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PHILIPPINE TRADE AGREEMENT REVISION ACT OF 1955

JULY 14, 1955.—Ordered to be printed

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

R E P O R T

[To accompany H. R. 6059]

The Committee on Finance, to whom was referred the bill (H. R. 6059) relating to revisions of the Executive agreement concerning trade and related matters entered into by the President of the United States and the President of the Philippines on July 4, 1946, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

In view of the fact that the House report (H. Rept. No. 934) contains a full discussion of H. R. 6059, and the fact that the Finance Committee has suggested no amendments to the House bill, there is incorporated herein for the information of the Senate the substantive portions of the House report, which includes the text of the 1946 Philippine agreement showing proposed changes, as follows:

PURPOSE

H. R. 6059 would authorize the President of the United States, any time before January 1, 1956, to enter into an agreement with the President of the Republic of the Philippines for the purpose of amending the United States-Philippine agreement of July 4, 1946, as amended, on trade and related matters.

GENERAL STATEMENT

A. PRINCIPAL FEATURES OF H. R. 6059

(1) *Preferential tariff schedules.*—Probably the most significant change in United States-Philippine trade relations that would occur under H. R. 6059 is that the Philippine tariff preferences on United States articles would disappear more rapidly, and the United States preferences on Philippine articles would disappear less rapidly than under the 1946 agreement.

(2) *Elimination of the Philippine exchange tax.*—The Republic of the Philippines at the present time imposes a tax of 17 percent on all sales of foreign exchange. Under the agreement authorized by H. R. 6059 this exchange tax would be eliminated and a special temporary import tax would be substituted therefor which would not exceed 17 percent and which would be gradually eliminated by January 1, 1966.

(3) *Revision of quota provisions.*—The bill would revise the quota provisions of the agreement to eliminate quotas that have proved unnecessary; to provide for the slower disappearance of duty-free tariff quotas on scrap and filler tobacco, cigars, coconut oil, and buttons of pearl or shell; and to provide for the deletion of provisions specifying how United States quotas on Philippine products are to be allocated among producers in the Philippines.

(4) *Treaty merchant status.*—The present agreement has no provision currently effective relating to the reciprocal entry of traders and investors. Under the revised agreement, as contemplated in H. R. 6059, the Philippines would be obliged to take the necessary legislative and executive actions to enter into an agreement with the United States for the reciprocal entry of traders and investors as authorized by Public Law 419 of the 83d Congress.

(5) *Reciprocal national treatment for business activities.*—Under H. R. 6059 the 1946 agreement would be amended to provide a clear statement of rights of citizens of the United States to engage in business activities in the Philippines on the same basis as Philippine nationals. These rights would be in addition to those guaranteed in

the parity article of the 1946 agreement relating to the exploitation of natural resources and the operation of public utilities. This revision would also provide for the extension of like treatment to Philippine citizens to engage in business activities in the United States.

B. BACKGROUND OF THE LEGISLATION

The relationship between the United States and the Republic of the Philippines is unique. Until 1946, the United States had never had the experience of granting independence to a part of its territory. There was no precedent to indicate exactly how the problems of the new relationship that was to exist between the United States and the Republic of the Philippines could best be met. In this situation the Congress of the United States enacted the Philippine Trade Act of 1946 (Public Law 371, 79th Cong.; 60 Stat. 143) authorizing the President of the United States to enter into an agreement. The resulting agreement was signed at Manila on July 4, 1946, and established the basic economic relationships between the two countries at the time the Philippines became an independent nation.

Since that time, the people of the Philippines have worked patriotically and diligently in seeking their rightful place among the nations of the free world. In the intervening years the Republic of the Philippines has progressed from a nation that had sustained the full impact of the economic and physical ravages of World War II to a nation that has become a citadel of democratic strength in the Far East.

On March 7, 1953, the President of the Philippines requested revision of the 1946 agreement as being vital to the economic stability of his country and to the permanent trade relations between the United States and the Republic of the Philippines. In his reply, dated March 16, 1953, the President of the United States expressed the willingness of our Government to give prompt and sympathetic consideration to any specific proposal for revision of the agreement that the Philippines might advance.

To provide the necessary time for the negotiation of a possible revision with the Philippine Government while the reciprocal free-trade arrangement provided for in the 1946 agreement was still in effect, Public Law 474 of the 83d Congress was passed, authorizing the extension on a reciprocal basis of the period of free entry of Philippine articles into the United States from July 3, 1954, to December 31, 1955, and such period of continued free trade was proclaimed by the President on July 10, 1954.

Negotiations for the purpose of revision of the 1946 trade agreement began in Washington on September 20, 1954, between a United States delegation and a Philippine economic mission appointed for that purpose. On December 15, 1954, the chairmen of the two delegations signed a final act of negotiations pursuant to which each delegation agreed to recommend the proposed revisions contained therein to their respective governments for consideration.

The President of the United States, in a message to the Congress of May 5, 1955, recommended the adoption of the proposed amendments to the 1946 agreement. In his message to the Congress the President stated in part as follows:

* * * I believe that the revision, as proposed in the final act of negotiations, would be beneficial to both the United States and the Philippines and would contribute materially to the improvement of the already friendly political and

economic relations between them. I earnestly urge, therefore, that appropriate legislation be enacted at this session of the Congress to permit revision of the 1946 agreement in accordance with the recommendations contained in the final act.

C. DISCUSSION OF PROPOSED CHANGES IN THE 1946 AGREEMENT

Section 202 of your committee's bill, as amended, sets forth the exact form and text of the revised agreement which would be authorized under H. R. 6059. The significant changes in the 1946 agreement are as follows:

(1) *Tariff preferences.*—Under the terms of the original 1946 agreement, reciprocal free trade (subject to quota restrictions on a few United States imports of Philippine articles) would have continued between the two countries from July 4, 1946, through July 3, 1954. From July 4, 1954, to December 31, 1954, 5 percent of the lowest Philippine rates of duty applicable to imports of like articles from any other country would have applied to imports of United States articles; and 5 percent of the lowest United States rates of duty applicable to imports of like articles from any other country would have applied to imports of most Philippine articles. The rates of duty applicable to imports of each country from the other in each calendar year thereafter were to be increased by an additional 5 percent of the lowest duties applicable to imports of like articles from any other source.

Under this schedule as originally provided in the 1946 agreement, the cumulative totals were to reach 100 percent of the base rates on January 1, 1973, at which level they were to remain through July 3, 1974, which is the expiration date of the agreement.

Public Law 474 of the 83d Congress provided for the elimination on a reciprocal basis of the first two steps in the statutory formula for the progressive increases in tariff rates with the result that the duty-free period has been extended through December 31, 1955. This action was taken at the request of the Philippine Government. Therefore, under present law, Philippine articles would first become dutiable on January 1, 1956, at 15 percent of the lowest United States duty with cumulative 5-percent increments annually thereafter.

The revised tariff preferences that would be provided under your committee's bill would result in decelerating the schedule for increasing United States rates of duty on imports of most Philippine articles in the years immediately ahead and would be accelerated in later years, as compared with the schedule provided in the 1946 agreement. These changes are set forth in the following table:

TABLE I

Period	Percentages of tariff rates that would apply—		
	Under existing legislation to United States imports of Philippine articles ¹ and to Philippine imports of United States articles	Under H. R. 6059—	
		To United States imports of Philippine articles ¹	To Philippine imports of United States articles
	Percent	Percent	Percent
1956.....	15	5	25
1957.....	20	5	25
1958.....	25	5	25
1959.....	30	10	50
1960.....	35	10	50
1961.....	40	10	50
1962.....	45	20	75
1963.....	50	20	75
1964.....	55	20	75
1965.....	60	40	90
1966.....	65	40	90
1967.....	70	40	90
1968.....	75	60	90
1969.....	80	60	90
1970.....	85	60	90
1971.....	90	80	90
1972.....	95	80	90
1973.....	100	80	90
1974 (Jan. 1-July 3).....	100	100	100

¹ The United States rates here referred to are the rates applicable to imports of like articles from the foreign country that is entitled to the lowest rates. On many articles Cuba is entitled to preferential tariff treatment by the United States, and on some articles imported from the Philippines the preferential rates applicable to like articles from Cuba are the rates to which the percentages shown above relate.

As indicated in the foregoing table, under the 1946 agreement, as amended, 55 percent of the tariff preferences accorded by both the United States and the Philippines would be eliminated by 1964, whereas, under H. R. 6059, 20 percent of the tariff preferences accorded by the United States on imports of Philippine articles and 75 percent of the tariff preferences accorded by the Philippines on imports of United States articles would be eliminated by that year. Under H. R. 6059 the elimination of the final 80 percent of the tariff preferences accorded imports of Philippine articles into the United States would occur in the last 9½ years of the transition period which is to end July 3, 1974.

(2) *Import quotas.*—Under the 1946 agreement, declining duty-free import quotas are provided with respect to Philippine cigars, filler and scrap tobacco, coconut oil, and pearl or shell buttons. In addition, United States imports of Philippine sugar, cordage, and rice are subject not only to absolute quotas but also will be subject to progressively increasing import duties beginning January 1, 1956. The proposed changes authorized by your committee's bill would provide for the elimination of United States absolute quotas upon imports of Philippine rice, tobacco, cigars, coconut oil, and buttons of pearl or shell. Under the bill the provisions in the present agreement which specify how the United States quotas on Philippine products are to be allocated among Philippine producers would be deleted.

Under H. R. 6059 the schedule of declining duty-free quotas applicable to United States imports of Philippine cigars, filler and scrap tobacco, coconut oil, and buttons of pearl or shell follows the same pattern as the schedule of increases in United States duties applicable to other United States imports from the Philippines. As a result, the

quantity of each of the aforementioned four categories of Philippine articles that are entitled to duty-free entry is reduced by the same progression as is set forth in the third column of the preceding table I. The base quantities of these articles on which the annual duty-free quotas are calculated are the same under H. R. 6059 as in the 1946 agreement; viz:

TABLE II.—*Schedule of tariff quotas*

Item	Classes of articles	Amounts
A	Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers).	200,000,000 cigars.
B	Scrap tobacco, and stemmed and unstemmed filler tobacco described in par. 602, of the Tariff Act of 1930 of the United States, as amended, which is set forth as annex III to this agreement.	6,500,000 pounds.
C	Coconut oil.....	200,000 long tons.
D	Buttons of pearl or shell.....	850,000 gross.

The requirement in the 1946 agreement, that any Philippine article entered or withdrawn from warehouse in excess of the duty-free quota mentioned above shall be subject to 100 percent of the applicable United States duty, would be continued under H. R. 6059.

The more liberal duty-free quotas under H. R. 6059 would be of no immediate significance except for buttons of pearl or shell. Your committee has been advised that in recent years imports of none of the other three categories of articles subject to declining duty-free quotas have amounted to more than a small part of the respective amounts entitled to duty-free entry.

H. R. 6059 would retain the present absolute quotas on sugar and cordage. The quota on rice would be eliminated. All other articles which are subject to absolute quotas under the 1946 agreement would become subject to tariff quotas as described above. Your committee is advised that a quota on rice is no longer necessary in view of the fact that the Philippines has become a rice importer.

