effect of the Philippine export taxes upon the shipment of cigars to the United States.

Wheat flour is another major Philippine import, having amounted to more than 78,000 tons valued at $2,855,000 in 1935. Some wheat is at present grown in the Cagayan Valley (Luzon) and experiments are being conducted to improve the native varieties.

The Philippines also import large quantities of vegetables, fruits, and nuts, imports in 1935 having amounted to $4,142,000. Many of these can be grown in the Islands; potatoes, onions, cocoa, coffee, citrus fruits, and peanuts are now being produced in limited amounts. The Bureau of Plant Industry of the Department of Agriculture and Commerce is encouraging the production of many of these commodities and is introducing scientific methods of cultivating them.

A new export crop which gives promise is derris root, used in the manufacture of insecticides. A considerable acreage was devoted to its cultivation in 1935 and 1936.

There is also the possibility of further development of rubber plantations in the Philippines. Approximately 9,000 acres are now utilized in the cultivation of rubber, and trees in production now yield about 575 tons annually. Exports in 1935 totaled 415 tons valued at $82,800. Considerable quantities of rubber are consumed in the Philippines in various manufactures, especially rubber footwear. According to a survey made by the United States Departments of Commerce and Agriculture, soil and climatic conditions are suitable for the production of Para rubber on more than 1,500,000 acres located in the islands of Mindanao, Basilan, and Jolo. The development of large rubber plantations, however, has been retarded by legal limitations on the acquisition of public lands in the Philippines and by adverse conditions in the world rubber market in recent years.

Although the Islands are ordinarily self-sufficient in rice, small amounts of certain varieties are imported. Such imports are due primarily to the demand of foreign groups in the Philippines and will probably continue. Imports of fish, meat, and eggs, however, might be reduced by stimulating insular production. The competitive position of existing agricultural exports, such as copra, hemp, and leaf tobacco, could be strengthened by giving more attention to improved methods of production and grading.

INCREASED INDUSTRIALIZATION.

Certain industries operating in the Philippines, such as those supplying soaps, wines, liquors, leather and rubber-soled shoes, perfumery and cosmetics, confectionery, sugar, and breadstuffs might be expanded to fill the major portion of insular requirements. Philippine imports of such products in 1935 totaled $2,822,000. The manufacture of furniture from native forest products, such as hardwoods and rattan, is already a growing Philippine industry and might be further expanded. The production of vitrified clay products is another industrial possibility. Experiments indicate that the clay found in different parts of the Islands can be used in the production of fire bricks, glazed bricks, tile, and sanitary fixtures. The further development of these industries would offer increased employment to Philippine labor and would operate to replace imports.

The establishment of cotton spinning and weaving mills has long been considered. Filipino experts assert that the coarser types of cotton cloth which are consumed in the Islands could be produced there, and that, if technical knowledge and skill should increase, the finer grades of cloth might also be manufactured. They likewise believe that the weaving of coarse fabrics and the manufacture of bags from various fibers such as jute, maguey, and abaca offer other potential industries for the Philippines.

The practicability of manufacturing coarse grades of paper from abaca is receiving consideration. Such an industry is operating successfully in Japan. The development of a canning industry in the Islands has also been advocated. Many Philippine foods, such as vegetables, fruits, fish, and meat and dairy products, might be preserved for insular consumption.

The minor industries connected with the growing of copra and the production of coconut oil have already been discussed in the section of this report dealing with coconut products. It is possible that the production of margarine and cooking oils, for example, could be developed further as export industries supplying markets in the Orient.

Mining in the Philippines has progressed rapidly in recent years, and further development might lead to increased exports, profits, and employment. If this industry could be expanded at a time when many major industries were forced, because of the provisions of the Independence Act, either to reduce operations or to liquidate completely, it might prove a stabilizing factor.

The success of any program for increased industrialization rests in part upon the existence or development of motive power. At present the inadequate supply and the relatively high cost of electric energy is undoubtedly a handicap to industrial expansion. The Philippines, however, are fortunate in having a number of potential sites where hydroelectric power may be generated. The development of these sites is being given careful consideration by the National Economic Council.

If increased industrialization in the Philippines is to be attained, well-planned direction and assistance from the Government will be required. Particular consideration must be given to the problem of obtaining adequate capital to finance the program and to the question of tariff protection or government subsidy.

PART III. UNITED STATES TRADE AND INVESTMENT POSITION IN THE PHILIPPINES

1. UNITED STATES EXPORTS TO THE PHILIPPINES

THE EXTENT AND IMPORTANCE OF THE TRADE.

During the period 1926-35, the annual value of United States exports to the Philippines averaged $60,565,500.[1] Exports were highest in 1929, when they amounted to $85,414,000, and lowest in 1933 when they amounted to $44,645,000.[2] In 1934 the Philippines ranked ninth as an export market for American goods, and in 1935 eleventh. United States exports were valued at $2,243,000,000 in 1935, of which amount exports to the Philippines accounted for $52,560,000, or 2.34 percent.

In 1935 American goods occupied a commanding position in the import trade of the Islands, comprising 63.5 percent of total Philippine imports. During the period 1926-35, Philippine imports from the United States were never less than 60 percent of the total Philippine imports. Moreover, for much of the period the Islands occupied first or second position as an export market for a number of American commodities, including cotton piecegoods, cigarettes, galvanized iron and steel sheets, condensed and evaporated milk and cream, wheat flour, canned fish, soap, and paint.

PHILIPPINE LAWS AFFECTING IMPORTS FROM FOREIGN COUNTRIES.

Philippine imports from sources other than the United States are governed directly by two Philippine laws, (1) the Philippine Tariff Act, and (2) the Philippine Parity Law. In assessing duties under the Parity Law, all foreign currency invoices covering shipments subject to ad valorem duties are required to be converted into Philippine currency at fixed parities established by the act. Proclaimed in December 1932, the law established in most cases the gold parities which existed prior to the devaluation of the dollar, as the rates at which invoices in foreign currencies shall be converted.[3] The law, while not directly affecting imports from the United States, favors imports from countries whose currencies, in relation to market rates, are undervalued in the act, and penalizes imports from countries whose currencies are overvalued. Should the Parity Law remain in force after Philippine independence, imports from the United States, on which ad valorem duties are imposed, may be subject to higher or to lower effective duties than those applicable to similar goods coming from other foreign countries.

The present Philippine Tariff Act was adopted in 1909 and has remained in force since that date with only limited revisions. The last amendment of importance was proclaimed in February 1933. Many of the duties imposed by the act are specific and based upon weight. Because of the price fluctuations which have occurred since 1909, the ad valorem equivalents of some of these specific duties have undergone marked changes during the intervening years and no longer provide either the revenue or the degree of protection originally contemplated. Moreover, the application of specific duties on weight has resulted in taxing, in certain tariff classifications, low-grade goods much more heavily than high-grade goods.

American goods imported into the Philippines after independence will presumably be subject to the full Philippine tariff. An analysis of the probable effect of the Philippine tariff and other factors on specific American commodities is presented in subsequent pages.

The relative importance to both the Philippines and the United States of 30 leading commodities among the Philippine imports from the United States and the United States exports to the Philippines are shown in table 68. The table also gives the ad valorem equivalents in 1935 of Philippine duties assessed against products in the same tariff classification as those coming from the United States but actually imported from other countries.

[1] Foreign Commerce and Navigation of the United States.

[2] The marked variation in the value of exports between these years was due more to fluctuations in unit prices than to changes in the quantities shipped.

[3] For currencies not having a gold parity, the law established certain arbitrary rates, based in most cases on the market rates of exchange which prevailed prior to the adoption of the low.

PRINCIPAL UNITED STATES EXPORTS TO THE PHILIPPINES

COTTON PIECE GOODS.

Philippine imports of American cotton piece goods equaled $4,683,350 in 1935 or 46.6 percent of the value of total Philippine imports of this commodity. The United States was the second principal supplier, Japan occupying first place. Viewing this trade from the standpoint of the United States, the Philippines purchased 26.5 percent of total American exports of cotton cloth and ranked second to Cuba as an export market. Philippine purchases of American cotton fabrics, however, are somewhat less important to the United States than the statistics indicate. About 75 percent of the cotton piece goods shipped from the United States to the Philippines is consumed in that market; the remainder is utilized in the embroidery trade, which returns its finished products to distributors in the United States.

