# Comment on Various Objections to the Bell Act

By the Committee on Trade Act Revision
*American Chamber of Commerce of the Philippines*

WITH respect to the various objections that have during recent years been raised in the Philippines against the Bell Trade Act and the Philippine-American Trade Agreement based on the Act, the following comment is offered:

### Trade Provisions

*1. Some provisions of the Trade Agreement are one-sided; the Agreement does not provide full reciprocity.*

This objection is raised largely on the assumption that an agreement can not be a good one unless it provides for formal reciprocity. The objection applies rather to the wording of certain provisions than to the manner in which they operate in actual practice. In the latter respect the trade provisions in the Agreement have been preferential to the Philippines. The provisions which have been called one-sided are mainly precautionary ones of which little or no use has been made. On the other hand, various economic control measures which have been adopted in the Philippines and the exchange tax on dollar remittances are non-reciprocal and operate to the disadvantage of American business.

*2. Philippine exports are restricted by quotas but imports from the United States are not; this is disadvantageous to the Philippines.*

In practice, these quotas have been used by the United States not to restrict imports from the Philippines but to create a market for Philippine products by limiting imports from other countries. Philippine exports are, furthermore, not limited to the quotas but may be shipped in excess of them on a competitive basis. Up to the present time, the Philippines has not been able to fill any quota except that of cordage, and that only in 1951. As to sugar, Cuban sugar, of which there is an ample supply for all United States requirements, is produced at a much lower cost than is Philippine sugar, and the latter would probably have no market in the United States if it were not for the quota provided in the Trade Agreement which reserves a large part of the United States market for the Philippines. With respect to coconut oil, the Philippines has not yet come even close to the quota; the Agreement furthermore binds the United States to a 2 cents a pound preference on coconut oil pressed from Philippine copra, this preference, for which the Philippines grants no like concession, giving it a virtual monopoly of the United States copra market.

It is true that the Agreement does not include any limitations on United States imports into the Philippines, but the Philippines has introduced an equivalent through import control and exchange regulations. The United States Government is not, in practice, restricting Philippine imports into the United States, but the Philippine Government is very positively restricting imports from the United States.

*3. The agreement allows the United States to establish quotas on other Philippine products if they should offer substantial competition to like articles produced in the United States; no similar authority has been extended to the Philippines.*

In view of the divergent nature of the economies and of the products of the two countries, and in view of the United States quotas which the Philippines has been unable to fill, it is most unlikely that such authority, if it did exist, would ever be used. This objection is therefore of little practical significance.

*4. The United States rather than the Philippines has the right to allocate quotas; the result, and the intent, was to favor foreign business in the Philippines to the prejudice of Philippine business.*

Analysis of the actual allocation of quotas shows that in fact there has been no prejudice to Philippine business.

*5. The Philippine proposal for "selective free trade" has been rejected by the U. S. State Department without exploration.*

The General Agreement on Tariffs and Trade (GATT), to which the United States is a signatory, permits the completion of existing preferential trade agreements, such as that with the Philippines, but prohibits the United States from entering into any agreement which would cover such new preferences as are envisaged in "selective free trade".

### Adverse Effects on the Philippine Economy

*1. The Government needs the revenue that could be obtained from customs duties on United States products.*

Tariffs are imposed both for raising revenue and for protecting home industry, but to the extent they protect home industry, they raise no revenue. Internal taxes such as a luxury tax and excise taxes on imported goods can be utilized just as effectively as tariffs, both for revenue purposes and to protect home industry. This objection, therefore, is also of little practical significance.

*2. Free entry of United States goods cost the Philippines ₱340,000,000 a year in lost revenues from 1949 to 1953.*

The figure is open to question as it is unlikely that the same quantities of goods would have been imported if they had been subject to duty. In any case, both tariffs and internal taxes are ultimately paid by the consumers in the form of higher prices than they would otherwise pay, and there was therefore no actual "loss" to the Philippines. On the other hand, the Philippine Government has been collecting an average of ₱120,000,000 a year through the exchange tax which, from the point of view of reciprocity, is a type of tax not applied to Philippine imports into the United States.

*3. It is desirable to trade with other foreign countries; the duty-free status of United States products makes it difficult for other countries to compete with United States products in the Philippines.*

Actually, most European products cost less in the Philippines than United States products even after payment of customs duties. The competitive advantage of the United States products lies chiefly in their quality and better adaptation to consumer taste,—the brand-preference among the Filipino consumers.

*4. The Agreement has been a deterrent to Philippine industrialization.*

The Agreement has probably discouraged certain investments, but only such as would actually have been

---

contemplating will in fact be created," he came to the same conclusion as did the writer of the *Journal* editorial. "What I do say, and what I wish to say with all possible emphasis, is that the creation of such a government is the only long-run alternative to the extinction of the human race. It may be that men's anarchic passions are so strong as to lead them to prefer extinction to international control. I hope not, but I can not feel wholly confident. . ."

uneconomic. There are other and better ways of encouraging industrialization than by tariff measures.