The 1946 agreement granted only to the United States the specific authority to apply discriminatory quantitative restrictions on imports not already subject to them under the agreement. However, the agreement did not specifically forbid the application of such quota restrictions by the Philippines. H. R. 6059 would make the authority to apply such restrictions reciprocal but in order to establish any new restrictions of this sort it is required (1) that the imports of an article must be such as to cause or threaten serious injury to domestic producers of the article, or (2) that the imposition of a quota is necessary to forestall the imminent threat of or to stop a serious decline in monetary reserves.

The revision authorized by H. R. 6059 would provide for prior notification and the right of consultation regarding the establishment of discriminatory import quotas, and would afford a basis for consultation in the case of nondiscriminatory import and export restrictions and prohibitions to the extent that the two parties find such consultation practicable.

(3) *Substitution of a temporary import tax for exchange tax.*—At the present time the Philippines imposes a 17 percent tax on all sales of foreign exchange. This exchange tax is applicable to transfers of earnings and capital as well as to payments for imports. The exchange tax was established with the express consent of the President

of the United States pursuant to the provisions of the 1946 agreement which forbids the Philippines to change the value of its currency or to impose controls on transfers of funds to the United States without such consent. The proposed revision of the agreement as embodied in H. R. 6059 would discontinue this requirement of consent. However, the Republic of the Philippines has become a member of the International Monetary Fund and as such is subject to the restrictions on the imposition of exchange controls which the articles of the fund prescribe.

In lieu of the present tax on the sale of foreign exchange, H. R. 6059 would provide for the Philippines to impose a temporary special import tax on a nondiscriminatory basis on any article or product imported or brought into the Philippines. It is provided further that the initial tax shall be at a rate no higher than the present rate of the foreign exchange tax and that the tax shall be progressively reduced at a rate no less rapid than 10 percent per annum. This schedule of elimination of the import levy may be varied only to the extent that the Philippine Government may determine, after consultation with the United States Government, that a higher rate is necessary to maintain the level of revenues from the importation of United States goods for a particular year at the same level of revenues derived from the exchange tax on such goods during the calendar year 1955.

The immediate removal of the exchange tax on "invisibles" would be a stimulant to the investment of American capital in the Philippines.

(4) *Parity provision.*—The parity provision of the 1946 agreement requires the Philippines to accord to United States citizens and United States business enterprises the same rights and privileges that it extends to Philippine interests in the exploitation of natural resources and the operation of public utilities. The 1946 agreement granted no corresponding rights or privileges to Philippine nationals and Philippine enterprises in the United States. Your committee's bill would amend the existing agreement to provide for the mutualization of national treatment in the development of natural resources and the operation of public utilities. Under H. R. 6059 the rights of United States interests in all other fields of business activity would be clarified and extended and each country would extend national treatment to the citizens of the other and to their business enterprises, subject to reservations on account of provisions in the constitutions and laws of the various States of the United States. The agreement, if amended, as provided in H. R. 6059, would also require the Philippines to enact legislation designed to facilitate the entry and residence of United States traders and investors.

(5) *Miscellaneous amendments to the 1946 agreement.*—In addition to the changes to the 1946 agreement which have been discussed above, your committee's bill would also provide for mutual national security exceptions to the trade agreement such as the United States has customarily included in international agreements to which it is a party; the elimination of the prohibition against imposition of export taxes; provision for consultation at least 3 years before expiration of the agreement to consider problems anticipated in connection with its termination; and clarification of the definition of United States and Philippine articles for preferential tariff purposes to include articles of each country imported via third countries.

(6) *Effective period of the agreement.*—The amendments contemplated by your committee's bill to the 1946 United States-Philippine

agreement would enter into force on January 1, 1956, and would remain in effect through July 3, 1974, unless terminated earlier. The agreement could be terminated by either the United States or the Philippines at any time, upon not less than 5 years' written notice. If the President of either country should determine and proclaim that the other country had nullified or impaired any right or obligation provided for in the agreement, then the agreement could be terminated upon not less than 6 months' written notice.

D. YOUR COMMITTEE'S AMENDMENTS

For the most part, the amendments to H. R. 6059 which have been approved by your committee are intended to make it clear that the effect of your committee's bill is merely to amend the 1946 agreement so that the period of the agreement will be a continuing one beginning on July 4, 1946, and terminating on July 3, 1974. This clarification eliminates any doubt that the Philippine constitutional amendment required by the parity provision of the 1946 agreement will continue in force.

In addition to these amendments your committee has also adopted an amendment which would modify the present prohibition against entering into a trade agreement with the Philippines under section 350, as amended, of the Tariff Act of 1930, so that the prohibition would be applicable only to a trade agreement which is inconsistent with the revised agreement.

E. NEED FOR THE LEGISLATION

Your committee has given careful consideration to the problem of United States-Philippine trade relations in public hearings and in executive session. The proposed changes to the 1946 agreement embodied in H. R. 6059 have been thoroughly evaluated by the Committee on Ways and Means in the light of what is in the best interest of the United States. Your committee is of the opinion that the enactment of H. R. 6059 is desirable.

It is acknowledged that the concessions which would be granted by the United States under this bill cannot be justified on a purely economic basis. Your committee is of the opinion that there are considerations that transcend the economic factors which justify the adoption of these important amendments to the Philippine Trade Act of 1946.

The historic friendship of the people of the United States and the people of the Republic of the Philippines is a powerful influence for peace and stability in the world today. The Philippine Republic has assumed a position of leadership in the Far East as a spokesman for the nations of the free world. Your committee was advised that, even though the proposed revision of the 1946 agreement had not yet been approved, the negotiation of the proposed modifications has already strengthened the friendly and cooperative ties between the two nations. It is not to be forgotten that in recent months the Philippine Government has repeatedly taken a courageous stand with the United States in the establishment and support of American policies in the Far East against further Communist encroachment.

With respect to the economic considerations involved in H. R. 6059, it should be remembered that, just as in our early history, the Philippines as an underdeveloped country is more dependent upon tariff revenues for the support of its Government than are more industrialized nations.

It is expected that the proposed changes to the United States-Philippine agreement that would be effected under H. R. 6059 would aid the Philippines in creating a more balanced economy.

It is your committee's view that this agreement must be considered not by itself but in the larger context of conditions in the Far East.

It is important to our own national interest that the economic position of the Philippine Republic be strengthened. For these reasons, your committee believes that the proposed changes to the existing agreement, relatively more advantageous to the Philippines as they may be, are justified and should be supported.

The Departments of State, Treasury, Defense, Agriculture, Commerce, and Interior support the enactment of this legislation.

ANALYSIS OF CHANGES BY AGREEMENT ARTICLES

The significant revisions of the 1946 agreement authorized in H. R. 6059 are set forth in the following paragraphs in the sequence of the articles and protocol of the negotiated revised agreement:

Article I

The original schedule for the reciprocal payment of customs duties at reduced rates, specified payment for articles of both countries at 15 percent of the lowest rate applicable to any other country in 1956, and an additional 5 percent each year until 100 percent of such rate was reached at the beginning of 1973. The revision provides for 2 schedules, 1 for each country, and the rates are substantially modified. Philippine articles entering the United States under the revised schedule would pay 5 percent of the lowest United States duties applicable to any other country from 1956 to 1958, 10 percent from 1959 to 1961, 20 percent from 1962 to 1964, 40 percent from 1965 to 1967, 60 percent from 1968 to 1970, 80 percent from 1971 to 1973, and 100 percent thereafter to the end of the agreement. United States articles entering the Philippines under the revised schedule would pay 25 percent of Philippine duties applicable to any other country from 1956 to 1958, 50 percent from 1959 to 1961, 75 percent from 1962 to 1964, 90 percent from 1965 to 1973, and 100 percent thereafter to the end of the agreement.

The Philippines undertakes to eliminate the present 17 percent tax on sales of foreign exchange and to replace this tax with a temporary special import levy, at a rate no higher than the exchange tax, exempt from the preferences applicable to United States articles, which levy will be progressively reduced at the rate of not less than 10 percent per year, beginning in the calendar year 1957. Provisions are included for the suspension of this schedule of reduction in the event Philippine revenues in any calendar year from tariffs on United States articles and from the temporary special import levy on United States articles fall below the proceeds of the foreign exchange tax on payments for United States articles in the calendar year 1955.

Article II

The revisions of this article eliminate the present absolute quotas on the entry of rice, Philippine cigars, scrap and filler tobacco, coconut oil, and buttons into the United States. The existing absolute quotas on sugar and cordage are continued unchanged, but with a provision that the quota on sugar shall be without prejudice to any increases which the United States Congress might allocate to the Philippines in the future. A slower schedule is provided for the progressive decrease of the duty-free quotas on cigars, scrap and filler tobacco, coconut oil, and buttons. The provisions specifying how the allocation in the Philippines of United States quotas on Philippine products is to be made is eliminated.

The recommendation for removal of the absolute quotas on cigars, tobacco, coconut oil and buttons is based on the fact that these discriminatory quotas are unnecessary for the purpose of protecting domestic industry since the United States retains the right under article III to impose such quotas where there is injury or threat to a domestic industry. The new provision regarding sugar implies no commitment regarding a possible increase in the United States sugar quota for the Philippines.

Article III

Article III of the revision concerns the use by each country of quantitative export and import restrictions affecting the other.

The sole content of article III before revision was a unilateral provision limiting the right of the United States to apply new discriminatory import quotas on Philippine articles, except under specified conditions. The Philippines requested the elimination of this article so that there would be equality in this field. Equality has been achieved through making all provisions of the revised article reciprocal.

The first paragraph lays down a general rule of most-favored-nation treatment in the application of restrictions and prohibitions on imports and exports.

The second paragraph permits the application of discriminatory import quotas in addition to those provided for in Article II, where serious injury to domestic producers results from the tariff preferences provided in the agreement or where there is danger of depletion of monetary reserves. It prescribes the extent to which such discriminatory import quotas for protective reasons may be established, it provides protection for the importation of goods in minimum commercial quantities, and it requires the discontinuance of discriminatory quotas when the conditions justifying their establishment no longer exist.

The third paragraph requires prior notification and the right of consultation regarding the establishment of discriminatory import quotas, and lays a basis for consultation in the case of nondiscriminatory import and export restrictions and prohibitions to the extent that the two parties find such consultation practicable.

Article IV

The only revision in this article is the deletion of the paragraph prohibiting the imposition of an export tax by either country upon products which it exports to the other.

Article V

Article V of the agreement before revision was a currency and exchange provision requiring the Philippines to get the agreement of the President of the United States before it could change the value of its currency or impose controls on the transfer of funds to the United States. This provision is eliminated entirely.

Revised article V is a commitment by the Philippines to take the necessary legislative and executive actions, prior to or at the time of the entry into effect of the present revision of the trade agreement, to enter into an agreement with the United States for the reciprocal entry of traders and investors, as authorized by Public Law 419 of the 83d Congress.

At the present time there is no agreement between the two countries on this subject since the immigration provisions of Article VI of the Trade Agreement have expired.

Article VI

Article VI in the agreement before revision related to immigration, and its provisions have expired. This subject is now treated in article V of the revised agreement. Article VII of the agreement before revision, relating to "parity," becomes article VI in the revised agreement.

The parity article, before revision, granted to American citizens in the Philippines equal rights with Filipinos in the development of natural resources and the operation of public utilities in the Philippines and in it the Philippines undertook to and did amend its Constitution to give effect to this commitment.