The Philippine duties imposed on imports of cotton piece goods are largely specific duties based upon weight; consequently the tariff, calculated on a yardage basis, falls more heavily upon coarse, heavy fabrics than upon those which are of light construction. The ad valorem equivalents of the specific duties, when applied to the types of cotton cloth which are ordinarily imported, range from 15 to 60 percent, with the average approximating 31 percent.

Prior to 1935 the Philippines were the leading market for American cotton piece goods, and the United States was the principal supplier of these goods in the Islands. The growth of United States trade with Cuba and the increased competition of Japanese cotton fabrics in the Philippines have combined to reduce the relative importance of the Islands as an outlet for American cotton goods. In an effort to stabilize conditions in the Philippine textile market, the United States and Japanese Governments entered into a "gentlemen's agreement" by which Japan, beginning on August 1, 1935, agreed to limit imports of Japanese cotton cloth into the Philippines.[4] This agreement, however, is to expire on August 1, 1937, and thereafter, unless further action is taken, unrestricted competition will be resumed.

The sales of American cotton piece goods in the Philippines will undoubtedly decline after Philippine independence is realized. At that time, the competitive advantage now afforded American goods by the Philippine tariff will presumably no longer exist. Any general decline in Philippine purchasing power will be an additional factor in reducing imports. It is also likely that the embroidery trade will be greatly reduced when free trade no longer prevails; such an eventuality would cause a substantial decline in Philippine imports of American cotton piece goods. Moreover, if cotton textile mills should be established in the Philippines, the demand for imported goods would be further curtailed.

OTHER COTTON GOODS.

The Philippine classification "Other cotton goods" includes a wide variety of products, such as wearing apparel, laces, embroideries, handkerchiefs, towels, pile fabrics, thread, yarn, twine, fish nets, and socks. Philippine imports of these products from the United States totaled $2,084,121 in 1935 or 39.7 percent of the value of such imports from all sources. The Philippine demand for cotton goods, other than piece goods, is supplied principally by the United States and Japan. United States shipments of such products to the Philippines in 1935 accounted for over 7 percent of the total American exports of cotton manufactures, other than piece goods.

Because of the large number of products falling under this classification, the applicable tariff rates vary widely, ranging from 15 percent ad valorem on yarns to 60 percent ad valorem on various types of laces. The average computed duty for the entire classification in 1935 was 35.5 percent. If these duties are applied to American products after Philippine independence is realized, their sale in the Philippine market will probably decline materially.

MINERAL OILS.

The United States supplied 87.2 percent of all of the mineral oils imported by the Philippines in 1935. The Netherlands Indies were the secondary source of supply. United States exports to the Islands in 1935 totaled $4,637,000, or 2 percent of total United States exports of these products.

Under the classification "Mineral oil," the Philippine tariff includes crude oil, lubricating oil, gasoline, kerosene, and naphtha. All of these products are dutiable at 25 cents per 220.46 pounds (100 kilograms) but not less than 10 percent ad valorem. The computed average duty on oils of foreign origin was 37 percent in 1935. The application of an equivalent duty to imports of American oil and gasoline after independence would operate to reduce the profitableness, if not the extent, of United States participation in the Philippine market. The withdrawal, after independence, of the United States Army and Navy stationed in the Philippines would also operate to reduce the consumption of mineral oil in the Islands, and the decline in Philippine purchasing power which is likely to occur after the imposition of the export taxes will still further operate to reduce that consumption. There is also the possibility that if oil should be discovered in any considerable quantity in the Islands, American sales might be further restricted. The Philippine consumption of mineral oil might also be reduced in consequence of the development of hydroelectric energy and the use of alcohol, distilled from molasses, for motor fuel.

[4] The annual limitation on Philippine imports of Japanese cotton fabrics stipulated in the voluntary agreement was 45,000,000 square meters. It was further provided that excess shipments or undershipments not amounting to more than 10 percent of this amount, would be permitted for the first year, the resulting debit or credit to be included in the quota for the following year.

TABLE 68.—*The relative importance of selected commodities in the Philippine import trade and in the United States export trade; calendar year 1935*

Commodity	Philippine imports[1]				United States exports[1]		
	Total value	Total value from the United States	Percent of total value from the United States	Computed ad valorem equivalent of Philippine duty	Total value	Total value to Philippine Islands	Percent of total value to Philippine Islands
				Percent			
Cotton piece goods	$10,049,621	$4,683,350	46.6	31.1	$20,035,863	$5,299,516	26.5
Other cotton goods	5,250,300	2,084,121	39.7	35.5	20,284,600	1,500,253	7.4
Mineral oils	7,442,514	6,486,532	87.2	37.2	228,828,191	4,637,001	[2]2.0
Iron and steel and manufactures, except machinery	6,977,074	5,286,851	75.8	17.3	121,122,890	5,576,599	4.6
Machinery and parts of	4,111,345	3,229,189	78.5	13.7	193,185,141	3,733,125	1.9
Automobiles and parts of	3,600,224	3,581,046	99.5	26.5	224,289,115	3,832,935	1.7
Tobacco products	3,750,280	3,696,087	98.6	80.8	143,025,699	3,632,262	2.5
Dairy products	3,076,362	1,625,290	52.8	8.6	4,529,890	1,601,372	35.4
Wheat flour	2,855,627	1,222,345	42.8	13.5	14,926,422	1,140,765	7.6
Chemicals, drugs, dyes, and medicines	2,577,318	1,724,789	66.9	29.7	83,160,385	1,817,538	2.2
Silk, rayon, and manufactures of	2,425,700	970,566	40.0	93.3	10,571,878	715,348	[3]6.8
Electrical machinery, apparatus, and appliances	2,153,668	1,857,808	86.3	16.3	76,088,429	1,578,428	2.1
Paper, unprinted	2,122,078	1,395,877	65.8	15.2	20,961,893	1,471,939	7.0
Fertilizers, natural and chemical	1,810,006	1,146,399	63.3	3.7	14,808,980	995,755	6.7
India rubber and manufactures of	1,604,242	1,464,752	88.0	39.9	22,798,598	1,453,413	6.4
Vegetables	1,639,239	767,822	46.8	48.0	10,906,013	610,960	5.6
Meat products	1,576,550	940,432	59.7	17.5	40,345,815	729,930	1.8
Fish and fish products	1,360,835	704,552	51.8	23.4	12,875,503	758,450	5.9
Fruits and nuts	1,322,508	990,956	74.9	32.4	93,475,120	791,398	.8
Leather and manufactures of	1,063,691	1,011,594	95.1	35.4	21,829,230	1,193,034	5.5
Glass and glassware	690,785	316,702	45.8	29.8	8,274,238	281,684	3.4
Coffee, raw and prepared	673,389	[4]339,535	50.4	41.2	1,273,509	332,274	26.1
Explosives	667,391	656,235	98.3	66.6	3,803,491	660,037	17.4
Perfumery, cosmetics, and toilet preparations	659,537	539,144	81.7	42.7	4,623,980	552,639	12.0
Paints, pigments, and varnishes	653,592	469,261	71.8	26.2	16,343,667	525,614	3.2
Wax	520,587	158,474	30.4	11.2	7,029,468	114,135	1.5
Cocoa	505,477	224,020	44.3	46.7	223,608	108,718	[3]48.6
Spirits, wines, and fermented liquors	135,421	65,864	15.1	56.8	360,292	80,537	22.4
Soap	364,502	351,488	96.4	20.9	2,583,716	454,323	17.6
Starch	326,777	279,002	85.4	42.0	1,400,244	300,769	21.5

[1] The discrepancies between statistics on Philippine imports from the United States and on United States exports to the Philippines are due principally to the following: (1) Variations in classifications and recording methods; (2) time interval while goods are in transit causing variation in recorded statistics because of year-end shipments; (3) United States Army and Navy supplies are not included in United States exports, but are included in Philippine imports; and (4) Philippine imports from the United States do not include imports from Hawaii or Guam.

[2] Large quantities of fuel oil are used by the United States Army and Navy stationed in the Philippines.

[3] A marked variation in classification accounts for the wide discrepancy in statistics.

[4] Philippine imports from Hawaii are included in this instance since Hawaii is an important supplier of coffee.

Source: Annual Report, Insular Collector of Customs; and Foreign Commerce and Navigation of the United States.

IRON AND STEEL AND MANUFACTURERS.

