

## The Political History of the US-Philippines Trade Relations of 1946

ROBERT PAUL V. JURADO  
University of Santo Tomas  
Manila, Philippines

### Abstract:

*The United States as becoming world power, after winning the war in the World War II, it was planned to have their wealth invested to an international setting. Philippines, then was fully devastated, structures fully destroyed, economy failed, and its independence might be at stake. However, this oriental country would want this investment desperately for they needed reconstruction and rehabilitation.*

*The Philippines would want to recover for they do not have the means of how to start anew due to financial losses during the war. The country has the man power, but no money to buy equipments, no industries to lean on to sell these raw materials, and no market or country to sell their harvest in the future.*

*The United States would have a proposed plan to give the rehabilitation and reconstruction of the country, provided there will be a future trade relation between the United States and the Philippines. Later it was known as the US-Philippines Trade Relations of 1946. Hearings held in the United States Congress on April of 1946 to determine on what to take on to have their future executive agreement would be for the next 20 years. Meanwhile, while the hearings happens, United States are doing political moves, having measures on the relief and the rehabilitation of the Philippines, the campaign of the Philippine presidents, aligning their promise of independence for the Philippines and other means to attain their goal of investing in the countries to make the trade relations successful.*

**Key words:** Trade relations, rehabilitation, reconstruction, executive agreement, economy.

## **The World at War**

During the course of the World War II, the United States is not just world's dominant in militarism, but it proved to the most in terms of economic stability. Almost all of the countries in the Pacific, particularly which became the war ground, are struggled to find ways on recovering, like that of Southeast and East Asian Regions.

With the American dominance in the world economy, there is no place where she could put up his capital in the Pacific area. Countries have fallen during the war, many of it needs rehabilitation. Japan was penalized for its war crimes committed. The whole Pacific Rim needs assistance. The United States surpluses in resources have to find countries for their investments.

"...Chastened by the breakdown of the global economy during the inter-war period, the United States began a return to liberalism with the passage of the Reciprocal Trade Agreements Act of 1934. After the Second World War, the trend of increased economic liberalism continued with each successive round of the General Agreement on Tariffs and Trade (GATT), and the result was the rapid expansion of world trade. World exports increased by close to 8 per cent per annum between 1950 and 1973, and by 5 per cent for the subsequent twenty-five-year period." (Ravenhill, 2008, 350).<sup>1</sup>

Since then, the United States have to find ways on putting up its capital into the market. The Philippines, one of its potential customer has to distribute through its rehabilitation plan and reconstruct not just the country, but also its financial economic market.

---

<sup>1</sup> John Ravenhill 2008, 350.

## **The Post War Situation**

The war ended, and countries fail to get on their feet. The Philippines was still trying to recover. The United States is offering help. The communiqué of General MacArthur on July 5, 1945 declared the entire Philippine Islands liberated. It is still at that time the Japanese were defying the Allies. However, it ended on the bombing of Hiroshima and Nagasaki, until it fully surrendered unconditionally on August 15, 1945.

There was rapid inspection by US Senator Millard Tydings on May 24 to May 28 1945 on the Philippines. Ten to fifteen percent of all the buildings in the Philippines had been destroyed; light and water services were almost totally destroyed; communication systems and inter-islands transportation were non-existent; tens of thousands of Filipinos were without shelter, food, clothing, and medical care; the food situation was tragic, and there was an acute shortage of seeds, farming implements and work animals; no crops could be exported. The Reparations Commission indicated that a bill for damages amounting to P16 billions should be presented to Japan (Roxas 1947).<sup>2</sup>

June 9, 1945, the First Congress of the Philippines met for the first time since 1941. The Congress passed various measures concerning the rehabilitation and reconstruction of the Philippines (Zaide 1994, 353).<sup>3</sup>

On the day of the lowering of the American flag, the Philippines step up on enjoying its independence, but wavering on how to stabilize their work into prosperity upon its recovery from austerity. When Manuel Roxas was inaugurated as the last president of the Commonwealth on May 26, 1946 up to July 4, 1946, he felt his work for the free and independent

---

<sup>2</sup> Roxas, Manuel. National Problems during the Roxas Administration. Manuel A. Roxas. Extracts from the Final Speech on Parity of his Excellency, 707.

<sup>3</sup> Zaide 1994, 353.

Philippines. While on July 4, 1946, he became the First President of the Third Republic of the Philippines.

As the High Commissioner McNutt said, “a nation is born” (Zaide 1994, 353) <sup>4</sup>. However, as it is the rise of the post war problems of the republic. According to Dr. Sonia Zaide:

“The third problem was the financial poverty of the government. The new Republic began to function on an annual deficit of over P200,000,000, with little prospect of a balanced budget for some years to come. For operational expenses, it had to borrow heavily from the United States and to depend upon American monetary aid.” (Zaide 1994, 353). <sup>5</sup>

The campaign to extract the Philippines away from the Japanese left it in ruins. Claims from all the countries damaged by the Pacific costs to billions of dollars. “*The Allied reparations committee, however, could not agree on the amount Japan could pay.*” (Francia 2010).<sup>6</sup> Most of these payments, which MacArthur compelled, were in the form of industrial equipments. In 1952, Japan signed a peace treaty with forty-nine nations that they would negotiate separately with not just the Philippines but other war-damaged countries.

