

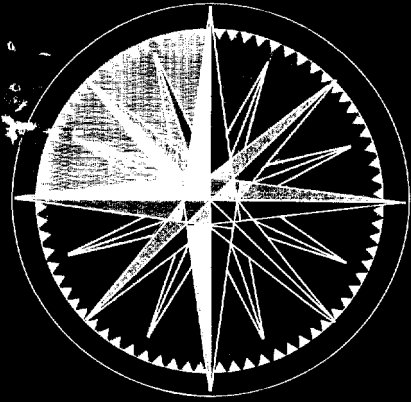
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**SPECIAL REPORT**

THE PHILIPPINES UNDER PRESIDENT MARCOS

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## THE PHILIPPINES UNDER PRESIDENT MARCOS

During his eight months in office, President Marcos has exhibited considerable vigor, and political acumen. Even so, he has made little progress in coming to grips with the endemic economic and social problems of his nation. The acrimonious debate over his Aid-to-Vietnam bill consumed most of the regular session of Congress and left little time for the administration's domestic reform program.

In his coming state visit to Washington, Marcos may be expected to attempt to capitalize on his country's firm anti-Communist posture, exemplified by the Vietnam aid measure, as he requests extensive additional US assistance.

### President Marcos

Marcos has been prominent on the Philippine scene since World War II, when his brilliant record as a guerrilla leader earned him more military decorations than were awarded any other Filipino. First elected to the House in 1949 on the Liberal Party ticket, he moved up to the Senate in 1959, and subsequently became Senate minority leader. Under President Macapagal he was selected as Liberal Party president and in 1963 became president of the Senate.

The next year, however, after Macapagal had failed to honor his pledge to step down in favor of Marcos as the Liberal Party presidential nominee, Marcos left the Liberal Party to join the opposition Nacionalistas. (Party switching is a relatively common practice in the Philippine political system.)

At the November 1964 Nacionalista convention Marcos swept aside strong opposition to gain the presidential nomination, and in November 1965 he again demonstrated his apparent political invincibility by defeating Macapagal for the presidency by a substantial margin. His popular mandate was a result not only of Macapagal's failure to implement needed reforms, but also of Marcos' own wide reputation as a forceful, and often ruthless, leader who is successful in everything he undertakes.

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President Ferdinand Marcos

[REDACTED] In an effort to remove the label of "grafters" which his detractors pinned on him, he has placed great stress on anticorruption measures since he assumed the presidency. Similarly, his alleged ruthlessness has not been apparent in his attitude and actions toward his opponents.

### Domestic Problems

When Marcos assumed office he was faced with essentially the same deep-rooted social, economic, and political problems that have plagued each previous administration. The basic problems are the deep and broadening economic cleavage between upper and lower classes, and the growing social malaise which has accompanied it.

This discontent, aggravated by pervasive corruption in the government, is reflected in widespread and rising violence and crime.

Discontent among the peasants, who comprise about two thirds of the population, stems primarily from a feudalistic system of land tenure and unsatisfactory landlord-tenant relations. About 40 percent of the farmers--and a much higher proportion in central Luzon--are share-cropping tenants, and many of those who own land have too little to be economically self-supporting. The farm population is also handicapped by usurious interest rates and by one of the world's lowest levels of agricultural productivity.

In the cities the major problem is unemployment. An estimated 750,000 are unemployed and two million underemployed in a work force of 11.5 million. Job opportunities, moreover, are not keeping up with the steadily increasing numbers entering the job market. The existence of this large unproductive manpower pool in the cities has kept wages low, working and living conditions poor, and crime rates high.

These problems have been intensified in recent years by a general upward trend in living costs and lags in wages which have further widened inequalities in the distribution of wealth. Although per capita real national income is rising, the gains tend to accrue to the wealthy and, to

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some extent, to the small but growing middle-class entrepreneurial group. In Manila real wages for skilled and unskilled industrial workers have declined 20 percent in the last decade.