In 1935 Philippine imports of iron and steel and their products, except machinery, totaled $6,977,000; of this amount the United States supplied $5,287,000, or 76 percent. Foreign countries which participated in the iron and steel trade of the Philippines in that year were Germany, the United Kingdom, Belgium, and Japan. United States exports to the Philippines in 1935 constituted nearly 5 percent of total American exports of these products; the Philippines were the leading export market for American galvanized iron and steel sheets and were relatively important for other types of iron and steel products.

Specific rates of duty imposed by the Philippine tariff on iron and steel products range from 35 cents to $2.65 per 220.46 pounds (100 kilograms); other rates assessed on an ad valorem basis vary from 10 to 25 percent. The average duty collected on products imported from foreign countries was 17.3 percent in 1935. When the Philippines become independent, American iron and steel products will no longer be entitled to duty-free entry. Under these circumstances increased foreign competition will probably tend to reduce American participation in the Philippine market.

MACHINERY AND PARTS.

Total Philippine imports of machinery in 1935 were valued at $4,111,000; of this amount $3,229,000, or 78.5 percent, was supplied by the United States. The Philippines purchased about 2 percent of total American exports of machinery in 1935. Philippine imports from sources other than the United States came largely from Germany, Sweden, and the United Kingdom.

The duties imposed by the Philippine tariff on machinery range from 15 to 35 percent. The average rate assessed against products from foreign countries in 1935 was 13.7 percent.[5] In the trade in stationary and marine engines, dutiable at 15 percent, the American product has encountered strong competition from engines imported from Sweden. If Philippine duties become applicable to American products, foreign competition may be expected to reduce the participation of American machinery in the Philippine market.

AUTOMOBILES AND PARTS.

Automobiles and trucks from the United States supplied 99.5 percent of Philippine imports of these products in 1935; total imports were valued at $3,600,000 in that year. American exports to the Philippines amounted to about 2 percent of total American exports of automobiles in that year.

The Philippine tariff imposes ad valorem duties of 15 percent on trucks, 20 percent on automobiles, and 25 percent on parts. Owing to the application of the Parity Act, the effective rates assessed against products of foreign origin in 1935 averaged 26.5 percent.[6] It does not seem probable that competition from countries other than the United States will be greatly increased after independence if these duties are applied to American machines. However, the resulting increase in cost and the probable decline in Philippine purchasing power may combine to reduce the quantity of cars and trucks which will be sold in the Philippines at that time.

TOBACCO AND TOBACCO PRODUCTS.

Philippine imports of tobacco and tobacco products in 1935 totaled $3,750,000; of this amount the United States supplied 98.6 percent, or $3,696,000. The Philippines purchased about 2.5 percent of total American tobacco exports in 1935, and were the principal export market for American cigarettes. In 1935, the export trade of the United States in cigarettes totaled $7,262,000, of which $3,086,000, or 42.5 percent, represented shipments to the Philippines. The Islands also import substantial quantities of American leaf tobacco and chewing and smoking tobacco.

The present Philippine tariff establish certain minimum specific rates for tobacco and tobacco products but provides that, except for such minimums, imports "shall be subject to the same rates of duty impo ed from time to time on like tobacco imported into the United States." The duties assessed against Philippine imports of tobacco and tobacco products from foreign countries in 1935 averaged 80.8 percent. The following tabulation, compiled from 1935 import data, indicates the approximate ad valorem equivalents of the Philippine duties which were applicable to foreign tobaccos of the principal types imported into the Philippines from the United States. (The imports from the United States were not subject to duties, however, and there were practically no imports of any tobacco products from other countries.)

TABLE 69.—*Tobacco and products of: Philippine duties applicable to principal types of imports, showing ad valorem equivalents based on unit values of nondutiable imports from the United States in 1935*

Tobacco and products of—	Duty	Value per pound of Philippine imports from the United States in 1935	Ad valorem equivalent
			Percent
Cigarettes	$4.5042 per pound and 25 percent	[1]$0.5985	777.6
Wrapper tobacco [2]	$2.925 per pound	.6732	434.5
Chewing tobacco [3]	$0.567 per pound	.4804	118.0
Smoking tobacco [3]	$0.567 per pound	.4840	117.1

[1] The computation is based on 400 cigarettes (standard size) per pound.

[2] Philippine imports of American leaf tobacco consist almost entirely of wrapper tobacco used in the manufacture of cigars destined for export to the United States. It is assumed that the leaf is stemmed; if unstemmed, the rate would be $2.27½ per pound, giving an ad valorem equivalent of 337.9 percent.

[3] The rate imposed by the Philippine tariff is 2.50 pesos per kilo, or $.0567 per pound; the rate imposed by the United States tariff on like tobacco is $0.55 per pound.

Source: Philippine Tariff Act of 1909, as amended; Annual Report, Insular Collector of Customs.

If Philippine tariff rates remain unaltered, American tobacco products will, after independence, probably become subject to the specific duties shown above. On the basis of existing prices, the equivalent ad valorem duty on American cigarettes would then be in excess of 775 percent. Such a duty would practically preclude the importation of American cigarettes into the Philippines. Under these circumstances cigarette manufacturers in the Islands would probably supply most of their home market. American cigarette producers, however, might establish factories in the Islands should lower duties continue to prevail on partially manufactured tobacco. But, in view of the substantial Philippine duty on cured and ground tobacco, even this might not prove wholly feasible.[7]

After independence, American wrapper tobacco imported into the Islands will be subject to a duty which, on the basis of present unit values and tariff rates, would approximate 435 percent. Philippine imports of American wrapper tobacco, however, are likely to decline sharply even before they become subject to any Philippine duty. Imported wrapper tobacco is used largely in the manufacture of Philippine cigars destined for the American market. These cigars will be subject to the export taxes provided for in the Independence Act. If, as now seems probable, the application of export taxes reduces shipments of Philippine cigars to the United States, Philippine imports of American wrapper tobacco will undergo a corresponding decline. The application of Philippine duties to imports of American chewing and smoking tobacco will also operate to reduce their importation into the Philippines.

DAIRY PRODUCTS.

Total imports of dairy products into the Philippines amounted to $3,076,000 in 1935; of this amount the United States supplied $1,625,000, or 52.8 percent. In the same year the Philippines purchased over 35 percent of all American exports of dairy products. The Islands constitute the largest American export market for condensed and evaporated milk and cream, having taken nearly 50 percent of total American exports of these products in 1935. The principal countries supplying dairy products to the Philippines in 1935 and the rates of duty imposed by the Philippine tariff on products from foreign countries appear on table 70.

The ad valorem duty on dairy products imported from foreign countries in 1935 averaged 8.6 percent.[8] It will be noted from the tabulation that the United States was the leading supplier for only those commodities which were subject to the highest rates of duty; i. e., those products for which the competitive advantage or protection was greatest. If, after independence, American dairy products become subject to the preesnt Philippine duties, it appears likely Philippine imports of these products will probably decline.

WHEAT FLOUR.

In 1935 Philippine imports of wheat flour totaled $2,855,600, of which the United States supplied $1,222,300, or nearly 43 percent. On the basis of value, the United States was the leading source of supply. In quantity, however, imports from Australia exceeded those from the

[5] The currencies of Germany and the United Kingdom, two leading suppliers of machinery, were undervalued in 1935 by the Philippine Parity Act. In the case of goods which entered from these countries, ad valorem duties were levied against the invoice values converted at rates below the market rates; the rates of duty, therefore, were low when compared with the rates which would have applied if duties had been assessed on a basis of market rates.

[6] The computed duty exceeds the ad valorem rates quoted in the tariff act because of the operation of the Parity Act on imports of automotive parts from Japan. For purposes of duty assessment, invoices in yen are converted into dollars at the former parity, $0.4985.

[7] The present Philippine duty on tobacco, other than leaf tobacco, cigars, cigarettes, and cheroots, is 2.5 pesos per kilo, or $0.567 per pound.

[8] The Parity Act made the computed duty lower than it would have been if conversions had been made at market rates.

