

Philippines

294. Editorial Note

On January 13, 1964, at 1:11 p.m., President Johnson telephoned his Special Assistant for National Security Affairs, McGeorge Bundy, and asked his opinion of appointing the former Governor of New Jersey, John Meyner, as Ambassador to the Philippines. The President and Bundy discussed Meyner's qualifications. The President then asked: "How sensitive is the Philippines post?" McGeorge Bundy replied:

"Very. But the principal thing in the Philippines is to establish a working personal relationship with Macapagal. Professional staff can be provided underneath it. That is where Stevenson has failed, and where I think Meyner would have a much better chance for success. He is temperamentally much more an outgoing man than his father-in-law [current Ambassador William E. Stevenson was Meyner's father-in-law]."

Bundy and the President next discussed the possible reaction to Meyner's appointment. Bundy promised to "take a temperature" reading at the Department of State "in an innocent way." The President warned him not to mention Meyner's name to anybody because he was "just so damned afraid it will be in the paper." (Johnson Library, Recordings and Transcripts, Recording of Telephone Conversation between the President and McGeorge Bundy, F64.05, Side B, PNO/3) William McCormack Blair, Jr. was appointed Ambassador to the Philippines on June 8, 1964.

295. Memorandum of Conversation¹

Washington, July 9, 1964, 5:40 p.m.

SUBJECT

Philippine Contribution to Defense of Viet-Nam Discussed at Ambassador Ledesma's Presentation of Credentials

PARTICIPANTS

The President
His Excellency Oscar Ledesma, Ambassador of the Philippines

¹Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 17-1 PHIL-US. Confidential. Drafted by Barnett and approved by the White House on July 15. The meeting was held at the White House.

Angier Biddle Duke, Chief of Protocol
Robert W. Barnett, Deputy Assistant Secretary, FE

At 5:40, July 9, Mr. Duke escorted Ambassador Ledesma into President Johnson's office for presentation of credentials. The President greeted Ambassador Ledesma warmly and the Ambassador said he was under instructions to make two points. He brought, he said, from President Macapagal an expression of satisfaction at the warm relations which existed between the Philippines and the United States. He said that President Macapagal was most grateful for President Johnson's invitation to visit the United States and hoped to accept this invitation as soon as possible.² Ambassador Ledesma then stated that the Philippine Government had just decided to enlarge its assistance program for South Viet-Nam and to appropriate over 900,000 pesos for that purpose. President Johnson asked what projects were to be financed. Ambassador Ledesma mentioned psychological warfare specialists, medical teams, and community development teams. The President said that he was glad that the Philippines would be "showing its flag" and inquired how many persons would be involved in the programs. Ambassador Ledesma said that he would inform the President as soon as he could determine the numbers.

Pictures were taken and the meeting terminated.

²On July 28 Thomson informed McGeorge Bundy that "a Macapagal visit involves certain problems: his 1962 visit was canceled at the time of the war damage ruckus; his opponents are critical of his recent foreign wanderings; and he has publicly announced that he doesn't plan to come to the U.S. before the elections. The Philippine desk is very hesitant to propose a pre-election visit." Komer wrote the following note on the memorandum: "I've told Marshall Green to generate for OK here a cordial invite to Macapagal for *October*, unless *strong* reasons why not. But he, like yours truly, can't see what this does for LBJ." (Memorandum from Thomson to Bundy, July 28; Johnson Library, National Security File, Country File, Philippines, Vol. I, 11/63-11/64)

296. Memorandum From Secretary of State Rusk to President Johnson¹

MAL/PBM-1

Washington, October 2, 1964.

VISIT OF PRESIDENT MACAPAGAL
October 5-7, 1964

SUBJECT

Your Meetings with President Macapagal²A. *President Macapagal*

Macapagal is both *pro-American* and a *Philippine nationalist*.

At 54, he has led his country for almost three years during which he has shown greater *interest in regional and international affairs* than any of his predecessors. He has *supported us in the important areas* (operation of our bases in the Philippines, Vietnam) but at times his *nationalism has led him to follow less constructive lines* (his earlier Indonesian policy, claim to Sabah or North Borneo). In the *past year, he has shown considerably more responsibility than in his first years in office*.

He has been *only moderately successful with his domestic programs*, which emphasize economic and social reform, and he must cope with an *uncooperative Congress, resistance from powerful vested interests and poor public support*.

Of very humble origin, he is extremely *sensitive and prestige conscious* and is *not particularly warm or genial*. His wife wields considerable influence over him.

He visited the United States as Vice President in 1960. *You met him in 1961 on your world trip and at President Kennedy's funeral*. Mrs. Macapagal was here last month to place their daughter, Gloria, (17) in Georgetown University.

B. *His Objectives*

1. To *establish for domestic Philippine consumption* that he is a close friend of, well regarded by, and an equal partner with the *United States*

¹Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL. Secret. Drafted by Ballantyne and cleared by Green, Barnett, Cuthell, and Miller; also cleared with DOD/OSD/ISA, AID, Commerce, L/FE/SPA, and E/OR and E/AN.

²In telegram 394 from Manila, September 11, the Embassy provided its view of what a Macapagal visit to Washington should accomplish. In general, the Embassy suggested, it was "an opportunity for the two Presidents to know each other better," to reaffirm their countries' close relationship, and to demonstrate to the world, especially the rest of Asia, their identity of interests. (Ibid.)

President. To bear this out, he requires some tangible signs of our trust and esteem. He will attach importance to the commitment from us to supply P.L. 480 rice next year.

2. To reiterate his support for United States policies in Asia and to volunteer new support.

3. To explain his disillusion and apprehension regarding Sukarno and obtain increased military assistance to bolster Philippine southern defenses against potential Indonesian subversion.

C. Our Objectives

1. To reassure him as to our policies, purposes and determination.

2. To promote close U.S.-Philippine cooperation in defense and world affairs, especially toward Communist China, Indonesia, Malaysia, Vietnam and Laos.

3. To express our concern over the threat to established American investment in the Philippines posed by the Retail Trade Nationalization Law.

4. To indicate explicitly our commendation for Philippine efforts to introduce social reform in their society. To suggest discreetly our friendship for Macapagal.

D. Major Topics of Your Talks Are Expected To Be:

1. Vietnam

A memorandum on this subject will be submitted separately.³

2. Indonesia and Military Assistance

Macapagal may stress the Philippines has recently undergone a dramatic shift in attitude toward Indonesia and describe the importance he attaches to increasing Philippine military strength in Mindanao, the large southern island, to discourage known Indonesian penetration. He may ask for a sizeable increase in our military assistance program to support his southern defenses.

You should express our concern regarding Indonesian expansionism, and note our efforts to restrain Sukarno and the determination of the British to retaliate if mainland Malaysia is again attacked. Our bilateral defense agreement with the Philippines serves to insulate the Philippines from overt attack from Indonesia, and we agree the Philippines should improve their military posture in the south to withstand and control subversion. His defense advisers are in touch with ours on this and we are prepared to re-examine the existing military assistance program and consider specific Philippine suggestions or requests. We would be interested in knowing what the chances are of increased Philippine budgetary support for its armed forces.

³ Not found.

3. Malaysia

Macapagal may explain his latest efforts to resolve the dispute between Malaysia and Indonesia through the medium of an *Afro-Asian Conciliation Commission*, and describe his claim to Sabah (or North Borneo).

You should express appreciation for his efforts and the hope the Philippines will soon restore diplomatic relations with Malaysia. You should also mention that the Malaysians will understandably insist that attacks against them cease and Indonesian guerrillas be withdrawn before they accept the *Afro-Asian Conciliation Commission*. Suggest you not comment on the North Borneo claim, a dispute between two of our friends.

4. United States-Philippine Relations

a) Rice

Macapagal will raise his need for P.L. 480 rice.

You should reply that despite limited availabilities of rice, we are prepared, on the basis of Philippine need, to extend to him in 1965 100,000 tons of rice under P.L. 480, Title I, on same basis as the 1964 transaction except for certain minor changes (such as in the handling of freight charges) required by recent legislation.

b) Operation of Our Military Bases

Macapagal may suggest a revision of the military base agreement be undertaken quietly, through diplomatic channels.

You should tell him that we are prepared to consider this suggestion and that we are making every effort to assure that he is informed regarding the use of our bases in this critical period.

c) Civil Aviation

Macapagal may express both concern over this and the hope that Philippine Air Lines be permitted to fly a route from Manila through Tokyo to California or Seattle.

You should state that we share Macapagal's concern over the unresolved aviation problems between our two countries and we are prepared to sit down with the Philippines to negotiate. If agreement could be reached on general principles (on rates, capacities and undertakings not to apply unilateral restrictions) and if a Manila-Tokyo-Seattle route—in addition to the route currently operated by Philippine Air Lines—is acceptable to the Filipinos, we believe a successful negotiation is possible.

d) Sugar

Macapagal may ask for a larger sugar quota.

You should be noncommittal, noting congressional legislation is required.

e) Veterans Claims; Omnibus Claims

Macapagal may propose a Joint Committee to look into the level of payment of veteran benefits. You should discourage him if he specifically

mentions the *Omnibus Claims*. (FYI: We would not get congressional support for these, particularly after the history of the War Damage legislation.)

f) *Special Fund for Education*

Macapagal may propose that the fund be used in support of the training aspects of the land reform program.

You should explain that the full amount of this fund will not be known until the end of the year and express your interest in having it used in the Philippines for projects which will reflect credit on both Presidents—who are specifically responsible for it—and which will leave a lasting mark on Philippine society. We are prepared to examine a proposal that the fund be used to support training in land reform and perhaps devote a portion of the fund to this purpose.

You should also note that we would welcome Philippine suggestions as to how expenditures under the fund can be audited so as to satisfy the reasonable interest of both the Philippine and American Congresses.

g) *Threat to American Investment from Retail Trade Nationalization Law*

(You should raise this if Macapagal does not.)

You should observe that American marketing operations in the Philippines are valued at hundreds of millions of dollars and express your appreciation for his personal efforts to prevent the Retail Trade Nationalization Act from interfering with them. You should also state for the record our concern regarding this continuing threat to long-established United States business operations in the Philippines posed by the application of this legislation, and our confidence that the Philippine Government will abide by its long-standing commitments to us. It would be politically difficult for the Executive Branch to sponsor any major legislation favorable to the Philippines (sugar, coconut oil) in the United States Congress until this problem is resolved. We hope that this matter will soon be resolved so that it will not disrupt the mutually beneficial trading relations between our countries.

h) *Laurel-Langley Agreement* (also known as the U.S.-Philippine Trade Agreement of 1955)⁴

Macapagal may raise this and give Philippine views regarding its future and a possible extension.

You should note the importance this agreement has to commercial relations between the two countries, mention you are aware a possible renegotiation of the Agreement has been considered by various groups in the United States and the Philippines. The matter needs further study before we

⁴ Signed in Washington on September 6, 1955. (6 UST 2981)

can take a position, but we are always willing to discuss with his representatives any proposals they wish to make.

I am prepared to brief you further on this visit at your convenience, perhaps on Saturday.

Dean Rusk⁵

⁵ Printed from a copy that bears this typed signature.

297. Note From Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)¹

Washington, October 2, 1964.

Mac—

I'm getting cold feet about helicopter deal.² Original estimate given us of \$20,000 was very austere. To plush up one like Sukarno's could cost over \$100,000. Moreover, Fils know two choppers are included in MAP for anti-smuggling operations; ergo, we might have to replace the plush job to a tune of \$350,000. DOD thinks this would probably be necessary, State pooh-poohs it.

Half a million for a present would still be useful if we got a quid pro quo. But we are becoming less enamored of Macapagal's grand proposal. He requires Congressional OK to send troops out of country and opposition is about as strong as he is.

¹ Source: Johnson Library, National Security File, Country File, Philippines, Macapagal Visit, 1964. Secret.

² In a September 28 memorandum from Read to McGeorge Bundy, the Department of State recommended that one of the helicopters due to be delivered to the Philippines under the Military Assistance Program could be "plushed up" at the cost of \$20,000 and serve as an executive helicopter for President Macapagal who had indicated a desire for such an aircraft. The Department noted that the United States had given one to Sukarno, and in this instance, it would be in appreciation of "our *real* friends." The memorandum also recommended that Johnson accompany Macapagal to the Tomb of the Unknowns and John F. Kennedy's grave at Arlington National Cemetery. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL)

Have we said anything to the President yet?³ Bear in mind that while chopper will make visit much more friendly, we won't be able to parley it directly for any increased help.⁴

◊ RWK

³To this question Bundy wrote in the margin: "No."

⁴Bundy wrote the following note at the end of the memorandum: "O.K. Cool off chopper."

298. Memorandum From Secretary of State Rusk to President Johnson¹

Washington, October 3, 1964.

SUBJECT

Increased Philippine Participation in Viet-Nam

Macapagal's Proposal

On September 22 Macapagal told [*less than 1 line of source text not declassified*] that he expected to discuss the Viet-Nam situation with you, that he thought it was approaching "desperation," and that he thought part of the trouble might be that the American advisers and military units, being "Westerners and white men," seemed to the Vietnamese little different from the French and are consequently unable to "convey a sense of common purpose to them." He suggested that the 16,000 American soldiers in Viet-Nam be replaced by an equal number of Filipinos and Thais. He recognized that "massive logistic support and ultimate control must remain in American hands." He said he was confident of obtaining Congressional support if Philippine participation were not unilateral but shared with the Thais. Macapagal concluded that he did not wish to seem critical of our present policy and,

¹Source: Johnson Library, National Security File, Country File, Philippines, Vol. 1, 11/63-11/64. Secret. This memorandum was sent to the White House under an October 3 covering memorandum from Read to Bundy.

therefore, wished advice as to whether he should raise the subject with you.²

Our Assessment

We are not sure of Macapagal's motivation in making this offer. We are aware of the shortcomings of the Philippine armed forces, and are doubtful that Macapagal could obtain Congressional backing for a venture of this sort. Nevertheless, we believe that Macapagal's proposal might be developed into real and active Philippine participation in support of the GVN. Macapagal seems to be sincerely concerned about the Viet-Nam situation; we believe that Philippine political leadership could be brought to support a substantially higher level of Philippine involvement, and that the problem is to devise levels and forms of participation which are tenable in terms of Philippine capabilities and acceptable to Philippine public opinion.

Philippine Capabilities

Given the above criteria, we believe the Philippines could produce forces such as the following:

- A. Aircraft crews for support of the Viet-Nam Air Force.
- B. Special Forces company.
- C. Engineer platoons (up to 6).
- D. Medical platoons (up to 3).
- E. Personnel in such technical fields as signal, ordnance, transportation, and maintenance.
- F. Marine/Navy personnel to assist the South Vietnamese in junk fleet training and similar maritime counter-insurgency operations.

We understand that use of any of the foregoing outside the Philippines would require Philippine Congressional authorization. In addition, however, the Philippine Government could produce without specific Congressional authorization (if funds were available):

G. Significantly increased numbers of civilian medical, engineering, and construction personnel and a variety of specialists to work in the civic action field such as agricultural experts. The Philippines could also contribute fertilizer.

Financing

1. The current Philippine budget will not cover the increased costs required for these activities. We are sure that Macapagal will expect the United States to provide the necessary financing.

² [text not declassified]

2. We expect that, in addition to requesting us to finance Philippine activities in South Viet-Nam, Macapagal will use his proposal as a point of departure for further requests for significant increases in our MAP aid.

Saigon Reaction

Asked to comment on the Philippine capabilities listed above, Embassy Saigon has replied that any or all would be most welcome and has added that Filipinos already in the country are working out well.

Bangkok Reaction

Embassy Bangkok believes it is most unlikely that the Thai would be willing to go along with Macapagal's proposal. The Embassy believes, however, that the Thai can be encouraged to increase economic aid considerably and, with proper handling, to augment their military assistance somewhat.

Talking Points

We believe Macapagal will be raising his proposal with you, and indeed Ambassador Blair will be suggesting to him that he do so. I suggest that you reply along the following lines:

1. We are delighted that Macapagal agrees with us in his assessment of the importance of Asians helping Asians in Viet-Nam. We have been most impressed by the ability and devotion of the Filipinos already in Viet-Nam. The nature and depth of our commitment in Viet-Nam is such that we cannot, however, take action which appears to constitute American withdrawal or lessening of interest, as this would be misread in Viet-Nam as well as by the Chinese and others.

2. At the same time, we believe the Philippines could make an important contribution by committing Philippine armed forces, in addition to making a significant increase in civilian participation in support of civic action.

3. Work on this should be done very quietly and, if Macapagal agrees in principle, you and he will instruct your representatives to get together to prepare detailed plans. You would hope that the subject could be discussed further at your second meeting.

4. If Macapagal raises the question of United States financing for increased Philippine activities in Viet-Nam or of increased MAP, you should tell him that in principle the United States will be willing to help out with respect to financing the activities in Viet-Nam, but you should give him *no* encouragement with respect to increased MAP.

These subjects should be discussed by your respective staffs in the course of preparing the detailed plans mentioned above.

The Department of Defense concurs in this memorandum.³

Dean Rusk

³The Joint Chiefs of Staff informed McNamara in JCSM-347-64, October 3, that, "since neither Thailand nor the Philippines has an industrial base, their contributions, especially in economic and social fields, must be largely in terms of personnel and skills." The JCS recommended contributions in civic action and counterinsurgency operations, and noted that both Thailand and the Philippines would regard these contributions as a basis for increases in their U.S. Military Assistance Program. The Joint Chiefs stated that replacement of U.S. military personnel in South Vietnam by Thai and Filipino military personnel was "impractical." (Department of Defense, Joint Chiefs of Staff Files, Official File, 9150 (1 Oct 1964))

299. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson¹

Washington, October 5, 1964.

Talking Points for Macapagal. He clearly expects that Vietnam will be uppermost on your mind, and will probably make his offer to help. We want to embrace enthusiastically the idea of more Fil aid, but steer him on to Rusk and McNamara on the more dubious specifics.

Since these people are [*less than 1 line of source text not declassified*], I'd urge you have at least Bill Bundy or Blair in the room, both to protect your flank and to give us a quick readout for the talks to follow.

1. *Vietnam.* We're determined to see this through (a firm line will reassure Macapagal). Depth of our commitment is such that we couldn't appear to be pulling out. This would be misread in VN as well as by Chicoms.

2. But we enthusiastically agree that there should be more Asians helping Asians. We're impressed with performance of Fils already there, and would warmly welcome more. The two governments should get together and prepare detailed plans.

3. *Indonesia-Malaysia.* Flatter Macapagal by frankly asking his advice on how to keep this dispute from blowing up.

¹Source: Johnson Library, National Security File, Country File, Philippines, Vol. I, Memos, 11/63-11/64. Secret.

4. We appreciate Fil mediation on Malaysia dispute and agree with idea of "Asian" solution. But we can see why Tunku insists Sukarno stop attacks and pull out guerillas first. We hope Fils will restore diplomatic relations with the Tunku. *No comment* if he brings up Fil claim to N. Borneo.

5. If he switches to *Indo threat to Philippines*, we think that our bilateral defense agreement and Seventh Fleet will insulate Fils from overt attack. As to *subversive threat*, we agree Fils should strengthen their defensive posture in South. Let's consult on this, but Fils too must help by more budgetary support for their own forces. We hope to avoid the big new MAP commitment Fils want.

6. *Rice*. Our supply is limited, but we can provide 100,000 tons on same basis as 1964 except for minor changes required by new PL 480 law (e.g. freight charges).

7. We want to complain about threat to US investment from new *Fil Retail Trade Nationalization Law*. He's on our side, but should be told that this law jeopardizes long-established US businesses in Philippines. We couldn't get any legislation favorable to Fils through Congress if this is not settled.

8. If he raises our *base rights*, we'll consider any proposition he has.

9. If he raises *new air route*, we're prepared to negotiate and think Fils could have a Manila-Tokyo-Seattle route if agreement can be reached on rates, capacities, no unilateral restrictions, etc.

10. *On veterans claims*, we'll buy a joint committee but want to discourage him on Omnibus Claims.

11. If he wants the *special education fund* set up under the new War Damage law to be used in his land reform program, we'll look at this carefully. We need suitable auditing procedure to satisfy both Congresses however.

12. If he raises *Laurel-Langley trade agreement* (parity clause protecting US business operations is now under fire), we're prepared to study any proposals Fils may have.

After the meeting, we have the boat ceremony in Fish Room with press and guests.

R. W. Komer

N.B. Special warmth to this highly sensitive man is as important as what we can give him. With some discreet hints from us, he's going to laud our VN role in speeches here.

300. Memorandum of Conversation¹

Washington, October 5, 1964, 5 p.m.

SUBJECT

1. Philippine Assistance in South Viet-Nam, and Philippine MAP Requirements.
2. Rice.
3. Special Fund for Education.
4. Retail Trade Nationalization Act.

PARTICIPANTS

The President
President Macapagal of the Philippines
Philippine Ambassador Oscar Ledesma
Mr. William P. Bundy, Assistant Secretary for Far Eastern Affairs

(The two Presidents had had a private conversation before Ambassador Ledesma and Mr. Bundy joined them. Matters of substance discussed in this shorter conversation are believed to have been reviewed in the larger group.)

1. *Philippine Assistance in South Viet-Nam, and Philippine MAP Requirements.*

President Macapagal stated that the Philippines were ready to send to South Viet-Nam trained personnel in public health, medical, engineering, and military special forces, "as many as useful." In response to Mr. Bundy's inquiry whether the President had any specific number in mind, President Macapagal stated that this should be worked out with the American authorities.

President Macapagal stated that with such increased Philippine participation they would wish to have at least "some sprinkling" of additional Thai participation. He implied that it would be difficult for the Philippines to take these further steps unless another Asian country were participating.

President Johnson responded that this offer would be very sympathetically received and said that an announcement to this effect by the Philippines would be most helpful. President Macapagal agreed to such an announcement (no time specified).

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. I, Memos, 11/63-11/64. Secret. Drafted by Bundy and approved by the White House on October 9. According to the President's Daily Diary, Johnson and Macapagal met alone in the President's office in the White House from 5:01 to 5:15 p.m. They were then joined by William Bundy and Ledesma and the meeting lasted until 5:31 p.m. (Ibid.)

President Macapagal then alluded briefly to the cost of sending these men and then, at more length, to the question of Philippine military assistance needs. President Johnson responded that he had discussed the latter problems with Secretary McNamara, and that Secretary McNamara would be prepared to go into it in detail with President Macapagal in their appointment on the following day.² President Johnson stated that "we think we can be helpful", but otherwise left the matter to the discussion with Secretary McNamara.

2. *Rice.*

President Macapagal explained the serious Philippine need for rice, and President Johnson immediately responded that we were prepared to furnish 100,000 tons on a mutually agreeable basis. President Macapagal showed clear pleasure at this statement and the matter was left at that.

3. *Special Fund for Education.*

President Macapagal alluded to the \$25 million that might be available for educational purposes from war damage claims. President Johnson immediately responded that we were prepared to have a joint commission look into this matter and see what uses could be developed.

At a later point in the conversation, President Macapagal came back to the importance of his land reform program and his hope that the US could be directly associated with it through the use of the fund in connection with land reform. During this discussion, he also alluded very favorably to the US treatment of the Philippines in contrast to the treatment of other countries by their colonial powers.

4. *Retail Trade Nationalization Act.*

President Johnson raised this issue and indicated that it was causing serious problems for American businessmen and for future American business in the Philippines.

President Macapagal responded that he had done his best, and certified the necessary legal cases to the courts. He said that his main problem was that the Senate was controlled by the opposing party, and that he must therefore simply campaign just as hard as he could to get a friendly Senate and Congress in the 1965 elections. He expressed confidence that his own campaigning ability could produce a successful outcome at that time.

² See Document 301.

301. Memorandum of Conversation¹

Washington, October 6, 1964, 9:15 a.m.

SUBJECT

Secretary McNamara and President Macapagal's Conversation

PARTICIPANTS

Philippines

Diosdado P. Macapagal, President of the Philippines

Mauro Mendez, Secretary of Foreign Affairs

Rufino Hechanova, Secretary of Finance

Oscar Ledesma, Ambassador

Brig. General Ismael Lapus, Philippine Armed Forces Attaché

United States

Robert S. McNamara, Secretary of Defense

Rear Admiral W. F. Schlech, Jr., American Military Aide to the President of the Philippines

William McC. Blair, Jr., American Ambassador to the Philippines

In response to a question from Secretary McNamara on Viet-Nam, President Macapagal said that he first sensed that something was wrong back in 1960. He said that he detected that the efforts of the Vietnamese Government lacked the support of the people. "When the people are not behind the effort, it is bound to collapse," he said. The President suggested that more participation by Filipinos "and perhaps by Thais" would be useful. "We are nervous ourselves," he said. "We are in danger too if anything happens." With Indonesia headed the way she is, the President said that it was time that the Filipinos shifted their defenses southward. He said this is already under way and that they were using the increase in smuggling as an excuse for the shift.

Secretary McNamara said that he was seriously concerned by the level of the Filipino defense budget. Macapagal replied saying, "It is my peculiar misfortune to be the first President in our history working with an opposition congress." The Secretary said, "I speak of this reluctantly because your strength depends upon your economic growth. I realize you have internal political problems but the dangers ahead are too great for you to keep your defense efforts at such a low level." The President replied, "We are studying the situation and I may call a special session of Congress to augment our military preparations." The President said that the purpose of calling the special session would be to increase revenues both for defense and for schools, and he suggested

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Secret. Drafted by Blair. The meeting was held at Blair House.

that even if Congress is controlled by the opposition, it would find it difficult to oppose these measures.

At this point Secretary Hechanova interrupted to say there had been a restoration of earlier cuts in the defense budget. Secretary McNamara said that this was a good first step but inadequate in and of itself. Secretary McNamara then asked the President what size force he had in mind when he talked about an increase in Filipino participation in the war in Viet-Nam. The President turned to General Lopus who gave the figure of between 1,000 and 1,200—"a battalion combat team," he said. President Macapagal commented that he thought the Filipinos could be most useful in terms of technical assistance and civil action groups. He said that the Vietnamese are weary after 20 years of war and that France had not given them enough "technical know-how." The President pointed out that there exists a school of public administration at the University of the Philippines. He said that "We can live with the natives but it will be difficult for Filipinos to do it alone." "Perhaps," he said, "a sprinkling of Thais is needed." When asked by the Secretary as to whether he felt the Thais would be receptive to this idea, he answered in the affirmative saying that "if Viet-Nam falls, the Thais will be next."

Secretary McNamara said that "We would be delighted to join with your staff" in studying both the possibility of an increased Filipino participation in Viet-Nam and the shifting of Philippine defense to the south.² When asked by the Secretary whether he had any views on the Vietnamese desire to expand the war, the President said, "I am not a military man but you will have to cut the supply routes if you want to win."

The Secretary said, "We will set up a joint study to see what can be done. If you raise your budget, we will do what we can to supplement it. We are limited in what we can do but we will study it." Secretary McNamara stated that perhaps what is needed most by the Filipinos is a counter-insurgency force to deal with infiltration from the south.

President Macapagal talked for awhile on the threat of Communist China and pointed out that all of the Asian countries are fearful of Red

² Secretary of Finance Hechanova discussed the projected shift in Philippine defense posture with Assistant Secretary of Defense McNaughton at the Pentagon, on October 2. Hechanova stated that the highest levels of the Philippine Government had decided that a major threat to the Philippines came from Indonesia in addition to the previously recognized threat of China. The Philippine Government was planning to move military forces south under the guise of anti-smuggling operations. Hechanova also pointed out the danger of subversion in the southern Philippines because of Mindanao's close religious and cultural ties to Indonesia. This was the reason for Philippine claims to North Borneo now that the British were leaving. (Memorandum of conversation, October 2; Washington National Records Center, RG 330, OASD/ISA Files: FRC 68 A 306, Philippines, 320.2-702)

China. He then said, "I do not know if you have written off Indonesia" and went on to say that he felt every effort should be made to make sure that Indonesia will not be lost to the Communists. The President said that the poverty of the Indonesian people was so bad that "I doubt if in the long run Indonesia can be a real threat." The Secretary said that the United States certainly had not written off Indonesia. The President said that both China and the Soviet Union were trying to keep Indonesia from moving to the other side and pointed out that "since we are neighbors to Indonesia, we can talk to them." He said that Sukarno agreed with him that China was a grave threat and said that if only the West could come up with some role for Indonesia to play which would at the same time give Sukarno a chance to help his people, "this might do it."³

³ At 10 a.m. Macapagal met with Rusk to discuss the Indonesian-Malaysian dispute and Philippines-Malaysia relations. Accounts of these discussions are in three memoranda of conversation, all October 6. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA and POL PHIL-MALAYSIA) Macapagal also met with McCone at Blair House at 3 p.m. They primarily discussed events in Vietnam and the Indonesia-Malaysia dispute. (Johnson Library, National Security File, Country File, Philippines, Vol. I, Memos, 11/63-11/64)

302. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson¹

Washington, October 6, 1964.

Chief Macapagal business this afternoon is attached communiqué,² now approved by Macapagal. At Fil request, it's long and meaty, with many details befitting our "special relationship": (1) reaffirmation of SEATO commitments and defense in SEA; (2) study of mutual security needs; (3) joint commission on veterans' claims; (4) our support of land reform;

¹ Source: Johnson Library, National Security File, Memos to President, McGeorge Bundy, Vol. VII, Oct.-Dec., 1964. Secret. There is an indication on the memorandum that the President saw it.

² Not attached; for text of the communiqué, see *American Foreign Policy: Current Documents, 1964*, pp. 946-949.

(5) we'll plan together on using joint fund for education; (6) our interest in rural electrification; (7) new PL 480 rice; (8) our stand on new Fil retail trade law, etc. We're happy with it.

Macapagal told McNamara that he thought it worthwhile to gamble on keeping Sukarno from going East—but Sukarno needed some kind of "golden bridge" (i.e. aid) to justify his climbing down on Malaysia issue.³ For Vietnam he mentioned a battalion of troops (1200), *but a lot of staff work is needed yet*. We don't see much meaningful short term input. Bob said we'd find some way to help the Fils re-orient their defenses to the south, and beef up their military budget. Any increases in our MAP would depend on their increasing too.

Most of Macapagal-Rusk talk⁴ was on *Malaysia* and *Sukarno*. This time our friend stressed his disillusionment with the Bung, so Rusk suggested that restoring Fil-Malay relations would be a good signal.

Macapagal's noon *Press Club talk* (attached)⁵ was helpful on Vietnam.

Talking points. You might hit the following for emphasis:⁶

1. Visit most helpful from your viewpoint. We rely on our Fil friends to advise us on Southeast Asia.

2. We're delighted that Fils want to help out more in Vietnam. We'll be in touch on staff level as soon as possible.

3. Since *Malaysia-Indonesia* wasn't highlighted in your talk yesterday⁷ (it was with Rusk and McNamara), you might ask for any final words of advice.

4. We'll keep trying to forestall an *Indo-Malaysia blow-up*, but hope Fils will *patch things up with Malays*, as a warning to Sukarno.

5. Wish him pleasant US trip (his path crosses yours 11 October in Frisco).

R. W. Komer

³ See Document 301.

⁴ See footnote 3, Document 301.

⁵ Not attached.

⁶ Johnson met Macapagal on the White House grounds at 5:30 p.m. and walked with him to the Cabinet Room where they stayed until 5:42 p.m. They attempted to go to the President's office, but could not because television crews were still there clearing away their equipment. The two Presidents then went to the Fish Room and into the lobby of the White House. (Johnson Library, President's Daily Diary) No record of their discussion has been found.

⁷ See Document 300.

303. Memorandum of Conversation¹

I-881/65

Washington, January 21, 1965, 10:50-11:40 a.m.

SUBJECT

Philippine Participation—Free World Assistance to South Vietnam

PARTICIPANTS

Philippine Side

Secretary of Finance—Rufino G. Hechanova

Philippine Ambassador to the United States—Oscar Ledesma

United States Side

Assistant Secretary of Defense (ISA)—John T. McNaughton

Deputy Assistant Secretary of Defense (ISA)—Peter Solbert

Director, Far East Region (ISA)—Rear Admiral F. J. Blouin (USN)

Assistant to Director, FER (ISA)—Captain D. T. Neill (USN)

Financial Support for Philippine Free World Assistance to South Vietnam

Mr. Hechanova stated that the Philippine contingent would be trained and ready to go to South Vietnam in March or early April. He further indicated that his news media contained some disturbing reports to the effect that the Korean contingent proposed for Vietnam would be U.S. sponsored mercenaries. In an effort to avoid similar charges levied against the U.S. and the Philippine Governments, the Minister of Defense, Peralta, had instructed Mr. Hechanova to request a lump sum grant in advance to the Government of the Philippines, and that the GOP would request an appropriation of an equivalent amount of pesos from their own sources to support the 2500-man contingent to South Vietnam. (The implication is that the Philippine appropriation would not be acted upon, but serve as a cover.)

Mr. Hechanova stated that financial assistance for the Philippine internal propaganda campaign to sell to the Philippine public the concept of armed forces assistance to South Vietnam would also come out of the advance grant.

Mr. Hechanova relayed Mr. Peralta's opposition to any moves to reduce the present and proposed Philippine level of per diem (\$15 per day for field grade officers, \$12 for company grade, and \$8 for enlisted men). Mr. McNaughton reminded Mr. Hechanova that U.S. representatives in Manila are in the process of negotiating with the Philippine Defense Secretary, Mr. Peralta, on the method of U.S. financial support,

¹ Source: Department of Defense, Joint Chiefs of Staff Files, Official File, 9155.3 (22 Jan 1965). Confidential. Drafted by Captain Neill on January 22 and approved by Solbert on January 27. The meeting was held in McNaughton's office.

and that the per diem question was also under consideration, but that a decision could not be made until we received a report from our representatives on these negotiations. Mr. McNaughton also indicated that we wished to be fair in the question of per diem pay. Mr. Hechanova rationalized that the per diem level was based on the precedent set with the medical and psy-operations teams of 34 Philippine personnel presently in Vietnam.

Admiral Blouin stated that we were hoping to obtain a reduction on what we consider to be an excessive per diem payment and commented with respect to effect on Koreans and Vietnamese. Mr. Hechanova responded that any reduction would have an adverse effect on the morale of the Philippine military and recruitment of volunteers for Vietnam, stating further that the Philippines has a higher living standard than those other countries of Asia, and that he did not feel it was proper to send the Philippine military to Vietnam with less money than they received at home. Admiral Blouin questioned this statement. Hechanova modified it—Philippine Government could not reduce per diem from that already approved.

Philippine Shopping List

Mr. Hechanova proposed that partial proceeds from PL 480, Title I funds be allocated to the purchase for the Army of additional earth moving and road construction equipment. Along with road construction equipment, they would like to have additional helicopters. The reason for these requests is to expand the road and communication network in Mindanao in an attempt to bring remote areas in better contact with markets, and provide an excuse for Army presence in remote areas through road construction and easier access to those areas for purposes of security. In effect, they would be creating a pre-emptory counter-insurgency effort. He stated that the areas concerned were made up mostly of Moslem communities having an affinity for Indonesia and the GOP would like to get in first in view of the potential Indonesian infiltration and insurgency threat and the possibility of Indonesia going Communist. In this same regard, Mr. Hechanova mentioned that proposals were being developed to obtain finances through the New York money marts for a north to south national railway through the Island of Mindanao. The foregoing efforts are designed to tie together the outlying areas and pave the way for closer government control and influence through economic means.

Reinstatement under MAP of Military POL Support and General Consumable Supplies

In this regard, Mr. Hechanova issued a plea for a return to MAP support of AFP POL and consumables, and to explore the use of some PL 480 proceeds to support armed forces Philippines fuel requirements.

Mr. Solbert explained to him that GAO had been pushing the Department of Defense to have the indigenous governments provide the POL support and shoulder the costs of armed forces consumable supplies, for the reason that these functions were considered to be a stimulus to the local economy.

Philippine Defense Budget

Mr. Solbert posed the question of whether funds actually released to the Philippine Department of Defense were measuring up to those authorized and if they were adequate to meet defense expenditures. Mr. Hechanova stated that they were approaching equalization but that a new scheme of submitting budgets to the Philippine Congress would be placed in effect for the first time this year. This formula would involve setting up four major categories of special funds derived from special specific tax revenue bill to be treated as separate budget items placed before the Congress: (1) education; (2) defense; (3) various categorized roadbuilding projects; and (4) medical health. If this improved formula is successful, the special fund for defense would add an additional \$40-50 million to the defense budget and he had high hopes that the new formula would be successful and prove palatable to his Congress.

Mr. Solbert stated that he was glad to have the chance to hear the Philippine position first hand. Mr. McNaughton thanked the visitors for a very clear presentation of their problems and stated that the information provided would be very helpful in arriving at a decision on the Country Team assessment of these issues which is expected shortly.

304. Memorandum From the Joint Chiefs of Staff to Secretary of Defense McNamara¹

JCSM-178-65

Washington, March 13, 1965.

SUBJECT

Shifting of Philippine Military Defenses to the Southern Islands (S)

1. Reference is made to:

¹Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, 381 Philippines. Secret.

a. A Memorandum for the Record by the Assistant Secretary of Defense (ISA), dated 6 October 1964, subject: "McNamara-Macapagal Conversation 6 October 1964 0915-1000 at Blair House,"² which indicated that the United States would join with the Philippines in studying the deployment of Philippine military forces to the southern islands.

b. A memorandum by the Deputy Assistant Secretary of Defense (ISA), I-28502/64, dated 13 October 1964,³ subject: "Visit of President Macapagal—Republic of the Philippines," in which the Joint Chiefs of Staff were requested to implement the agreements reached during the 5-6 October 1964 meeting with President Macapagal.

2. The purpose of this memorandum is to provide you with the views of the Joint Chiefs of Staff on a CINCPAC study, contained in Appendix B hereto,⁴ which outlines steps that the United States might take to assist the Government of the Philippines in shifting its military emphasis to the southern islands in order to:

a. Combat existing banditry, lawlessness, and smuggling.

b. Prepare the Government of the Philippines to combat the real and active subversive threats to the southern Philippines from Indonesia.

3. The study recommends:

a. A reorientation of the Philippine Armed Forces to a primary mission involving counterinsurgency and law enforcement within the context of the over-all American security system in the Pacific.

b. That the Philippine military posture should now embrace new measures designed to meet the threat of subversive insurgency in the southern islands.

4. The Joint Chiefs of Staff concur with the basic concepts contained in the study; however, the study envisions a Military Assistance Program (MAP) of approximately \$35 million in excess of the current FY 1966-1970 program. Therefore, priorities have been established in the Annex to Appendix B which show those items of equipment selected as the most essential (based on a \$10 million MAP increase and spread over five years). These data and the CINCPAC study have previously been made available to the Chief, Joint US Military Advisory Group, Philippines.

5. The Joint Chiefs of Staff are of the opinion that the views of the Country Team in Manila should be obtained regarding the study prior to initiating conversations on the subject with Philippine officials. They are also of the opinion that any increase in US assistance which may

² Not found. For Ambassador Blair's account of the meeting, see Document 301.

³ Not found, but summarized below.

⁴ Appendixes A-C are attached but not printed.

be required to shift the Philippine military defenses to the southern islands should be made contingent upon:

a. Reorientation of the Philippine Armed Forces and paramilitary establishments, as necessary, to a primary mission involving counter-insurgency operations.

b. An increase in the Philippine military budget.

c. Securing an arrangement with the Philippine Government whereby any new facilities constructed with US assistance in the southern Philippines would be available to the United States on a joint use basis.

d. Availability of MAP funds in excess of current and projected world-wide programs.

6. Accordingly, the Joint Chiefs of Staff recommend that:

a. A memorandum, substantially as contained in Appendix A, together with the study contained in Appendix B, its Annex, and the proposed State-AID-Defense message contained in Appendix C, be forwarded to the Secretary of State requesting his concurrence.

b. Upon receipt of concurrence from the Department of State, the proposed State-AID-Defense message contained in Appendix C be dispatched to the American Embassy in Manila.⁵

c. Upon receipt of Country Team submissions, the Joint Chiefs of Staff be afforded the opportunity to provide appropriate comments.

For the Joint Chiefs of Staff:

L. J. Kirn⁶

Rear Admiral, USN

Deputy Director, Joint Staff

⁵ According to a memorandum from Vance to the Chairman of the Joint Chiefs of Staff, April 5, a "slightly modified version of your proposed joint message" was dispatched to Manila. (Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, 381 Philippines)

⁶ Printed from a copy that indicates Kirn signed the original.

305. Memorandum From Chester L. Cooper of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)¹

Washington, March 29, 1965.

SUBJECT

Philippine Aid to Vietnam

This is in response to your request to assess the problems in obtaining a substantial ("3-4 division") Philippine force for Vietnam—particularly as these problems relate to the President's role.

Until two weeks ago, two basic difficulties held up *any* additional manpower contribution: financial arrangements and political considerations. After several months of negotiations, we have arrived at financial arrangements satisfactory to both the Philippine Government and ourselves. Although these arrangements apply specifically to the 34-man civic action team, both State and our Embassy are confident that the precedent will hold for the proposed 2,000-man military Task Force and for any larger force that might be sent.

The political problems pose a more serious obstacle. They relate to Macapagal's election prospects and his need to obtain congressional approval for sending troops abroad. Macapagal's interest in sending troops and his leverage on Congress have been weakened by the deteriorating situation in South Vietnam and by pressures for negotiations both in the US and abroad. There has also been concern that the US will concentrate on fighting from the air and leave the ground war to others—specifically, to Asians. However, our air strikes and the landing of the Marines have had some salutary effects.

In the circumstances, there are no specific US actions which would *guarantee* the sending of a 2,000-man Task Force, to say nothing of a much larger element. There are two channels of approach, however, which might be helpful:

1. *Vietnam Policy*: Actions that convince Macapagal in particular and the Filipinos in general of our determination to stay with the fight in Vietnam would allay fears that the Philippine forces might be left out on a limb. For example:

a. *A Presidential letter* to Macapagal detailing our present thinking on Vietnam, our resolve, and the role to be played by Filipino troops;

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, Memos, 6/64-6/66 [1 of 2]. Secret.

b. *More US ground forces* in South Vietnam, thereby removing grounds for the contention that we are relying largely on airpower and are not exposing our own troops.

2. *Philippine Domestic Affairs*: US actions which directly or indirectly have the effect of strengthening Macapagal's bid for re-election would increase his willingness to risk the loss of some votes by pressing the proposal to commit troops to Vietnam. While such US actions would broaden his appeal in the provinces, they would tend to set up severe counter-pressures in the Manila area, in the press, and among opposition politicians whose support will be needed to gain approval of the Vietnam venture.

The following possible steps are listed in ascending order of their effectiveness in gaining the Philippine contribution (and in ascending order of identification with Macapagal):

a. Early resolution of outstanding PL 480 negotiations (rice and meat) on terms favorable to the GOP. (We are now moving on the rice.)

b. Resolution of sources of friction that derive from our military bases. We are presently making progress on the criminal jurisdiction article. Conciliation of other issues would be translated into political gains for Macapagal.

c. US agreement to underwrite the costs of improving Philippine defenses in the southern islands.

d. Increased military assistance of a type specifically desired by GOP.

e. Announcement of a dramatic program committing the US to share in underwriting a joint US-Philippine land reform and rural development program in the Philippines (essential to future healthy development of the country).²

f. Announcement of the President's agreement to make a visit to the Philippines prior to the November 1965 election. (This could probably be tied to an undertaking by Macapagal to go forward on the Task Force, might improve its chances of approval in the Philippine Congress, but would deeply interject us into Philippine politics. In the long run, such action would be greatly resented.)