The revision gives to Filipinos the same rights in the United States with respect to the development of natural resources and the operation of public utilities that Americans enjoy in the Philippines, subject to the reservations, also mutual, which the United States must make concerning existing Federal legislation and the constitutional rights of the States. Mutualization with respect to the rights of the States is accomplished by making parity rights in the Philippines henceforth applicable only to citizens of States which grant the same rights to Filipinos. The rights of American citizens who were engaged in the development of natural resources or the operation of public utilities in the Philippines prior to entry into effect of this revision are protected, regardless of their citizenship in States which do not grant similar rights to Filipinos, except that such rights may be withdrawn from them if the States of which they are citizens withdraw similar rights from Filipinos who had been previously enjoying them.

Article VII

Article VII of the revised agreement is a new provision for reciprocal national treatment for the citizens and enterprises of each with respect to engaging in business activities, subject to the reservation of the constitutions and laws of the States of the United States and the mutualization of these reservations.

The 1946 agreement before revision contained no clear statement of rights of Americans to engage in business enterprises in the Philippines other than those referred to in the parity article, but there was a unilateral penalty provision (par. 4 of art. X), whereby the President of the United States could suspend the agreement in whole or in part if the Philippines discriminated in any way against Americans or

American companies. The revision obtains for Americans clear and positive assurances regarding their rights to engage in business in the Philippines.

Article VIII

The substance of article VIII is transferred to article IX of the revised agreement and a new provision is inserted as article VIII containing security exceptions for which there was previously no provision. These exceptions are of the usual type included in international agreements to which the United States is a party.

Article IX

This article as revised contains the amended substance of article VIII of the unrevised text. The provisions for the allocation of United States quotas on Philippine products is eliminated, as in article II. Also eliminated are the provisions relating to Philippine cooperation with the Philippine War Damage Commission, since that body no longer exists. There remain only the general provisions with respect to implementation by the two parties of the agreement.

Article X

The subject of article IX is transferred to article X and revised to provide for a consultation not later than July 1, 1971, on joint problems that may arise as a result or in anticipation of the termination of the agreement. This revision insures that at a reasonable length of time before the expiration of the agreement the two parties will meet to consider what the situation will be after expiration.

Article XI

The substance of article X of the agreement before revision, with respect to termination, is transferred unchanged to article XI. The provisions relating to entry into effect of the original 1946 agreement, having long since been executed, are eliminated, and a new paragraph providing for entry into force of the revisions on January 1, 1956, has been added. The provision for nondiscriminatory treatment of American citizens and firms is deleted since its purpose has been put into positive reciprocal undertakings in article VII.

Protocol

The only change in the protocol, which contains little except definitions of terms, is the addition of a statement to the definitions of "United States article" and "Philippine article" to the effect that these articles do not lose their status as such by reason of being imported from a country other than the Philippines or the United States, or from an insular possession of the United States, or by way of or via such a country or insular possession.

Your committee urges the enactment of H. R. 6059, as amended.

TEXT OF 1946 PHILIPPINE AGREEMENT SHOWING PROPOSED CHANGES

For the information of the Members of the House, changes in the 1946 Philippine Trade Agreement are shown as follows (existing provisions to be omitted are enclosed in black brackets, new matter is printed in italic, existing provisions in which no change is proposed are shown in roman):

AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF THE PHILIPPINES CONCERNING TRADE AND RELATED MATTERS DURING A TRANSITIONAL PERIOD FOLLOWING THE INSTITUTION OF PHILIPPINE INDEPENDENCE, SIGNED AT MANILA ON JULY 4, 1946, AS REVISED

Provisions of existing Agreement in which no change is proposed are shown in Roman; existing provisions proposed to be omitted are enclosed in brackets; new matter is shown in italics

The President of the United States of America and the President of the Republic of the Philippines, [recalling] *mindful of the close economic ties between the people of the United States and the people of the Philippines during many years of intimate political relations, [mindful of the great physical destruction and social disturbances suffered by the Philippines as a result of their valiant support of the cause of the United Nations in the war against Japan,]* and desiring to enter into an agreement [accepting on the part of each country the provisions of Title II and Title III (except Part 1) of the Philippine Trade Act of 1946 of the United States of America,] *in keeping with their long friendship, which will be mutually beneficial to the two peoples and will strengthen the economy of the Philippines so as to enable that Republic to contribute more effectively to the peace and prosperity of the free world,* have agreed to the following Articles:

ARTICLE I

[1. During the period from the date of the entry into force of this Agreement to July 3, 1954, both dates inclusive, United States articles as defined in Subparagraph (e) of Paragraph 1 of the Protocol to this Agreement entered, or withdrawn from warehouse, in the Philippines for consumption, and Philippine articles as defined in Subparagraph (f) of Paragraph 1 of the Protocol entered, or withdrawn from warehouse, in the United States for consumption, shall be admitted into the Philippines and the United States, respectively, free of ordinary customs duty.

[2. The ordinary customs duty to be collected on United States articles as defined in Subparagraph (e) of Paragraph 1 of the Protocol, which during the following portions of the period from July 4, 1954, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the Philippines for consumption, and on Philippine articles as defined in Subparagraph (f) of Paragraph 1 of the Protocol, other than those specified in Items D to G, both inclusive, of the Schedule to Article II, which during such portions of such period are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined by applying the following percentages of the Philippine duty as defined in Subparagraph (h) of Paragraph 1 of the Protocol, and of the United States duty as defined in Subparagraph (g) of Paragraph 1 of the Protocol, respectively:

[(a) During the period from July 4, 1954, to December 31, 1954, both dates inclusive, five per centum.

[(b) During the calendar year 1955, ten per centum.

[(c) During each calendar year after the calendar year 1955 until and including the calendar year 1972, a percentage equal to the percentage for the preceding calendar year increased by five percentum of the Philippine duty and the United States duty, respectively, as so defined.

[(d) During the period from January 1, 1973, to July 3, 1974, both dates inclusive, one hundred per centum.]

1. *The ordinary customs duty to be collected on United States articles as defined in Subparagraph (e) of Paragraph 1 of the Protocol, which during the following portions of the period from January 1, 1956, to July 3, 1974, both dates inclusive, are entered, or withdrawn from warehouse, in the Philippines for consumption, shall be determined by applying the following percentages of the Philippine duty as defined in Subparagraph (h) of Paragraph 1 of the Protocol:*

(a) *During the period from January 1, 1956, to December 31, 1958, both dates inclusive, twenty-five per centum.*

(b) *During the period from January 1, 1959, to December 31, 1961, both dates inclusive, fifty per centum.*

(c) *During the period from January 1, 1962, to December 31, 1964, both dates inclusive, seventy-five per centum.*

(d) *During the period from January 1, 1965, to December 31, 1973, both dates inclusive, ninety per centum.*

(e) *During the period from January 1, 1974, to July 3, 1974, both dates inclusive, one hundred per centum.*

2. *The ordinary customs duty to be collected on Philippine articles as defined in Subparagraph (f) of Paragraph 1 of the Protocol, other than those specified in the Schedule to Paragraph 2 of Article II, which during such portions of such period are entered, or withdrawn from warehouse, in the United States for consumption, shall be determined by applying the following percentages of the United States duty as defined in Subparagraph (g) of Paragraph 1 of the Protocol:*

(a) *During the period from January 1, 1956, to December 31, 1958, both dates inclusive, five per centum.*

(b) *During the period from January 1, 1959, to December 31, 1961, both dates inclusive, ten per centum.*

(c) *During the period from January 1, 1962, to December 31, 1964, both dates inclusive, twenty per centum.*

(d) *During the period from January 1, 1965, to December 31, 1967, both dates inclusive, forty per centum.*

(e) *During the period from January 1, 1968, to December 31, 1970, both dates inclusive, sixty per centum.*

(f) *During the period from January 1, 1971, to December 31, 1973, both dates inclusive, eighty per centum.*

(g) *During the period from January 1, 1974, to July 3, 1974, both dates inclusive, one hundred per centum.*

Note: The following table shows the tariff preferences under the existing agreement and under the proposed amended agreement for Philippine articles (other than certain tobacco products, coconut oil, and buttons of pearl or shell) imported into the United States and for United States articles imported into the Philippines.

Table of Tariff Preferences Under Original Agreement and Under Proposed Amended Agreement

Period	Original Agreement	Proposed Amended Agreement	
	Percentage of duty to be collected by both the United States and the Philippines—	Percentage of duty—	
		to be collected by United States on Philippine articles—	to be collected by Philippines on United States articles—
January 2, 1947–July 3, 1954.....	Free.....
July 4, 1954–December 31, 1954.....	5 percent.....
Calendar year 1955.....	10 percent.....
Calendar year 1956.....	15 percent.....	5 percent.....	25 percent.....
Calendar year 1957.....	20 percent.....	5 percent.....	25 percent.....
Calendar year 1958.....	25 percent.....	5 percent.....	25 percent.....
Calendar year 1959.....	30 percent.....	10 percent.....	50 percent.....
Calendar year 1960.....	35 percent.....	10 percent.....	50 percent.....
Calendar year 1961.....	40 percent.....	10 percent.....	50 percent.....
Calendar year 1962.....	45 percent.....	20 percent.....	75 percent.....
Calendar year 1963.....	50 percent.....	20 percent.....	75 percent.....
Calendar year 1964.....	55 percent.....	20 percent.....	75 percent.....
Calendar year 1965.....	60 percent.....	40 percent.....	90 percent.....
Calendar year 1966.....	65 percent.....	40 percent.....	90 percent.....
Calendar year 1967.....	70 percent.....	40 percent.....	90 percent.....
Calendar year 1968.....	75 percent.....	60 percent.....	90 percent.....
Calendar year 1969.....	80 percent.....	60 percent.....	90 percent.....
Calendar year 1970.....	85 percent.....	60 percent.....	90 percent.....
Calendar year 1971.....	90 percent.....	80 percent.....	90 percent.....
Calendar year 1972.....	95 percent.....	80 percent.....	90 percent.....
Calendar year 1973.....	100 percent.....	80 percent.....	90 percent.....
January 1, 1974–July 3, 1974.....	100 percent.....	100 percent.....	100 percent.....

3. Customs duties on United States articles, and on Philippine articles, other than ordinary customs duties, shall be determined without regard to the provisions of Paragraph 1 and 2 of this Article, but shall be subject to the provisions of Paragraph 4 of this Article.

4. With respect to United States articles imported into the Philippines, and with respect to Philippine articles imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles. As used in this Paragraph, the term “duty” includes taxes, fees, charges, or exactions, imposed on or in connection with [importation;] *importation*, but does not include internal taxes or ordinary customs duties.

5. With respect to products of the United States which do not come within the definition of United States articles, imported into the Philippines, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country. As used in this Paragraph the term “duty” includes taxes, fees, charges, or exactions, imposed on or in connection with [importation;] *importation*, but does not include internal taxes.

6. With respect to products of the Philippines, which do not come within the definition of Philippine articles, imported into the United States, no duty on or in connection with importation shall be collected or paid in an amount in excess of the duty imposed with respect to like articles which are the product of any other foreign country (except Cuba), or collected or paid in any amount if the duty is not imposed with respect to such like articles which are the product of any other foreign country (except Cuba). As used in this Paragraph the term "duty" includes taxes, fees, charges, or exactions, imposed on or in connection with [importation;] *importation*, does not include internal taxes.