In the economic setting, the General Agreement on Tariffs and Trade (GATT) was negotiated in 1947 and entered into force in January 1948. There were twenty-three (23) countries which originally signed it were at the time, engaged in drawing up the charter. The GATT has governed the trade of its members, in which the United States of America and the Philippines are members.

In 1933, the US Congress provided a period of 5 years (1941 to 1946) for adjustment of Philippine economy, enactment of a measure for political independence. This measure requires enactment by the Philippine Congress, in which case the President of the United States acting through the Department

---

<sup>4</sup> Ibid, 354.

<sup>5</sup> Ibid, 355.

<sup>6</sup> Francia, Luis H. 2010.

of State set up a Joint Preparatory Committee on Philippine Affairs (Paul McNutt Confidential Letter to Mr. Richard R. Ely, January 18, 1946).<sup>7</sup>

A representative of the Department of State of the United States has been invited to present on Trade Relations of the Filipino Rehabilitation Commission. It was a discussion which was referred to the committee endorsing the following positions:

1. An arrangement under which there would be free trade between the United States and the Philippines for as long a period as twenty years after the Philippines become an independent country would be inconsistent with the objective of this Government to obtain the removal of preferences and discriminations which obstruct the expansion of world trade and such an arrangement should not, therefore be undertaken.
2. It is recognized, however, that in establishing nonpreferential trade relations between the United States and the Philippines it may be desirable with a view to the economic rehabilitation of the Islands to provide for period of declining preferences.
3. It is further recognized that the rehabilitation of the Philippines, to which the United States desire to make, on a sound and lasting basis, the fullest possible contribution, involves other important considerations, and it is proposed, after further study, to suggest other measures for promoting such rehabilitation.” (Memorandum by the Acting Secretary of State to President Roosevelt March 20, 1945).<sup>8</sup>

---

<sup>7</sup> Paul McNutt, Confidential Letter by the United States High Commissioner in the Philippines (McNutt) to Mr. Richard R. Ely, of the Office of United States High Commissioner addressed to President Truman, January 18, 1946.

<sup>8</sup> James Byrnes, Memorandum by the Acting Secretary of State to President Roosevelt, March 20, 1945.

While this happens, the Philippine government submitted to Senator Millard Tydings a proposal under which there would be a free trade between the United States and the Philippines, but this does not include basic quotas which were previously defined under the Philippine Independence Act as amended. Meanwhile, the Secretary of State<sup>9</sup> William Clayton pointed out that there should be an Executive Committee in this trade relation includes Department of State, Treasury, Agriculture, Commerce, and Labor, the United States Tariff Commission and the Foreign Economic Administration.

### **Reaffirmation of the Promise by US to Grant Philippine Independence**

With the light of the Tydings-McDuffie Law, the Philippines would be granted independence on the 4<sup>th</sup> of July 1946. It is understood that the US will make an effort to have the Philippines appointed a High Commissioner. It is believed that such appointment would lead the Filipino people feel that the independence would nearly come.<sup>10</sup> However this appointment of a High Commissioner was opposed by the President Sergio Osmena, for this will not be well received by the Filipinos, and General MacArthur was strongly opposed to the appointment of High Commissioner. A Special Representative instead of a High Commissioner would suffice (Frank Lockhart, Memorandum of Conversation, April 21, 1945).<sup>11</sup> Later on President Osmena turned to the subject of rehabilitation and said that there was great need for relief and rehabilitation legislation.

---

<sup>9</sup> William Clayton, Letter of the Assistant Secretary of State (Clayton) to Chairman Millard E. Tydings of the Filipino Rehabilitation Commission, July 9, 1945.

<sup>10</sup> Frank Lockhart, Memorandum by the Chief of the Division of Philippine Affairs (Frank Lockhart) to the Under Secretary of State (Grew), February 26, 1945.

<sup>11</sup> Frank Lockhart, Memorandum of Conversation by the Chief of the Division of Philippine Affairs (Lockhart), April 21, 1945.

A telegram<sup>12</sup> dated April 14, 1945 at 1pm, sent by the Secretary of State to the Consul General at Manila Paul P. Steintorf, it mentions that the US President said that the war had not changed in the least promise to the Philippines a separate nation. He even mentioned that he favored the continuation of tariff preferential treatment by the United States until the Philippines have an opportunity to rebuild economically.