TABLE 70.—*Dairy products imported into the Philippines, showing principal suppliers and rates of duty applicable to imports from foreign countries in 1935*

Product	Rank of principal supplying countries	Duty[1]
Milk, evaporated	1. United States; 2. The Netherlands; 3. Japan	20 percent.
Milk, condensed	1. The Netherlands; 2. United States; 3. Japan	10 percent.
Butter, frozen and canned	1. Australia; 2. United States; 3. New Zealand	2.72 cents per pound[2] (10.2 percent)
Cheese	1. The Netherlands; 2. United States; 3. Australia	15 percent.
Milk powder and tablets	1. United States	20 percent.
Buttermilk and natural milk	1. Switzerland; 2. United States; 3. Norway	10 percent.

[1] The effective rates of duty were lower than the listed ad valorem rates because the currencies of certain countries (notably the Netherlands and Switzerland) were undervalued by the Parity Act in this year.

Source: Philippine Tariff Act of 1909 as amended; Annual Report, Insular Collector of Customs.

United States. Canada ranked third on a quantity basis. The Islands have long been an important export market for American wheat flour. In 1935 the Philippines accounted for 7.6 percent of the total value of American exports of this product, being exceeded in importance only by Cuba.

The present Philippine duty on wheat flour is 47 cents per 220.46 pounds (100 kilograms). The average ad valorem duty was computed to be 13.5 percent in 1935. Because the duty is specific, the equivalent ad valorem rate varies inversely with changes in price. Exports of American wheat flour to the Philippines have been promoted at various times in recent years by Government export subsidies. What the status of the market for American wheat flour in the Philippines will be after independence cannot now be determined.

Other United States Exports to the Philippines.

In addition to the commodities already discussed, the United States exports a wide variety of miscellaneous products to the Philippines. (See table 68.) Grouped in broad classifications, nearly all of these American products supply substantial fractions of the total imports into the Philippines of such goods. In a number of broad classifications of exports which were not discussed above, exports from the United States to the Philippines exceed 10 percent of the total to all countries. Among such commodities, as shown in table 68, are the following: Fish and fish products; explosives, perfumery, cosmetics, and toilet preperations; paints, pigments, and varnishes; soaps; coffee, raw and prepared; starch; cocoa; and spirits, wines and fermented liquors.

General Factors Likely to Affect Future United States Exports to the Philippines.

The data presented in the preceding tables in this chapter show a correlation between the share of the Philippine market supplied by American products and the degree of protection afforded such products by the Philippine tariff. The most conspicuous exceptions to this generalization are cotton, silk, and rayon textiles. Imports of these products from Japan, although subject to duties amounting to the equivalent of from 20 to 100 percent ad valorem, have attained a commanding position in the Philippine market. In the case of certain American products, automobiles for example, the free-trade relationship with the Philippines is not primarily responsible for their proportionately large sales in the Philippine market; such products are able to compete successfully in markets where they are accorded no preferential tariff privileges.

In other instances American goods benefited materially from the free-trade relationship which has existed between the two countries. The protection afforded many American products by the Philippine tariff has been responsible for the relatively large part of total Philippine imports which they have supplied in each case; the loss of that protection would undoubtedly cause a decline in American exports to the Philippines. In the case of dairy products, for example, American participation in the Philippine market has been greatest for the products protected by the highest tariff rates.

If Philippine exports to the United States, constituting at present over 80 percent of the total export trade of the Islands, is sharply curtailed in consequence of the provisions of the Independence Act, total Philippine imports will perforce be reduced. The decline in imports from the United States, moreover, might be greater than the decline in imports generally, inasmuch as the Filipino people, in view of their reduced purchasing power, might find it advantageous to transfer their purchases from the United States to other suppliers. Moreover, if the Philippines should fashion an economy which would be self-sufficient in the maximum degree, total Philippine imports would decline because of the reduced need for foreign products.

Such loss as the United States may sustain in its exports to the Philippines will in some degree be offset by its gains in exports to other markets. If the United States, for example, does not purchase sugar and other products from the Philippines after independence is realized, it will undoubtedly secure these products from other sources. These purchases, if made abroad, would create new purchasing power in the supplying countries. As a result, American exports to these markets would increase. Moreover, to the extent that other suppliers should furnish the United States with the required commodities on more favorable terms than they could be obtained in the Philippines, the United States would be the beneficiary.

The Philippines as a Distributing Center.

At one time it was anticipated that Manila or some other port in the Philippines might become a distributing center for American goods in the Far East. Trade of this character, however, never attained more than minor importance except for a few years during and immediately following the World War. The increased trade during the 1917-21 period arose largely out of the abnormal shipping conditions which prevailed at the time.

The greatest value of American goods reexported from the Philippines to foreign Asiatic points in any year since American occupation of the Islands was $3,350,600 for 1919. This constituted 4.4 percent of the total Philippine imports from the United States for the year and the highest fraction for any year on record. Previous to 1915 and subsequent to 1922, as shown in table 71, the greatest value was $424,506 in 1935 and the highest percentage was 0.8, also for 1935.[9]

Table 71.—*Annual value of merchandise imported into the Philippines from continental United States, and fraction thereof reexported to all Asiatic points, 1910-35*[1]

Year ended	Total value from United States	Value of reexportation of imports from United States to Asiatic destinations	Proportion reexported
			Percent
1910	$20,068,542	(2)	....
1911	19,156,987	(2)	....
1912	24,309,010	$18,747	0.1
1913	26,676,261	90,190	.3
1914	24,011,401	55,171	.2
1915	26,381,069	135,344	.5
1916	22,862,673	556,732	2.4
1917	37,620,648	1,063,030	2.8
1918	58,824,611	2,228,404	3.8
1919	75,491,414	3,350,600	4.4
1920	92,289,778	2,111,194	2.3
1921	74,130,015	1,054,550	1.4
1922	47,738,326	783,414	1.6
1923	50,352,535	208,420	0.4
1924	60,398,603	276,549	.5
1925	69,297,583	222,008	.3
1926	71,575,618	195,972	.3
1927	71,478,297	213,043	.3
1928	83,858,068	166,168	.2
1929	92,592,959	178,344	.2
1930	78,183,029	235,926	.3
1931	62,139,683	161,726	.3
1932	51,297,750	115,114	.2
1933	43,540,407	202,566	.5
1934	54,375,678	377,939	.7
1935	54,366,500	424,506	.8

[1] Including China, British East Indies, Netherlands Indies, French East Indies, Hongkong, Japan, Japanese China, Chosen, Portuguese East Indies, and all other Asiatic ports in China.

[2] Reexports of United States goods not separately reported.

Source: Annual Reports, Insular Collector of Customs.

An entrepôt trade has not been developed in the Philippines, principally because of their geographic location. The distance from the United States to Manila is greater than that from the United States to many of the principal far-eastern ports. Manila is 6,221 nautical miles, via direct route, from San Francisco, whereas Shanghai is but 5,387 miles. Yokohama is 4,536 miles from San Francisco by direct route and Hongkong is only 85 miles farther from San Francisco than is Manila. Insofar as American trade with countries beyond Hongkong is concerned—the Netherlands Indies, the Malay States, or British India—the Philippines would probably be at a considerable disadvantage in comparison with Hongkong because of the superior shipping facilities which the latter could supply. Hongkong is situated on practically all of the principal shipping routes between the Far East and Europe.

American Branch Factories and Offices.

Should American goods no longer have a preferential position in the Philippine market after independence, American branch factories in a few industries might be established to produce goods solely for the insular market. Such a development would depend in part upon the height of the customs duties and upon the extent of the Philippine market.

America-owned firms in the Islands have established few branch offices elsewhere in the Far East. American business in this area has been conducted either directly from the United States or through branch offices and factories located outside of the Philippines. A number of branch factories of American ownership in the Philippines have been established to produce articles for export to the United States. With only one or two exceptions, they manufacture products from raw materials obtained in the Islands.[10] The embroidery companies, however, import cotton goods and buttons from the United States and return the completed garments to the United States.

SUMMARY

1. During the period 1926-35, the annual American exports to the Philippines averaged $60,565,500. In 1935 they amounted to $52,560,000, or to 2.34 percent of the total value of American exports to all countries. The Philippines were the eleventh most important market for American goods in 1935, and the ninth in 1934. American shipments to the Islands during the period 1926-35 have regularly constituted over 60 percent of total Philippine imports.

2. After Philippine independence is realized, American exports to the Islands will probably decline: (1) In consequence of becoming subject

[9] The foregoing is based in part upon material found on pp. 49 and 117 in United States-Philippine Trade Relations, U. S. Tariff Commission, 1931.

