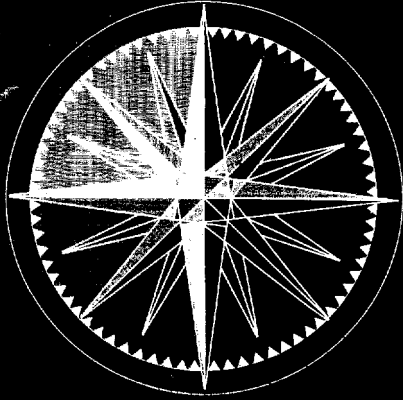


SECRET

Release 2006/08/24 : CIA-RDP79-00927A004000060004-0

26 April 1963

OCI No. 0277/63C
Copy No. 78



SPECIAL REPORT

OFFICE OF CURRENT INTELLIGENCE

THE PHILIPPINES UNDER MACAPAGAL

CENTRAL INTELLIGENCE AGENCY



ARCHIVAL RECORD
PLEASE RETURN TO
AGENCY ARCHIVE



228524/1

25X1

25X1

SECRET

GROUP 1 Excluded from automatic
downgrading and declassification

Page Denied

SECRET

26 April 1963

THE PHILIPPINES UNDER MACAPAGAL

During his 15 months as President of the Philippines, Diosdado Macapagal has consolidated his political position, pressed a domestic reform program, and pursued a larger role for his country in Asian affairs. In the process he has transformed an initially hostile Congress into a friendly one. Macapagal's most ambitious foreign venture--the challenge to Britain's Malaysian Federation plans--brought him in a short-lived flirtation with Indonesia, but his government apparently intends to move with greater caution in coming months. Within the basic framework of a policy of close cooperation with the United States, he often takes a line of independence.

Macapagal's Rise to Power

Macapagal assumed the presidency in January 1962 after a career that had, since 1946, regularly involved him in foreign affairs. Thanks to two wealthy benefactors and his own determination, he had risen from peasant origins in central Luzon into a private law practice. From 1946 to 1949 he held legal posts in the Foreign Affairs Department. For the next eight years he was a Liberal Party representative in the lower house, and became chairman of its Foreign Relations Committee. In 1957 he won election to the vice-presidency against a Nacionalista landslide, and four years later won the presidency by a sizable majority after campaigning on a reform program.

Despite his own victory, Liberals carried neither the House of Representatives nor the Senate, and Macapagal's position as leader of the

Liberals was still insecure. The average Philippine politician, however, tends to gravitate toward the party in power. This tendency, plus Macapagal's astute use of power to dispense patronage and his vigorous action in fulfilling his anti-corruption campaign pledge, gradually attracted hostile politicians to his side. The lower house now stands at



MACAPAGAL

SECRET

SECRET

approximately 58 to 46 in his favor, and this month he won nominal control of the Senate by 13 seats to 11.

As President, Macapagal has run a highly personal show. Now 53, he keeps in his own hands the wide range of decision-making power available to the chief executive. He is hypersensitive to criticism, his circle of confidants is small, and personal loyalty plays a major role in his selection of advisers and lieutenants. Although lacking the ability to inspire the people to identify themselves emotionally with him, he seems to be developing an image as one who can lead his country to economic improvement and to new international stature.

Domestic Progress

In pursuing his program for economic progress, Macapagal has repeatedly re-emphasized that the major responsibility lies with private business, which he has sought to stimulate. Last year's unfriendly Congress passed only four out of 14 measures he had certified as urgent. However, prospects for the program this year are considerably improved.

Macapagal has carried on the preceding administration's program to abolish controls on foreign trade. During his term, foreign exchange and tariff rates have been amended and the peso freed to promote a more open market economy. As a

result, the trade account improved in 1962, and international reserves increased moderately. The peso, formerly pegged at the artificial rate of two to the dollar, has held for several months at 3.9.