The United States favors the Bell Bill providing for an executive agreement which would govern trade relations during the interim free trade period. It includes also drafting of consular convention, extradition treaty, treaty with respect to military bases, arbitration treaty, conciliation treaty, double taxation conventions and aviation agreement (James Byrnes Confidential Letter to the Consul General Paul Steintorf March 22, 1946).<sup>13</sup>

### **Appointment of the High Commissioner in the Philippines**

After the war, there were discussions on granting and recognizing the total Philippine Independence. However, the responsibility of the United States in recognizing the country would yet totally leave their support by appointing a High Commissioner from the United States to the Philippines. Through an appointment of the High Commissioner would be unwise at this time as it would be taken by the Filipinos as an indication that the Americans would not go through the commitment of independence (James Grew, Memorandum to the Chief of the Division of Philippine Affairs Frank Lockhart, March 7, 1945).<sup>14</sup> Aside from that the discussion by the US

---

<sup>12</sup> Stettinius, Telegram sent by the Secretary of State to the Consul General at Manila Paul P. Steintorf, April 14, 1945.

<sup>13</sup> James Byrnes, Confidential Letter of the Secretary of State to the Consul General at Manila (Steintorf), March 22, 1946.

<sup>14</sup> James Grew, Memorandum by the Under Secretary of State (Grew) to the Chief of the Division of Philippine Affairs (Lockhart), March 7, 1945.

Secretary of War pointed out the need to the establishment of bases and the problems that would come up in the transition period.

With the concern of the US Civil Government in the Philippines, General MacArthur stated that he would want to withdraw all civil affairs as quickly as possible to confine his activities to purely military affairs. He opposed military control of civil affairs, and did not want military government established in the Philippines (Paul Steintorf, Letter to the Secretary of State, March 21, 1945).<sup>15</sup> MacArthur also stated that it would be necessary for the Army to station and to exercise considerable supervision over civil government, since the Philippines was destined to become a battle ground or a staging area for the Pacific war, with a possibility of stationing a million American troops. He also stated that he had avoided appearance of dictating the Commonwealth Government (Paul Steintorf, Letter to the Secretary of State, March 21, 1945).<sup>16</sup>

President Osmena, however, called the Secretary of State on April 21, 1945 and stated that he wished in his opinion that it would not be advisable to appoint a High Commissioner to the Philippines at that time, as it would not make him feel that it would be well received by the Filipinos. He further said that MacArthur was strongly opposed to the appointment of a High Commissioner and had taken up the matter with President Roosevelt. Instead, the US President would mention the possibility of appointing a Special Representative. While Philippine President Osmena said that he believed this was the best course to pursue and such a representative was needed in the Philippines at the present time (Frank Lockhart, Memorandum of Conversation, April 21, 1945).<sup>17</sup>

---

<sup>15</sup> Paul Steintorf, Letter of the Consul General at Manila (Steintorf) to the Secretary of State, March 21, 1945.

<sup>16</sup> Ibid.

<sup>17</sup> Frank Lockhart, Memorandum of Conversation, by the Chief of the Division of Philippine Affairs (Lockhart). Participated by Mr. Stettinius, President Osmena, and Mr. Lockhart, April 21, 1945.



However, on September 6, 1945, President Truman nominated Paul V. McNutt as United States High Commissioner to the Philippines. The US Senate then confirmed the nomination on September 14 and this account of activities of the Office of the High Commissioner shall commence on September 14, 1945 until it cease on July 4, 1946.

### **Roxas on the Parity Amendment**

A brilliant, President Manuel Roxas began the rehabilitation and reconstruction of war-ravaged Philippines. With the economic and military assistance of the United States, he was able to improve the ruined economy, to check the rising tide of inflation, and to stabilize the Philippine currency. He was the transition president coming from the American to Philippines sovereignty (Zaide 1994, 356)<sup>18</sup> Because of the gratitude which the Filipinos felt to the Americans, he adopted a pro-American foreign policy. It laid down three cardinal principles which would the Philippines and these are as follows: (1) adherence to and support of the ideals and objectives of the United Nations, (2) preservation of intimate and special relations with the United States, and (3) maintenance of friendly relations with the other nations of the world, except the communist nations (Zaide 1994, 356).<sup>19</sup>

There are foreign policies established pursuant to Roxas' administration which are known to be pro American foreign policies, the first treaties and agreements concluded by the newly established Philippine Republic were with the United States, as follows: (1) Treaty of General Relations with the United States (July 4, 1946); (2) the War Surplus Property Agreement (September 11, 1946); (3) the Military Bases Agreement (March 14, 1947); and (4) the Military Assistance Agreement (March 21, 1947).

---

<sup>18</sup> Zaide, S. *The Philippines: A Unique Nation*, 1994, 356.

<sup>19</sup> *Ibid*, 356.

On March 11, 1947, the Filipino people, heeding President Roxas' persuasive tirades, ratified in a nation-wide plebiscite the controversial "Parity Amendment" to the Constitution. The night before the Plebiscite Day, Roxas narrowly escaped assassination. A grenade on the platform at Plaza Miranda, Manila, was immediately thrown after the President had addressed a mammoth rally of citizens. On March 6, 1947 he delivered a message to the Filipino people urging approval of the parity amendment. He stated that question on "what is the parity?" and definitely answered that it is of course not a parity because it have no political rights, pertaining to the Americans for they do not have the right to vote or obtain employment in the government service (Roxas March 6, 1947).<sup>20</sup>