[10] Coconut oil, embroideries, pearl buttons, cabinet woods, dyes, and canned pineapples.

to Philippine tariffs; (2) because there will probably be a marked general reduction in Philippine purchasing power on a basis of the present provisions of the Independence Act; and (3) because, accompanying the general decline in purchasing power, the Philippines may find it more advantageous to transfer some of their purchases to suppliers other than the United States. Moreover, if the Philippines should attempt to attain the maximum degree of economic self-sufficiency, imports from the United States might be further curtailed.

3. The anticipated decline in American exports to the Philippines will be partially offset by gains in American exports to other areas. If the United States ceases to purchase certain commodities from the Philippines, it will, no doubt, purchase at least some of these commodities elsewhere. The additional purchasing power thus created for the new supplying countries will result in increased American exports to them or other countries. Moreover, if the goods obtained from other suppliers are secured at lower import prices than those at which Philippine products could be obtained, the United States would be the beneficiary.

4. During the period of American occupation, the Philippines have never been used as an entrepot in any appreciable degree for the marketing of American goods in the Orient. Various branch offices, factories, and distributing centers have been established by American firms in other oriental contries, but none have been established in the Islands except to serve the Philippine or United States market. From the standpoint of geographic location, transportation facilities and tariff considerations, the Philippines have offered little inducement for the development of an entrepôt trade. Since the United States has not up to the present time developed an entrepôt trade in the Philippines, it seems unlikely that its ability to do so will be improved in consequence of Philippine independence.

2. AMERICAN PARTICIPATION IN THE PHILIPPINE CARRYING TRADE

The Philippines have no merchant marine engaged in international trade and, therefore, the foreign commerce of the country is carried by vessels of foreign or United States registry. As a result, the charges for these services constitute an "invisible" import which must be paid for in the same way as imports of merchandise.

Share of United States Vessels in the Total Carrying Trade of the Philippines.

Prominent among the countries whose steamship lines were engaged in Philippine carrying trade during the period 1926-35 were the United States, the United Kingdom, Japan, and Norway; their relative importance is indicated in table 72. In Philippine trade, American vessels occupied first place based on the value of cargo carried from 1926 to 1935. The American vessels, during this period, carried from 29.2 percent to 49.4 percent of the total value of Philippine trade. For the 5 years 1926-30, the American participation remained uniformly above 40 percent. This share was reduced to 29 percent in 1933 but rose to over 37 percent in 1935, when ships of American registry carried 34 percent of the total value of Philippine imports and 40.5 percent of the value of Philippine exports. The sharp rise in the share carried by American vessels in 1935 as compared with 1934, however, was not due to an absolute increase in volume; it occurred because of a decline in the tonnage carried by foreign line. The total trade of the Islands for that year was materially reduced by the unusual restrictions placed upon exports of sugar to the United States. Foreign steamship lines generally carry the major portion of Philippine sugar shipments and, therefore, experienced a marked decline in tonnage.

TABLE 72.—*Total Philippine carrying trade classified by nationality of carrying vessels, 1926-35*

Year	Total value of trade carried	Percent of value carried by—				
		American vessels	British vessels	Japanese vessels	Norwegian vessels	All other vessels
	Thousands of dollars					
1926	256,183	47.5	29.3	7.6	2.8	12.8
1927	271,426	49.4	30.8	8.3	.2	11.3
1928	289,711	45.5	32.1	7.0	2.4	12.9
1929	311,607	44.8	28.1	8.1	4.7	14.3
1930	256,260	44.1	24.6	12.5	5.2	13.6
1931	203,151	39.1	26.4	14.6	6.0	13.9
1932	174,733	33.7	28.3	16.8	8.5	12.7
1933	173,133	29.2	26.7	17.9	11.5	14.7
1934	194,011	31.8	26.1	17.0	11.2	13.8
1935	179,770	37.4	25.1	13.2	8.0	16.3

Source: Annual Reports, Insular Collector of Customs.

Share of United States-Philippine Trade Carried by American Vessels.

American vessels carried 47.2 percent of the total trade between the United States and the Philippines in 1935. Of the total imports into the United States from the Philippines in that year, the American merchant marine carried 48.2 percent in contrast with 29.3 percent in the preceding year. As previously pointed out, the actual tonnage handled by American vessels declined during the 2-year period, but the tonnage carried by foreign lines declined by an even greater degree.

Although American vessels in 1935 carried a reduced in-bound tonnage from the Philippines, they moved an increased out-bound tonnage to the Philippines in 1935 as compared with 1934. Their share of out-bound tonnage rose from 35.3 percent in 1934 to 45.7 percent in 1935; the percentage handled by foreign lines declined correspondingly (see table 73).

TABLE 73.—*United States-Philippine carrying trade showing tonnage carried by American and by foreign vessels, fiscal years ending June 30, 1934 and 1935*[1]

[In cargo tons of 2,240 pounds]

Year	Total	Foreign vessels	United States vessels	Ratio of tonnage carried in United States vessels to total
UNITED STATES IMPORTS				
				Percent
1934	1,905,931	1,348,102	557,829	29.3
1935 [2]	978,416	507,021	471,395	48.2
UNITED STATES EXPORTS				
1934	587,157	379,710	207,447	35.3
1935	572,103	310,906	261,197	45.7
TOTAL UNITED STATES IMPORTS AND EXPORTS				
1934	2,493,088	1,727,812	765,276	30.7
1935	1,550,519	817,927	732,592	47.2

[1] Includes lines with regular service, lines with irregular service, and tankers.
[2] Decline in tonnage of total imports was due to unusual restriction on sugar imports in 1935.
Source: U. S. Shipping Board Bureau, Division of Shipping Research, U. S. Department of Commerce.

Tonnage of Commodities in United States-Philippine Trade and the Principal United States Ports Involved.

Approximately 90 percent of the cargo tonnage imported into the United States from the Philippines is provided by three products, sugar, copra, and coconut oil, of which sugar is the most important (see table 74.) Based on tonnage, sugar was the leading product, even in 1935, when unusual restrictions limited shipments to the United States to 465,000 long tons. Increased shipments were resumed in 1936. Under the duty-free limitation imposed by the Independence Act, it appears probable that 850,000 long tons of sugar will be shipped to the United States annually during the Commonwealth period. Consequently, at least for that period, sugar will probably continue to supply a larger tonnage than any other commodity.

The major portion of the in-bound cargo from the Philippines enters through North Atlantic ports, principally New York and Philadelphia. Shipments to these ports consist largely of raw sugar, coconut products, and abaca. Cargoes from the Philippines shipped to Gulf ports enter primarily at New Orleans. Coconut oil, copra, and sugar are the principal products received. In the Pacific coast district, which ranks next in importance to the North Atlantic ports on the basis of import tonnage, San Francisco and Los Angeles are the principal ports of entry and copra is the leading import product. Other commodities important in Pacific coast trade because of the tonnage involved are cabinet woods, copra meal, coconut oil, abaca, and cordage. Shipments entered at five ports, New York, Philadelphia, New Orleans, San Francisco, and Los Angeles, account for over 90 percent of the import tonnage received from the Philippines.

The tonnage moved from the United States to the Islands is composed of a wide variety of products, but the two following broad classifications comprise approximately 65 percent of the total: Petroleum and petroleum products, and iron and steel and their manufactures. Outbound cargo is handled largely (over 75 percent) through three ports, Los Angeles, San Francisco, and New York, named in the order of their importance. Shipments from Los Angeles consist primarily of petroleum and petroleum products. Shipments from the other ports are less specialized. Table 74 shows the tonnage of the principal products which enter into United States-Philippine trade and table 75 shows the principal American ports which participated in that trade.

TABLE 74.—*Cargo tonnage in United States trade with the Philippines classified according to principal commodities for 1934 and 1935.*

[In cargo tons of 2,240 pounds]

In-bound cargo from the Philippines	1934	1935
Sugar and molasses	1,379,450	464,612
Copra	178,603	238,775

Vegetable oil (coconut)	143,232	145,653
Lumber	31,662	50,184
Vegetable fiber (abaca)	40,655	39,265
Vegetables and vegetable products (desiccated coconut)	31,715	31,273
Other commodities	28,619	31,000
Total	1,833,936	1,000,762
Out-bound cargo to the Philippines	1934	1935
Petroleum and petroleum products	302,335	313,456
Iron, steel and manufactures	64,223	63,002
Fertilizer other than phosphates	18,505	24,685
Wheat flour	42,961	22,887
Paper stock and manufactures	23,791	21,334
Animal, fish, and dairy products	25,281	19,428
Vehicles and machinery	13,904	19,383
Chemicals and manufactures	26,776	16,961
Other commodities	62,101	83,905
Total	579,877	585,041

Source: Report 275, United States Shipping Board Bureau, Division of Shipping Research, United States Department of Commerce.