7. *Notwithstanding the provisions of Paragraph 1 of this Article, the Philippines shall impose a temporary special import tax, in lieu of the present tax on the sale of foreign exchange, on any article or product imported or brought into the Philippines, irrespective of source; provided that such special levy is applied in a non-discriminatory manner pursuant to Paragraphs 4 and 5 of this Article, that the initial tax is at a rate no higher than the present rate of the foreign exchange tax, and that the tax shall be progressively reduced at a rate no less rapid than that specified in the following Schedule. If, as a result of applying this Schedule, the total revenue from Philippine customs duties and from the special import tax on goods coming from the United States is less in any calendar year than the proceeds from the exchange tax on such goods during the calendar year 1955, no reduction need be made in the special import tax for the next succeeding calendar year, and, if necessary to restore revenues collected on the importation of United States goods to the level of the exchange tax on such goods in calendar year 1955, the Philippines may increase the rate for such succeeding calendar year to any previous level provided for in this Schedule which is considered to be necessary to restore such revenues to the amount collected from the exchange tax on United States goods in calendar year 1955. Rates for the special import levy in subsequent years shall be fixed in accordance with the schedules specified in this Article, except as the Philippine Government may determine that higher rates are necessary to maintain the above-mentioned level of revenues from the importation of United States goods. In this event, such rate shall be determined by the Philippine Government, after consultation with the United States Government, at a level of the Schedule calculated to cover any anticipated deficiency arising from the operation of this provision.*

SCHEDULE FOR REDUCING SPECIAL IMPORT TAX

- (a) *After December 31, 1956, ninety per centum.*
- (b) *After December 31, 1957, eighty per centum.*
- (c) *After December 31, 1958, seventy per centum.*
- (d) *After December 31, 1959, sixty per centum.*
- (e) *After December 31, 1960, fifty per centum.*
- (f) *After December 31, 1961, forty per centum.*
- (g) *After December 31, 1962, thirty per centum.*
- (h) *After December 31, 1963, twenty per centum.*
- (i) *After December 31, 1964, ten per centum.*
- (j) *On and after January 1, 1966, nil.*

ARTICLE II

1. During the period from January 1, [1946] 1956, to December 31, 1973, both dates inclusive, the total amount of the articles falling within one of the classes specified in Items A and A-1 [, and C to G, both inclusive,] of the Schedule to this [Article] Paragraph, which are Philippine articles as defined in Subparagraph (f) of Paragraph 1 of the Protocol, and which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed the amounts specified in such Schedule as to each class of articles. During the period from January 1, [1946] 1956, to December 31, 1973, both dates inclusive, the total amount of the articles falling within the class specified in Item B of the Schedule to this [Article] Paragraph which are the product of the Philippines, and which, in any calendar year, may be entered, or withdrawn from warehouse, in the United States for consumption, shall not exceed the amount specified in such Schedule as to such class of articles. During the period from January 1, 1974, to July 3, 1974, both dates inclusive, the total amounts referred to in the preceding sentences of this Paragraph shall not exceed one-half of the amount specified in such Schedule with respect to each class of articles, respectively. *The establishment herein of the limitations on the amounts of Philippine raw and refined sugar that may be entered, or withdrawn from warehouse, in the United States for consumption, shall be without prejudice to any increases which the Congress of the United States might allocate to the Philippines in the future. The following Schedule to Paragraph 1 shall constitute an integral part thereof:*

Schedule of Absolute Quotas¹

Item	Classes of Articles	Amounts
A	Sugars	952,000 short tons
A-1	of which not to exceed _____ may be refined sugars, meaning "direct-consumption sugar" as defined in Section 101 of the Sugar Act of [1937] 1948, as amended, of the United States which is set forth in part as Annex I to this Agreement.	56,000 short tons
B	Cordage, including yarns, twines (including binding twine described in Paragraph 1622 of the Tariff Act of 1930 of the United States, as amended, which is set forth as Annex II to this Agreement), cords cordage, rope, and cable, tarred or untarred, wholly or in chief value of manilla (abaca) or other hard fiber.	6,000,000 lbs.

2. Philippine articles as defined in Subparagraph (f) of Paragraph 1 of the Protocol falling within one of the classes specified in [Items D to G, both inclusive, of the Schedule to this Article, which] *the items included in the Schedule to this Paragraph, which, during the following portions of the period from January 1, [1946] 1956, to December 31, 1973, both dates inclusive, are entered, or withdrawn from warehouse, in the United States for consumption, shall be free of ordinary customs duty; in quantities determined by applying the following percentages to the amounts specified in such Schedule as to each such class of articles:*

[(a) During each of the calendar years 1946 to 1954, one hundred per centum.

¹ This schedule does not constitute a substantive change of the agreement. It contains Items A, A-1, and B in the schedule to Article II of the existing agreement.

[(b) During the calendar year 1955, ninety-five per centum.]

(a) *During each of the calendar years 1956 to 1958, inclusive, ninety-five per centum.*

[(c) During each calendar year after the calendar year 1955 until and including the calendar year 1973, a percentage equal to the percentage for the preceding calendar year decreased by five per centum of such specified amounts.]

(b) *During each of the calendar years 1959 to 1961, inclusive, ninety per centum.*

(c) *During each of the calendar years 1962 to 1964, inclusive, eighty per centum.*

(d) *During each of the calendar years 1965 to 1967, inclusive, sixty per centum.*

(e) *During each of the calendar years 1968 to 1970, inclusive, forty per centum.*

(f) *During each of the calendar years 1971 to 1973, inclusive, twenty per centum.*

(g) *On and after January 1, 1974, nil.*

The following Schedule to Paragraph 2 shall constitute an integral part thereof:

Schedule of Tariff Quotas²

Item	Classes of Articles	Amounts
A	Cigars (exclusive of cigarettes, cheroots of all 200,000,000 cigar kinds, and paper cigars and cigarettes, including wrappers).	
B	Scrap tobacco, and stemmed and unstemmed filler tobacco described in Paragraph 602 of the Tariff Act of 1930 of the United States, as amended, which is set forth as Annex III to this Agreement.	6,500,000 lbs.
C	Coconut oil	200,000 long tons
D	Buttons of pearl or shell	850,000 gross

The quantities shown in the Schedule to this Paragraph represent base quantities for the purposes of computing the tariff-free quota and are not absolute quotas. Any such Philippine article so entered, or withdrawn from warehouse, in excess of the duty-free quota provided in this Paragraph shall be subject to one hundred per centum of the United States duty as defined in Subparagraph (g) of Paragraph 1 of the Protocol.

[3. Each of the quotas provided for in Paragraphs 1 and 2 of this Article for articles falling within one of the classes specified in Items A-1 and B, and D to G, each inclusive, of the Schedule to this Article shall be allocated annually by the Philippines to the manufacturers in the Philippines in the calendar year 1940 of products of a class for which such quota is established, and whose products of such class were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of the amount of the products of such class produced by each such manufacturer (or in the case of such successor in interest, the amount of the products of such class produced by his predecessor in interest) which was exported to the United States during the following period: (a) In the case of Items A-1 and D to G, each inclusive, the calendar year 1940,

² This schedule contains Items D, E, F, and G in the schedule to article II of the existing agreement. Under the existing agreement these items are subject to absolute quotas in the amounts stated: under the proposed amended agreement these items would be subject only to tariff quotas beginning in the amount stated.

and (b) in the case of Item B, the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines. The quota provided for in Paragraph 1 of this Article for unrefined sugars specified in Item A of such Schedule, including that required to manufacture the refined sugars specified in Item A-1 of the Schedule, shall be allocated annually by the Philippines to the sugar-producing mills and plantation owners in the Philippines in the calendar year 1940 whose sugars were exported to the United States during such calendar year, or their successors in interest, proportionately on the basis of their average annual production (or in the case of such a successor in interest, the average annual production of his predecessor in interest) for the calendar years 1931, 1932, and 1933, and the amount of sugars which may be so exported shall be allocated in each year between each mill and the plantation owners on the basis of the proportion of sugars to which each mill and the plantation owners are respectively entitled, in accordance with any milling agreements between them, or any extension, modification, or renewal thereof.

¶4. The holder of any allotment under law existing on April 29, 1946, including his successor in interest, and the holder of any allotment under any of the quotas which are provided for in Paragraphs 1 and 2 of this Article the allocation of which is provided for in Paragraph 3 of this Article, may transfer or assign all or any amount of such allotment on such terms as may be agreeable to the parties in interest. If, after the first nine months of any calendar year, the holder of any allotment, for that year, under any of the quotas referred to in the preceding sentence, is or will be unable for any reason to export to the United States all of his allotment, in time to fulfill the quota for that year, that amount of such allotment which it is established by sufficient evidence cannot be so exported during the remainder of the calendar year may be apportioned by the Philippine Government to other holders of allotments under the same quota, or in such other manner as will insure the fulfillment of the quota for that year: *Provided*, That no transfer or assignment or reallocation under the provisions of this Paragraph shall diminish the allotment to which the holder may be entitled in any subsequent calendar year.

¶The following Schedule to Article II shall constitute an integral part thereof:

<i>Items</i>	<i>Classes of Articles</i>	<i>Amounts</i>
A	Sugars	952,000 short tons,
A-1	of which not to exceed----- may be refined sugars, meaning 'direct-consumption sugar' as defined in Section 101 of the Sugar Act of 1937 of the United States which is set forth in part as Annex I to this Agreement.	56,000 short tons
B	Cordage, including yarns, twines (including binding twine described in Paragraph 1622 of the Tariff Act of 1930 of the United States, as amended, which is set forth as Annex II to this Agreement), cords, cordage, rope, and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber.	6,000,000 lbs.
C	Rice, including rice meal, flour, polish, and bran.	1,040,000 lbs.
D	Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers).	200,000,000 cigars
E	Scrap tobacco, and stemmed and unstemmed filler tobacco described in Paragraph 602 of the Tariff Act of 1930 of the United States, as amended, which is set forth as Annex III to this Agreement.	6,500,000 lbs.
F	Coconut oil.	200,000 long tons
G	Buttons of pearl or shell.	850,000 gross]

ARTICLE III

[1. With respect to quotas on Philippine articles as defined in Subparagraph (f) of Paragraph 1 of the Protocol (other than the quotas provided for in Paragraphs 1 and 2 of Article II, and other than quotas established in conjunction with quantitative limitations, applicable to products of all foreign countries, on imports of like articles), the United States will not establish any such quota for any period before January 1, 1948, and for any part of the period from January 1, 1948, to July 3, 1974, both dates inclusive, it will establish such a quota only if—

[(a) The President of the United States, after investigation, finds and proclaims that such Philippine articles are coming, or are likely to come, into substantial competition with like articles the product of the United States; and

[(b) The quota for any Philippine article as so defined for any twelve-month period is not less than the amount determined by the President as the total amount of Philippine articles of such class which (during the twelve months ended on the last day of the month preceding the month in which occurred the date proclaimed by the President as the date of the beginning of the investigation) was entered, or withdrawn from warehouse, in the United States for consumption; or, if the quota is established for any period other than a twelve-month period, is not less than a proportionate amount.

