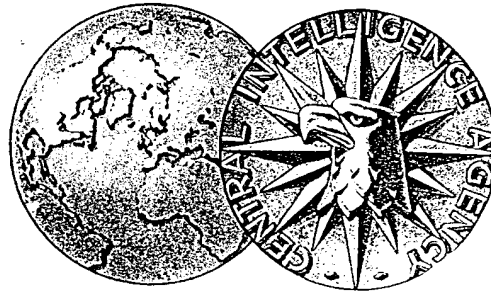


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PROSPECTS FOR STABILITY IN THE PHILIPPINES

SUMMARY

As a consequence of the decline in Philippine stability which is expected to continue and accelerate, President Quirino is in danger of being deprived of real power or impeached before his term of office expires in 1953. Short of a complete US debacle in Korea and further Communist expansion in the Far East directly threatening the Philippines, such emergencies as arise in the Far East will probably not cause the Filipino people to rally in support of Quirino and thus stabilize his regime. Quirino's probable successor, Vice President Lopez, should be able to halt the decline temporarily, but there is no assured prospect that he will be willing or able to effect the long-range reforms necessary to cure the country's basic ills. Nevertheless, the accomplishment of some real reforms, followed by reasonably honest elections in 1953, would insure continuance of a non-Communist pro-US regime. If, on the other hand, no real attempts at reform are undertaken and the 1953 elections are again marked by fraud and violence, it is probable that an authoritarian administration will come to power and an even chance that an eventual accommodation to Communism will be made.

The young nation inherited a working governmental system from the period of US control as well as a fairly experienced bureaucracy and relatively efficient armed forces. The Philippine economy is naturally rich and a protected market for its products is provided by the US. Postwar US expenditures in the Philippines have been large, amounting to nearly 2 billion dollars.

Much of the effect of such elements favoring stability in the Philippines, however, has been offset by a variety of governmental weaknesses. At the base of these is an irresponsible ruling class which exercises economic and political power almost exclusively in its own interest. Other elements include a weak President in ill health who has lost the confidence of the public and of most political leaders, a corrupt and inefficient officialdom, lawlessness, arbitrary misuse of governmental power, the 1949 election frauds, disorganized political parties, and a variety of economic problems.

The most visible (and the only militant one) of the various elements seeking the overthrow of the government are the Huks, a revolutionary group of disgruntled peasants and bandits under Communist leadership who as yet, however, pose no immediate threat to the government. Potential Huk allies include the Overseas Chinese, radical labor groups, unorganized lawless elements throughout the islands, and dissatisfied veterans. Political opponents of Quirino's administration include his Vice President and some members of his cabinet, the majority of the Philippine Senate, the opposition Nacionalista Party led by José Laurel, and the independent press.

US political and economic influence remains at present a stabilizing external factor. The successes of Communism in China and the imminent possibility of an attack on Taiwan, however, have frightened the Filipinos and sown the seeds of doubt regarding an ultimate western success in the containment of Com-

Note: This paper does not reflect any assumptions concerning possible US financial or other assistance to the Philippine Republic beyond existing commitments. The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It contains information available to CIA as of 28 July 1950.

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munism in the Far East. Although initial reaction to the recently announced US policy toward expanding Communism in the area was very favorable, a long delay or failure of

US forces to repel the invasion of South Korea would seriously undermine Philippine amenability to US guidance in internal and foreign affairs.

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PROSPECTS FOR STABILITY IN THE PHILIPPINES

1. Probable Future Developments.

Ineffective Philippine leadership in the face of markedly increased domestic instability provides the opportunity for opposition elements, under the leadership of Vice President Lopez, to restrict or eliminate President Quirino's authority prior to 1953. Although falling health may bring about Quirino's retirement at any time, political pressures continue which may relieve him from authority by: (1) the device of a "long vacation"; (2) a gradual delegation of power to Vice President Lopez; (3) forced resignation; or (4) if these means fail, impeachment. Assassination or a *coup d'état*, although unlikely, cannot be ruled out entirely.