Roxas consistently expressed that we have no reason to fear the Americans we have now our independence and the Americans will not be deeply involved in our economic life. In fact they will help us rebuild, because the US has gained the greatest glory for its grant of independence to the Philippines. Therefore we have the privilege. For the Filipinos have the privilege of doing exactly the same thing as we now propose to permit the Americans to do. And the Americans will train us, so the parity amendment must be passed, because the country needs productive capital, in which it will be invested in manufacturing, in processing, in mining, in public utilities, and American capital will not come here unless there is a Constitutional amendment (Roxas March 6, 1947).<sup>21</sup>

Analytically, if we tariff on the US goods, it would be a tax on Philippine consumers. It will just increase the price to the Philippines, though it would not decrease the income of American exporters, it will however burden Philippine consumers. It will however be in favor of the Philippines, like in copra, in the Bell Trade Act, Philippines is guaranteed a two-

---

<sup>20</sup> Roxas, Manuel. Message to the Filipino People Urging Approval of the Parity Amendment. March 6, 1947.

<sup>21</sup> Ibid.

cent preference for our copra for 28 years. Free trade is guaranteed between the United States and the Philippine for a period of eight years (Clinton Anderson Letter of the Secretary of Agriculture to President Truman, January 10, 1946).<sup>22</sup> This trade provisions are exactly reciprocal for both countries, eight (8) years free trade and twenty (20) years of gradually increasing tariff. In the case of coconut oil, cordage, cigars and tobacco, the Philippines is provided free trade for twenty eight (28) years and not for 8 years on a diminishing quota basis (Roxas March 6, 1947).<sup>23</sup>

President Roxas defended and explained that there would not be possible imperialism, our iron ore and coal are not be mined or dug for shipment to the United States. He further elaborates:

“If American capital could be induced to come here for the development of those resources, it would be only on the basis of industries established here, steel and textile industries, not to supply factories and mills in the United States, but for the purpose of exporting to the Orient and for the Philippine home market. Yet the very definition of imperialism is the exploitation of the resources of a small country to support the industry of a larger power. No such relationship is possible between the United States and the Philippines.” (Roxas March 6, 1947)<sup>24</sup>

Roxas continued to persuade people not to reject the parity. However, he is even not sure that it is a good provision because it would not insure the investment of money in productive enterprise. Nonetheless, he urged people to approve the amendment, as he calls those who reject it are either blind or recklessly irresponsible. He further states that: *“Approval of this amendment will clear the way for a forward surge toward*

---

<sup>22</sup> Anderson, Clinton. Letter of the Secretary of Agriculture (Clinton Anderson) to President Truman, January 10, 1946.

<sup>23</sup> Roxas, Manuel. Message to the Filipino People Urging Approval of the Parity Amendment. March 6, 1947.

<sup>24</sup> Ibid.

*our goals. We remain the masters of our destiny. We remain free men in a free land.*” (Roxas March 6, 1947).<sup>25</sup> The rejection of this amendment means a denunciation of the Executive Trade Agreement, and the loss of our free trade and preferential trade relations with the United States. It would mean the end of the rehabilitation of the sugar industry, coconut oil industry, cordage, embroidery, pearl and cigar and tobacco industries, etc. (Roxas March 10, 1947).<sup>26</sup>

On the eve, an address delivered by Roxas, he concludes: “Let us then invite American capital and know-how to help use these God-given resources for our present needs, and to develop new industries utilizing those resources. If we refuse to do that, we break faith with the Divine Providence who gave us such potential riches. We would starve in the midst of plenty, like the biblical jackass which starved to death between two equal stacks of hay.” (Roxas March 10, 1947).<sup>27</sup>

After he delivers the speech in Plaza Miranda fronting Quiapo Church in Manila, just then a grenade was thrown in his direction and it injured one Malacanang official photographer and killing one person in the audience.

## **The Roxas Administration**

The Roxas Administration has been a very dramatic for the Filipinos for having exited the American rule. It was a good time, as well as hard time, for the President. Good time for having been the first President of the Third Republic, and hard time for being the transition leader. In fact, his good record was marred by two failures: “(1) *the failure to curb graft and corruption in the government, as evidenced by the “Surplus War Property Scandal”, the “Chinese Immigration Quota Scandal”*”

---

<sup>25</sup> Ibid.

<sup>26</sup> Manuel Roxas, Address on the Parity Amendment to the Constitution. March 10, 1947.

<sup>27</sup> Ibid.

*and the "School Supplies Scandal, (2) the failure to check the communistic Huk Movement."* (Zaide 1994, 357).<sup>28</sup> Problems did not escape him, but by keeping the relationship with the Americans would give him such weight.