C

Late Add:

See attached FBIS item reporting Macapagal favoring "military intervention . . . subject to approval of Congress."³

² Bundy wrote the following marginal note at this point: "CLC, does this relate?"

³ Not attached.

306. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) and James C. Thomson, Jr., of the National Security Council Staff to President Johnson¹

Washington, June 1, 1965.

SUBJECT

Your meeting with Philippine Ambassador Ledesma, June 2, at 12:45 p.m.²

Ambassador Ledesma's request for an appointment with you comes at a good time for a strong push by you to get *Philippine Congressional approval of a 2,000-man Task Force* of engineers for Vietnam.

The Ambassador will give you *two letters* from President Macapagal:³ one on *sugar legislation* (which you need only acknowledge, saying that we will give this matter study; Ledesma expects no discussion on sugar), the other a *brief note of thanks for sending Ambassador Lodge* to the Philippines.

The second letter provides the point of departure for a discussion of the Task Force.

Macapagal offered such a force during his State Visit last October. Since then, after prolonged negotiations, we have come close to our goal: We have worked out a covert U.S. financing arrangement (*Note: Ambassador Ledesma does not know about this arrangement and should not know*); and the Philippine House of Representatives has approved the proposal for the Task Force by a large majority.

Chief stumbling block now is the Philippine Senate, which is controlled by the *Nacionalista Party*, *Macapagal's opponents* in a tough election year. Here we can achieve success only through *bi-partisan support for the measure*; yet the *Nacionalista* leadership is so far opposed. (Macapagal needs 13 votes and is sure of only 10.)

Ambassador Ledesma can help to provide a solution: he is not only a well-respected businessman and very pro-American; *he is also a life-long member of the opposition Nacionalista Party*. An appeal to him can

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, Memos, 6/64-6/66, [1 of 2]. Secret.

² The President met Ledesma from 12:56 to 1:05 p.m. The meeting was "Off the Record." (*Ibid.*, President's Daily Diary) The Department of State also sent the White House a briefing paper for this meeting. (Memorandum from Read to Bundy, May 31; National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27-3 VIET)

³ Dated May 13 and April 29, respectively. (Johnson Library, National Security File, Country File, Philippines, Macapagal Correspondence, 12/63-12/65)

therefore carry weight not only with Macapagal, but with his own party and its representatives in the Senate.

Talking Points

1. You recall with great warmth *Macapagal's support* for our Vietnam policies last October and his statement that Filipinos, as Asians, could make an important military and psychological contribution in Vietnam. (We are grateful for the 73 Filipinos—in medical civic action and psychological warfare—already in Vietnam.)

2. You understand Macapagal's desire for *Congressional approval* of the 2,000-man Task Force.

3. You can assure the Ambassador of *our total determination* to stay with the job in Vietnam; our determination has been demonstrated anew in our actions since January.

4. You are convinced that *early dispatch of the Task Force* would hearten the South Vietnamese people, convey a strong warning to the Communists, and disprove American critics who claim that our Vietnam policies lack Asian support.

5. You request that the Ambassador, both as Macapagal's representative and as a respected member of the opposition party, *use his influence* with both parties in Manila in order to promote *bi-partisan support for the Task Force*. You understand the difficulties of an election year and a divided Congress; but the need for such a Task Force clearly transcends party rivalries in view of the challenge which confronts us all in Southeast Asia.

JCT Jr.

McG.B.

307. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) to President Johnson¹

Washington, July 7, 1965, 6:15 p.m.

RE

Macapagal and the 2,000 troops

Macapagal has not succeeded in passing the aid bill necessary to allow him to send the 2000 troops that have been agreed in principle for so long between us. He has now proposed instead that the Filipinos send volunteers and that we pay for them under the table through CIA.² We are convinced that paying for volunteers would be a very messy solution and are unanimously and strongly against it. The Filipinos are quite likely to draft the people they want, and call them volunteers, and this is a lousy precedent in the face of what the Chinese have threatened.

The only way Macapagal could revive his aid bill is by what the Filipinos call "recertification." The attached cable (A)³ shows that he has made a decision against any such course for strong election-year reasons. The only thing that could conceivably move him is a direct personal appeal from you, and on the evidence of the attached cable (A) we are not inclined to suggest that you make this effort right now. Instead, we plan to send the draft telegram attached at B.⁴

McG. B.

Approved⁵
Disapproved
Speak to me

¹ Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. XII, July 1965. Secret.

² See footnote 3, Document 308.

³ Not attached; this is a reference to telegram 38 from Manila, July 6. (National Archives and Records Administration, RG 59, Central Files 1964-66, AID (PHIL) VIET S)

⁴ Document 308.

⁵ None of the options is checked, but a handwritten note in Komer's hand reads: "President approved—'nothing else he could do'. RWK."

308. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, July 7, 1965, 7:10 p.m.

36. Embtel 44.² In light of recent developments we believe it necessary to recognize that Macapagal will not recertify aid to Viet-Nam bill, and that further efforts by us to persuade him to do so will be unproductive. We believe it desirable, therefore, to terminate discussions to this end with Macapagal and other Philippine leaders. We would like to do this with as little contention as possible both because we will be needing cooperative atmosphere in Manila during next few months as Viet-Nam conflict develops and in order not to prejudice what we regard as rather slim chance that he will take action after election.

Objectives should be to accept present situation, to keep door open for change in GOP position after elections, and to have Macapagal feeling he owes us something and inclined to cooperate with us wherever he can.

We think there are some advantages in using indirect but reliable channel to Macapagal for some if not all of our reaction, but we leave decision in this regard in your hands. Points to be covered in message to him are:

(1) It is up to Macapagal whether he wishes to pursue proposal to send volunteers.³ As for US role, apart from fact that volunteer project does not meet essential need for GOP endorsement of assistance to GVN, we have carefully considered problems involved in any US financial support for a private fund-raising venture on this scale, and

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, Cables, 6/64-6/66. Secret; Immediate; Priority. Drafted by Ballentyne and Cuthell, cleared by William Bundy and Komer, and approved by Rusk.

² In telegram 44 from Manila, July 7, Blair reported a conversation with Hechanova who insisted that the Philippines could either send volunteers (in reality, members of the Philippine armed forces) to Vietnam now or wait until after the Presidential election. If Macapagal won, he would call a special session of the Philippine Congress to pass a Vietnam bill. Hechanova stated that he did not understand the U.S. opposition to the volunteer concept. (Ibid.)

³ In telegram 27 from Manila, July 5, Blair reported that he had spoken with Macapagal that morning. They first discussed the upcoming Presidential election and Macapagal stated that by hard work and campaigning he believed he had a slight edge over Marcos. He confided to Blair that if President Johnson had visited the Philippines, his reelection would have been assured. Macapagal raised the issue of sending a battalion of engineers to South Vietnam ostensibly funded by public subscription, but actually funded by U.S. sources. (Ibid.) The Department of State responded in telegram 29 to Manila, July 6, that the proposal for volunteers was both "unacceptable and impractical." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27-3 VIET 5)

conclude that it simply cannot be done without exposing US hand to degree that would be most damaging both to US interests and to Macapagal himself. Thus, in event GOP decides to go ahead with idea, it must do so on its own as to raising of funds and promotion of project within Philippines. Believe GOP would also find it essential to consult with GVN. FYI: Most that USG could do would be to contribute overseas benefits within SVN on same basis originally agreed for official contingent. End FYI.

(2) Without pushing Macapagal into corner, we wish him to understand clearly that we are greatly disappointed by fact that Phil Administration publicly and enthusiastically proposed significant military effort in Viet-Nam and then retreated, which will provide useful propaganda ammunition to those opposed to our Viet-Nam policy both here and abroad.

Rusk

309. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, July 9, 1965, 1332Z.

66. I saw President Macapagal this evening and conveyed to him in detail contents of Deptel 36.² I emphasized several times that Washington was both gravely concerned and disappointed that the Vietnam bill had not been pressed. When I had finished the President said that he had further discussions with party leaders since our earlier talks and they had unanimously agreed that it was best to postpone action until after the elections. He reiterated the reasons he had earlier given and assured me that a minimum of one million pesos would be made available to keep the two medical and civic action teams in Vietnam for another year. I told the President that in all frankness I must tell him that I was not convinced that if a determined and bipartisan effort had been made to pass the Vietnam bill it would have passed in close to its present form. The President told me that if the Nacionalistas had been sincere in their desire to support meaningful aid to Vietnam

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, 6/64-6/66. Secret; Immediate; Limdis. Repeated to Saigon. This telegram was passed to the White House where it was retyped and that copy was sent to the President who saw it. (Ibid.)

² Document 308.

they would have supported the administration's bill. This bill, he said, provided precisely the kind of aid the Government of Vietnam had requested. The President said, "I think I know the Nacionalistas and their motives. Marcos is no leader and he will do what the Lopezes tell him to do." He continued, "If I win, and I am increasingly certain that I will win, I promise, and you can tell Washington this, that I will call a special session of Congress on November 15. If I win by a large majority, I will ask for more than what the present bill calls for (i.e. a battalion of engineers plus security forces). I agreed with Senator Manahan that in addition to this we should send more civic action teams. We need the experience, and if trouble develops with Indonesia we will have to fight the kind of war which is now being fought in Vietnam." "I hope Washington will understand," he said, "that I am sincere; that ever since I was first heard of, I have been known as a friend of democracy and particularly of the US. If the bill I presented had been watered down, the image of the Philippines would have been impaired." I interrupted to tell the President that I felt the reputation of the Philippines would be impaired in any event once it became known that the bill which his administration had publicly and enthusiastically proposed was not going to be approved. The President said that he believed that anyone who understood the workings of democratic governments would appreciate that there are many things that can not be accomplished in the final frenzy of a political campaign. In conclusion, the President said with apparent feeling that he hoped Washington would understand that all that was involved was a temporary delay—less than four months—and that he would still fulfill his commitment. I told the President that we had no alternative but to accept his decision but that the next few months might well be the tough and crucial months—that the US had been carrying a disproportionate share of the burden—that we had reason to believe we could count on the Philippines for meaningful assistance, but that this help had not materialized.

The President assured me this help would be forthcoming and asked again for understanding of the circumstances which had made impossible at this time passage of the administration's bill.

Blair

310. Letter From President Macapagal to President Johnson¹

Manila, July 24, 1965.

Dear Mr. President,

I have asked the good offices of Ambassador Oscar Ledesma to hand you this letter on Philippine assistance to South Vietnam.

The Filipino people and my Administration support the continuing U.S. commitment in the struggle for freedom in Vietnam as a clear proof of American sincerity and interest in this part of the world.

On our part, we shall endeavor to maintain our contribution to freedom in Vietnam.

Last year, the Philippine Congress approved a national policy of helping in the struggle for freedom in Vietnam by the sending of technical aid and personnel to that country and, for which, the Philippine Congress appropriated the amount of peso 1-million.

This year, in our effort to increase our contribution, I sent to our Congress a special message asking for peso 25-million to enable us to increase and broaden our efforts in the form of an engineer battalion with security support made up of 2,000 officers and men. In the closing days of the regular session of Congress, I again expressed my interest in the bill by certifying it to our Congress as urgent. Unfortunately, this bill did not pass Congress in its regular session because of the dominant position of the Opposition leaders; neither was the national budget, so absolutely essential to the conduct of government, approved.

The nature of the composition of our Congress today and the partisan atmosphere prevailing therein have made it difficult, if not impracticable, to secure at this time the necessary authority for the Philippine engineer battalion to Vietnam. The deadlock between the Opposition-dominated Senate and the President is a novel situation in our political experience as part of the growing pains of our democracy.

This is one of the primary issues of the current presidential election campaign, and it is this issue which I trust our people will resolve not only by investing my humble person with a continuing mandate, but also by granting me the necessary legislative support in both chambers of our Congress to enable me to achieve my goals. I therefore look forward to the fruitful outcome of the elections come November and the consequent resolution of this deadlock by our people once and for all.

¹ Source: Johnson Library, National Security File, Country File, Philippines, Macapagal Correspondence, 12/63-12/65. No classification marking.

It is our purpose that even before the new Congress convenes in January, 1966, we shall summon it to a special session at the end of November to ask, among other things, for the necessary authority to increase and broaden the Philippine commitment in the current struggle for freedom in Vietnam, if possible beyond the engineer battalion.

In the meantime, we have hopes of projecting the Philippine commitment in Vietnam. Even in the absence of the necessary appropriations for continuing funds from the Opposition-dominated Philippine Congress, I have directed that our present contingent in Vietnam be maintained.

My conviction that South Vietnam should be supported by freedom-loving peoples from falling to the communists needs no reiteration. I am certain that the Filipino people themselves share and support this policy. The project to increase our participation in the democratic effort in Vietnam has suffered some delay because of the exigencies of the presidential election, but I am confident that after the Filipino political leaders have emerged from their absorption in the current electoral struggle, with our expected victory, the increased participation of our country, side by side with our American allies, in the struggle for human freedom in Vietnam shall proceed with the resounding support of the Filipino people.

The Filipino people share the gratification of other free Asian nations over the firm resolve of your Administration to overcome the communist aggression in South Vietnam. Our people and I personally pray for your success and wish you to know that you are not alone in your great and noble endeavor. All free men the world over are behind you.

Sincerely yours,

Diosado Macapagal

311. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, August 26, 1965, 4:51 p.m.

327. 1. While Macapagal letter of July 24² (pouched Manila Aug 18) seems to provide context within which President can make helpful

¹Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27-3 VIET S. Confidential; Priority; No Distribution Outside Department; Limdis. Drafted by Robert L. Flanegin of SPA; cleared by Berger and Thomson in draft; and approved by Cuthell.

²Document 310.

explanation our rice difficulties while thanking Macapagal for his explanation failure meet Phil Task Force commitment, need Emb judgement on possibility Malacanang will interpret combination of two items in single letter as veiled threat to withhold rice if troops not produced.

2. Text of proposed Presidential reply would be along following lines:

a. "I deeply appreciated your thoughtfulness in apprising me personally of the factors underlying your decision to postpone further efforts to gain legislative approval for a Philippine engineer battalion to serve in Viet-Nam. I am most heartened by your resolution to again seek authority from the Philippine Congress for the battalion, and your decision that the present contingent will remain. As I have written in the past, your support of Free World efforts in South Viet-Nam is of signal importance to us and to the Vietnamese people.

b. "In respect to our common struggle in Viet-Nam, I hope that you will bear with us in a matter which directly affects our mutual interests. Sudden and urgent need has arisen in Viet-Nam for massive supplies of rice to areas temporarily cut off by enemy action from the growing regions. This emergency, unforeseen and highly critical, complicated by our current shipping difficulties, may result in delayed shipments of PL-480 rice to the Philippines. We will, of course, strive to fulfill our rice commitment with all possible speed.

c. "In closing, let me say how moved I was by your personal expressions of support and good wishes. It is my purpose that America's example in the current struggle will prove worthy of your sentiments."

3. If you believe allusion to rice problem in this context undesirable, para 2b above could be omitted. Request reply soonest.³

Rusk

³ In telegram 406 from Manila, August 27, the Embassy stated that it believed that Macapagal would view these two issues in a single letter as "a veiled threat to withhold rice if troops not produced, or possibly a warning that we intended to withhold rice in retaliation for failure to send troops thus far." The Embassy noted that Macapagal was involved in an uncertain election campaign and "fighting hard battle for his political future." In such a highly charged political atmosphere, he might see the issues of troops for Vietnam and P.L. 480 rice only in terms of Philippine domestic policies. The Embassy suggested dropping the issue of rice from the response and trying to work out a compromise on rice shipments with lower level Philippine officials. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27-3 VIETS) The Department agreed and the letter was sent on September 18 in that form. (Ibid.)

312. Letter From the Administrator of the Agency for International Development (Bell) to the Assistant Secretary of Defense for International Security Affairs (McNaughton)¹

Washington, September 7, 1965.

SUBJECT

Internal Civil Security in the Philippines

Dear John:

A.I.D. is in agreement with Mr. Hoopes that the principal aim of our assistance to the Philippines should be toward internal security. We also agree with the proposal that MAP should be oriented to give greater emphasis to internal security and that very serious efforts should be made to bring the Government of the Philippines to this conclusion.

Enclosed is a paper on "Internal Civil Security in the Philippines"² which was prepared pursuant to our discussions during the recent review of Mr. Hoopes' study.³ This paper addresses the Philippine internal civil security capability and U.S. assistance in the face of a generalized situation of rising violence and lawlessness which is impeding economic and social development and constitutes a potential basic threat to the stability of the government.

The Philippine Constabulary (PC), a Philippine Department of Defense agency, is a major internal civil security element which has as its primary function the police duty of preserving peace, law and order. However, the PC lacks suitable equipment, adequate training, and appropriate direction and orientation to carry out this duty. Furthermore the PC is not now receiving and, under present plans, will not receive required U.S. assistance in terms of technical advice, training, or material consistent with its primary role. Although it represents about half the Philippine Department of Defense forces, it receives less than 10 per cent of MAP funds for the Philippines.

Other potentially important elements in the Philippine law enforcement (internal civil security) structure are the nearly 1,400 city and municipal police forces. Currently, they are inadequately supported, their equipment and facilities are poor, pay is below subsistence levels,

¹ Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, Philippines, 333-381 (381 Philippines). Secret.

² Attached but not printed.

³ Townsend Hoopes' study, summarized briefly in the preceding paragraph, has not been found.

and political interference is rife. However, little or no U.S. assistance is now being provided or planned for these police forces.

It is clear that (1) there are serious deficiencies in these very large and most important parts of the Philippine law enforcement structure which together constitute the rural civil security forces in the Philippines, and that (2) these parts of the law enforcement structure have not received and, under present plans, will not receive required assistance. As expressed in the National Policy Paper on the Republic of the Philippines, now circulating for final clearance, it seems clear that correcting these deficiencies is very much in the U.S. interest and would be in keeping with U.S. policy.

We believe that greater U.S. assistance, by both A.I.D. and MAP is essential. We propose that A.I.D. and the Department of Defense, with appropriate Department of State consultation, and later the Country Team, jointly prepare terms of reference for discussing this matter with the Government of the Philippines. Briefly, our views are that the Philippine Government should provide substantially increased support and improved leadership for its police forces, and that the United States should offer substantially more police assistance through the A.I.D. Public Safety Program, especially to the Philippine Constabulary. U.S. technical police assistance and police training to the various law enforcement agencies would be centralized under the A.I.D. Public Safety Program. At the same time, commodity assistance to the Philippine Constabulary could be divided, if desired, between A.I.D. and the MAP with the MAP providing military-type equipment and A.I.D. providing police equipment.

As a corollary to these basic improvements, we expect to be discussing with the U.S. A.I.D. Mission the contribution to internal security goals which can be made by improvement in other A.I.D. fields. We believe that there is potential in Public Administration, Food for Peace, the utilization of development loans, possible expansion of the Service Training Center, and the possible development of a barrio digest.

Sincerely yours,

Dave

313. Memorandum Prepared for the 303 Committee¹

Washington, September 13, 1965.

SUBJECT

[less than 1 line of source text not declassified] Action in the 1965 Philippine Election

1. Summary

Two Philippine reform leaders have requested [less than 1 line of source text not declassified] assistance in the amount of [less than 1 line of source text not declassified] for themselves and the [less than 1 line of source text not declassified] for the 1965 election. The individuals in question [less than 1 line of source text not declassified] have been guided and influenced by the United States in one way or another through most of their political lives. They have reciprocated by maintaining legislative records consistently in line with United States policy, and political lives outstandingly sympathetic to American objectives.²

[less than 1 line of source text not declassified] does not wish to underwrite a [less than 1 line of source text not declassified] political party. It is proposed however, that [less than 1 line of source text not declassified] each be provided these individuals and "personal" support for their current election campaigns. The "personal" nature of this highly selective support is an earnest of continuing confidence in the two men as responsible, young political leaders in the country and reflects a distinct reluctance to support disruptive, probably unsuccessful, [less than 1 line of source text not declassified] party activity per se. The proposed support in the amount of [less than 1 line of source text not declassified] is directed entirely to the future potential represented by these individuals in their continuing role as the nucleus around which a politically attractive reform movement in the Philippines might develop and not to their current [less than 1 line of source text not declassified] party candidacy. Support up to [less than 1 line of source text not declassified] might be required as assistance to two or three other political reformist candidates, without regard to their party affiliations. The proposed financial support can be passed in a secure, non-attributable manner. The estimated cost of this proposal is [less than 1 line of source text not declassified].

¹ Source: National Security Council, Special Group/303 Committee Files, Subject Files, Philippines. Secret; Eyes Only.

² At a meeting on September 8 among CIA, State, and White House officials who discussed this proposal, Cuthell characterized the two [text not declassified] as "nice boys, but perfectly useless." (Memorandum from Stuart to Hughes, September 10; Department of State, INR/IL Historical Files, Philippines, 1964-1968)

These funds are available within [*less than 1 line of source text not declassified*].³

[Here follow sections 2. Problem, 3. Factors Bearing on the Problem, 4. Coordination, and 5. Recommendation.]

³ At its meeting on September 23, the 303 Committee rejected "the proposed [*less than 1 line of source text not declassified*] action on Philippines elections on the grounds that, as the proposal itself stated, 'the Philippines is not in a crisis area at the moment' and the republic is not threatened directly by a communist takeover." The disapproval, according to the minutes, "is in no way construed as affecting the [*less than 1 line of source text not declassified*] for purposes other than extra support for the current election campaign." (National Security Council, 303 Committee Minutes, 9/23/65)

314. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) and James C. Thomson, Jr., of the National Security Council Staff to President Johnson¹

Washington, September 19, 1965, 12:30 p.m.

SUBJECT

Authorization for Negotiations on Uses of Philippine War Damage Funds

The attached request from the Secretary of State² is an outgrowth of the troublesome Philippine War Damage Legislation of 1962, as amended in August 1963.³ It is also an outgrowth of your joint communiqué with President Macapagal of October 1964.⁴

In brief, \$28 million in War Damage funds have been set aside in the U.S. Treasury as a "Special Fund for Education", to be used to the mutual advantage of the Philippines and the United States. State now

¹ Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 4, 9/1/65-9/22/65. No classification marking.

² Not attached and not found.

³ On August 30, 1962, President Kennedy signed P.L. 87-616, authorizing \$73 million for Philippine damages from World War II. The Fulbright-Hays amendment contained in P.L. 88-94, August 12, 1963, earmarked part of this money for educational programs to benefit both the Philippines and the United States. The texts of P.L. 87-616 and P.L. 88-94 are in *American Foreign Policy: Current Documents*, 1962, pp. 1089-1091 and *ibid.*, 1963, pp. 829-831.

⁴ Text *ibid.*, 1964, pp. 946-949. See also Document 302.

asks that you *authorize negotiations with the Philippine Government on the uses of this Special Fund.*

In addition, the Filipinos came forward last year with a proposal that a portion of this money be devoted to a Land Reform Education program in connection with the implementation of Macapagal's Land Reform Code of 1962.⁵ State also asks that you *authorize conclusion of an agreement committing us to the support of this program for Land Reform Education through disbursements from the Special Fund for Education.*

These War Damage funds have had a difficult legislative history and have previously caused deep irritations between our two countries (Macapagal cancelled his 1962 State Visit in pique over Congress's failure to pass the War Damage Bill). So our first objective should be to move without unnecessary delay on the uses of the money now that the funds are available. At the same time, we should do all we can to ensure that these funds go to solid, viable projects that can contribute effectively to the Filipino development process. State's terms of reference provide for project-by-project review by Embassy Manila and the relevant U.S. agencies; no funds will be moved from the Treasury until a particular project has been approved; and the Filipinos will issue periodic reports to us on the progress of each project.

Finally, there is a current political angle that we should keep in mind: the Philippine Presidential elections in November. State intends to move with sufficiently "deliberate speed" to avoid any charges, on the one hand, that we are providing goodies for Macapagal to announce on election-eve, and on the other hand, that we are pulling the rug on our commitment to him and thereby supporting his opponent. As matters now stand, it is unlikely that any funds will be actually disbursed to the Philippines before the elections.

State's package makes sense in delivering on a firm U.S. commitment in the context of adequate safeguards. We recommend that you approve the two authorizations.⁶

JCT Jr.
McGB

⁵ See Document 300.

⁶ A note on the memorandum indicates that the President approved the two authorizations on September 20.

315. Memorandum Prepared in the Central Intelligence Agency¹

Washington, October 27, 1965.

SUBJECT

The 1965 Philippine Election

Summary: Too Close for Comfort

1. An Analysis of the 1965 Philippines' Presidential Elections² reveals one basic factor (and virtually no others with any certainty), which is that the elections, at this time, are extremely close. Prospects are they will remain close right up to the vote on 9 November. Although manipulation of elections in the Philippines is by no means a new phenomenon, this basic factor, together with other factors which tend to enhance its importance, renders the current elections of much greater interest than is normal, particularly in terms of the various methods to improve their respective positions which either side may resort to. The elections methods employed and the results, especially if close, can be expected to aggravate an already tense situation, in the time remaining prior to, during, and especially, after the elections.

2. Some concern has been expressed that if the initial returns are close and subsequent returns do not produce a decisive advantage for one side or the other, a tense situation may develop, with each camp apprehensive that the other may resort to violence to achieve victory. Against this concern it must, however, be noted that the Filipinos have a tendency to over-dramatize situations, and that there can be a gap between threatening words and actual deeds, with potentially explosive situations being resolved peacefully despite the show of force which seems called for out of considerations of pride and prestige. The Embassy is preparing a separate report on this aspect of the elections.

3. At least two other factors give some reason for concern over the elections in general. This is the first time the Filipinos have conducted an election without the direct and at least to some extent, steadying influence of United States involvement; they are on their own and they may be expected to indulge in many more manipulatory tactics than in

¹ Source: Department of State, INR/IL Historical Files, Philippines, 1964-1968. Secret.

² In Intelligence Memorandum OCI No. 2343/65, October 28, entitled "Philippine Elections," the CIA described the election campaign, the candidates, and the issues and concluded that as all three Presidential candidates were "Western oriented and pledge to continue close ties with the US and the West." The significance of the elections lay "not so much in who wins, but in whether the winner institutes and pursues a basic socioeconomic reform program. Without reforms, generalized public discontent is likely to increase and the small leftist element in the Philippines will probably grow." (Johnson Library, National Security File, Country File, Philippines, Vol. II, 6/64-6/66, [1 of 2])

previous elections since 1949. The other factor of some importance is the Filipino voters' exposure in the provinces and down to the barrio level to more sophisticated mass political media of virtually every type. The effect of mass media on the average Filipino voter is an unknown quantity, but in making the voter himself more sophisticated, however basically good the process, the probable course of the elections becomes even more difficult to interpret.

"The Third Force"

It is generally conceded that Manglapus of the PPP has no chance. Little attention is being given to him, although his down-the-line reform stand has gone over well. Manglapus' strength varies widely in reporting, anywhere from two to seventeen percent. There is no clear data as to whom he has harmed or helped; most observers feel this scale would be about equal. Nevertheless, the outcome of Manglapus, and the rest of the PPP candidates, is worth watching due to the demonstrated appeal during the elections campaign to younger elements in the voting public and as a possible gauge to the future of reform movement in the country.

Vote Prognostications

1. One month prior to the elections, both camps claim ultimate victory; Macapagal by a margin of from 360,000 to 400,000 votes; Marcos' exact plurality claim is not known. All available information at this time indicates that Marcos is leading nationally by from three to five percent. Results of the most recent national Robot-Gallup poll conducted during 10-28 September were as follows:

| | |
|------------------------------------|------------|
| President Macapagal | 39 percent |
| Senator Marcos | 43 percent |
| Senator Manglapus | 9 percent |
| Don't know or refused to answer | 9 percent |

The Marcos lead, because of its slender nature, thus raises the distinct probability of increased manipulation tactics by both sides: Marcos to increase his slim lead substantially; and Macapagal not only to catch up, but to greatly strengthen his position to one of as little concern as possible prior to the elections. It is perhaps academic to note that the incumbent has by far superior manipulatory capability than has his opponent, at least if the opponent's position does not become so strong as to become irreversible.

2. Registered voters in the Philippines number somewhere between seven and nine million, with slightly over seven and one half million being the usual figure quoted. It is generally reported that in order to win an opposition candidate must have a lead of from eight

to ten percent going into the elections, mainly to take up the slack of expected vote frauds by the incumbent, which, for unclear reasons, can be expected to range between 500,000 and one million votes—any higher figure being considered too dangerous. However questionable such figures may be, the fact remains that Marcos in order to win, and short of a landslide, should have a lead of about ten percent over Macapagal; a lead which he does not now have and probably cannot attain in the face of pressures and capabilities Macapagal can mount before 9 November.

3. An LP official's estimate as of 1 October covering provinces and cities is of considerable interest, particularly since the findings are within .2 percent nationally of other and more recent polls, and since the same official accurately predicted the 1961 results. The official in question is an associate of Speaker Pro Tem Pendatun. A brief summary of his estimates follows:

Nationally—Marcos would receive 3,942,391 to 3,630,297 for Macapagal, or a margin of 312,094.

Provinces—Marcos 3,359,226 to 3,067,085 for Macapagal; a margin of 292,141 for Marcos (Northern Luzon to Marcos by 165,660; Central Luzon to Macapagal by 17,205; Southern Tagalog to Marcos by 149,206; Bicol to Macapagal by 11,156; Eastern Visayas to Marcos by 42,244; Western Visayas to Marcos by 18,637; and Mindanao to Macapagal by 55,225).

Cities—Macapagal would receive in the major cities 124,945 to 110,651 for Marcos, a margin of 14,294 (Luzon to Marcos by 50,891; Visayas to Macapagal by 16,644; and Mindanao to Macapagal by 14,294).

4. The LP Executive Committee, as of 10 October had Macapagal winning by a margin of 360,000. Prognosis was that Macapagal would lose Ilocandia by 200,000; Manila by 60,000; Northern Luzon by 40,000, but win Central Luzon by 170,000, Southern Tagalog by 10,000; Bicol by 40,000; Mindanao by 300,000; and the Visayas by 100,000.

5. A Police Constabulary poll of 10 October found that Macapagal would win the election by a margin of 260,000 to 400,000. It is probable that this poll is the basis for current LP figures in the elections.

Prospects for "HankyPanky"

1. Given past experience both sides will undoubtedly engage in widespread manipulation tactics, including vote frauds, subversion of election officials, stuffing of ballot boxes, votes lost through managed counting, etc. In addition, both sides will use every other means at their disposal to improve their own position. In this context, Macapagal has a clear edge, largely due to the fact that as the incumbent he has a far greater capability. In the past, the AFP and especially the PC have figured prominently in elections to the advantage of the party in power. Although the AFP and the PC have assured the NP that there is no

intention of using either in the current elections, it is already apparent this is not the case. The PC is involved in conducting polls on behalf of Macapagal and despite the fact that Malacanang claims otherwise the transfer of some eleven PC officials from areas of Marcos strength in the North to safe areas in the South at this time indicates some degree of political overtone. Minister of Defense Peralta stated to the US Chargé d'Affaires some time ago that he would utilize every means at his disposal if necessary. Regarding the AFP, however, Macapagal can be expected to exercise some caution, since Marcos is popular with the military, the majority of whom are Iloconos from the North. Reports also indicate that the government plans to take many popular measures, including tax amnesty, distribution of much needed rice in various regions just prior to the elections, etc., and can probably find many other ways to improve the government's image in such a way as to have considerable impact before 9 November.

2. Regardless of his seemingly better position in terms of manipulation, Macapagal nevertheless has problems. Although he has already used virtually every legal and illegal means to acquire and distribute funds, information indicates there is a serious shortage of money; at least money in the quantity Macapagal may feel is required in the remaining weeks. Macapagal must also make every effort to keep various important supporters behind him, especially in the face of an increase in Marcos' lead, which would carry with it a bandwagon reaction. A case in point would be a switch by Pendatun, which in turn would threaten the Macapagal stronghold in Mindanao. The position of the bloc-voting INK, which claims to be able to deliver between 200,000 and 800,000 votes, is apparently not yet fixed. Latest information from NP sources claim the INK will back Marcos (and Macapagal's running mate Roxas), but there is no certainty that Bishop Manolo of the INK may not opportunistically switch at the last moment. There is little doubt that Macapagal is concerned. Both LP and NP highlevel sources report that Macapagal will have 400,000 fraudulent votes in Cotabato, Surigao, North and South Lanao (all in Mindanao), Cebu, and Iloilo. The same sources claim the NP will have 100,000 fraudulent votes, but no specific region is known.

Possible Trouble and Violence

1. Tension is clearly rising as we enter the last two weeks of election, and tension will continue until the final results are known and accepted. The candidates themselves contribute to fears of violence by charges that opponents are resorting to violent tactics or threatening them. Macapagal alleges Marcos has threatened to shoot Macapagal in the event of an LP victory, and that a "select group" of Nacionalistas have hatched a plan for post election trouble. In view of Peralta's statements to the Chargé d'Affaires that he would do whatever was

necessary, and in view of Liberal Party intentions as expressed to Embassy officers of manipulating returns in Mindanao, the Macapagal charges may be a smoke screen to hide his own post election intentions.

2. The Nacionalistas are not in a position where they can foment violence or trouble that could not be dealt with by the Constabulary and the Army. Macapagal's capability in fomenting disorder is limited only by pro-Marcos sentiment within the AFP officer corps. Marcos on the other hand could obtain a more sympathetic hearing from the Senate. Marcos has also made a campaign issue of his respect for the Supreme Court in contrast to Macapagal's constant rebuffs by the High Court. It would appear likely that Marcos will take his protests, if any, through the Senate and the Courts. Macapagal's most practical recourse is through manipulation and force majeure.

3. Possible post election difficulties might take one or more of the following forms:

A. *Nacionalistas*

1. In the event of an early Macapagal lead, the NP would scour the country for evidence of fraud and manipulation which they could utilize for contesting the election in the courts or justifying a refusal to certify results by the Senate.

2. Publicity given to NP proof of fraud, legitimate or manufactured, might well inspire protest rallies which could lead to civil disturbances and to further breakdown of law and order.

B. *Liberals*

1. Unnecessary deputizing of the Constabulary and their pro-administration activities could lead to clashes with local government and police.

2. If Marcos was leading in the early returns, an all out effort might be made to ensure that appropriate late returns from "the birds and trees" of Mindanao would ensure a Macapagal victory.

3. Civil disturbances might result if the administration suspended election reporting by the Philippine Jay Cees and the Philippine News Service in an effort to avoid obvious contradictions in election results.

4. If Macapagal imposed Martial Law to ensure blatantly fraudulent returns or to counter post election moves by the NP, pro-Marcos sentiment within the Armed Forces could even crystallize into a coup d'etat in favor of Marcos.

5. Calling in the military either by Martial Law or extensive deputizing of the Constabulary would only result in a further deterioration of normal law and order in the Philippines.

C. In the event of a closely contested election, which is certain to occasion flagrant vote manipulation by the administration, a growing disillusionment with the democratic process would probably develop.

The electorate would become increasingly vulnerable to the appeal of radical alternatives.

4. Despite growing talk of violence and manipulation, the Philippines is generally expected to maintain its reputation for generally orderly and relatively honest elections. General Rigoberto Atienza and Brig General Flaviano Olivares, Armed Forces and PC chiefs, respectively, have pledged honest and orderly elections in a direct meeting with the President of the Nacionalistas Party. However, in view of the probable closeness of the election, the possibility of post election trouble should not be underestimated.

A Pyrrhic Victory?

In the final analysis, and ruling out a bandwagon sweep for Marcos in the last weeks, which seems doubtful, Macapagal may be expected to win the elections. This is not to say that Macapagal will ever feel secure enough not to utilize to the fullest all means at his disposal, which in turn could inevitably increase the tension in the Philippines to the breaking point, during and/or after the elections if the results are close. Marcos probably does not have the capability to match Macapagal and the machine. Regardless of a Macapagal or Marcos win, the Philippines as such, and specifically the Filipinos, stand to gain very little indeed. Interesting as the current elections may be, the principal fact which they point up is a continued deterioration in the Philippines situation. The elections serve to aggravate and perhaps make more readable that situation; there is little chance the results will improve it.

316. Memorandum From the Chief of the Far East, Directorate of Operations (Colby) to the Assistant Secretary of State for Far Eastern Affairs (Bundy)

Washington, November 1, 1965.

[Source: Central Intelligence Agency, DDO Files: Job 78-00061R, Philippines, 1965-1966. Secret. 3 pages of source text not declassified.]

317. Information Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk¹

Washington, November 5, 1965.

SUBJECT

Philippine National Elections, Tuesday, November 9, 1965

1. *The race for President*, opposing Senate President Ferdinand Marcos (Nacionalista) to incumbent President Diosdado Macapagal (Liberal), is extremely close, with the victory margin unlikely to be over 2 to 400,000 votes (3 to 6 percent) of a total expected vote of some 7-7.5 million. (The third-party candidate, Raoul Manglapus (Progressive) is given no real chance of victory, though he may poll close to 20 percent of the total vote.) There is thus a distinct possibility of strong contest of the results by the defeated candidate, and of delay in his concession. Even though there are chances of scattered and perhaps some serious violence and disorder, we believe on balance that the contest will be by and large settled peacefully and probably within a period of one to three weeks after the elections.

2. If Macapagal is re-elected, we can expect him promptly to call a special congressional session to enact the bill to send an engineer task force of some 2500, including security elements, to Viet-Nam. We can also expect continuation of the basically cooperative Philippine attitude in response to our various requests for expanded use of US bases and facilities in support of the Viet-Nam war effort. (For example, we are rapidly building up an important US Air Force facility at Mactan Island, Cebu, on the basis of a combined use arrangement with the Philippine Air Force.) We can further expect to move forward with reasonable speed in the elimination of so-called irritants (military and economic) in US-Philippine relations, and to continue to find the Philippines solidly aligned with Free World purposes and objectives. On the other hand, it is not likely that Macapagal, in his second administration, will make significantly more progress in terms of urgently needed programs of internal development than he did in his first. Internal problems in the Philippines might, consequently, become very acute in the not too distant future.

3. If Marcos wins the Presidency, we will first of all have a difficult lame-duck period of some two months before his inauguration (Decem-

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 14 PHIL. Secret. Drafted by Paul M. Kattenburg, Officer in Charge of Philippine Affairs, and cleared by Cuthell.

ber 30). It is unlikely that we could make much progress on aid to Viet-Nam during that period, although it could be used to bring Marcos and those likely to emerge as his closest associates more fully aboard than they are now on this question. Marcos can be expected to be generally cooperative in seeking solutions to current Philippine-American problems, and to continue basic Philippine orientation toward Free World purposes and objectives. Nationalist elements around Marcos, however, are likely to make a strong bid for influence in the event of his victory. We might therefore have more difficulties than we would with Macapagal on foreign policy. On the other hand, Marcos and the group around him might be more dynamic and effective in moving the country forward internally.

4. *The Vice Presidential election* will probably be won by Senator Gerardo Roxas (Liberal), as against his opponents, Senator Fernando Lopez (Nacionalista) and Manuel Manahan (Progressive). The possibility of a Marcos-Roxas Administration therefore distinctly exists. If elected, Roxas might emerge as Foreign Secretary under either Macapagal or Marcos, but the prospect is uncertain. Roxas is an honest and able younger politician and his probable victory is to be welcomed.

5. Although it is difficult to predict which of the two main parties will control *Congress*, it is likely that the Liberals will emerge with slight majorities. In any case, enough post-electoral defections to the party of the winning President are likely to occur, to give the latter an opportunity to obtain support for his legislative program if he shows the requisite qualities of leadership and determination. This was not always the case during the last two years of the Macapagal Administration.

6. Whoever wins November 9, it will be most important that we get close to the President-elect and contribute in influencing him to take the steps required both to enhance Free World objectives in the area and for forward movement in solving the Philippines' badly neglected internal problems.

318. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, November 26, 1965, 1022Z.

1004. Post-election analysis—Presidency.²

1. With outcome Vice Presidential and Senate contests still undecided, Embassy has been deferring comments on what we may expect from new administration since identity of next Vice President and Senatorial lineup will have bearing on situation. Following observations therefore relate only to significance of Marcos takeover from Macapagal.

2. Most basic consideration is probably that Marcos will be unknown quantity in lonely eminence of Presidency. Whereas both Macapagal and Marcos prize power, former sometimes appeared inept in its use and unsure what he wished to do with it. Marcos appears to measure it carefully and to be very sure of uses to which he puts it. Up to now, basic objective of his harnessing power has of course been to gain the Presidency.

3. What Marcos really believes in, what his goals are, and how he proposes to go about achieving them, are largely matters of conjecture. To some degree, he has been a guerrilla both in war and during the campaign, placing great emphasis on careful planning, systematic intelligence, secrecy, element of surprise and final massive surfacing of his forces at right time. In gaining NP nomination, and in winning Presidency, he displayed remarkable talents in these areas. Now that he has won Presidency, onus will be on him to demonstrate what his basic beliefs and ideas are.

4. He comes to power accompanied by somewhat similar high hopes which accompanied Macapagal's accession in 1961, except that electorate, having been disappointed once again, may now be still more cynical. At same time, pressure on Marcos to produce will be even greater because (1) basic problems of nation have become intensified and (2) he knows he will probably suffer Macapagal's fate in 1969

¹Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 14 PHIL. Confidential. Repeated to Tokyo, Taipei, Djakarta, Saigon, Kuala Lumpur, Canberra, Wellington, Bangkok, Vientiane, Singapore, and CINCPAC for POLAD.

²The elections were held November 9. In addition to defeating Liberal candidate Macapagal, Marcos also defeated the newly formed Party of Philippine Progress Presidential candidate, Raul Mangalapus. Marcos received 3,816,324 votes, Macapagal received 3,187,752 votes, and Mangalapus, 384,564 votes. The Embassy's assessment of the reasons for Marcos' victory is in telegram 949 from Manila, November 19. (Ibid.)

unless he does get things moving. Good government may therefore be the best politics for him.

5. There are those who assert that era of corruption under Garcia will return in magnified form. A more balanced view would be that Marcos has very considerable potentialities, and that coming years will show whether these potentialities will be exerted for high or sinister purposes. Pres Macapagal recently observed, as earlier reported, that Marcos was brilliant but unscrupulous, but that great responsibility might sober him. Secretary of Defense Peralta's comment was that Marcos would double-cross us if he could and that we should not let him put anything over on us.

6. The assertion, circulated by Macapagal's propaganda machine and widely disseminated by visiting US newspapermen, that Marcos will be much in debt to ex-Pres Garcia, the Lopez interests, the "nationalists" or any other group, appears questionable. He has of course some political debts to discharge, but because of way in which he figuratively seized Nacionalista nomination and then largely single-handedly won election, he will assume Presidency with fewer political drafts on future than probably any of his predecessors.

