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EXTENSION ON A RECIPROCAL BASIS OF THE PERIOD OF THE FREE ENTRY OF PHILIPPINE ARTICLES IN THE UNITED STATES

JULY 1 (legislative day, JUNE 22), 1954.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 9315]

The Committee on Finance, to whom was referred the bill (H. R. 9315) to provide for an extension on a reciprocal basis of the period of the free entry of Philippine articles in the United States, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

H. R. 9315 would authorize the President to postpone for a period from July 4, 1954, to January 1, 1956, the time when United States import duties would begin to apply to Philippine articles, provided that he finds that like treatment is accorded to exports of United States articles to the Philippines.

GENERAL STATEMENT

Under the Philippine Trade Act of 1946 (60 Stat. 143) and the executive agreement between the United States and the Philippine Republic signed on July 4, 1946, Philippine articles are admitted in the United States and United States articles are admitted in the Philippines free of customs duties until July 4, 1954. Section 202 of the act provides that most products of the Philippine Republic are scheduled to become dutiable commencing July 4, 1954, at 5 percent of the rate applicable to like articles if imported from the foreign country which is entitled to the lowest rate. Commencing on January 1, 1955, and each January 1 thereafter, such Philippine articles will be dutiable at an additional 5 percent of the rate in question until January 1, 1973, on which date they become dutiable at 100 percent of the rate. Corresponding progressive duties are to be imposed on United States articles imported into the Philippines on each of the dates in question. Imports of sugar, cordage, and rice from the Philippines are, under the Philippine Trade Act, subject not only to the foregoing tariff provisions but also to absolute quotas. Imports of cigars, cigar filler and scrap tobacco, coconut oil and pearl or shell buttons are to be subject both to declining duty-free quotas (in lieu of progressive tariff duties) and to absolute quotas. After July 3, 1974, unless otherwise provided by statute or treaty, the absolute quotas referred to above will be removed and the full United States duty (not the rate applicable to articles if imported from the foreign country which is entitled to the lowest rate) will apply to all dutiable imports from the Philippine Republic.

It should be noted that, while there are no quotas on any United States exports to the Philippines in the agreement, there is a quota on any importation of leaf tobacco into the Philippines from any source which is provided for by separate Philippine legislation. It should also be noted that the act and the executive agreement deal not only with trade but also contain provisions with respect to currency matters, rights of American nationals in the Philippines, immigration, and related matters.

The sole effect of H. R. 9315 is to permit the President to suspend on a reciprocal basis the first two steps in the statutory formula with respect to progressive increases in tariff rates. If the full 18-month period of postponement is achieved, Philippine articles would first become dutiable on January 1, 1956, at 15 percent of the lowest United States duty on the articles in question. No provision is contained in the bill for the suspension of any of the steps in the progressively decreasing duty-free quota formula contained in the Philippine Trade Act. Thus none of the quotas provided for in the act are in any way affected by the bill. It should also be noted that since the bill provides for the entry of Philippine articles "in lieu of the treatment" provided in section 202 of the Philippine Trade Act of 1946 it will apply only to those articles to which section 202 would otherwise apply. Accordingly, the bill will not affect the operation of section 214 of the Philippine Trade Act of 1946 which provides for full duty on imports, in excess of duty-free quotas, of cigars, tobacco, coconut oil, and buttons of pearl or shell.

H. R. 9315 is supported by the Department of State, the Department of Commerce, the Department of Agriculture, and the Treasury Department. Legislation of this type has been requested by the Republic of the Philippines and the legislature of that country has already ratified the proposed extension.

The Republic of the Philippines was formerly a possession of the United States, but has been granted full and complete independence. The success of the Republic during the relatively short period of independence is well known. The bonds of friendship and mutual esteem between the people of the two countries continue to grow and become increasingly important in the light of present conditions in Southeast Asia.

The Government of the United States has agreed to negotiations for analyzing and improving the Philippine Trade Act of 1946. It is proposed to review the entire scope of the agreement resulting from that act as well as commercial matters not now covered by the agreement.

The committee anticipates that these negotiations will be undertaken on the basis of the principle of true reciprocity and that the mutual interests of both parties will be safeguarded.

The bill would allow until January 1, 1956, for these studies and negotiations. A shorter time might have sufficed, but it seems obvious that a period until January 1, 1955, could not be sufficient for the thorough study contemplated and during the entire year 1955 the tariff status of goods shipped between the two countries would not have changed in any event. This means that the full calendar year might be utilized in bettering the program without any benefits resulting from an earlier decision.

It is the understanding of the committee that present quota arrangements are not to be affected by the passage of this act and that careful attention will be given to any new negotiations which may affect them. The committee feels that, in order to properly carry out its responsibilities in the anticipated new negotiations, it will find it desirable to examine carefully the progress made by an official study early next session of Congress.

The Finance Committee, therefore, approves the adoption of the bill, H. R. 9315.

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