

OUR TARIFFS AND OUR  
DEPENDENCIES

AMERICANS are justly proud of the way that the Filipinos as a whole supported us against the Japanese, refused to stop fighting after Bataan and contributed so valiantly to General MacArthur's successful return to the archipelago. There is, therefore, a widespread assumption that we have made such a remarkable record with our colonial administration of the island as to warrant us in feeling ourselves very superior to the Dutch, the French and the British colonizers in Asia, especially as we had promised independence to the Filipinos prior to the war, and have lived up to that promise. As soon as Manila was taken we fixed the date for July 4, 1946, and the American flag was lowered on that day. The sad fact is, however, that while some of the American people have been eager to live up to the sentiments of the Declaration of Independence in conferring freedom upon the Filipinos, the controlling impulse in the first voting of independence came from the protectionist forces within the United States. It was not a benevolent nerve which responded, but, as usual with them, the pocket nerve. What is worse, the independence we have bestowed is not real independence, but a national existence with various strings tied to it and granted in a most ungenerous and arbitrary fashion, without repaying the Filipinos for all the enormous war losses for which we are chiefly responsible.

Thus, Congress—with plenty of money to aid Greece and to arm Turkey—has voted only half of the \$1,200,000,000 estimated loss to the islands from war damage. The ex-

tent of this loss may be measured by the statement that 70 per cent of the Filipino shipping has been destroyed, 60 per cent of their land transportation, and 70 per cent of their mining equipment, while agricultural investments have suffered as follows: sugar 65 per cent, tobacco 95 per cent, rice to the extent of \$70,000,000 and hemp \$20,000,000. Yet the islands are expected to reconstruct themselves with \$620,000,000, perhaps two-thirds of which will go to American property owners and not to the propertyless Filipino masses.<sup>1</sup> More than that, the Rehabilitation Act awarding this inadequate sum contained the clause that *no payment in excess of \$500* should be made to the Filipinos until they had voted for the unwelcome provisions of the Trade Act, both of these measures having been adopted by our Congress in 1946. Had the Filipinos declined to alter their Constitution and knuckle under to Congress in its demand for complete parity in the economic and industrial life of the islands for Americans—a parity which is denied to the Filipinos in the United States—the islands would have been allowed to welter in the chaos and disaster we largely brought upon them!

Political freedom without economic freedom cannot exist. We have not only deprived the Filipinos of economic liberty, we have made great demands upon them for army and navy bases much larger in size than those maintained by us prior to the war. The Philippine Trade Act prescribes reciprocal free trade for eight years, to be followed by a twenty-year period of gradual tariff increases like those contained in the 1934 Tydings-McDuffie law, the original measure giving independence to the archipelago. Of course free trade will stop, not at the end of the twenty years, but from the very year when the first increment will be put on. The Filipinos

---

<sup>1</sup>For these and other details of the Philippine situation see the excellent study by Carolyn Vreeland, in the *News Letter* of the Institute of Ethnic Affairs (Washington, April, 1947), vol. 2, no. 4.

who are endeavoring to exist in the ruins of their country are thus faced with two economic periods in preparation for a third when the twenty-eight years are over. During the first eight years the Filipinos are supposed to restore completely their smashed agriculture and to earn handsome profits from it.<sup>2</sup> In the second period of twenty years it is expected of them that they will prepare for their independent status by changing their economy, industrializing the islands as much as possible and generally getting ready for the situation which will confront them at the end of their transition.

As said above, the Trade Act ostensibly provides for reciprocal trade during the eight years, but an examination of the statute shows that it is a very one-sided measure. Thus, while the United States can sell as much of any goods as it pleases to the islands, they in turn can send us only their principal exports, sugar, rice, cordage, cigars, scrap tobacco, cocoanut oil and pearl buttons, and these in limited quantities. As Miss Vreeland has pointed out in her *News Letter* paper, the able Under-Secretary of State, William L. Clayton, has denounced absolute quotas as "one of the most vicious of trade restrictions, [whose] use by other governments has been highly detrimental to American exports." But in the Philippine Trade Act we placed quotas on various Philippine products and authorized absolute quotas on others that are "likely to come into substantial competition with like articles which are the product of the United States." If this is not mean-spirited exploitation of a weaker people by a great nation, what can it be?

