

PSF: Philippines, 1937-40

DEPARTMENT OF STATE
OFFICE OF
COORDINATION AND REVIEW

Extra copy of
letter for White
House files.

[This letter was
taken over to the
White House by
Mr. Hall July 19.]
Orig. Letter attached

file
"Confidential"

PSF: *Philippine*
State Dept

DEPARTMENT OF STATE
WASHINGTON

~~STRICTLY CONFIDENTIAL~~

February 19, 1937.

My dear Mr. President:

In connection with the early arrival in Washington of President Manuel L. Quezon to discuss United States-Philippine problems, the Interdepartmental Committee on Philippine Affairs has been considering some of the problems which will probably be raised during Mr. Quezon's visit. You will remember that the Department of State, on December 28, 1936, in regard to this visit, issued a press release which had been approved by you. The text of that release is attached to the accompanying memorandum.

The Interdepartmental Committee and individual departments and agencies of this Government have given much study to problems involved. The Committee is of the opinion, however, that further studies should be undertaken and a considerable amount of long-range planning attempted before the objectives sought in the Independence Act can be realized. It is doubtful whether definite decisions can be made in regard to some of these problems until there has been joint exploration and study by representatives

The President,

The White House.

tives of the United States and the Philippines under instructions from their governments.

The general conclusions and recommendations of the Interdepartmental Committee, which in its opinion constitute the basis for an integrated program, are as follows:

1. Complete political independence of the Philippine Islands should become effective on July 4, 1946, as provided in the Independence Act.
2. The preferential trade relationship between the United States and the Philippines should be terminated at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy.
3. This Government should offer to join with the Philippine Government immediately in the appointment of a joint commission of experts (a) to study the trade relations between the United States and the Philippines, (b) to prepare a comprehensive and a reasonably adequate plan of economic adjustment, and (c) to recommend the manner in which such a plan should be implemented.
4. As provided in Section 11 of the Independence Act, the President of the United States should, at the earliest practicable date, take steps toward bringing about neutralization of the Philippine Islands.
5. Prior to initiation of negotiations for neutralization

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zation of the Islands, a decision should be reached on the question of retention or abandonment by the United States of naval reservations and fueling stations in the Islands after independence. Likewise, full consideration should be given to the present Philippine national defense program and possible modification thereof. Such steps would be necessary to harmonize policy and action in regard to these matters with the needs and anticipated effects of the program for the termination of special political and economic ties between the Islands and the United States.

As President Quezon will certainly discuss Philippine problems with members of the Congressional Committees concerned, you may care to discuss such problems with members of those Committees in light of the recommendations of the Interdepartmental Committee, in order that there may be uniformity and unanimity of views in regard to the position of the United States Government with respect to these problems. If it should be possible to reach unanimity, the problem of persuading President Quezon to cooperate with this Government would be made easier.

You will note that the Committee recommends the appointment by the United States Government and the Commonwealth Government of a joint commission of experts to formulate recommendations for submission to the two Governments.

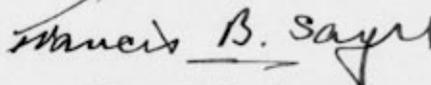
After

After the report of this commission has been received, and has been given due consideration, steps to implement its recommendations could be advanced through the medium of the projected trade and economic conference.

It is further recommended that no date should be set for the trade and economic conference until the recommendations of the joint commission are available.

A more complete statement of the views of the Interdepartmental Committee on a number of the problems involved will be found in the accompanying memorandum. The recommendations of the Committee and the memorandum were approved by the representatives of the following Departments and Agencies of the Government: Department of State, Treasury Department, War Department, Navy Department, Department of Agriculture, Department of Commerce, and the United States Tariff Commission.

Faithfully yours,



Francis B. Sayre,
Chairman, Interdepartmental Committee
on the Philippines.

Enclosures:
Memorandum;
Text of Department of
State press release.

~~STRICTLY CONFIDENTIAL~~

MEMORANDUM

Of the Interdepartmental Committee on Philippine Affairs in
Regard to Various Problems concerning the Relations between
the United States and the Philippine Islands

Complete Political Independence on July 4, 1946:

Although certain groups both in the United States and in the Philippine Islands feel that the Philippines should become politically independent at a date prior to July 4, 1946, and others feel that this should occur at some time after that date, the Interdepartmental Committee has used that date, which is fixed under the terms of the Independence Act, as the basis of its conclusions and recommendations.

Discontinuance of Preferential Trade Relations:

The Interdepartmental Committee recommends that the United States terminate preferential trade relations with the Philippines at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy. The Committee is moved to recommend this for the following reasons:

The continuance of preferential trade relations with the Philippines after independence would be out of harmony with

with the general commercial policy of the United States, an exception to which is made only in the case of Cuba. There are those who contend that so long as the United States makes an exception for Cuba, the United States is per se obliged to make a similar exception for the Philippines. The Committee, however, does not share that view.

If the Philippines were to be accorded only the same degree of tariff preference as is Cuba, it is doubtful, because of their inability to compete with Cuban and other foreign suppliers, whether they would benefit appreciably should the United States ever abandon its quota policy for sugar. If the Philippines were to be accorded a larger degree of tariff preference than is now accorded Cuba, vigorous complaints would no doubt be lodged not only by the domestic interests but by Cuban and other interests. Moreover, it is to be noted that the preferential relationship with Cuba is not necessarily permanent and is the subject of constant study.

At some future time the United States may find it desirable and opportune to strengthen the most-favored-nation principle by abandoning in its commercial policy, either through autonomous action or through participation in a general international agreement, all exceptions to
the

the application of this principle. The ability of this Government to attain this objective would be greatly impaired if decision were now reached to continue indefinitely preferential trade relations with the Philippine Islands.

Decision on the part of the United States to retain a preferential trade position for itself in the Islands after independence might easily prejudice the chances of negotiating a treaty in regard to the neutralization of the Philippines. A provision of the Independence Act stipulates that "the President is requested, at the earliest practicable date, to enter into negotiations with foreign powers with a view to the conclusion of a treaty for the perpetual neutralization of the Philippine Islands." It is to be fully anticipated that powers with interests in the Far East would hesitate to enter into a neutralization treaty if the United States were to continue a preferential trade relationship with the Islands. Irrespective of this consideration, these other powers might object on the score that the United States has frequently protested when a power has sought to obtain similar preferences for itself in other independent countries in the Far East.