TABLE 75.—*Cargo tonnage in United States trade with the Philippines classified according to principal United States ports of entry and shipment for 1934 and 1935*[1]

In-bound cargo from the Philippines	1934	1935
North Atlantic District	1,102,737	....
Boston	....	40,458
New York	....	260,665
Baltimore	....	22,652
Philadelphia	....	140,436
South Atlantic District	45,000	....
Savannah	....	16,576
Gulf District	281,685	....
New Orleans	....	161,313
Pacific District	404,514	....
Los Angeles	....	96,894
San Francisco	....	175,120
Portland	....	46,076
Seattle	....	26,086
All other ports	....	14,486
Total	1,833,936	1,000,762
Out-bound cargo to the Philippines	1934	1935
North Atlantic District	131,284	....
New York	....	85,998
Baltimore	....	31,465
Philadelphia	....	11,890
South Atlantic District	9,013	....
Savannah	....	11,494
Gulf District	7,103	....
Pacific District	432,477	....
Los Angeles	....	256,715
San Francisco	....	111,555
Portland	....	16,772
Seattle	....	30,517
Tacoma	....	10,517
All other ports	....	18,118
Total	579,877	585,041

[1] Classification by ports was not available prior to 1935.
Source: Report 275, United States Shipping Borad Bureau, Division of Shipping Research, United States Department of Commerce.

IMPORTANCE OF UNITED STATES-PHILIPPINE CARRYING TRADE TO INDIVIDUAL AMERICAN LINES.

The tonnage carried between the United States and the Philippines accounts for a substantial fraction of the total tonnage carried by the American lines which serve the Philippines. The relative importance of the United States-Philippine trade to the total trade carried to and from the United States by eight principal American lines calling regularly at Philippine ports for the fiscal years ending June 30, 1934 and 1935, was as follows:[1]

	Cargo tons of 2,240 pounds	
	1934	1935
Total tonnage carried to and from the United States	2,075,549	2,036,735
Total tonnage carried between United States and Philippines[1]	653,246	550,676
Percent of United States-Philippine tonnage to total	31.5	27.0

[1] The Philippine tonnage lost by these American lines in 1935 was partially offset by the increased tonnage carried by American tankers and line with irregular service.
Source: United States Shipping Board Bureau, Division of Shipping Research, United States Department of Commerce.

These figures indicate that trade with the Philippines accounts for approximately 30 percent of the total trade carried to and from the United States by the eight American lines. The percentage for each line varies from this average, ranging from 57.9 percent in one case to 17.5 percent in another. (See table 76.)

The ratios of the in-bound tonnage from the Philippines to the total in-bound tonnage for the eight lines for 1934 and 1935 were higher than the percentage for total Philippine trade indicated above. Imports from the Philippines accounted for 48 percent of the total tonnage carried to the United States by the eight lines in 1934 and 40 percent in 1935. One line obtained all of its import tonnage from the Philippines, and only three lines obtained less than 30 percent in either year.

Out-bound tonnage to the Philippines was less important to the eight American lines than in-bound tonnage from the Philippines. Of the total United States out-bound tonnage carried carried by the eight lines under American registry, cargo to the Philippines during the years 1934 and 1935 equaled about 15 percent. In the case of no individual line did the volume of exports to the Philippines exceed 30 percent of the total export volume and in only two cases did it exceed 20 percent. Table 76 compares the traffic between the Philippines and the United States with the total traffic to and from the United States carried by the eight principal American lines regularly serving the Philippines.

cargo, it would also represent an appreciable loss to American lines. The anticipated decline in the exports of coconut oil will presumably be offset by increased shipments of copra, but this change will require a different type of carrier. A decline in the export of cordage will also probably result in increased shipments of abaca, thus maintaining the tonnage carried. Moreover, exports of cabinet woods to the United States will probably not decline and many increase.

The imposition in full United States duties upon Philippine products at the end of the Commonwealth period will doubtless be reflected in a reduction in the availability of east-bound cargo for American carriers in the Pacific, although the net reduction may not be as great as the anticipated decline in total Philippine exports would indicate. The probable change in the character of the trade (from finished products to raw materials), however, may operate to reduce the revenue of American lines.

The future of United States shipping in the Philippines will depend in large measure upon the ability of the Islands to sell their goods in foreign markets. Any appreciable reduction in the sale of Philippine sugar, for example, will operate directly to reduce the volume of export cargo and, indirectly, the volume of import cargo. Moreover, should the Philippines adopt a program designed to create a maximum degree of economic self-sufficiency, the volume of both export and import cargo might decline even further. When American goods no longer enter the Philippines free of duty, the volume of cargo from the United States will undoubtedly decline, inasmuch as American goods will then be more costly to consumers in the Philippines. Such developments naturally would reduce the availability of cargo for American vessels.

TABLE 76.—*Share which Phi'ippine-United States freight traffic represents in relation to total freight carried to and from the United States, by 8 principal American lines regu'ar'y serving the Phi'ippines, fiscal years ending June 30, 1934, and 1935*[1]

Individual steamship lines	Fiscal year	Percentage of Philippines-United States traffic to total traffic to and from United States	Percentage of United States in-bound traffic from Philippines to total United States in-bound traffic	Percentage of United States out-bound traffic to Philippines to total United States out-bound traffic
		Percent	*Percent*	*Percent*
Line 1	(1934	57.9	100.0	5.9
	(1935	57.1	98.8	8.5
Line 2	(1934	41.3	72.9	13.9
	(1935	25.9	67.6	7.4
Line 3	(1934	38.2	63.3	28.3
	(1935	28.3	35.2	26.2
Line 4	(1934	37.1	·47.0	15.0
	(1935	22.1	27.0	15.0
Line 5	(1934	34.6	74.3	9.2
	(1935	28.2	55.8	8.1
Line 6	(1934	28.3	60.4	8.1
	(1935	21.9	44.2	7.6
Line 7	(1934	21.1	19.7	23.1
	(1935	25.7	24.8	26.8
Line 8	(1934	17.5	20.1	14.8
	(1935	18.3	18.7	17.9
All lines	(1934	31.5	48.0	15.3
	(1935	27.0	40.3	15.3

[1] Tonnage both received and discharged outside of the United States are not included, data not being available. It is estimated that such traffic accounts for 20% or less of the total traffic actually carried by the individual lines.
Source: United States Shipping Board Bureau, Division of Shipping Research, United States Department of Commerce.

THE INDEPENDENCE ACT AND THE AMERICAN CARRYING TRADE.

After Philippine independence is realized, it appears probable that, if the present United States duties remain in effect, no large quantities of sugar, coconut oil, cigars, embroidery, or pearl buttons will be shipped to the United States from the Philippines. Other commodities, such as desiccated coconut, hats, cordage, canned pineapples, and cutch will probably be affected, though less seriously. Exports of copra, abaca, and cabinet woods, if they remain on the United States free list, are not likely to decline and will probably increase.[2]

Although a decline in the exports of sugar would fall most heavily upon foreign shipping concerns now carrying the major portion of that

A decline in United States shipping trade with the Philippines, as has been explained, does not imply a corresponding reduction in the United States total shipping trade. If after Philippine independence, the United States does not purchase certain products from the Islands, it is

[1] The statistics do not include foreign tonnage received at foreign ports and discharged in any country other than the United States. Data for such traffic are not available. It is estimated, however, that this traffic accounts for 20 percent or less of the total traffic carried by the individual lines.

[2] See sections dealing with Philippine export commodities and the readjuotment of Philippine economy.

probable that it will purchase them in some other foreign markets. In this way the volume of American shipping will be largely sustained; moreover, the new suppliers, possessing increased credits through new sales, will be able to increase their purchases abroad, with the result that United States shipments to other countries will partially replace shipments to the Philippines.