Philippine governments have had little success in dealing with these basic problems. President Macapagal's land reform program, passed in 1963 with the help of Marcos' effective generalship in the Senate, was designed to abolish share tenancy in favor of leaseholds, to control agricultural rents, and to raise the wages of agricultural workers. Although the law is well conceived, Congress has provided only limited budgetary support, landowners have impeded its implementation, and wage minimums have not been enforced.

The poor over-all performance of the government in the field of socioeconomic reforms is due in large measure to the nature of the Philippine political system. Both major parties--Nacionalistas and Liberals--represent the conservative landed and commercial interests; other elements of the population, including labor and peasants, have few channels through which to influence public policy. Other built-in handicaps include the insufficiency of government revenues because of a narrow tax base, poor and corrupt tax administration, wide scale tax evasion, and smuggling. Smuggling in itself costs the government an estimated \$100 to \$200 million in revenue annually.

#### Marcos' Achievements

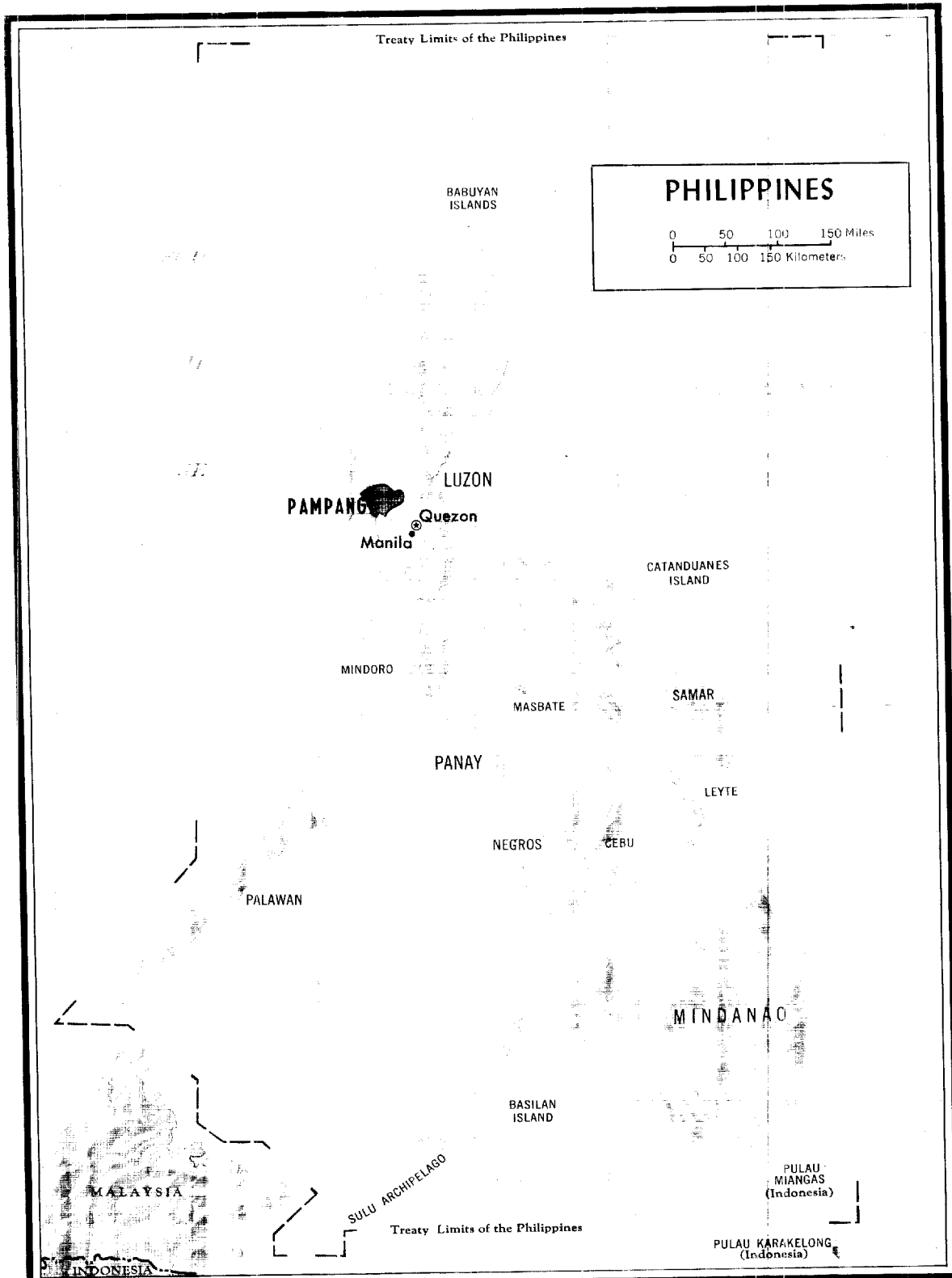
On assuming the presidency, Marcos announced a program "to make the Philippines great again." His program calls for priority attention to reducing corruption and smuggling, increasing agricultural productivity, implementing the land reform program, and stimulating the private economic sector. For the first few months of his administration, however, his primary concerns have been to establish his administration and secure passage of the Vietnam aid bill. A major problem in both cases has been the fact that his Nacionalista Party has but a tenuous majority in the Senate and is in the minority in the House of Representatives.