President Quirino's stubbornness and vanity indicate he is not likely to take a "long vacation" or resign. It is more likely that Vice President Lopez and his supporters will force Quirino to concede such extensive authority that the Vice President will assume actual executive power leaving Quirino merely the vestiges of his office. If Lopez, who is becoming increasingly popular, should succeed to power he would probably be able initially to establish a more efficient administration and to restore a measure of public confidence in the Philippine Government thus improving internal political stability. Like most present Philippine political leaders, however, Lopez is personally identified with vested economic and political interests. For this reason, there is no assured prospect that a Lopez or similar regime would be willing or able to institute the broad political and economic reforms necessary to cure the basic ills of the country and to obtain the continuing support of the increasingly articulate and discontented people.

The invasion of South Korea momentarily strengthened the Quirino administration. Initial public reaction indicated support for whatever emergency measures the government might undertake in order to safeguard

Philippine national security. However, prompt announcement of US assistance to the South Koreans coupled with pledges to defend Taiwan, to expedite MDAP aid to the Philippines, and to increase US forces there—all have tended to allay Philippine fears. In consequence, opposition to the Quirino regime is already reasserting itself. Additional crises in the Far East and elsewhere, however, may have a similar temporary unifying effect within the Philippines. Short of a US debacle in Korea and further Communist domination of the Far East resulting in an actual invasion threat to the Philippines, however, such external factors, in themselves, will probably not greatly strengthen Quirino's position or bring about the necessary increase in administrative efficiency which would halt the decline of stability in the Philippines.

The next national elections in the Philippines will be held in November 1953. If, by that time, necessary reforms are instituted, if a measure of confidence in the Philippine Government has been restored, and if the Filipino people are permitted and encouraged to express their will freely at the polls, another non-Communist pro-US administration will probably emerge. Continuing stability of such a government would depend upon further implementation of basic political and economic reforms. If, on the other hand, reforms are not begun and the Filipino people are prevented from expressing their will by a fraudulent election, the consequent full loss of public confidence in the government will probably permit the forcible seizure of power by some authoritarian group. Such a regime would most probably be opportunistic and its initial orientation would thus be dependent on the existing power positions of the US and the USSR in the Far East. In any case, it is quite likely that such a government would eventually be replaced by a Communist administration—either by voluntary accommodation or by forceful overthrow—unless it

should have a more substantial measure of success than its predecessors in coping with the country's basic problems.

2. Strong and Weak Points Inherent in the Government.

a. Elements of Strength.

In contrast to other newly created Asian nations, in which a dearth of experienced leadership seriously impedes governmental operations, the Philippine Republic inherited a working governmental system closely modeled after that of the US, as well as an experienced, although not always effective, bureaucracy. It has not been necessary, therefore, for the young country to undergo the disastrous political experimentation which often characterizes newly independent states. The Philippine economy is rich in agricultural, mineral, and forest resources; and a protected market for its products is provided by the US. Food is plentiful, and, although small imports are still required, rice and corn production has increased significantly over average prewar levels. Production of major export crops has also improved.

Postwar US aid to the Philippines has been generous. Most US expenditures have gone, not to the government, but directly into the Philippine economy through such means as employment of Filipino civilians by the US armed forces, benefits for Filipino veterans, back pay to guerrilla units, and war-damage payments to private citizens. Total US Government expenditures in the Philippines by the end of 1949 amounted to almost one and a half billion dollars. Loans totalling \$67 million have been advanced, while over \$267 million worth of military and other property has been transferred to the Philippine Government.

The Philippine Armed Forces and Constabulary are efficient by Southeast Asian standards. The high-level staffs function well, and training of officers and men is rated as satisfactory by US observers. Equipment is mostly that used by the US in World War II, and, while replacement parts and ammunition are needed, this modern armament provides Philippine security forces with a distinct advantage over dissident groups. A US military

advisory mission is stationed in the Philippines and will supervise the expenditure of MDAP funds which totaled approximately \$6 million during fiscal year 1950. National Defense Headquarters recently directed the Philippine Ground Force to activate a total of ten battalion combat teams which also are to include a proportion of Constabulary troops. Creation of these forces is aimed at the initiation of more aggressive operations in Luzon. In contrast to the past pattern of anti-Huk activity, which had resulted only in brief skirmishes and the subsequent withdrawal and escape of dissident forces, the battalion combat teams are to undertake determined pursuit of Huk bands, as well as more active scouting and patrolling. By June 1950, all of the proposed battalions had been activated.

