

Free Trade Zones at U. S. Ports

A year ago President Quezon named a temporary committee to study and report on the subject of a free zone at Manila for ocean-borne goods, and got from the committee counsel to the effect that Manila's current port facilities suffice for the time being, while a free trade zone might become advisable after the Islands are separated from the United States. American goods now come into the Islands free of duty, of course, and in general, conditioned for use. Foreign goods enjoy bonded warehouse facilities and also come in completely conditioned for use, as a general rule. The extent to which Manila may be put to use as a transit point for warehousing goods ultimately intended in part for importation into the Islands and in part for other markets nearby is problematical.

There seemed to be some indication that if a free trade zone were created, some manufacture from raw products of the Commonwealth might be undertaken at it, and in some cases these products would be utilized together with imported products, and the manufactures thus turned out would pay the Philippine duties on their foreign-materials content if imported into the Philippine market. The committee, with Ramon J. Fernandez its chairman, advised that an ample site for a future possible free trade zone be reclaimed by the Commonwealth in the course of its reclamation work on the bay shore north of the Pasig river. Naturally, the committee was very conservative, and from the first meeting it was clear that maintenance of the most favorable trade relations with the United States was paramount in members' views to any other desideratum.

At that time, a year ago, the zone at New York was very new and Mobile's in Alabama had not been opened. Data available to the committee were largely provided by one member, J. Bartlett Richards, the American trade commissioner; all very helpful, at the same time Commissioner Richards was most conservative as to any possible good such a zone might do Manila for the Islands. His views have not changed since, but further information on other zones is now accessible and seems worthy to be laid before our readers. It derives from statements made recently to a meeting at San Francisco of the Pacific Coast Association of Port Authorities, by Thomas E. Lyons, executive secretary of the Foreign-Trade Zones Board. Only data from American ports will be used.

New York.—The first American zone was established in this city, and began functioning, it is believed, late last year, the authorizing act of congress dating in 1935. In April this year goods at the New York zone inventoried \$764,781, and additional goods weighing 512 tons and worth \$258,716 were handled during the month, the customs collections on goods imported through the zone being \$12,000 for the month. By June 30 the inventory was \$1,800,000 and goods received and delivered by the zone during the month inventoried \$694,744. Tonnage had gone up from 512 in April to 4,461 in June, when the customs revenue collect at the zone was \$19,000. Secretary Lyons says that if this keeps up the New York zone's facilities must soon be greatly enlarged. On a typical day, 214 workers were employed. During the month, 62 lighters and 8 ships called at the zone.

Canned Argentine beef received at the zone in heavy wood cases were unpacked, relabeled as buyers wanted

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them to be for the trade, and packed in cartons. Duty being paid, this beef, sold at the zone and through its facilities, was imported into the United States. Bales of cotton and jute rugs also found the zone a haven of convenience, and one rug importer moved his main office to the zone and kept only a small sales office in the city. Rugs are examined by buyers at the zone, duty paid only on such lots as are sold. Another importer was saved from being whipsawed, by use of the zone. He had cod liver oil, supposedly, which goes into the United States free of duty, but the agriculture department makes careful inspections and slaps on heavy penalties if the oil is not up to U. S. specifications.

This saved the would-be importer excessive fines, and gave him evidence on which to recover from sellers who had misnamed the oil.

It is interesting to the Philippines to learn that Brazil nuts are discharged and ripened at the zone, losing moisture in the process and saving importers about \$3.65 a ton in duty on that account. An American importer and an American bottler employing American labor exclusively are handling South African brandy at the zone, the bottler having opened a works there. The brandy arrives 114 proof, is processed down to 86 proof and duty paid on the lower figure (duty being on a minimum of 100 proof). Secretary Lyons foresees vast expansion of this sort of trade, with wholesale supplies of liquors of all sorts in casks warehoused at the zone. Sumatran leaf tobacco is handled similarly, storage conditions being ideal and duty falling only as importations are effected, a duty of \$1.50 a lb., and a material item per bale.

Mobile.—Secretary Lyons does not take into account all circumstances leading to revival of waterborne commerce at Mobile, one factor being the Wages & Hours bill, another a reshuffling in the steel industry that favors revival of Alabama's iron-and-steel industrial facilities. Mobile's zone was opened July 21, preceded by a stimulus to her port business because of the facts brought out in the required preliminary study and report requisite for approval of a zone project. Waterborne tonnage at Mobile upped 35% in 1937 over 1936, its value 60%. Industries have been attracted to Mobile, Secretary Lyons says, because of the zone. It is too early of course for proofs that the Mobile zone will actually be successful and contributory to the port's prosperity. About this time next year we will try to get the latest information on these zones from New York, Mobile, and also San Francisco should the zone there then be open, in order to keep our readers abreast of the movement at American ports. Data from the European ports would be superfluous, zones and free cities being an old story there.

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