During the 100-day regular congressional session and two subsequent special sessions, only a few pieces of major domestic legislation were passed. These provided increased incentives for rice and corn farmers, set up programs of rural development and irrigation, raised the foreign and domestic debt ceiling, and introduced police reforms.

There has been some press and bipartisan criticism of the paucity of progress toward social and economic reform, although there is recognition that these issues have been overshadowed by the time-consuming Vietnam aid bill. Marcos' popular standing appears to remain high. The people in the provinces

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are reported to support him strongly and even in Manila, a traditionally antiadministration city, he appears to have majority support.

Internal Security

Violence and lawlessness are endemic in the Philippines, and the government has had little success in coping with these problems. There is widespread disrespect for law and order, a strong tendency toward violence in settling personal and political disputes, an easy availability of firearms, and an inadequate [redacted] police and judiciary.

Despite this lawlessness, there has been no major subversive threat to the integrity of the state since Magsaysay suppressed the Communist-led Huk rebellion during the early 1950s. The illegal Philippine Communist Party (PKP) has managed to survive as a small, loosely organized movement, but it probably has fewer than 1,000 hard-core members. It has concentrated on infiltrating urban, non-Communist organizations, particularly in labor and the press, and in setting up small youth and student fronts. In the densely populated central Luzon "rice bowl" it has established small peasant fronts and maintains contact with--and at least partial control over--the remnants of the Huk guerrilla force, the People's Liberation Army (HMB). These remnants, estimated at perhaps 150 active members plus 2,000 supporters, are concentrated in Pampanga Province,

site of the US Clark Air Force Base. The HMB now is chiefly engaged in sporadic terrorism, assassination, and banditry designed to intimidate local authorities and the population. Increasing evidence indicates that the Huks and gangster elements in central Luzon have merged their activities.

The threat of subversion from Indonesia has become of less concern with the recent waning of Communist influence in Djakarta, although there is continuing evidence that Djakarta would like to influence the Philippines to take a more neutral position in world affairs. Chinese Communist subversive activity among Filipinos is exceedingly meager at this time, but the Filipinos claim that it is increasing. Although the Chinese Communists seek primarily to influence the Chinese community of 600,000 against the Nationalist regime on Taiwan and to eliminate the US orientation of the Philippines, they are also a potential source of funds for the PKP.

Foreign Relations

Philippine foreign policy is firmly based on free world orientation and close alliance with the US. The Philippine Government has refused to establish political or economic relations with any Communist country--diplomatic relations with Cuba are considered "suspended"--and has never recognized the Soviet Union. Because of the country's long and close ties with the US, little effort has been made to expand

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relations with other countries, including those in the Far East. Closest relations are with Thailand, Taiwan, Korea, and, economically at least, Japan.