To summarize, the economic provisions of the Independence Act will doubtless operate t• reduce the freight traffic between the United States and the Philippines. The net decline in the total carrying trade of the American merchant marine, however, will probably not be so marked as the decline in its carrying trade between the United States and the Philippines. Whatever reduction does occur will be felt more seriously by some lines than others, because of the kind cf cargo carried, the proportion of Philippine trade to the total trade of each line, and the varying ability of the different companies to develop alternate traffic.

3. AMERICAN INVESTMENTS IN THE PHILIPPINES

Total American investments in the Philippines in 1935 have been estimated at approximately $200,000,000. Of this amount nearly 20 percent consists of investments in bonds issued by various Philippine political entities, private companies, and religious organizations; the remainder represents direct investments in a wide variety of industries operating in the Islands.

Investment in Government and Other Bonds.

Philippine bonds held by citizens of the United States consist chiefly of obligations issued by the Insular Government. In the past the interest on these bonds has been paid regularly and the required sinking-fund reserves have been set aside. The inauguration of the Commonwealth Government has not impaired the future servicing of these obligations; in fact their position may have been improved since a provision of the Independence Act stipulates that the export taxes shall be applied to the reduction of the indebtedness of the Philippine Government. These tax receipts, together with the regular sinking-fund deposits may be sufficient to retire the bonded debt even before the Philippines become independent. But if the bonds are not retired completely, it is likely that those then outstanding will remain relatively stable in value, since the independent Government will no doubt attempt to maintain a sound credit standing in the United States. Table 77 shows the net indebtedness of the Philippine Commonwealth Government as of December 31, 1935; it also show the total par value of bonds outstanding and the distribution in the ownership of such bonds.

Table 77.—*Bonded indebtedness of the Philippine Commonwealth, Dec. 31, 1935*

Bonds issued:		
Issued by Insular Government	$57,264,850.00	
Issued by provincial and municipal governments	9,008,850.00	
Total bonds issued		$60,273,700.00
Deduct:		
Uncanceled bonds held in sinking fund	$10,845,736.25	
Collateral trust bonds included in bonds issued[1]	6,698,850.00	
Total		17,544,586.25
Bonded debt outstanding		48,729,113.75
Deduct: Cash held in sinking fund		994,992.05
Net bonded debt of the Philippine Commonwealth		47,724,121.70
Bonds held by the Commonwealth Government in Philippine pension and other funds, except sinking fund		$10,005,763.75

[1] Bonds issued by provincial and municipal governments, held as security by the Commonwealth Government for issues of insular colleteral trust bonds.

Table 77.—*Bonded indebtedness of the Philippine Commonwealth, Dec. 31, 1935* (continued.)

DISTRIBUTION IN OWNERSHIP OF THE OUTSTANDING BONDED DEBT OF THE PHILIPPINE COMMONWEALTH, DEC. 31, 1935

Bonds held by banks in the Philippines	7,654,000.00
Bonds held by private investors (primarily Americans)	31,069,350.00
Total bonded debt outstanding	48,729,113.75

Source: Annual reports and other documents, Bureau of Insular Affairs, U. S. War Department.

Other Philippine bonds held by American citizens include obligations issued by the Manila Railroad, certain sugar centrals, and religious organizations. The bonds of the Manila Railroad are guaranteed both as to interest and principal by the Philippine Government. In January 1936 the Philippine Government purchased from certain foreign investors a large block of Manila Railroad bonds at a substantial discount.[1] It is possible that in the near future a purchase offer will be made to other bondholders. The sugar centrals have a small amount of bonded debt outstanding. These securities are in an exceptionally strong position because of the profitable operations of the sugar companies in recent years. There can be little doubt concerning the ability of the industry to liquidate this indebtedness on or before the date of maturity. The notes issued by religious institutions, however, are in a less favorable position. One issue, totaling $186,000, was due in 1932 and has not yet been redeemed; moreover, the interest payments are in arrears on the remaining issues. With this single exception, the Philippine "portfolio" investments of Americans appear relatively secure.

Table 78.—*American investments in Philippine bonds and certificates of indebtedness, Dec. 31, 1935*[1]

Philippine Government bonds,[2] insular, provincial, and municipal	$31,069,350
Bonds of the Manila Railroad[3]	1,902,000
Notes of religious institutions[4]	2,741,000
Corporate bonds issued by sugar centrals[5]	600,000
Total	$36,312,350

[1] Bonds of the Philippine Railroad totaling $8,549,000 par value are not included owing to the uncertain value of these securities.

[2] Compiled from statistics made available by the Bureau of Insular Affairs, United States War Department.

[3] Bonds of the Manila Railroad, totaling $10,585,000 are guaranteed as to interest and principal by the Philippine Government. In January 1936 certain European investors sold Manila Railroad bonds with a par value of $8,170,000 to the Philippine Government at a substantial discount; the total of these bonds now held by the Philippine Government equals (par value) $8,683,000. The figure given above ($1,902,000) represents the total par value of Manila Railroad bonds now in the hands of the public. Source: Bureau of Insular Affairs, U. S. War Department.

[4] One note issue, totaling $186,000 was due in 1932 and has not been redeemed. Interest is in arrears on the remainder. Source: Finance Division, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

[5] From a compilation made by J. Bartlett Richards, American Trade Commissioner in Manila.

Table 78 shows American investments in Philippine bonds as of December 31, 1935.

Investments in Industry, Agriculture, and Commerce.

The value of investments held by citizens of the United States in Philippine industries on June 30, 1935, approximated $163,500,000. (See table 79.) Of this amount, nearly $111,-250,000 represented the book value of investments in land, and the book value of other fixed assets less depreciation. Current assets, such as receivables, advances, and inventories accounted for the remainder. American commercial investments are represented in all of the principal Philippine industries and thus are widely diversified. Mining, which accounted for 23.2 percent of total American investments (other than in bonds) in 1935 is probably the most important. Other prominent industries from the standpoint of invested American capital in 1935 are public utilities which represented 19.5 percent of the total; the sugar industry, 12.5 percent; plantations, 12.2 percent; and merchandising concerns, 10.8 percent. These 5 industries thus accounted for 78 percent of the American capital directly employed in Philippine industries in 1935; the remaining 22 percent was invested in a large number of varied enterprises. Table 79 shows the amount of Amer-

[1] The par value of the bonds purchased totaled $8,-170,000.

Table 79.—*American investments in Philippine industries, June 30, 1935*

Type of industry	Number of concerns	Land and buildings	Machinery and equipment	Total fixed assets[1]	Total net investment[2]
Sugar centrals (controlling interest)	10	$4,225,000	$11,125,000	$15,350,000	$20,425,000
Sugar centrals (minor interest	....	....	....	2,000,000	2,000,00
Coconut pruducts	6	1,112,500	1,200,000	2,312,500	5,545,000
General manufactures	14	1,000,000	1,075,000	2,075,000	4,600,000
Embroidery	9	37,500	42,500	80,000	3,000,000
Plantations	27	....	....	21,745,000	19,745,000
Public utilities	9	5,350,000	26,500,000	31,850,000	31,850,000
Truck and bus transportation	7	275,000	600,000	875,000	972,500
Other transportation[3]	9	7,293,000	4,725,000	12,018,000	5,018,000
Lumber	3	745,000	1,562,000	2,307,000	6,000,000
Engineering	2	995,000	1,470,000	2,465,000	3,850,000
Exporting	8	57,500	45,000	102,500	317,500
Oil merchandising	3	1,713,000	950,000	2,663,000	2,663,000
General merchandising	49	2,700,000	750,000	3,450,000	15,000,000
Hotels	6	1,031,500	150,000	1,181,500	1,181,500
Banking	1	1,385,000	35,000	1,420,000	1,420,000
Miscellaneous	9	1,416,000	555,500	1,971,500	1,971,500
Minings[4]	17	....	....	7,371,000	37,940,500
Total	189	....	....	111,237,000	163,499,500

[1] Depreciated book value, except in cases of minor interests in sugar centrals and in mining.

[2] Where the total net investment is shown to be larger than the investment in fixed assets, the difference is represented by current assets such as inventory, and accounts receivable. For a few industries .the total investment is less than the investment in fixed assets because of bonded or mortgage debt. In 6 cases, total investment figures were not available; consequently the total fixed assets figures were used. It is probable, therefore, that the total investment is understalated by the figures given in the table.