From the free trader's point of view, there is no excuse

---

<sup>2</sup>Miss Vreeland quotes Salvador Araneta of the Philippine Constitutional Convention as characterizing the eight-year interim in the following words: ". . . this is what the Bell Act in effect requires us to do: to build an artificial economy for eight years, during that time neglecting possible basic industries, only to have to face a new orientation of our economy after eight years and liquidate what has been painfully re-established."

whatsoever for terminating the free trade relations between the two countries. They were profitable to both nations before separation, so why should they not be continued in perpetuity—if only as an object lesson to the rest of the world of what the United States is seeking to accomplish in the way of tariff reductions? The real reason is, again, that Congress is yielding to those vested interests in our country that will profit by excluding the archipelago from our tariff system. Why, with this extra tie of our joint sufferings and achievements in the Second World War binding us, should American consumers be penalized in buying Filipino products and Filipinos to some extent wholly excluded from our markets? Actually, the Philippines supplied only approximately one-seventh of the sugar needs of the United States in 1939, and only about 800,000 tons in 1940. Under the Agricultural Adjustment Act, their sugar trade was limited to 15.3 per cent of the total amount needed by the United States. Yet, even with this great restriction, our own sugar-growers were bent on excluding Philippine production altogether.

As if to make the situation of the new republic the more difficult, the Trade Act prescribes that “the value of Philippine currency in relation to the United States dollar cannot be changed until 1974”! It is certainly a limitation upon the independence of a free country if it is not allowed to regulate its own currency as it sees fit. Filipinos insist that this will make the peso stand so high in connection with the currency of other Asiatic countries that it will take too much of the latter’s currency to make free exchange possible, with the result that the archipelago’s trade will be driven all the more towards the United States at the very time that the United States is doing its utmost to head off that trade by quotas and the raising of tariffs annually. The excuse for this linking of the peso and the dollar is that it had to be stabilized if American capital was to flow into the Philippines,

not only to rebuild the ruined country, but to enable it to become more self-reliant by large-scale industrialization and development of its natural resources.

Miss Vreeland, and the editors of *Amerasia*, do not favor such provisions for free trade as are now established between the two countries on the ground that they will mean "the restoration of the unhealthy prewar economy that benefited a small group of Americans, Spaniards and Filipinos, but not the great majority of the Filipino people" and restore "the old-fashioned colonial economy of production in the Philippines" and "not provide an economic basis for political independence." The first point is explained by *Amerasia* on the ground that the big corporations and vast landed estates which have flourished there under the American flag had obtained "substantial profits and unchallenged political power" and that these special privileges will remain in charge if free trade with the United States is maintained, besides preventing "the development of the country's resources for the benefit of the people as a whole." This is a difficult argument to follow. If the social system is so bad, and the exploitation by Big Business and the landlords so shameful, how is it that putting on tariffs and selling the staple Philippine products to other purchasers than the United States would automatically free the Filipinos from those domestic shackles? It is difficult to see that it would make any change.

There is surely no relationship between the overseas trade of the Philippines and the exploitation of the people. But liberating trade with the rest of the world, including the United States, would surely be a sound basis upon which to build domestic economic freedom and insure decent living standards. It is true that some of these friends of the Filipinos feel that they should be allowed to put on protective tariffs if they are going ahead to industrialize, so that their

infant industries could profit by the one legitimate use of protective tariffs. That will be dangerous for a country ruled by Big Business, but if there should prove to be a genuine need for this in the course of the reconstruction, then the new republic should certainly have the right to put on tariffs. Actually, there are some natives who favor their country's going wholly isolationist and reverting to a status in which they could be self-supporting by raising their own food and weaving their own cloth in the manner of Gandhi. The road to recovery lies in the steady development of the natural wealth of the islands, notably their very valuable mineral possessions, such as chromite and manganese deposits. Their trade has been too much restricted to their controlling agricultural products. Any broadening of the base of their economic life gives added promise of safety, especially if, after the postwar chaos, the industrialization of nearby China is undertaken on a large scale with modern methods.