Moreover,

Moreover, the trade preferences now accorded the Philippines result in substantial losses to the United States Treasury. This is the case primarily because of the important place occupied by sugar in the trade between the two countries. On the basis of existing United States duties, the annual loss in revenue to the Treasury resulting from the duty-free admission of Philippine sugar may be calculated to range between \$17,460,000 and \$36,375,000.¹ If the preferential trade relationship were terminated, the United States Treasury could collect revenue on sugar which it now foregoes, without affecting the price of sugar to domestic consumers or producers.

In consequence of the fiscal losses to the United States Treasury arising out of the duty-free importation of Philippine sugar, the United States is no doubt able to sell

1. These sums are computed on the basis of the 1,000,000 tons which the Philippines were permitted to market in the United States in 1936. The smaller amount represents the receipts which could have been obtained on Cuban sugar, dutiable at 0.9 cent per pound; and the larger amount, receipts which could have been obtained on any other foreign sugar dutiable at 1.875 cents per pound.

Inasmuch as the price of raw sugar in the United States during 1936 averaged 2.57 cents per pound above the world price, the Philippines received about \$51,000,000 more for the sugar they sold in this market than they could have obtained had they sold an equivalent amount at the world price. This sum may also be regarded as the maximum amount which the United States Treasury could have obtained (with changes in tariffs) had Philippine sugar been replaced by sugar purchased by the United States at the world price.

sell a larger value of goods to the Islands than it could otherwise. It is doubtful that the resultant gains which accrue to American export interests, however, are sufficient to offset the revenue foregone by the United States Treasury on Philippine sugar alone. Total Philippine imports from the United States in 1936 amounted to less than \$61,500,000.

Other gains and losses to American interests must also be reckoned with in appraising the full effects of discontinuing the present trade relationship with the Philippines. It is believed, however, that these would not materially alter the general conclusion stated above.

Finally, criticism of this Government's policy might become even more pronounced because of the fiscal losses entailed if the United States were to continue its present trade policy with the Philippines after independence. Moreover, the domestic sugar producers would no doubt oppose even more vigorously than at present the competition of foreign sugar entering the United States on preferential terms. As a consequence of the above considerations, Congress might, if trade preferences were accorded, suddenly withdraw them at a later date, with the result that the economy of the Islands would again be threatened and the United States again be placed in an embarrassing position. Furthermore, if trade preferences were accorded the Philippines,

ippines, there would be, for an indefinite future period, constant agitation by interested parties to alter the extent and the scope of the preferences.

Terms of the Independence Act:

The Independence Act provides that, during the ten-year Commonwealth period ending with July 4, 1946, free trade relations between the United States and the Philippines will be continued, subject to certain qualifications. The Act places annual limitations upon the duty-free entry into the United States of three commodities important in Philippine economy (sugar, coconut oil, and cordage). It further provides that in the sixth year of the Commonwealth period, beginning November 15, 1940, progressive export taxes shall be levied upon all Philippine commodities shipped to the United States which would be dutiable under the American tariff if imported from foreign countries. These taxes will amount to 5 percent of the prevailing United States duties in the sixth year of the Commonwealth period and will be increased by a like amount each succeeding year until the last or tenth year, when they will amount to 25 percent of the United States duties. After the

Islands

Islands become independent in 1946, they will no longer be required to assess export taxes but all Philippine goods arriving in the United States will then be subject to the full United States duties.

No corresponding provisions were made in the Act for permitting or requiring the curtailment of imports of American goods into the Philippines during the Commonwealth period. The Islands, moreover, have no legal power to restrict their imports of American goods during this period by means of quotas or tariffs.

Necessity for Economic Adjustments:

The Committee believes, on the basis of evidence now available, that adequate provision has not been made for an economic transition sufficiently gradual to permit the realization of the objectives sought in the Act. The United States is largely responsible for the situation which exists in the Philippines today and, therefore, should assist in bringing about economic adjustments in the Islands. A number of important enterprises in the Philippines may be forced to liquidate more rapidly than new enterprises can be developed to replace them. Certain industries exporting primarily to the United States

States will be obliged to discontinue or to curtail operations, and so likewise will a number of others directly dependent on them. The Islands may not be able to find profitable outlets elsewhere for many of the goods which they now sell to the United States, and they may find it difficult to develop quickly new varieties of exports which they can market either in the United States or elsewhere, without granting subsidies to private producers or without obtaining tariff concessions from foreign countries.

Philippine exports which now receive preferential treatment in the United States market and which will therefore be affected by the provisions of the Independence Act constitute approximately two-thirds of total Philippine exports to all countries. With the loss of preferential treatment for their products in the United States, the Philippines will be obliged to fashion an economy which will be much more self-sufficient than that which now prevails.

Even before the Philippines become independent, it is reasonably certain that, because of the export taxes, they will cease exporting to the United States any substantial quantities of such commodities as coconut oil, cigars, embroideries, and pearl buttons. The Islands have been unable thus far to market any appreciable quantities of these commodities in countries other than the United States.

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The export taxes will serve primarily to lessen the profitableness, but not the volume, of the exports of sugar to the United States during the Commonwealth period. When the full United States duties become applicable in 1946, however, the position of the Philippine sugar industry will depend primarily on whether the United States is then operating under a quota system which will permit the profitable marketing of Philippine sugar in the United States. If such a quota system is not in operation, then it is doubtful that any appreciable proportion of the sugar industry will be able to survive.

A number of other export industries in the Islands, although likely to be affected by the provisions of the Independence Act, probably will not be forced out of existence. Cordage, desiccated coconut, straw hats, and canned pineapples may even be able to enter the United States after the full duties become applicable. Abaca (manila hemp), and "Philippine mahogany", should they remain on the United States free list, will not be materially affected by the provisions of the Act. The status of copra, so long as it remains on the United States free list and so long as the present United States excise tax laws remain in force, will not be adversely affected during the Commonwealth period; but it may be adversely affected after independence, should coconut oil derived from Philippine

copra

copra no longer be accorded preferential excise tax treatment in the United States. The survival ability of those Philippine export industries which do not now depend on preferential tariff treatment from the United States may, however, be seriously impaired as a consequence of heavier internal taxes which the new Philippine Government may find necessary because of increased military and other expenditures.