7. There would appear to be at least some grounds for cautious optimism toward future. Marcos is realist with high awareness of pragmatic and empirical considerations. He weighs and sifts facts carefully, considers numerous angles and acts only after searching consideration and assessment. Once decisions are reached, however, he displays generalship of high order in implementing them.

8. Furthermore, there is some evidence that Marcos is more keenly attuned to needs of country than his critics give him credit for. Woeful conditions throughout nation seem to have had considerable impact on him in his extensive travels in past year. His speeches reflected increasing bitterness, in a manner that seemed to be more than merely campaign oratory, at Macapagal administration's largely ineffectual attempts to improve people's welfare. If theory is correct that Marcos has high absorptive capacity and is greatly influenced by things he is exposed to, then his nationwide observations may serve valuable purpose.

9. Marcos' first preoccupation must inevitably be with domestic affairs in view of facts that government till may be almost empty, that the stability of peso must be defended, and that severe demands are imposed on administration by rapidly growing population. His qualities of decisiveness will promptly be put to test, with some hope that he will get down to deeds rather than words and govern rather than campaign as did Macapagal. Much will depend on caliber of membership his Cabinet, and extent to which he can make them function as a team. Judging by his past performance, it would seem evident that he

will be the boss in unmistakable fashion. His knowledge of the Legislative branch, based on service in both houses, and his ability to play role of conciliator and find common denominator, may serve him well. His "ruthlessness" may prove useful in that elements tempted to free-wheel under another kind of leadership may be concerned that there will be retaliation if they get out of line. As former long-time Liberal, Marcos has many friends in opposition party and may have some success in gaining their cooperation on basis that nation needs demand bi-partisan approach.

10. In foreign affairs Marcos may be in very different position of feeling his way for some time. Road to Presidency in Philippines is not via international matters, and Marcos has accordingly not concentrated on these, even though his reading has probably been extensive. He will probably desist from any personal initiatives until he has first got grip on pressing domestic matters. At same time, he may insist on personal direction of important foreign policy matters, especially where actions involve any change of course from those taken by outgoing government. In military field, he may well act as his own Secretary of Defense and will undoubtedly establish closer relations with military than did Macapagal.

11. Sphere of US-Philippine relations will be highly important to Marcos as it was to Macapagal. With his sensitivity to power considerations, Marcos is well aware of US influence and role in Philippines and Southeast Asia. His public attitudes now are Phil nationalism has been a balanced one; Phils should not engage in wanton anti-Americanism but should expect to deal with us on basis of mutual respect. (He feels US and Philippines are "mutually dependent.") His emissaries have given encouraging indications of his desire to get off on right foot with us, and we can perhaps expect a goodwill period of some duration, particularly in dealing with matters on which he is less familiar than we are. He is nevertheless an Oriental who sets great store by friendliness, prestige and face, and it will be in our interest to bear this in mind. Impression we make on him in early months both in Washington and Manila will be of considerable significance. We must be prepared for shakedown period which may last as long as one year, and not look too askance at whatever initiatives may be forthcoming.

12. For his part Marcos may privately be somewhat apprehensive despite his display of external confidence, hoping that he will succeed in making good impression on us. Although he has not questioned its propriety, he is a trifle sensitive as to the apparent intimacy which President Macapagal and his closest associates enjoyed with the US. Since rightly or wrongly he is personally convinced that both on record and in terms of his own attitudes no one is more committed to the US than he, it is in our interest to assure him, as we are doing, of our

friendliness and confidence, particularly in the first few months, when he will be attacking pressing domestic problems. We shall not necessarily receive same 100 percent cooperation we had from Macapagal in foreign affairs—although initial indications are encouraging—since we shall now be dealing with much stronger personality who may be less compliant at times but who may also be instrumental in creating a stronger Philippines, which is in our interest. By giving Marcos and his principal advisers maximum exposure to US views and by being as responsive as possible to their approaches, we should have good chance of ensuring that orientation of new administration is largely favorable to US and free world.

Blair

319. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, December 14, 1965, 1259Z.

1161. Ref Embtel 1159.² Subj Dec 13 meeting with Marcos—various subjects.

1. Phil aid to Vietnam. I said to Marcos this meeting of course not time talk in detail about Phil aid to SVN, but I did want to convey him utter seriousness of my government's hope that Phils as free-world power and country whose interests vitally at stake would increase assistance to Vietnam. He would undoubtedly want to consult with Phil Congressional leaders about sending specific units or elements and mention these might be premature. My govt hoped however would be possible make statement in inaugural address about seriousness Communist aggression Vietnam and his intention do what is necessary and possible that Communism not prevail there. I said US Govt and people would be most favorably impressed if he could do this. Marcos interjected to say he certainly would. I then said US Govt continues hope that Phils will be able to provide at least engineer task force with

¹Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15-1 PHIL. Secret; Priority. Repeated to Saigon, CINCPAC for POLAD, CHJUSMAGPHIL, CINCPACREPPHIL, 13th AF CAB.

²In telegram 1159 from Manila, December 14, Blair reported on other aspects and topic of his meeting with Marcos. (Ibid.)

integral security element, indicating another occasion would be proper time talk about possible specific forces.

Marcos told me he had intended take up question of additional Phil assistance to Vietnam with NP leaders as urgent matter, but problem of Vice-Presidency in Dec 14th session Congress to proclaim winners³ and other problems had intruded and he had not been able to do so yet. Accordingly it had to wait but he intended to get at it in next week or two.

2. R&R. I said I wanted mention this because of much exaggerated and erroneous speculation in press. I then reviewed rest program at level of about 136 servicemen from Vietnam we have in mind noting no hotels to be leased and that delay in starting is due to completion arrangements on immigration and aircraft clearance procedures. I pointed out Manila only one of several R&R sites in Far East. Told him no decision yet about separate R&R program for Seventh Fleet involving perhaps 200 Navy personnel at any given time. I said of course if US strength in Vietnam increases might well be increase in 136 for Phils but not "thousands" to which columnists now referring.

This is only subj on which Marcos took notes. He wanted know, before I explained, what is holding up initiation of the program, and seemed surprised at small number we propose bring here from Vietnam. He indicated he had no objections to R&R program and made disparaging remarks about press coverage of matter and about Phil press in general.

3. Nuclear-powered ships. I told Marcos I wanted mention arrangements I had with Pres Macapagal regarding visits these ships to Subic Bay. Emphasizing tremendous importance of these ships to free-world deterrent power in Far East, and noting visits not frequent, I told him of arrangement under which I informed only Pres Macapagal or SecDef in advance of arrival. I said if he agreed I propose continue this arrangement, keeping information oral rather than written. I said if he wanted I would give the info also to FonSec and SecDef to be closely held, but not to members of staff those departments.

Marcos said he would like me to continue present arrangement and perhaps give it also to SecDef, mentioning at this point that he had not yet decided who would be his Defense Secretary.

[1 paragraph (5 lines of source text) not declassified]

In closing I invited him visit *Enterprise* next time it in, perhaps Jan, and he said he hoped very much visit ship but Jan might be

³ The separate election for Vice President, also held on November 9, was much closer than the Presidential contest. Nationalist candidate Fernando Lopez defeated Liberal candidate Gerardo Roxas by 3,531,550 to 3,504,826 votes.

too soon. Marcos indicated in course this discussion he fully comprehended the significance of these ships for free-world defense in Far East area.

4. Base-land relinquishments. I informed Marcos we seem to have reached agreement with DFA on relinquishments agreement and that since we have negotiated it over many months with Macapagal administration we would be prepared, if present administration wants do so, go ahead and finalize agreement.

Marcos nodded his assent and indicated he had no objection to our signing the agreement before his inauguration. (See septel for his comments to press bearing on this topic and subsequent message to me through Ben Romualdez that he had reconsidered and would like us to drag our feet on this.)⁴

5. Koreans at Clark Hospital. Referring to large Korean contingent in Vietnam, and US support of these forces including medical assistance, I told him some Koreans being evacuated to Korea through hospital at Clark. Said battle casualties sometimes arrive within hours after being wounded and under circumstances passport and visa formalities obviously not feasible, said knowing humanitarian instincts Phil people I was sure no objection to evacuating Koreans through Clark. I told him that to assist in translation and other matters, a Korean army medical officer is working at Clark Hospital with our people.

Marcos indicated he had no objection to this, but said firmly that he preferred we should not talk about the presence of the Koreans at Clark—that we should avoid any publicity on this.

6. Tour of US bases. Recognizing he would be extremely busy in next weeks, I said nevertheless our base commanders would be honored if he would visit the bases so that we could brief him about US military activities there. I suggested he might want to take along the FonSec and SecDef and perhaps chairmen of pertinent Congressional committees.

Marcos replied that he would like to do this but was not sure how soon it would be possible because of his busy schedule.

Blair

⁴Not further identified.

320. Telegram From the Executive Secretary of the National Security Council (Smith) to President Johnson in Texas¹

Washington, December 31, 1965, 1526Z.

CAP 65968. Eyes only to President Johnson from Vice President Humphrey.² White House pass eyes only to Secretary Rusk. No distribution except eyes only Secretary Rusk. Interim report meetings Prime Minister Sato and President Marcos.

[Here follows an account of Vice President Humphrey's meeting with Japanese Prime Minister Sato.]

2. Philippines discussion³

Marcos' response on discussion additional commitments South Vietnam strongly encouraging. Providing US can help in equipping at least one engineering construction battalion plus supporting forces, Marcos virtually assured battalion and supporting forces could be sent. His primary interests are modernization of his armed forces, especially outfitting seven engineering construction battalions, plus using Filipino skilled labor pool for South Vietnam housing needs.

I assured Marcos our closest cooperation, and that if he had the will we would find the means. He said he has the will and that "we will place ourselves squarely in the fight against Communism." Believe intensive discussions can commence immediately to work out details. However, Marcos obviously has ticklish Parliamentary situation in getting authority for combatant forces to South Vietnam through Senate. He appears optimistic and will proceed to seek Congressional approval.

I had frank discussion with him regarding importance of maintenance of military equipment. His response was he has been appalled at previous administration's record in this respect and said any equipment will be maintained.

Marcos suggested Philippine housing program for Vietnam. I suggested US will be more interested when Phil more committed to struggle in South Vietnam. Pointed out that Korea had combat division in Viet and thereby had claim on US procurement opportunities. Marcos

¹ Source: Johnson Library, National Security File, International Meetings and Travel File, Vice President's Trip, Far East, 12/27/65. Top Secret; Eyes Only. Also sent for information to Bill Moyers.

² Humphrey was attending Marcos' inauguration.

³ A memorandum of conversation of this meeting, apparently prepared by Valenti, is in the Johnson Library, Office of the President Files, Valenti, Jack, Memoranda of Conversation, Japan, Philippines, Taiwan, Korea, 12/65-1/66. According to this memorandum, the meeting took place in the Presidential Palace in Manila and lasted from 11:50 a.m. to 1 p.m. Humphrey's own brief summary of his discussion with Marcos is *ibid.*, National Security File, Name File, Vice President, Vol. I.

understood. Following meeting Marcos PressSec released statement indicating strong consideration being given by Marcos to troop commitment and his plans to take matter to Phil Congress.

Marcos is strong, confident and competent. Clearly a good bet as a reliable friend of the US and has potential to become strong leader in Asian world. He is responsive to plain friendly direct talk and I would encourage invitation to visit you latter part of 1966.

Ambassador Blair and I had very private discussion with Marcos and his FonMin concerning your special instructions regarding bombing, Rome and Warsaw.

During visit Manila have stressed importance of Asian friends speaking up on danger of Communist aggression to them. Held such discussions with FonMin Thanat of Thailand and Genl Pham Xuan Chieu of Vietnam's Armed Forces Council.

Will prepare more details these and subsequent discussions immediately upon return Washington. Summary of discussions in Taipei and Seoul will be cabled immediately direct to you.

321. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, December 31, 1965, 3:29 p.m.

1176. For the Vice President only from McGeorge Bundy. There are press reports here that you asked Marcos to "immediately" step up his country's aid to Vietnam.² It is very important that we avoid all appearances of pressure on Marcos during his inauguration and we hope that you can find a way of setting the press record straight before your departure. We assume Marcos himself was eager to join the statement on this subject which appeared after your meeting with him but it is essential here that there be no appearance of crude U.S. pressure now. Moreover what we hope for from Marcos may be substantially

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27 VIET S. Secret; Exdis; Flash. Drafted in the White House, cleared by William Bundy, and approved by Read. Repeated to the White House.

² In a conversation with McNamara on December 31 at 10:33 a.m., the President expressed concern about Humphrey's raising the issue of Philippine troops for Vietnam. (Johnson Library, Recordings and Transcripts, Recording of a telephone conversation between Johnson and McNamara, December 13, 1965, 10:33 a.m., Tape 6512.05, PNO 3)

larger than the items discussed in your conversation with him and it is desired here that there be an open track for very serious talks later.

You will know better than we what the exact form of any statement should be. My suggestion is that your farewell comments at the airport you might wish to make it clear that your purpose was to attend the inauguration, to explain U.S. policy of peace, and to ask for nothing, and that what you found is a friend who will make his own decisions as we make ours in the light of interests and purposes of his own people. We believe emphasis on peace would be helpful also to make clear that our trip is major element in President's far-flung effort to move in that direction.³

Rusk

³ Humphrey cabled Johnson from Korea that Marcos had inserted the word "immediately" into the statement about Philippine intentions to associate more closely with the "Free World" in the region. Marcos' press secretary then gave the correspondents the impression that Marcos would ask for immediate Congressional approval for the Philippines' contingent. Humphrey stated that there was "no conceivable element of pressure" in his talk with Marcos, and both he and Marcos emphasized "our relentless search for, and devotion to peace." Humphrey promised that he would stress that fact again when providing background to U.S. correspondents traveling with him. (Telegram from Smith to the President, CAP 66008, undated; Johnson Library, National Security File, International Meetings and Travel File, Vice President's Trip, Far East, 12/27/65)

322. Memorandum From the President's Special Assistant
(Valenti) to President Johnson¹

Washington, January 4, 1966.

SUBJECT

Suggestions Emerging from trip to Japan, the Philippines, Taiwan and Korea²

Suggestions

1. *We need Asians to take the lead in Asian affairs.* Best asset to US is strong Asian leader, who is our friend, who understands us, and is

¹ Source: Johnson Library, National Security File, International Travel and Meetings File, Vice President's Trip, Far East, 12/27/65. No classification marking. There is no indication on the memorandum that the President saw it, but Valenti wrote "Bundy" on the first page.

² Valenti accompanied Vice President Humphrey on his Far East trip.

prepared to weld Asians together toward objectives that coincide with our aims.

Suggest we bet on Ferdinand Marcos of the Philippines as having good potential for this kind of tough, charismatic leadership.

2. *Let Asians take up the burden we have been carrying—on the battlefield—and in the farm fields.*

a. *Equip two or more Korean divisions, and send them to Vietnam. They could easily take the place of 30–40,000 Americans.*

The price we pay for this is cheap—for the equipping Koreans is at the ratio of 5–1 to 10–1 for the same equipment of the same number of Americans. Moreover, the Koreans are competent jungle fighters—and are ready to fight.

b. *Through program grants to the Chinese on Formosa, let them carry to Africa and parts of Asia, the program we have been burdened with:—technical assistance in agriculture primarily.* The cost of doing this through Chinese instead of Americans is, again, a ratio of 3 to 1 to 5 to 1. Moreover, the Chinese are competent agronomists—in the area of giving self-help to less developed countries, they can do the job at less cost and equal efficiency.

Explanations

1. *Asians take the lead in Asian affairs.*

—It makes sense to put our money on Asian leaders who have already built their base as a democratic leader, and not have to prop up either a dictator, or a chief of government who is on shaky domestic ground. Marcos is no puppet. In fact, he needs to be a little independent of us in order to make rational and credible his leadership.

—Some of the people in the Manila Embassy are skeptical—as well they should be. Macapagal came into office with the same glittering hopes only to dash them with the usual ineptness later.

—Marcos could be different. He's exceptionally bright (he set an all-time record for the bar exams); one of the most inspiring orators in Asia; and toughly realistic. I suspect he wants to be a great president, and is willing to do unpalatable things in order to achieve that greatness (i.e. stop smuggling and corruptness, as well as put his fiscal house in order).

—If we can work with him, and give him what help we can within reason, Marcos could become a rallying point in Asia.

—*In any case, the problems of Asia must be solved by Asians, and Marcos has the gifts of brain and courage to do those things that need to be done, but which need an Asian cover to be done.*

Note: Marcos invited me and Lloyd Hand through his brother-in-law, Ben Romualdez (who possibly will be the closest man to him, and the one to whom he will listen with more credibility than any other) to play golf with him on his first day in office. We teed off at 6:30 am!

He obviously wanted to let me know his regard for President Johnson; and to emphasize his aims of putting the Philippines in apple-pie order. He is a professional politician, with all the sure-footed instincts of a pro.

He mentioned he was going to re-organize the Army, establish the Constabulary (police force) as an independent arm (it is now part of the Defense Department); and try to bring fiscal order out of the wildly porous financial structure now existent. Without being sychophantic he made it clear he wanted to cooperate with U.S.

I recommend that we invite him to come to the States for an official visit sometime this year. Obviously he can't come right now, but sometime after June, he could be ready.

He never brought this up—but I find it persuasive that the President ought to size him up personally; take his measure so we can determine how and what we need to do to get leadership among non-communistic Asian nations.

[Here follows discussion of Korea, Taiwan, and Japan.]

323. National Intelligence Estimate¹

NIE 56-66

Washington, February 17, 1966.

PROSPECTS FOR THE PHILIPPINES

The Problem

To estimate the prospects for the Philippines for the next two or three years.

Conclusions

A. Though its problems are not critical in the short term, the Philippines confronts many of the same underlying difficulties that beset other states of Southeast Asia—land hunger in the countryside;

¹ Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 56-66. Secret; Controlled Dissem. A table of contents and a map are not printed. A note on the covering sheet indicates the estimate was prepared by the CIA and the intelligence organizations of the Departments of State and Defense and the NSA. The USIB concurred with it on February 17, with the exception of the FBI and AEC representatives who abstained on the grounds that the topic was outside their jurisdiction.

unemployment in the cities; and a grinding poverty for the overwhelming majority of the people. The situation is aggravated by widespread violence and lawlessness, and by corruption in government. (Paras. 1-12)

B. Hopes for change are now focussed on the incoming President Marcos, a capable and forceful man. Marcos seems aware of the country's problems, but it is not yet clear how effectively he will cope with them. If he fails to reduce economic discontent and to achieve greater honesty and efficiency in governmental affairs, public disillusionment is likely to grow and political stability could be seriously undermined. (Paras. 13-19)

C. Though lawlessness is pervasive, Communists do not constitute a major subversive threat to the Philippines, and are not likely to do so over the next few years. (Paras. 20-23)

D. Marcos is an anti-Communist and supports the US on most issues respecting the Communist world. He is also a strong nationalist and will seek greater equality for the Philippines in its dealings with the US, particularly on those issues involving US military bases and special US economic privileges. However, Marcos is unlikely to hamper effective US use of its bases so long as he is satisfied that such uses do not run counter to Philippine national interest. He will press the Congress to dispatch a proposed Philippine engineer contingent to South Vietnam and can probably gain its approval, though he may have some trouble in the Senate. (Paras. 24-32)

Discussion

1. *Domestic Problems and Prospects*

1. *Introduction.* The Republic of the Philippines has many problems, though few are as immediately critical as those facing other Southeast Asian states. There is no present external threat to its independence. There is no serious internal subversion or insurgency, and the authorities are sensitive to potential dangers of this sort. There is virtually no chance of an attempted coup; democratic elections are the accepted method of achieving political power. No major economic crisis is on the horizon. All of these assets are reinforced by feelings of military, political, and economic security derived from a "special relationship" with the US.

2. For all of its present advantages, however, the Philippines faces, in the long run, many of the same underlying difficulties and limitations that confront its less fortunate neighbors. The key problem is a deep and growing economic cleavage between upper and lower classes, and the failure of successive administrations to carry out programs adequate to remedy this situation. The situation is aggravated by the prevalence of widespread violence and lawlessness in the cities and in the country-

side, and longstanding and pervasive corruption in government. Hopes for change are now focussed on Ferdinand Marcos, the newly-elected President. Should he fail to deal adequately with these problems during his four-year administration, Philippine political stability and democratic institutions could be seriously undermined.

3. *Problems.* Discontent among the peasants, who comprise almost two-thirds of the Philippine population, stems primarily from a feudalistic system of land tenure and unsatisfactory landlord-tenant relations. About 40 percent of the farmers in the Philippines—and a much higher proportion in the densely-settled central lowland of Luzon—are tenants, most of whom customarily pay at least one-half of their crop to wealthy absentee proprietors. The rapid rise in population over the past 60 years has led to increased tenancy and to a reduction in the size of the average owner-operated farm. The peasant lives only a little above a bare subsistence level, and his annual income has not increased over the past decade. The financial insecurity of both tenant and smallholder is aggravated by chronic indebtedness at high interest rates. The farm population is further handicapped by the persistence of one of the world's lowest levels of agricultural productivity; yields per acre of rice and corn, the principal crops, have not increased significantly over the past century.

4. In the urban areas, the major problem is unemployment. There are an estimated 750,000 unemployed and at least two million underemployed in the country's work force of 11.5 million. Each year an additional 375,000, including 25,000 college graduates, seek employment, normally exceeding the number of new jobs being created. In the cities, the pressure of a large unproductive manpower pool is manifested in low wages, poor working and living conditions, high crime rates, and other serious social problems. Among the educated unemployed, radical causes tend to flourish.

5. These problems have been intensified in recent years by a general upward trend in living costs and lags in wages which have widened earlier inequalities in the distribution of wealth. Although Philippine real national income per capita generally rises slightly each year, the gains tend to accrue to the wealthy, while among the rural and urban poor, real wages and living standards usually decline. In Manila, real wages for skilled and unskilled industrial workers have declined about 20 percent over the past decade, and the luxury consumption of the wealthy contrasts most markedly with the extreme poverty of the general population. Offsetting this picture to some extent is the steady rise of a middle class entrepreneurial group.

6. Philippine governments have been largely ineffective in efforts to ameliorate these basic problems. In the field of land reform, for example, a modest legislative start was made under President Magsay-

say (1954-1957), but soon bogged down in administrative indifference. President Macapagal's land reform program, passed in 1963, was designed to abolish share tenancy in favor of lease-holds, to control agricultural rents, and to raise the wages of agricultural workers. The basic law itself is a good one. But the Congress has subsequently provided only very limited budgetary support for the program, landowners have impeded its implementation, and wage minimums have not been enforced by the government.

7. The Philippine political system does not lend itself to bold initiatives or sustained performance by the government in the fields of economic development and social welfare. There are two major parties—Nacionalistas and Liberals—and both are representative of the same conservative landed and commercial interests. Other elements of the population have few channels through which to influence the workings of the government. Third parties which occasionally emerge to espouse reform have so far lacked the grass-roots organization necessary to achieve electoral strength and a major voice in government.

8. Conservative forces in the Philippines, by tradition and interest, favor a very limited governmental role in economic affairs. In facing problems of economic development, succeeding administrations have adopted a relatively passive role, seeking to create a climate favorable to the growth of domestic—as opposed to foreign—private enterprise. Their concepts have not included major government investment in those items of infrastructure—transport, communications, electric power, water supply, and irrigation facilities—essential to increased agricultural and industrial output. Annual capital outlays by the government have not increased over the past five years, and whatever small direct contribution has been made to economic development has been largely dissipated in individual “pork-barrel” projects.

9. There are other built-in handicaps to any broad-gauge governmental attack on economic problems. Foremost is the insufficiency of government revenues because of a narrow tax base, poor tax administration, and wholesale evasion and smuggling. Smuggling costs the government an estimated \$100 to \$200 million annually in revenue. Government operations are also severely handicapped by a system of social values which accepts graft, corruption, and nepotism as normal in government. Most politicians and officials act mainly in the pursuit of financial benefits to themselves, their kinsmen, and their associates.

10. In consequence, the burden of economic improvement has fallen on private interests. Private domestic investment in manufacturing, stimulated by favorable foreign exchange and import controls, was the principal force behind the growth of the national economy during

the 1950s when real output increased by an average of 6 percent annually. In recent years, growth has slowed to 4 to 5 percent annually, a pace that only narrowly exceeds the rate of population increase. This stands at about 3.5 percent, one of the world's highest.

11. Prospects for a return to earlier industrial growth rates are poor. Expansion in the 1950s focussed on production of consumer goods for the home market. The costs of the expansion were borne by raw material exporters, who were forced to exchange their hard currency earnings for overvalued pesos, and by domestic consumers paying higher prices. Exchange reforms in 1962 (whereby export earnings could be converted into pesos at a free-market rate almost twice the earlier official rate) led to increased import costs for raw materials and capital goods and, indirectly, to a tightening of domestic credit to defend the value of the peso. Moreover, tightened domestic credit, which is still in effect, has come at a time when the most profitable industrial opportunities are in capital-intensive ventures requiring large initial outlays. The government contributes to the credit squeeze by financing its deficits through the same handful of public institutions that normally provide capital to the private sector. The resulting competition for loans has denied credit and expansion opportunities for many enterprises which got their start in a more protected atmosphere.

12. In agriculture, the picture is even less promising. The average peasant lacks the incentive, knowledge, and funds required to improve his crop yields. Landowners and others with enough capital to improve their land or open up new acreage have generally found real estate, moneylending, and other commercial ventures more profitable, though landowning families increasingly are channeling capital into productive industrial enterprises. Agriculture today provides one-third of Philippine national income, but only 6 to 7 percent of the Philippines' annual capital investment is devoted to it. Low crop yields and a rapidly increasing population have over the years forced the country into costly subsidies and imports of rice, the principal food staple.

13. *Prospects.* President Macapagal failed of re-election in November 1965 essentially because he had not brought about the improvements in living standards which he had led the voters to expect. President Marcos has recognized the necessity for prompt action to improve economic conditions. To assist industry, he proposes to ease credit arrangements, to crack down on smuggling of manufactured goods, particularly cigarettes and textiles, and to re-examine the tariff structure. At the same time, he advocates new incentives for foreign investment. He also proposes an extensive program of public works, including power and water supply facilities, and roads. He has established a task force to prepare the necessary legislation for the present session of Congress.

14. Marcos' proposals indicate that his will be the traditionally conservative approach to economic problems. The emphasis is on improvement within the constraints of existing revenues. There are only vague bows in the direction of tax reform, and he is pledged above all to balance the budget and defend the peso. He is relying on governmental "austerity" and greater bureaucratic efficiency and honesty to cut expenditures, and upon improved collection of taxes, particularly import duties, to increase national revenues. In these ways, Marcos hopes also to reduce the government's requirements for domestic credit so that private needs can more easily be met.

15. Marcos has expressed some interest in putting more teeth in the existing land reform code and in improving agricultural credit facilities. However, his immediate focus in the agricultural sector appears to be increased production of rice and corn. By reorganizing governmental agencies involved in stimulating the production and marketing of these commodities and by adopting more realistic pricing policies, he seeks to provide some new production incentives. There are also proposals to build irrigation facilities, tapping foreign sources of funds if possible.

16. Marcos' economic program will face the same opposition that has stymied earlier reform efforts. Marcos, however, has certain assets not available to Macapagal or even to the revered Magsaysay. One is his outstanding legislative experience; he has served in both houses of Congress and has held the powerful office of President of the Senate. Another asset is his connections in both major parties; until becoming the Nacionalista presidential candidate in 1964, he was a lifelong Liberal. His administration has gotten off to a promising start with the election of a Nacionalista as Senate President and a friendly Liberal as House Speaker. Finally, Marcos is considered to be extraordinarily effective in the government process—intelligent, self-confident, and forceful to the point of ruthlessness, yet a "team man" capable of accepting a useful compromise.

17. Nevertheless, Marcos will undertake his program with certain handicaps. His Nacionalista party does not presently hold a majority in either the Senate or the House of Representatives.² And even among Nacionalistas, many old-line politicians are not particularly enthusiastic about Marcos' proposals. To carry out his program, therefore, he must win over Liberal congressmen plus the reform-minded senators of the small Party for Philippine Progress (PPP). The traditional lack of party discipline makes it likely that at least some Liberals will defect "perma-

² The Senate consists of 12 Nacionalistas, 9 Liberals, 2 members of the Party for Philippine Progress (PPP), and 1 Independent. In the 104-member House of Representatives, the Liberals hold a majority of about 20 seats. [Footnote in the source text.]

nently" to the administration party and that many more will break ranks on specific issues. However, Liberal support is likely to be costly in terms of patronage and favors, and may even require certain legislative sacrifices by Marcos.

18. It is probable that in 1966, in the first flush of his electoral victory, Marcos will succeed in getting important parts of his economic legislation through the Congress and in effecting major administrative reforms. Some proposals may be dropped by Marcos himself in political horse-trading, while others may fail to pass the Congress. Experience indicates that implementation of certain measures, even if passed, would remain in doubt. And even if reasonably successful in implementation, his programs are unlikely to do more over the next few years than halt the current economic slippage and provide a mild stimulus to agricultural and industrial production. In the longer run, achievement of greater honesty and efficiency in the government could have a much more profound impact on the nation. Vigorous efforts to galvanize the Congress and the discredited bureaucracy into effective action would help restore public faith in the democratic process. Success in carrying through present plans might also embolden the dynamic Marcos to attempt more far-reaching and difficult reforms, particularly those tax measures which would increase the funds available to the government for economic development.

19. On the other hand, if Marcos proves ineffective in gaining congressional approval for most of his economic program or in restraining venality in the bureaucracy, the public esteem which he now enjoys would rapidly evaporate. Reformist parties might succeed in deflecting some of the resulting discontent into legitimate political channels, but there would obviously be opportunities for groups with extremist solutions, including the Communists. The Philippines could probably continue in a condition of inefficiency and immorality in public life for several more years without political upheaval, provided that there are no unusual economic stresses. In the longer run, however, it is likely that far more comprehensive remedies than those so far suggested by Marcos, and a greater degree of direct government investment in the economy, will be necessary to satisfy the aspirations of the mass of Filipinos. Unless the major parties can adjust to these needs, other more radically inclined political parties or organizations are likely to emerge.

II. Internal Security

20. The government has had very little success in coping with widespread violence and lawlessness. There is a general disrespect for law and order, a strong tendency toward violence as a way of settling personal and political disputes, an easy availability of firearms, and inadequate and often dishonest local police and judiciary. Marcos has

expressed an intention of reducing lawlessness, and a vigorous attack on these conditions might have some success in certain areas, e.g., Manila. In general, however, these conditions are too pervasive and deep-rooted to permit much improvement in the short term.

21. Despite this general lawlessness, there has been no major subversive threat to the integrity of the state since Magsaysay suppressed the Communist-led Huk rebellion about 10 years ago. However, the Philippine Communist Party (PKP) has managed to survive as a small, loosely-organized, underground movement. It emphasizes nonviolent subversive activities in Manila and other urban areas. There are probably fewer than 1,000 hard-core active Communists compared to about 10,000 in 1950. They have concentrated on infiltrating non-Communist organizations and setting up various front organizations, particularly among youth and students, and have had considerable success in capturing the upper echelons of several labor federations. Through the agency of sympathetic newspapers and journalists, they have supported and exploited ultra-nationalistic candidates and causes to assist their own anti-US objectives. Among the peasants of central Luzon, the Party has helped to organize some small left-wing peasant groups and is actively recruiting members. It is in contact too with the remnants of the Huk guerrilla force—the People's Liberation Army (HMB)—estimated at 150 active members plus 2,000 supporters concentrated in Pampanga Province, site of Clark Air Base. The HMB is now chiefly engaged in sporadic terrorism and banditry, including the murder of active opponents and informers and other acts designed to intimidate local authorities and the population.

22. The threat of subversion from Indonesia has become of less concern with the recent waning of Communist influence in Djakarta. Some 10,000-12,000 Indonesian migrants—legal and illegal—in the Mindanao-Sulu area provide a potential transmission belt for Djakarta-inspired subversion addressed especially to the Philippine Muslim (Moro) minority there. Until recently, more serious Indonesian influence was exerted through the embassy in Manila and the consulate in Davao, where agents of the Indonesian Government and the Indonesian Communist Party had established close contact with ultranationalist and leftist Philippine elements. Chinese Communist subversive activity among Filipinos is exceedingly meager at this time, but may increase with the slackening of Indonesian Communist efforts. Among the Philippines' 600,000 ethnic Chinese residents, the number of Communists has been estimated at anywhere from 200 to 2,000. Their primary objective is probably to influence the Chinese community against the Nationalist regime on Taiwan, but they are a potential source of funds for the PKP and a possible link between it and Peking.

23. Neither Chinese, Indonesian, or domestically-inspired Communists constitute a major subversive threat to the Philippines at this time nor are they likely to do so over the next few years. Their activities influence a very small though vocal element of Philippine society. Internal security forces are probably capable, despite the inroads of politics and corruption, of coping with the existing situation. Primary responsibility in this field rests with the Philippine Constabulary, a 16,000-man national police force operated as a component of the armed services. Local police forces are relatively ineffective. The Constabulary is handicapped by inadequate funds, poor training and equipment, low morale, and a widespread reputation for incompetence and corruption. Any significant acceleration in the growth of lawlessness would severely tax its capabilities. The mission of the 14,400-man Philippine Army and the smaller Air Force and Navy includes assistance to the Constabulary in maintaining internal security.

III. Foreign Relations

24. *The US.* Marcos is an anti-Communist and a firm supporter of the US on most issues respecting the Communist world. He is, however, a strong nationalist who has been publicly critical of the US when he believed that its actions conflicted with Philippine interest. On the other hand, he is less concerned than Macapagal with the Philippine image among other Afro-Asians and is unlikely to indulge in as many gestures to assert "independence" of the US.

25. Marcos has stated that the Philippine-US relationship would be strengthened by a revision of existing treaties in the direction of greater Philippine equality. In this connection, he will probably be more insistent than Macapagal on consultation concerning the US use of Philippine bases in support of the Vietnam war. He will base any such representations on the 1959 Bohlen-Serrano understanding.³ (Most Philippine politicians consider this understanding to be binding although it has not yet been formalized.) Marcos is also likely to press for settlement of other irritants connected with the operation of US bases in the Philippines. Under Macapagal, settlement was reached on such important base issues as land relinquishments, criminal jurisdiction, and military cooperation. Remaining base-related problems include: entry of nuclear-powered ships and related nuclear issues; entry of US and third-country personnel through the bases; labor disputes; and the applicability of Philippine law on the bases. We believe that such problems are unlikely to hamper effective US use of the bases so

³ The memorandum of understanding signed by Ambassador Bohlen and Foreign Minister Sorreno on October 12, 1959, provided for prior consultation concerning operational use of bases for "military combat operations." For a summary of those and related negotiations, see *Foreign Relations, 1958-1960*, vol. XV, pp. 946-957.

long as Marcos is satisfied that the proposed uses do not run counter to Philippine national interest.

26. Marcos supports US policy in Vietnam and has given qualified endorsement to Macapagal's commitment to provide a contingent of about 2,000 Philippine combat engineers to South Vietnam. In general, the Philippine Congress and public also support the US role in Vietnam, and there is widespread approval for the economic and technical assistance which Manila has provided to the Saigon government. However, there is significant opposition to any direct Philippine military participation in the war. There is relatively little feeling that Philippine security interests may be bound up with those of Saigon. There is also a desire to avoid any costly involvement in what appears to be an inconclusive struggle. In the last months of the previous administration, Senate opposition to an appropriation to support the dispatch of the engineer contingent was strong enough to persuade Macapagal not to force the issue. Since the election, congressional opposition may have diminished. Marcos can probably gain congressional approval for the proposed expeditionary force, though he may have some trouble in the Senate. In pressing the Congress for action, Marcos would be motivated more by the need to maintain credit with the US than by any conviction that Philippine troops are needed in Vietnam.

27. The course of the war in Vietnam will also have an impact on US relations with the Philippines. Any conspicuous failure of US policy in handling the Communist threat there would shake the faith of Philippine leaders in US determination to oppose Communist China. US advocacy of a neutralist solution in Laos in 1962 had a depressing effect on Philippine confidence which lasted for some time. On the other hand, the success of US policies in Vietnam would reaffirm Philippine faith in the alliance.

28. Marcos will also be called upon to adopt positions on a variety of bilateral economic issues. While he is not sympathetic to the rabid form of economic nationalism which held sway during the Nacionalista administration of President Garcia (1957-1961), Marcos will almost certainly not attempt to act counter to prevailing Philippine sentiment for reduction of foreign—including US—economic influence. The main areas of commercial tension involve differences over the so-called "parity" issue and over the Retail Trade Nationalization Law.

29. "Parity," as expressed in the Philippine Constitution and reaffirmed in the Laurel-Langley agreement, gives US investors certain rights equal to those of Philippine nationals. In early 1965, a US spokesman stated that the US does not intend to seek renewal beyond 1974 of parity rights for enterprises exploiting natural resources or operating public utilities. Nevertheless, for Philippine nationalists, "Laurel-

Langley" remains a symbol of US economic imperialism and, as frictions arise in its interpretation, Marcos will probably find it expedient to uphold the antiparity position.

30. A more immediate issue between the Philippines and the US arises from the application of the Retail Trade Nationalization Law. This law, originally aimed at Chinese, requires all enterprises engaged in retail trade to be "wholly-owned" by Filipinos and/or US citizens. In recent years, Philippine courts have interpreted "retail trade" as encompassing normal wholesale operations, and "wholly-owned" to mean 100 percent owned by Filipinos or Americans. Few US corporations with publicly held stock can meet this qualification. Some 90 US firms with investments totalling over \$250 million are involved and several cases are pending. In light of his strong belief that increased foreign investment is required, Marcos may offer some temporary administrative relief to permit US firms to adjust their operations. However, he will probably not attempt to negate judicial decisions or Congressional enactments.

31. Another potential source of friction is the recurrent issue of Philippine veterans' claims on the US. In addition, it can be anticipated that further substantial Philippine requests for military assistance will be advanced.

32. Philippine nationalism will continue to grow, further removing the nation from the tutelage of the US. So far, this nationalism has been relatively responsible and has helped to create a somewhat distinctive Philippine foreign policy while maintaining friendship, cooperation, and military and economic links with the US. However, the pace of progress toward full independence has not satisfied all Filipinos. A chauvinistic strain among some elements in government, the press, labor, and students and intellectuals completely rejects American influence and favors economic nationalism and neutralism. In time, as the generation of Filipinos which experienced World War II passes and is replaced by younger men lacking emotional attachments to the US, such sentiments will grow. The majority of present-day Filipinos, however, do not want to discard the security afforded by the traditional association with the US. It is unlikely, therefore, that Philippine nationalism will assume a strident anti-American tone, at least so long as the US continues to consider Philippine sensitivities in bilateral dealings.

33. *Other Countries.* Marcos is personally hostile toward Sukarno and is less likely than Macapagal to seek close relations with Indonesia. Should an anti-Communist leadership emerge in Djakarta, Marcos would probably welcome friendly relations with it, however, it is doubtful that he would seek to revive the Maphilindo grouping—the informal linkage of Malaysia, the Philippines, and Indonesia—which Indonesia would probably dominate.

34. Marcos sees Philippine regional interests as best served by closer ties with Malaysia and Thailand, its likeminded partners in the now dormant Association of Southeast Asia (ASA). He is likely to establish full diplomatic relations with Malaysia soon and with Singapore shortly thereafter. In part, Marcos' rapprochement with Malaysia will be designed to gain Malaysian cooperation in suppressing smuggling operations between Sabah and the southern Philippines. It is unlikely that Marcos will drop the Philippine claim to parts of Sabah, but he will be more reasonable in seeking a settlement. Marcos will probably attempt to revive ASA by means of frequent political, economic, and cultural exchanges. SEATO will continue to receive his support, especially since a Filipino general is presently serving as Secretary-General of the organization.

35. The Philippines under Marcos will continue its policy of refusing to establish political relations with Communist China, the USSR, or other Communist countries. Pressures for change on this issue are unlikely to be great. However, the search for new markets for agricultural products may lead the Philippines to establish economic relations with the USSR and at least some Eastern European states within a year or two. Cordial relations with South Korea, Australia, and New Zealand will continue. Marcos strongly supports Nationalist China and will make efforts to remove minor irritants in relations with that government. Relations with Japan are also likely to improve.

324. **Telegram From the Embassy in the Philippines to the Department of State¹**

Manila, February 22, 1966, 1124Z.

1761. VP-Marcos meeting.

1. Following is uncleared summary report of meeting.
2. In substantive portion of meeting Vice President was accompanied by Governor Harriman, Ambassador Blair, Ambassador Hand, Mr. Valenti and Messrs. Connell, Thomson, Rielly and DCM Service.

¹Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Secret; Immediate; Exdis-VP. Repeated to Seoul for Lloyd Hand and passed to the White House. Humphrey and Harriman were in the Philippines to explain the results of the Honolulu Conference on Vietnam.

President Marcos had with him FonSec Ramos and FonUnderSec Colantes. Most of time two military aides, Brig. General Menzi and Captain Palafox, were in attendance and three civilian aides sat in back of room.

3. In summary, 90-minute discussion commenced with expression by VP of warm appreciation courage and initiative shown by President Marcos in presenting Vietnam bill, reiteration of feelings of respect and deep friendship of President Johnson and American people for the Filipino people and description of Honolulu Conference (HC), its objectives and accomplishments. HC described as turning point marking commencement of new historical period in our Vietnam experience. US and its allies adhere to limited objectives Vietnam "halting aggression and giving SVN people opportunity for own choice."

4. In addition to fighting war against aggressor, SVN people and Government and their allies are determining how to rebuild devastated areas in the wake of murder and pillage by VC and North Vietnamese forces. This is the second part of major decisions taken at HC: social and economic development. Meeting of President Johnson with two Vietnamese leaders extremely useful and VP emphasized significance of excellent statement made by Prime Minister Ky and fact that he and his government have themselves drawn up major planning for economic and social progress. VP pointed out that PriMin Ky has seized initiative for his government in leading revolution for betterment of his country.

5. Impressions of discussions in Thailand, Australia and New Zealand were summarized with particular stress on discussions in Thailand. President Marcos mentioned imminent three-day visit of Thai PriMin Thanom Kittikachorn and favorable impressions of SEATO SecGen Jesus Vargas. Marcos and Ramos said they will keep in close touch with Thais and intend to hold first meeting ASA in March.

6. In brief discussion conditions in Laos VP spoke of determination of Souvanna Phouma to continue fighting.

7. After VP noted that Communists in Asia are attacking wherever they can President Marcos said Philippines can feel it here now. He said cadres are being reorganized, intellectuals are quite active and leftists elements are agitating. Expressed his confidence that Communists here will not get very far. He said if they were able to do so they would try to mount an active military effort. Practically all of the members of the Politburo of the Philippine Communist Party had been caught in the early fifties and were nearing completion of 14 or 15-year prison terms and their supporters are preparing for their release. President Marcos noted that two members of Indonesian Embassy here had been quite active and singled out Indon Press Counselor (Rudi Gontha) as having been involved in encouragement of demonstrations

recently. Also noted increased activity Radio Peking Tagalog broadcasts.