Christian Filipinos—predominantly Roman Catholics—comprise fully nine-tenths of the entire population. Although the Church is a stabilizing factor in the Philippines, its influence in combating tendencies toward lawlessness and extreme radicalism is weak.

b. Elements of Instability.

Much of the effect of such elements favoring stability in the Philippines has been offset by governmental abuse of power, weak leadership, corruption, irresponsible political parties, and economic mismanagement. The trend toward instability which followed the war and granting of independence to the Philippines threaten US security interests not only because the Philippine Republic is of obvious strategic importance to the US, but because success or failure of US tutelage there will be considered by Asian nations as a reflection of the merits of western democracy as applied to Far Eastern countries. Hence, present trends, which could result in loss of US influence in the archipelago and elsewhere in Asia, could be extremely detrimental to US interests.

Centuries of Spanish rule fostered the development of a powerful landlord class which continues today as the dominant element in the Philippine social and economic structure. Under US control, the landlord class retained its economic and political power because it represented the only educated Filipino group capable of assuming administrative responsi-

bilities. Today, members of this class control the government on national, provincial, and local levels. They possess a disproportionate share of the national wealth and establish the moral climate of society. Since the achievement of independence and the termination of US restraint, they have abused their power at the expense of the people, and popular dissatisfaction with their economic and political oppression is deep. This dissatisfaction is reinforced by the additional fact that Filipino officialdom has become largely corrupt and inefficient. Among the rank and file, inadequate salaries and the example of superiors encourage graft. Inefficiency results principally from favoritism and nepotism in the selection of higher officials. The entire government is pervaded by an atmosphere of moral degeneration resulting from Japanese occupation and wartime conditions.

The Philippine Government suffers from poor leadership. President Elpidio Quirino, weak, vacillating, and bewildered, is losing control of his Party and cannot depend on the loyalty of his Cabinet. His failure to take vigorous action against official corruption, to suppress lawlessness, and to face the nation's major economic problems squarely has resulted in a loss of public confidence in his leadership. Quirino's arbitrary misuse of presidential powers and his involvement in election frauds have further tarnished his reputation. Quirino's poor health, moreover, has emboldened his rivals to plot against him and has further undermined his authority.

The Philippine system of political parties contributes to governmental instability. Political allegiance in the Philippines is granted to leaders rather than to issues. The two major political parties—Liberal and Nacionalista—have a common ancestry, and there are few differences between their platforms. Both parties are frequently and violently rent by factional disputes and personal quarrels. Party members, and even party leaders, frequently shift their allegiance from clique to clique or even from Nacionalista to Liberal and back, depending upon their personal assessment of relative party or intra-party strength. The conduct of the national election of November 1949 exhibited the funda-

mental weaknesses of the Philippine party system and damaged the government's prestige. The issues presented to the electorate were not clear-cut and Quirino and his party followers, taking advantage of their control of the government machinery, employed a wide variety of illegal tactics to insure their continuation in office. Coercion, fraudulent voting, and miscounting were so blatant as to cause frustration and disgust among the majority of Filipino voters, and the election scandals continue to contribute to the common peoples' distrust of their government.

The Philippine Republic suffers from a variety of economic ills which create and aggravate political problems. Agriculture, the most important segment of the Philippine economy, is characterized by a maldistribution of the farming population by a feudalistic land-tenure system, widespread usury and poverty, and by farms which are uneconomically small. Failure of the government to make other than nominal attempts to solve the worst of these agrarian problems is the cause of much of the present unrest in the Philippines.

The Government's financial position is critical. Heretofore, budgetary deficits have been financed by drawing on reserve funds and by borrowing from the Central Bank. Reserve funds are now virtually depleted, and borrowing from the Central Bank has reached the legal limit. Because there appears to be no possibility that the deficit will be met by increased taxation, future deficits will presumably be financed through devices which will have inflationary effects. Evasion of present income, excise, and customs taxes, is, in any case, practiced with impunity. Currently, the government's financial plight is reported to be causing a serious curtailment of public services, including education, and increased unemployment. This situation will increase the unpopularity of the present administration and accelerate the growing opposition to the Quirino regime.

In foreign trade, a heavily adverse balance-of-payments position has been temporarily eased through the imposition of exchange controls, but this action has brought with it higher prices, reduced revenue, unemploy-

ment, and a loss of confidence on the part of the business community in the country's economic future.