Although the economic provisions of the Independence Act will bear in some measure upon the economy of all the major islands constituting the Philippine group, the effects will vary in time and intensity from island to island. For example, the Island of Negros, which is largely dependent on sugar, is likely to be the most seriously injured, but probably not until after independence is realized. The Island of Luzon is more industrialized and has a more diversified production than the other islands, consequently it is likely to feel the effects even before the export taxes become applicable, and increasingly thereafter.

The President, as early as March 2, 1934, recognized that serious economic problems, such as those mentioned above, might arise. In his message to Congress on that date urging the passage of the Independence Act, he stated:

" . . . Where imperfections or inequalities exist, I am confident that they can be corrected after proper hearing and in fairness to both peoples.

"May

"May I emphasize that while we desire to grant complete independence at the earliest proper moment, to effect this result without allowing sufficient time for necessary political and economic adjustments would be a definite injustice to the people of the Philippine Islands themselves little short of a denial of independence itself."

The considerations previously set forth indicate that orderly adjustment of Philippine economy will be exceedingly difficult, if not impossible, under existing arrangements. The Interdepartmental Committee cannot at this time recommend the specific adjustments which should be undertaken in order that the Philippines may attain economic independence, nor can it estimate the period of time which will be required for making such adjustments. Much study has been devoted to a consideration of these matters by both the United States and the Philippine governments, but no joint program has been formulated.

The Committee, therefore, recommends that the two governments appoint a joint commission of experts to prepare a comprehensive and a reasonably adequate program of adjustment of Philippine economy. This Commission should report to the two governments upon (a) changes in the existing trade relations between the United States and the Philippines which are desirable in order to minimize the stresses necessarily accompanying the economic transition; (b) appropriate adjustments in the economy of the
Philippines;

Philippines; and (c) ways in which the United States Government may assist in implementing these adjustments.

Disposition of Certain Special Funds:

A long-range plan of economic adjustment cannot be made effective without substantial financial support. Two special funds which may become available, directly or indirectly, for this purpose are: (a) the "devaluation profit" of nearly \$24,000,000 on Philippine currency reserves which were on deposit in the United States when the dollar was devalued, and (b) tax receipts collected on the processing in the United States of coconut oil derived from Philippine copra. The processing tax fund now amounts to approximately \$45,000,000 and is being augmented at the rate of about \$18,000,000 per year. The relative importance of the coconut oil tax alone may be indicated by noting that the annual receipts from this source are roughly equivalent to one-half of the present annual revenue collected in the Philippines from all sources.

The Philippine representatives are eager to obtain these funds. Difficulties now impeding their payment may be resolved at any time. The Committee recommends, therefore, that the Philippine authorities be urged - in their own interests - to indicate as precisely as possible in what measure they will employ these funds

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to implement an adjustment program such as may be recommended by the joint commission of experts. It may be pointed out that the unwise expenditure of the money might, because of public opinion, prejudice their receiving similar benefits in the future.

(NOTE: In arriving at its conclusions and recommendations in regard to economic matters, the Committee has been guided to a large extent by the report on United States-Philippine trade which was recently issued by the United States Tariff Commission.)

Neutralization of the Philippine Islands

The Independence Act contains a provision requesting the President of the United States at the earliest practicable date to enter into negotiations with foreign powers with a view to the conclusion of a treaty for the perpetual neutralization of the Philippine Islands, if and when Philippine independence shall have been achieved.

The Interdepartmental Committee recommends that appropriate steps be taken toward providing for neutralization of the Philippine Islands by means of a non-guaranteed neutralization treaty. Such a treaty, if concurred in by the powers with interests in the Far East, would at least morally obligate those powers to respect the independence of the Philippines. If the Islands are not neutralized, the policy of the United States, vis-a-vis the Philippines

and

and the Far East, might have to be re-oriented to meet that situation. Likewise changes might be required in recommendations with respect to trade relations between the two countries and to plans for economic adjustments in the Islands.

Inasmuch as responsible opinion in the Philippines toward the idea of neutralization is not enthusiastic, the Committee recommends that effort be made to induce the Philippine authorities to support the President of the United States when he undertakes to negotiate a neutralization treaty. The question of an opportune time for negotiating the treaty, the form of treaty, and the procedure to be followed in approaching the interested powers, are now being studied by the appropriate agencies of this Government.

Before initiating steps toward neutralization, a decision should be reached in regard to the policy of the United States concerning the retention or abandonment of naval reservations and fueling stations in the Philippines. This decision, when made, should be regarded as tentative pending the response of the powers to the President's neutralization proposals. Consideration also should be given to the Philippine program of national defense in its relation to neutralization.

Under

Under the terms of the Independence Act, the President may wait until July 4, 1948, before entering into negotiations with the Philippine authorities in regard to naval reservations and fueling stations, which are commonly, but somewhat erroneously, spoken of as "naval bases". If the United States retains naval reservations, the powers might readily object that these could at any time be converted into naval bases. Whatever may be the advantages of retaining naval reservations and fueling stations in the Islands after 1946, the Committee believes that such retention might prejudice the negotiation of a neutralization treaty and that it would be preferable not to approach the powers concerned unless a decision on our part can be reached. Military and naval experts will of course be consulted in connection with this problem.

The national defense program of the Philippine Islands also has a bearing on the question of neutralization. Publicity has linked this program with alleged plans of the United States to defend the Islands after independence and has given rise to the charge that the United States is contributing to the development of a dictatorship in the Philippines. When the United States Government approaches the powers concerned in regard to neutralization, it should be

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in position to show that the Philippine Government is solely responsible for the defense program. The United States Government should, therefore, discourage the Philippine authorities from carrying out a military program of such character as might be open to misinterpretation on the part of powers with interests in the Far East.