8. Excellent performance Koreans SVN described by VP and Governor Harriman who also lauded Australian and New Zealand contingents SVN. Good example of these foreign forces, together with US forces, given credit for improving behavior of South Vietnamese forces which are now actively participating in civic action. With improved SVN morale and military success, defections from Viet Cong and North Vietnamese forces have risen to average of 79 a day this month.

9. In acknowledging that Filipinos may have their problems at this time, President Marcos said that his country will extend all possible aid to SVN.² He said he hopes that the partnership of Philippines and US will become more meaningful and said that under attack he will stand firm. Had originally wanted to send combat troops but GVN had asked for engineer battalion. Gov. Harriman noted that President Johnson and American people will always remember courage and wisdom of President Marcos. Marcos said 10,000 or 12,000 volunteers had offered themselves from army in no time at all and he had ordered army to discontinue listing volunteers.

10. President Marcos stated his belief that West could now permit Asian leaders to take more initiative and become more involved in affairs in this part of world. He said that strings on aid present problems and if strings at least are not apparent it is better. He said that newly independent underdeveloped nations are particularly sensitive now regarding manner in which aid is extended to them. He said it is better when Asian problems can be decided by Asians themselves "with your backing." He cited Asian Development Bank as excellent example of this, noting that US had furnished \$200,000,000 to Bank. He said Bank is "very good because it is Asian." He said "let Asians decide and solved their own problems. We want to do it ourselves."

11. Vice President stated that a principle of Honolulu Conference was along these lines. President Marcos said he had studied letter to him from President Johnson³ and felt this point is most important. Thai

² In a telephone conversation with Humphrey before the Vice President left for his mission, President Johnson discussed with him the Philippines' potential troop contribution to Vietnam. The President said: "the Filipinos promised me 4500. They welched on it a little bit—they're down to 2500 when they talked to you. Now they are trying to get a little bit less. We may have to get some economic things, look at some of our hole cards there, and take another look at them." (Johnson Library, Recordings and Transcripts, Recording of Telephone Conversation between Johnson and Humphrey, February 5, 1966, 10:15 a.m., F66.04, Side B, PNO 2)

³ Apparent reference to an advance copy of a letter of February 25. (Johnson Library, National Security File, Special Head of State Correspondence, Philippines) For the letter as sent, see Document 326.

FonMin Thanat Khoman agrees with him that ASA should be enlarged. Said Embassy will be established Kuala Lumpur very soon and this may have to be accelerated because of Sukarno's action against Nasution in last few days.

12. VP said that Japan PriMin Sato says privately he wants us to stay in Vietnam but won't say so publicly. Marcos said "I am afraid the Japanese will outsmart themselves." He said that GOP relations with Japanese are getting closer and said only Asians can do what must be done to face up to situation in this part of world. Indons will respond properly when approached in Asian way, Marcos said. Reverting to ASA Marcos said that UnderSecretary Ingles now in Bangkok laying groundwork for ASA meeting in March. FonSec Ramos said that Republic of China should join and Japan, also.

13. President Marcos said Philippines will attend economic conference in Japan. He said that Japanese peace corps commencing work here. Work on trade and navigation treaty proceeding and GOJ has agreed accelerate reparations payments. In addition, GOJ apparently ready to make terms of \$250,000,000 loan less onerous. GOP will send Japanese-speaking Sotero Laurel as new Ambassador to Tokyo.

14. Conference closed with discussion of emphasis which must be placed on rural development in countries in this area. President Marcos voiced his concern, remarking that "Communists make no bones the target is rural areas." He said AID is doing good work here in rural development and he hopes work can continue and expand. Philippines needs help with irrigation problems. VP said it is pity to use precious foreign exchange to import food stuffs and USG will offer full encouragement to best of our ability to solve this problem. President Marcos said he believed it will help if we could cut red tape in both AID and JUSMAG. One of his targets, he said, is to reorganize army construction battalions for rural reconstruction.

15. In final comment regarding aid to Vietnam President Marcos told Vice President Humphrey "decision has been taken and we will hold on to it. We will do it whether we can balance our budget or not. We are paying insurance on our future. We know our friends are behind us. Aid to Vietnam reflects feelings of great majority of our people."⁴

Blair

⁴ In telegram 1758 from Manila, February 22, eyes only from Valenti to the President, Valenti informed Johnson that Marcos had made a statement before the press and television that the Philippines was sending an engineer construction battalion to South Vietnam not only to help Vietnam, but because it was in the Philippines' national interest. Valenti described it as a "forthright declaration by a courageous Asian leader." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27 VIET S)

325. Action Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk¹

Washington, February 23, 1966.

SUBJECT

National Policy Paper for the Philippines

Attached (Tab B)² for your approval is Part One (U.S. Policy) of the National Policy Paper on the Philippines. All agencies with a major interest in our relations with the Philippines have cleared this document.

The Paper points out that by almost every criterion for policy development, the Philippines constitutes an area of key interest of the US in Asia. While the Philippines since independence has achieved much, it again faces some very serious problems. In essence, the future depends on whether it can evolve within the next few years enough responsible and dynamic leadership to overcome the stagnation that has beset the country in recent years, and to bring about the economic growth required to keep pace with the population explosion.

Filipinos are, to an extent, coming to doubt the wisdom of our prescriptions for Philippine-American relations. The growth of Philippine nationalism is inevitable. We must ensure that we do not appear to oppose its legitimate expression, while taking steps calculated to keep it positive and constructive.

Our over-all objective as spelled out in this Paper is to preserve the Philippines as an independent and democratic nation, friendly to the US and maintaining a foreign and defense policy in general alignment with our own. The *thrust of the strategy* set forth in this Paper is to preserve for the longer range the best possible environment in which to protect and uphold those US interests which really count. Anachronistic positions, or those which in any case we cannot count on maintaining in the future, should be gradually abandoned.

In essence, over the next three to five years, *the courses of action* set forth in the Paper will:

(1) promote motivated and dynamic Filipino leadership, which is dedicated to serve the Philippine national interest and which is convinced of the abiding interest of the US in the survival of a free and democratic Philippines;

¹Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 1 PHIL-US. Secret. Drafted by Kattenburg on February 17 and cleared by Rostow.

²Neither Tab is printed.

(2) persevere in helping Philippine efforts to achieve self-sustaining economic growth;

(3) work toward a revised and modernized bilateral trade and investment relationship with the Philippines, in which the element of partnership replaces that of outworn special consideration or advantage for either side;

(4) encourage and assist development of greater Philippine capabilities for external and especially for internal defense; and

(5) seek to make the presence of our military bases more palatable and secure for the longer term.

*Recommendation:*³

That you approve this National Policy Paper by signing the attached memorandum (Tab A) which will be incorporated into the Paper as a preface.

³ A note on the memorandum indicates that Rusk signed the National Policy Paper on the Philippines on March 3.

326. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, February 25, 1966, 5:47 p.m.

1564. Eyes only for the Ambassador. Deliver letter below from the President to President Marcos. Please brief Bill Bundy but handle this matter in great confidence until actual announcement of visit can be made.

"Dear President Marcos: I have just had a full report from Vice President Humphrey about his recent visit with you. I was very glad that he had a chance to give you a full account of the meeting in Honolulu and additional measures which are being taken to assure success of the effort in South Viet-Nam.

I was especially interested in his report of your views of your own situation in the Philippines and on the problems we all face in Southeast Asia and in the Pacific. I was impressed by what you said about the

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Confidential; Nodis. Drafted by Rusk and cleared by McGeorge Bundy.

need for Asian leaders themselves to take a greater degree of leadership in such matters and I want you to know that you would have our fullest support in the suggestions you have made in that direction. With a strong mandate from your own people and with an assured period of leadership ahead of you, you are in an excellent position to play an active role in building greater solidarity among the free nations of Asia and the Pacific.

Your stirring recent address on Viet-Nam and your private remarks to the Vice President have been a source of great encouragement and inspiration to us here. Your decision to place some of your own fine units alongside your allies in South Viet-Nam is a courageous one and will guarantee the solidarity between our two countries which is so important to the peace and prosperity of the Philippines as well as to the stability of the entire area.

I know that your schedule is heavily burdened as you assume your great responsibilities but I want you to know that I would personally warmly welcome you if you could find a time to visit Washington. I would try to adjust my schedule to meet yours and I would understand if you wished to get certain matters behind you before you come. Perhaps you and Ambassador Blair could be in touch with each other on a most private basis about possible dates, if the idea appeals to you. I do think it important that the matter remain private until we can make a joint announcement about your visit.

May I, in closing, express my respect for the way in which you have taken hold of the reins of government and for the policies which you have so responsibly and clearly set forth to guide your great country."

Rusk

327. Memorandum From the Central Intelligence Agency to the 303 Committee¹

Washington, March 2, 1966.

SUBJECT

*[less than 1 line of source text not declassified]*1. *[less than 1 line of source text not declassified]**[9½ lines of source text not declassified]*

The proposal also involves a direct frontal attack against the deteriorating political situation and internal security problems facing the Philippines, making possible a viable movement channeling legitimate Filipino nationalism along Christian-Democratic lines. General reform must find its beginnings and impetus in the broad bases of a society. Among the more evident bases in the Philippines are the peasant and the Church: the peasant because he is the mass and the ultimate focal point of meaningful reform; the Church because it is uniquely equipped to act as a catalyst between the government, vested interests, and the Filipino peasant, who is in a sense the land.

The land tenure system in the Philippines is a basic cause of rural poverty, a major obstacle to agricultural development and a main source of agrarian unrest which, though traditional, is the root of the internal security situation in the Philippines today. In order to focus attention on the land reform problem, educating the peasant to his rights and responsibilities, demonstrating enlightened need for reform to politicians and vested interests and influencing the government to implement reform aggressively, a fairly dramatic action is called for. *[2½ lines of source text not declassified]*

*[2 paragraphs (11 lines of source text) not declassified]*2. *Problem*

There have been more than adequate attempts made in the Philippines towards legislating land reform. During the Commonwealth period the United States moved energetically and with imagination into land reform and land distribution, including the purchase and redistribution of "friar" lands representing large holdings by the Church. Since independence, various presidents and governments have recognized the need for reform, notably under Magsaysay, to some extent Garcia, and most recently Macapagal. The problem in the Philippines is not

¹ Source: National Security Council, Special Group/303 Committee Files, Subject Files, Philippines. Secret; Eyes Only.

to begin anew, but to improve on progress already made, to moderate the influence of forces traditionally opposed to reform and finally to create a demand on the government for reform from the end-user, the peasant, by "popularizing" his rights under existing legislation.

The Agricultural Land Reform Code, promulgated on 8 August 1963, has the stated purpose of redefining the relationship of the cultivator to the land. Essentially an adequate law, it unfortunately has built-in complexities, in deference to political and economic self-interest groups, which prevent aggressive implementation. The Armed Forces of the Philippines are heavily engaged in national civic action work having ultimate effect on land reform in general. In addition, the Presidential Assistant for Community Development and the private Philippines Rural Reconstruction Movement have recently agreed to coordinate overall civic action/reform programs, rather than continue the competition of the past. A central point in the reform problem, besides inherent opposition and endemic inertia, has been to approach it by governmental decree rather than from a popular base. [*less than 1 line of source text not declassified*] should provide the impetus necessary to get underway constructive land reform and with it the beginnings of general reform. Without some such action, the dilatory approach to reform in the Philippines can be expected to continue.

[*3 headings and 8 paragraphs (39 lines of source text) not declassified*]²

² A note on the memorandum indicates that this proposal was "approved telephonically by the 303 Committee principals on 11 April 1966."

328. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, April 9, 1966, 5:01 p.m.

1872. Joint State/Defense message.

1. In order reassure Marcos we are actively moving ahead to meet our commitment on equipping and financing the Phil Engineer Task Force, and that we are responsive to other urgent military requirements

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27 VIET S. Secret. Drafted by Flanegin; cleared by Kattenburg, William C. Hamilton of DOD/ISA, and Moore; and approved by Bundy. Repeated to JCS, CINCPAC, Saigon, COMUSMACV, CHJUSMAGPHIL, CINCPACREPPHIL.

he has raised, you may now convey the following to him in the nature of a Status Report:

2. We wish to reaffirm our commitment (FYI as defined in prior cables end FYI) to equip and support the Philippine Engineer Battalion and security troops for Vietnam. We will be ready to move on these items promptly to mesh with troop arrivals in Vietnam.

3. We are actively engaged in calculating how best we can shape our response to the President's needs in field of military and military-related equipment. Assuming dispatch of Phil Task Force to VN, we will be able to provide up to four additional swiftcraft, M-14 rifles and machine guns for one constabulary BCT, and equipment to start bringing three engineer battalions to full strength.

4. U.S. Defense Department conducting itemized review of these items and of funding and delivery arrangements. These examinations take time, and Marcos should understand that, particularly in view of VN requirements, ultimate deliveries will of necessity be staggered and some probably delayed.

5. If, as seems probable, Marcos raises question of equipping further engineer battalions, you may tell him that we wish to be forthcoming regarding his civic action project, which we favor in principle, but indicate that our present thinking is along lines para 4(c) in immediately previous telegram.²

Rusk

² Paragraph 4 (c) of telegram 1871, April 9, reads: "With respect to equipping further engineering battalions, we wish to be forthcoming regarding a project which we favor in principle. But (1) we do not now concur in agreeing to replace Japanese equipment of additional Phase I bns; (2) if Marcos civic action plan effectively implemented, further U.S. investment should take place within normal MAP totals and as result of normal MAP planning and programming procedures; and (3) we would want first to join in conducting a coordinated appraisal of the current mission and structure." (Ibid.)

329. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant (Rostow)¹

Washington, May 4, 1966.

SUBJECT

A Marcos Visit: The Plot Thickens

You should know (and at some point the President should know) that the problem of a Marcos visit is becoming more complex. In this regard, next week will be preliminary Philippines Week: we will have in town both Ambassador Blair (who hopes to see the President—see the attached memorandum from State)² and Marcos' brother-in-law and confidential aide, Benjamin Romualdez.

The dimensions of the Marcos visit's new complexity are revealed in Blair's two lengthy conversations with Marcos, reported in Manila's 2323 and especially Manila's 2326 and 2327.³ These cables are long and somewhat depressing. To the cynic they reveal that Marcos is acting more and more like a Philippine President than the tough and far-sighted New Dealer/pragmatist that he appeared to be earlier this year.

In brief, Marcos does not want to come to Washington unless he can return with some highly tangible goodies. He fears the juxtaposition of Philippine troops to Vietnam with a Washington visit, as this might tag him with the label of "American errand boy". In order to avoid such a label, he wants to extract from his Washington visit U.S. responsiveness on a number of new and old items: specifically, Philippine omnibus claims (a matter which we officially decreed a closed book under the Eisenhower Administration), base negotiations, veterans benefits (on which a joint U.S./Filipino Commission will be negotiating in the next few months), U.S. procurement for Vietnam, a stabilization fund, aid for the construction of a thermal power plant, more school houses, and a long new list of military equipment. This is not quite an all-or-nothing proposition, although obviously the Fils want as much as they can get.

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, 6/64-6/66 [1 of 2]. Secret.

² Not attached; a copy of the May 3 memorandum is in the National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL.

³ Telegram 2323 is dated April 29; telegrams 2326 and 2327 are both dated May 3. (Ibid., DEF 9 PHIL and POL 15-1 PHIL)

The upshot of the above is that an early and simple Marcos visit is probably out of the question. Despite the fact that his early appearance here might do us some political good on Vietnam, etc., it would *not* do him good, in his view, unless he comes back with his hands very full.

Blair and Romualdez will both be carrying this message to State and the White House next week. This should give us a chance to weigh more precisely our needs versus Fil needs regarding a Marcos visit. As you know, State has previously urged that Marcos' visit be put off until much later in the year; the new evidence of Fil thinking on the subject should strengthen State's convictions.

I attach a possible memorandum for the President about State's request for an appointment for Bill Blair.⁴

Jim

⁴ Not found, but in a May 5 memorandum to the President, Rostow suggested that it would be "useful" for the President to meet Blair who was "fresh from two long talks with President Marcos and has a clear view of the potential problems surrounding a Marcos visit. At the moment, Marcos is worried about coming here too soon after final passage of the Philippine Vietnam Aid Bill; he is also beginning to attach to the visit some large-scale economic and military requests which will require some sorting and negotiation prior to his arrival." The President approved the meeting with Blair. (Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. VII, 4/2/66-5/26/66)

330. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, May 11, 1966, 7:20 p.m.

SUBJECT

Appointment With Ambassador William McC. Blair, Jr.

You have agreed to receive Ambassador Blair, Chief of Mission at Manila, at 11:30 a.m. tomorrow, May 12.

This additional information concerns the two matters that he may wish to raise with you: the timing of President Marcos' State Visit; and the status of Philippine Senate action on the Vietnam Aid Bill.

State Visit

Marcos has informed Blair that he feels there should be fairly clear "areas of agreement" between the two Governments before he undertakes the State Visit. He is also worried that too early a visit following Philippine legislative approval of the Vietnam Aid Bill might cause him trouble at home. He is inclined toward an end of August date, which would also enable him to accept an invitation to address the American Legion convention. But he wishes Blair to test the atmosphere here on whether tangible results might be possible by then on the economic and military aid requests that he is attaching to the visit.

State considers it important to our future economic relations that his State Visit result in meaningful exchange of views and hopefully some measure of agreement on such major issues as post-1974 US investment in the Philippines, impact of the Retail Trade Nationalization Law, and US aid in Philippine economic development. However, we will not be prepared to reach these "areas of agreement" until much later this year after more extensive economic dialogue. State, accordingly, would prefer the visit in late October or November.²

Aid to Vietnam Bill

State believes final Philippine Senate action is now anticipated at the end of this week, with perhaps no more than five negative votes. One possible ramification is a proviso that Marcos consult with Congress before sending troops. We are assured, however, that this is only a gesture designed to satisfy the sensitivities of Senators who might otherwise find it difficult to vote for the bill.

¹ Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 2, May 1-15, 1966. Confidential.

² As recommended in a memorandum from Rusk to the President, May 10. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL)

President Marcos' brother-in-law, whom I saw, believes it will be much closer, but will pass.

Ambassador Blair's Future Assignment

Secretary Rusk at one time suggested that Ambassador Blair be considered for one of the positions in the Department now vacant. However, no further consideration is being given to this suggestion because:

1. Ambassador Blair will not have completed the normal tour of two years until next December.

2. Ambassador Blair has let it be known that he prefers to remain in the field and that, after his completion of his tour in the Philippines, he would like to have another Ambassadorial assignment in preference to a Washington post.

Walt

331. Memorandum of Conversation¹

Washington, May 12, 1966.

SUBJECT

Philippine-US Relations

PARTICIPANTS

The President
William McC. Blair, Jr., Ambassador to the Philippines
William P. Bundy, Assistant Secretary of State for Far Eastern Affairs
Walt W. Rostow, Special Assistant to the President
William J. Jordan, National Security Council Staff

Participants in this meeting with the President have indicated that the following major topics were discussed, and the following decisions reached:

1. *Review of Situation*

Ambassador Blair reviewed the situation in the Philippines, some of President Marcos' problems and his progress, and requests

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Secret. Drafted by Kattenburg (who did not attend) on May 23 and cleared by the White House on May 19.

made for our help. The assessment was cautiously optimistic. The President indicated his sympathy for the Philippines and for President Marcos.

2. *US Panel, Joint Philippine-US Commission on Philippine Veterans Benefits*

The President approved an immediate press announcement on the formation and composition of the US panel and said he had been in touch with Senator Long who had agreed to serve.

3. *Marcos State Visit*

The President expressed his hope that Marcos could come over soonest. He was ready to receive him "today, tomorrow, or next day." The President stated he was impressed with what he had heard of Marcos. The President expressed a deep personal interest in the Philippines and noted the special interest most Americans have in that country based on history and our special role there in the past. Ambassador Blair and Mr. Bundy pointed out and explained some of the problems involved in a state visit, particularly an early one, and described Marcos' need for "areas of agreement" in terms of what the US could help him achieve on a visit here.

The President expressed understanding and authorized Ambassador Blair to work out dates which would allow both for the finding of reasonable "areas of agreement" and as prompt a state visit as possible.²

² Blair and Kattenburg met with Benjamin Romualdez on May 13; a record of that meeting is in telegram 2122 to Manila, May 14. (Ibid., POL 7 PHIL) Blair also met with Assistant Secretary of Defense McNaughton and Deputy Assistant Secretary of Defense Adam Yarmolinsky on May 12. A record of those two separate meetings is in a combined memorandum of conversation, May 12, I-23466/66; Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 6648, Philippines 000.1--333.

332. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, June 27, 1966, 5:30 p.m.

SUBJECT

Letter to President Marcos Regarding Veterans Benefits

President Marcos of the Philippines has sent you an unexpected letter regarding the old and complex issue of Philippine World War II claims.² His letter comes as the U.S. Panel (chaired by General Decker) prepares to depart for the Manila talks of the Joint Commission on *Veterans Benefits*—now scheduled for July 4-8.

In essence, Marcos' letter seeks to re-open the long-closed issue of the so-called "Omnibus Claims"—assorted claims by the Fil Government against the U.S. Government dating back to World War II and the pre-war period. As you are aware, four of these 19 claims were settled by U.S. Congressional action between 1959 and 1963, including \$73 million in additional war damage compensation. The remaining Omnibus Claims (which may amount to as much as \$900 million) were carefully examined and formally rejected by the U.S. Government in 1959, at which time the Fil Government was told that we regarded this issue as closed once and for all. Both Macapagal and Marcos, however, have been under periodic domestic pressure to re-open the issue.

State proposes—and Mr. Rusk concurs from Canberra—that your reply to Marcos be courteous but firm on two counts: a) we are always willing to listen to the Fils on any bilateral grievances, including the Omnibus Claims; but b) the present U.S. Panel on Veterans Benefits, established on the basis of your October 1964 Communiqué with Macapagal, is simply not empowered to *make recommendations* on such issues as the Omnibus Claims.

I recommend that you approve State's draft.³ We want to keep the atmosphere favorable for a Marcos visit in August, and Rusk may be discussing the visit when he sees Marcos July 3rd; but we can't settle this kind of issue between now and August—and should not raise

¹ Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. VIII, 5/26/66-6/29/66. Confidential.

² Dated June 23. (Ibid., Special Head of State Correspondence, Philippines, Vol. I)

³ Attached but not printed. The letter was sent to Manila in telegram 2483, June 28. (Ibid.)

false expectations. (The entire U.S. Panel, including its Congressional members, has been fully briefed on this matter.)

W. W. Rostow⁴

Approved⁵

Disapproved

See Me

⁴ Printed from a copy that bears this typed signature.

⁵ This option is checked. A handwritten note indicates that the approved "message LDXed to S/S, 6/28/66."

333. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant (Rostow)¹

Washington, August 1, 1966.

SUBJECT

Your Meeting at 4:30 Today With Philippine Finance Minister

Finance Minister Eduardo Romualdez is here to push for *more money*, in one form or another, as icing for the Marcos State Visit. His appearance coincides with that of at least two other Filipinos in pursuit of the same thing: Ben Romualdez (Marcos' brother-in-law and probable ambassador to the US) who has just arrived to do some high level pushing, and Mapa-&-Melchor, who are key financial advisors.

The fundamental problem is one of Fil expectations: Marcos has been led to believe, both by visiting Americans and by his own people, that a) his dynamic potential as a leader and b) his success on aid to Vietnam² will assure him a very big pay-off when he comes to Washington. (The

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. III, Memos, 7/66-7/67 [2 of 2]. Confidential.

² Marcos signed the Aid to Vietnam bill on July 14.

figures we have heard tend toward \$100 million in economic aid in the coming year, and \$500 million over five years.)³

Fact of the matter is that Marcos does have promise, and that he did belatedly deliver on Vietnam aid (and at considerable political cost)—but also that *the Fil economy is in dreadful condition and Fil performance has been terrible.*

Our line, therefore: We are deeply appreciative, want to be helpful, and can make progress on quite a few items in conjunction with the State Visit; but it would be foolhardy, for both countries, if we were to leap into high-priced specific aid commitments until a lot more joint planning has been done to provide for effective use of that aid.

In his conversation with Rusk this afternoon, the Finance Minister emphasized *land reform and rural development assistance*, possibly through PL 480, and this may be his pitch with you.

FYI: On the basis of Barnett's negotiations with Mapa, I would guess that the best we can do in the economic aid field at the moment will be some aid in the field of *irrigation rehabilitation* (totalling about \$8 million). The *Marcos Visit package* will be fattened, however, with some real gains on Veterans Benefits, Special Fund for Education, Bohlen-Serrano agreement (on base tenure), and DOD/MAP support of Fil defense capabilities. So Marcos will come away looking good—though not as good as he would like to look.

I attach a copy of the agreed memorandum which resulted from the Barnett-Mapa talks.⁴

Jim

³ After his meeting with Marcos following the SEATO and ANZUS meetings, Rusk sent the President the following assessment: "Although Marcos was very friendly and obviously has highest esteem for you, I have no doubt he will make an effort to parlay his visit and the troops for Vietnam into pretty tangible returns. On other matters such as MAP, economic aid or even war claims, he will be sending a mission to Washington shortly to discuss such questions and we might wish to defer the firming up of a date for his visit until it is quite clear that he will not arrange to change his plans as a result of some inevitable disappointment in the levels of our generosity." (Telegram Secto 108 from Kyoto, July 6; National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US)

⁴ Not attached; an undated summary is in the Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 11, 8/12/65-8/31/65.

334. Memorandum From Donald W. Ropa of the National Security Council Staff to the President's Special Assistant (Rostow)¹

Washington, August 11, 1966.

SUBJECT

State Visit—President Marcos

Setting

Marcos' state visit continues an established ritual for a Philippine president during his term of office. Its two major elements:

1. Ceremonial *reaffirmation of friendship ties* developed during the colonial period and second world war.
2. Confirmation of a "*special relationship*" with the U.S.

In return for their loyal support, *Phils expect special consideration* for their material needs. Every Philippine president feels he must bring home tangible evidence of the benefits of our association.

Special factors in this visit

1. We pressured Marcos to commit *Filipino troops to Vietnam*. He put his prestige on the line, expended much personal political capital, and at the expense of important domestic legislation pushed the bill through Congress. The troops probably will reach Vietnam while Marcos is here. *Marcos' performance accentuates his expectations* for our assistance on measures he has given high priority.

2. *The visit will set the tone for our future dealings with Marcos* and can be a launching mechanism for a new and more fruitful relationship between our countries. Marcos is a genuine war hero (with a beautiful wife), forceful, energetic and ambitious to develop his nation. His materials at hand are generally unsatisfactory, progress in nation building has been sporadic, and the economy is floundering. However, priorities set by Marcos make sense. The familiar litany of past failure should not deter us from giving Marcos the tools he needs. *He may well be the last Philippine president to offer us all-out collaboration.*

Philippine Objectives

1. Marcos wants to come as the representative of an Asian nation enjoying a successful and *dignified* relationship with us. He is sensitive

¹ Source: Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, Memos, 9/14-16/66. Secret. Bromley Smith wrote the following note on the memorandum: "Mr. Rostow. For 3 p.m. meeting today, BKS." For a summary of this meeting, see Document 335.

to charges the Philippines is a mendicant, will want to eliminate any justification for them.

2. Specifically, he wants to *avoid any implication* that new U.S. assistance he may receive is a *payoff* for committing Phil troops to Vietnam.

3. *He looks primarily to expanded bilateral assistance* to finance his development plans rather than to IBRD, IMF, ADB—multilateral institutions which unfamiliar to him.

4. *He seeks firm commitments* (promises or assurances) of our extensive financial support during his tenure for irrigation, roads, power, rural electrification, land reform.

5. He will likely agree that the availability of *new U.S. aid be conditioned on certain actions on the part of his government*, e.g. increased revenue, management reform, etc., but he will want to say on return that he has received specific new aid commitments provided Phils do their part.

6. *More immediately, Marcos wants defense support assistance* to contain the resurgence of Huk-inspired violence in Central Luzon. Specifically: our support of seven more engineer battalions with civic action capability and the equipping of three now formed. *Other short-term requirements:* a program loan package to begin rehabilitating irrigation work and underwrite land banks and agriculture credit; quick resolution of veterans benefits and claims; PL-480 rice, cotton and corn; a civil air agreement; formalization of the 1959 Bohlen-Serrano agreement on base tenure; movement toward revising the Laurel/Langley Treaty of Friendship, Commerce and Navigation after its 1974 expiration.

7. Marcos will want to give a spirited reaffirmation of free world solidarity and militant anti-Communism.

Our Objectives

1. *To gain maximum domestic and international benefit from Philippine commitment, as a free Asian nation, to the effort in Vietnam and broader U.S. policy objectives in Asia.* (Advance information is Marcos' address to the joint session of Congress will be panegyric in supporting President Johnson and our Asian policies.)

2. To come up with an aid package that meets Marcos' minimum desiderata as opposed to the maximum requests he has made.

3. To lay the groundwork for rationalizing Philippine development plans geared to multinational support.

4. To limit new bilateral assistance to essential areas consistent with longer term stress on multilateral aid.

5. To be forthcoming in giving Marcos what he needs to put down resurgent Huk activity.

Groundwork and Preparations

We have talked here over the past several weeks with a Philippine technical aid mission and the Phil reps on a joint panel to resolve veterans benefits and claims. *Informal understanding with the technical aid mission has gone far toward gaining Phil acceptance of the necessity for multilateral aid and placing Marcos' requests for large-scale aid within a context of further consultation* (a copy of the understanding is attached).²

The joint veterans panel has *harmoniously resolved the benefits issues*, but two legitimate claims were developed that still require resolution.

We have yet to complete action on most items in the minimum aid package—support for the 10 engineer battalions, PL-480, the program loan package, civil air agreement, plus Bohlen/Serrano and Laurel/Langley. Prods to Defense, AID and Agriculture are probably required.

Scheduling

Major events fixed, in addition to ceremonies and events for usual two and half days Washington activities, are:

1. Address to joint session of Congress September 15.
2. National Press Club address September 16.
3. Meet the Press interview September 18.
4. University of Michigan honorary degree September 19.
5. UNGA address September 21.

I understand the Vice President is considering the possibility of other public appearances for Marcos, specifically relating to Vietnam, prior to his September 24 departure.

Communiqué

Draft joint communiqué language has been requested from Embassy Manila based on a summary of all substantive aspects of the visit which has gone to Ambassador Blair (copy attached).³

Don Ropa

² Not attached, but see footnote 3, Document 335.

³ Telegram 26023 to Manila, August 11. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL)

335. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, August 12, 1966.

We have been dealing here for the past two weeks with a Filipino technical aid mission as part of advance preparations for the Marcos visit. It came with inflated expectations of new U.S. bilateral aid for the new Philippine development plan and implied that a worthwhile Marcos State Visit hinged on fulfillment of their expectations.

I wanted you to know that these talks concluded satisfactorily, paving the way for a successful State Visit. Our people managed to:²

1. Deflect advance commitment of sizable new bilateral economic aid pending further close study, while agreeing to be forthcoming on assistance in important areas of defense support.

2. Gain Phil recognition that self-help is necessary if their economy is to realize its considerable potential.

3. Persuade the Phils that the external financing they require can better be met through multilateral sources.

4. Agree with the urgency of coping with resurgent Huk violence in Central Luzon through economic development of infected areas.

I attach a summary of the Informal Memorandum of agreement reached by both sides. The Memorandum and a more detailed expression of our positions on the matters covered therein are available in my office.³ I will send them along if they interest you.

Walt

¹ Source: Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, Memos 9/14-16/66. Confidential.

² Rostow's information is based on a memorandum from Read to him, August 10. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL.)

³ The summary, the memorandum, and an annex to the summary giving more details were attached to Read's August 10 memorandum.

336. Memorandum From the Officer in Charge of Philippine Affairs (Kattenburg) to the Assistant Secretary of State for Far Eastern Affairs (Bundy)¹

Washington, August 15, 1966.

SUBJECT

White House Interest in the Success of the Marcos State Visit

FYI: The following is the gist of views expressed by Walt Rostow at a White House meeting on August 11. Mr. Jordan and his staff have told me that it may be interpreted as constituting an emphatic statement of White House interest in the full success of the Marcos state visit. End FYI.

1. Unique ties and a special relationship continue to bind us to the Republic of the Philippines. At the same time, Marcos and the Filipinos desire to emerge as more than a US favorite, and we too wish to see them as an Asian power in their own right. Marcos has laid his prestige on the line to secure passage of the Philippine aid-to-Viet-Nam bill in a record period of six months, and has done so at some political cost. Two thousand Philippine troops will begin arriving in Viet-Nam in September.

2. We have the beginnings of a very important administration in the Philippines. The character of the relations we are able to establish with Marcos during his visit will set the tone of our partnership for a long time, and during a critical period, both for us and for the Philippines, in that part of the world.

3. Marcos is a genuine war hero, a very attractive personality, and a great public speaker. We have in his visit a large amount of capital, centering around the image he can project about Viet-Nam and, as President Johnson has said, about "the vitality of the new Asia."

4. Marcos has major problems, including the recent revival of Communist armed activity in Central Luzon, and he needs our help. He is not, and does not want to appear, a mendicant. We want to help him, and we want to develop an assistance package which, while meeting his needs, remains consistent with our desire to emphasize multilateralism in aid to the developing nations and with the new aid techniques we are developing worldwide.

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Confidential. Kattenburg sent Bundy another memorandum on August 15, entitled "Detailed Status Report on Marcos State Visit, August 15." (Ibid.)

5. At the head of the list of specific actions we are working on for the visit are: (a) the provision of equipment for five additional Engineer Construction Battalions, bringing the total for delivery to 10;² (b) settlement of two of the Philippine war claims issues;³ (c) economic assistance activities. The latter bear mainly, at the moment, on our agreeing to finance via project or program loans, or a combination of the two, three major projects in the agricultural field, and our willingness to begin negotiations after the visit on a new PL-480 agreement which may have to include some rice.

*Recommendation*⁴

I recommend:

(a) that you inform the members at the next IRG meeting of the substance of the above as representing your understanding of White House views on the visit, and of our immediate objectives as set forth in paragraph 5.

(b) Alternatively, you may wish to recommend that the Secretary transmit these views and objectives to the members of the SIG at their next meeting, which I understand may take place August 23. If you prefer the second alternative, I will prepare a staff study for the Secretary.

² In a letter to McNamara, August 11, Ball stated: "There is nothing more important to Marcos in connection with his State Visit to Washington September 14-16 than these additional battalions." (Ibid.)

³ See Document 338.

⁴ There is no indication on the memorandum of Bundy's approval or disapproval.

337. Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to William J. Jordan of the National Security Council Staff¹

Washington, August 22, 1966.

SUBJECT

Possible Use of Philippine Bases for B-52 Operations

You have asked for an assessment of political factors affecting this possibility,² and I am providing this preliminary view.

1. From the legal standpoint, the 1959 Bohlen-Serrano Memorandum of Understanding, which we expect to make legally binding in the form of the Rusk-Ramos Agreement to be signed during the Marcos visit, obligates us to consult with the Philippine Government before we use U.S. bases for "combat launch" operations, unless these are directly related to the defense of the Philippines under our bilateral Treaty, or to our engagements under SEATO. While it could be argued that B-52 operations in South Viet-Nam fell under the latter heading, we have in fact consulted with Marcos, and Macapagal before him, on any operational base problem whatever, including even the overflight of the Philippines by B-52's. Obviously, regardless of the precise legal obligation, we could not in this instance conduct the proposed operations, or even prepare visibly for them, without prior agreement with Marcos.

2. We are inclined to believe that Marcos personally would be favorable to conducting the proposed operations from the Philippines. However, there is no doubt that he would consider that he was taking a step involving possibly great political costs at home, and that he would require a very substantial quid pro quo in the form of additional assistance of some type. Almost certainly, he would feel that he had to obtain a formal resolution of approval by the Philippine Congress, particularly in the light of various public statements he has made that he would take no further steps in regard to Viet-Nam without thorough consultation with the Congress.

¹ Source: Department of State, Bundy Files: Lot 85 D 240, Philippines, eyes only. Top Secret. Drafted by Bundy and cleared by G/PM. This memorandum was originally drafted by Kattenburg and then was revised by Bundy. Kattenburg's draft is *ibid.*

² In an undated memorandum, Jordan informed Bundy that the President asked for an informal study of the feasibility of shifting B-52 operations against targets in Vietnam from Guam to the Philippines since the President was "struck by the obvious geographic and logistic advantages." Jordan asked Bundy to provide a political appraisal of the idea. (*Ibid.*)

3. Marcos' experience with the Viet-Nam aid bill does not lead to an optimistic forecast of how the Philippine Congress would react. In all probability, the same vocal elements, particularly in the Philippine Senate, would oppose the direct use of Philippine bases, stressing the argument that this would expose the Philippines to the possibility of swift and direct retaliation, and even questioning the validity of the U.S. commitment in the event of such retaliation. If the issue were introduced at the present moment, it would be our judgment that Marcos would have a long and bloody fight on his hands, and that he would sacrifice the possibility of successful action on at least some vitally needed domestic measures.

4. However, this rather gloomy prognosis would easily change markedly in the next month or two. If the Marcos visit is a success, and if the arrival of the Philippine contingent in September leads to favorable publicity and, above all, a sense of engagement in Viet-Nam by the Philippine people—which had really been lacking hitherto—the atmosphere could be quite different by early October. There is the further possibility, although it cannot by any means be counted upon, that we may by then be squared away on a much more realistic economic program that would furnish a reasonable vehicle for a quid pro quo that would really be constructive in terms of Philippine needs.

5. For all these reasons, it would be our *firm* judgment that the matter should not be raised with Marcos prior to his visit, and that at most it should be reserved for possible direct mention by the President when he is absolutely alone with Marcos at a relaxed moment during the visit, and when the basic terms of the assistance we will undertake during the visit have been already worked out. *More tentatively*, we would be hopeful that with proper timing we could eventually get an affirmative answer with a not too exorbitant price; in some ways, the problem is like that of getting the second Korean force contribution—which could not have been done last October or November, but turned out to be possible in January.

The above summarizes our present political judgment. We believe that an examination of alternatives throughout the Far East should be urgently pursued in any case, including comparative military and political assessments of the feasibility of Okinawa and Thailand as possible alternatives to the Philippines.

One further operational point. We understand the Air Force here has a preference for the Mactan base, and it should be noted that this base is now a joint-use base that is in effect controlled by the Philippine Air Force. Moreover, the runway would require substantial lengthening. Nonetheless, in our political judgment Mactan's relatively isolated location near Cebu makes it a much better candidate than Clark, which

is, of course, fully U.S. but also virtually saturated by various other supporting operations, and located in a much more visible, populated, and politically sensitive area. Any third choice, while conceivable, would involve construction virtually from scratch.

William P. Bundy³

³ Printed from a copy that bears this typed signature.

338. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, September 1, 1966, 9 a.m.

SUBJECT

Filipino Veterans Claims and Benefits

The Joint United States-Philippine Veterans Commission to evaluate problems of Filipino veterans benefits and claims has completed its findings and given its recommendations. The benefits and claims issue has been a long-standing irritant in our relations with the Philippines.

The U.S. Panel of the Joint Commission recommended (Tab 3)² that we broaden and extend certain *benefits* for Filipino veterans. Congressman Teague has introduced appropriate legislation, which if enacted would cost about \$17 million per year (total cost: approximately \$425 million over the next 30-plus years until death of the last Filipino veteran).

The Filipino Panel also raised the separate question of World War II claims. Our Panel found merit in two of the seven Filipino claims and referred these to Defense to determine both our moral obligation and the feasibility of payment.

Deputy Secretary Vance recommends in the accompanying memorandum (Tab 2)³ that these two claims be paid. They concern pay and

¹ Source: Johnson Library, National Security File, Country File, Philippines, Report of Joint Philippines-U.S. Committee, Veterans. Secret.

² Not printed; Tab 3 is a letter from the Chairman of the Commission, General George H. Decker, USA (ret.) to President Johnson, August 22.

³ Not found.

allowances for approximately 100,000 recognized Filipino guerrillas and the refunding of erroneous deductions from back pay. It is estimated these would cost no more than approximately \$42 million. Vance says funds are available without new legislation. Vance further recommends that the terms of settlement be embodied in an Executive Agreement.

In his memorandum (Tab 1),⁴ Secretary Rusk agrees the two claims have a substantial equitable basis and notes that settlement at this time would go far toward removing a long-standing irritant.

He recommends we advise Marcos prior to his arrival that we are sympathetically considering settlement of the two claims, that in return Marcos should agree to drop the other five as not warranting further consideration, and that settlement details on the two claims should be worked out jointly following the State Visit. We are considering an offset arrangement to deal with the settlement's impact on our balance of payments.

There are indications, not confirmed, that Marcos may find it hard to drop the other five claims. He may seek instead an overall General Release agreement for all seven. If this develops, we will prepare a recommended course of action for your consideration.

General Decker, Chairman of the U.S. Panel, considers the task you gave him as completed and asks your instructions concerning the discharge of the U.S. Panel. Since Rusk and Vance believe settlement details on the two claims can be worked out jointly following the State Visit, it appears that the work of the U.S. Panel is completed.

I recommend.⁵

That you approve payment of the two claims.

That Ambassador Blair inform Marcos we are sympathetically considering settlement of the two claims, that in return Marcos should drop the other five claims, and that details on the two should be worked out jointly after the State Visit.

That the recommendations of the U.S. Panel and terms of settlement of the two claims be embodied in an Executive Agreement.

That the U.S. Panel be discharged from its responsibility.

Walt

⁴ Dated August 29. (Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 12, 9/1/66-9/14/66)

⁵ The President approved the four recommendations. He revised the second recommendation to read: "That Ambassador Blair inform Marcos we are considering settlement of the two claims, that in return Marcos must drop the other five claims, and that details on the two may be able to be worked out jointly after the State Visit."

339. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, September 9, 1966.

SUBJECT

U.S. Assistance to the Philippines (Marcos Visit)

The attached memorandum from Acting Secretary George Ball² submits two propositions for your approval:

(1) That we give Marcos a firm commitment to supply equipment for 10 engineer construction battalions in the Philippine Army. They would be used on rural projects, mainly road-building.

(2) That we give Marcos a more general commitment to provide additional economic support for Philippine projects related to land reform, irrigation and food production.

Discussion:

We have agreed to supply equipment for 3 battalions—part of the quid pro quo for the Phil decision to send forces to Viet-Nam.

We can handle two more by readjusting MAP, deferring delivery of F-5's and other equipment.

Problem is the other five battalions Marcos wants us to supply. Cost is about \$1.7 million per battalion—\$8.5 million for the five.

State argues:

—10-battalion program is a personal project of Marcos; he wants them more than any other single item;

—project makes good sense because:

(a) it will orient Phil Army in direction of civic action and internal security;

(b) it will help meet one of the Philippines greatest economic weaknesses, i.e., lack of rural roads to bring crops to market;

—Ambassador Blair considers it essential we support the 10 battalions—to make the visit a success, to preserve Marcos' domestic prestige, and to help him counter critics who argue the Philippines (and he) are too close to the U.S. and too dependent on American cooperation.

¹ Source: Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, Memos, 9/14-16/66. Secret.