"In the strengthening of such relations, President Roxas took several steps. He laid down a definitive foreign policy calculated to regard the United States as our magnetic pole. Upon assuming office he got Congress to approve the Executive Agreement on the implementation of the Bell Trade Act and the Tydings War Damage Act; and he concluded treaties of amity, on military bases, on military assistance, on consular conventions, on fisheries, with the United States. Above all, he had the Philippine Constitution amended for the special benefit of American citizens and corporations, a condition required in the Trade Act." (Roxas 1947, 707).<sup>29</sup>

## **Philippine Economic Relief and Rehabilitation: US Participation**

The Philippine Government would want to expedite economic relief and rehabilitation. President Osmena calls for supplying Filipinos need for food, clothing and medicines. The Acting Secretary of State Joseph C. Grew wrote a letter to the Secretary of War Stimson with some pressing statements and sympathy for the Filipino people:

"My Dear Mr. Secretary: I have had brought to my attention recently a situation in the Philippines which is somewhat disturbing both from the point of view of extending relief to a distressed people and with reference to the possible political effect which might ensue if timely adequate aid is not provided. I am addressing you because of your great interest in the welfare of the Filipino people and of the part the War Department may be called upon to assume in this matter."

---

<sup>28</sup> Sonia Zaide, 357.

<sup>29</sup> Manuel Roxas, National Problems during the Roxas Administration. 1947. P. 707.

(Joseph Grew, Letter to the Henry Stimson January 26, 1945).<sup>30</sup>

He thus further continued that supplies could be distributed to those most in need immediately after the liberation of Manila. *"I feel that the supplying of relief would be the means of manifesting our true friendship for the Filipinos and of expressing our appreciation of their sacrifices."* In his last statement, he was requesting Administrator Crowley of the Foreign Economic Administration the matter of supplying the Filipinos need for food, clothing and medicines (Joseph Grew, Letter to the Henry Stimson January 26, 1945).<sup>31</sup>

In a reply of Secretary of War Henry Stimson to Acting Secretary of State Joseph Grew, General MacArthur has called for to ship in the Philippines substantial quantities of supplies for the areas which have thus far been liberated. The said shipments commenced few days from the initial landing at Leyte (Henry Stimson, Letter to the Acting Secretary of State Joseph Grew, February 7, 1945).<sup>32</sup> With his assurance he rest assured the Acting Secretary this message:

"As you know, General MacArthur is a great friend of the Philippine people and very much concerned with their welfare. I am certain that he is doing his utmost to provide them with the much needed relief supplies to the greatest extent possible without prejudicing the accomplishment of his military objective. Operational necessities must, of course, be given top priority if the military mission of liberating the Islands to succeed." (Henry Stimson, Letter to the Acting Secretary of State Joseph Grew, February 7, 1945).<sup>33</sup>

The supplies in rehabilitating and in the relief for the Philippines are just primarily the needs of the country during

---

<sup>30</sup> Joseph Grew, Letter of the Acting Secretary of State to the Secretary of War (Stimson). January 26, 1945.

<sup>31</sup> Ibid.

<sup>32</sup> Henry Stimson, Letter of the Secretary of War (Stimson) to the Acting Secretary of State (Grew), February 7, 1945.

<sup>33</sup> Ibid.

the first phase of the post war. The country then would need a sturdy claim for support for its complete rehabilitation and its complete recovery not just in infrastructure, but also in its financial economy and industry. Programs from the Philippine government would step up, but it needs the American financial support for its full recovery.

### **US Bell's Struggle**

The US President Truman endorsed the report on the feasibility of the proposed trade relations to the Philippines, to its congress for action on the Joint Preparatory Committee on Philippine Affairs. It requires that it has to be restudied by creating a Joint Rehabilitation Commission with an obligation to propose measures for post independence trade relations (Paul McNutt, Confidential Letter by the United States High Commissioner in the Philippines to Mr. Richard R. Ely, of the Office of United States High Commissioner addressed to President Truman, Washington, January 18, 1946).<sup>34</sup>

The United States also encounters the problem of reconciling, particularly in the case of sugar, its differences with the proposed treatment of Cuba and of Philippines with respect to tariff preferences, the cause in negotiations for the purchase of the Cuban sugar, and the question of size of Philippine and Cuban sugar quotas (James F. Byrnes, Memorandum of the Secretary of State to President Truman, January 28, 1946).<sup>35</sup> Likewise the Secretary of Agriculture of the United States has recommended that:

“(1) duties on our sugar imports within quotas established by sugar legislation or international agreement with respect to sugar might be entirely eliminated, and that

---

<sup>34</sup> McNutt, Paul, Confidential Letter by the United States High Commissioner in the Philippines (McNutt) to Mr. Richard R. Ely, of the Office of United States High Commissioner addressed to President Truman, January 18, 1946.

<sup>35</sup> James F. Byrnes. Memorandum by the Secretary of State to President Truman, January 28, 1946.

(2) no commitments be made in H.R. 4676 which would have the effect of tying the hands of this Government with respect to import quota arrangements on sugar which may be developed in the future in connection with domestic sugar legislation or international agreements.” (James F. Byrnes, Memorandum by the Secretary of State to President Truman, January 28, 1946).<sup>36</sup>

It has been said that the first recommendation of the Department of Agriculture, the Department of State believes that such proposal would introduce a controversial political concern not only the Philippines and Cuba but to all other producers of sugar, and that the further enactment of the Philippine Trade Bill might be delayed. While in the second recommendation, in the opinion of the Department of State, it had been suggested that it would not preclude the inclusion of Philippine sugar in any future revision or extension of the Sugar Act of 1937 (James F. Byrnes, Memorandum by the Secretary of State to President Truman, January 28, 1946).<sup>37</sup>

The question is at issue as between the Tydings and Philippine Trade Bills (Bell Bill) is not whether they should help the Philippines in its rehabilitation but how best they could to it. In fact the Department of State has a strong desire to assist the Philippines in emerging from austerities of war and in developing the Philippine economy consistent with a status of political independence.