The question of the cost of the Philippine defense plan also has an important bearing on the long-range planning program which the Committee has recommended. Expenditures for the defense program should be considered not only in relation to the military needs of the Islands but also in relation to the extent to which the expenditures would impede the attainment of the objectives of the economic adjustment program.

TEXT OF DEPARTMENT OF STATE PRESS RELEASE,

December 28, 1937. [1936]

During the anticipated visit of President Quezon to the United States early next spring, the Department of State, in conjunction with the other interested departments and agencies, will be prepared to enter into discussions with President Quezon in a preliminary way and informally with regard to a joint trade and economic conference. This Government envisages the possibility that after these informal discussions and prior to the convening of the conference there may be set up a joint committee of American and Philippine experts for the purpose of exploring the entire field to be covered by the conference and preparing specific recommendations.

The interested departments and agencies of the Government are giving earnest consideration to the problems confronting the United States in connection with plans for the conference. They envisage as the objective of the conference the formulation of recommendations, in line with the general commercial and other policies of the United States, with regard to the future trade relations between the United States and the Philippine Islands and with regard to various economic and related adjustments which may be called for in connection with the independence program.

There has been a certain amount of misconception with regard to the purpose and contemplated character of the conference which is to eventuate. It is not to be a conference at which each side would seek to obtain concessions and favors from the other but one at which the economic and other needs of the Philippines would be carefully considered and a constructive program of adjustments would be agreed upon for reference to the two Governments.

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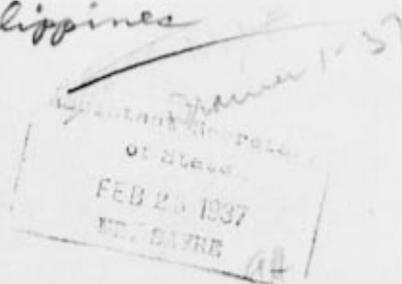
DEPARTMENT OF STATE

ASSISTANT SECRETARY

If the position has
not been filled, I
think he should
fill it at once

R. Walter Moore,
No 24/37

PSF: Philippines



RB
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (C)

London

Dated February 19, 1937

Rec'd 4:20 p. m.

Secretary of State

Washington.

83, February 19, 9 p. m.

~~STRICTLY CONFIDENTIAL~~ FOR THE SECRETARY.

Through a confidential agent Quezon has informed the British Government he desires to attend the coronation in a "semi-private" capacity. Quezon further conveys that he desires at that time to talk with the British Government as to the future of the Philippine Islands and to ask what their general attitude will be, especially since so far he has been unable to obtain from the United States Government information as to its attitude toward the future of the Philippines with especial reference to United States protection of these islands vis a vis Japan. Quezon specifically therefore wants to know what England is prepared to do and continues that "if neither the United States nor Great Britain are prepared to do anything, much as Quezon may dislike it, he would have to attempt to come to terms with Japan".

Foreign

RB

-2-#83, February 19, 9 p. m. from
London

Foreign Office state they are "rather embarrassed but do not want to push Quezon into Japanese hands by snubbing him". Foreign Office understands Quezon is to visit the United States before the coronation and may not come to London at all but if he does come care will be taken not to snub him and what he has to say will be received attentively and he will only be given the vaguest of answers.

Foreign Office points out in this connection it would be very useful to the British Government to have some idea of the plans of the United States Government and that indeed if the United States plans to "turn out of the Philippines bag and baggage" it opens a great problem for the British which they must begin to face now, especially since they understand Japan is already laying plans and the infiltration of Japanese subjects into the islands is increasingly heavy. The Foreign Office concluded by saying that they were most anxious there should be no misunderstanding between the two Governments on this general problem since their interests were "identical".

ATHERTON

CSB

~~CONFIDENTIAL~~

March 1, 1937.

MEMORANDUM FOR

THE SECRETARY OF STATE

This discussion is interesting and inclusive of much information, but may I suggest that it does not fire one's imagination in favor of neutralization of the islands of the Pacific.

It is, for example, captious to object to the word "neutralization" and suggest the word "non-aggression" for the very simple reason that the laymen of all nations would understand what we were doing if we neutralize the islands of the Pacific against war being waged in them or from them by any of the powers owning them.

Secondly, I throw out agreement type (A) because it means nothing. "Mutual pledges to respect the rights of each signatory in their insular possessions and in their mandated islands in the Pacific" means, in the condition of the world today, exactly nil.

Agreement (B), if you leave out the mutual pledges of non-aggression nonsense, does get us somewhere; "to limit or refrain from erecting fortifications in such islands." "Why limit or refrain?" Why not agree simply and definitely to erect no fortifications in such islands, and to remove all fortifications, armaments, munitions and implements of war from such islands? That does the trick.

Agreement (C) talks about "outlying dependencies in the region of the Pacific." Why not list all islands by name which would come under the agreement?

On Page #10 the question of possible involvement of the United States is brought up. That can be made perfectly clear by the simple statement that the agreement proposes no enforcement by cooperative action against a violation.

On page #13 the question of the League of Nation obligations is raised. The agreement I had in mind does not run foul of the League provisions so far as we are concerned.

Page #14 talks about the equilibrium of the Pacific. My suggestion may run contrary to some theoretical equilibrium but it does not run counter to the existing equilibrium under which Japan has a practically "de facto" control in the north western Pacific.

The ^{suggestion} agreement on page #14 is that nothing should be done because the situation in the Far East may change in the future. Pages #15 and #16 raise the question as to whether other nations would have objections to the plan. Of course, they would.

Page #17 -- whoever wrote this does not know anything about military and naval facts. The whole tenor of the argument is that this is not the time to do anything; that the proposal is merely idealistic and that an agreement would not be lived up to anyway.

In other words, taking it by and large, this argument all the way through is an argument of defeatism.

Being a realist, I wish you would let me have a talk with the author of this. Will you arrange it?

F. D. R.

INDEX (with brief comment) of Draft of Memorandum entitled
NEUTRALIZATION OF THE ISLANDS OF THE PACIFIC; PROS AND
CONTRAS.

PSF: Philippines

THE WHITE HOUSE
WASHINGTON

March 2, 1937.

MEMORANDUM FOR

THE SECRETARY OF STATE

I think your telegram
to the Embassy in London is
excellent.