² Not attached, but a copy, September 9, is in the National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL.

Ball concludes:

This commitment is "essential to the success of the visit;"
funding should come from FY '67 appropriations, either AID or DOD;

necessary adjustments in FY '67 funds can be made "without serious damage to our other interests;"

part or all of the support might be offset in future years by adjustments within forecast MAP levels, but this should *not* be conveyed to Marcos.

Secretary McNamara (in memo attached)³ dissents from State's view.

McNamara notes we are now funding three battalions. He has agreed to reprogram FY '67 MAP to support two additional battalions.

He opposes support for the other five, arguing:

(1) Support for five (plus equipment for one in Viet-Nam) is ample recognition of the Philippines' "very small contribution" in Viet-Nam;

(2) MAP money will be short; appropriations are being cut (probably \$92 million from the requested \$917 million) while we have additional claims (Thailand, Laos, Korea—NATO movements—loan guarantees due to higher interest);

(3) 10 battalions are not essential to the Philippine security;

(4) \$22 million programmed for Philippine MAP in FY '67 is ample;

(5) Filipinos can finance five out of their own economy.

He suggests reviewing matter for FY '68 and deciding then whether support beyond the five proposed is desirable; but he would not give Marcos any commitment on support in future years.

My opinion:

It seems clear that this project is one most desired by President Marcos. In my judgement, failure to back him will adversely affect the atmosphere of his visit and his attitude toward us, as well as his position vs. his critics in Manila.

We are talking here of \$8.5 million, small in the overall scheme of things.

Finally, it is clear that these battalions, if equipped and properly utilized, can make an important contribution to critical Philippine economic needs. They have a weak public works sector. It will take time to reorganize and develop. Marcos wants these battalions for a serious reason: to give him an efficient instrument, under his personal control, to build roads and perform other essential public works in the near future.

However, in view of Secretary McNamara's reservations, you might consider the following track:

³ Not attached; dated September 9. A copy is *ibid.*

(1) Have Blair tell Marcos we are funding three battalions and are prepared now to fund two more; we will agree to putting this in writing in the communiqué; we are prepared to consider funding five additional battalions in FY '68.

(2) If Marcos accepts gracefully, fine. If not, Blair could tell him that this is a matter you wish to discuss when he gets here.

(3) In your talks with Marcos, repeat the pledge on five and tell him you will arrange funding for five more next year. However, if he considers 10 this year *absolutely vital* to his interests, we will do it. But he must understand that this will mean trimming elsewhere.

Follow your recommended track⁴

Agree to fund 10 and tell Marcos

Have DOD fund
Have AID fund

Agree to fund 5 now and 5 more in FY '68 and tell Marcos

Agree to fund 5 only

See Me

On State's second recommendation (economic aid), I see no problems.

The package (not fully developed yet) will look something like this:

| | | |
|---|--------------|--------------------------------------|
| PL-480 (Title IV) | \$20,000,000 | |
| Development loan (irrigation) | 4,500,000 | |
| PL-480 (Title II) (rural work projects) | 4,500,000 | |
| Development loan (technical studies) | 2,000,000 | |
| Technical assistance | 1,000,000 | |
| Repaired equipment (excess) | 1,500,000 | (actual value about \$10 million) |
| | <hr/> | |
| | \$33,500,000 | (approximate) |

We will have to negotiate some of these programs after the visit. However, State feels it essential to have your general approval to go forward on a program of this magnitude and to work out general communiqué language without specifying amounts.

We would talk with Congress—and on background with the press—along the above lines of magnitude. This would avoid the dan-

⁴None of the options is checked, but see Document 340.

ger of the Phil delegation putting out a greatly exaggerated picture of what has been promised.

Approve general commitment as outlined⁵

See Me

Walt

⁵ Neither of the options is checked.

**340. Memorandum From the President's Special Assistant
(Rostow) to Acting Secretary of State Ball¹**

Washington, September 11, 1966.

SUBJECT

Assistance to the Philippines

The President has read your memorandum of September 9² on the above subject. He has also read Secretary McNamara's memo of the same date on one of the two subjects you discussed; namely, the supply of equipment for engineer construction battalions for the Philippine Army.

The President has decided:

(1) To have Ambassador Blair tell President Marcos that we are funding three battalions and are now prepared to fund two more. We will agree to put this in writing in the joint communiqué. We are prepared to consider funding five additional battalions in FY 1968.

(2) If Marcos accepts gracefully, fine. If not, the Ambassador could tell him this is a matter the President wishes to discuss with him when he gets to Washington. He could make clear to Marcos that the door is not closed on this, but that it is something our President wishes to discuss with him in person.

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. III, Memos, 7/66-7/67 [2 of 2]. Secret. Drafted by Rostow on September 10. Rostow sent McNamara a similar memorandum (without the information on general economic assistance) on September 10. (Ibid.)

² See footnotes 2 and 3, Document 339.

(3) In his talks with Marcos, President Johnson will repeat the pledge on supporting five battalions and promise support for the other five in FY 68. He will also tell Marcos, however, that if the Philippine President considers it absolutely vital to his interests to have the 10 battalions immediately, we will give the necessary support. But he will make clear to Marcos that this will mean trimming elsewhere.

Points (1) and (2) above should be conveyed to Ambassador Blair.

State and Defense should work out appropriate handling of funding if we find it necessary to move to support for the full 10 battalions as outlined in (3) above.

On Point 2 of your memo (economic assistance), the President has approved the general commitment as outlined. However, the amount of total commitment or commitment to the individual projects specified in terms of the amounts involved should *not* be conveyed to Marcos or other Filipinos. The President prefers that these details be negotiated out when Marcos is here.

W. W. Rostow³

³ Printed from a copy that bears this typed signature. The signed original is in the National Archives and Records Administration, RG 59, S/S-White House and Agency Files: Lot 70 D 217, White House/W.W. Rostow.

341. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, September 12, 1966, 1:40 p.m.

SUBJECT

New Ideas for U.S.-Philippine Cooperation

You asked Bill Jordan to come up with some new ideas that might be raised with President Marcos. You asked him to staff out further the six ideas he submitted. He has done so.

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. III, Memos, 7/66-7/67 [2 of 2]. Secret.

The attached memo and attachments cover the ground—including background and recommendations.

In sum, four of the ideas have possibilities; two are non-starters. You will want to consider these in light of the total package of assistance and cooperation that State, AID and Defense are now working up.

I am sending copies of the attached memo to State, AID and Defense so these matters can be considered at the meeting tomorrow on the Marcos visit.²

Walt

² No record of this meeting has been found.

Attachment

Memorandum From William J. Jorden of the National Security Council Staff to the President's Special Assistant (Rostow)

Washington, September 12, 1966.

SUBJECT

New Ideas for U.S.-Philippine Cooperation

In response to a request from the President,³ I submitted some ideas for new forms of U.S.-Philippine cooperation—ideas the President might want to take up with Marcos during the latter's visit.

The President expressed interest and asked me to staff out further. Don Ropa and I have done so—consulting with State, AID, NASA, and other interested agencies.

I am attaching separate papers⁴—including recommendations—on the six ideas.

³ Jorden and Bromley Smith submitted six ideas to the President on August 23 in a memorandum. The President remarked that they were "Good" and asked that staff studies be prepared in a "Hurry." (Johnson Library, National Security File, Country File, Philippines, Vol. III, Memos, 7/66-7/67 [2 of 2])

⁴ Attached but not printed.

To sum up my conclusions:

(1) *Filipino Astronaut:*

NASA has been trying to find ways to bring foreign nationals into our astronaut program. They see more disadvantages than advantages right now. Among the former are: resentment of other nations; trouble in finding a qualified candidate; let-down if man chosen flunked out, etc.

As an alternative, they propose Philippine participation in satellite, sounding rocket, and ground-based research and applications programs. This would start with a visit of Filipino scientists to NASA.

Recommendation:

The President tell Marcos of our desire to encourage Filipino participation in space-associated programs.

If Marcos shows interest, the President could offer NASA cooperation in developing a program.

He could invite Marcos to send a team of Filipino scientists and engineers to come to the U.S. to visit our space facilities. NASA would act as host and would help develop a program, including arrangements for training of young scientists under NASA-sponsored fellowships.

Note the Philippines have plans for a ground monitoring station for weather satellites. The President might encourage them to press forward and possibly ask if Marcos needs additional technical assistance.

(2) *Typhoon Damage Control:*

A small joint program is feasible, provided it meshes with regional plans being developed by ECAFE and the World Meteorological Organization (WMO).

Recommendation:

The President would advise Marcos of our interest in supporting regional planning in this field under ECAFE/WMO. He could also express interest in a joint U.S.-Philippine typhoon damage control center program.

Specifically, he might propose: (a) a small meteorological training program in the U.S. for selected Filipinos; (b) establishment of a U.S.-Philippine commission to study specific projects; (c) offer to conduct a typhoon modification experiment in the Philippines area in the next year; (d) send a U.S. meteorological team to Manila to make more detailed recommendations.

(3) *Regional Military Defense College:*

There is an obvious need for a center in Southeast Asia to conduct research and to develop new techniques in the field of countering

subversion and promoting democratic political and social development. Ultimately, this could become multinational. At the outset, we should consider plans for a Filipino center—with them in front and us helping.

Recommendation:

The President could remind Marcos of the Philippine initiative for a SEATO regional military staff college in 1956. Recall that we opened joint talks with them in 1958, but nothing came of it. Indicate our interest in reopening discussions keyed to the present nature of the Communist threat.

If Marcos was receptive, the President could state his interest in seeing such a Center evolve through Filipino and Asian leadership, with our support.

He could propose a joint panel of Filipinos and Americans to study this proposal and recommend a course of action. Suggest that it be a Filipino-directed enterprise at the outset, with the question of a tie-in with SEATO to be deferred until it was a going concern.

(4) *Regional Development Institute:*

ECAFE has plans underway for this kind of institute, aiming for a link-up with the Asian Development Bank. The critical need in the Philippines is for a rational approach to their own development process. A national development institute, on the model of Thailand's National Institute of Development Administration, might be proposed.

Recommendation:

The President might express our conviction that development planning can succeed only if it is systematized. He could offer our help in developing such a systematic institutional approach.

If Marcos were interested, the President might suggest the possibility of our support in developing a new institute or in combining existing programs at the University of the Philippines and in Marcos' executive office, where he has set up a small development group.

If Marcos welcomes help, offer to send a U.S. technical advisory team composed of governmental and foundation experts.

(5) *Manila-Tarlac Highway:*

This is a non-starter. We gave the Philippines a highway loan in 1959—and got 17 miles of road built. We need better Filipino performance—and a well worked out road development plan—before trying to move on this.

(6) *Bridge over the Pasig:*

Too low a priority item to draw on scarce Filipino resources at this time. The main traffic problem, as I understand it, concerns rights-of-way, bridge approaches and squatters at key crossings.

Conclusion:

The President might want to raise one or more of the first four items.⁵

In a sense, these would be dessert which should be looked at in light of what State, AID, Defense and others produce in the form of a main course. If the latter is substantial, we may want to hold off on the above.

State (Bundy) and AID (Poats) are aware of the general content of the above.

Bill Jordan

⁵ On September 14 Rostow recommended that Johnson raise the first four ideas in this memorandum with Marcos. (Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, 9/14-16/66)

**342. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹**

Washington, September 14, 1966.

SUBJECT

Marcos Visit

This is a revised briefing memorandum which replaces the one I sent to you on September 12.²

You will have seen State's Briefing Book,³ especially the Scope Paper (Tab I B) and Secretary Rusk's Memo (Tab I C).⁴

Background:

Marcos is strongly pro-American. But he is also fiercely pro-Philippines. He has backed our position in Viet-Nam at considerable political

¹ Source: Johnson Library, National Security File, Country File, Marcos Visit Papers, Memos, 9/14-16/66. Secret.

² Not printed. (Ibid., Memos to the President, Walt Rostow, Vol. 12, 9/1/66-9/14/66)

³ Undated. (National Archives and Records Administration, RG 59, Visit Files: Lot 67 D 587, V. 10)

⁴ Dated September 10. (Ibid., Central Files 1964-66, POL 7 PHIL)

risk. His foremost goal here is going to be to secure tangible evidence of U.S. support for his leadership and domestic goals. He has been under the gun from domestic critics. He wants to take home:

(1) Concrete achievements in the matter of veterans' benefits and claims;

(2) pledges of increased U.S. economic and military assistance.

He wants help; but he does *not* want to appear to be asking for our favors or as having been bought off by the U.S.

Main Items of Business

(1) *Viet-Nam*

Marcos is ready to give public support to the U.S. position. He will want a fairly full and frank review of the situation as seen from our vantage point.

He may ask: if we are likely to want increased operations from Philippine bases; whether we can increase military procurement in his country.

You could:

give him a completely frank appraisal of the situation;

in connection with peace efforts, express appreciation for his efforts through ASA to promote an Asian peace conference (he is sensitive about the publicity Thanat has had on this);

tell him we will do nothing about increased operations from the Philippines without consulting him;

note the recent opening of a Procurement Information Office in Manila which should be a help to Filipino businessmen.

(2) *Regional Cooperation in Asia*

Marcos is active in ASA, Asian and Pacific Council, Asian Development Bank (headquarters will be in Manila).

He may ask: status of your offer of \$1 billion for Southeast Asia development.

You could tell him: Gene Black will be going out in October and will want to discuss details or regional development with Marcos.

(3) *Military Assistance*

Marcos wants equipment for 10 engineer battalions for use in civic action projects. Your compromise solution has been presented to him (by Ambassador Blair) and he welcomed it. That is: we are funding equipment for 3 now; we will fund two more immediately; we will *consider* funding additional 5 in Fiscal 1968.

On other MAP problems, Marcos thinks the Philippines are not getting their share and that much equipment has been out-of-date. Fact is, the Philippines have not made effective use of much they have received.

Talks on the Bases Agreement are moving forward smoothly.

He may ask: if we can renegotiate the Military Assistance Agreement of 1953; he may ask about increased MAP.

You could:

note the engineer battalion agreement, noting we will consider more next year;

recall we have met his request for 6 Swiftcraft for anti-smuggling and for M-14 rifles and other equipment. We gave him a squadron of F-5's;

We will consider renegotiating the Assistance Agreement.

(4) *Economic Assistance*

Philippine economy is in bad shape—4% growth of GNP in past five years, 3.2% population growth.

Huk guerrillas are getting more active—taking advantage of local discontent.

Marcos has been moving—on anti-smuggling, tax collections, administrative improvements in Government. Remaining tasks are enormous.

The past Philippine record has been bad. They have not used much of the help offered—by World Bank, Ex-Im, AID, etc.

Marcos *will probably ask* for U.S. support for his rural development program, particularly in 10 major rice-producing areas.

For political reasons, he will want to be able to mention dollar amounts for loans we may be ready to consider.

You could:

recognize the problems he faces; admire the efforts he has made; applaud his emphasis on rural development and tell him we are ready to support sound projects in the 10-Province Program;

we are ready to open talks immediately on PL-480 (Title IV) sale of cotton, feed grains and tobacco (will generate pesos for use in his programs);

note we are now working out details with his specialists on PL-480 as follows:

Title IV—\$20.0 million

Title II—4.5 million

Title III—10.0 million

we are expanding technical assistance;

we are ready to extend a feasibility study credit;

total AID package is going to be worth more than \$50 million.

In short, we are backing his development plan. We want him to succeed. If the above projects and others go well, we will consider more.

If he wants, and will take initiative, we will support arrangements with World Bank and others for closer multilateral consultation and assistance to the Philippines.

(5) *Veterans Benefits and Claims*

You know the background on this. Legislation on benefits (orphans assistance and hospitalization) has passed the House; may pass the Senate in time for the visit.⁵ Estimated cost: \$17 million for first year; may total up to \$425 over next 30 years or so.

On claims, we are ready to pay two. Estimated cost: up to \$42 million. We want Marcos to drop the other five claims. He will find this hard.

We have the money in hand (special fund in Defense). We have made offset arrangements to minimize balance of payments problem. This will be worked out with the Philippines.

Note: Marcos has been informed of the above and is delighted; he told Ambassador Blair it was "more than he expected." So this should go smoothly. Roughest point for him will be dropping future claims.

Marcos may: note political difficulty in committing any future Philippine Government to drop all claims.

You could:

express appreciation for his willingness to drop; leave the rest to the future;

explain to him that our panel found the other five claims do not merit further study;

tell him we don't know exactly how much the claims will come to, but our present estimate is more than \$30 million and as much as \$40 million.

(6) *Bases and Defense Relations*

We have been working with the Phils on revision of the 1947 bases agreement; things are moving ahead.

Rusk and Ramos will exchange notes formalizing the 1959 Understanding which will: (a) cut our base tenure to 25 years (from 99); commit us to consult the Phils on any non-Philippine or non-SEATO use of our bases, and on setting up long-range missiles there.⁶

⁵ On September 30 President Johnson signed H.R. 16330 and H.R. 17367, the two bills dealing with Philippines' veterans benefits. On October 11 he signed H.R. 16557, a bill relating to refunds of insurance benefits collected in error during World War II, which restored the value of the benefits to the full amount as intended in 1946. For Johnson's statements upon signing these bills, see Department of State *Bulletin*, October 31, 1996, pp. 684-685.

⁶ For text of the notes exchanged, see *ibid.*, October 10, 1966, pp. 547-548. The summary minutes of the meetings of June 9, July 13, and August 29, leading up to this exchange of notes are in airgram A-180 from Manila, September 9. (National Archives and Records Administration, RG 59, Central Files 1964-66, DEF 15-4 PHIL-US)

We will reaffirm our mutual security policy.

Marcos may: ask if we are interested in any new bases; say he would want to call them "SEATO Bases."

You could:

tell him we will talk with him if we need any new installations;
hope that our bases talks will proceed smoothly and will eliminate any irritants caused by the presence of bases;
note the Rusk-Ramos agreement with approval.

(7) *Trade and Investment Problems*

Economic nationalism is rising in the Philippines. Main problem is the Retail Trade Nationalization Law. But it is *not* now being enforced against American companies.

There is much agitation to abrogate the "parity clause" in Laurel-Langley Trade Agreement (gives U.S. investors equal rights with Filipinos in natural resources and public utilities until 1974). We do not seek renewal of this clause after 1974.

We favor negotiation of a new Treaty of Friendship, Commerce and Navigation to go into effect in 1974.

Marcos may ask:

would we agree to joint committee beginning work now to develop a new trade treaty?

would we accept abrogation of "parity?"

You could:

tell him we want to work together to maintain and expand trade;
an increased flow of legitimate and worthwhile investment would help his development program;

we are ready to start informal talks aimed at later formal negotiations of a new trade treaty;

we expect Laurel-Langley to run to 1974; on "parity," our concern is proper safeguards for the rights of Americans who invested in the Philippines in good faith in the past.

(8) *Special Fund for Education*

This is a \$28 million war damage fund. We reached agreement with the Marcos Government in April on disbursement procedures. We are limited by the terms of the original legislation. So far, the Philippines have advanced no official project proposals. We want to use the fund in the next three years.

Marcos may ask:

can we use the fund to support the new National Cultural Center (a pet project of Mrs. Marcos)? They need \$3 million for this (of \$9 million total cost).

can we release the fund—or a large part of it—for a permanent trust fund with the interest used for educational projects?

You could state:

we will be happy to support use of the fund for the Cultural Center; we would like to disburse the fund in two or three years, but we will give his proposal further study.

(9) *Civil Air*

They are unwilling to accept a Bermuda-type agreement. We have refused a Manila-Tokyo-San Francisco route for PAL.

If Marcos asks about civil air, you might tell him if they will accept a Bermuda agreement (unlimited frequencies for U.S. carriers), we will give on the route problem. Informal talks could begin immediately, if he is interested.

The items above are the main problems we see coming up during the visit.

There will be a good deal of hard bargaining, back and forth.

But in my judgement, there are two key factors which provide the backdrop for the Marcos visit.

One, it is clear from reports from Manila that Marcos has really put his political neck on the block in backing our Viet-Nam position and in sending military forces there. But he did it.

The least we can do is recognize this fact and take actions that will make his position at home as strong as possible.

Second, Marcos is a sensitive, patriotic and sentimental man. He is also strongly pro-American. A private and personal expression of interest and support from the President of the United States will outweigh many other things. If he feels your personal concern with his problems, those problems are going to be easier to face.

In short, he should leave Washington knowing he has a true friend, a loyal friend in the White House.

I am sure he will.

Walt

343. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, September 14, 1966, 8:45 p.m.

Mr. President:

SUBJECT

Your second meeting with President Marcos, 5 p.m. Thursday

It is clear that you got through a tremendous amount of essential business with President Marcos at your first meeting today, Wednesday.² I do not know, of course, how much time you had for general discussion of your perspective and his on Asia and the world.

I suspect that the most important single thing you can do on this visit is to ask his advice about Asia and to request him to present to you candidly his vision of the future of Asia. I say this not merely because of what we know of the man from reports, but from the rather remarkable statement he made in response to your welcome and his toast at the State Department lunch.³ On the latter occasion he spoke wonderfully well of his desire, while maintaining his ties to the U.S. of reaching back into the Asian foundations of Philippine life and developing on this basis a role in a new Asia.

Therefore I suggest that you tell him:

1. of the excitement and encouragement you have derived from the spirit of the new Asia which has developed remarkably in the past year;
2. the U.S. does not intend to leave Asia but, as you said at Lancaster, Ohio,⁴ you look for the regions of the world to take a larger hand in their own destiny in the future, as they can develop together and solve their own problems in their own way. You assume President Marcos shares this vision.

¹ Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 12, 9/1/66-9/14/66. Secret.

² September 14. Johnson met Marcos alone in the "Little Lounge" off the Oval Office from 5:26 to 7:46 p.m. (Ibid., President's Daily Diary) No written record of this conversation has been found, but see Document 345 for a discussion between Rusk and Johnson concerning what Rusk should inform the press about the meeting.

³ The exchange of greetings by Johnson and Marcos, September 14, is printed in Department of State *Bulletin*, October 10, 1966, pp. 526-528. No record has been found of the exchange of toasts at the Department of State lunch on September 14.

⁴ For Johnson's remarks on foreign policy at Fairfield County Fairground, Lancaster, Ohio, September 5, see *Public Papers of the Presidents of the United States: Lyndon B. Johnson, 1966*, Book II, pp. 973-975.

3. Above all, you have looked forward to his visit to hear directly from him his own vision of the future of Asia; the role of the Philippines in Asia; and his advice to you about what we should do and not do with respect to Asia.

W. W. Rostow⁵

⁵ Printed from a copy that bears this typed signature.

344. Memorandum for the Record¹

Washington, September 15, 1966, 5 p.m.

SUBJECT

Final Conversation Between President Johnson and President Marcos

(This memorandum was prepared by Mr. Bundy and cleared by Mr. Rostow. Since it has not been personally seen by the President, and in view of the sensitivity of the discussion at some points, it should be used solely for working reference, and its distribution is being limited to the following on an Eyes Only basis: Secretary Rusk, Secretary Fowler, Secretary McNamara, Mr. Ball, Mr. Rostow, and Mr. Bundy. A copy will also be given to Ambassador Blair for his personal use on his return.)

Present were:

President Johnson, Mr. Ball, Mr. Rostow, Ambassador Blair, and Mr. Bundy.

President Marcos, Secretary Ramos, Secretary Romualdez, Secretary Umali, Mr. Aspiras, Dr. Mapa, and General Menzi.

1. *Stabilization credit.* The President explained the reasons why the Secretary of State and the Secretary of the Treasury could not agree either to a general undertaking to support the peso or to a specific stabilization credit. He pointed out that we had never given an under-

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Secret; Exdis. Drafted by Bundy. According to the President's Daily Diary, the meeting lasted from 5:08 to 6:03 p.m. (Johnson Library) Prior to this meeting, Marcos met with McNamara at the Pentagon from 4 to 4:30 p.m. A memorandum of their conversation by McNaughton, September 15, I-1307066, is in the Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 6648, Philippines 00.1-333.

taking of support for any foreign currency, and that we had extended stabilization credits only in a multilateral framework involving the IMF. To depart from these principles would be a serious problem in our relations with other countries.² The President and Mr. Bundy also argued that the peso was now in sound shape, and that any reference to the subject might cause doubt in many international circles.

President Marcos and Secretary Romualdez argued that, while the peso was in sound shape, there were many speculators who were contending that the expenditures under the Marcos program would lead to inflation.

In light of President Johnson's position, there was some discussion whether the paragraph should be retained with general language as proposed on the American side. President Johnson finally asked whether the paragraph was necessary, and made clear that it was not important from a US standpoint. President Marcos, in consultation with Secretary Romualdez, finally suggested that the paragraph be dropped altogether, and this was accepted.³

2. *Offshore procurement.*⁴ President Johnson explained that the creation of a special committee would appear to give favored status to the Philippines, and that this would cause us embarrassment in other countries. He urged acceptance of our draft language.

President Marcos did not press for the special committee, but did ask for a reference to a "procurement office." Mr. Bundy explained that the DOD simply had to keep the executive responsibility for Far East procurement in Tokyo, and that a separate action office in Manila would be inefficient. Mr. Bundy noted that the present Procurement Information Office should provide full information, and was closely wired to the Tokyo action office. Thus, with the assurance of participa-

² President Johnson received a memorandum from Under Secretary of the Treasury Joseph Barr, September 15, strongly recommending against including in the Joint Communiqué issued at the conclusion of the Marcos visit a U.S. pledge to support the Philippines' peso. With the Department of State's concurrence, Treasury stated that the United States had never done this except on an ad hoc basis and it would "open up a Pandora's box of requests throughout the world." Both Treasury and State opposed standby credit for the Philippines from the Exchange Stabilization Fund. Such assistance should only be used in conjunction with financial support from the International Monetary Fund and World Bank. (Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, Memos, 9/14-16/66)

³ The text of the communiqué as released is printed in Department of State *Bulletin*, October 10, 1966, pp. 531-534 and *American Foreign Policy: Current Documents*, 1966, pp. 726-730.

⁴ William Bundy sent Johnson a memorandum, September 15, recommending the positions on offshore procurement and the rest of the issues discussed at this meeting. (Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 13, 9/15-30/66)

tion on a "full and equitable basis," we believed we were going as far as we could.

President Marcos said that the problem was that a lot of Philippine sales under the program were now going through middlemen in Hong Kong and elsewhere, who had better information and connections to the US procurement authorities than the Philippine businesses did for themselves. Mr. Bundy said that this was a problem that should be remedied as the new Procurement Information Office took hold, and that we would take all necessary steps that this was the case.

President Marcos asked specifically about offshore procurement of drugs. Mr. Bundy explained that the US had engaged in such procurement only in very special cases where there was a marked quality and price advantage, as in one Italian situation. Mr. Bundy said that this had to be our policy, since our general attitude was one of limiting offshore procurement in every possible way for balance of payments reasons. If Philippine suppliers could qualify on the basis of such special advantages, they could participate, but only if this were the case. Mr. Bundy also referred to current US policy, under which steel products were not being purchased under offshore procurement, and explained that this was due in part to strong Congressional pressures.

President Marcos finally agreed to the basic American language, but suggested the deletion of the last two sentences referring to the Procurement Information Office. This was accepted by President Johnson.

3. *Military construction.* President Marcos asked acceptance of the Philippine language. President Johnson explained that this would carry the implication of an enlarged US undertaking, and that we simply could not do this, particularly at a time when we were cutting back military construction within the US. President Johnson said that we would simply have to leave it that we would go forward with any plans that were fully justified, but could make no undertaking in the communiqué.

President Marcos accepted President Johnson's position.

4. *Over-all settlement of veterans matters.* President Johnson referred to the proposed Philippine sentence that would have called for an over-all, Congressionally-approved settlement of all veterans matters. President Johnson explained that any further Congressional action in this area was out of the question. President Marcos accepted President Johnson's position, and the language was removed.

5. *Special Fund for Education.* President Marcos asked that the Philippine language be accepted, releasing the Fund to the Philippines and handing over its administration to a joint commission, with specified categories of use. President Johnson said that he was prepared to release the funds as rapidly as projects were approved, and specifically indi-

cated that if President Marcos wished to go ahead with the allocation of \$3 million for the cultural center he would be prepared to approve this and to start the machinery. (President Marcos did not himself refer to the cultural center, or pick up this specific offer.) However, President Johnson said that the existing joint panels had been established to develop project proposals, and that the thing to do was to have them get on with it. Finally, President Johnson said that we could not release the Fund to the Philippines for balance of payments reasons.

After some brief discussion, President Marcos accepted the deletion of the Philippine language, and it was agreed that the American language would be revised to constitute a direction to the joint panels to accelerate their work, with the two Presidents concurring that there should be rapid payout as projects were approved.

6. *Paragraph order.* President Johnson began by saying that he might have made a mistake in suggesting that the science paragraphs come first, and that of course he would be prepared to accept another order if President Marcos desired. Nonetheless, he wanted to make clear that his reason for putting the science paragraphs first was to get the "dollar sign" out of the communiqué, and to make clear that the two Presidents had talked of broader and more fundamental things. He enlarged on this point at some length, referring to the problem of a large country appearing to give largesse to a smaller country. Basically, President Johnson stressed his belief that the proposed paragraph order was in the interests of President Marcos himself.

President Marcos seemed to take to this argument, and there was some lighter exchange. Finally, President Marcos turned to his delegation and asked who had suggested the transposition, implying that it had never been his idea in the first place. Secretary Romualdez said that he had suggested the changes. President Marcos finally said that of course he would accept President Johnson's paragraph order and thought it was fine. This ended the substantive discussions on a light and friendly note.

345. Editorial Note

President Johnson and Secretary Rusk talked on the telephone on September 16, 1966, at 10:18 a.m. The first 2 minutes and 8 seconds of the conversation were not available because of donor deed restrictions, so it begins with Rusk responding to the President, who was clearly annoyed and displeased, apparently at press reports of his discussion with Marcos:

Rusk: I will try to turn this around a bit at my press conference this afternoon.

Johnson: I just sure would. I would take every item and show it's a regular and moderate item that has been presented. And the President [Marcos] did not come and did not spend any of his hour and ten minutes discussing loans or aid. He said that he didn't want to discuss that and President Johnson agreed. They talked about the space thing and bringing some fellowship people in here. And they talked about studying the waters out there, oceanography. And they talked about an insurgency school and they talked about the Asian Development Bank. And I'm going out there some time, some way, I don't know how. But if you want to drop that you can say that they talked about that because he did urge me to come. *I think that'll give you something a little dramatic that will get them off the money, them going out there.* (Johnson Library, Recordings and Transcripts, Telephone Conversation between President Johnson and Secretary Rusk, September 16, 1966, 10:19 a.m., Tape F66.24, Side A, PNO 1)

At his press conference on September 16, Rusk answered a question on Marcos' proposed Asian political forum as a potential means of resolving the Vietnam war and his encouragement of contacts between North and South Vietnam. For text of the question and Rusk's reply, see Department of State *Bulletin*, October 3, 1966, page 480.

346. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, September 16, 1966.

SUBJECT

U.S. Aid to the Philippines

Whenever the United States agrees to help a country in need, it is easy—and all too common—to ascribe a cynical motive to that action. It is easy, too, to put a price tag on the action and to believe that thereby you have described a policy. It is all too simple—and generally superficial—to take an action by Government A and an action by Government B and make one the “pay off” for the other.

¹ Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 13, 9/15/66-9/30/66. Confidential.

This has been the approach in some of the reporting of your decision to lend new assistance to the Government of President Marcos.

Much of the reporting ignores several fundamental points involved in this decision. Among these fundamental points, I would note the following:

1. *The assistance program just announced in outline is a determined effort to help a friendly country that is in trouble.*

The Philippine economy has become almost a model of unstructured, unbalanced, and stunted growth. The late 1950's were boom years. Gross National Product was growing at more than 5% a year. Industrialization was proceeding at a fast pace. But the rapid growth was unstable. The peso was over-valued. Import prices were artificially low. There were virtually guaranteed markets for the main exports.

In 1962, exchange controls were eliminated. The peso suffered almost 100% devaluation. Many marginal industries were in trouble. World prices for Philippine exports fell. Growth rates declined. The economy began to stagnate. The agricultural sector (employing between 70 and 80 per cent of the population) failed to expand. The Philippines, a rich farming country, finds itself importing 90% of its milk and dairy products and 10% of its total food needs. The population continues to rise dramatically (about 3.3% a year) as GNP stagnates at about 4%.

Our Filipino friends frankly admit that their operations are plagued by bureaucratic ineptness and nonperformance. Tax collections are inefficient and graft-ridden. Smuggling robs the federal treasury of \$100 million or more a year.

In the last half of 1965, credit restraints were largely ignored with the result that there was a 5% increase in the money supply since June 1955. A 10% rise in living costs occurred in the same period.

In part as a reflection of deepening economic trouble, Communist insurgents have increased their activity; propaganda efforts, recruitment and terrorism are all on the rise.

So here is a country in deep trouble, and we are trying to help.

The cynical can assert that we are merely "repaying" Filipinos for their decision to send troops to Viet-Nam. The fact is that we would have helped them in any case—indeed, most of the programs now going forward were being considered long before the Philippines' courageous decision to help their Vietnamese neighbors.

Needless to say, we are *not* providing economic aid to our Australian and New Zealand friends—who also have sent troops to Viet-Nam.

2. *In working with President Marcos, we are cooperating with a new and active administration, one that has clearly recognized its country's fundamental problems and a chief executive who is fiercely determined to move his country forward.*

President Marcos is not a man to ask for handouts or gifts without strings. He is a proud man. He is a man who wants progress for his people. He believes—and we share the belief—that the development and prosperity of his country is good, not only for the Philippines, but for Asia and for us.

He has taken steps to improve the efficient operation of his government. He has searched for men of capability and devotion and put them in positions of responsibility. He continues that search. He has moved actively against smuggling. He is trying to improve his country's tax collection system. He has worked out a Four-Year Development Program which underlines his goals, and we are working with his specialists to refine that program and to outline workable and feasible projects.

And his principal goal is to improve the agriculture of his country. He wants to expand productivity. He wants to build new roads that will bring the countryside into contact with the towns—and therefore with the markets. He wants to provide electric power for his people in the countryside, and to give them the water they need for irrigation.

An important element in President Marcos' plan is his concentration on 10 of his country's provinces. These are areas where the need for improvement is greatest.

Beyond meeting the present urgent problems in his economy, President Marcos wants his country to move proudly forward over the frontiers of science and technology. He wants to share in the exploration of space and of the ocean depths, to improve the technical and scientific training of his young people, and to provide for both training and research in the area of economic development.

We are cooperating with him in these ambitious enterprises—not to help a man but to help a man who wants to help his people.

3. *A careful look at the proposed forms of our assistance shows that each one is designed to help President Marcos and the Philippines to meet some of the specific problems they face—particularly in the agricultural sector.*

To be specific:

(1) A \$4.5 million loan

This is for irrigation. It will make possible the reconstruction and extension of existing irrigation works, providing much-needed water for the farmers.

(2) Feasibility study loan—\$2 million

This will permit the Filipinos to conduct engineering and economic studies, with our help, which will tell them whether proposed new projects, including additional irrigation works, make sense. These studies will follow up surveys already conducted in the Water Resources survey.

(3) PL-480 (Title II)

A grant of food grains and other agricultural products.

This will provide:

(a) Partial payment (in the amount of \$3.5 million) to some 30,000 workers who will be digging and renovating irrigation ditches and building or repairing local roads.

(b) \$.5 million in grains, returns from which will help to capitalize livestock cooperatives.

(4) PL-480 (Title IV)

Sale of between \$20 and \$25 million worth of needed cotton, feed grains and tobacco.

(Note: This is repayable in dollars at 3.5% interest.)

The peso proceeds from sale of these products will provide increased capital for the Agriculture Credit Administration.

They will also be used:

- for local costs of irrigation rehabilitation projects;
- for feeder road construction;
- possibly for some capital for the Land Bank.

There may also be some small grants to government agencies for such things as: agricultural research, technical training in agriculture; pest and crop disease control; land classification studies in connection with land reform.

(5) Engineering equipment (\$1.8 million)

This is equipment from surplus military stocks. It will be renovated by use of AID funds. Value of the repaired equipment is estimated at \$10 million and it will be given to provincial governments (in 8 of the 10 critical provinces). The equipment is to be used in the road-building program and for irrigation and other agricultural development projects.

We will also be supplying some spare parts and technical training on operations and maintenance.

(6) Other technical assistance (about \$1 million)

To be used for such things as providing for a team from the U.S. Farmers Union to advise on agricultural credit, and for a team from the Rural Electric Cooperative Association to help work up projects for establishing new rural electrification cooperatives.

(7) PL-480 (Title III)

This is a continuing program. It provides food products to U.S. voluntary agencies, such as the Catholic Relief Service, for their programs of aid to needy Filipinos.

(8) In view of the need for better performance in the tax collection field, we have sent several specialists from the Internal Revenue Service to the Philippines. This is a small project which represents about 2½ man-years of labor on our part annually.

Even our assistance in the military field is related closely to President Marcos desire to help his farmers. The five engineer battalions we have agreed to support this year with equipment will be used by him in civic action projects—primarily road-building in rural areas.

This, we see when we look beneath the titles and the amounts, that the assistance program that we are working out with the Philippines is designed to meet specific needs, and primarily those needs in the field of agriculture which the Philippine Government and we recognize as most urgent.

4. Finally, it should be clear that the kind of program outlined in this memo and which we hope to carry out with the Philippines Government is a reflection of your consistent—and often repeated—concern with the problem of food production in a world where the population is rising steadily.

For example, on March 19, 1964, in your foreign aid message, you noted:

“Funds for educational and technical cooperation—to help start schools, health centers, agricultural experimental stations, credit services, and dozens of other institutions . . . But they will be used by selected projects to raise the ability of less fortunate peoples to meet their own needs.”

A year later, on January 14, 1965, you said:

“In the years ahead, if the developing countries are to continue to grow, they must rapidly enlarge their capacity to provide food for their people. Up to a point, they can and should improve their ability to buy some of their food from abroad. For the most part, however, they must expand and diversify their own production of food.”

On February 10, 1966—in your *Food for Freedom*—you said:

“We will launch a major, new attack on worldwide hunger. We will present this year a new food aid program designed around the principle of intense cooperation with those in all hungry countries who are ready to help themselves. We will direct our assistance program toward a cooperative effort to increase agricultural production.”

And again this year—on June 30, 1966 in your *Food for Peace Report*— you said:

“In simplest terms the task of bringing food and population into balance—while maintaining progress in health, education and economic growth—is the most critical challenge many countries are facing today. It will probably remain their most urgent challenge in the immediate years ahead. The world’s capacity to respond will dramatically affect the course which individuals and nations choose in confronting their problems and neighbors in coming generations.”

W. W. Rostow²

² Printed from a copy that bears this typed signature.

347. Memorandum From Secretary of State Rusk to President Johnson¹

Washington, October 14, 1966.

SUBJECT

Matters of Substance for Your Country Visits

You will be supplied daily with material covering the successive country stops. This will give detail on leading personalities with whom you will be talking, topics that may come up, and suggested positions. This memorandum is a shorter summary, for your personal use, of those key items that may require your personal attention and some review of the detail with me prior to our talks. I have also highlighted sensitive issues that may not be raised in high-level conversations, but of which you should be aware.

This memorandum does *not* cover the question of your speeches and statements. Drafts of these will reach you through your own staff, on the basis of materials prepared by the Department and your staff.

In looking at each visit, we have all tried to find special topics on which you could make new proposals or offers of assistance *that would be consistent with our interests apart from the trip*. Items of this sort will appear in the speech material, but by far the most basic issues concern *military assistance for Thailand* and the question of our *rubber stockpile disposal policy for Malaysia*. Both of these would be critical in any event at this time, and the handling of them could have a great effect on the atmosphere of your visit to each of these two countries. They are covered in more detail in separate papers sent to you.

I have arranged the material in separate pages for each country.

Dean Rusk²

[Here follows material on New Zealand and Australia.]

III—PHILIPPINES

The Marcos visit covered all aspects so thoroughly that you should find Marcos quite content with the result and with little on his mind on our bilateral relations. He may raise such topics as delivery time

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL. Secret. President Johnson visited East Asia for 17 days beginning on October 17. The President was in Manila from October 23 to 27 excluding the 1-day surprise trip he made to Cam Ranh Bay, South Vietnam on October 26.

² Printed from a copy that indicates Rusk signed the original.

for the engineer construction equipment for the five battalions, and you could simply indicate that this is being pushed forward as hard as possible.

The various loan and PL-480 projects covered in the communiqué with Marcos³ have all gone along reasonably well.

As to dollar figures, you should be aware that Marcos and his people have put out such figures as "a half billion" as the amount that will be coming to the Philippines as a result of the Marcos visit. This is of course way in excess of the total of approximately \$100 million which would be reached by adding every single item on the list—economic aid, military aid, and the first year cost of veterans benefits and the two claims. The Filipinos have latched onto the ultimate actuarial payout on veterans benefits (\$425 million by our calculations), and are also inclined to throw in World Bank loans (\$40 million) and all their private lending commitments now outstanding. This kind of "numbers game" is regrettably an old Philippine institution. I would recommend that if this subject comes up at any point, you avoid numbers completely and simply say that the undertakings in the communiqué speak for themselves.

[Here follows material on Thailand, Malaysia, and Korea.]

³ See footnote 3, Document 344.

348. Intelligence Memorandum Prepared in the Central Intelligence Agency¹

No. 0631/67

Washington, April 19, 1967.

THE HUK RESURGENCE IN THE PHILIPPINES

1. The resurgence of the Hukbong Magpapalaya Sa Bayan—commonly known as the Huks—could cause President Marcos serious

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. III, Cables, 7/66-7/67 [2 of 2]. Secret. This memorandum was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates. Rostow sent this memorandum to the President under cover of a note of April 19 which stated: "I had this CIA evaluation of the Huk resurgence in the Philippines especially prepared. It shows a modest increase in Huk capabilities; grave political weakness in Central Luzon political life; promising political and security counter-measures, inadequately followed through." There is an indication on the note that the President saw Rostow's note and presumably the attached memorandum.

political difficulties, although so far the resurgence poses no major threat to his government. He has made eradication of the Huk movement, mainly based in Central Luzon, a major goal of his administration.²

2. During the past 20 months, both the strength and the activities of the Huks have shown a marked increase. The number of armed cadre has grown from an estimated 37 to possibly 300-400, and the US Embassy in Manila estimates that the mass base support has increased by five to eight percent to about 28-29,000 persons, roughly one percent of the population in the affected provinces. The number of assassinations and kidnappings jumped abruptly from a total of 17 in 1965 to 71 in the first eight months of 1966. Although later figures are not available, the higher level of activity appears to be continuing. The most flagrant act of terror was the murder in July 1966 of Mayor Anastasio Gallardo of Candaba, chairman of the anti-Huk Mayors' League of Pampanga, while he was on his way to a meeting with President Marcos. The league has since become dormant, its members fearing Huk reprisals.

