate be less than fifty cents per hundred pounds above the rate on a corresponding quantity of Philippine raw sugar, so as to provide reasonable tariff protection for the United States refining industry against radically lower labor, tax, and other costs of the Philippine refiners. The omission of such provisions would be highly prejudicial to all branches of the United States sugar industry, not only cane-sugar refining, but also beet-sugar production, and cane-sugar production in Louisiana. It would be contrary to the traditional policy of the United States in protecting home industry against low-cost tropical competition. It would force continental refiners who pay American taxes, American standards of wages and other costs, to suffer from tropical Philippine competition which bears none of those burdens. It would be contrary to the policy of all other leading countries in the world, of protecting their home cane-sugar refining industries against such competition from foreign and colonial sources.

The economy and prosperity of the Philippine Islands, so far as based upon sugar, depend upon raw sugar, not upon refining thereof for sale in the United States market. The propositions herein set

forth, while vital to the home industry, would have no significant effect upon the present prosperity of the Philippines.

In addition to all the foregoing, important considerations of national policy and defense are opposed to any further transfer of sugar refining from the continental plants to the far-distant Philippines, vulnerable as they are to attack. It is common knowledge that in case of a major war in the Pacific the Navy could not keep open the trade route with the Islands.

While now requesting the Committee to give due consideration to the foregoing, the undersigned, in accordance with the Committee's public announcement, request the privilege of making a supplementary oral statement at the public hearings which will begin at 10 a.m. on June 16, 1937. We anticipate such oral statement will not require more than thirty minutes. We also desire to reserve the privilege of preparing and filing a more extensive written statement or brief upon this subject, within the period fixed by the Committee, expiring at twelve o'clock noon, July 10, 1937.

Respectfully submitted,

UNITED STATES CANE SUGAR REFINERS' ASSOCIATION
By ELLSWORTH BUNKER, *Chairman*

TELEGRAPHIC BRIEF
OF THE
WASHINGTON-IDAHO FARMERS UNION

(1417)

1418

BRIEFS SUBMITTED TO THE COMMITTEE

TELEGRAM

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1937 JUL 19 PM 11 45

THE JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS

SAN FRANCISCO DISTRICT OFFICE BUREAU OF FOREIGN DOMESTIC COMMERCE
311 CUSTOMHOUSE SANFRAN

WITH LARGE SURPLUS OF WHEAT PRODUCED ANNUALLY IN WASHINGTON
IDAHO AND OREGON WITH LIMITED REQUIREMENTS FOR ADEQUATE NEEDS
FOR LOCAL USE IT IS IMPERATIVE THAT ALL POSSIBLE OR OUTSIDE MARKETS
BE RETAINED SO AS TO PROTECT THE PRICE FOR PRODUCERS IN THIS AREA
THEREFORE WE URGE THAT PREFERENTIAL TRADE RELATIONS BETWEEN THE
UNITED STATES AND THE PHILIPPINES BE MAINTAINED SO AS TO STABILIZE
PRICES IN THIS REGION WITHDRAWAL OF THIS RELATIONSHIP CANNOT
BUT ADD FINANCIAL DISTRESS TO THE WHEAT PRODUCERS OF THIS SECTION.

WASHINGTON-IDAHO FARMERS UNION
203 HUTTON BLDG SPOKANE WASHN

BY ALMER MCCURTAIN *Secretary*

BRIEF
OF
THE S. S. WHITE DENTAL MANUFACTURING CO.

(1419)

BRIEF
OF
THE S. S. WHITE DENTAL MANUFACTURING CO.

PHILADELPHIA, PA., *June 12, 1937.*

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS,
Room 206, United States Tariff Commission,
Eighth and E Streets,
Washington, D.C.

GENTLEMEN:

We understand that the 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; also that 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.

In accordance with this proposed plan we desire to respectfully submit for the consideration of your honorable committee a brief statement of facts which we trust will receive your careful study.

It has been recognized by leading men in the medical and dental profession that the mouth is the source of much human ailment.

Recognizing this fact, the Federal Government of the United States, as well as state and municipal governments, have long ago provided dental clinics where dental work could be carried on.

In addition, philanthropists have donated large sums of money in the establishment of such public clinics as the Eastman, Forsythe, Guggenheim, Samuels, and many others.

Moreover, large industries have established dental clinics in their plants where free dentistry could be given to the employees.

While the human motive was largely behind this movement, the economic viewpoint was also an important consideration. A clean mouth contributes to a healthy body and the health of the individual increases his efficiency and usefulness to the community.

While considerable progress has been made in the United States along these lines, we however are not alone. The idea has spread to many countries abroad and people the world over are becoming more and more "dental minded".

Being a health measure, governments the world over should not handicap this work by placing prohibitive tariffs on the importation of dental supplies. The Philippines have not developed along dental lines as rapidly as some other countries and therefore need help in the furthering of this health measure.

Dental supplies are not manufactured in the Philippines; therefore it is necessary that these supplies be procured from the United States, where the best are made.

While the volume in dollars will be small when compared with other commodities, this should not influence those in charge of the adjustment of tariff measures.

We strongly recommend therefore that dental supplies be kept on the "free" list which will enable the dental profession to place dentistry on a higher plane than it is at present. This will result in a more healthful people with a greater efficiency. Such a movement will pay bigger dividends to the Philippine Government than the revenue collected from a prohibitive tariff measure.