In regard to President
Quezon, I think it would be well
if you would read the enclosed
correspondence to Douglas MacArthur.

F. D. R.

Returned copy of No. 83 from London
in re Quezon's desire to attend the
coronation in a semi-private capacity.
Returned copy of Secretary of State's
reply in re the Philippines.

State Dept. folder
PSF: Philippines

DEPARTMENT OF STATE
WASHINGTON

March 2, 1937

~~STRICTLY CONFIDENTIAL~~

My dear Mr. President:

I wish to refer to a strictly confidential telegram dated February 19, 1937, 9 p.m. from the Embassy in London, in regard to certain representations which President Quezon is reported to have made to the British Government through a "confidential agent". A copy of this telegram is enclosed for convenient reference, although a copy of it was sent to you without covering letter some days ago by Assistant Secretary Moore.

As the United States still exercises sovereignty over the Philippines, and as the Independence Act places the foreign affairs of the Islands under the supervision and control of this Government (Sections 2(a)(10) and 7(2), I think that you will agree as to the extreme impropriety of Mr. Quezon's action. It would seem especially improper for him to state to the British Government that he has been unable to obtain from the United States Government information as to its attitude toward

The President,

The White House.

toward the future of the Philippines with especial reference to the United States' protection of these Islands vis-a-vis Japan.

Mr. Quezon is a difficult man to handle in matters of this kind and I wonder if you are not the only person who can invite his attention to the impropriety of such action with any hope that he might heed the warning or take kindly to the advice which is given to him. It is possible that you have already brought this matter to his attention in your talk with him on February 26.

Inasmuch as President Quezon has now raised the question of the ultimate security of the Islands against possible foreign aggression, it may be desirable that we come to some conclusion in the near future on the question of choosing a moment and a method for approaching the powers on the subject of a possible neutralization for the Islands. At least, it would seem that we should now give to that subject very careful thought.

I am also enclosing a copy of a draft of a telegram which this Department proposes to send in reply to the telegram from the Embassy at London, providing that the position taken in this telegram meets with your approval.

Faithfully yours,

Enclosures:
From Embassy, London,
February 19, 1937;
Draft of telegram to
Embassy, London.

Cordell Hull

*file
personal*

PSF: *Philippines*

DEPARTMENT OF STATE
WASHINGTON

May 31, 1938

My dear Mr. President:

I have received and noted with pleasure the letter dated May 25, 1938, addressed to you by the Secretary of War, enclosing a copy of a telegram from President Quezon in reply to your congratulatory message on the occasion of the signing of the Report of the Joint Preparatory Committee on Philippine Affairs. As requested, this letter and its enclosures are returned herewith.

I understand that Mr. Sayre, as Chairman of the Interdepartmental Committee on Philippine Affairs, will in due course, after that Committee has given consideration to the Joint Preparatory Committee's Report and Recommendations, take up with you the question of the future course of action to be followed in regard to the Report and Recommendations. I also understand that arrangements are now being made to have the Report printed at the Government Printing Office and that

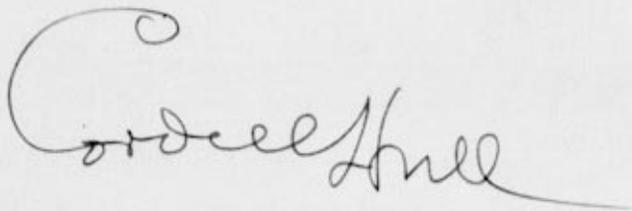
some

The President,
The White House.

-2-

some weeks must elapse before the printed copies will be available for general distribution when you and President Quezon have decided to release the Report to the public.

Faithfully yours,

A handwritten signature in cursive script, reading "Cordell Hull". The signature is written in dark ink and is positioned below the typed name.

Enclosures:
From Secretary of War,
May 25, 1938, with
enclosures.

Department of State

BUREAU | **PI**
DIVISION | -----

ENCLOSURE

TO

Letter drafted **5/27/38**

ADDRESSED TO

The President,

The White House.

WAR DEPARTMENT
WASHINGTON

May 25, 1938.

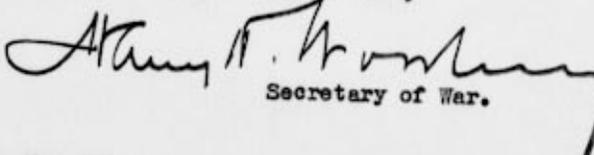
The President,
The White House.

Dear Mr. President:

I transmit herewith a copy of a radiogram received in this Department from the United States High Commissioner to the Philippine Islands quoting a message signed by the President of the Philippines relative to the Joint Preparatory Committee on Philippine Affairs.

I inclose also a copy of the radiogram to which the above-mentioned message is a reply.

Respectfully yours,


Secretary of War.

2 Inclosures:

1. Copy P.I. radiogram No. 370,
dated May 24, 1938.
2. Copy B.I.A. radiogram No. 319,
dated May 20, 1938.

Radiogram received May 24, 1938.
39 WTJ WK 279 PCov Manila

Secwar, Wash.,
Burnett,

24th. 370. CHARGE PI.

For the President. I am deeply grateful for your message and on behalf of my people and myself I desire to express our appreciation for the interest you have shown in giving our country every opportunity to start its independent life under the most favorable circumstances. It was your leadership and inspiration that made possible the successful outcome of the work of the Joint Preparatory Committee. (Par)

I shall be very happy to be at your disposal any time you wish to confer with me. (Par)

Once more, Mr. President, I thank you. Manuel L. Quezon.

McNutt

3477
30121
32002

RADIOGRAM SENT MAY 20, 1938.

PRIORITY.

USHIGHCOM, MANILA.
May 20. - No. 319.

From President Roosevelt for President Quezon. "I hasten to congratulate you upon the unanimity with which agreement on its report has been reached by the Joint Preparatory Committee on Philippine Affairs which was constituted by agreement between us a year ago. I am hopeful that the findings and recommendations of the Committee may provide a sound and adequate basis for action supplementing the Independence Act in such a way as to afford the Philippines opportunity to adjust their economy to the situation which a separate political status will entail. Let me heartily wish you and your people all success in the achievement of that undertaking. (Par.)