3. Originally the paramilitary arm of the illegal Philippine Communist Party (PKP), the Huks over the years have taken on the appearance of marauding bandits and extortionists, rather than of revolutionaries motivated by Communist ideology. Although there have been recent indications that recruits are again receiving Marxist indoctrination, among the peasantry the Huks maintain a "Robin Hood" image of assisting the poor. In fact, the Huks' separate system of justice in the area they influence, chiefly in the rice-producing provinces of Central Luzon, appears to be more efficient than the government's slow-moving and often corrupt judicial system. The Huks' decisions, which do not always favor the peasant, seem to be accepted by many landlords as well.

4. The Huks' present ties with the PKP are vague and contradictory. The terrorism that sustains Huk power is not in keeping with the party's purported abandonment of terror for the "parliamentary struggle." Links between the leadership of the two groups appear tenuous. Pedro Taruc, until recently the Huk chieftain, is one of a three-man committee that reportedly has taken over the functions of

² In a Special Report Weekly Review, SC No. 00758/67A, February 24, the CIA concluded that during his 14 months in office, "Marcos has broadened the Philippines involvement in Far Eastern international problems, while showing little more than good intentions on the domestic front." Such a concentration "has tended to leave relatively untouched the deep-seated social, economic, and political problems." The report noted that there was "widespread discontent with pervasive rural poverty and rising urban unemployment has contributed to a rise in crime and violence as well as a resurgence of leftist activities" including the revival of a modest threat from the Huks. (Ibid.) The President apparently did not see this report.

imprisoned PKP secretary general Jesus Lava. According to a recent report, however, Taruc has relinquished Huk leadership to Faustino del Mundo, whose Communist leanings are believed none too firm. Other reports suggest that the imprisoned former party leaders may retain control through intermediaries of both the party and the Huks.

5. Marcos moved quickly to meet the revived Huk threat. Last June he launched Operation Central Luzon, later renamed the Central Luzon Development Program. The immediate mission of this plan was to implement the land reform code in critical areas of eastern Pampanga Province, Central Luzon, and eventually to construct roads, schools, and irrigation projects, and to improve agricultural methods. So far, results have been modest. To improve security conditions, Marcos has requested funds in the FY-1968 budget to expand and improve the Philippine constabulary.

6. A major stumbling block to reducing Huk influence is the continuing collaboration of local politicians seeking the votes the Huks can deliver. With the approach of off-year elections this November, there appears to have been an increase in this collaboration. In Pampanga, the Huks seem to enjoy the support of the governor. More critical, however, is the evident acquiescence of much of the peasantry. This attitude can be expected to continue as long as local landlords block reform efforts, as corruption by officials diverts funds from development projects, and as legal redress remains slow and one-sided.

7. A manifest failure by Marcos to reduce Huk influence could contribute to his future defeat at the polls. Over the long run, if not effectively dealt with, the Huk movement could again develop into a major insurgent threat.

349. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, April 20, 1967, 1011Z.

10813. Subject: USAID multi-year strategy paper. Ref: Aidto Circ XA 2031.² Country Team message.

¹Source: National Archives and Records Administration, RG 59, Central Files 1967-69, AID (US) 1 PHIL. Confidential; Priority.

²Aidto Circular XA-2031, February 2, provided guidance for implementation of AID's Planning-Programming-Budgeting system. (Ibid., POL 1 US)

1. We have carefully reviewed the proposed USAID multi-year strategy paper (MYSP) full text of which being pouched³ and strongly endorse it. This paper directly addresses the problems facing the US in the Philippines and the fundamental issues associated with Philippine economic development; and proposes a plan of action through FY1975, along with priorities, that we believe is both realistic and necessary. Highlights follow:

2. Major emphasis. The MYSP has four main points of emphasis as follows. It emphasizes (1) the development and support of local governments and private institutions as viable alternatives for total dependence on central government agencies, and as vehicles through which economic development programs and projects can be executed; (2) that as the Philippine agricultural program gains momentum there should be a decrease in social unrest in rural areas with unabated social unrest in urban areas, requiring a balanced socio-economic program to offset both; (3) the postponement, to the extent possible of major US capital and large-scale conventional technical assistance projects until later in the planning period and after appropriate institutions have been developed and are functioning; and (4) a recognition of the advisory role of USAID technicians who perform catalytic and promotional functions in the private sector and at both the central and local levels of government, particularly the latter (which already extensively done by number of USAID staff).

3. Consequences of this approach. In order to make the plan effective we see a need to increase the USAID staff from its present level; a need for local currency, in part to be derived from PL480 sources; and probably a need for closer cooperation among all US agencies at the working level. Staffing and peso requirements have as yet not been worked out, in terms of magnitude and timing over the eight year planning period. Likewise organizational requirements for the US Mission have not been thought out. Before we proceed with these details we need general agreement on the proposed overall approach which, we repeat again, is in our judgment realistic and necessary.

4. USAID goals. In view of the US objectives in the Philippines and in Southeast Asia, the problems the US faces in realizing these objectives, and the approach set forth in the USAID MYSP to enable progress to be made, the following six goals are proposed as ones which will govern USAID activities over the planning period, subject of course to modification if and when basic conditions in the Philippine setting change, e.g., stepped up Communist activity in the Philippines

³ In airgram Aidto A-840, April 25. (Ibid., AID (US) 1 PHIL)

emanating from outside the Philippines, failure of agricultural program, etc.

(1) Demonstrating to the Filipino elite, nationalist and other, the advantages of pursuing a vigorous economic development policy that is outside partisan politics, and ultimately identifying nationalism with growth and prosperity;

(2) Denying potential Communist or other subversive exploitation of those Philippine socio-economic problems most susceptible to exploitation, and thus preventing diversion of Philippine energies from the task of economic development;

(3) Creating for the Filipino elite and GOP policy makers an expanded reservoir of patriotic Filipinos who are capable of viewing objectively the socio-economic problems of their country;

(4) Improving, on a modest scale, Philippine health, education and public administration, in preparation for the time when economic development becomes a national policy;

(5) Developing private Philippine institutions and local governments, where possible, to become viable alternatives for central government bureaucracy, and through which programs and projects can be executed;

(6) Encouraging non-US assistance in financing and executing foreign aid projects in order to gradually focus Filipino attention away from the United States, and particularly within the Southeast Asia region itself.

The specific program components associated with the achievement of each goal, along with priorities over time, are identified in the MYSP.

5. The foregoing outline of the new approach proposed in the MYSP was reviewed by the Ambassador and USAID director prior to their departure for Washington and approved in principle. It reflects a growing view within this Mission that more vigorous steps and new departures are essential in the general thrust of our aid programs in the Philippines if we are to assist the present administration in halting the downward internal spiral which has characterized the past several years and in effecting a reasonable turn-around.

6. In its early phases it will represent a concentration of effort in those areas which in our judgment appear to offer the greatest present hope of success; i.e. a selective concentration on those provincial or local activities which bear continued promise of producing immediate though initially small-scale results at the grass roots level, in the expectation that these may spread more generally to other areas of the country and take hold. It represents, moreover, a deliberate effort to identify

ourselves progressively and to the extent possible with the common man, whose restiveness is increasing.

7. It would bypass in many places the central national bureaucracy and to this extent would admittedly constitute a greater US involvement in the internal affairs and political habits of the country. It cannot, on the other hand, be accomplished without the wholehearted support of the Marcos administration and must accordingly be sold to the President and his immediate advisors in such a way as to enlist their full support. Given Marcos' continued determination to effect major internal improvements, however, and his enthusiasm for earlier efforts along these lines, we are optimistic that he can be persuaded.

8. This does not imply that the projected policy would entirely neglect efforts at the national level. Some elements of the program would continue to be directed specifically in that direction, and toward the end of the project it would be our hope that progressively more of our joint effort could be channeled in that direction as the overall situation improved. But the major thrust of our assistance and advisory efforts during the early stages would clearly involve a new emphasis on local administration, building hopefully on our experience and success in the immediate past with the US supported rural development program.

Wilson

350. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, June 8, 1967.

SUBJECT

Equipment for Five Additional Engineer Battalions (Philippines)

You will recall that we are supplying equipment for five engineer construction battalions for the Philippines. This was in response to

¹ Source: Johnson Library, National Security File, Country File, Philippines, [Filed by Johnson Library]. Secret.

President Marcos' request made during his visit last Fall. The equipment is all to be delivered by the end of this month.

At the same time, you agreed to consider supplying equipment for a second five battalions in Fiscal 1968. As you know, nothing ranks higher on President Marcos' list of priorities than equipping these 10 battalions for vital civic action work—road building, irrigation, etc. Reports from Manila indicate the Filipinos are beginning to use effectively the equipment thus far provided.

There is no doubt that failure on our part to carry through on the second five would be read by Marcos—and by his political enemies—in this election year as clear evidence of unwillingness to back him on an important program to which he is publicly committed. On the other hand, the political and psychological advantages of our moving forward—even before he pushes us on the matter—would be great.

State and Defense recommend that we promise the additional equipment (see attached memo from Secretary Rusk).² I heartily concur. The Bureau of the Budget supports the recommendation.

Defense has made available an additional \$4.4 million from overall FY 1967 MAP. This will take care of more than 2½ battalions. The additional \$4 million required can be acquired by cutting some lower priority items from FY 1968 Philippine MAP.

While promising to supply the equipment, we would not give a firm pledge on timing of deliveries. However, I am assured that every effort will be made to complete delivery in CY 1968 and possibly in FY 1968. This will depend, in part, on the timing of Congressional action on FY 1968 MAP appropriations.

All concerned believe that this action will have a favorable effect in easing some of the tensions that have developed in U.S.-Philippine relations. It is recommended that President Marcos be informed of your decision in a personal letter from you.

This letter also should cover the main elements in our current relations and should open a new and constructive dialogue between you and President Marcos. A proposed text is attached.³ We would telegraph the text and pouch the signed original.

Secretary Rusk asks that you authorize him and Secretary McNamara to inform Congressional leaders on both sides and the chairmen of key committees that you propose to make this commitment. They do not anticipate any objections. You may, however, wish

² Dated June 5, not printed. Another copy is in the National Archives and Records Administration, RG 59, Central Files 1967-69, DEF 19-8 US-PHIL.

³ Not printed. For the letter as sent, see Document 351.

them to carry out this consultation on the Hill before the letter to Marcos is sent.

Walt

Supply of equipment approved⁴

Disapproved

Letter to Marcos approved

Disapproved

Have Rusk and McNamara consult Congressional leaders

Send letter immediately

Hold letter pending consultations on Hill

See me

⁴ The President checked the options to approve supplying the equipment, the letter to Marcos, Rusk's consulting with Congressional leaders, and holding the letter to Marcos pending consultations with Congress.

351. Telegram From the Department of State to the Embassy in the Philippines¹

Washington, June 24, 1967, 5:09 p.m.

215920. For Ambassador.

1. Request you deliver in person the following letter dated June 24, from President Johnson to President Marcos. (Signed original being pouched.)²

Begin Text

"Dear Mr. President:

I still think often and warmly of your and Mrs. Marcos' visit to Washington last year, and of our later meetings in your capital during

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US. Secret; Nfiact; Limdis. Drafted by Service, then revised in the White House; cleared by Walt Rostow, William Bundy, Steadman of DOD/ISA, and Ives of AID.

² The signed original is in the Johnson Library, National Security File, Special Head of State Correspondence, Philippines, Part II [2 of 2].

the Manila conference. And I read with close attention reports from your country, especially those which describe your courageous struggle to meet the urgent problems that confront you.

Some of these reports have caused me to give a good deal of thought in recent weeks to the relations between our two countries. From a remark you made some weeks ago to an American reporter—that our relations 'are in a vexing and irritating period of readjustment'—I know that this question is very much on your mind, too.

I think it would be useful, therefore, if you and I could exchange views on this important subject. I believe we should explore together what can be done to strengthen and deepen our relations, and to remove, or at least reduce, such irritants as exist.

At the outset, I must say that I have no doubt whatsoever that our relations rest on a solid foundation. Our shared history and common values are important parts of this foundation. In the long run, of course, durable and harmonious relations between nations depend on their national interests, but here, too, I find no cause for anxiety.

Your national interests and ours are on parallel courses. Our two countries are cooperating toward the goal of peace in the Pacific. Our military presence in the Philippines contributes to your security and enables you to concentrate your resources more fully on social and economic development.

At the same time, our presence permits us to fulfill our heavy responsibilities in the area as a whole.

You and your administration are making strenuous efforts to build a strong and expanding economy, one that will give your people more jobs, improved housing, a higher standard of living, broader education, and better health. I know that you are pushing ahead to expand internal savings, both public and private, to finance these efforts. We ardently hope that you will succeed.

I know very well the difficult problems you face in these efforts to produce effective programs and convert them into actions. I assure you that we are anxious and ready to help.

At the same time, we both realize that irritations exist. During your visit to Washington and since, you and I have cleared up many of these matters which had been pending too long.

Our governments signed a new agreement on bases tenure. We have supplied high-speed boats to help in your anti-smuggling campaign. We have taken action on veterans' benefits and are making progress on claims. We reached agreement on the first two projects under the Special Fund for Education. Our A.I.D. program is going

forward in promising new directions, particularly in rural development. We are ready to begin discussion of the concept of our trade relations after the expiration of the Laurel-Langley Agreement.

Your program to raise rice production is among the most hopeful in Asia today.

We agreed last September to equip five engineer battalions which, in addition to their military mission, are carrying out vital civic action programs. I am assured this equipment will be delivered by the end of this fiscal year. I have read encouraging reports on the potential of those battalions and the key role they are beginning to play in your economic and social development effort.

I have considered providing equipment for the second five battalions, as I promised to do. I am happy to tell you that we will be able to provide equipment for these additional battalions, subject, of course, to the availability of appropriated funds. The equipment for these battalions will be financed in part from this year's funds, and the balance from new appropriations. Some of these funds represent additional assistance, but some may have to come from within planned military assistance levels with engineer equipment replacing items of a lesser priority. I hope that you will treat this undertaking as wholly private between us. I believe we should consult closely as to the appropriate timing and form of an announcement, and I would appreciate your views on this at your early convenience.

When you were here, you and Mrs. Marcos told us of your deep interest in providing support for the Philippine National Cultural Center. I have looked into this and am delighted to tell you that I have now authorized Secretary Rusk to work out formal arrangements with your officials along the lines of the proposal your Government advanced earlier this year. This calls for a \$3,500,000 contribution into a trust fund, the interest on which will be used to finance the programs and operations of the Cultural Center.

Sometimes we cannot meet requests from your Government. The turnover of Sangley is an example. That base serves important security and defense purposes—ours, yours, and those of our allies. When we studied the matter, we saw no feasible way of shifting the operations elsewhere.

I assure you that I will do everything in my power to help you in every way I can. I am deeply desirous of doing all possible to reduce irritations. I know the presence of American military personnel in the Philippines is bound to produce some strains. But I am sure you will agree that mutual understanding and mutual sensitivity can keep those strains within bounds.

Our common problems cannot be solved only by the actions of one or the other of us. And I must confess candidly that I am troubled

by the chorus of extreme criticism from some Filipinos directed against us, our policies and our actions.

I am troubled, also, by signs of increased hostility toward foreign investment, a matter that is being discussed extensively now in American business circles.

As you know, foreign capital played an enormous role in the economic development of the United States. It could do the same in the Philippines. But it is not likely to be attracted if it is regarded with suspicion and distrust.

I realize you are doing what you can to keep these matters in true perspective for your countrymen. I hope the report by the special committee on Philippine-American relations of your Congress will provide a better and deeper understanding of what is involved in our relations and what needs to be done to further improve them.

It was my hope that Vice President Humphrey would be able to visit your country and to discuss these matters in detail. Unfortunately, his journey to the Philippines and other countries of the area had to be postponed because of the Middle East crisis and other urgent business here. He will be heading our delegation to the inauguration of President Park in Seoul, but will return immediately to Washington.

I had hoped the Vice President could deliver this letter during his visit. I have, instead, asked Ambassador Blair to present it to you promptly.

I have written to you as I can only to a friend, knowing that you have given these matters a great deal of thought. I would deeply value your views on what we each can do to serve better our common interests and our shared purposes. You know how much I value your friendship and advice, and how much I believe in the close and continuing cooperation of our two countries and peoples.

Sincerely, Lyndon B. Johnson"

2. In addition, you should make clear following point orally to President Marcos: We want to make clear that while we will provide the funds in FY1968 we are not undertaking to deliver all of the equipment in FY68. We will, of course, do our best to deliver the equipment as rapidly as possible.³ FYI: It is particularly important that Marcos

³ Blair reported in telegram 12912 from Manila, June 25, that he delivered the letter to Marcos who read it then and was pleased. Marcos told Blair that hostility toward American investment was politically motivated pressure from vested Philippine business interests. Marcos promised a showdown on the pending Investment Incentive Bill. He dismissed the extreme criticism of the United States by noting it came from a small minority of politicians who collaborated with the Japanese in World War II, whose outlook was "professional anti-American." Marcos accepted the injunction that not all the equipment would arrive in fiscal year 1968. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US)

understand this because the language of article 15 of the September 15, 1966 Communiqué bound us to provide (i.e. deliver) equipment for five ECBs in FY67 and to consider furnishing (i.e. delivering) equipment for five more ECBs in FY68. End FYI.

Katzenbach

352. Information Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk¹

Washington, June 29, 1967.

SUBJECT

Current Developments in US-Philippine Relations

1. *Philippine Veterans Claims Agreement*—On June 29, 1967 an Executive Agreement was signed in Manila under which the United States will pay (early in July) the Government of the Philippines \$31,120,000 in settlement of two World War II Philippine veterans claims.²

2. *Bilateral Textile Agreement*—Agreement was reached here on June 28, 1967, on a new bilateral textile agreement.³

3. *Engineering Construction Battalions (ECBs)*—The bulk of the equipment for ECBs 1-5 was turned over to the GOP in Manila on June 24. In a speech at the turnover ceremony, Marcos deflated criticism of the US by his political opposition when he declared we had completely complied with our commitment to equip five battalions. FYI. The decision to equip the second five ECBs was conveyed to Marcos in the President's letter of June 24.⁴ The letter and this decision have not been made public. We expect Marcos' response to the letter shortly. End FYI. (Vice President Lopez may or may not be privy to the FYI portion above. This is provided for the Secretary's information and in case the Vice President should raise it.)

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US. Secret; Exdis. Drafted by Dawson S. Wilson and Ralph C. Porter (both of EA/PHIL) and cleared by Richard M. Service (EA/PHIL), John R. Burke (EA), and Bundy. A note on the memorandum indicates that Rusk saw it.

² For text, see 18 UST 1392.

³ The agreement was signed at Washington on September 21, 1967. (18 UST 2379)

⁴ See Document 351.

4. *Philippine Aid to Viet-Nam*—Marcos and his administration have consistently supported the Free World position in Viet-Nam. The 2,000-man Philippine Civic Action Group (PHILCAG) arrived in Viet-Nam in October 1966 and is stationed in Tay Ninh province. The GOP has been paying the salaries of the troops. The U.S. pays overseas allowances and furnishes equipment and logistic support for the PHILCAG.

5. *Future Economic Relations*—President Marcos and President Johnson have recently named respective teams to discuss the type of instrument to replace the Laurel-Langley trade agreement after its expiration in 1974.⁵ The date and site for the first meeting have not yet been determined.

6. *Bases Negotiations*—Over the past two years, we have taken major steps to update the 1947 Bases Agreement, which covers Clark Air Base, Subic Naval Base and Sangley Point Naval Station, as well as some smaller bases. In 1965, we concluded a new criminal jurisdiction article on the NATO-Netherlands pattern⁶ and relinquished some 50,000 acres of base lands. During the September 1966 Marcos visit, the Rusk-Ramos agreement was signed, reducing the duration of base use to 25 years.⁷ The GOP has now asked for, and we have authorized the Embassy to participate in, a preliminary review of other provisions, including customs and immigration, taxation and conditions of employment. These discussions are not yet underway.

7. *Special Fund for Education*—Agreements have been concluded on two Special Fund for Education projects: a Classroom Construction Project on May 17, 1967 and a Textbook production project on June 26, 1967. President Johnson recently approved a third project, a \$3.5 million Cultural Center Trust fund project.⁸

8. *Philippine Interest in US Rice*—The Government of the Philippines is interested in purchasing 50,000 tons of US rice. We have approved CCC credit for 25,000 tons. Internal maneuvering by the Filipinos has delayed the purchase.

⁵ Information on the creation of the U.S. team and the issues that it faced are in a June 20 memorandum from Richard Moose of the NSC Staff to George Christian, White House Press Secretary. (Johnson Library, National Security File, Country File, Philippines, Vol. III, 7/66-7/67)

⁶ August 10, 1965. (16 UST 1090) The agreed minutes of the 12 meetings between Ambassador Blair and Foreign Secretary Mendez, January 5-May 21, 1965, resulting in this agreement are in the following airgrams from Manila: A-571, February 5, A-603, February 17, A-629, February 25, A-705, March 19, A-787, April 7, A-840, April 23, A-879, May 4, A-916, May 14 and A-995, June 4, 1965. (National Archives and Records Administration, RG 59, Central Files 1967-69, DEF 15 US-PHIL, DEF 15-4 PHIL-US, DEF 15-3 PHIL-US)

⁷ See footnote 6, Document 342.

⁸ For texts, see 19 UST 5082, 19 UST 5129, and 19 UST 5151, respectively.

9. *Talks on Abaca Disposals*—We are discussing with the Filipinos the problem of low abaca prices which they attribute to GSA stockpile disposals. We attribute the decline to inroads by synthetic fibers.

353. Memorandum From Marshall Wright of the National Security Council Staff to the President's Special Assistant (Rostow)¹

Washington, August 2, 1967.

SUBJECT

What an Ambassador in Manila will have to deal with

We discussed the desire of John Macy's office (Lou Schwartz and Bob Cox) for information on U.S./Philippine relations relevant to the selection of a new Ambassador. They insisted on a quick oral briefing. What follows is a reconstruction of the conversation. I will be delighted to make any additional points or changes of emphasis that you deem advisable.

(1) It would be nearly impossible to overestimate the gravity of the problems with which our next Ambassador to Manila must deal. It has become common-place for people knowledgeable on the Philippines to predict a vast social upheaval in the near future. There is widespread talk that the current president will be the last popularly elected Philippine chief executive. Many high-level American officials consider the Philippines to be the most serious and the most bleak threat that we face in Asia. It is absolutely essential that we have a Chief of Mission in Manila who can come to grips with the problem.

(2) The Philippine Republic is stagnant. There is practically no increase in the per capita GNP. The government has failed lamentably to come to grips with the problems in economic and social development. Both the government and the society are shot through with a pervasive and paralyzing corruption. There is a revived subversive Huk movement which is serious, though not yet critical. The Huks actually control much of Central Luzon, including the Clark Field area, and it is a fact that the Huk movement is being financed, in large part, by expenditures connected with the Clark Field complex. No Filipino President has ever

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67-11/68. Secret. A copy was sent to William Jorden.

been reelected, which is a measure of dissatisfaction and frustration of the Filipino masses with government performance. The birth rate approaches 4% a year.

(3) Philippine/U.S. relations are still in a state of transition from colonial days. Although there is a strong residue of affection for the U.S. among the masses, ultranationalism is rampant in the elite. The U.S. and the American Embassy are the natural focus for ultranationalist suspicions and hostilities. The press, in particular, is dominated by the ultranationalists and has a very strong anti-American flavor. Regardless of who our Ambassador is and however properly he comports himself, he and his family will, beyond doubt, be subjected to vicious and personal press attacks. The position of the U.S. Ambassador in Manila is unique. He is part governor-general and part shipping boy. On the one hand the Philippines want to retain a special relationship with the United States. On the other hand, they bitterly resent their dependence upon us and any assertion by us of a special position. Our Ambassador in Manila is in the middle of this psychological cross-fire and gets hit from both sides.

The Problem

First and foremost, the Ambassador will need to be able to identify the levers of power in the Philippine system and to manipulate them effectively to help bring about economic and social movement. He must be a man who understands the development process. It will be essential that he work effectively in helping President Marcos straighten out the Philippine public sector. Tax collections, smuggling control, and some minimum level of efficiency and honesty in the Philippine bureaucracy are exigent problems in the Philippines.

The United States has three major bases (Clark Air Force Base, Subic Bay Naval Base, and Sangley Point Naval Base), and a number of smaller or leased installations. Although our Base Rights run for 24 more years (under a 1966 agreement) it is by no means inconceivable that the Filipino nationalists will put pressure on our use of the bases. The bases are central to our operations in Viet Nam and our longer range military effectiveness in Southeast Asia. The style with which our Base Rights are exercised now may determine our long-run access to these installations.

The future of U.S./Philippine trade relations, the status of the American business community in the Philippines, and the future for American investments in the Philippines will all be determined in negotiation which will begin this fall. The negotiation looks to the replacement of the Laurel-Langley Agreement, which has, since independence, regulated U.S./Philippine economic relations.

In the immediate future, the U.S. will undoubtedly be pressing for a larger Philippine contribution to the Viet Nam war, an issue of the

greatest political sensitivity in the Philippines because of the activities of the ultranationalists.

Politically, the Philippines is a cesspool, and the Ambassador must be capable not only of surviving in a poisonous atmosphere but of working in it effectively, for his major weapon will be his influence on Philippine President Marcos, and Marcos is a completely political being.

In the Philippines, power is concentrated in the presidency to a remarkable extent. Our Ambassador carries on most of the important business directly with the President. The ability to develop a close official and personal relationship with the President is essential. Marcos is the Philippines' most decorated war hero. He is an accomplished golfer (a 7 handicap). Mrs. Marcos is very powerful in the Administration. She has a strongly extroverted personality and makes no bones about enjoying gay and festive occasions, including dancing parties that go on until dawn. There is, in addition, a general Philippine fondness for banter and horseplay and our Ambassador will be expected to join in this atmosphere with evident enjoyment. Extensive travel throughout the Philippines is an important part of our Ambassador's duties, and is physically demanding, among other reasons, because Philippine hospitality on these occasions has, as an invariable concomitant, subsequent stomach disorders.

The American community in the Philippines is large. American private investment runs at \$550 million, and there is a big American business community in Manila. There are about 40,000 American military personnel in the Philippines and probably as many dependents. *[less than 1 line of source text not declassified]* a Peace Corps of 700 volunteers and substantial USIS and AID missions. The Ambassador will, therefore, need to be a man with considerable executive talent.

The Ambassador will need to know Asia. The main thrust of Philippine nationalism is to carve out a place for the Philippines in Asia. Filipino membership in SEATO, its role in Viet Nam, its participation in Asian regionalism, and its relations with its Asian neighbors are essential elements in Manila's policy. One who doesn't understand Asia can easily be trapped by history and superficialities into thinking of the Philippines as somehow less than completely Asian. But there can be no health in the U.S./Philippine relationship unless it is based on a mutual acceptance of the Philippines as an Asian state rather than an American protégé. One who understands Asia will know this in his bones. One who does not understand Asia could easily destroy his utility in Manila before he learns it.

In short, the U.S. needs a paragon in Manila. He must be an adept politician. He must thoroughly understand the development process and be able to advise President Marcos in his efforts to revivify the Philippine public sector. He will have to work with a substantial U.S.

military community in harmony. He will need to understand the problems of business and to deal with an influential American business community. He will preside over an impressive official U.S. community and will need to be a person of executive talent. He will need a substantial amount of personal charm to operate effectively in the Filipino atmosphere. He will need to be impervious to unfair and sometimes vicious press attacks, both of a personal and political nature. Most of all, he will need to be extremely tough-minded in grappling with a whole series of problems, which no one has been able to deal with effectively yet, but on which progress must now be made without delay as a matter of high national policy. He will need the sensitivity of a chihuahua, the stamina of a Great Dane, and the skin of a rhinoceros.

Marshall

354. Memorandum From Marshall Wright of the National Security Council Staff to William J. Jorden of the National Security Council Staff¹

Washington, August 22, 1967.

SUBJECT

Something's Wrong in Manila

A weather change seems to have set in in our relations with the Philippines, or, more precisely, our relations with President Marcos.

The tone of Marcos' reply to President Johnson's letter of August 17 is stiff and unforthcoming.² That is, however, only the latest of several places of evidence of strain in our relations with Marcos:

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67-11/68. Secret. Jorden passed this memorandum to President Johnson on August 24, 7:30 p.m. In his covering memorandum to the President, August 24, Jorden described Wright as "the very able officer who has replaced Don Ropa on our Staff." Jorden told the President, "I heartily agree that something is souring our dealings with Marcos—and that we should find out what it is. I will be working on this." There is an indication on Jorden's memorandum that the President saw it. (Ibid.)

² The August 21 Marcos letter and the August 17 Johnson letter are *ibid.*, Special Head of State Correspondence, Marcos Correspondence.

—Marcos is considering the appointment of J.V. Cruz as his Press Secretary and Blas Ople as his Secretary of Labor. Both are so notoriously anti-American that their consideration by Marcos is difficult to understand.

—Recently, Marcos indicated a reluctance to announce our agreement to provide equipment for 5 more engineering construction battalions. This is a complete turnabout on his part and his explanation of it is unconvincing.

—Marcos was adamantly uncooperative on the Clifford-Taylor visit, which simply would not have caused him as much political difficulty as he pretends.

It seems to me evident that something is going on in Manila or in Marcos' own mind which we do not understand. Whatever it is, it is already creating substantial problems for us. I have talked to the people in State about this and they are hoping that Bill Blair's imminent return to Manila will precipitate an Embassy assessment of the difficulty. Blair, however, is somewhat crippled by a lameduck status.

I hope that there will not be too much delay in naming and getting to Manila a new ambassador. I think we need one even more than we had realized earlier.

Marshall

355. Memorandum From Marshall Wright of the National Security Council Staff to the President's Special Assistant (Rostow)¹

Washington, September 5, 1967.

SUBJECT

The Philippines

You will remember our recent memo to the President, "Something's Wrong in the Philippines."² We asked Embassy, Manila for their interpretation of Marcos' current behavior and the attached airgram³ is their answer.

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67-11/68. Secret.

² Document 354.

³ Airgram A-127 from Manila, August 27; not printed.

I do not find it very helpful. Basically, they are saying that Marcos is worrying about his political image and is therefore being stand-offish with us. But he is more concerned with the Presidential election two years hence than he is with the imminent congressional elections. If he is coming to believe that his good relationship with us is a political liability, that is a very worrisome thing, indeed, and has implications that run far beyond November.

The airgram says that Marcos thinks he can use the left-wingers and ultra-nationalists by keeping them close to him. Perhaps. But he certainly knows that he cannot keep them close to him unless there are changes in his relations with us. If, therefore, he is considering a move to the left in domestic politics, he is considering a new tone, and perhaps a new substance in his relations with the U.S.

This airgram simply serves to strengthen my belief that there is some urgency in getting a new ambassador to Manila.

Marshall

356. Editorial Note

President Johnson, Vice President Humphrey and four advisers (Lawrence O'Brien, Harold "Barefoot" Sanders, Joseph Califano, and Michael Mantoes) met with the Democratic Congressional leadership for a breakfast meeting lasting from 8:36 to 9:35 a.m. on September 19, 1967. The discussion related primarily to domestic legislation and politics. At the beginning of the meeting, Senator Mike Mansfield reported on his recent Asian trip and stated that "the Philippines are on the upgrade. They are doing a good job. They expect to get control of the Senate and Marcos is doing a good job." Speaker of the House Carl Albert asked Mansfield about "Huk activity in the Philippines." Mansfield responded, "there is not much." Vice President Humphrey then asked if Marcos talked to Mansfield about civic action groups and engineer battalions. Mansfield replied, "yes, but most of the time was spent talking about rice, production, graft, corruption, and cleaning up the local situation." The President remarked that he was "glad to hear that Marcos was friendly, because he had heard bad reports." (Memorandum from Jones to Johnson, September 19; Johnson Library, Meeting Notes File, Sept. 19, 1967 Congressional Leadership Meeting)

357. Note From the President's Special Assistant (Rostow) to
President Johnson¹

Washington, October 24, 1967, 3:55 p.m.

Mr. President:

Herewith:

1. Marcos complains to Locke,² claiming we equipped only two rather than five engineer battalions.

2. Bill Jordan puts the matter in perspective and advises that no hasty action required.

I am having the matter looked into carefully.

Since your conversation with him is involved, I thought you'd wish to know about it right away.

Walt

Attachment A

FOR THE PRESIDENT

TEXT OF CABLE FROM AMBASSADOR LOCKE (Manila 464)³

In a private conversation with Philippine President Marcos, he said to me:

A. When he was promised in the U.S. equipment for five engineering battalions then, and probably five later, this was intended to mean new battalions and was not to include the three battalions which had previously been equipped by the U.S. This was made clear in private conversation between him and you.

¹ Source: Johnson Library, National Security File, Country File, Vietnam, 5 (D) (1), Allies Troops Commitments, 3/67-1/69. Secret.

² Marcos invited Deputy Ambassador to Vietnam Eugene Locke to visit the Philippines and discuss with him Philippine aid to Vietnam. (Telegram 8420 from Saigon, October 13; National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US) The Department suggested that Locke use his visit to encourage Marcos to think about what more the Philippines could do in Vietnam, most usefully another Philippine Civic Action Group (PHILCAG). Locke should encourage Marcos to support "really practical and useful" projects rather than ineffective "grandiose schemes." (Telegram 54265 to Saigon, October 14; *ibid.*)

³ Telegram 464 from Manila, October 24 (Secret; Priority), [*text not declassified*]. The telegram as received in the White House before it was retyped for the President is in the Johnson Library, National Security File, Country File, Vietnam, 5 (D) (1), Allies Troop Commitments, 3/67-1/69.

B. Later the U.S. Government took the position that the first five battalions to be equipped included the three previously equipped so that new equipment for only two, not five, was secured.

C. He has been embarrassed by this but has "covered up" publicly, indicating the U.S. has furnished the equipment. When Speaker Laurel assailed the U.S. in Assembly, claiming Philippines "short-changed," Marcos told him to stop his criticism, that perhaps equipment was not then available.

D. He feels you are not aware of the situation and that misunderstanding developed at other levels. He has considered writing you a personal letter, but preferred for me to get word to you. He wants to know what happened.

I told President Marcos I had no information about the matter, but would try to find out.

I discussed the history of the first five battalions with U.S. Chargé d'Affaires in Manila, Jim Wilson. He said:

A. At the time of the agreement there were three U.S. equipped engineering battalions in the Philippines. These were not "engineering construction" battalions, which take far more heavy equipment than plain "engineering" battalions.

B. Our Joint U.S. Military Assistance Group Chief and Philippine Chief of Staff had gone over equipment lists prior to your meeting with Marcos and had agreed on what was necessary for five "engineering construction" battalions. This was furnished in full, but the equipment furnished consisted of a) full equipment for two new battalions; b) construction equipment necessary to convert the three plain engineering battalions into three engineering construction battalions.

C. So far as Wilson knows, the agreement with respect to the first 5 battalions as then understood by Philippine military chiefs, was an agreement to furnish 2 completely new construction engineering battalions and to upgrade the 3 existing plain engineering battalions to construction engineering battalions. Ambassador Blair had explained all this some months ago to Ambassador Romualdez, President Marcos' brother-in-law, but the Embassy cannot be sure whether or not Romualdez in fact explained it in full to President Marcos, although, subsequently, Marcos had stated publicly he was satisfied that the commitment had been met.

It may be that President Marcos mistakenly believes that the original 3 battalions remained the same and that he only received equipment for 2 new battalions. Or it may be he recognizes the facts, but believes the agreement was to leave the 3 original battalions as plain engineering battalions and to fully equip 5 new and additional construction engi-

neering battalions. He did not mention any difference between plain engineering battalions and construction engineering battalions and I doubt that he recognizes that these distinctions figured in the arrangement. I believe he feels simply that he started with 3 equipped battalions, that he was to get 5 more, which makes 8, and that he ended with 5 and was therefore "short-changed".

I believe President Marcos resents what he believes was a failure of the U.S. to live up to an agreement he thinks he made personally with you. I believe we should correct the mistake if one has been made, or explain the fact to President Marcos personally if his understanding is wrong. I am sure President Marcos expects me to take this up personally and directly with you and it is possible that no one in his own government knows he spoke to me about this, as he did so privately, even though numerous of his Cabinet Ministers and U.S. Chargé Wilson were waiting in an adjoining room presumably to discuss other matters with him and me.

President Marcos also discussed several other matters with me which are covered in detail in Manila 3760.⁴ The most important was the sending of additional help to Vietnam. The President will introduce the new appropriation for PHILCAG after the elections are over. He will also give additional help. He cannot politically send troops, and I told him I was sure we could not pay for an Operation Brotherhood in Vietnam, which was his choice (additional to, not in place of, PHILCAG). I believe we can get one, or perhaps even more, Army engineering battalions (which General Westmoreland prefers to another PHILCAG), for which he will seek appropriations in the Assembly, if we build for him some roads in the Clark Field area which could, in his opinion, be justified by military considerations. He believes the roads would benefit Clark Field and also increase mobility in the Huk Territory. Foreign Secretary Ramos is coming to Vietnam on the 29th, at which time I hope to have detailed discussions between him and General Westmoreland on the nuts and bolts of the battalions we want and the roads he wants.⁵ Embassy Manila is informed and agreeable to this meeting. I, of course, have not committed U.S. Government in any way.

⁴ See Document 358.

⁵ A report of this meeting between Ramos and Westmoreland is in telegram 9951 from Saigon, October 30. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US)

Attachment B

FOR WALT ROSTOW

TEXT OF CABLE FROM WILLIAM JORDEN (Manila 465)⁶

You will be receiving promptly a message from Ambassador Locke to the President regarding "misunderstanding" about equipment for Philippine army construction battalions. Think you will wish to reassure President that this matter not as critical as might seem at first blush.

Marcos talked with me about same matter. I assured him that I would look into it on return to Washington but I thought there had been no reference to "new" battalions. President Johnson had said we would supply equipment for five battalions this year and would consider doing same for five next year. We had done both. Marcos seemed fully satisfied that we would check in good faith and did not push question. Certainly there is no "misunderstanding" on part of Americans or Filipinos who worked out details of the equipment deal. In my opinion, President Marcos is (1) looking for excuse for not doing more for us in Vietnam; (2) on edge because of rough political campaign underway here; (3) possibly feeling us out on whether equipment for another three battalions may not be in the cards. Assure you this is not of such urgency that it cannot wait until my return. President said he wanted to see me again before departure and if that works out I will do all possible to reassure him as to facts.

You will of course wish to ascertain whether our President's recollection of this agrees with Marcos concept which might have developed in private talk. But ensuing negotiations between Filipinos and U.S. strongly supports view that understanding was as described above.

Separate message from Locke through State channel describes other aspects of his talk with Marcos.

He is right: Combat troops probably not politically possible—except as element of U.S. forces and that has obvious drawbacks. On basis of "volunteers" for U.S. forces we could probably get two divisions, but that has "mercenary" flavor and other deficiencies.

If we play our cards right, another Philippine Civic Action Group or engineering battalion is possible. In my opinion, Marcos would accept some compromise that would recognize his political problems and our common needs.

⁶ Telegram 465 from Manila, October 24 (Secret; Eyes Only), [text not declassified]. The telegram as received in the White House before it was retyped for the President is in the Johnson Library, National Security File, Country File, Vietnam, 5 (D) (1), Allies Troop Commitments, 3/67-1/69.

He badly needs some kind of regular briefing on situation in Vietnam—including growing evidence of problems on the other side. Jim Wilson agrees this would be desirable and hope something can be worked out with Ambassador Bunker and Westmoreland. A monthly visit to Manila by Military Assistance Command, Vietnam, J-2 would be valuable, with possible occasional visit by Westmoreland.

Regarding reference discussions with Secretary Ramos on this matter (paragraph 5 of cable to State),⁷ this is not the best way to approach matter. Any serious talk about this should be done in Manila or Washington, preferably former. We will get nowhere on this unless it is with Marcos and his Defense Department.

Talk of U.S. construction contractors is a non-starter, road building is one thing Filipinos are doing very well on their own.

Take paragraph on Huks with a grain of salt. There are other reasons for not cracking down.

I have been operating on assumption that full report on my return on experiences here and Vietnam and observations thereon was preferred course. If you wish fuller report on these matters earlier, please inform. This has been damn profitable trip. Regards.

⁷ See footnote 5 above.

358. Telegram From the Ambassador to the Philippines to President Johnson¹

Manila, October 24, 1967.

FOR THE PRESIDENT FROM AMBASSADOR LOCKE
(Manila 3760)

I had an over 2-hour private talk with Philippine President Marcos on Sunday, October 22. No one else was present.

¹ Source: Johnson Library, National Security File, Country File, Vietnam, 5 D (2), Allies Troop Commitments and Other Aid, 1967-69. Secret. The source text is the text of telegram 3760 from Manila that was retyped for the President. There is an indication on the transmittal memorandum from Rostow to the President that the President saw this telegram.

President Marcos intends to secure an appropriation for existing Philippine Civic Action Group replacement after the impending elections.

With respect to Vietnam, help from the Philippines, in addition to existing Philippine Civic Action Group:

A. President Marcos said combat troops are not politically possible.

B. President Marcos suggested an "Operation Brotherhood" similar to the Laos Operation as an addition to the existing Philippine Civic Action Group. He did not mention the De Venecia Proposals.²

C. I indicated this is not feasible because: (1) It does not fulfill the U.S. need for further troop participation from Asian countries; (2) It is a civilian-aid type project, which would require the cooperation, approval and greater involvement of the Government of Vietnam; and (3) It is an AID-financed project, and AID is having trouble financing our own projects in Vietnam without taking on anything new.

D. The most likely projects appeared to be: (1) Another Philippine Civic Action Group or (2) Army engineering battalions divorced from a civic action concept which could build roads, bridges, etc. Military Assistance Command in Vietnam would prefer a combat battalion to another Philippine Civic Action Group. Therefore, I pushed the idea of an engineering battalion to guard, build, maintain roads, etc., but did not use word "combat" to describe battalion. This strategy is a product of a long briefing session with Embassy Manila the previous night, it being thought the word "combat" might kill the idea before it started. I made it clear we wanted an "army" battalion.

E. Marcos would not have money to finance, and would not want us to finance directly because of possible charges of our hiring "mercenaries." He thought it might be possible if we financed indirectly by financing work in the Philippines which otherwise he would have to finance.

F. Marcos said he would study the matter. I made it plain I could not commit the U.S. and that our discussion was only an attempt to find possible solutions for our mutual problems that were at least worthy of his study and of my submission to Washington.

² Jose de Venecia, Minister of the Philippines Embassy in Vietnam, proposed the establishment of a private Philippine corporation employing Filipino technicians to carry out rural reconstruction and refugee settlement work, the establishment of a Philippine manned helicopter squadron, and Philippine and other third country pilots flying F-5 aircraft in combat in Vietnam. (Memorandum from Chadbourn to Bundy, October 18; National Archives and Records Administration, RG 59, EA/VN Files: Lot 75 D 334, Free World Assistance—Philippines)

The following morning I had a discussion with Secretary Ramos and De Venecia. Ramos and Secretary of Defense Mata had a talk with President Marcos at length after I left. Secretary Ramos said:

A. The President is agreeable, in principle, to the army engineering battalion concept and also to sending engineering specialists as "observers."