Any quota established pursuant to this Paragraph shall not continue in effect after the President, following investigation, finds and proclaims that the conditions which gave rise to the establishment of such quota no longer exist.

[2. If the President of the United States finds that the allocation of any quota established pursuant to Paragraph 1 of this Article is necessary to make the application of the quota just and reasonable between the United States and the Philippines, the United States shall have the right to provide the basis for the allocation of such quota, and

if the United States exercises such right, the Philippines will promptly put and keep in effect, on the basis provided by the United States, the allocation of such quota.]

1. *Except as otherwise provided in Article II or in Paragraph 2 of this Article, neither country shall impose restrictions or prohibitions on the importation of any article of the other country, or on the exportation of any article to the territories of the other country, unless the importation of the like article of, or the exportation of the like article to, all third countries is similarly restricted or prohibited. If either country imposes quantitative restrictions on the importation or exportation of any article in which the other country has an important interest and if it makes allotments to any third country, it shall afford such other country a share proportionate to the amount of the article, by quantity or value, supplied by or to it during a previous representative period, due consideration being given to any special factors affecting the trade in such article.*

2. (a) *Notwithstanding the provisions of Paragraph 1 of this Article, with respect to quotas on United States articles as defined in Subparagraph (e) of Paragraph 1 of the Protocol or with respect to quotas on Philippine articles as defined in Subparagraph (f) of Paragraph 1 of the Protocol (other than the articles for which quotas are provided in Paragraph 1 of Article II) a quota may be established only if—*

(1) *The President of the country desiring to impose the quota, after investigation, finds and proclaims that, as the result of preferential treatment accorded pursuant to this Agreement, any article of the other country is being imported in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers of like or directly competitive articles; or*

(2) *The President of the country desiring to impose the quota finds that such action is necessary to forestall the imminent threat of, or to stop, a serious decline in its monetary reserves, or, in the event its monetary reserves are very low, to achieve a reasonable rate of increase in its reserves.*

(b) *Any quota imposed for any twelve-month period under (a) (1) above for the purpose of protecting domestic industry shall not be less than the amount determined by the President of the importing country as the total amount of the articles of such class which, during the twelve months preceding entry into effect of the quota, was entered, or withdrawn from warehouse, for consumption, after deduction of the amount by which he finds domestic production can be increased during the twelve-month period of the quota; or if the quota is established for any period other than a twelve-month period, it shall not be less than a proportionate amount.*

(c) *Each Party agrees not to apply restrictions so as to prevent unreasonably the importation of any description of goods in minimum commercial quantities, the exclusion of which would seriously impair regular channels of trade, or restrictions which would prevent the importation of commercial samples, or prevent compliance with patent, trademark, copyright, or similar procedures.*

(d) *Any quota established pursuant to this Paragraph shall not continue in effect longer than necessary to achieve the purposes for its*

imposition, at which time the President of the country imposing the quota, following investigation, shall find and proclaim that the conditions which gave rise to the establishment of such quota no longer exist.

3. Either country taking action pursuant to the provisions of this Article shall give notice to the other country as far in advance as may be practicable, and shall afford it an opportunity to consult in respect of the proposed action. It is understood that this right of consultation does not imply that the consent of the other country to the establishment of the quota is needed in order for the quota to be put into effect.

ARTICLE IV

1. With respect to articles which are products of the United States coming into the Philippines, or with respect to articles manufactured in the Philippines wholly or in part from such articles, no internal tax shall be—

(a) Collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the Philippines, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(b) Collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the Philippines, or (2) with respect to materials used in the production of a like article which is the product of the Philippines, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the United States is not in excess of that permitted by Paragraph 1 (b) of Article IV such collection and payment shall not be regarded as in violation of the first sentence of this Paragraph.

2. With respect to articles which are products of the Philippines coming into the United States, or with respect to articles manufactured in the United States wholly or in part from such articles, no internal tax shall be—

(a) Collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of the United States, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles;

(b) Collected or paid in an amount in excess of the internal tax imposed with respect to like articles which are the product of any other foreign country, or collected or paid in any amount if the internal tax is not imposed with respect to such like articles.

Where an internal tax is imposed with respect to an article which is the product of a foreign country to compensate for an internal tax imposed (1) with respect to a like article which is the product of the United States, or (2) with respect to materials used in the production of a like article which is the product of the United States, if the amount of the internal tax which is collected and paid with respect to the article which is the product of the Philippines is not in excess of that

permitted by Paragraph 2 (b) of Article IV such collection and payment shall not be regarded as in violation of the first sentence of this Paragraph. This Paragraph shall not apply to the taxes imposed under sections [2306, 2327, or 2356] 4591, 4812, or 4831 of the Internal Revenue Code of the United States which are set forth in part as Annexes IV, V, and VI to this Agreement.

[3. No export tax shall be imposed or collected by the United States on articles exported to the Philippines, or by the Philippines on articles exported to the United States.]

[4.] 3. No processing tax or other internal tax shall be imposed or collected in the United States or in the Philippines with respect to articles coming into such country for the official use of the Government of the Philippines or of the United States, respectively, or any department or agency thereof.

[5.] 4. No processing tax or other internal tax shall be imposed or collected in the United States with respect to manila (abaca) fiber not dressed or manufactured in any manner.

[6.] 5. The United States will not reduce the preference of two cents per pound provided in Section [2470] 4513 of the Internal Revenue Code of the United States (relating to processing taxes on coconut oil, etc.), which is set forth as Annex VII to this Agreement, with respect to articles "wholly the production of the Philippine Islands" or articles "produced wholly from materials the growth or production of the Philippine Islands"; except that it may suspend the provisions of [Subsection (a) (2) of such Section] Section 4511 (b) of the Internal Revenue Code of the United States during any period as to which the President of the United States, after consultation with the President of the Philippines, finds that adequate supplies of neither copra nor coconut oil, the product of the Philippines, are readily available for processing in the United States.

ARTICLE V

The Republic of the Philippines will take the necessary legislative and executive actions, prior to or at the time of the entry into force of the revisions of this Agreement authorized by the Congress of the United States and the Congress of the Philippines in 1955, to enact and implement legislation similar to that already enacted by the Congress of the United States as Public Law 419, 83rd Congress, Chapter 323, 2d Session, to facilitate the entry of Philippine traders.

[ARTICLE V

[The value of Philippine currency in relation to the United States dollar shall not be changed, the convertibility of Philippine pesos into United States dollars shall not be suspended, and no restrictions shall be imposed on the transfer of funds from the Philippines to the United States except by agreement with the President of the United States.]

[ARTICLE VI

[1. Any citizen of the United States who actually resided in the Philippines, and any citizen of the Philippines who actually resided in the United States, for a continuous period of three years during

the period of forty-two months ending November 30, 1941, if entering the country of such former residence during the period from July 4, 1946, to July 3, 1951, both dates inclusive, for the purpose of resuming residence therein, shall for the purposes of the immigration laws, be considered a non-quota immigrant. After such admission as a non-quota immigrant he shall, for the purposes of the immigration and naturalization laws, be considered as lawfully admitted to such country for permanent residence. The benefits of this Paragraph shall also apply to the wife of any such citizen of the United States, if she is also a citizen thereof, and to his unmarried children under eighteen years of age, and to the wife of any such citizen of the Philippines, if she is also a citizen thereof or is eligible for United States citizenship, and to his unmarried children under eighteen years of age, if such wife or children of such citizen of the United States or of such citizen of the Philippines are accompanying or following to join him during such period. This Paragraph shall not apply to a citizen of the Philippines admitted to the Territory of Hawaii, without an immigration or passport visa, under the provisions of Paragraph (1) of Section 8 (a) of the Act of March 24, 1934, of the United States which is set forth as Annex VIII to this Agreement.

【2. There shall be permitted to enter the Philippines, without regard to any numerical limitations under the laws of the Philippines, in each of the calendar years 1946 to 1951, both inclusive, 1,200 citizens of the United States, each of whom shall be entitled to remain in the Philippines for 5 years.】

ARTICLE 【VII】 VI

1. The disposition, exploitation, development, and utilization of all agricultural, timber, and mineral lands of the public domain, waters, minerals, coal, petroleum and other mineral oils, all forces and sources of potential energy, and other natural resources of 【the Philippines,】 *either Party*, and the operation of public utilities, shall, if open to any person, be open to citizens of the 【United States】 *other Party* and to all forms of business enterprise owned or controlled, directly or indirectly, by 【United States citizens, except that (for the period prior to the amendment of the Constitution of the Philippines referred to in Paragraph 2 of this Article) the Philippines shall not be required to comply with such part of the foregoing provisions of this sentence as are in conflict with such Constitution.】 *citizens of such other Party in the same manner as to and under the same conditions imposed upon citizens or corporations or associations owned or controlled by citizens of the Party granting the right.*

【2. The Government of the Philippines will promptly take such steps as are necessary to secure the amendment of the Constitution of the Philippines so as to permit the taking effect as laws of the Philippines of such part of the provisions of Paragraph 1 of this Article as is in conflict with such Constitution before such amendment.】

2. The rights provided for in Paragraph 1 may be exercised, in the case of citizens of the Philippines with respect to natural resources in the United States which are subject to Federal control or regulations, only through the medium of a corporation organized under the laws of the United States or one of the States thereof and likewise, in the case

of citizens of the United States with respect to natural resources in the public domain in the Philippines, only through the medium of a corporation organized under the laws of the Philippines and at least 60% of the capital stock of which is owned or controlled by citizens of the United States. This provision, however, does not affect the right of citizens of the United States to acquire or own private agricultural lands in the Philippines or citizens of the Philippines to acquire or own land in the United States which is subject to the jurisdiction of the United States and not within the jurisdiction of any State and which is not within the public domain. The Philippines reserves the right to dispose of its public lands in small quantities on especially favorable terms exclusively to actual settlers or other users who are its own citizens. The United States reserves the right to dispose of its public lands in small quantities on especially favorable terms exclusively to actual settlers or other users who are its own citizens or aliens who have declared their intention to become citizens. Each Party reserves the right to limit the extent to which aliens may engage in fishing or engage in enterprises which furnish communications services and air or water transport. The United States also reserves the right to limit the extent to which aliens may own land in its outlying territories and possessions, but the Philippines will extend to American nationals who are residents of any of those outlying territories and possessions only the same rights, with respect to ownership of lands, which are granted therein to citizens of the Philippines. The rights provided for in this Paragraph shall not, however, be exercised by either Party so as to derogate from the rights previously acquired by citizens or corporations or associations owned or controlled by citizens of the other Party.

3. The United States of America reserves the rights of the several States of the United States to limit the extent to which citizens or corporations or associations owned or controlled by citizens of the Philippines may engage in the activities specified in this Article. The Republic of the Philippines reserves the power to deny any of the rights specified in this Article to citizens of the United States who are citizens of States, or to corporations or associations at least 60% of whose capital stock or capital is owned or controlled by citizens of States, which deny like rights to citizens of the Philippines, or to corporations or associations which are owned or controlled by citizens of the Philippines. The exercise of this reservation on the part of the Philippines shall not affect previously acquired rights, provided that in the event that any State of the United States of America should in the future impose restrictions which would deny to citizens or corporations or associations owned or controlled by citizens of the Philippines the right to continue to engage in activities in which they were engaged therein at the time of the imposition of such restrictions, the Republic of the Philippines shall be free to apply like limitations to the citizens or corporations or associations owned or controlled by citizens of such States.