[3] Fixed assets for "Other transportation" include $7,000,000, covering the depreciated book value of the assets of the Philippine Railroad. Bonds totaling $8,549,000 are outstanding against these assets. The bonds will be due on July 1, 1937. No sinking fund has been accumulated, and the railroad has never completely earned its interest charges which are guaranteed by the Philippine Government. Interest payments made by the Government, constituting a second lien against the property, amounted to $6,095,927 on Dec. 31, 1935. The entire investment therefore has been excluded from total investments.

[4] The figure listed under total ffifixed assets for "Mining" represents the capital stock owned by Americans. The figure under total investments is the appraised value of the ore reserves which this stock controls.

Source: Statistics on fixed assets are from a compilation by J. Barlett Richards, American Trade Commissioner in Manila. Statistics on total investments are from a special report by Trade Commissioner Richards and from the Philippine Statistical Review, vol. 2, no 4. p. 310.

ican capital invested in various Philippine industries on June 30, 1935.[2]

The diversification of American investments in Philippine industries is even greater than appears from table 79. For example, the six industries listed under coconut products consist of three companies making desiccated coconut, two producing coconut oil, and one manufacturing such products as soap, vegetable lard, and margarine. The 14 concerns engaged in general manufacturing produce a wide variety of products, among which the more important are cigars, rope, pearl buttons, cutch, and canned pineapples. The plantations are devoted primarily to the growing of coconuts, abaca, and rubber. The public utility classification includes three radio companies, one cable company, one telephone company, one gas company, and three electric light and power companies. Investments in transportation are represented by truck and bus companies, railroads, steamship lines, and airplane companies. The 49 concerns engaged in merchandising also cover a wide range of commercial activity; 7 are engaged in retail merchandising, 6 in distributing automobiles and tires, 6 in selling machinery, 5 in distributing motion pictures. Other products handled by the merchandising group are cotton textiles, hardware, drugs, jewelry, foods of all kinds, and wearing apparel. In the miscellaneous group, the nine American companies include a steam laundry, a newspaper, a magazine, an advertising company, a customs warehouse and brokerage company, a loan company, and a hospital. American capital in the mining industry is invested primarily in gold mines. Investments in iron and chromium mines are comparatively small.

American capital is either a dominant or important factor in 189 different concerns which include corporations, partnerships, and individually-owned enterprises. These concerns employed over 1,000 United States citizens to whom they paid an aggregate annual salary of more than $4,000,000 in 1 935, as shown in the table below.

TABLE 80.—*Americans employed in Philippine industries controlled by American capital, June 30, 1935*

Industry[1]	Number of Americans employed	Annual aggregate salary
Sugar centrals	69	$325,000
Coconut products	45	233,000
General manufactures	33	137,500
Embroidery	12	75,000
Plantations	20	50,000
Public utilities	109	416,500
Truck and bus transportation	37	100,000
Other transportation	62	216,500
Lumber	28	97,000
Engineering	37	185,000
Exporting	13	60,000
Oil merchandising	54	268,000
General merchandising	260	1,150,000
Hotels	20	42,000
Banking	11	50,500
Mining	174	530,500
Miscellaneous	42	115,000
Total	1,026	4,051,500

[1] Representing 189 concerns in which the invested capital is predominantly American.
Source: From a statistical compilation by J. Bartlett Richards, American Trade Commissioner in Manila.

The American investments in the Philippines are so extensive and diversified that they are likely to be materially affected by the future welfare of the Islands. The status of these investments, therefore, will depend largely on what the economic effects of the Independence Act will be on Philippine agriculture, industry, and commerce.

[2] The total industrial investment of Americans, while not purporting to be absolutely accurate, is compiled from the most recent and authoritative data available. It is based upon (1) statistics prepared by Mr. Richards, American Trade Commissioner in Manila, from an extensive questionnaire submitted to Philippine industries; (2) published reports in the Philippine Statistical Review; and (3) trade estimates.

Reed Sells More Claims

For about thirty-five years, J. R. Reed dubbed along at Paracale as a merchant, a country merchant in competition with Chinese, Syrians, everybody—thus achieving one of the most unique careers of any American in the Islands, since ordinarily the going had to be hard. During that time, however, he laid hand on many a mining claim in the district, and has been chasing in on this prudence since interest in the district revived with the success of San Mauricio, United Paracale, and the hectic activity of Coco Grove.

Reed had early choice, and has done well in the business of disposing of his claims. The latest sale is to Paracale-National Gold Mining Co., authorized capital ₱1,000,000 in ten-centavo shares, the subscription list for original subscribers having been definitely closed. The claims lie on the Pasilacday river, jurisdictions of Paracale and Mambulao, adjacent to the Tumbaga property of Consolidated Mines and to the claims of the Universal Mining and Exploration company. Reed gets ₱550,000 in shares of the company for the claims, his shares remaining in escrow until Judge Nepumoceno releases them. Marsman & Co. have assumed a contract as technical managers of mining activities on the property. Permission to offer shares to the public has been obtained.

The incorporators of this project are C. Roesholm, B. S. Ohnick, P. S. Crovat, Manuel M. Crudo, Delfin Gallardo, M. H. O'Malley, M. R. Fernandez—of whom the first five mentioned are the directors. Fortune prosper this venture. The press release from Marsman's says the engineers' report that the vein structures warrant it.

Duel to the Death Attests Filipino's Sanctity of Home

JALA-JALA (Sick'em! Sick'em), Laguna de Bay, P. I., Nov. 12.—The unwritten law worked out to classic precision off this romantic shore recently. It was under a full moon. It was a duel with bolos, blades as firm as those of Hector and Ajax on the fields of Troy; and it was a trial of simple courage provoked by a bucolic Helen. To give the lady no offense, or anxiety, the combat was in an open boat, the typical banca of the Philippines, on the rippled surface of Laguna de Bay.

Next morning the banca drifted back to shore with the dead duelists in it, and a younger brother of one of them, about 20 years old, fatally wounded. If all concerned were not plain fisher folk, Euripides might write another drama. Homer might sing again.

Laguna de Bay is a lake 340 square miles in area. The men rowed out to the center of it for their duel.

Determined to Die

Each was determined, each steady at the oar. They had been lifelong friends. But one had violated the sanctity of the other's home; his one recourse under village law, strict but unwritten, was self-defense in fair combat.

Unless this law is observed the Philippine village cannot be preserved. For all the houses of a village are built of bamboo and thatch, offering no security, since they can't be locked against anyone resolved to get into them. Therefore it is custom that gives safety to a man's household during his absence. At such times, even a cousin may not go into his house—much less a family friend. It is enough in customary law for wife or daughter to say to a visitor at the gate, "My husband (or father) is not at home."

What troubled Santiago Villafranca was that he knew his young wife, Rosario, had not made this explanation and followed the village code when his friend Melecio Dimalanta had called at his home while he was out on the lake tending his fish traps.

Public Quarrel Picked

This had happened a few weeks ago, and on returning home from his traps, with his bancaload of fish, Santiago found Melecio in his hut with his wife.

Santiago could accept no explanations of this, since, even if he forgave and overlooked the offense, the villagers, with their own homes to protect would not. This simple fact made the duel inevitable. But from the first Santiago shielded his wife as much as he could. There were delicate turns of the situation. These roused his gallantry.

Since there was the possibility that none of the villagers knew of his disgrace, he said nothing about it; he made some pretext on which to pick a public quarrel at the market place with Melecio, and he heated up this quarrel to the point where Melecio had to accept his challenge to the bolo fight in order to save his face. Then, as explained, he set the scene of the duel far out on the lake and the hour at midnight.

No Doubt of Fairness

There is no doubt that the match was even, the rules bloody but fair; and the utmost fencing skill was exhibited by both men, since no swift blow was fatal but each duelist hacked the other slowly to pieces as he managed to get in a chance thrust here and there. The third man, Melecio's brother, who had come along in another banca, was nonchalantly cut down as an interloper. Melecio himself may have done this, as if to say, "Leave this quarrel to me, for to me it pertaineth."

The p lice and coroner acted quickly, and there was so little to do after all. Santiago died in the knowledge that, so far as his own discretion could go, his home would go on free of scandal and his children would never learn why it was their father and his good friend Melecio killed each other. He obeyed basic village law in the islands, but gave it a nobler turn than villagers usually do; that is, he refused to kill his wife or even to blame her, and laid all fault at Melecio's feet.