"After I have had an opportunity to study this report I shall desire to confer with you about its release to the public, and later about the steps which should be taken here and in the Philippines to effectuate the Committee's recommendations."

BURNETT.

WAR DEPARTMENT
WASHINGTON

file

January 3, 1939.

The President,
The White House.

Dear Mr. President:

There is quoted below a message (No. 1, par. 2, January 3, 1939) addressed to me by the United States High Commissioner to the Philippine Islands:

"I should like to take Kathleen and Louise for a brief holiday trip to Angkor, leaving Manila January 8th and returning January 23d. Will be in touch with the office daily by radio. Please ascertain whether the President approves and reply by radio."

I perceive no objection to approving the High Commissioner's request.

Inclosed is a draft of a message which, if it meets with your approval, I propose to transmit by radiogram to the High Commissioner.

Respectfully yours,

Stanley H. Woodbury

Secretary of War.

1 Incl.
Draft of proposed
message.

DRAFT OF PROPOSED RADIOGRAM

U. S. HighCom.,
Manila.

Reference your No. 1, par. 2, January 3, 1939. Your message has been submitted to the President who desires you be informed he has no objection to your proposed plans. Woodring.

THE WHITE HOUSE
WASHINGTON

1/10/39

MEMORANDUM FOR THE PRESIDENT

Secretary Sayre phoned this morning and I explained that you put off the appointment until tomorrow.

He wanted me to tell you that in his opinion it would be wiser not to send a Special Message on the Philippine question but merely to transmit the Joint Committee Report with the usual letters of transmittal. I told him I would ask you about it at the first opportunity.

Mr. Sayre still would like to see you and tell you about what Tydings plans are and to give you a five minute explanation of the situation up there.

MHM



DEPARTMENT OF STATE
WASHINGTON

January 11, 1939.

Dear Mac:

As I promised in our telephone conversation of this morning, I am sending you herewith draft letters from the President to the Senate and the House, transmitting to Congress the Report of the Joint Preparatory Committee on Philippine Affairs, together with two complete copies of the Report.

In view of my conversations with Senator Tydings and Mr. Kocialkowski, I believe it would be wiser for the President, instead of sending a separate message to Congress, to transmit this Report in the ordinary course, with a brief covering letter such as I have drafted. If the President approves this course, he may desire to sign the two letters and send the Report to Congress as a routine matter within the next few days.

I am keeping in touch with Senator Tydings and Mr. Kocialkowski. Their present plan is for each of them independently to introduce in the Senate and House, respectively,

on

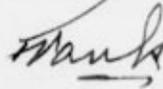
The Honorable
Marvin H. McIntyre,
Secretary to the President,
The White House.

on the same day the bill, based on the Joint Committee's Report, which we have drafted in consultation with the Filipinos and which I hope will have the complete approval of all concerned. Senator Tydings tells me that he plans to do this some time next week, quite probably on Wednesday.

I think it is important for me to have five minutes with the President as soon as he has completed the message upon which he is now working, so that I may tell him about my conversations with Senator Tydings and one or two other matters which I think he should know about.

I shall await further word from you.

Ever sincerely yours,



Enclosures:

Two draft messages
with enclosures.

PSFI Philippines

file
personal

*Not sent
Senate Committee
Approved in
conference
with me*

DEPARTMENT OF STATE
WASHINGTON

May 8, 1939

May 9 '39

FR

My dear Mr. President:

With reference to our recent conversation concerning the Philippines I have drafted and enclose such a message as you might care to send to Congress if you decide to go forward with the program we discussed. I am sending it to you in advance of your meeting with the Senators tomorrow morning with the thought that you might care to read it or discuss it with them.

Faithfully yours,

Francis B. Sayre

Francis B. Sayre
Assistant Secretary

Enclosure:

Draft message.

The President,
The White House.

Department of State

BUREAU
DIVISION

PI

ENCLOSURE

TO

Letter drafted

ADDRESSED TO

The President

TO THE CONGRESS OF THE UNITED STATES OF AMERICA:

On January 24, 1939 I transmitted to the Congress the Report of the Joint Preparatory Committee on Philippine Affairs appointed by Manuel L. Quezon, President of the Commonwealth of the Philippines, and myself to recommend a program for the adjustment of Philippine national economy. This Report was made public on November 29, 1938, together with public statements by President Quezon and myself approving the recommendations contained therein. On February 14, 1939 the Philippine National Assembly passed a resolution approving those recommendations and that resolution was transmitted to the Congress by the Chief of the Bureau of Insular Affairs of the War Department on April 5, 1939.

On January 26, 1939 identic bills were introduced in the Senate (S. 1028) and in the House of Representatives (H. R. 3330) embodying the recommendations of the

Joint

Joint Preparatory Committee. Hearings on the Senate bill were held from February 16 to March 15, 1939. On April 18, 1939 the Senate Committee on Territories and Insular Affairs released a statement to the press stating that no action would be taken at this time on the bill because it understood that President Quezon was likely to visit this country in June and the Committee wished, in order to avoid all possible misunderstanding in dealing with the economic phases of independence, to have President Quezon appear before the Committee. Since President Quezon on several occasions has given his unqualified approval to the recommendations of the Joint Committee and since the Philippine Mission, headed by the Vice President of the Philippines, now in Washington is authorized to express the views of the Commonwealth Government on questions relating to this issue, there would seem to be no apparent reason for further delaying consideration of the problem of our economic relationships with the Philippines. On the contrary, the emergency nature of certain aspects

of

of the problem makes an early decision seem urgent and necessary.

While I can understand, in view of world conditions, the reluctance which some members of the Congress might feel to pass a law at the present time defining our future commercial policy toward the Philippines after they become independent in 1946, it is my opinion and that of those most conversant with Philippine problems that the failure of Congress at its present session to enact that portion of the Senate and House bills applicable to the period between November 15, 1940, when the export taxes provided for in the Tydings-McDuffie Act go into effect, and July 4, 1946, when the Philippines become independent, will entail unnecessary economic hardships for the Filipino people. The repercussions from these threaten to be serious and may impose grave additional problems upon the Commonwealth authorities.