Article VII

1. The Republic of the Philippines and the United States of America each agrees not to discriminate in any manner, with respect to their engaging in business activities, against the citizens or any form of business enterprise owned or controlled by citizens of the

other and that new limitations imposed by either Party upon the extent to which aliens are accorded national treatment with respect to carrying on business activities within its territories, shall not be applied as against enterprises owned or controlled by citizens of the other Party which are engaged in such activities therein at the time such new limitations are adopted, nor shall such new limitations be applied to American citizens or corporations or associations owned or controlled by American citizens whose States do not impose like limitations on citizens or corporations or associations owned or controlled by citizens of the Republic of the Philippines.

2. The United States of America reserves the rights of the several States of the United States to limit the extent to which citizens or corporations or associations owned or controlled by citizens of the Philippines may engage in any business activities. The Republic of the Philippines reserves the power to deny any rights to engage in business activities to citizens of the United States who are citizens of States, or to corporations or associations at least 60% of the capital stock or capital of which is owned or controlled by citizens of States, which deny like rights to citizens of the Philippines or to corporations or associations owned or controlled by citizens of the Philippines. The exercise of this reservation on the part of the Philippines shall not affect previously acquired rights, provided that in the event that any State of the United States of America should in the future impose restrictions which would deny to citizens or corporations or associations owned or controlled by citizens of the Philippines the right to continue to engage in business activities in which they were engaged therein at the time of the imposition of such restrictions, the Republic of the Philippines shall be free to apply like limitations to the citizens or corporations or associations owned or controlled by citizens of such States.

Article VIII

Nothing in this Agreement shall be construed:

(1) to require either Party to furnish any information the disclosure of which it considers contrary to its essential security interests; or

(2) to prevent either Party from taking any action which it considers necessary for the protection of its essential security interests—

(a) relating to fissionable materials or the materials from which they are derived;

(b) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(c) taken in time of war or other emergency in international relations; or

(3) to prevent either Party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

ARTICLE [VIII] IX

[1. Upon the taking effect of this Agreement the provisions thereof placing obligations on the United States: (a) if in effect as laws of the United States at the time this Agreement takes effect, shall continue in effect as laws of the United States during the effectiveness of the Agreement; or (b) if not so in effect at the time the Agreement takes effect, shall take effect and continue in effect as laws of the United States during the effectiveness of the Agreement. The Philippines will continue in effect as laws of the Philippines, during the effectiveness of this Agreement, the provisions thereof placing obligations on the Philippines, except as is otherwise provided in Paragraph 1 of Article VII].

1. Upon the taking effect of this Agreement, and upon the taking effect of the revisions thereof authorized by the Congress of the United States and the Congress of the Philippines in 1955, the provisions placing obligations on the United States: (a) if in effect as laws of the United States at the time of such taking effect, shall continue in effect as laws of the United States during the effectiveness of the Agreement; or (b) if not so in effect, shall take effect and continue in effect as laws of the United States during the effectiveness of the Agreement.

2. The United States and the Philippines will promptly enact, and shall keep in effect during the effectiveness of this Agreement, such legislation as may be necessary to supplement the laws of the United States and the Philippines, respectively, referred to in Paragraph 1 of this Article, and to implement the provisions of such laws and the provisions of this Agreement placing obligations on the United States and the Philippines, respectively. [Moreover, the Philippines will promptly enact, and keep in force and effect during the effectiveness of this Agreement, such legislation as may be necessary to put and keep in effect during the effectiveness of this Agreement, the allocation, reallocation, transfer, and assignment of quotas on the basis provided for in Paragraphs 3 and 4 of Article II; and, if the United States exercises the right to establish quotas pursuant to Paragraph 1 of Article III and to provide for the allocation thereof pursuant to Paragraph 2 of the same Article, the Philippines will promptly enact, and keep in force during the period for which each such quota is established, such legislation as is necessary to put and keep in effect, on the basis provided by the United States, the allocation of such quotas.

[3. The Philippines agree to assist the United States in carrying out Title I of the Philippine Rehabilitation Act of 1946 of the United States by providing that the following acts relative to such Title shall be offenses under the laws of the Philippines, and that, upon conviction thereof, the penalties attached to such offenses shall be enforced:

[Whoever, in the Philippines or elsewhere, makes any statement or representation knowing it to be false, or whoever willfully and fraudulently overvalues loss of or damage to property for the purpose of obtaining for himself or for any claimant any compensation pursuant to such Title, or for the purpose of influencing in any way the action of the Philippine War Damage Commission of the United States with respect to any claim for compensation pursuant to such Title, or for the purpose of obtain-

ing money, property, or anything of value under such Title, shall be punished by a fine of not more than the equivalent, in the currency of the Philippines, of five thousand dollars, United States currency, or by imprisonment for not more than two years, or both, and shall not receive any payments or other benefits under such Title and, if any payment or benefit shall have been made or granted, such Commission shall take such action as may be necessary to recover the same.

[(b) Whoever, in the Philippines or elsewhere, pays or offers to pay, or promises to pay, or receives, on account of services rendered or to be rendered in connection with any claim for compensation under such Title, any remuneration in excess of five per centum of the compensation paid by the Philippine War Damage Commission of the United States on account of such claim, shall be deemed guilty of a misdemeanor and shall be fined not more than the equivalent, in the currency of the Philippines, of five thousand dollars, United States currency, or imprisonment for not more than twelve months, or both, and, if any such payment or benefit shall have been made or granted, such Commission shall take such action as may be necessary to recover the same, and, in addition thereto, any such claimant shall forfeit all rights under such title.]

ARTICLE [IX] X

The United States and the Philippines agree to consult with each other with respect to any questions as to the interpretation or the application of this Agreement, concerning which either Government may make representations to the other. *Not later than July 1, 1971, the United States and the Philippines agree to consult with each other as to joint problems which may arise as a result or in anticipation of the termination of this Agreement.*

ARTICLE [X] XI

[1. The Philippine Trade Act of 1946 of the United States having authorized the President of the United States to enter into this Agreement, and the Congress of the United States having enacted such legislation as may be necessary to make the provisions thereof placing obligations on the United States take effect as laws of the United States, this Agreement shall not take effect unless and until the Congress of the Philippines accepts it by law and has enacted such legislation as may be necessary to make all provisions hereof placing obligations on the Philippines take effect as laws of the Philippines, except as is otherwise provided in Paragraph 1 of Article VII. This Agreement shall then be proclaimed by the President of the United States and by the President of the Philippines, and shall enter into force on the day following the date of such proclamations, or, if they are issued on different dates, on the day following the later in date.]

[2.] 1. This Agreement shall have no effect after July 3, 1974. It may be terminated by either the United States or the Philippines at any time, upon not less than five years' written notice. If the President of the United States or the President of the Philippines determines and proclaims that the other country has adopted or applied measures or

practices which would operate to nullify or impair any right or obligation provided for in this Agreement, then the Agreement may be terminated upon not less than six months' written notice.

[3. If the President of the United States determines that a reasonable time for the making of the amendment to the Constitution of the Philippines referred to in Paragraph 2 of Article VII has elapsed, but that such amendment has not been made, he shall so proclaim and this Agreement shall have no effect after the date of such proclamation.

[4. If the President of the United States determines and proclaims, after consultation with the President of the Philippines, that the Philippines or any of its political subdivisions or the Philippine Government is in any manner discriminating against citizens of the United States or any form of United States business enterprise, then the President of the United States shall have the right to suspend the effectiveness of the whole or any portion of this Agreement. If the President of the United States subsequently determines and proclaims, after consultation with the President of the Philippines, that the discrimination which was the basis for such suspension (a) has ceased, such suspension shall end; or (b) has not ceased after the lapse of a time determined by the President of the United States to be reasonable, then the President of the United States shall have the right to terminate this Agreement upon not less than six months' written notice.]

2. The revisions of this Agreement authorized by the Congress of the United States and the Congress of the Philippines in 1955 shall enter into force on January 1, 1956.

PROTOCOL TO ACCOMPANY THE AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF THE PHILIPPINES CONCERNING TRADE AND RELATED MATTERS DURING A TRANSITIONAL PERIOD FOLLOWING THE INSTITUTION OF PHILIPPINE INDEPENDENCE, SIGNED AT MANILA ON JULY 4, 1946, AS REVISED

The undersigned duly empowered Plenipotentiaries have agreed to the following Protocol to [this] *the* Agreement between the United States of America and the Republic of the Philippines concerning trade and related matters during a transitional period following the institution of Philippine Independence, signed [this day,] *at Manila on July 4, 1946, as revised*, which shall constitute an integral part of the Agreement:

1. For the purpose of the Agreement—

(a) The term "person" includes partnerships, corporations, and associations.

(b) The term "United States" means the United States of America and, when used in a geographical sense, means the States, the District of Columbia, the Territories of Alaska and Hawaii, and Puerto Rico.

(c) The term "Philippines" means the Republic of the Philippines and, when used in a geographical sense, means the territories of the Republic of the Philippines, whether a particular act in question took place, or a particular situation in question existed, within such territories before or after the institution of the Republic of the Philippines. As used herein the territories of the Republic of the Philippines comprise all the territories specified

in Section 1 of Article I of the Constitution of the Philippines which is set forth as Annex [XI] X to this Agreement.

(d) The term "ordinary customs duty" means a customs duty based on the article as such (whether or not such duty is also based in any manner on the use, value, or method of production of the article, or on the amount of like articles imported, or on any other factor); but does not include—

(1) A customs duty based on an act or omission of any person with respect to the importation of the article, or of the country from which the article is exported, or from which it comes; or

(2) A countervailing duty imposed to offset a subsidy, bounty, or grant; or

(3) An anti-dumping duty imposed to offset the selling of merchandise for exportation at a price less than the prevailing price in the country of export; or

(4) Any tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws; or

(5) The tax imposed by Section [2491 (e)] 4581 of the Internal Revenue Code of the United States, which is set forth as Annex [IX] VIII to this Agreement, with respect to an article, merchandise, or combination, ten per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in Section [2470] 4511 of such Code which is set forth as Annex VII to this Agreement; or the tax imposed by Section [3500] 4501 (b) of such Code which is set forth as Annex [X] IX to this Agreement.