3. Elements within the Philippines Seeking the Overthrow of the Government.

a. Insurgent and Communist Groups.

The most visible of the various threats to the Philippine Government are the Huks. Led by a Communist, Luis Taruc, assisted by two Philippine Communist Party leaders, Balgos and Capadocia, the Huks are the only militant revolutionary group presently opposing the Philippine Government's authority.

Because Huk opposition to the government is armed and violent, it receives more attention than other opposition groups, but the actual Huk threat is more potential than immediate. A peasant organization, evolved from guerrilla groups that resisted the Japanese in Central Luzon, the Huks continued to fight after the war's end with the ostensible objective of reforming Luzon's inequitable agrarian system. Along with the disgruntled peasants in Huk ranks today are professional bandits and common outlaws. Although the Huks have considerable popular support, their actual membership is no more than 20,000, and their armed strength at any time probably totals no more than 8-10,000. The government's failure to alleviate the inequitable conditions that foster peasant discontent will allow the Huks to maintain and increase their strength and to serve as a focal point of armed opposition to which other disgruntled groups may turn.

The Huks are equipped with weapons suitable for guerrilla operations, and their ammunition supply has been secured from abandoned stocks or through purchases, theft, or seizure from government forces. Food and clothing, when not willingly contributed by sympathetic peasants and villagers, are easily obtained by force or intimidation. Huk loyalty and morale are difficult to assess. The fact that very few have taken advantage of past government amnesty offers, however, indicates that the Communist leadership, by whatever means, has been able to retain the adherence of its followers. In the past, Huk activity took the form of series of raids, first

in one location and then in another, interspersed with periods of relative quiet. A major outbreak of Huk violence in March 1950, however, was better coordinated and executed than had been usual, a fact which is taken to indicate the development of more centralized Huk control. The attribution of this improvement in Huk efficiency to close direction and substantial material assistance from Peiping and Moscow, however, is as yet unwarranted on the basis of existing evidence.

Potential Huk allies in the Philippines include the 400-500,000 Overseas Chinese, who control a large proportion of the nation's mercantile activity and, as a group enjoy considerable wealth. Since the Communists have achieved power in China, it is believed that a small number of Philippine Chinese have aligned themselves with the Peiping regime. Their numbers probably will increase within the present Chinese population and through illegal immigration and they can be expected to facilitate Communist communications, raise funds, engage in subversive activities, and render aid to the Huks.

Another source of support for the Huks is found in the Philippine labor movement. Although only a small proportion of the Philippine labor forces is organized at present, the trade union movement is growing in strength. Labor's dissatisfaction with low real wages and conditions of work, however, is permitting exploitation of the union movement by radical organizers. One of the most aggressive labor organizations in the Philippines, the Congress of Labor Organizations (CLO), is Communist-dominated. CLO propaganda and strategy indicates its revolutionary character, and its leadership is currently reported to be recruiting a "labor battalion" to support the Huks. If political and economic conditions grow worse, it is anticipated that the CLO will obtain increasing support.

The Huks, although they represent the only organized armed opposition to the Government, do not furnish the sole example of lawlessness in the Philippines. Firearms are plentiful throughout the archipelago, and this condition has fostered widespread banditry and disorder. The Government's preoccupation with anti-Huk operations in Luzon,

together with rivalry between local police units (who are responsible to local bosses) and the Manila-directed Constabulary, has handicapped police action against bandit bands elsewhere. Abuses of police authority by both local and national law-enforcement groups, moreover, have resulted in a non-cooperative attitude toward the police on the part of the general public. While professional banditry is common in Luzon and the Visayas, lawlessness among the Philippine Moslems (Moros), inhabitants of Mindanao and the Sulu archipelago, represents, at least in part, opposition to Christian Filipino authorities. The perennial violence in Moro territory combines such anti-Christian sentiment with traditional bandit activity and, although now generally held in check, represents a potentially serious element of opposition to governmental authority.

b. Political Groups.

Political opposition to the government aims either at the removal of Quirino personally, or at general reform of the administration. Vice President Lopez, partly because he desires to play a more important role in the administration than Quirino will grant him, partly because he wishes to protect his own and other extensive business interests by assuring a competent and stable government, and partly because he evidently has a feeling of responsibility for the public welfare, leads those who seek Quirino's removal from power.