Provisions in the bill would call into the attention on the Secretary of State that it attaches utmost importance to avoid action which might jeopardize the constructive leadership in the post war economic world. Other provisions show American favors and would thus make a discrimination against all other countries. This would show inconsistencies with the promise of the United States to grant the Philippines genuine independence, and might be expected to have unfortunate

---

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.



repercussions on their international relations, especially in the Far East (James F. Byrnes, Memorandum by the Secretary of State to President Truman, April 18, 1946).<sup>38</sup>

## **US Measures on Trade Relations**

In a press release issued by the Philippine Government on February 15, 1945, Filipino group of the Commission submitted to Senator Millard E. Tydings, a proposal that there would be a free trade between the United States. As early as this period there are arrangements that there would be a trade agreement that would remain in force for twenty years after independence is declared (Report by the Executive Committee on Economic Foreign Policy, March 12, 1945).<sup>39</sup>

On March 20, 1945, according to the Memorandum by the Acting Secretary of State to President Roosevelt that there is an invited representative of the Department to present the subcommittee on Trade Relations of the Filipino Rehabilitation Commission on the views of the Department regarding its trade relations with the Philippines. It discusses an arrangement that would long for a period of twenty years after the Philippines become an independent country. It establishes non preferential trade relations between the US and the Philippines it may be desirable with a view on economic rehabilitation of the islands (James Byrnes, Memorandum as the Acting Secretary of State to President Roosevelt, March 20, 1945).<sup>40</sup>

The Chairman of the Executive Committee on Economic Foreign Policy William Clayton, in his letter to Senator Tydings, he enclosed a report regarding the trade relations with the Philippines. It is a report containing statement of policy

---

<sup>38</sup> James Byrnes, Secret Memorandum by the Secretary of State to President Truman. Washington. April 18, 1946.

<sup>39</sup> Report by the Executive Committee on Economic Foreign Policy, March 12, 1945.

<sup>40</sup> James Byrnes, Memorandum by the Acting Secretary of State to President Roosevelt, March 20, 1945.

regarding the proposal made by officials of the Commonwealth of the Philippines on the 20 year period of free trade. It states that it should be resumed and continued until January 1, 1949 or 1950, and it should be gradually reduced until at the end of the 20 years. The Committee is requested only to constitute only a part of the broad problem of economic rehabilitation of the Philippines (William Clayton, Letter to Chairman Millard E. Tydings of the Filipino Rehabilitation Commission, July 9, 1945).<sup>41</sup>

Though this is not the real intention of the United States, it is clear that this letter of William Clayton is not yet settled because in a few months time there would be hearings in the US Congress regarding the Philippine Trade Act of 1946. It was proven that there were some offices in the United States that opposes the Bell bill because of its provisions for a 20 year continuance of preferential tariffs, preferences with respect to internal taxes and restrictions on Philippine tariff autonomy in relations to third countries. The question is if the United States should be helping the rehabilitation of the Philippines. It is believed also that some Philippine processing industries may be affected by removing existent tariff preferences (Wilcox, Memorandum by the Director of the Office of International Trade Policy to the Assistant Secretary of State, November 10, 1945).<sup>42</sup>

It was clear that the US Philippine trade relations regarding on the trade bills would find its way to a speedy action. Conferences in the White House were called out together with Representatives C. Jasper Bell, Chairman of the House Committee on Insular Affairs, Chairman Doughton of the Ways and Means Committee, and Senator Tydings,

---

<sup>41</sup> William Clayton, Letter of the Assistant Secretary of State (Clayton) to Chairman Millard E. Tydings of the Filipino Rehabilitation Commission, July 9, 1945.

<sup>42</sup> Wilcox, Memorandum by the Director of the Office of International Trade Policy (Wilcox) of the Assistant Secretary of State (Clayton), November 10, 1945.

Chairman of the Senate Committee on Territories and Insular Affairs, to make the said bill as quickly as possible (James Byrnes, Letter of the Secretary of State to Mr. Harry Hawes, November 26, 1945).<sup>43</sup>

### **The Philippine Trade Act of 1946 Hearings**

On Tuesday of April 2, 1945, the US Senate Committee on Finance, Washington D.C. met pursuant to the notice at 10:30am in room 312 Senate Office Building, presided by Senator David I. Walsh. The Senate committee is considering the H.R. 5856 (Philippine Trade Act of 1946. Hearings before the Committee on Finance 1946).<sup>44</sup>

In words spoken by Paul V. McNutt, William Clayton, Harry Hawes, Vicente Villamin and Carlos P. Romulo and many others who appeared in the hearings of H.R. 5856, interest of the two sides of the world are their business. It is either the giant America or the Lilliputan Philippines would be their bet to success.