(e) The term "United States article" means an article which is the product of the United States, unless, in the case of an article produced with the use of materials imported into the United States from any foreign country (except the Philippines) the aggregate value of such imported materials at the time of importation into the United States was more than twenty per centum of the value of the article imported into the Philippines, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the Philippines in effect at the time of importation of such article. As used in this Subparagraph the term "value", when used in reference to a material imported into the United States, includes the value of the material ascertained under the customs laws of the United States in effect at the time of importation into the United States, and, if not included in such value, the cost of bringing the material to the United States, but does not include the cost of landing it at the port of importation, or customs duties collected in the United States. For the purposes of this Subparagraph any imported material, used in the production of an article in the United States, shall be considered as having been used in the production of an article subsequently produced in the United States, which is the product of a chain of production in the United States in the

course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article. *It is understood that "United States articles" do not lose their status as such, for the purpose of Philippine tariff preferences, by reason of being imported into the Philippines from a country other than the United States or from an insular possession of the United States or by way of or via such a country or insular possession.*

(f) The term "Philippine article" means an article which is the product of the Philippines, unless, in the case of an article produced with the use of materials imported into the Philippines from any foreign country (except the United States) the aggregate value of such imported materials at the time of importation into the Philippines was more than twenty per centum of the value of the article imported into the United States, the value of such article to be determined in accordance with, and as of the time provided by, the customs laws of the United States in effect at the time of importation of such article. As used in this Subparagraph the term "value", when used in reference to a material imported into the Philippines, includes the value of the material ascertained under the customs laws of the Philippines in effect at the time of importation into the Philippines, and, if not included in such value, the cost of bringing the material to the Philippines, but does not include the cost of landing it at the port of importation, or customs duties collected in the Philippines. For the purposes of this Subparagraph any imported material, used in the production of an article in the Philippines, shall be considered as having been used in the production of an article subsequently produced in the Philippines, which is the product of a chain of production in the Philippines in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article. *It is understood that "Philippine articles" do not lose their status as such, for the purpose of United States tariff preferences, by reason of being imported into the United States from a country other than the Philippines or from an insular possession of the United States or by way of or via such a country or insular possession.*

(g) The term "United States duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the United States for consumption, of the Philippine article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(h) The term "Philippine duty" means the rate or rates of ordinary customs duty which (at the time and place of entry, or withdrawal from warehouse, in the Philippines for consumption, of the United States article) would be applicable to a like article if imported from that foreign country which is entitled to the lowest rate, or the lowest aggregate of rates, of ordinary customs duty with respect to such like article.

(i) The term "internal tax" includes an internal fee, charge, or exaction, and includes—

(1) The tax imposed by Section [2491 (c)] 4581 of the Internal Revenue Code of the United States which is set forth as Annex [IX] VIII to this Agreement, with respect to an article, merchandise, or combination, ten per centum or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the oils, fatty acids, or salts specified in Section [2470] 4511 of such Code which is set forth as Annex VII of this Agreement; and the tax imposed by Section [3500] 4501 (b) of such Code which is set forth as Annex [X] IX to this Agreement; and

(2) Any other tax, fee, charge, or exaction, imposed on or in connection with importation unless the law of the country imposing it designates or imposes it as a customs duty or contains a provision to the effect that it shall be treated as a duty imposed under the customs laws.

2. For the purposes of Subparagraphs (g) and (h) of Paragraph 1 of this Protocol—

(a) If an article is entitled to be imported from a foreign country free of ordinary customs duty, that country shall be considered as the country entitled to the lowest rate of ordinary customs duty with respect to such article; and

(b) A reduction in ordinary customs duty granted any country, by law, treaty, trade agreement, or otherwise, with respect to any article, shall be converted into the equivalent reduction in the rate of ordinary customs duty otherwise applicable to such article.

3. For the purposes of Paragraphs 1 and 2 of Article IV, any material, used in the production of an article, shall be considered as having been used in the production of an article subsequently produced, which is the product of a chain of production in the course of which an article, which is the product of one stage of the chain, is used by its producer or another person, in a subsequent stage of the chain, as a material in the production of another article.

4. The terms "includes" and "including" when used in a definition contained in this Agreement shall not be deemed to exclude other things otherwise within the meaning of the term defined.

ANNEXES OF STATUTORY PROVISIONS REFERRED TO IN THE AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF THE PHILIPPINES REVISING THE AGREEMENT OF JULY 4, 1946 CONCERNING TRADE AND RELATED MATTERS DURING A TRANSITIONAL PERIOD FOLLOWING THE INSTITUTION OF PHILIPPINE INDEPENDENCE¹

ANNEX I

Sugar Act of [1937] 1948 of the United States, as amended to [May 1, 1946.]²

SECTION 101. For the purposes of this Act, except Title [IV] V—

"(e) The term 'direct-consumption sugar' means any sugars which are principally of crystalline structure and which are not to be further

¹ The annexes as here presented are included for purposes of information only, and are not a part of the legislation requested. They will be revised to reflect any additional changes which occur before the date of signature of the revising agreement.

refined or otherwise improved in quality." [(50 Stat.) Pt. 1 (908, Ch. 898)] 61 Stat., Pt. 1, 922

ANNEX II

Tariff Act of 1930 of the United States, as amended to [May 1, 1946.]^a

"PAR. 1622. All binding twine *and twine chiefly used for baling hay, straw, and other fodder and bedding materials*, manufactured from New Zealand hemp, henequen, manila, istle or Tampico fibre, sisal-grass, or sunn, or a mixture of any two or more of them, of single ply and measuring not exceeding seven hundred and fifty feet to the pound." [(46 Stat.) Pt. 1 (675, Ch. 497)] 46 Stat., Pt. 1, 675; 65 Stat. 655

ANNEX III

Tariff Act of 1930 of the United States, as amended to [May 1, 1946.]^a

"PAR. 602. The term 'wrapper tobacco' as used in this title means that quality of leaf tobacco which has the requisite color, texture, and burn, and is of sufficient size for cigar wrappers, and the term 'filler tobacco' means all other leaf tobacco . . ." [(46 Stat.) Pt. 1 (631, Ch. 497)] 46 Stat., Pt. 1, 631

ANNEX IV

Internal Revenue Code of 1954 of the United States, as amended to [May 1, 1946.]^a

["Chapter 16—Oleomargarine, adulterated butter, and process or renovated butter.]

["SEC. 2306. Importation."] "SEC. 4591. IMPOSITION OF TAX.

["All] "(a) RATE.—*There is hereby imposed on all oleomargarine imported from foreign countries [shall,]* in addition to any import duty imposed on the same, [pay] an internal revenue tax of [fifteen] 15 cents per pound, such tax to be represented by coupon stamps [as in the case of oleomargarine manufactured in the United States] . . ."

["SEC. 2300. Oleomargarine defined."] "SEC. 4592. DEFINITIONS.

"(a) OLEOMARGARINE.—For the purposes of [this chapter, and of sections 3200 and 3201,] *section 4591*, certain manufactured substances, certain extracts, and certain mixtures and compounds, including such mixtures and compounds with butter, shall be known and designated as 'oleomargarine,' namely: All substances known prior to August 2, 1886, as oleomargarine, oleo, oleomargarine oil, butterine, lardine, suine, and neutral; all mixtures and compounds of oleomargarine, oleo, oleomargarine oil, butterine, lardine, suine, and neutral; all lard extracts and tallow extracts; and all mixtures and compounds of tallow, beef fat, suet, lard, lard oil, fish oil or fish fat, vegetable oil, annatto, and other coloring matters, intestinal fat, and offal fat;—if (1) made in imitation or semblance of butter, or (2) calculated or intended to be sold as butter or for butter, or (3) churned, emulsified, or mixed in cream, milk, water, of other liquid, and containing mois-

^a The date of signature of the revising agreement is to be inserted here.

ture in excess of [one] 1 per centum [per centum] or common salt.”
68A Stat. 545

SEC. 4593. EXEMPTION.

[This section] “(a) *SHORTENING OR CONDIMENTS.*—Section 4591 shall not apply to puff-pastry shortening not churned or emulsified in milk or cream, and having a melting point of [one hundred and eighteen] 118 degrees Fahrenheit or more, nor to any of the following containing condiments and spices: salad dressings, mayonnaise dressings, or mayonnaise products, nor to liquid emulsion, pharmaceutical preparations, oil meals, liquid preservatives, illuminating oils, cleansing compounds, or flavoring compounds.” [(53 Stat.) 247 and 248.]
68A Stat. 546

ANNEX V

Internal Revenue Code of 1954 of the United States, as amended to [May 1, 1946.]²

SEC. 4812. IMPORTATION OF ADULTERATED BUTTER

“There shall be imposed upon adulterated butter imported from a foreign country, in addition to any import duty imposed on the same, an internal revenue tax of 15 cents per pound, such tax to be represented by coupon stamps as in the case of adulterated butter manufactured in the United States . . .” 68A Stat. 571

[“SEC 2327. Other laws applicable.

[“(a) *OLEOMARGARINE.*—The provisions of sections 2301 (a) (2), 2305 to 2311, inclusive (except subsections (a), (b) and (h) of section 2308), and section 3791 (a) (1), shall apply to the manufacturers of adulterated butter to an extent necessary to enforce the marking, branding, identification, and regulation of the exportation and importation of adulterated butter. 53 Stat. 255.” (53 Stat.) Pt. 1 (247, 250, 252, 253, and 255, Ch. 2)]

“SEC. [2320] 4826. [Definitions.] *DEFINITIONS.*

“(a) *BUTTER.*—For the purpose of this [chapter and sections 3206 and 3207,] *part*, the word ‘butter’ shall be understood to mean the food product usually known as butter, and [which is] made exclusively from milk or cream, or both, with or without common salt, and with or without additional coloring matter.

“(b) *ADULTERATED BUTTER.*—‘Adulterated butter’ is defined to mean a grade of butter produced by mixing, reworking, rechurning in milk or cream, refining, or in any way producing a uniform, purified, or improved product from different lots or parcels of melted or unmelted butter or butter fat, in which any acid, alkali, chemical, or any substance whatever is introduced or used for the purpose or with the effect of deodorizing or removing therefrom rancidity, or any butter or butter fat with which there is mixed any substance foreign to butter as defined in subsection (a), with intent or effect of cheapening in cost the product, or any butter in the manufacture or manipulation of which any process or material is used with intent or effect of causing the absorption of abnormal quantities of water, milk, or cream.” [(53 Stat. 252 and 253.)] 68A Stat. 576

² The date of signature of the revising agreement is to be inserted here.

ANNEX VI

Internal Revenue Code of 1954 of the United States, as amended to [May 1, 1946.]²

["SEC. 2356. Importation."] "SEC. 4831. IMPOSITION OF TAX.

[All] "(b) IMPORTED.—There shall be imposed upon all filled cheese [as defined in section 2350 (b)] imported from a foreign [countries] country, [shall,] in addition to any import duty imposed on the same, [pay] an internal revenue tax of 8 cents per pound; [such tax to be represented by coupon stamps;] and such imported filled cheese and the packages containing the same shall be stamped, marked, and branded, as in the case of filled cheese manufactured in the United States." [53 Stat. 258." (53 Stat.) Pt. 1 (256 and 258, Ch. 2)] 68A Stat. 577

["SEC. 2350. Definitions."] "SEC. 4846. DEFINITIONS.

"For the purposes of this [chapter and sections 3210 and 3211—] part—

["(a)] "(1) CHEESE.—The word 'cheese' shall be understood to mean the food product known as cheese, and [which is] made from milk or cream and without the addition of butter, or any animal, vegetable, or other oils or fats foreign to such milk or cream, with or without additional coloring matter.

["(b)] "(2) FILLED CHEESE.—Certain substances and compounds shall be known and designated as 'filled cheese,' namely: All substances made of milk or skimmed milk, with the admixture of butter, animal oils or fats, vegetable or any other oils, or compounds foreign to such milk, and made in imitation or semblance of cheese. Substances and compounds, consisting principally of cheese with added edible oils, which are not sold as cheese or as substitutes for cheese but are primarily useful for imparting a natural cheese flavor to other foods shall not be considered 'filled cheese' within the meaning of this [chapter.] part." [53 Stat. 256."] 68A Stat. 579

ANNEX VII

Internal Revenue Code of 1954 of the United States, as amended to [May 1, 1946.]²

["SEC. 2470. Tax."] "SEC. 4511. IMPOSITION OF TAX.