Whatever policy we follow toward the Philippines, it must not be forgotten that it will be most carefully observed by the neighboring countries and may easily have a powerful influence upon their development. It would help the United States to obtain wider reciprocal trade arrangements with the other nations on the Pacific if we should be additionally generous in reconstructing the islands and let them remain as long as they wish as part of our tariff system. President Osmena stated on Bataan Day, 1945, that he appealed to the United States "to continue the trade relations of the past thirty years for at least the suffering-time it takes to rebuild our country"—a modest demand, surely. His Secretary of Finance, Jaime Hernandez, pointed out that before the war the Philippines were the sixth customer in importance of the United States, and asserted that there would never be any trade relations on a large scale between us unless there was at least this breathing space for which President Osmena

asked. Again, the question suggests itself, why should there be any limitation upon the period of free trade, why should not the Philippines be, economically, the forty-ninth State of the Union, if only out of gratitude for its war services and repentance for the enormous damage done by us? There certainly can be no thought that the Philippines will be an industrial menace to us, if such a thing ever exists. It must be repeated that a generous and helpful policy towards the Philippines will bring us rich rewards in all Asia.

The situation of Puerto Rico, our other dependency—for that the Philippines still are—is in many respects similar to that of the archipelago, but coupled with very serious misgovernment by the United States, and an even greater stinginess. There is, beyond doubt, a strong desire in Puerto Rico for freedom without any strings tied to it, save inclusion within the American protective tariff zone. For here, too, it will be impossible for a Puerto Rican republic to go its own way toward complete reconstruction and modernization of its slum centers and its governmental plant without a period of temporary philanthropic aid by the United States and the continuation of its present trade relations with continental America. Probably, as Latin-Americans, the Puerto Ricans will never be at ease under the American flag. That is shown by their steadfast refusal to acquire the English language, despite the legislation to that effect passed by the Congress. There can no more be real understanding between them and us than between ourselves and the Mexicans or the Brazilians. It is a matter of temperament, of different cultures, of varying points of view.

At bottom, however, it is the economic situation which controls, and the terrible fact that stands out in our relationship with Puerto Rico is that the bulk of the people live on the verge of starvation, often in rags and tatters, with more than three hundred thousand of them inhabiting slums

which disgrace the United States—no less than 70 per cent of the dwellings on the island are unfit for use. The population of two million is far too great for an island a hundred miles long and thirty miles wide. As it is, one-half of the population depends upon the prosperity of the all-important sugar industry, and a quarter of the rest are also indirectly affected by the progress of this vital staple, the wages of the workers running between \$270 and \$350 a year! There is no manufacturing industry which could possibly compete with the United States.<sup>3</sup> The only real competition is with the sugar- and tobacco-growers. Yet the same threat to treat Puerto Rico, if it chooses to hoist its own flag, as a wholly foreign country and to exclude it from the American tariff zone, is voiced in Washington, again because of tradition and the utter selfishness of the domestic sugar-growers who cannot stand on their own feet.

Actually, Puerto Rico has paid a high price in increased living burdens because of our tariffs. It normally purchases fully a hundred million dollars worth of goods from the United States at the prices fixed by tariffs, where such apply. For example, rice is a primary food in Puerto Rico, an absolutely essential staple. If the large quantities consumed could be purchased abroad and brought straight to the island without having to pay a duty, there would be noteworthy savings—three cents on each pound of rice. This is a large tribute for a man to pay who has to support himself and his family on an approximate annual wage of \$350 if he works in the cane-fields, between \$250 and \$270 in the coffee industry and \$270 if he makes his living harvesting the tobacco crop. But the American tariff, put on to please the relatively few American rice-growers, prohibits Puerto Ricans from buying elsewhere. The Louisiana and Texas rice-planters were accused as far back as 1909, in hearings before the Ways and Means

<sup>3</sup>A once promising needlework industry has shrunk to small proportions.



Committee of the House of Representatives, of making the Puerto Ricans pay \$2,000,000 more for one million bags of rice than they would have had to pay to Japan or to Spain if it were not for the tariff. What added to the vexation of those who testified to this was that they were paying higher prices than their neighbors on non-American islands for the same machinery bought from the same American firms who charge less in foreign lands where they face world competition. The tariff enabled them to squeeze that much more profit out of their fellow-countrymen in Puerto Rico and, later, the Virgin Islands.