Backing him are the Philippine Senate, together with a large section of Quirino's Liberal Party which no longer supports the President. The Nacionalistas, led by José Laurel, a demagogue who collaborated with the Japanese, have always opposed Quirino. In addition, the President is under attack by a growing proportion of politically articulate Filipinos who are without definite party affiliation. All these opposition elements blame the President personally for Governmental corruption and inefficiency, worsening financial problems, and the November 1949 election scandals. Their tactics take the form of press attacks, refusal to serve in public office, exposure of Government graft, and the rejection of administration-sponsored legislation.

The independent Philippine press has consistently criticized Government corruption.

Such attacks are constructive in their intent, however, and the same newspapers have been quick to applaud any administration efforts toward reform.

Veterans' organizations, as well as groups of World War II guerrillas whose war claims have not been honored, constitute another group that is critical of the Government for its failure to obtain more benefits for them. Although not strongly anti-administration at present, this large body is easily influenced by unscrupulous leaders and could become an effective opposition bloc.

One outstanding independent in Philippine politics, Senator Lorenze Tanada, has waged a single-handed campaign for honest government. Although he has followers among the young professional class and has created his own political group (The Citizens' Party), his influence is small. If he maintains his untarnished reputation, however, he may, in the future, be able to attract considerable political support.

José Laurel, spokesman for the Nacionalista Party, has temporarily retired from politics and has recently been reported as giving covert backing to Vice President Lopez. Laurel is still very popular and, despite his retirement, could quickly rally considerable popular support. While Laurel would probably not organize a "reform" movement of his own, he might attempt to capture the leadership of any such group.

4. External Influences.

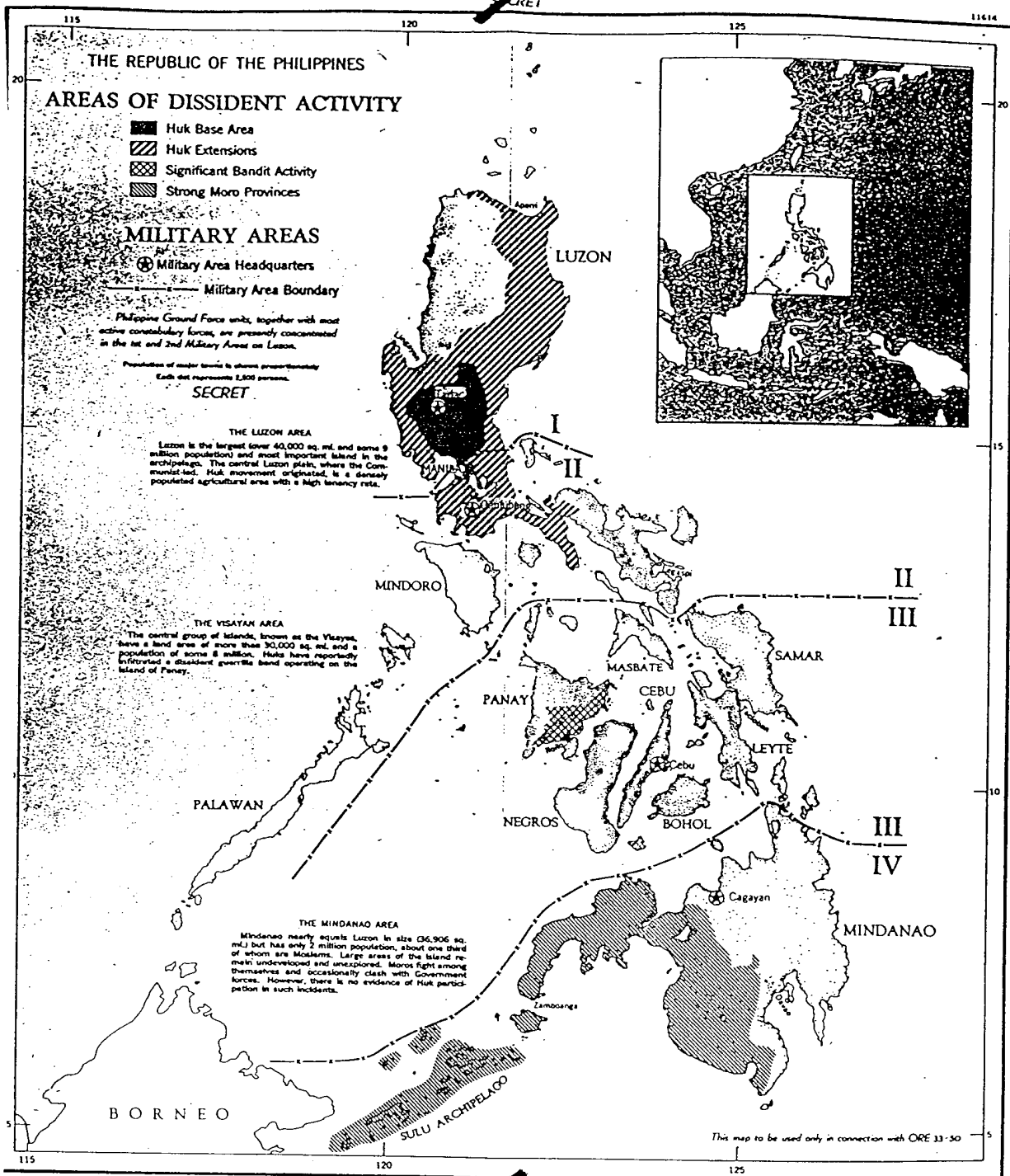
US political and economic influence in the Philippines remains great. Many prominent Filipinos were educated in America and retain a deep respect and affection for the US. Most Filipinos appreciate both the benefits which the Philippines have received from the US and the fact that their independence was willingly granted. Strong economic ties with the US continue to exist: Philippine exports will enjoy a preferential US tariff for many years, for example, and the US market for Philippine products is essential to a prosperous Philippine economy; US business and industrial interests in the Philippines are extensive and have brought with them large and valuable capital investments. Thus, over and