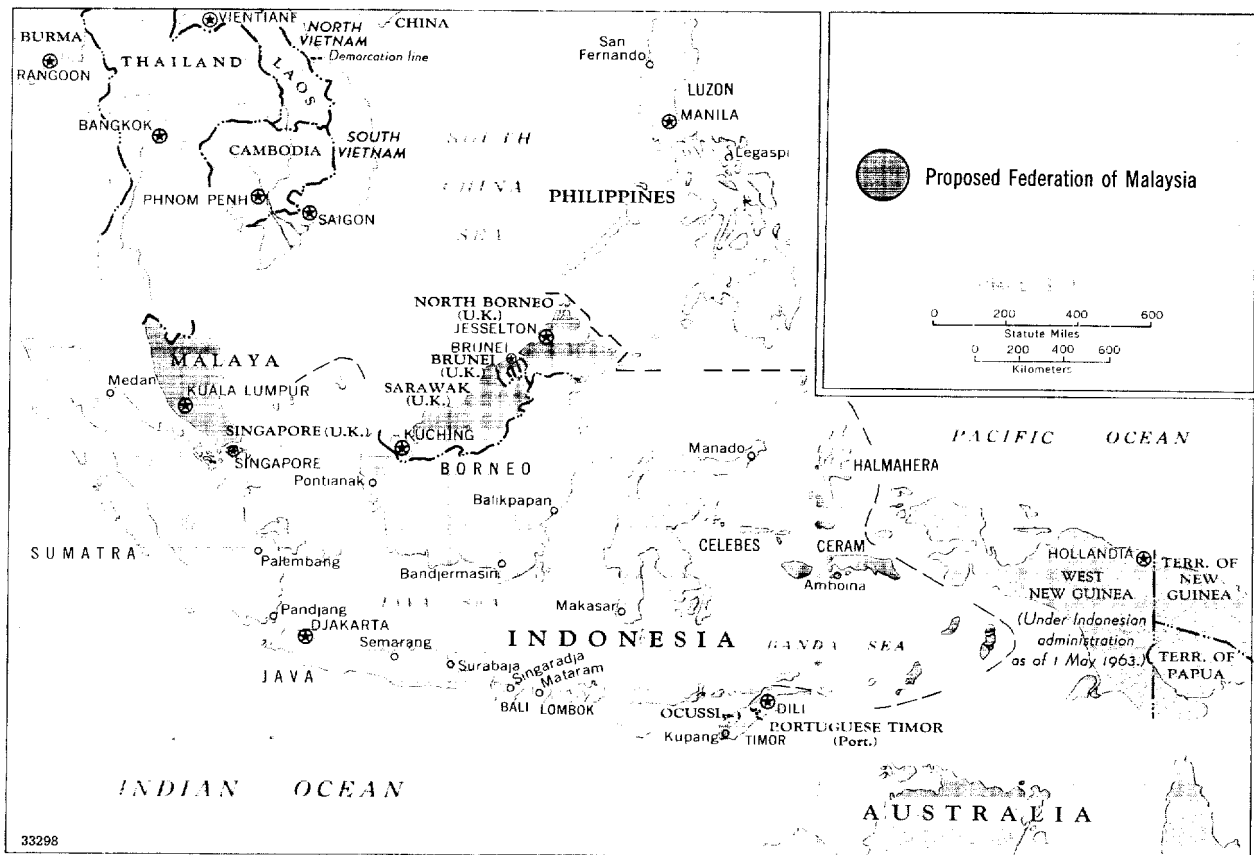
North Borneo and Malaysia

Macapagal's effort to assert Philippine influence in international affairs and particularly to raise his country's prestige in Asia has been most manifest in pressing claims to North Borneo and opposing the projected Malaysian federation.

When chairman of the House Foreign Relations Committee, Macapagal had twice introduced resolutions urging the government to back what were at that time only unofficial claims to North Borneo. He entered office coincident with the acceleration of a desultory press campaign on the subject. This had begun the previous year when Malayan Prime Minister Rahman proposed a federation that would include North Borneo along with Sarawak, Brunei, Singapore, and Malaya.

After the lower house formally urged the government to assert a claim to sovereignty, Macapagal in June 1962 sent a note to London claiming both sovereignty over North Borneo and proprietary rights on behalf of the heirs of the Sultan of Sulu--from whom a British citizen acquired rights to the area in 1878. This latter

SECRET



SECRET

angle was particularly attractive to southern congressmen who sensed the possibility of a cash settlement.

Neither Macapagal nor his advisers seem to have considered the possible international repercussions of the issue. In the past ten months he has maneuvered to advance the claim whenever possible.