B. The President is prepared to seek an appropriation for this purpose if we will build certain roads near Clark Field.

Ramos said these would have the military value of (1) speeding up traffic between Clark Field and Manila; (2) extending roads into Huk territory, thus helping the government deal with the Huks. Ramos mentioned a diversionary road north of Clark to relieve traffic. Marcos had mentioned the Clark to Subic Bay route.

Secretary Ramos will be in Saigon for the Thieu inauguration. He will come armed with maps and details of roads. I will have General Westmoreland come up with the nuts and bolts of the desired battalions. The plan is for General Westmoreland, or perhaps his appropriate staff man, Ramos, and me to discuss the details and costs October 29 in Saigon.³ I discussed this with Embassy Manila which was agreeable. If the matter proceeds to the proper point, discussions will then naturally shift to Embassy Manila and to various appropriate Philippine officials after the elections. Ramos is informed I cannot make a commitment and the present stage is one of discussion only.

Other matters discussed by Marcos were:

A. A Japanese agreement to finance part of the projected new road system. The Japanese Prime Minister will send Japanese private contractors to Manila to negotiate construction contracts. Marcos did not mention an amount, but De Venecia had previously mentioned \$60,000,000 and this was confirmed by the newspapers.

B. The Marcos desire that United States contractors come to Manila to negotiate construction contracts for roads. He said he would guarantee them there would be no under-the-table payoffs, the fear of which he believes has prevented U.S. contractors from being interested in the past. (This statement he also made in front of a group of his Ministers and U.S. Chargé d'Affaires Wilson with whom he discussed some matters in my presence after our private talk.) I told him I would inform Washington of his desires. I was thinking the Department of Commerce might be interested. I also suggested that through the Philippine Bank or the Philippine Embassy in the U.S., he could probably get information on road contractors in the Federal Highway System and Dunn and Bradstreet reports on those interested. I surmise one of his interests

³ See footnote 5, Document 357.

in U.S. contractors is that they might make it easier to finance his road program. I understand U.S. contractors would have to take Philippine contractors as joint venturers and that the Philippine Bank guarantees might be available for highly qualified and reputable companies.

C. The Marcos desire that U.S. Armed Forces at Clark conduct a civil action program to help hamlets in the area. This is to be part of anti-Huk work and part of a program to improve the U.S. image, as "good work done" stories could be leaked to the press. He is thinking of help with farm roads, irrigation ditches, schools—small and scattered work—a completely U.S. program. (I understand from Embassy Manila such a program is now contemplated.)

D. Marcos said the Huks in the provinces are known and could be picked up but are connected with intellectuals in Manila whom he wished to identify first. The Huks are now supporting political candidates, and he is supporting the best candidates to oppose them without reference to party lines. Candidates deny a connection with the Huks or that they seek Huk support, and he has told them that if they get elected and help the Huks, he will clamp down. The Huks infiltrated guards at Clark, necessitating his using the constabulary to guard the base. Also some accommodation with lower army echelons, necessitating his change of army units in the area. Also some Huks have had M-16 weapons.

E. Discussion was held of the situation in Vietnam (I said progress is being made in all respects), of peace negotiations (I said no sign of change in attitude by Hanoi) of the importance of Vietnam to all Asia (he agreed, and said all Asian leaders agreed. He said even Sukarno had told him he was glad of the U.S. presence in Asia and that Sukarno claimed he was "using" the Communists). It is possible, if Washington thinks it useful, that he might be willing to start a movement toward negotiation for a limited purpose of prisoner exchange.

Before leaving Vietnam, I had discussed various proposals with the Military Assistance Command in Vietnam, Civil Operations for Revolutionary Development, and the Agency for International Development for Philippines help in technical and civilian fields. I did not discuss these with President Marcos because I did not want to confuse the engineering battalion issue. De Venecia thinks it important to have the civilian "mix" with the military aid. Probably this will come up when Secretary Ramos comes to Vietnam. I will send a separate message about this.

So far, there have been no press leaks. The President's lunch at the Palace was very small, and included U.S. Chargé Wilson and his wife. The only sizeable party (about 50) was given by Secretary and Mrs. Ramos and Mrs. Perez (widow of former House Speaker and mother-in-law of De Venecia) at Mrs. Perez' home. Presumably, only

friends of the government were invited and they were not necessarily told of the Presidential invitation.

359. Letter From the Chargé in the Philippines (Wilson) to the Assistant Secretary of State for East Asian and Pacific Affairs (Bundy)¹

Manila, October 26, 1967.

Dear Bill:

By now you will have had a chance to digest Eugene Locke's two messages, our 3760² and his back channel direct to the White House,³ which I assume has been passed on to you, regarding Marcos' assertion that he was short changed on the original five ECB's. I trust that Bill Jorden's accompanying back channel to Walt Rostow⁴ served its intended purpose of calming any immediate reactions at the highest levels at home.

The Locke messages do record, however, this rather extraordinary and curious play by Marcos; and some personal observations from here may be in order aside from any direct comment we send in on 3760—particularly since open comments on Locke's back channel message are a bit difficult under the circumstance.

First of all with respect to Marcos' ECB allegation, I find it very difficult to believe that Marcos in fact does not know the whole story on ECB numerology. To assert at this late date in the face of well documented past history that he was talking five (or ten) *new* battalions over and above his original three engineering battalions simply won't wash. There is a very remote chance, as he implied to Locke, that this came up in his private conversation with the President in September 1966 of which no one has a record. (This is the real reason Locke used that particular back channel to report it.) But I doubt seriously that anything in that detail would have been discussed.

¹ Source: Department of State, Bundy Files: Lot 85 D 240, Ambassadors' Private Correspondence, 1967-1968. Secret; Official-*Informal*; Personal; Exdis.

² See Document 358.

³ Attachment A to Document 357.

⁴ Attachment B to Document 357.

Beyond this we have all sorts of evidence to indicate the contrary. I start with your own report of your February 1966 conversation with Marcos (Embtels 1792 and 1793 of February 26, 1966)⁵ in which you made it plain Marcos was then talking *seven* battalions *in addition* to his existing three. This conforms exactly with the discussions going on then between us, Mata, Raquizo and others as set forth in the attached summary briefing paper we drew up here last June when the allegation was first made that we were short changing them.⁶ You will note in particular the attached schedule of battalion activation utilizing the original three as cadre for a total of *ten* battalions. This formed an integral part of the May 18, 1966 agreement between JUSMAG and the DND. The summary briefing paper and the chart were given both to Kokoy Romualdez and to Salas to show to Marcos in June. We can only assume they did what they said they were going to, and Marcos certainly understood the situation last June.

This being the case I can only conclude that Marcos has chosen to use this rather elaborate method to bring to the President's attention through Locke that he really wants equipment for three more ECB's as part of the asking price for any augmentation of Phil forces in Vietnam, the other elements—as of now—being the Subic-Clark road, the Clark by-pass road and a right of way through Clark for the latter.

With respect to Subic-Clark we are trying to dig out more background but believe this harks back to the Pablo Roman scheme of several years ago (participated in then by our friend De Venecia) which was abandoned when our military decided to build the Clark-Subic pipeline. The other road, as proposed by Melchor, the Pentagon is now presumably looking at. The Clark right of way they probably want under any circumstances and may thus be a separable element in the package.

No one of course in the absence of actual feasibility studies has any real idea of the price tag on either of the roads. Even Melchor's figure seems to be only a wild guess. The U.S. contractor bit, I suspect, is simply thrown in as a sweetening ploy to make it look as if they were concerned with our dollar outflow problem and to suggest indirectly the possibility of EX-IM or AID financing. It seems from a practical standpoint to be a non-starter. What they would undoubtedly like is something approaching the arrangements they have probably heard of in Northeast Thailand, where DOD picks up the tab on certain roads on the basis of U.S. military requirements. Beyond this and as successive fall off positions I imagine they would like us to pick up at least dollar

⁵ Both dated February 26. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 27-3 VIET S)

⁶ Not attached and not found.

costs on whatever roads might be eventually agreed upon as part of the quid pro quo arrangement.

All this being said, I am still trying to analyze why Marcos chose this particular means to surface his proposals. The De Venecia proposals clearly were nothing more than a cover for Marcos' own independent move. (All the cabinet members who sat around with me while Marcos talked to Locke in the next room were armed incidentally with De Venecia's 30 page briefing book covering his projects, none of which were even mentioned.) The methodology is of course typical of Marcos, but why he went to such lengths on this including the elaborate hospitality showered on the Lockes remains something of a puzzle.

One guess is that he harbors some idea that Locke might be the next Ambassador here (Kokoy mentioned this possibility to Rafferty) and wanted to look him over. Or Marcos might be using this to signal the idea that he would prefer to do business with a new Ambassador who is close to the throne at home⁷ in order to continue the same sort of personal diplomacy he tried with Kokoy in Washington. It's even possible he had in his mind a bit of a reverse nudge in terms of having us look over Elizalde to see if he would have the same kind of personal access to our President that he would like to see here.

This is of course only speculation, but with a fellow as complex as Marcos almost anything is possible. I doubt if he would go to all the trouble to getting Locke over here just to tell him about the ECB's, since he told Jorden the same thing the same day, and the rest of it could very easily have been handled with Bill Blair before he left, with me, or by private letter to the President. I need hardly add that from the standpoint of my own future relations here in the inter regnum I trust that the replies to all of these queries come back to Marcos through normal Embassy channels. We will of course keep in close touch with Saigon on any developments there, and I've also made it a point to keep Bill Jorden fully read into this here. He will undoubtedly be in touch with you on it shortly after he gets back.

All the best.

Sincerely,

Jim

⁷ Before Dallas lawyer Eugene Locke was Ambassador to Pakistan and then Deputy Amabassador to Vietnam, he was Chairman of the Texas Democratic Committee.

360. Editorial Note

On Saturday, November 4, 1967, at 2:20 p.m. President Johnson met with Secretaries Rusk and McNamara, Special Assistant Rostow, Director of Central Intelligence Helms, Press Secretary George Christian, and Special Assistant Jim Jones for a luncheon meeting. The lunch took place in the West Sitting Room of the White House. In the early part of the meeting, President Johnson asked if Eugene Locke could fill the post of Ambassador to the Philippines (Ambassador Blair had left on October 24). The President expressed worry about the Philippines, stating, "I feel it in my bones that there is going to be a problem there." The President remarked that he trusted Locke, but perhaps he was too close to the President to be placed in the position of Ambassador to the Philippines. The remainder of the conversation, which lasted until 3:55 p.m., did not relate to the Philippines. (Memorandum from Jones to the President, November 4; Johnson Library, Meeting Notes File)

361. Memorandum Prepared for the 303 Committee

Washington, November 20, 1967.

[Source: National Security Council, Special Group/303 Committee Files, Subject Files, Philippines. Secret; Eyes Only. 1 page of source text not declassified.]

362. Intelligence Memorandum Prepared in the Central Intelligence Agency¹

No. 1679/67

Washington, December 7, 1967.

PHILIPPINE PRESIDENT MARCOS' PROBLEMS AT MIDTERM

Summary

The recent electoral successes of his Nacionalista Party have left President Marcos in a strong political position after two years in office. Increased control at both national and provincial levels should enable him to make greater progress in his reform and development programs if he is so inclined.

The problems he faces are serious ones, however, involving the strains of rural poverty and urban unemployment, rising lawlessness, and growing pressures from an emerging generation alienated from the tradition of their parents and seeking a more distinct national identity. Marcos' willingness and ability to overcome the foot-dragging of a powerful conservative oligarchy and to satisfy some of the demands of increasing nationalism will have an important effect on his political future.

Marcos' Political Strength

1. *After two years in office, President Fernando Marcos of the Philippines has shown remarkable political strength, as reflected in the success of his Nacionalista Party in the recent off-year elections.² Marcos campaigned vigorously for Nacionalista candidates for local and provincial positions, realizing that grass-roots support would be vital both in implementing his development programs and in marshalling support for his bid for re-election in 1969. His efforts were repaid when, according to unofficial returns, his party gained 48 out of 65 governorships and*

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67-11/68 [2 of 2]. Secret; No Foreign Dissem. A note on the memorandum indicates that it was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates and Clandestine Services. Rostow sent this memorandum to the President on December 16. There is an indication of Rostow's transmittal note that the President saw it and the memorandum. This memorandum was distributed in a slightly more detailed version as a "Special Weekly Review," entitled "Philippine President Marcos at Midterm," SC No. 00801/67B, December 22. (Ibid.)

² INR prepared an Intelligence Note for Rusk on the election. Based on 90 percent of election returns, INR concluded that "the election was marred by violence, inefficiency, and large scale disenfranchisement. Nevertheless, it constituted a clear mandate for Marcos' 'rice, roads, and schools' program and is another step toward his goal of re-election in 1969." (Memorandum from Hughes to Rusk, Intelligence Note 931, November 22; National Archives and Records Administration, RG 59, Central Files 1967-69, POL 14 PHIL)

nearly three fourths of other provincial, municipal, and local offices in elections marred by violence, corruption, and inefficiency. In the Senate, whose members are elected at large, the Nacionalistas took six of the eight contested seats, and a pro-administration independent gained a seventh, leaving the opposition Liberals with just one Senate victory.

2. The glow of victory was somewhat dimmed by the outstanding showing of the Liberal senatorial candidate, Benigno Aquino, ex-governor of Tarlac Province and a vigorous opponent of Marcos, and by the re-election of Manila's Liberal mayor, Antonio Villegas, whose penchant for anti-American nationalism has often proved embarrassing to the administration. As Marcos had personally chosen and vigorously campaigned for Villegas' opponent, the mayor's victory was particularly galling.

3. *The elections have left Marcos with increased numerical support both in the provinces and in the legislature (the Senate now includes 15 Nacionalistas, seven Liberals, one Nationalist Citizens Party member, and one independent), which should put him in a better position to carry out the reform sures and development programs the country so desperately needs. The highly centralized nature of the Philippine Government will facilitate the President's control over his provincial adherents. His ability to control the legislature, however, is less certain.* Philippine politicians have traditionally switched allegiance when they believed it was to their political advantage. The Liberals, for example, gained control of the Senate last January through the defection of four Nacionalista senators. Obligations incurred in the recent election, as well as attempts to ensure future backing for his re-election bid, may also diminish Marcos' enthusiasm for pushing through reform legislation, a subject which—in any case—is not popular with the generally conservative oligarchy that controls Philippines politics. Marcos' primary goal, above all else, is to be the first Philippine president to be re-elected, and he can be expected to make any political compromises to achieve this end.

The Nation's Problems

4. *Marcos is still faced with the myriad of troubles that beset the country when he was elected and has so far accomplished rather little in resolving them. A vast and growing gap exists between the wealth of the few and the poverty of the many.* The peasant farmer's subsistence-level existence has been perpetuated by backward agricultural methods, inadequate irrigation, and high loss from uncontrolled pests, particularly in the important rice-growing areas. Initiative for improvements has been discouraged by a feudalistic system of land tenure and by a traditional suspicion of innovation. Progress in land reform and rural development has been generally slow, hampered both by bureaucratic inefficiency and by the interference of landlords who are powerful supporters of both major parties.

5. Because of unsatisfactory standards of living in rural areas, migration to urban areas, especially Manila, has expanded rapidly in recent years. The rapidly growing urban populations have intensified pressures on municipal facilities and services, which are unable to keep pace with the expanding slums. Even though a growing economy is providing increased opportunities, it has not kept pace with a rapidly increasing population. Serious unemployment and more widespread under-employment have resulted. Despite this vast reserve of labor, the demand for skilled manpower to meet growing industrial needs cannot be met. Government neglect in providing training schools or in encouraging technical education has only recently been recognized, and manpower planning and technical training programs have begun to receive attention.

6. *Efforts to institute the necessary reforms have been undercut by corruption, inefficiency, and nepotism in the political structure.* Public office continues to be used to further personal or family fortunes. An official dispenses jobs and favors, not in the public interest, but to satisfy obligations to those people tied to him through the complex familial or patronal relationships that characterize Philippine society. Marcos, himself, is partly responsible for the continuing inefficiency by his desire to maintain tight personal control over the government's activities and his reluctance to entrust even minor decision-making to subordinates. His veto of the decentralization bill, which would have allowed much-needed flexibility and initiative at the local level, was a reflection of this need to control the game.

Marcos' Attack on the Problems

7. *Marcos' initial program to initiate development, fight lawlessness, and suppress smuggling and corruption met with only limited success. Perhaps having lost some of his taste for jousting with the powerful figures involved, he has narrowed his efforts to emphasize "rice, roads, and schools" as the major goals of his administration.* The Philippines' need to import five to ten percent of its rice requirements each year has been a serious drain on foreign exchange. Marcos' goal of achieving self-sufficiency in rice will hopefully be fulfilled by 1970 by means of an intensive program to introduce the improved strain of rice, IR-8. With the receipt of US equipment for five additional army engineering construction battalions, bringing the total army engineering strength to eight battalions, the government launched a vigorous road construction program, which by last June had completed some 700 kilometers of new roadway. The school building project has also received considerable US assistance through the Special Fund for Education and is progressing "satisfactorily."

8. *Central Luzon has been a special target for the government's development efforts. Operation Central Luzon (later called the Central Luzon*

Development Program) was launched to undercut the growing influence of the pro-Communist Huks in this traditionally depressed area. There is no indication that any serious impact has been made on the poverty and injustices of life there, although increased rice production may stimulate some improvement, and the power of the Huks has not been curbed.

The Role of the Huks³

9. *Huk influence is sustained in part by the collaboration of local officials and politicians who recognize the Huk ability to control the vote, in great part through intimidation. To some extent, the Huks have also been able to project a Robin Hood image among peasants disgruntled over bad government and impoverishment.* The recent elections served to stimulate their activities and probably helped to solidify their position. The estimated number of armed Huks is still a relatively modest 140. However, these are supported by up to 30,000 sympathizers. Insurgent operations continue to center on the provinces of Tarlac and Pampanga, and reported efforts to expand to other areas have apparently been unsuccessful.

10. *Marcos has vacillated between a harsh line against the insurgents and vague gestures of amnesty.* The President's support of the constabulary's efforts against the Huks has been inconsistent, but just prior to the recent election he encouraged the constabulary to intensify its effort. Several Huk leaders were either captured or killed, but these successes may result in Huk reprisals. Particularly distressing has been the evidence of M-16 rifles in Huk possession. It remains to be seen how long Marcos will sustain the pressure, but his electoral successes and a recent, particularly daring Huk ambush are reported to have prompted him to order the constabulary to redouble its efforts.

11. *Little is known of the strength of Communist ideology in the present Huk movement, but their ties with the urban-based remnants of the Communist Party (PKP) appear tenuous.* Although there have been meetings between the urban leftist leaders and the Huk commanders, the pro-Communist urban fronts have also made attempts to develop a rural following independent of the Huks, most notably through the peasant front, the Masaka (Free Farmers Association). The growth of this organization, still in its incipient stages, might ultimately provide a better

³ INR prepared Intelligence Notes for Rusk on the Huks/Peoples Liberation Army at the midterm election. In Note 830, October 18, INR suggested that Marcos would not move militarily against the Huks until after the presidential elections of 1969 or even the off-year elections of 1971 because he needed their political support at the local level in Central Luzon. (Ibid., POL 23-7 PHIL) In Note 850, October 26, INR analyzed Huk political power in central and western Luzon and concluded that by running its own candidates in most races it would prove the difference between defeat or victory. INR suggested that Huk political influence would grow after the elections. (Ibid., POL 14 PHIL)

indication than the Huks of the Communists' ability to exploit rural poverty and unrest. *These urban fronts, however, are themselves in a weakened and divided stage.* Continually splintering into overlapping or competing groups, they presently are engaged in an internal struggle between the older, pro-Soviet cadre and the younger, Peking-oriented radicals. Lacking discipline, forceful leadership, and funds, they represent no current threat to the government.

The Radical Nationalists

12. *A more serious problem is the pressure from the radical nationalists, particularly in the younger generation, who seek to cultivate a more Asian identity and resent any overtones of American domination—political, economic, or cultural.* These younger Filipinos, who make up an increasing percentage of the electorate, do not share the sentimental ties to the US that many of their parents still have and are resentful of any indication of what they believe to be American paternalism or privileges. Marcos' apparent lack of interest in establishing support with this group has been puzzling. Despite his obvious political nerve, he has neither seriously attempted to bid for their support nor tried to channel their excessive national pride into useful directions. When Marcos has dealt with the young radical intellectuals at all, it has been in indirect attempts to undercut their activities.

13. *US military bases and economic relations are the usual targets of nationalistic frustrations; the government's actions occasionally reflect its sensitivity to these pressures.* Most Philippine leaders readily acknowledge the necessity of the American bases and their importance to Philippine security, but the desire to be accepted in the Asian community and a sensitivity to charges of American dominance cause underlying tensions which occasionally erupt. Sporadic assertions of sovereignty take the form of disputes over jurisdictional rights, labor, natural resources, or the administration of customs, immigration, and health regulations on bases.

14. *Economic nationalism has been manifested primarily in the persistent attacks on the Laurel-Langley agreement, viewed by the radical nationalists as economic imperialism.* Preliminary talks regarding future arrangements after the agreement expires in 1974 have already shown the Philippine desire for a protected position in the American market but an unwillingness to allow reciprocal preferences. Marcos has always been aware of the Philippines' need for foreign investment and has sought to attract it, but he has also been periodically stymied by the maneuverings of the nationalists, as during Mayor Villegas' attack earlier this year on American retail trade in the Manila area. As presidential elections loom on the horizon, Marcos may find it politically expedient to take a harsher line toward future economic ties.

Foreign Associations

15. Marcos has often shown a sensitivity to criticism of too close an association with the US. He has justified his support for the American position in Vietnam and for the Philippine contribution to the war effort by citing the resulting American aid for his domestic development programs. In his desire to establish his identity as an Asian statesman, independent of American control, he has attempted to initiate peace proposals that have only served to arouse the annoyance and mistrust of his Asian allies. This striving for an independent image has also involved a growing interest in developing trade and cultural ties with Eastern Europe, but the government has been cautious in pursuing them. Prominent Filipinos have visited bloc countries in increasing numbers, though without official recognition. China, however, is still viewed with great alarm, and contact has been very limited. Marcos continues to regard the American presence in Asia as absolutely vital, but publicly acknowledges this less frequently.

Prospects

16. In general, the Philippines situation reflects the inability of a rural, agricultural economy, feudalistically structured, to support a rapidly expanding population, and the failure of a slowly expanding industrial sector to meet job requirements for increasing urban masses. The problem facing any Philippine government is, in some way, to persuade or manipulate the conservative elite to accept the political and economic reforms necessary to stimulate the economy. Unless the peasant farmer and the urban slum dweller are persuaded that the present system can respond to their needs, their growing apathy could in time turn to rebellion. As the post-war generation becomes more prominent on the scene, the government must also respond to growing nationalist pressures, which will probably involve loosening traditional ties with the US in the search for a distinctive identity.

363. Intelligence Note From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk¹

No. 223

Washington, March 26, 1968.

SUBJECT

Malaysian Reaction to the Disclosure of Philippine Plans to Subvert Sabah

Malaysia, long aware through its own intelligence service, of the Philippine clandestine training program for subversion in Sabah, has been prompted to formal diplomatic protest by the public disclosure of the training camp at Corregidor.² Although incensed by Philippine behavior, Kuala Lumpur continues to hope that Manila's response will permit the maintenance of diplomatic relations.³

Malaysian Efforts to Kill the Philippine Plan. The Malaysian government has known since May 1967 through its own intelligence service that the Philippines was involved in preparing a program for infiltration and subversion in Sabah in support of the Philippine claim there. Early in December, Malaysia learned that Philippine guerrillas were being trained in the southern Philippines. While top Malaysian officials were incensed that an ostensibly friendly country and a fellow member of the recently created Association of Southeast Asian Nations would plot to subvert a part of their territory, they were confident that their own security forces could repel any Philippine subversion effort and that the political situation in Sabah was not susceptible to Philippine influence. The Malaysians hoped that, by quietly making known their awareness of the Philippine plans, they could persuade the Philippine government to drop the project, thus preventing any rupture in Philippine-Malaysian relations.

Malaysia's Formal Protest to the Philippines. The unexpected revelation of the secret Philippine training program at Corregidor, which was given wide publicity in the Philippines and Malaysia coincident with the arrest of twenty armed Filipinos attempting to enter Sabah illegally, persuaded the Malaysian government that it must take formal if low-key notice of the Philippine program. On March 23, accordingly, a

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 23-7 MALAYSIA. Secret; No Foreign Dissem.

² In Intelligence Note 226, March 27, Hughes informed Rusk in more detail about the Corregidor Clandestine Camp. (Ibid., DEF 6-5 PHIL)

³ The Philippine claim to Sabah, pending since 1962, was an irritant to Malaysian-Philippines relations even after the Philippines recognized Malaysia in 1966. In 1963, under the Maphilindo agreement, the Philippines and Malaysia were committed to resolving the dispute by peaceful means. (Intelligence Note 27 from Hughes to Rusk, January 10; ibid., POL 32-1 MALAYSIA-PHIL)

protest note was handed to the second secretary of the Philippine Embassy by a medium level official. The note stated that Malaysia took the news of the Corregidor camp "most seriously in view of the recent arrest of more than twenty Filipinos with arms . . . who were unable to explain their presence in Sabah." Malaysia would have "no-alternative but to regard such activities as a most serious breach of good faith and friendly relations" and requested "a full explanation." The Malaysian note also said that Malaysia had instructed its representative at the UN to bring the matter to the attention of the Secretary General.

Malaysia was not reassured by Philippine reaction to its note, even though Foreign Secretary Ramos told the Malaysian Ambassador that the Philippines was "not trying to instigate a revolt in Sabah" and that the Philippines would answer the Malaysian note soon "in a friendly, moderate tone." It was clear that the Philippines was annoyed that the Malaysians were reporting to the UN Secretary General. One Philippine diplomat called this action "presumptuous" and said Malaysia was elevating the issue unnecessarily. The Malaysians were further disturbed when Marcos and Ramos insisted that the Corregidor training camp had been established for counterinsurgency training following reports of communist activities in Mindanao and the Sulus and when Manila in its secret reply to Malaysia's note accused the Malaysians of infiltrating the Philippines from Sabah. On March 25, the Malaysians issued a statement demanding that, in the interests of friendly relations between the two countries, the results of both President Marcos' and the Philippine Congress' investigations of the Corregidor training program be made public and describe the objectives of the training.

Prospects for Philippine-Malaysian Relations. The Malaysian government hopes that, having presented its low-key formal protest to Manila, no further diplomatic action on its part will be necessary and that it will not be pushed toward a break in diplomatic relations. Its ability to maintain this policy depends, however, on the Philippine diplomatic response, on Malaysian press and public reactions to the further revelations that may result from the official investigations of the training program, and on the reverberations produced in the Philippines by these investigations.

364. Information Memorandum From the President's Special Assistant (Rostow) to President Johnson¹

Washington, April 10, 1968, 3:35 p.m.

SUBJECT

PHILCAG—and your message to Marcos

Your message to Marcos urging him to stand fast on PHILCAG² appears to have served its purpose. Embassy Manila reports that "the President's letter has served to give Marcos a much needed shot in the arm on PHILCAG, and hopefully he will follow through with a major effort to win the necessary votes for a bill "which will preserve PHILCAG's essential integrity."³

Our Embassy cautions, however, that it will not be easy. Marcos has asked our Embassy to approach three specific senators who have proved unresponsive to Marcos' efforts. Our Embassy will be doing so in the next several days.⁴

We left to Marcos the choice of releasing the text of your message to the public and he wants to assess the tactical situation before deciding to use it publicly to counteract the fairly widespread impression in the Philippines that the United States is backing out of its South Vietnamese commitment. If he does choose to release we have asked for 24 hours notice to permit simultaneous release here, if desired.

In sum, the situation on PHILCAG is looking up—but we are not out of the woods yet.

Walt

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos 8/67-11/68 [1 of 2]. No classification marking. A note on the memorandum indicates that the President saw it.

² The text was transmitted in telegram 14368 to Manila, April 9. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 27-3 VIET S)

³ As reported in telegram 9252 from Manila, April 10. (Ibid.)

⁴ Also reported in telegram 9252 from Manila.

365. Information Memorandum From the President's Special Assistant (Rostow) to President Johnson¹

Washington, April 30, 1968.

SUBJECT

Meeting with Governor G. Mennen Williams, May 1--5:30 p.m.²

Governor Williams is in town in connection with his appointment as Ambassador to the Philippines. He is appearing before the Senate Foreign Relations Committee on the morning Friday, May 3.

Attached is a Talking Paper prepared for you by the Department of State for your meeting with Governor Williams.³ In brief, it suggests that you stress:

1. the necessity for the Philippines maintaining their PHILCAG force in South Vietnam.
2. the importance of the Philippine Government taking a more liberal approach to foreign investment, both in their own interest and as a necessary step to a successful re-negotiation of our current economic relations agreement with them (Laurel-Langley).
3. our intention of keeping our AID programs to the Philippines at a relatively modest level (1968 MAP program is \$21 million and the 1968 AID program is about \$20 million).
4. our concern at the continuing lack of law and order in the Philippines and its inhibiting effect on the confidence of the mass of the people in the ability of the Philippines to meet its problems through existing domestic political structure.

Walt

¹ Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67-11/68 [1 of 2]. No classification marking. A note on the memorandum indicates that the President saw it.

² The President met with Williams very briefly on May 1 from 5:43 to 5:45 p.m. (Ibid., President's Daily Diary) No other record of their short conversation has been found.

³ Undated; not printed.

366. Action Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, May 18, 1968, 1:50 p.m.

SUBJECT

Reduction of size of Philippine military force in Vietnam (PHILCAG)

President Marcos has been having trouble for several months in getting from his Congress an appropriation to cover PHILCAG. Marcos and other Philippine officials have repeatedly told our Embassy it might be necessary, in view of the Congressional pressure, to reduce the size and change the composition of PHILCAG (for instance medical units instead of engineering battalions).

We have made a vigorous effort, including your letter of April 14,² to persuade Marcos to maintain the size and the integrity of PHILCAG. On several occasions he has assured us, and has stated publicly, that he would do so.

Nonetheless, withdrawals have taken place. From an original strength of 2,050, PHILCAG is down to 1,810. The Philippine Secretary of Defense and Armed Forces Chief of Staff have now informed our Embassy that they are planning a weekly reduction of 35 men until PHILCAG is reduced to a strength of 1,400. That would constitute a better than 30% reduction from the original PHILCAG strength.

Attached is an extremely stiff cable to our Embassy in Manila authorizing the Embassy to find out if the reduction has Marcos' approval.³ If so, the telegram authorizes⁴ our Chargé in Manila to speak in very blunt terms to Marcos about the dim view we take of this development. Among other things, the message says that we will suspend further shipments of equipment for Philippine army engineer construction battalions (a matter of great personal interest to Marcos and a program which stems from his visit with you in 1966). We also plan to suspend activity regarding procurement in the Philippines of our needs in Vietnam (another matter stemming from the communiqué issued at the end of Marcos' visit with you). Finally, the cable raises

¹ Source: Johnson Library, National Security File, Country File, Vietnam, 5 D (2), Allies: Troop Commitments and Other Aid, 1967-69. No classification marking. A note on the memorandum indicates that the President saw it.

² Not printed. (Ibid.) See also footnote 2, Document 364.

³ The draft cable is attached to a memorandum from Read to Rostow, May 11. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 27-3 VIET 5)

⁴ Rostow wrote the following note at this point: "Not: instructs. See final para."

the possibility that at some point the reductions of PHILCAG might render the Philippines ineligible to sit in the councils of troop-contributing countries to Vietnam.

The cable has been personally cleared by Secretary Rusk.

But I have my doubts that this cable will do the job. In the first place our Chargé in Manila is not at all likely to go as far with Marcos as this cable will permit him to go. The cable should serve, however, to clarify Marcos' intentions and precipitate a dialog with our Mission on the best approach to the problem of keeping PHILCAG intact. Eventually, we may want to resort to another letter from you. That, however, depends on Marcos' reaction, and this cable is a necessary first step.

One good reason for precipitating this issue without delay is to try to get it out of the way before Mennen Williams arrives in Manila, in about a month.

There is one danger in this of which I think you should be aware. Thus far, the reduction of PHILCAG has taken place with virtually no publicity. Manila is a sieve, and a tough approach by us will probably become known and focus publicity on the PHILCAG reduction. However, that is sure to happen anyway, sooner or later. I think it is time to bite the bullet with the Philippines.

I recommend you approve the cable. Whether or not you approve you might want to discuss the problem at the Tuesday luncheon.

Walt

Approve

Put on Tuesday lunch agenda⁵

Disapprove

Call me

⁵ The President checked this option and wrote the following instructions: "Ask Clifford & Rusk to study very carefully. L." At the Tuesday lunch meeting on May 21, attended by President, Rusk, Clifford, Wheeler, Helms, Rostow, and Christian, with Tom Johnson taking notes, the issue of the Philippines engineering unit was discussed. Wheeler noted that the Philippines could not support the unit until June and Clifford stated that the Philippines wanted to reduce it from 1,800 to 1,400. Wheeler remarked that a seventy man reduction per week, as contemplated, "isn't getting much attention." The President moved on to the question of Korean troops in South Vietnam. Presumably the reduction was accepted and the cable was never sent. (Notes of a Tuesday Lunch Meeting; Johnson Library, Tom Johnson Notes, 5/21/68)

367. Action Memorandum From the Assistant Secretary of State for East Asian and Pacific Affairs (Bundy) to Secretary of State Rusk¹

Washington, May 20, 1968.

SUBJECT

The Sabah Dispute and ASEAN

Discussion:

As you will recall, at the luncheon May 9, Foreign Minister Thanat raised the question of the Philippine-Malaysian dispute over Sabah and his concern that the dispute may disrupt the ASEAN ministerial meeting in August. Thanat plans to reason with both parties before the bilateral talks on Sabah open in Bangkok June 17. He would like us to persuade President Marcos to cool off the quarrel. We did not at the time so inform Thanat, but we have told the Filipinos informally, when they mentioned the issue, that we thought they should quiet the matter. (See Manila 8618 and State 136076 attached at Tab B.)²

After giving the matter further thought, and discussing it with the Country Directors in EA, I believe that we should continue to avoid active intervention in the Sabah dispute, and to avoid initiating discussions on this issue with any of the interested governments. In arriving at this conclusion, I considered the following points:

(1) *Seriousness of Present Impasse*—We expect the Bangkok talks on Sabah to fail, with mutual recriminations. Malaysia intends to reject the Philippine claim outright and to refuse a second round of talks, even if (according to one senior Malaysian official) the Philippines react by breaking diplomatic relations again. The Malaysians also plan to stage a military demonstration in Sabah while the bilateral talks are going on. On the Philippine side, President Marcos is reported to have reversed the moderate line urged by Foreign Secretary Ramos, and the Department of Foreign Affairs is now taking a "second hard look" at the relative priorities of regional cooperation and the Sabah claim.

(2) *Sabah as a Southeast Asian Problem*—We have told both the Filipinos and the Malaysians that we consider Sabah primarily a problem which they will have to work out for themselves. Other members of ASEAN, working separately or jointly, may be able to help them

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 18 MALAYSIA. Secret. Drafted by Ruth A. McLendon (EA/PHL) and cleared by EA, EA/PHL and in draft with EA/IND, EA/MS, EA/TB, and EA/RA.

² Both attached but neither printed.

work out a face-saving compromise, or to persuade them at least to try to contain the dispute in order to minimize the damage to regional cooperation. I believe that advice or pressure from outside powers, however well-intended, would only weaken the sense of responsibility of ASEAN members for handling their own affairs, and that at this point, we can best encourage the development of ASEAN by standing aside and letting the member states decide for themselves how to deal with the potential threat posed by the Sabah dispute.

(3) *U.S.-Philippine Relations and Philippines in Southeast Asia*—I believe that it would be unwise especially for the U.S. to attempt to guide or influence the Philippines on this issue. Such a move would encourage the Filipinos' tendency to draw us into their affairs and then to consider us responsible for the situation. It would also reinforce the view held by other Southeast Asian nations that the Philippine Government cannot be dealt with as a responsible Government, but must be approached through Uncle Sam, who will keep them in line. If the Philippines is to play a responsible role in Southeast Asian affairs, Filipino leaders must learn to conduct their affairs without guidance from us, and to bear the consequences of their mistakes.

The attached telegram (Tab A)³ would instruct Bangkok to follow up the luncheon conversation of May 9 with Thanat with a fuller discussion of the Sabah issue, and to outline an appropriate portion of the reasoning I have given above. Other addressees would be authorized to draw on the message in discussions with interested officials, but not to raise the Sabah question independently.

Recommendation:

That you sign the attached telegram to Bangkok concerning the Sabah dispute.

³ The draft telegram is attached, but is not printed. According to a handwritten note, Rusk approved its transmission and it was sent on May 21 at 12:30 p.m.

368. National Intelligence Estimate¹

NIE 56-68

Washington, June 20, 1968.

PROSPECTS FOR THE PHILIPPINES

The Problem

To assess the situation and prospects in the Philippines over the next two years or so, particularly with regard to the performance of the Marcos administration.

Conclusions

A. The Philippine political system, despite the trappings of democracy, is dominated by a wealthy and conservative oligarchy, largely unresponsive to the economic and social needs of the vast bulk of the population.² President Marcos, a man of remarkable personal and political achievements, has been unable to rise above the system. It is not likely that the remainder of his administration will be any more productive; from now until the next presidential election in November 1969, both he and his opponents will be increasingly preoccupied with politics to the detriment of substantive programs.

B. Even over the longer term, prospects for reform of the Philippine social and political apparatus do not appear promising. Although the left does not pose an immediate threat, it may be able to convert existing apathy and resignation into discontent and eventually active opposition. Moreover, Philippine frustrations are likely to have an increasingly anti-American cast.³

¹ Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 56-68. This estimate was prepared by the Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA. All members of the U.S. Intelligence Board concurred with its submission with the exception of the AEC and FBI representatives who abstained on the grounds that the subject was outside their jurisdiction.

² In a memorandum to Fred Green of INR/REA, June 27, C. Hoyt Price, Director of EA/PHL, argued that this NIE was "too pessimistic" and quoted from an IBRD team assessment that suggested that the Philippines' economy "was in better condition than it has been during most of the last decade." The 1967 growth rate was 5.6 percent as compared with 4.2 percent in 1966. Food production was up, there was a rice surplus, and public investment projects were being completed. Price suggested that since the IBRD assessment was so much at variance with the NIE, the NIE should not be made available to other governments. (Ibid.) This NIE was not released to other governments. (Memorandum from Hughes to Price, July 18; *ibid.*)

³ On July 12 John Holdridge (INR) prepared a rejoinder to Price's June 27 memorandum which concluded that "aggregate economic growth, especially when accompanied by an extremely high birth rate and inequitable distribution of income is an unreliable barometer of social-economic progress." Holdridge stated that there was no "evidence" that "an increase in the GNP noticeably lessened the burdens of poverty, unemployment, land hunger and corruption borne by the average Filipino." (Ibid.)

C. The cornerstone of Marcos' foreign policy is the US-Philippine alliance, which is generally approved. A recent agreement has, for the time being at least, removed major problems related to US military bases. Though Filipinos generally are apathetic about the war in Vietnam, leaders are deeply concerned that the US maintain a strong position in Asia and will, from time to time, seek reassurance as to the US security commitment to their country.

D. New openings to the outside world in the form of increased participation in Southeast Asian regional affairs, contacts with more countries outside the region (including Communists), and greater awareness of the implications for the Philippines of external developments will reduce the general parochialism of the country, but probably not significantly in the near term.

[Here follows the Discussion section of the estimate.]

369. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, July 25, 1968, 0510Z.

13219. Subj: Sabah dispute.

1. Sabah matter discussed fairly intensively between Pres Marcos and Bundy at meeting afternoon July 24.² Because of extreme sensitivity this subject and speculation this conversation in particular all posts should handle this report with great care. For public purposes Marcos agreed with Bundy that latter should adhere to absolute "no comment" position throughout his trip on the whole subject of Sabah, including the question whether the topic had even come up with Marcos or with GOP officials. Question of disclosure to friendly governments addressed below for appropriate instructions and action by Department.

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 32-1 MALAYSIA-PHIL. Secret; Immediate; Exdis. Repeated to Bangkok, Canberra, Djakarta, Kuala Lumpur, and London.

² William Bundy had attended the Honolulu Conference between Presidents Johnson and Thieu of South Vietnam. After the conference, he visited U.S. allies in East Asia, including the Philippines, for consultations. In telegram 8708 from Seoul, July 23, Bundy asked for advice for his meeting with Marcos on the Sabah question. Bundy stated he was inclined to have "a heart-to-heart" and recalled that Rusk had told him to "make it crystal clear that if there were to be any conflict [over Sabah] whatever, they [the Philippines] could count on nothing from us." Bundy proposed "to be extremely frank and tough with Marcos alone, but not to spread the word." (Ibid.) The Department concurred in telegram 20694 to Manila, July 23. (Ibid.)

Following Bundy's report on Honolulu meeting and general status in SVN, Marcos himself raised the subject of Sabah (setting, incidentally, was totally private, with airconditioner drowning out any listening ears). Marcos' opening remarks made following points:

A) He noted that claim had been made before he came into office and that his own party had been divided on it;

B) Nonetheless, matter had assumed major importance in the Philippines, and he felt obligated to keep it alive;

C) A week before the ending of the Bangkok talks, GOP had thought it had understanding with Razak the talks would be ended on the note that neither side had convinced the other, but that discussions would continue in some form after an unspecified period of recess. Unfortunately, sharp Malaysian behavior and outright rejection of claim had produced situation in which his Foreign Policy Council had been inclined to recommend immediate military action. He had held this off, and had limited GOP reaction to withdrawal of all but one representative in KL;

D) He volunteered that he was completely opposed to any military action and would indeed "take the issue to the country" if necessary to prevent this. At the same time, he said that Muslim feelings in neighboring areas ran high and that there might be some private raids that he could not control;

E) In conclusion, he expressed the hope that USG could act to produce "more civil" attitude by GOM, again making clear that he felt major need to keep the issue alive and at least apparently under serious discussion. He also mentioned ICJ, but without pressing it.

2. In reply, Bundy made following points:

A) USG had not been, and would not become involved in dispute on either side. We took no position on the merits of the claim or on responsibility for the breakup of the Bangkok talks. We felt it essential to adhere to this position. (At the same time, Bundy remarked that when claim had first been raised, he had expressed clear private views on it—unstated but clearly implied to be negative—but would not do so in present circumstances. He also noted that there was "widespread impression" that closing phases of Bangkok talks had been affected by the "rather crisp" presentation of Ambassador Guerrero. Marcos obviously took in both points, but did not pursue them.);

B) At the same time, we did feel it right to convey to Marcos the serious effect that failure to "damp down" the dispute would have on American public support for U.S. policy in SEA. Bundy referred back to reference he had already inserted in discussions of Honolulu meeting to the fact that such public support was currently threatened, as never before, and that there was serious danger of its erosion. In this context, Bundy noted, serious dispute between two friendly nations and key

members of ASEAN could have serious negative consequences in terms of U.S. public and Congressional opinion;

C) Bundy went on that any resort to military action would be disastrous in the same context. We welcomed Marcos' clear statement on this aspect, and Bundy said we would have had no doubt that this was GOP position (*sic*), and that we were equally confident that any measures GOM might take would be defensive in character (no reference was made to any specific items of evidence, other than "inevitable rumors", nor did Marcos follow up or mention any specific items.);

D) In line with Marcos' desire to keep the matter under discussion, we continue to feel that any USG role would be most unwise, but equally felt that Asian friends of both parties might play useful role particularly in the corridors at the forthcoming ASPAC and ASEAN meetings. Bundy particularly noted that both Thai and Indonesia were interested and objective nations and also referred to Korean concern expressed to Bundy in Seoul—noting that Bundy had suggested side discussions in Canberra and also that we did not believe ROKG itself knew enough about the matter to be really helpful.