above considerations of sentiment, the Filipinos are not unaware of their economic dependence on the US. In addition, the US has promised to defend the Philippines in case of external attack, and tangible assurance of this intent is provided by the continued maintenance of US air and naval bases on the islands, by US military assistance to the Philippine Armed Forces, and by the present US military commitment against Communist aggression in Asia. This is of particular importance because the Filipinos are convinced that only the US can successfully defend them from external aggression.

The Filipinos also find encouragement in the fact that other Southeast and South Asian nations, while not militantly anti-Communist, are at least making efforts to remain non-Communist themselves. The Philippine Government attempted to exploit this resistance to Communism by convening a conference of non-Communist Asian nations in May 1950, to discuss the possibilities of non-Communist economic and cultural union. Although no really tangible results were achieved during the seven-nation meeting, it was agreed to consult on matters of common concern in the future, and a Filipino, UN Assembly President and Philippine Foreign Minister Carlos Romulo, was appointed to continue liaison with the seven governments. While Communism was not an issue at the meeting, it is certain that the Filipinos hope that any closer association growing out of the talks will have the effect of halting the spread of Communism.

Although US protection and the prospect of a non-Communist association provide the Filipinos with some measure of assurance, Communist successes on mainland Asia have nonetheless frightened the Philippine leaders and people. While Philippine fears engendered by the threat to nearby Taiwan have been quelled somewhat by recent US action, general deterioration in the Far East has been reflected by two contrary reactions. Some influential Filipinos have demanded that the nation loosen its ties with the US and steer a more independent course in the present East-West conflict. The majority, however, has clamored for greatly increased US military aid and additional assurances of US protection. The effect of this dual reaction has been to complicate US relations with the Philippines and to sow the seeds of distrust regarding an ultimate western success in the containment of Communism. In addition, the Philippine Government is exposed to charges by radicals and pacifists that it is leading the nation into another war through its "unrealistic" policy of enmity toward Communism in Asia.

Despite these doubts and fears, the prompt declaration of a vigorous US policy to repel the invasion of South Korea and further strengthen non-Communist peripheral areas met with general popular and official approval. US prestige increased greatly as a result of the swift decision to assist in the defense of the South Korean Republic. Nevertheless, a long delay or failure of US forces to repel the invasion of South Korea would seriously undermine Philippine amenability to US guidance in internal and foreign affairs.



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