It was brought out in the hearings of the Chavez Subcommittee<sup>4</sup> of the United States Senate, which investigated conditions in Puerto Rico in 1943, that Señor Geigel-Polanco, floor leader in the Senate of Puerto Rico for the Popular Party, had declared in a debate in that House that some seventeen commodities comprising 65 per cent of the total food expenditure on the islands cost from 8 per cent to 14 per cent more than they do in New York City. Not a single commodity in general consumption in Puerto Rico comes in free. So a high cost of living is inflicted upon what is perhaps the lowest paid and one of the most miserable groups of human beings existing under the American flag. Rafael Buscaglia, the Treasurer of Puerto Rico, also testified before the Chavez Committee that "we pay the tariff and the people of the United States get the benefit of it." Even so stalwart a protectionist as Senator Robert A. Taft of Ohio has admitted that today the Puerto Ricans lose \$3,000,000 by the rice tariff.

On March 3, 1943, the Federacion de Comerciantes of Puerto Rico declared that our protective tariffs help "the

---

<sup>4</sup>See Senate Document, "Hearings Before a Subcommittee of the Committee on Territories and Insular Affairs, United States Senate, 78th Congress, 1st Session" (Pursuant to S. Res. 26) (Washington, 1943).

stockholders of 100 corporations, 500 big landowners, 3,000 medium-sized farm owners, nearly the same number of business men, 2,500 white-collar workers in agriculture and business, and 1,500 employees of the insular government, who constitute with their families about 300,000 persons. . . .” But, the Federacion continued, “500,000 live on ruined coffee farms, 300,000 live in slums, 300,000 cannot afford any education.” It thought that “while 100 per cent of our imports are under the protection of the national tariff, only 40 per cent to 50 per cent of our limited export production is protected in the continental market. We say ‘limited production’ because we could export 1,500,000 tons of sugar, but our quota . . . reaches only 850,000 tons.” The last mentioned fact is another of the startling evidences that being allied as a dependency to the United States does not mean complete freedom of trade for it. Because of the necessity of providing for the Cuban, Philippine, Hawaiian and other sugar crops, the annual production of Puerto Rican sugar is cut down to 788,000 tons, approximately 44 per cent—an extremely serious loss for an island overpopulated and poverty stricken.<sup>5</sup>

That the Puerto Ricans are deeply concerned with this question of independence was clearly demonstrated when, in the election of November, 1944, the Popular Party swept the islands. Yet it had only promised that the Puerto Rican people would be given a chance to vote on the question of breaking all ties with the United States if it were given control. As a result of the victory, a committee appointed by Luis Muños-Marin, the head of the Popular Party, drafted a bill which was presented in the Senate by Senator Tydings of Maryland “by request” and not as a measure of his own. It was a remarkable bill in that it gave the Puerto Rican electorate the opportunity to vote on four different questions.

---

<sup>5</sup>In 1947 Puerto Rico was allowed to sell 860,000 tons because of the international emergency.

They were to be allowed to choose between independence, a dominion status, and statehood. If they rejected all three, obviously the present unsatisfactory dependency system would continue. That it would pass Congress was not to be believed, especially as this was the first time in our history that a dominion status along British lines was urged.

The outstanding fact is, however, that the controlling issue in the present and future relationship of the islands to mainland America is the economic one. The bill presented by the Muñoz-Marin committee specified that no duty should be levied by the United States upon any article imported from the republic of Puerto Rico, and none should be levied by Puerto Rico upon any importation from the United States "except by the mutual consent of the two governments and upon such terms and conditions as they may agree upon." In addition, it called for the continuation of our great aid to agriculture, education, public roads, public health, soil conservation, social security and unemployment, work relief, etc., until such time as this aid was declared unnecessary by a decision of a commission of three economic experts from the United States and two from Puerto Rico, judging as rapidly as the island's economic evolution might permit.

Why should not the great United States with its enormous resources and prosperity grant to its two important dependencies the boon they ask—permanent free trade as full economic partners in our joint existences?