*5. Industrialization of the Philippines is essential to its economic well being.*

Further industrialization of the Philippines would be advantageous, but it should be recognized that certain basic raw materials are scarce and industrialization is therefore largely limited to industries fabricating goods for home consumption. It should be better understood, too, that while other Asian countries are under economic pressure for industrialization because of overpopulation, the great advantage of the Philippines lies in the fact that it is the only underpopulated country in the East and still has vast areas of unused land open to development. Economic prosperity for the Philippines lies in the direction rather of utilizing its natural agricultural resources than in attempting to establish industries competitive with other countries which must industrialize to survive.

*6. Concentration on the production of raw export materials (primarily agricultural and forest products) has impeded the production of processed goods for the home market.*

Concentration on the production of exports products has not impeded industrialization, and, on the contrary, has actually encouraged the local processing of a good part of these products,—such as refined sugar, coconut oil, cordage, and their further local elaboration. Lacking the more basic raw products as well as machinery, etc., the Philippines must in fact export to obtain the exchange needed for what industrialization is advantageous. Concentration on the production of exports is therefore essential to industrial development itself.

### Parity Provision

*1. Parity is repugnant to political independence and was forced upon the Philippines by making war damage payments contingent upon acceptance of the Bell Trade Act as the basis for the Trade Agreement.*

It is unfortunate, psychologically, that the Parity provision was linked with war damage payments, though only with respect to the larger payments; Parity, however, was practically necessary as the War Damage Act required the re-investment of these payments for the rehabilitation and reconstruction of the country. Parity has also had the intended effect of encouraging much needed additional investment. Even if there had been no legal linkage, the Filipino people would undoubtedly have favored a free grant of the right for these reasons and in recognition of the special relations that exist between the American and Philippine peoples. Parity, it may further be noted, tends to provide some "reciprocity" for the great privileges generally enjoyed by Filipinos in the United States.

*2. This is the first instance in history where a nation has granted to the citizens of another rights equal to those enjoyed by its own citizens.*

It is not a fact that Americans enjoy all the rights of Philippine citizens even under "Parity". In practice, parity has meant only that American mining, lumber, and public utility firms could continue in business, and this has certainly not been disadvantageous to the Philippines. There is much legislation, enacted during the past few years, which disadvantageously affects the interests of Americans as well as other aliens, including the Flag Law.

Philippine citizens in the United States enjoy many privileges, and the history of the United States treatment of foreign capital and United States domestic law give assurance to all Philippine investments of fair treatment in the United States.

### Currency Provisions

*1. The Agreement restricts the sovereign right of the Philippines to control its own currency, thus prohibiting the Philippines from taking such measures as may be necessary to protect its economy.*

The provisions referred to have not in practice restrained the Philippines from taking any measures which it has seen fit to take, such as establishing exchange control and imposing an exchange tax even though an exchange tax of 17% is in violation of the International Monetary Fund regulations. On the other hand, the relationship maintained between the peso and the dollar has had a very advantageous effect in stabilizing the value of the peso.

### Conclusion

It will appear that the various objections raised against the Trade Agreement are not so much economic in their nature as they are political and emotional, and based, at least in part, on a misunderstanding of the intention, meaning, and practical effects of the provisions objected to.

---

# Philippine Trade Proposals as Prematurely Revealed

THE *Sunday Times* (Manila) of August 29, under the head-line "PI STAND ON BELL ACT BARED", published an article reviewing and quoting from a 26-page report to President Magsaysay of the technical panel of the Philippine Trade Revision Mission to the United States. The next day, Senator Gil J. Puyat, Chairman of the panel, denounced this premature disclosure by an unnamed congressional source, stating that it had weakened the Philippine position.

The twelve concrete proposals contained in the report were the following:

"(1) Free entry into the United States of sugar, coconut oil, cordage, desiccated coconut, cigars, leaf tobacco, pearl buttons, embroidery, in quantities specified in the Philippine Trade Act of 1946, until January, 1947; canned pineapple and other goods for future export to the United States to be borne in mind by the Mission.

"(2) Entry into the United States of all other Philippine exports on the same basis as those permitted to other countries under the most-favored-nation treatment.

"(3) Free entry into the Philippines of essential food and essential producer goods from the United States per list to be submitted; all other United States exports to be subject to duty.

"(4) In the course of negotiations, an opportunity may present itself for the Philippine Mission to request, if a quota on sugar is to be maintained, that it be based on the present consumption of sugar in the United States. The panel is informed that the present Philippine quota of 852,000 long tons was originally determined on the basis of 15.41% of the annual consumption in the United States of 5,500,000 long tons. On the basis of present consumption of sugar in that country of 8,200,000 long tons, the Philippine quota should now be 1,148,730 long tons.

"(5) The Philippine Mission should explore the possibility of retaining quotas on Philippine exports to the United States after 1974, even without any other preferences.

"(6) Presidents of both countries to have the right to impose quotas on any product of each country if found that such product were coming or likely to come into substantial competition with similar product of the other country.

"(7) Elimination of the power of the United States Government

*(Continued on page 363)*