3. Marcos took all this in good part. His manner throughout was sober, and gave impression not merely of saying the right things but of meaning them. Discussion flowed easily and with apparent clear understanding.

4. Other discussions during Bundy visit, with Mrs. Marcos and with Ramos, appear to make clear that: A) GOP does regard non-withdrawal of GOM Ambassador in Manila as a conciliatory gesture; B) Ramos definitely plans to attend Canberra and Djakarta meetings personally, and specifically mentioned his hope for quiet discussions with Razak on these occasions; C) Mrs. Marcos' statement on local political pressure from the heirs of the Sultan of Sulu and from student elements seemed unconvincing. Likewise Marcos' reference to potential revolt in "southern Mindanao"—which he did not amplify—struck a hollow note to us. Nonetheless, Mrs. Marcos made more political sense in referring to attacks by newspapers and opportunist opposition elements—and we surmise that this is the core of the matter here.

5. In sum, we believe that private conversation can have left Marcos in no doubt (A) that we were not going to become involved and that we are looking to Asian friends to help; (B) that our objective judgment was that continued crises on this issue would have serious negative effects on our ability to continue policies of President Johnson, which we believe to be supported in essence by the most likely successors.

6. Department will wish to instruct key posts on how to handle this discussion in local capitals. Bundy instinct is that Australians and perhaps British should be told full position for their own knowledge

only, with explanation that this line of argument seemed to us the one likely to be most effective here and at same time least susceptible to negative consequences. We would think our disclosure to KL, if any, should be more limited. We might be able to go further in private talks with Malik and Thanat.

Bundy would propose to explore Thanat's feelings and views at planned dinner tonight in any event, and to throw out lines of thought suggested in Deptel 208279.³

7. What is most vital, from every standpoint, is that there should be no report that could possibly leak to the effect that we had had put "pressure" on the GOP. This would be the one thing that could really undo things here, both in terms of possible effect on GOP behavior and in terms of our wider relations and interests.

Williams

³ In telegram 208279 to Manila, Bangkok, and Djakarta, July 24, the Department suggested that the ASEAN Ministerial meeting offered the best prospect for reopening negotiations on Sabah and wondered if a study group under ASEAN reporting to the group might be the best mechanism. (Ibid.)

370. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, October 2, 1968, 0947Z.

15828. Sabah: U.S.-Philippine relations. Ref: Manila 15756.²

1. It is a truism that U.S.-Philippine relations are in many ways unique. With no other nation in Asia do we share the same closeness

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 32-1 MALAYSIA-PHIL. Secret; Priority; Limdis. Repeated to Bangkok, Canberra, Djakarta, Kuala Lumpur, London, Singapore, Wellington, USUN, and CINCPAC.

² In telegram 15756, October 1, the Embassy presented its "best current estimate on the Phil attitude towards Sabah." It believed the issue was in danger of becoming a "national cause," exacerbated by the widespread public perception that the United States favored Malaysia's claim. The Embassy suggested that Sabah provided Marcos with a potential issue to distract attention from his domestic problems and distance himself from the United States, but he was not considering a military showdown with Malaysia. (Ibid.)

of sentimental and emotional ties. Nowhere else in Asia do we have such a visible and overwhelming political, military and economic presence. Only Thailand rivals the Philippines as a base of support for our military effort in Vietnam. All these factors create a network of ties which makes it impossible to divorce actions of the GOP from its relations with the U.S. The Philippine dispute with Malaysia over Sabah has, therefore, an unavoidable effect on our bilateral relations.

2. As reported *reftel*, there has been a strong emotional reaction to what many Filipinos view as a rejection and repudiation by the U.S. The reflex reaction was a desire to punish the U.S. expressed in demands for PHILCAG withdrawal, modification or termination of the bases agreement and renegotiation of the defense treaty. While the British and Malaysia got their lumps, the focus of most of the demonstrations was against the U.S. The demonstration Sept 30 at Clark Air Base, the restriction of military overflights and landing rights, customs harassment in the port of Manila are further manifestations of GOP displeasure.

3. If President Marcos should decide to follow a more active course in pressing the Philippine claim to Sabah it is almost inevitable that the established American position of impartiality will be interpreted as opposition to the Philippines (if we are not with them we're against them).³ The negative aspects of Philippine nationalism have traditionally focused on the U.S., and the Philippine claim could easily become more anti-American than anti-Anglo Malaysian. Philippine youth does not have the built-in restraint of memories of wartime cooperation with the U.S. Once Congress has reconvened we can expect its more vocal members to join the effort to get political benefit from attacks on the U.S. If this should be the course of events, we will be in for a dicey time. The extent of our exposure in this country produces a multitude of targets, and life could be made most unpleasant without outright violation of the letter of any of the network of agreements linking our two countries.

4. Our military relations are particularly sensitive. We have outstanding commitments to discuss a number of provisions of the bases agreement and of course general commitments in Bohlen-Serrano to discuss "any question of particular interest" to either government. A formal demand by the GOP for renegotiation, followed by a tough

³ Rusk and Foreign Secretary Ramos met at the United Nations on October 8 and discussed the Sabah dispute. Ramos reiterated more than once that the Philippines had no intention of going to war over Sabah. Rusk stressed that the dispute should not be settled by force and observed that there is a distinction between the United States acting on the basis of the status quo and taking sides in a territorial dispute. Rusk told Ramos: "Don't draw us into this; we have a basketful already." (Telegram 252294 to Manila, October 9; *ibid.*, POL 7 PHIL)

approach and protracted talks, could have a serious adverse effect on military planning for the whole of the Western Pacific and Southeast Asia. The pending Smith case could be used as the basis for a request to renegotiate the bases agreement or could be combined with other general harassment of U.S. interests. The GOP may also seek formal renegotiation of the defense treaty in an effort to extract a more categorical commitment to immediate defense of the Philippines should it come under attack. There is also a broad range of other harassments which might include any combination of the following:

- A. Stimulate labor troubles on the bases.
- B. Over-bureaucratize customs procedures to point of stoppages—insist on customs control at Subic and Clark.
- C. Take away our military radio frequencies (or harassment short of complete denial).
- D. Institute clearance procedure of various degrees of cumbersome for all, or various categories, of U.S. and military flights (in country—out of country).
- E. Deliberate slowness on visas for contractor employees and technical representatives.
- F. Harass our military personnel with criminal actions.
- G. Insist on taxation of MAC charter flights.
- H. Insist on having Philippine customs, tax, immigration people on base.
- I. Tax sealand shipments—vehicle registration, income tax, etc.
- J. Licensing of on base contractors.

5. Philippine economic nationalism and individual greed, already making life difficult for American business, is certain to intensify as the GOP uses this technique of getting at the U.S. by vicarious punishment of American business. Following is a recap of existing or possible additional moves in this field.

- A. Delay action on applications of American businessmen for treaty-trader-investor visas.
- B. Postpone Senate consideration of ratification of U.S.—GOP double taxation agreement (already ratified by U.S. Senate).
- C. Institute further court actions against U.S. business under Retail Trade Act.
- D. Push through Oil Commission bill in next special session of Congress to detriment of U.S. oil companies.
- E. Approval by President of anti-discrimination bill (equal pay for equal work).
- F. Customs harassment on clearance of goods (including remnants) from U.S.

6. In the political field, the GOP apparently still feels that it can hurt us by opening diplomatic and trade ties with the Communist world. Plans are going ahead for a govt-sponsored company for trading with Communist bloc. The presence of a Soviet ambassador in Kuala Lumpur could now take on heightened significance, and as some Con-

gressmen have suggested, there have been feints at seeking to obtain military equipment from the Communist world.

7. PHILCAG is an obvious target, and Marcos has the relatively graceful out of pleading insufficient funds to maintain it in Viet-Nam. He may, however, decide to go slow in a Philippine withdrawal since it would cancel his claim to a place at the peace table and, perhaps even more important, a chance to share in the post-war division of American military equipment. Rotation of PHILCAG to maintain the existing 1,500 strength level is now in progress and if the lift remains on schedule rotation will be completed on Oct 15. Several options short of complete withdrawal are open to Marcos including further across the board scaling down or selected withdrawal of engineer troops.

8. U.S. interests in the broader context of regional cooperation are also bound to suffer. The ASEAN Commerce and Industry Council met on schedule in Manila with a brave show of regional harmony, but the relentless logic of a consistent stand for and against the claim will tend to force the Filipinos and Malaysians into head-on collision in every common regional body, with a consequent disruptive effect on the whole framework of regional cooperation.

9. The foregoing bleak picture of a possible course of Philippine-U.S. relations is based on a pessimistic projection of events. Marcos in the coming days will be weighing carefully the advantages and disadvantages of the options open to him. In the third message in this series we will discuss courses of action which might help to shape his decisions.⁴

Williams

⁴ In telegram 15956 from Manila, October 4, the Embassy suggested the following ways to influence Marcos to take a serious look at the Sabah issue and the future of U.S.-Philippine relations: persuade him that the United States was looking for bases elsewhere in Asia, send personal messages from key Congressmen like Mansfield or Zablocki, arrange for hints from New York bankers that the United States was concerned, and suggest that the United States could reduce the Philippines sugar quota. (Ibid., POL 31-1 MALAYSIA-PHIL)

371. Telegram From the Embassy in the Philippines to the
Department of State¹

Manila, October 14, 1968, 1050Z.

16312. Subject: Williams talk with President Marcos.

1. Today I had the most basic and best talk yet with President Marcos. He had asked me to come over Monday when I telephoned him Saturday² with Department's answer to his inquiry on Admiral Bringle's visit to Malaysia. The meeting was preceded by a preliminary meeting with Undersecretary of Defense Melchor and Chief of JUSMAG Gomes present. This was a discussion on GOP purchase of ammunition from Taipei. It will be reported separately.³ As that part of the meeting drew to a close, I told the President I would like to bring something else up and he immediately suggested a private conference. The way he did it suggested to me that he had had this private conference in mind from the beginning. Melchor and Gomes withdrew and the President and I retired to the sitting space through the pillars behind his desk. There is a sofa between two rattling air-conditioners and two large easy chairs. Assistant Secretary Bundy will remember this as the place where we met with the President. The conversation was isolated and secure.

2. Anti-American demonstrations. The President began the conversation by saying he understood that we were concerned with the official support of the recent demonstrations. He said that it was true that he had close touch with elements in these demonstrations, particularly students and labor. He said and later repeated that while the situation now was under control, at one point it was in danger of playing into and falling into the hands of the Communists. As a consequence, he had maintained touch with radical leaders and had infiltrated his people so as to maintain control. He said, "You can tell your government that it can rely on the fact that I am in charge and that there will be no anti-American demonstrations that will get out of control." He said that there were some student organizations that were not strong enough and independent enough to prevent the Communists and other radicals from leading them. He then said that there were a number of radical leaders that he had enveloped in order to prevent their working against him. He said that Secretary of Labor Ople was one of these. He said he was a brilliant man and if he were left loose

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 15-1 PHIL. Secret; Exdis.

² October 12.

³ Not further identified.

by himself, he could organize against the government. He mentioned two or three other names that I couldn't hear clearly. One of these was Adrian Christobel, a young speech writer and associate of Ople.

3. At approximately this moment I moved in with the point which I had originally intended to make with the President, namely that we felt that the United States was being harassed in the Department of Finance in matters such as Manila port customs. Specifically, after 18 years we were being required to fill out long form declarations of tax exemption which unduly tied up operations, required storage and opened possibilities of pilferage, etc. As my purpose was to raise U.S. concern about harassment of various kinds rather than seeking to work out any particular point, I did not further develop the matter.

4. Sabah. The talk in connection with the demonstrations turned naturally toward Sabah. The President said, "You know the Philippine people are really concerned about Sabah. I didn't realize myself how concerned they were. This is an important, serious issue with them." The President said again, as he had on previous occasions, that the Moslems were causing him a great deal of trouble on this issue. He said that Mindanao Moslems could be a problem because they could go to Sabah at any time and could cause trouble there. He said again as he said when Assistant Secretary Bundy spoke with him,⁴ that he would do everything to try to stop them from doing this, including his using force. He brought this latter matter up in connection with his last point, namely that the United States could help settle the Sabah issue.

5. Clark guns to Huks. The President next came up with three specific subjects. The first was his observation that guns and ammunition were getting out of Clark Field to the Huks. He admitted perhaps some had been stolen. He incidentally remarked that he had figures to indicate that there was enough alcohol coming into Clark to provide two gallons per day to each man. He said they were worried that there were a lot of luxury cars at Clark and that these and other luxury items could turn up in the black market. I told the President I would get in touch with Clark Field and have a specific survey made immediately of the possibilities of guns and ammunition getting to the Huks and that as soon as I had a complete answer I would ask the President for a meeting and would bring the 13th Air Force Commander to sit in with him to go over the whole thing. He indicated that he would be pleased to do so. On the matter of alcohol and luxury items, I said that the use of long forms or short forms in clearing shipping through Manila would do nothing to help solve that problem. I said, however,

⁴ See Document 369.

that we would be pleased to sit down with anyone to examine the problem and then to determine what specifically could be done to control it. In speaking about the possibility of arms getting to the Huks. He said, "Can't you do something about security at Clark." I said that starting with Smith incident, we had begun a complete review of all base security and would at the proper time welcome the opportunity to sit down with the Philippine authorities to see whether there were additional ways and means either unilaterally or bilaterally, to control this problem which concerned us very much.

6. Lansdale working politically against President Marcos. He opened this point with a question, "Where is Lansdale anyway? Is he working for the U.S. Government?" Of course I told the President that Lansdale was not working for the government but was in Honolulu at the East-West Center. I speculated that he was in a position where both Filipinos and Americans travelling from Manila to U.S. could be in contact with him and come back with stories, true or fabricated about their meetings with him. The President then said that he understood that Lansdale and 20 or 30 people were disappointed in him as President because he hadn't adequately repayed them for the help they had given him in his Presidential election. He then said, "I understand that Lansdale is trying to develop a candidate to beat me in the coming election." I told him that the U.S. Government had nothing whatsoever to do with Lansdale nor with anything he might be doing in developing a political opponent for Marcos. I told him that the U.S. is staying strictly out of any internal political matters. At the same time if we, as observers only had to lay odds on the outcome "in the language of the Philippine press you would be our bet. First of all you are the most likely winner and secondly you are by and large trying to do the things we would like to see done. Of course we are not backing anyone and we are not going to." The President terminated this part of our conversation by saying that he would very much appreciate it if we could get to Lansdale and tell him in some way to lay off. I said that we hadn't any way to do that inasmuch as he was not employed by us in any way but I would pass the message on to see whether Washington had any ideas on the subject.

7. Washington dislike of Philippines. President Marcos opened new subject by saying, "I don't think the State Department really likes the Philippines." He said his Ambassador in Washington had sent a report that in some recent public statements about foreign aid the Philippines wasn't mentioned once. I told him that I was frankly worried about the same thing. I said, "A moment ago, Mr. President, you said that you could ultimately control Ople because you fought together in Bataan. In this country and in mine there is a new generation who doesn't remember Bataan and they look at these things in a different

light." I said that introspection in our country was prevalent. Our aid bill is the smallest in history. People in the U.S. are fed up with other countries and are looking inward. I said that this meant that people like the President and myself who wanted to see good relations between countries must be particularly careful to keep our lines straight. I said that any of the little irritants that come up are viewed in a different light from the earlier days of our close relationship. I said that some of the things that had happened recently in the Philippines were not making a good impression at home and that he knew what the McCloskey statement had blown up into in the Philippines.⁵ I said that I thought my government would feel good about our conversation because I could tell them what he was really thinking about and that I hoped we could periodically have discussions to review the problems between us. He agreed that this was a good idea.

8. Philippines/Malaysia summit. President Marcos then went on to say, "I want to ask your government's help in getting a successful meeting between Malaysia and myself. I would like to see a picture taken of the Tunku and me sitting down at such a meeting." I said first of all I would like to understand whether President Marcos would be satisfied with a conference only involving a picture of himself taken with the Tunku or whether he was going to open a discussion in search of a Sabah solution. "I would like to get together and talk about lessening the tension between our countries," he said. I said, "We have taken the position constantly that we would like to see your two countries get together. We would certainly favor such a meeting. We have always wanted to see your neighbors help you get together, since we want to keep our profile very low. I don't know what we ourselves can do to bring about a meeting between you two." He then said, "If I may make a suggestion, I would like to suggest that your country could get together with the British to move Malaysia in the direction of such a conference." He said that he had talked with the British Ambassador recently about this matter. I said that I would convey the President's feelings to my government and I added that I felt sure my government would be very happy to know of the President's interest in trying to get the Sabah matter calmed down.

9. Conclusions. While I want to think over the implications of this conference before making a final report, after a preliminary discussion with top staff members, I think I can safely conclude that this was an important and useful conversation. Among the implications would be these: (A) our ties to the President through him, Rafferty to Mrs. Marcos and directly to the President are working well and providing a method

⁵ See footnote 3, Document 373.

of communication which, among other things, permits testing of the waters before Ambassadorial conversations; (B) it seems clear that the objective of having the President come to us, as raised in our previous summary telegrams, was partly achieved, although we left our door open through the Rafferty route. President Marcos is evidently concerned about what the U.S. thinks about his involvement in the recent anti-U.S. demonstrations and was concerned about the indications of Washington coolness towards the Philippines as conveyed to them through Ambassador Lopez. We continue to believe, however, that further signals to Marcos of the indirect sort suggested in our trilogy of cables would be helpful and would appreciate Department's views; (C) he definitely showed a raw nerve in his concern that the U.S. Government might be supporting Lansdale in developing his alleged campaign against Marcos' re-election. We have had previous indications from weeks back that Marcos was concerned that the U.S. Government was conspiring against him; (D) the Malaysia ploy either indicates that he is trying to please us by doing something which will show an attitude which we would approve, or he is genuinely interested in our assistance with the British, as he had been before his Sabah statement, or both; (E) we have not yet satisfied ourselves as to just what the Clark Field guns to the Huks point really means. It may be only that he is opening a possible bridge to further discussions. This matter is an old chestnut that the President has been fully informed about and we will of course bring him up to date; (F) all in all, the President's demeanor, the tone of the conversation and the several openings for further intimate discussions, inclines me to the view that this conversation has the potential for closer and hopefully better relations with the President.

Williams

372. Action Memorandum From the Deputy Assistant Secretary of State for East Asian and Pacific Affairs (Godley) to the Assistant Secretary of State for East Asian and Pacific Affairs (Bundy)¹

Washington, November 15, 1968.

SUBJECT

Philippine Archipelago Theory and the Right of Innocent Passage

1. The Philippine Government recently amended its legislation concerning territorial seas and internal waters, thereby reasserting its claim to an area of the high seas which at one point extends over 300 miles from the nearest Philippine land area of any consequence. This is a repetition of a previous claim made by the Philippine Government which we and other nations have never recognized. In 1961 we officially notified the Philippine Government of our non-recognition of this claim, and we consider it advisable to repeat our position at this time.

2. If this had been the only issue raised by the Philippine Government, it could have been handled in a low key and with little or no controversy with the Philippine Government. However, the Philippine Government has also for the first time attempted to deny the right of innocent passage to warships by requiring prior permission for passage of warships through Philippine claimed waters. This Philippine position was expressed in an Aide-Mémoire delivered to the British Government (Tab A),² an Aide-Mémoire delivered to the Australian Government (Tab B),³ and a news release by the press office of Malacanang (Tab C).⁴ By the terms of these documents, the Philippine position would apply to all armed foreign public vessels. We do not feel we can leave this position unchallenged. It is contrary to the United States Government's view that a requirement of previous authorization for passage of warships is inconsistent with the right of innocent passage for warships guaranteed by the Convention on the Territorial Sea and customary international law. Philippine enforcement of their announced policy would create a precedent that invites application of this principle to other areas such as the Straits of Gibraltar, thereby

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 33-4 PHIL-US. Confidential. Drafted by Price and cleared by Peter L. Wallin of L/SPA.

² As contained in telegram 13143 from London, October 2; attached but not printed.

³ As contained in a telegram from the Australian Embassy in the Philippines to Canberra, October 10; attached but not printed.

⁴ Dated September 23. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 33-4 PHIL-US)

endangering passage that is crucial to the strategic interests of the United States, its allies, and the free world. DOD (particularly the Navy), and the Office of the Legal Adviser in the Department feel very strongly, and we in EA concur, that we must not allow this precedent to take hold.

3. Both the British and the Australians are faced with the necessity of replying to notes and Aides-Mémoire but their Embassies here expressed a desire to consult with us in advance. The British have prepared draft replies, a note protesting the legislation (Tab D) and an Aide-Mémoire in response to the Philippine Aide-Mémoire on innocent passage (Tab E).⁵

4. Given the current anger of the Filipinos against the British growing out of the Sabah dispute and British actions in support of Malaysia, it is our conviction that a delivery of the British note and Aide-Mémoire without adequate advance preparation would cause further controversy and lead the Filipinos to digging in even stronger in their untenable position. Given our overall strategic interest, we would not be able to avoid involvement. For this reason, we believe the best procedure for all concerned and the one offering the best chance of avoidance of an unpleasant clash between the Filipinos and their best friends is for our Embassy in Manila (preferably Ambassador Williams with President Marcos) to have a frank talk with Filipino officials. Attached as Tab F is a draft which has been cleared with DOD and the Office of the Legal Adviser, and which has been discussed with officers of the British, Australian and New Zealand Embassies here, designed to accomplish this purpose.

Recommendation:

That you approve the attached instructions to Embassy Manila.⁶

⁵ Neither attached.

⁶ Bundy approved sending the instructions attached as Tab F; they were transmitted in telegram 276316 to Manila, November 22. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 33-4 PHIL.)

373. Telegram From the Embassy in the Philippines to the Department of State¹

Manila, December 13, 1968, 1112Z.

18584. Ref Manila 15756, 15828, 15956.² US-Philippine relations: a current reading and a projection forward.

1. In analyzing the Philippine situation, complete objectivity is difficult at this moment because US-Philippine relations have once again gone sour. Our major objectives are substantially unimpaired and our relations on the surface remain cordial, but consistent with the four-year cycle that makes the third year in office of each Philippine President one of reciprocal disappointments, there is now annoyance and frustration on both sides.

2. The Philippines has its traditional ambivalent complaints of too much American economic presence but too little American investment; too much American military presence but too few unqualified, automatic defense guarantees; too much American paternalism but not enough tangible demonstrations of paternal affection. The McCloskey statement on Sabah³ and the AP report based on it that the US had abandoned its position of impartiality on the Philippine claim opened Pandora's box. Some Filipinos, reportedly even the President, felt the US had deliberately stabbed the Philippines in the back. Others more sympathetic felt the McCloskey statement was unfortunate and ill-advised. Sabah aside, however, most of the Philippine gripes are chronic, not acute.⁴

3. Most of the active sourness is concentrated on the American side and is created by irritation, impatience, and frustration. Marcos

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US. Confidential.

² See Document 370 and footnotes 2 and 4 thereto.

³ On September 19 Department of State Spokesman McCloskey stated that the United States recognized Malaysia in 1963, and the press concluded that he had stated that the United States recognized Malaysia's claim to Sabah. On the next day, September 20, McCloskey stated that recognition of Malaysia in 1963 was in no way a departure from U.S. neutrality toward the competing Philippines and Malaysian claims to Sabah. The United States recognized countries with territorial disputes without taking sides, as was the case when the United States recognized India and Pakistan without reference to Kashmir. (Telegram 15394 from Manila, September 21; National Archives and Records Administration, RG 59, Central Files 1967-69, POL 32-1 MALAYSIA-PHIL)

⁴ In telegram 17833 from Manila, November 22, the Embassy reported that Mrs. Imelda Marcos had complained to Embassy officer Rafferty about the deterioration of U.S.-Philippines relations. She specifically mentioned rumors that Edward Lansdale and the United States were "looking for a candidate to support against Marcos." Mrs. Marcos stated that steps had to be taken to improve U.S.-Philippines relations. (Ibid., POL PHIL-US)

has not done all we wanted on PHILCAG. Marcos' domestic leadership has not been up to expectations. The Filipinos often do not live up to their part of aid or trade arrangements. The Philippines has lagged behind the rest of Asia in economic development. Philippine policies on Laurel-Langley vested rights and land ownership issues promise to injure both the Philippines itself and US investors. Crime, graft, and corruption are on the rise. For the first time there was palace complicity in anti-US demonstrations. Guerrero's tactics in Bangkok and the way Marcos has pursued the Philippine claim to Sabah have cast a pall over the bright new day of regionalism we were [garble—planning?] for Southeast Asia.

4. We also have a rash of other nagging irritations and complaints, related principally to the movement of military cargo to our bases in the Philippines. In the words of a prominent US official, we are fed to the teeth with the Philippines.

5. The Filipinos, on their side, have been conducting business with the US in a normal manner following the traditional pattern of manipulation of an indulgent, generous, permissive foster parent. To use a favorite Philippine cliché, they have taken us for granted. They have utilized, but far from the fullest, the two major levers which we placed in their hands; our need for the military bases and our desire to have Philippine troops represented in Viet-Nam. Until very recently they were apparently completely unaware of the resentment building up in the US. Showing an uncharacteristic lack of sensitivity, they failed to recognize that historical protectors and patrons of the Philippines had all but vanished from the American scene. The Philippines is now being judged on an objective standard—perhaps even somewhat more strictly since as a former US charge we expected them to be leading, not falling behind, their Asian neighbors.

6. Following Marcos' triumphal US tour and President Johnson's many favorable comments on the Marcos administration, the Philippine Government was so sure of itself and the effectiveness of backdoor diplomacy that saw no need for first-rate diplomatic representation in Washington. There has been no full time Ambassador since Ledesma departed in 1965. A diplomatic mission of monumental mediocrity provided no really effective eyes and ears for the Philippine Govt in Washington. The American Ambassador to the Philippines, in Marcos' own words, was also the Philippine Ambassador to the US. Only within the past few weeks has the situation gradually come home to the Philippines as junketeering Philippine Congressmen, govt officials and businessmen returned from the US in a state of surprise and alarm over the frosty displeasure they found.

7. These reports served to accentuate a growing mood of doubt and uncertainty in the Philippine mind about the future of their rela-

tions with the US brought on by other events. The bombing halt and the possibility that 1969 might bring an end to the war in Viet-Nam started the Filipinos thinking that there might be a change in US attitude toward its military presence in Asia following such a settlement. The election of Richard Nixon created a whole new range of uncertainties about the policies of the new administration, and the Filipinos began to circle warily around a number of indications that Southeast Asia might decline in order of priority and the Philippines might lose the leverage which they have come to believe was a permanent aspect of their relations with the US.

8. Within the Philippines itself, the country is entering a period of transition which will in any event have an effect on Philippine-US relations. The President elected in 1969 will probably be the last Filipino chief executive who remembers the Commonwealth. In 1973 the post-war generation will be a major element of the electorate. The US will have lost most of its automatic "constituency," except perhaps in the provinces, and the President elected in that year, and all those aspiring to the Presidency will have to accommodate to the more independent, internally oriented new Filipino. Marcos, as a transition President, is already feeling the conflicting pulls of the familiar security and dependence of the old US-Philippine ties and the exciting perils and promise of full independence.

9. The road ahead in our relations with the Philippines is in fact obscured by at least three major uncertainties. We do not yet know the full programs and policies of the new administration that will take effect next January. We cannot foresee in any detail the circumstances which will surround the settlement of the conflict in Viet-Nam, nor the results of the reassessment of our entire forward base structure which seems almost certain to follow such a settlement. Finally, we cannot foresee the nature of the extent of the post-1974 relations between the two countries on trade and investment matters.

10. Our relations with the Philippines in the economic field are inevitably moving toward a diminution of the intimacy that has existed heretofore. This is in part due to the operation of secular historical forces as time passes since the Philippines was a member of the American body politic. However, the pace is forced by the pressure of Philippine nationalism. In investment matters nationalism is leading them to define in narrower terms the role that foreign investment, including US investment, is to play in Philippine development. In trade matters, it is moving them toward stronger protectionism through both tariff and nontariff devices. Like all developing countries, the Philippines will continue to require substantial help from the US and the rest of the developed world, but it will increasingly attempt to obtain this help in forms compatible with its nationalism.

Analysis

11. What can we see as a likely future course of US-Philippine relations beyond the current period of transition and uncertainty? Attempting to filter out the highly subjective and emotionally charged range of irritants stemming from a relationship which is perhaps too close, certain basic and important US interests in the Philippines can be identified.

12. Our first interest is that we have, in the broadest sense, a base of power in the Philippines. We speak to Asia and even to Eastern Europe through VOA transmitters in this country, and communicate by the written word through publications printed in the Regional Service Center. US military bases in the Philippines include perhaps our single most important base in the Far East and provide the fulcrum through which our military power is applied in Asia. Twenty-four govt agencies maintain regional offices here. The US Govt and American private business recruit labor here for work all over Southeast Asia and the Western Pacific. This broad range of operational cooperation, functioning now for 22 years, we have come to accept as the natural course of things because it has worked so well. Nowhere else in Asia is US power—again using this word in its broadest sense—exercised with such freedom and with such a degree of host country indulgence.

13. Although our military bases in the Philippines are indeed the cause of frequent misunderstandings and friction, we must not allow that to becloud the fact that we are more than fortunate to have large-scale, effective and efficient bases for US naval and air power in a strategically vital position in Southeast Asia. Furthermore, there is reason for optimism concerning our ability to retain this situation for a good many years to come, probably considerably longer than will be possible elsewhere in the Far East. As long as US policy dictates a requirement to maintain a significant political and military influence in the Far East, or at least in Southeast Asia, the retention of these bases must be a primary, if not overriding, objective of our US-Philippine relations.

14. Secondly, we have a selfish economic interest in Philippine development. The Philippines could provide an excellent field for increased US investment, if its shortsighted policies were to change. US exports to the Philippines (some \$300 million) also continue to grow, even though our percentage of the market has markedly declined. A prosperous expanding Philippine economy could stimulate economic development elsewhere in Southeast Asia and stimulate further opportunities for US investment and trade.

15. Thirdly, we have a special interest in the almost 35 million people of the Philippines. They may no longer be our "little brown brothers" but in the eyes of Asia, and much of the rest of the world,

they are marked to a greater or lesser extent "made in America." Their success or failure will be to some degree a measure of the kind of people we are, how we respect our responsibilities, and how valid are our political, economic, and cultural beliefs.

16. This arises not only from over 50 years of domination of the Philippines, but from the fact that the Philippines have professed the same beliefs that we do and have in fact or appearance adopted us and our ways.

17. With no other Asian nation do we share to the same degree political, social, religious, and cultural values. It is not only that they have taken over and adapted for their own use our Constitution and political system as well as our private enterprise economy, but they have assimilated many but obviously not all of our characteristics. What other Asian society could produce a Corky Trinidad, whose excellent political cartoons run simultaneously in Philippine and US papers? In what other Asian society is there such freedom, if not license, in the press? Where anywhere in the world could you find so much American sports news in the press?

18. While there are differences of significance, of course, there are two essential facts of importance. Filipinos have become in a marked degree what they are because of us. On the one hand, this is a responsibility and an opportunity for us, if we believe, as we do, that the spread of independence and democracy promotes our own security and world peace. On the other hand, our credibility, our prestige, and our influence are tied with Philippine success or failure.

19. Fourthly, the US has been interested in the Philippines assuming a role of leadership in the development of regionalism in Southeast Asia. We were delighted when President Marcos and FonSec Ramos assumed such a posture, and were disturbed and dismayed when the Sabah affair disrupted these good beginnings.

20. Fifthly, we have the same normal interests in good relations with the Philippines that we have with the other nations of the world. We appreciate an opportunity to influence them in bilateral and world affairs in a direction that we deem helpful overall.

Problems inherent in US interests

21. Continuing use of military bases and the protection of private national investments carry with them strong colonial overtones. These continuing manifestations of American military and economic power tend to produce strong nationalist emotions even among those intellectually aware of the substantial contribution bases and American business make to Philippine well-being.

22. There is also a growing tendency to see the bases as serving US national interests more than Philippine national interests. A conven-

tional military threat from Communist China now seems less imminent and there are those that argue that the bases constitute a target for the growing Chinese nuclear capability. However, even of those who resent the bases, most recognize their necessity for the immediate future for Philippine security.

23. Our efforts to protect American business interests are challenged by elements of the elite and doctrinaire govt officials motivated by economic nationalism and/or cupidity. At a time when the developing world is competing vigorously for capital assistance from a developed world, we find ourselves in the paradoxical position of using US bargaining assets to persuade the Filipinos to preserve what in their own interest they should be seeking.

24. Objectives in the field of nation building have the inherent limitation that this building process in the final analysis must be accomplished by the Filipinos themselves. We can stimulate, urge and cajole, but we cannot force on them economic and political salvation. Our exhortations to get on with the job of nation building also create a pitfall. If the Filipinos come to believe that we are more anxious to see them achieve these goals than they are themselves, "nation building" becomes merely a slogan by which they extract assets from us. We also can find ourselves in the position of paying the Filipinos for the privilege of helping them, and our inputs tend to become not supplements but substitutes for the allocation of Philippine resources.

Future policy

1. In our projections of US policy we are making several basic assumptions:

A. The US will require some or all its military bases for a ten to twenty year period.

B. The Philippines will continue to be an important place for US investment and trade.

C. US will recognize that Philippine progress is an important element in its prestige and operations in the Far East.

D. US will be interested in Philippine cooperation in Southeast Asian regionalism.

E. US will be interested in continued good relations with the Republic of the Philippines.

Military

25. To maintain our military base structure for ten to twenty years we should do the following:

A. We must impress the Filipinos that US use of bases in the Philippines are in the interests of both the Philippines and the US. In addition to the normal public relations programs, in-depth programs should be developed such as perhaps joint war games that will bring home to the Philippine military the importance of US bases and forces to their security.

B. We should continue military aid, particularly technical assistance, training in the US, etc., so as to preserve vital person-to-person relationships and common traditions and common equipment.

C. Special attention should be given to continued progressive base labor relations: strikes or slowdowns of local base workers could cripple the bases.

D. We should interpret criminal jurisdiction provisions of our base agreements sympathetically with every effort made to avoid incidents, including greatest possible use of Philippine buffers.

E. We should give sympathetic consideration to increased joint responsibility and/or visible appearance thereof, consonant with effective operational control.

F. In the field of mutual defense, the clearest possible definition, as authoritative as possible, of our immediate reaction response compatible with overall US policy.

G. We should negotiate all moves. Let Filipinos win where we should yield rather than US gratuitously give. We should yield progressively not precipitously or too late.

Economic

26. In working out with the Philippines a new basis for the economic arrangements to succeed Laurel-Langley, our policy should be one of gradual rather than sudden and wrenching change. We should recognize the painfulness for the Filipino, both in psychological and economic terms of the phasing out of the "special relationship," even though this change is what they want. In the negotiations we should maintain a flexible position and open mind on possible measures required to ease the pain of transition in such fields as tariffs (even the continuation of preferences), commodities, investment, and perhaps even credit. This posture would be founded on a recognition that, within broad limits, a satisfactory military-political relationship will be impossible to maintain in the absence of an economic one which the Philippines regard as reasonably satisfactory.

27. Our economic policy should contain the following major elements:

A. We should make a special report to bring home to the Filipinos the advantages of good business climate and the manifold contributions of foreign investment.

B. As a complementary effort we should resist the anti-foreign thrust of Philippine policy on investment matters. We should do so in part because we have a legitimate duty to ensure that American interests receive equitable treatment, and in part because foreign investment is keenly needed for Philippine development.

C. We should recognize that despite its well-known weaknesses and inequities, the free enterprise economy of the Philippines is a vital dynamic force. It is a good calculated risk.

Philippine nation building

28. Our assistance to the Philippines in the process of nation building should include the following elements:

A. We should continue to provide feasible economic assistance particularly in the technical area for nation building and as a means of maintaining close man-to-man relationships and common interests between the President and the Ambassador and between other US and Philippine officials.

B. We should encourage miracle rice expansion through proper storage, milling, marketing, and export programs. This should be followed by diversification to field and feed crops, and pork, poultry, and beef programs to maintain labor intensive, profit making agri-industry.

C. We should encourage road and infrastructure development programs.

D. We should provide assistance to law and order programs consistent with Philippine inputs.

E. We should continue to encourage the growth of legitimate labor unionism and the economic advancement of the working people.

F. We should give selective encouragement to manpower training to meet the needs of existing and new industries. At the same time we should recognize that with the end of the Viet-Nam conflict there may be a sudden return of many skilled or semi-skilled workers who could disrupt labor market and cause unrest.

G. We should continue to provide support to Philippine programs of population control and family planning.

H. Peace Corps and other agency programs to improve the ability of Filipino teachers to teach their students to think, rather than memorize, as well as Peace Corps programs in the field of agriculture, economic planning, public health, and community development, should continue.

Regionalism

29. Regionalism, if it is to grow beyond acronyms, must meet what the nations of Southeast Asia see themselves as a pressing need. Our capacity to persuade the Filipinos to recognize this need is limited, but we can by current programs of quiet backing of Asian initiatives, as well as tactful indirect support of regional cooperation, speed up this process.

30. The Sabah dispute is currently a significant obstacle to regionalism. Here again, our capacity for successful direct intervention is

limited, but we can continue to give behind-the-scenes support to Asian efforts to find a solution.

Good relations

31. We should continue our efforts to put our relations with the Philippines on a basis which recognizes sovereign equality and mutual respect.

32. We should broaden our contacts with the non-establishment side of Philippine society—the youth, labor leaders, intellectuals, younger military leaders, that are working for change and will play an increasingly important role in shaping the destiny of this country.

Summary

33. The Philippines and the United States have a broad community of interests. As a new US administration takes over we must recognize that on the Philippine side this parallelism is imperfectly perceived. As the Philippines develops, however, there will be a growing recognition that our relations are not based merely on sentimental friendship and a patron-client dependency, but rather on a broader and more secure base of compatible, complementary, national interests and objectives. The strength of these ties make us optimistic for the future.

Williams

374. Telegram From the Embassy in the Philippines to the
Department of State¹

Manila, January 13, 1969, 1150Z.

396. Ref: (A) State 290585,² (B) State 276316,³ (C) Manila 18293,⁴ (D) Manila 17663,⁵ (E) Manila 18996 NOTAL.⁶ Subject: Territorial seas and innocent passage.

1. Pursuant to references A and B, I took the above subject matter up with the President at a meeting arranged to brief him on the findings of a joint committee on weather reporting.

2. As luck would have it, after we had all shaken hands in front of his desk, he asked me to retire with him to the couch and chair arrangement in the back of the room behind the pillars where Assistant Secretary Bundy and he had their last conference. When he did not raise any matter of substance right away, I took the opportunity to raise the territorial seas and people appeared to withdraw and permit us the opportunity of relatively secure conversation.

3. I began by saying that there appeared to be a matter on which our two governments seemed to have a serious difference of principle in which our views were shared by a number of the Philippines' best friends. Under these circumstances, I said, I thought it best to have a frank and friendly discussion to see whether some means could be found to avoid public confrontation.

4. I then said that the problem had two related aspects: (A) the Philippines archipelago claim on territorial seas which we have never recognized and have so advised the Philippine Government officially, the last time in 1961; (B) the "right of innocent passage."

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 33-4 PHIL. Secret. Repeated to Canberra, Kuala Lumpur, London, Wellington, CINCPAC, and COMNAVPHIL.

² In telegram 290585 to Manila, December 20, the Department of State clarified its guidelines for a discussion with Marcos about the Philippines' position on the archipelago theory and the right of innocent passage. (Ibid.)

³ See footnote 6, Document 372.

⁴ In telegram 18293 from Manila, December 12, the Embassy responded to telegram 276316 with the suggestion that the United States should avoid controversy and confrontation with the Philippines over the issue of innocent passage and try to raise its concerns in a multilateral context. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 33-4 PHIL)

⁵ In telegram 17663 from Manila, November 19, Williams reported a discussion he had that day with the Australian Ambassador on the Philippines' position on innocent passage. (Ibid.)

⁶ In telegram 18996 from Manila, December 30, the Embassy suggested that to avoid giving the impression that the United States supported Malaysia in the Sabah dispute and to prevent offending Marcos, another SEATO member, such as Britain, take the lead in protesting the Philippines' decision to deny innocent passage. (Ibid.)

5. I then made reference to the Malacanang press release dated December 23 which quoted the aide-mémoire to the British to the effect that "armed foreign public vessels . . . cannot assert or exercise the so-called right of innocent passage through the Philippine territorial sea without the permission of the Philippine Government." I said, "As you know, it is the position of the United States Government that the right of innocent passage is firmly established under international law and that my government believes it is of the greatest importance that this right be maintained. We recognize that the Philippine Government is not a party to the convention on territorial seas but that it is our view that this convention still sets forth established principles of customary international law in this area."

6. Then I stated that the USG has always supported the right of innocent passage and that it is even more important today. I said that to accept the denial of the right of innocent passage could in our view create a precedent for similar action in other parts of the world, such as the Straits of Gibraltar. Furthermore, I said, "Were we to acquiesce in such claims, denying naval access to large sea areas of the world, it would seriously affect the strategic interest of the United States, its allies, and the free world, and we believe would be inconsistent with the overall strategic interests of the Philippines itself. It is for this reason that we feel we must in all friendship raise these issues with you at this time."

7. Next I recognized that because of our agreements there was no question of right of innocent passage between us but that the public statement made by the Philippine Government places us in a difficult position. Further, I said, "Both of us are aware that a number of our mutual friends—Britain, Australia, New Zealand—share our views on the importance of maintaining the right of innocent passage." Then I said "Is there any way to resolve the issue quietly—would the President consider retracting the press statement? Would he consider holding back on enforcement?"

8. The President followed my presentation closely and responded agreeably. He recognized that a serious problem was posed and intimated that it was not of his making. He said that this of course was something that the legislature had done.

9. He said he would like time to think it over but that probably two panels could be set up to review the matter quietly.

10. We ultimately broke off with the idea that he would consider the matter further.

11. From what he said, and his demeanor, I got the impression that he had no intention of pushing this matter to a confrontation but that as of the moment he had no particular solution in mind that would avoid the confrontation, although I think he would be agreeable to finding or accepting one.

12. The President made no response to my question as to whether he would consider retracting the press statement, and, as I have previously indicated, I don't think that this would be politically feasible for him to attempt. He also did not refer directly to the matter of enforcement, but as I have already indicated, I would not think that he would go out of his way to enforce or say he would enforce these provisions unless he were forced into doing so.

Williams