He has successively sought discussions with the UK on the issue, proposed an alternative to Malaysia--a "greater" Malaysian confederation including the Philippines--and connived with Indonesia to torpedo the federation plans. In late October Macapagal allowed the anti-Malaysian Brunei leader Azahari to visit Manila--where Azahari proclaimed the short-lived December revolution--and on 31 January cooperated in his departure to Indonesia.

In the past two months, however, Macapagal has turned increasingly toward conciliation. In early March he initiated meetings of Malayan, Indonesian, and Philippine officials pointing toward a "summit" meeting before the federation goes into being on 31 August as scheduled. A conversation with Rahman in early April perhaps was most influential in inducing a new spirit of accommodation. Soon afterward Rahman told a press

conference that the formation of Malaysia would not prejudice the Philippine claim. This apparently eased political pressures on Macapagal to act hastily, and he probably recognizes that the way is still open for later recourse to the United Nations or to the International Court of Justice.

Flirtation With Indonesia

Beginning in November 1962, opposition to Malaysia brought the Philippines into a close working relationship with Indonesia. That month President Sukarno lunched with Macapagal in Manila on the way home from Tokyo. Both presidents seemed pleased with the meeting, and each apparently believed he could use the other in working toward the same goal. Macapagal stepped up his stand against Malaysia, arguing that because Sukarno would not tolerate Malaysia, its establishment would create instability in the area. He insisted that Indonesia would honor the Philippine claim, overlooking Djakarta's stated position that it would do so only if the North Borneo inhabitants wanted Philippine administration.

Nevertheless, Azahari's use of Manila as a propaganda base, the Indonesian Embassy's extensive

25X1

SECRET

SECRET

activities on the Malaysian problem, and finally the persistent reports of Indonesian involvement in the Brunei rebellion apparently were a startling revelation to Philippine officials. In early March, Manila rejected Indonesian overtures for joint action, holding that each country must oppose Malaysia in its own way.

The Philippine armed forces have expressed concern over the subversive threat to the Philippines posed by Communists in Indonesia and over possible Indonesian attraction to Moslem peoples in the southern Philippines. At the same time Manila officials are aware that Indonesia, especially with its massive supplies of Soviet arms, cannot be ignored and seek to maintain the friendliest relations possible. This year Manila has assisted in the repatriation of 1,600 Indonesians illegally resident in the Philippines, concluded a cultural and economic relations agreement with Djakarta, and renewed an agreement on joint naval patrols. The armed forces chief of staff has exchanged visits with the commander of the Indonesian Army.

Ties With the US

Macapagal evidently intends to assume a stance of greater independence of the United

States. Such a tendency appeared intermittently in previous administrations, and Macapagal probably is convinced that such a policy will improve Philippine standing with other Asian states.

The President gave his greatest show of independence after the US Congress in May 1962 defeated a \$73 million Philippine war damage compensation bill. He indefinitely postponed a scheduled June visit to the United States, recalled the Philippine ambassador for consultations, and made highly critical comments in public.

A series of nationalistic measures followed which changed Philippine independence day from 4 July to 12 June, ordered use of "Pilipino" (as the country's government-promoted, Tagalog-based national language is called--and spelled) in certain diplomatic credentials and passports, and prescribed the traditional barong tagalog shirt (without coat) for official receptions. Macapagal stated ominously that Philippine-American relations would be re-evaluated.

There has been no follow-up to this assertion. The new compensation bill which passed Congress in August salved hurt pride.

SECRET

SECRET

Before initiating negotiations with the US on any significant issue, Macapagal now will probably wait until he feels he clearly controls the domestic political situation--most likely after the November 1963 elections. The Philippines has demanded that it obtain partial jurisdiction over US bases, and business elements wish to end the privileged position enjoyed by US nationals and products under the 1956 trade agreement.

Despite growing nationalism and changes in emphasis, the primary element in Philippine

foreign policy remains the maintenance of a strong alliance with the United States. There is no substantial demand for eliminating the US bases, and cooperation with the United States is widely popular.

Macapagal's personal commitment to cooperation with Washington is unquestioned. He strongly supported the US during the Cuban crisis last fall. He may prefer to reschedule his aborted 1965 visit for next year at the earliest, in order to maximize its usefulness in his 1965 campaign for re-election. [REDACTED]

25X1
25X1

* * *

SECRET

SECRET

SECRET