Yours very truly,

F. E. STEEN
President

MEMORANDUM OF J. A. WOLFSON
TRANSMITTED BY THE
AMERICAN CHAMBER OF COMMERCE OF THE
PHILIPPINE ISLANDS

(1423)

MEMORANDUM OF J. A. WOLFSON
TRANSMITTED BY THE
AMERICAN CHAMBER OF COMMERCE OF THE
PHILIPPINE ISLANDS

On July 10, 1937, the following was sent you :

"In reply to your circular of July 9, 1937, asking for 'a memorandum showing how your particular business is or will be affected by the economic provisions of the Tydings-McDuffie law and by the other acts of Congress affecting the Philippines', I would point out that I am a practicing attorney at law and was admitted to the Philippine bar about 27 years ago. I am an American citizen. Should the Philippines become independent in 1946, under existing law, I could not practice law here. To put it bluntly, I would be immediately 'liquidated'.

"The matter of enacting appropriate legislation to authorize American lawyers, established here, to continue to practice—should the Philippines become independent—has been called to attention on many occasions in the past. Appropriate provision should be made."

Thereafter, your president requested a memorandum and pursuant to that request the members in the Philippines of the American Bar Association were sent a letter, part of which read :

"There is no saving clause in the Tydings-McDuffie act or in the Philippine Constitution which will assure American lawyers practicing in the Philippines of the right to continue to practice upon the Philippines becoming independent.

"Aside from the selfish interest of American lawyers who may desire to so practice, American business interests which remain here or which may come here will naturally desire American lawyers to protect their interests and to advise them.

"It seems appropriate to point out this situation to the Joint Committee, about to arrive here, and to suggest the advisability of making provision therefor. It will probably be more effective if we present, in concrete form, specific wording of a provision to be inserted in an amendment to the Tydings-McDuffie act, which amendment will be necessary if any change in said act is agreed upon."

and responses were received. These responses have been analyzed and consolidated and it is recommended that the following specific wording, which is a composite of all such responses, be added to section 2 (b) of the Tydings-McDuffie law :

"and until July 4, 1946, the present civil rights and privileges now enjoyed by citizens and corporations of the United States shall be continued in full force and effect and similarly acknowledged, respected and safeguarded and furthermore in case a preferential trade treaty shall be entered into then the present civil rights and privileges now enjoyed by citizens and corporations of the United States shall be continued during the life of such preferential trade treaty and such civil rights and privileges shall include the rights and privileges of citizens of the United States now practicing and exercising professions and trades, which rights and privileges shall continue in full force and

effect for the period herein specified and shall not be abridged by reason of their citizenship."

It is pointed out that the foregoing specific wording includes more than the mere practice of law, as it covers generally American civil and property rights and privileges.

A copy hereof is being furnished the Committee.

MANILA, *September 8, 1937.*

J. A. WOLFSON
Attorney at Law, Manila

BRIEF
OF
ANTONIO A. ZOLINA

(1427)

BRIEF
OF
ANTONIO A. ZOLINA

RIGGER DEPT., U. S. NAVY YARD
CAVITE, CAVITE, P. I.
Sept. 8, 1937

JOINT PREPARATORY COMMITTEE ON PHILIPPINE AFFAIRS
Manila, P.I.

DEAR SIRs:

Having spent eighteen years or more of my life in farming in this country then went to United States and spent around twelve years in farms of different plantations; I assured you, that it is very clear in my mind the defects of our farming here in the Philippines compared to that of the United States.

The administrative body of the U. S. Department of Agriculture got the full convictions that it is their very duty to make the public understand the best way in farming thru bulletings, circulars, experimental stations etc. in order that the whole farmers of the Union will get best results by producing more. Our Department of Agriculture here in the Philippines, hardly come in contacts with our farmers by which our farmers are just kept blind from adopting modern principles in Agriculture. As a proof, farmers are still using the same methods at present as what they were doing hundreds of years ago.

Prior to 1925, when I sailed for United States, I had undertaken almost all kinds of farming here in the Philippines. While in United States, I worked for Spreckel Sugar Beets Co.; Sawdey & Hunt Vegetable Farms, California; contractor and foreman of the Washington Lettuce Growers; J. G. Robinson's farms; Frye & Co.; Washington; furnished laborers for Utah, Idaho Sugar Beets Co.; worked for U.S. Navy Yard, Bremerton; Federal reforestation, state highways and other county, and city projects.

I am positive by adopting the following will partly solve the economic agricultural problems of the Philippines: 1st. Introduction of modern principles in farming, cultivating, fertilizing, selecting of the right soil for the right plant. 2nd. Establishment of agricultural experimental stations; one in each of the following places: northern, central and southern Luzon; eastern and western Visayan; northern central, and southern Mindanao. Substations to every thickly populated community or agricultural agency. 3rd. Foreign plants or seeds must be introduced to this country, such as Japanese oysters, Olympia oysters and clams; strawberry, raspberry

and many others that may give good health or profit to the Filipino people. 4th. National game laws must be enforced, so that nobody must be allowed to catch fish, crabs, shrimps, deer, wild hogs, [or] birds, [or] dig clams [or] oysters during their breeding time. 5th. National government must stop the people from cutting and burning timbers, then starts right away reforestation. 6th. Adoption of right feeding in our animal industry, that may enable us to milk our cows. If our cows don't fit to milk, we should import Guernsey, Jersey, Holstein or other kinds of cows from foreign countries. 7th. Department of Agriculture must encourage home gardens. 8th. Public must be taught in preserving or canning fruits, fish, meats, sea foods and others. 9th. Our plant, poultry and animal industry must be protected from diseases. 10th. Government should invest capitals on important matters, such as fish hatchery, rubber, sugar, abaca, tobacco, coconut plantations to start and to give ideas to public.

As a truth, when comes to raising any kind of plant or animal I will stand and compete with any agriculturist of the Phil. just thru personal experience.

If you would give me a chance I should like to see you personally to tell you more about above matters.

Very respectfully,

ANTONIO A. ZOLINA

REFERENCES:

Francisco A. Delgado (Ex U. S. Commissioner)
Romualdo C. Quimpo (Assemblyman of Davao)

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