The enactment of those portions of the Senate and House bills which relate to the pre-independence period would satisfy most of the complaints of the Filipino

people

people against certain economic provisions of the Tydings-McDuffie Act applicable to that period, and would at the same time enable the Philippine cigar, tobacco, coconut oil, embroidery and pearl button industries to avoid sudden dislocation or destruction following the imposition of the export taxes provided for in that Act. Such action would also lay down more definite provisions than now exist in regard to the payment of Philippine bonded indebtedness, the retention of certain properties for the uses of the United States after the Philippines become independent, and the supervision to be exercised over the proceeds of certain taxes collected in the United States on Philippine products and remitted to the Philippine Government which should be dedicated to the adjustment and strengthening of Philippine economy to a more self-sustaining position such as the future independent status of the Islands will require. All of the foregoing measures are purely economic and remedial in nature, and do not involve political questions either of the Philippines, the United States,

States, or of any other country.

There are compelling reasons why this matter should be disposed of at the present session of Congress. Action must be taken in time to allow for necessary measures to be passed both here and in the Philippines and for necessary industrial plans and readjustments to be made before the coming into force of the Philippine export taxes, which under the Tydings-McDuffie Act become effective on November 15, 1940. The necessary modification of the economic provisions of the existing law requires not only legislative action by the Congress, but also adoption of appropriate measures by the Philippine Assembly, submission of these to the Filipino people and modification of the Philippine Constitution. Even if the law were passed at the next session of Congress in time to permit the necessary legislative and constitutional action before November 15, 1940, much of the value of such legislation to Philippine industries would be lost because those engaged in the Philippine cigar, coconut oil, embroidery and pearl button industries would

probably

probably be compelled, in view of the uncertainty of Congressional action, to transfer their interests elsewhere before Congress has acted.

In view of the emergency, therefore, I strongly urge that the Congress at its present session enact those provisions of S. 1028 and H. R. 3330 which relate to the period between November 15, 1940 and July 4, 1946, in order to avoid the sudden dislocation or destruction of certain industries, which seems altogether unnecessary. Prompt action along these lines is to our advantage as well as to that of the Philippines.

THE WHITE HOUSE,

TO THE CONGRESS OF THE UNITED STATES OF AMERICA:

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THE WHITE HOUSE,

*file
personal*

**WAR DEPARTMENT
WASHINGTON**

May 9, 1939.

The President,
The White House.

Dear Mr. President:

I am pleased to quote below the translation of a message in cipher (radiogram No. 283, May 8, 1939) signed by Mr. J. Weldon Jones, relating to his appointment as Acting High Commissioner to the Philippine Islands:

"CONFIDENTIAL for the Secretary of War: Acknowledgment is hereby made of your message of May 6th, 1939. I deeply appreciate this expression of the President's confidence, and pledge him anew my loyalty and best effort. I shall be pleased if the President is informed of my sentiments. Jones."

Respectfully yours,


Secretary of War.

Respectfully forwarded to the
President.

E.M.W.

ASSISTANT SECRETARY OF STATE

WASHINGTON

July 28, 1939.

*file
president*

My dear Mr. President:

May I send you a line with regard to the date of my going to the Philippines?

I cannot leave Secretary Hull or the State Department in the lurch and there are many matters resting on my shoulders here which will need adjustment. Unless your thought is otherwise, I should suggest my planning to sail from San Francisco on September twenty-second or October sixth.

Would this be agreeable to you and meet with your desires? I should appreciate knowing as soon as possible so that I can make plans.

I hold myself in readiness to talk with you at any time you desire with respect to Philippine plans.

Ever sincerely yours,

Frank

The President,
The White House.

ASSISTANT SECRETARY OF STATE

WASHINGTON

July 28, 1939.

My dear General Watson:

Would you be good enough to see that the President personally gets the enclosed letter?

Very sincerely yours,

Francis B. Sayre

Enclosure.

Brigadier General Edward M. Watson,
The White House.

ASSISTANT SECRETARY OF STATE
WASHINGTON

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE \$300

**The President,
The White House.**

*file
personal*

DEPARTMENT OF STATE
WASHINGTON

September 19, 1939

My dear Mr. President:

The enclosed telegram, transmitting the text of a resolution adopted by the Executive Committee, Department of the Philippines, The American Legion, was received in the Department of State for Mr. Sayre on September 16, 1939 from the Acting United States High Commissioner to the Philippine Islands. A copy is being transmitted by air mail to Mr. Sayre, now en route to San Francisco, to reach him upon his arrival, but no formal acknowledgment appears to be required at this time.

Faithfully yours,

Harry F. Gandy

Enclosure:

Telegram no. 82,
September 16, 1939,
from Manila.

The President,
The White House.

Department of State

BUREAU
DIVISION

PI

ENCLOSURE

TO

Letter drafted.....

ADDRESSED TO

The President.....

REB

PLAIN

Manila Via N. R.

Dated September 16, 1939

Rec'd midnight

Secretary of State,
Washington.

32, Sixteenth.

High Commissioner. I have officially received the following resolution, unanimously adopted by the Executive Committee, Department of the Philippines, the American Legion, on the ninth day of September, 1939, with instructions that the same be released for publication only by the National Headquarters or under its authority. The President may be interested in this resolution. I have decided to give it to you for the attention of the President in your discretion.