What US Congress would do first is to place the Philippines into the help of rearranged colony, or what we know from its rehabilitation plan. This plan is through the Rehabilitation Bill (S. 1610), then later The Philippine Trade Bill (H.R. 5856). From the amount of losses during the war, it is of a disadvantage for the Philippines to get on its feet without the US financial support. That is why the War Damage Corporation, which is the Rehabilitation Finance Corporation subsidiary, aims to focus on the rehabilitation of the affected properties of the public, the private and the religious sectors.

The Financial asset of the Philippines is somber to believe that expenses are greater than its income. Its financial

---

<sup>43</sup> James Byrnes, Letter of the Secretary of State to Mr. Harry Hawes, November 26, 1945.

<sup>44</sup> Philippine Trade Act of 1946. Hearings before the Committee on Finance. 2<sup>nd</sup> Session on HR 5856. Washington: 1946 (April 2, 3, 4 and 5). 79<sup>th</sup> Congress, 2<sup>nd</sup> session.

assets in 5 to 8 years would be exhausted. While in its trading pattern, the production of surpluses use for exportation is under normal circumstances and it is near to impossible that it could sustain even in its local consumption. But it is believe that in the next 5 years the Philippines can export to the United States. However, there are restrictions on Philippine products entering the ports of the US, while the Americans have no quantitative restrictions.

In reality the Trade Bill is a bill which is difficult to understand for the Filipinos. But they don't have to understand it knowing that they would receive payments not over \$500 shall be made. The condition is they have to accept the benefits of the trade bill. However, there is a constitutional requirement by amending the constitution; they would be able to undergo the said executive agreement. The Philippine Congress has their role on the said amendment, and that they would be giving the Americans equal rights especially in the use of its natural resources.

These rights given to the Americans would be part of the Philippine Constitution. Therefore it would become the law of the land. If this happens, the American citizens would make the Filipinos welcome them as many as it would be.

In this regard, the product of the bill is to provide a stronger tie between the Philippines and the United States, however, this kind of relationship is noted and could be one sided and has discriminatory features, which led to many criticisms. So it is why there is what we need for the preservation of the tariff autonomy, prevention of the monopolies in the country, because opportunities will open, as they invite more American businessmen to invest in the oriental Philippines.

This bill is coming to an end and it next later on has to become a loan. The Philippines has to accept it as a condition of rehabilitation. The country needs it. But how is the politics going on? This is the reason why the hearings are important

not just on which benefits will toll out for the country, but for the benefits on each side would arise after the expiration until 1974.

## **Bell Trade Act**

Previously, the Bell Trade Act or better known as the Philippine Trade Act of 1946 (An Act to Provide for Trade Relations between the United States and the Philippines and for other Purposes)<sup>45</sup> has been deliberated by the US Congress, under which there was a confidential letter by Paul McNutt to Mr. Richard R. Ely, that the purpose of the Bell Bill is the rehabilitation of Philippine export economy and not to grant preferences to the Philippines for an indefinite period, it will help restore the Philippines to position it occupied before the war in world sugar market, and abolishing sugar duties is not pertinent to Bell Bill, the Philippines have a claim on US superior to claim of any country or any economic group (Paul McNutt, Confidential Letter to Mr. Richard R. Ely, of the Office of United States High Commissioner, January 18, 1946).<sup>46</sup>

Prior to signing by President Truman of the Philippine Trade Bill (H.R. 5856), the Secretary of State has already written a letter to him informing about the bill, informing the president of the urgent necessity for legislation governing trade relations with the Philippines, even suggesting that the President should sign it (James Byrnes, Secret Letter Memorandum to President Truman, April 18, 1946).<sup>47</sup>

## **Conclusion**

In a way of wanting the Philippines to be granted Independence, there were still political attributes that created

---

<sup>45</sup> An Act to Provide for Trade Relations between the United States and the Philippines and for other Purposes.

<sup>46</sup> Paul McNutt, Confidential Letter by the United States High Commissioner in the Philippines (McNutt) to Mr. Richard R. Ely, January 18, 1946.

<sup>47</sup> James Byrnes, Secret Letter Memorandum by the Secretary of State to President Truman, April 18, 1946.

its pathway rough. In the lights of General Douglas MacArthur, it is a freedom together with the friendship of the Americans and Filipinos that he would want to detach the military from civic affairs. He witnessed how the Filipinos fought the war, so it is why he would want to make the United States give the control to the latter.

US President like Harry Truman would play the role of a neutral judge that would want the plight of the Americans being stable, and would think that the future of the United States would be his legacy. It is why politicians during that time would carry their flag and say that they are helping the Filipinos gain their independence, they helped the orient build up their own economy, they do things right by giving them rehabilitation. However, it is not an obvious idea that giving them that kind of Independence would not be a good signal for Filipinos.

Filipinos would think that this is a blackmailed proposition by giving them the chance to recover economically, and yet there are more favorable provisions from the known than as the Philippine Trade Act of 1946. The Filipinos would be given quotas and tariffs in their exportation to the United States, while the latter would be given more favorable privileges in their importations to the Philippines. The worst is that the Philippines would be proposed to change their Constitution and be giving amendments thereto.