Manila participates actively in the United Nations, but has contributed little to the specialized agencies. It claims that SEATO is a keystone in its foreign policy, but its participation in that organization has been relatively weak. The Philippines has been active in other regional organizations such as the Colombo Plan and ECAFE, and in 1961 joined Malaya and Thailand in the Association of Southeast Asia, aimed at establishing closer economic and cultural relations among the three nations. Although the Association subsequently became dormant as a result of disagreements between the Philippines and Malaysia over Sabah, it has recently been revived and Malaysian-Philippine relations have improved.

Marcos is firmly anti-Communist and a supporter of the US in most issues concerning the Communist world. Well aware of the growing nationalist feeling in his country, however, he has been publicly critical of the US when he believed its actions conflicted with Philippine interests. On the other hand he has been less concerned than Macapagal with the Philippine image among his Asian neighbors, and has been less prone to indulge in gestures of independence of the US such as Macapagal's flirtation with Indonesia from late 1962 to early 1964.

Marcos' support for US policy in Vietnam has been demonstrated by his successful efforts to pass the Vietnam aid bill



Marcos has shown much interest in settling long-standing issues and irritants between the US and his country, particularly in regard to bases and bilateral economic issues. Although most of the base issues were resolved by previous administrations, certain relatively minor differences remain as irritants. None of these, however, appears likely to hamper effective use of the bases in support of US operations. In the economic sphere main areas of tension involve differences over the so-called "parity issue" and over the Retail Trade Nationalization Law. "Parity," as expressed in the Philippine Constitution and the trade agreements of 1946 and 1955, gives US citizens rights equal to Filipinos (nationals) in establishing commercial enterprises and in exploiting national resources. Since the US announced in early 1965 that it would not seek renewal of parity rights beyond 1974, the significance of parity as an irritant has been minimized for the time being at least.

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A more immediate issue arises from the application of the Retail Trade Nationalization Law. This law, originally aimed at the 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" as meaning 100-percent ownership by Filipinos or Americans. Few US corporations with publicly held stock can meet this qualification. Some 90 US firms with investments totaling over \$250 million are involved.

Another source of friction is the recurrent issue of Philippine veterans' claims on the US. These claims have been recently revived and will constitute a major item on Marcos' agenda during his visit to Washington in mid-September. Other major problems and needs which will be discussed during Marcos' visit will include US assistance in the fields of economic development and military assistance. Economic development assistance to be considered will cover such areas as rural electrification, rural credit and farm cooperatives, irrigation, and agricultural education. Military items will include the completion of equipping ten engineer construction battalions, defense support in the form of the construction of bases, airfields, and roads, and the supply of some additional military hardware.

Notwithstanding Marcos' slow start in implementing his

economic development and social reform programs, his outstanding political skill and personal drive and determination suggest that he may well make more rapid strides in the next year or so. Nevertheless, his lack of clear-cut legislative support, continuing funding problems, and the basic antagonism of the dominant social and political elements to far-reaching reforms are formidable obstacles. Even more fundamental than these issues of reform are those of honesty and efficiency in government. Marcos has been explicit in condemning public corruption and immorality, but it remains to be seen whether he understands or will effectively confront the grave danger presented by these deep-seated sociopolitical evils to the political future of the Philippines as a viable member of the free world. Lack of any significant improvements along these lines would increase the already wide popular disrespect for law and order and could seriously erode popular acceptance of the democratic system.

In the field of foreign affairs Marcos will generally continue to maintain his country's close and unique relationship with the US. However, during his forthcoming state visit he may be expected to ask for somewhat unrealistic levels of assistance, and will probably not be fully satisfied. Although this could result in a temporary strain in relations, the basic Philippine alignment with US policies is not expected to be seriously affected.

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