["(a) Rate.]

["(1) In general.—] "(a) GENERAL.—There [shall be] *is hereby* imposed upon the first domestic processing of coconut oil, palm oil, palm-kernel oil, fatty acids derived from any of the foregoing oils, salts of any of the foregoing (whether or not such oils, fatty acids or salts have been refined, sulphonated, sulphated, hydrogenated, or otherwise processed), or any combination or mixture containing a substantial quantity of any one or more of such oils, fatty acids, or salts, a tax of [three.] 3 cents per pound, to be paid by the processor.

["(2)] "(b) ADDITIONAL RATE ON COCONUT OIL.—There [shall be] *is hereby* imposed (in addition to the tax imposed by the preceding subsection) a tax of [two.] 2 cents per pound, to be paid by the processor, upon the first domestic processing of coconut oil or of any combination or mixture containing a substantial quantity of coconut oil with respect to which oil there has been no previous first domestic

²The date of signature of the revising agreement is to be inserted here.

processing. [except that the tax imposed by this sentence shall not apply when it is established, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that such coconut oil (whether or not contained in such a combination or mixture), (A) is wholly the production of the Philippine Islands or any possession of the United States, or (B) was produced wholly from materials the growth or production of the Philippine Islands or any possession of the United States, or (C) was brought into the United States on or before June 9, 1934, or produced from materials brought into the United States on or before June 9, 1934, or (D) was purchased under a bona fide contract entered into prior to April 26, 1934, or produced from materials purchased under a bona fide contract entered into prior to April 26, 1934.]

“(c) TERMINATION OF ADDITIONAL RATE.—The tax imposed by [this paragraph] *subsection (b)* shall not apply to any domestic processing after July 3, 1974.”

[“(b) Exemption.—]

“SEC. 4513. EXEMPTIONS.

“(a) ACIDS AND SALTS PREVIOUSLY TAXED.—The tax under [subsection (a)] *section 4511* shall not apply—

“(1) with respect to any fatty acid or salt resulting from a previous first domestic processing taxed under such section or upon which an import tax has been paid under [Chapter 22,] *subchapter E of chapter 38*, or

“(2) with respect to any combination or mixture by reason of its containing an oil, fatty acid, or salt with respect to which there has been a previous first domestic processing or upon which an import tax has been paid under [Chapter 22,] *subchapter E of chapter 38*.

“(b) FROM ADDITIONAL TAX ON COCONUT OIL.—The additional tax [except that the tax] imposed by [this sentence] *section 4511 (b)* shall not apply when it is established, in accordance with regulations prescribed by the [Commissioner with the approval of the Secretary,] *Secretary or his delegate*, that [such] *the* coconut oil (whether or not contained in [such] a combination or mixture),—

[A] “(1) is wholly the production of the Philippine Islands, [or] any possession of the United States, or the Territory of the Pacific Islands (hereinafter in this paragraph referred to as the ‘Trust Territory’), or

[B] “(2) was produced wholly from materials the growth or production of the Philippine Islands, [or] any possessions of the United States, or the Trust Territory . . .”

68A Stat. 536-537

[“(c) Importation prior to August 21, 1936.—Notwithstanding the provisions of subsections (a) and (b) of this section, the first domestic processing of sunflower oil or sesame oil (or any combination or mixture containing a substantial quantity of sunflower oil or sesame oil), if such oil or such combination or mixture or such oil contained therein was imported prior to August 21, 1936, shall be taxed in accordance with the provisions of section 602½ of the Revenue Act of 1934, 48 Stat. 763, in force on June 22, 1936. 53 Stat. 264.” (53 Stat.) Pt. 1 (264 and 265, Ch. 2; Pub. Law 371—79th Cong.)]

[An Act of the United States to suspend in part the processing tax on coconut oil, as amended to May 1, 1946.]

["Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2470 (a) (2) of the Internal Revenue Code is hereby suspended: *Provided*, That if the President after receipt by him of a request from the Government of the Commonwealth of the Philippine Islands that the suspension of section 2470 (a) (2) be terminated, shall find that adequate supplies of copra, coconut oil, or both, the product of the Philippine Islands, are readily available for processing in the United States, he shall so proclaim; and thirty days after such proclamation, the suspension of section 2470 (a) (2) of the Internal Revenue Code, shall terminate.

["SEC. 2. This Act shall become effective the day following its enactment, and shall terminate on June 30, 1946." (56 Stat.) Pt. 1 (752 and 753, Ch. 560); (58 Stat.) Pt. 1 (647, Ch. 332)"]

[ANNEX VIII

[Act of March 24, 1934 of the United States, as amended to May 1, 1946.

["SEC. 8. (a) Effective upon the acceptance of this Act by concurrent resolution of the Philippine Legislature or by a convention called for that purpose, as provided in section 17—

["(1) For the purposes of the Immigration Act of 1917, the Immigration Act of 1924 (except section 13 (c), this section, and all other laws of the United States relating to the immigration, exclusion, or expulsion of aliens, citizens of the Philippine Islands who are not citizens of the United States shall be considered as if they were aliens. For such purposes the Philippine Islands shall be considered as a separate country and shall have for each fiscal year a quota of fifty. This paragraph shall not apply to a person coming or seeking to come to the Territory of Hawaii who does not apply for and secure an immigration or passport visa, but such immigration shall be determined by the Department of the Interior on the basis of the needs of industries in the Territory of Hawaii. 48 Stat. 462." (48 Stat.) Pt. 1 (462, Ch. 84)"]

ANNEX [IX] VIII

Internal Revenue Code of 1954, of the United States, as amended to [May 1, 1946] *

"SEC. [2490.] 4581. IMPOSITION OF TAX.

"In addition to any other tax or duty imposed by law, there [shall be] *is hereby* imposed upon the following articles imported into the United States, unless treaty provisions of the United States otherwise provide, a tax at the rates set forth, [in section 2491,] to be paid by the importer—[53 Stat. 267.]"

[SEC. 2491. Rate of Tax.]

["(c)"]

"Any article, merchandise, or combination (except oils specified in section [2470], 4511), 10 [per centum] percent or more of the quantity by weight of which consists of, or is derived directly or indirectly from, one or more of the products specified [above in this paragraph] in sections 4561 and 4571, or of the oils, fatty acids, or salts specified in section [2470,] 4511, a tax at the rate or rates per pound equal to that proportion of the rate or rates

prescribed in [this paragraph or such section 2470] sections 4561 and 4571 or section 4511 in respect of such product or products which the quantity by weight of the imported article, merchandise, or combination, consisting of or derived from such product or products, bears to the total weight of the imported article, merchandise, or combination;

“SEC. 4582. EXEMPTIONS.

“(a) CERTAIN NATURAL OILS.—There shall not be taxable under [this subparagraph] section 4581 any article, merchandise, or combination (other than an oil, fat, or grease, and other than products resulting from processing seeds without full commercial extraction of the oil content), by reason of the presence therein of an oil, fat, or grease which is a natural component of such article, merchandise, or combination and has never had a separate existence as an oil, fat, or grease.” [53 Stat. 267 and 268.” (53 Stat.) Pt. 1 (267 and 268, Ch. 2)] 68A Stat. 544

ANNEX [X] IX

Internal Revenue Code of 1954 of the United States, as amended to [May 1, 1946]²

[“CHAPTER 32. Sugar.]

[“SEC. 3500. Rate of Tax.]

“SEC. 4501. IMPOSITION OF TAX.

“(b) IMPORT TAX.—In addition to any other tax or duty imposed by law, there [shall be] *is hereby* imposed, under such regulations as the [Commissioner of Customs] *Secretary or his delegate* shall prescribe, [with the approval of the Secretary,] a tax upon articles imported or brought into the United States as follows:

“(1) on all manufactured sugar testing by the polariscope [ninety-two] 92 sugar degrees, 0.465 cent per pound, and, for each additional sugar degree shown by the polariscopic test, 0.00875 cent per pound additional, and fractions of a degree in proportion;

“(2) on all manufactured sugar testing by the polariscope less than [ninety-two] 92 sugar degrees, 0.5144 cent per pound of the total sugars therein;

“(3) on all articles composed in chief value of manufactured sugar, 0.5144 cent per pound of the total sugars therein.” [53 Stat. 428.”] 68A Stat. 533

“SEC. [3507] 4502. DEFINITIONS.

“For the purposes of this subchapter.—

[b] “(3) MANUFACTURED SUGAR.—The term ‘manufactured sugar’ means any sugar derived from sugar beets or sugarcane, which is not to be, and which shall not be, further refined or otherwise improved in quality; except sugar in liquid form which contains nonsugar solids (excluding any foreign substance that may have been added or developed in the product) equal to more than 6 per centum of the total soluble solids [.] and except also sirup of cane juice produced from [sugar cane] *sugarcane* grown in continental United States. The grades or types of sugar within the meaning of this definition shall include, but shall not be limited to, granulated sugar, lump sugar, cube sugar, powdered

² The date of signature of the revising agreement is to be inserted here.

sugar, sugar in the form of blocks, cones, or molded shapes, confectioners' sugar, washed sugar, centrifugal sugar, clarified sugar, tubinado sugar, plantation white sugar, muscovado sugar, refiners' soft sugar, invert sugar mush, raw sugar, sirups, molasses, and sugar mixtures.

["(c)"] "(4) TOTAL SUGARS.—The term 'total sugars' means the total amount of the sucrose (Clerget) and of the reducing or invert sugars. The total sugars contained in any grade or type of manufactured sugar shall be ascertained in the manner prescribed in paragraphs 758, 759, 762, and 763 of the United States Customs Regulations (1931 edition)." [(53 Stat.) Pt. 1 (426, 428, and 429, Ch. 2).] 68A Stat. 534

ANNEX [XI] X

Constitution of the Philippines as amended to [May 1, 1946.]²

"ARTICLE I.—THE NATIONAL TERRITORY

"SECTION 1. The Philippines comprises all the territory ceded to the United States by the Treaty of Paris concluded between the United States and Spain on the tenth day of December, eighteen hundred and ninety-eight, the limits of which are set forth in Article III of said treaty, together with all the islands embraced in the treaty concluded at Washington, between the United States and Spain on the seventh day of November, nineteen hundred, and in the treaty concluded between the United States and Great Britain on the second day of January, nineteen hundred and thirty, and all territory over which the present Government of the Philippine Islands exercises jurisdiction."

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 9 OF THE ACT OF MARCH 2, 1917

SEC. 9. That the statutory laws of the United States not locally inapplicable, except as hereinbefore or hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal revenue laws other than those contained in the Philippine Trade Act of 1946 or the *Philippine Trade Agreement Revision Act of 1955*: *Provided, however,* That hereafter all taxes collected under the internal revenue laws of the United States on articles produced in Puerto Rico and transported to the United States, or consumed in the island shall be covered into the Treasury of Puerto Rico."

²The date of signature of the revising agreement is to be inserted here.