The change in the Philippine Constitution would then be proposed to Congress to make the Executive Agreement between the US President and the Philippine President is in compliance with the US initiative Bell Bill. The worse is, it would hamper the sovereignty of the oriental country just to accommodate the wealthy United States in its capital investments, build industries, reconstruct the country and socially engineer the country.

Reactions from the different parts of the country, as the President Manuel Roxas laid down projects of change, as the

country would be encountering so much foreign policy, mindset rules, in which he stated that the Filipinos would be the masters of their destiny. He created so many campaigns and applied several political moves and diplomatic changes. In the end, the US-Philippine Trade Relations of 1946 has been passed and the Philippines commence its work as to deliver their part in the said executive agreement.

## **ACKNOWLEDGMENT**

To my wife Cindy and two kids Johan and Ynigo. My parents Robert and Yolly.

This paper has not been published or sent for publication in any institution or journal institutions. There is not source/s of funding provided for in this work.

## **REFERENCES:**

### Books

- Francia, Luis H. A History of the Philippines from Indios Bravos to Filipinos. NY: The Overlook Press. 2010.
- Ravenhill, John. Global Political Economy. 2nd Edition. NY, US: Oxford University Press, 2008.
- Zaide, Sonia. The Philippines: A Unique Nation. Manila: All Nations Pub. 1994.

### Personal Communications

- Anderson, Clinton. Letter of the Secretary of Agriculture (Clinton Anderson) to President Truman. Washington. January 10, 1946.
- Byrnes, James. Confidential Letter of the Secretary of State to the Consul General at Manila (Steintorf). Washington. March 22, 1946.

- Byrnes, James. Memorandum by the Acting Secretary of State to President Roosevelt. Washington. March 20, 1945.
- Byrnes, James. Memorandum by the Secretary of State to President Truman. Washington, January 28, 1946.
- Byrnes, James. Secret Memorandum by the Secretary of State to President Truman. Washington. April 18, 1946.
- Clayton, William. Letter of the Assistant Secretary of State (Clayton) to Chairman Millard E. Tydings of the Filipino Rehabilitation Commission. Washington. July 9, 1945.
- Grew, James. Memorandum by the Under Secretary of State (Grew) to the Chief of the Division of Philippine Affairs (Lockhart). Washington. March 7, 1945.
- Grew, Joseph. Letter of the Acting Secretary of State to the Secretary of War (Stimson). Washington January 26, 1945.
- Lockhart, Frank. Memorandum by the Chief of the Division of Philippine Affairs (Frank Lockhart) to the Under Secretary of State (Grew). Washington. February 26, 1945. Notes for Conversation with Secretary Stimson on February 27, 1945 Relative to Philippine Affairs.
- Lockhart, Frank. Memorandum of Conversation by the Chief of the Division of Philippine Affairs (Lockhart). Washington, April 21, 1945.
- Lockhart, Frank. Memorandum of Conversation, by the Chief of the Division of Philippine Affairs (Lockhart). Participated by Mr. Stettinius, President Osmena, and Mr. Lockhart. Washington April 21, 1945.
- McNutt, Paul, Confidential Letter by the United States High Commissioner in the Philippines (McNutt) to Mr. Richard R. Ely, of the Office of United States High Commissioner addressed to President Truman, Washington. January 18, 1946.
- Steintorf, Paul. Letter of the Consul General at Manila (Steintorf) to the Secretary of State. Manila. March 21, 1945.



Stettinius. Telegram sent by the Secretary of State to the Consul General at Manila Paul P. Steintorf. Washington. April 14, 1945.

Stimson, Henry. Letter of the Secretary of War (Stimson) to the Acting Secretary of State (Grew). Washington, February 7, 1945.

Wilcox, Memorandum by the Director of the Office of International Trade Policy (Wilcox) to the Assistant Secretary of State (Clayton). Washington. November 10, 1945.

### Laws

An Act to Provide for Trade Relations between the United States and the Philippines and for other Purposes.

Philippine Trade Act of 1946. Hearings before the Committee on Finance. 2<sup>nd</sup> Session on HR 5856. Washington: 1946 (April 2, 3, 4 and 5). 79<sup>th</sup> Congress, 2<sup>nd</sup> session.

### Presidential Speeches

Roxas, Manuel. National Problems during the Roxas Administration. Manuel A. Roxas. Extracts from the Final Speech on Parity of his Excellency (Manila: 1947), 707.

Roxas, Manuel. Message to the Filipino People Urging Approval of the Parity Amendment. March 6, 1947.

Roxas, Manuel. Address on the Parity Amendment to the Constitution. March 10, 1947.

Roxas, Manuel A. National Problems during the Roxas Administration. Extracts from the Final Speech on Parity of his Excellency. Manila: 1947. P. 707.

### US Government Records

Report by the Executive Committee on Economic Foreign Policy. Washington. March 12, 1945. Records of the Executive Secretariat, L122 Box 20.