"Whereas, the present European war involving the British Empire, France, Poland and Germany, is in actuality a test of strength between two widely divergent and irreconcilable theories and principles of government, and

"Whereas, the principle, to which America adheres, that government should be, of the people, by the people, and for the people, and the doctrine affirming the

sanctity

REB

-2- September 16, from Manila

sanctity and consequent inviolability of national integrity, are challenged by the existing German Government, and

"Whereas, it is under the foregoing democratic principle of government, that our people, as well as the peoples of many of the other nations of the world, have found and preserved their just liberties, and

"Whereas, the present military action, by the democratic nations involved, is directed, not against the German people, but rather against an autocratic system of government enforced upon the German people, without their free will and consent; and as a consequence, victory for the democratic nations, will not only preserve and perpetuate the democratic principles of government in issue, and reaffirm the sanctity of national integrity, but it will liberate the German people, themselves, from an intolerable condition of human bondage, and

"Whereas, defeat of these democratic nations would result in serious jeopardy to our own national integrity and to the political institutions and principles essentially the basis of our American way of life, and to preserve which, America has fought in the past and if

need

DBW

-3- September 16, from Manila

need be must fight again, and

"Whereas, the democratic nations involved, led by the British Empire, have followed the traditional process of frankly declaring the existence of a state of war, without attempting to circumvent the effects of the neutrality laws of the United States, by adhering to the fiction that a war is non-existent until so formally declared by one of the belligerents, which action is honest and courageous and will appeal to the American people, and

"Whereas, the United States has now, by Presidential Proclamation, affirmed its neutrality and, as required by existing law, prohibited the supply of war materials to any of the belligerent nations, and

"Whereas, this prohibition, in its effect upon the democratic nations involved, will seriously react against a cause in which the great majority of the American people are in full sympathy, and for which Americans fought in 1917-18, and it may well be adding greatly to the ultimate price, in both men and money, which the United States will have to pay in order to preserve the sacred principles of government in issue from being completely lost to civilization, and

"Whereas,

DEW

-4- September 16, from Manila

"Whereas, as a consequence, the United States may safely maintain its position of neutrality thus proclaimed, and desist from the supply of war materials to these democratic nations, only so long as ultimate victory to those nations without the benefit of such war materials, is assured, and

"Whereas, the United States, through its power and prestige, is destined to play a dominant role in the grave events in the making, and must forthrightly and with courage exercise that power and prestige to restore sanity to a distraught world and encourage the return to a just and lasting peace: "Now, therefore, be it resolved by this Department of the Philippines, the American Legion,, that the National convention be as it is hereby urged: "One. To call upon the congress to repeal such section or sections of the existing neutrality laws of the United States as restrict trade with belligerent nations; and

"Two. To call upon the President to prosecute a strong foreign policy for the United States to the end that the great moral influence of the latter may discourage the spread of the present war in Europe and lend encouragement to the early restoration of a just peace."

JONES

CFU

TELEGRAM

The White House
Washington

*file
journal*

BY TELEPHONE FROM NAVAL
COMMUNICATIONS:

Manila, P. I., October 25, 1939 8:35 a.m.

THE PRESIDENT.

PERSONAL FOR THE PRESIDENT: Arrived Manila 21st. Given a warm and enthusiastic welcome by Commonwealth authorities and by American and Philippine people. Have entered on active duties and found things running smoothly. Am conferring with Admiral Smeadley and General Grant concerning enforcement of neutrality in Philippines.

Sayre.

REPORT FOR THE PRESIDENT
COMMUNICATIONS SECTION
BY TELETYPE UNIT
MAY 1939

file personal

man

CONFIRMATION COPY

RADIO SENT: (Navy)

Manila, October 25, 1939.

The President
The White House
Washington, D. C.

PERSONAL FOR THE PRESIDENT:

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Sayre.

(1) Record.

aer

No. 73

WOODBURY WILLOUGHBY

NAVY RADIO

GOVT H C

THE PRESIDENT
THE WHITE HOUSE
WASHINGTON D C

PERSONAL FOR THE PRESIDENT COLON ARRIVED MANILA TWENTY FIRST STOP
GIVEN A WARM AND ENTHUSIASTIC WELCOME BY COMMONWEALTH AUTHORITIES
AND BY AMERICAN AND FILIPINO PEOPLE STOP HAVE ENTERED ON ACTIVE
DUTIES AND FIND THINGS RUNNING SMOOTHLY STOP AM CONFERRING WITH
ADMIRAL SMEALLIE AND GENERAL GRANT CONCERNING ENFORCEMENT OF
NEUTRALITY IN PHILIPPINES

SAYRE

Manila, October 25, 1939.

Independence in 1946

No one can feel more keenly than I do the responsibility for the future of our people. The sacred duty of leading our Government through these first years of preparation for an independent national existence has fallen to my lot, and I have tried, to discover by every means at my disposal if there be any compelling reason why the plan as decreed by the Congress of the United States and accepted by us should not be put through. I am of the opinion that the international situation has not developed to a point where anyone can predict what the fate of small nations will be in the years to come.

In the discussion of a possible change in the program of independence embodied in the Independence Act, it is important to bear in mind the following considerations:

First. That the Government of the United States will not consider favorably any proposal merely to postpone the granting of independence beyond 1946, meanwhile continuing the present political and economic set-up in the relations between America and the Philippines.

Second. That if the Filipino people are unwilling or afraid to assume the responsibilities of independent nationhood by 1946, their only alternative is to petition Congress to declare the Philippines permanently as American territory. *(become the 49th state)*

Third. That America will not protect the independence and territorial integrity of the Philippines against foreign aggression.

In the face of these considerations, the question for us to decide is whether because of the uncertainty of the future of small nations, we should abandon the idea of becoming independent.

I am unalterably opposed to the prolongation of the present political set-up beyond 1946, because I believe that it is not conducive to our best interests. On the other hand, we cannot consider permanent political relationship with America except on the basis that the Philippines would at least have full and complete power over immigration, imports, exports, currency and related financial subjects, as well as the right to conclude commercial treaties with other nations without being subjected to the supervision and control of the United States. This, I am quite certain, is not feasible, considering the present state of public opinion in America.

It would be utopian to believe confidently that the Philippines would not be exposed to foreign aggression, once we cease to be under the protection of the American flag. But, if we want to have the untrammelled right to govern ourselves as we think best for our own welfare, we must assume the responsibilities that go hand in hand with that right. That means that we shall have to depend upon ourselves and take our chance exactly as every independent nation had to do.

We hope for the best. We shall promote friendly relations with other nations and be mindful of their rights. We shall endeavor to protect and defend our national integrity and independence to the limit of our means. While we know not what the future has in store for us, we have faith in a just God who presides over the destinies of nations, and who alone holds our fate. We cannot falter in the attainment of our long-cherished ideal. We must secure a place, however modest, in the concert of free nations.

PSF: Philippines

[1-22-40]

See Interior folder
for original