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REPORT TO THE SUBCOMMITTEE ON
U.S. SECURITY AGREEMENTS
AND COMMITMENTS ABROAD
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE



Review Of U.S. Assistance
To The Philippine Government
In Support Of The Philippine
Civic Action Group B-168507

Department of State
Department of Defense

Declassified By: OASD/PA, Chief OSD Division, Directorate for
Freedom of Information & Security Review,
Ltr. Dtd. March 9, 1987 and Deputy Asst. Secy.,
C/D Ctr., Bureau of Admin., DoS, Ltr. Dtd. July 15,

*This material contains information affecting the national defense of the
United States within the meaning of the espionage laws, Title 18, U.S.C.,
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BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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JUNE 1, 1970



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-168501

Dear Mr. Chairman:

This report is in response to your request dated November 26, 1969, and the subsequent discussions with you and members of your staff relating to the payments made by the United States to the Government of the Philippines for sending the Philippine Civic Action Group to Vietnam. Our report is summarized in the digest of the report.

(UNCLASSIFIED)

We were unable to complete our work and report on this assignment within a reasonable time because of the time-consuming screening process exercised by the Departments of State and Defense before making records available for our examination. Because the Department of Defense did, in effect, refuse to give us access to certain documents we had requested, we were forced to reduce the scope of our review and limit it essentially to payments directly related to the support of the Philippine Civic Action Group. (UNCLASSIFIED)

We were not granted access, under the unilateral ground rules established by the Department of Defense, to records pertaining to the regular military assistance program for the Philippines, and we are not certain that we have the full story regarding all the support given to the Philippines by the United States during the period of the deployment of the Philippine Civic Action Group in Vietnam. (UNCLASSIFIED)

Copies of our report have not been furnished to the Departments of State and Defense for their advance review and comment, but we have notified them of the release of the report. Further, we submitted drafts of the report to both Departments for a review of the classification which we had tentatively made on a paragraph-by-paragraph basis. We have been advised that the report must be regarded as a complete entity, insofar as security classification is concerned, and that it is classified "SECRET," overall. Accordingly, we have so classified the report.

(UNCLASSIFIED)

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office
JUSMAG	Joint United States Military Advisory Group
MAP	Military Assistance Program
PHILCAG	Philippine Civic Action Group

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*COMPTROLLER GENERAL'S REPORT TO
THE SUBCOMMITTEE ON U.S. SECURITY
AGREEMENTS AND COMMITMENTS ABROAD,
COMMITTEE ON FOREIGN RELATIONS,
UNITED STATES SENATE*

REPORT ON U.S. ASSISTANCE TO
THE PHILIPPINE GOVERNMENT IN
SUPPORT OF THE PHILIPPINE CIVIC
ACTION GROUP
Department of Defense
Department of State B-168501

D I G E S T

WHY THE REVIEW WAS MADE

The Chairman, Subcommittee on U.S. Security Agreements and Commitments Abroad, Senate Committee on Foreign Relations, by letter dated November 26, 1969, requested that the General Accounting Office (GAO) study the payments made to the Government of the Republic of the Philippines by the Government of the United States in support of the Philippine Civic Action Group (PHILCAG) in Vietnam. The specific scope of this study was established in subsequent meetings with the staff of the Subcommittee. It was agreed that GAO would direct its study to (1) payments for the cost of per diem and overseas allowances of PHILCAG personnel in Vietnam, (2) material and logistical support provided to PHILCAG in Vietnam by the U.S. Military Assistance Command, Vietnam, and (3) related material assistance given to military units in the Philippines.

An interim report on this study was made to the Chairman on February 19, 1970 (B-168501).

FINDINGS AND CONCLUSIONS

On the basis of records furnished by the Departments of Defense (DOD) and State and of discussions with responsible officials, GAO found that late in 1964 the U.S. Government offered to, and the Government of the Philippines accepted, certain quid pro quo financial and material assistance for sending PHILCAG to Vietnam. GAO verified that the value and type of assistance given to the Philippine Government was substantially as described by Mr. James M. Wilson, Jr., Deputy Chief of Mission, U.S. Embassy, Manila, in his testimony at the hearing before the Subcommittee on U.S. Security Agreements and Commitments Abroad. (See pp. 4-7)

GAO found also that U.S. officials exercised no control or supervision over the utilization of funds provided for the payment of per diem and

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overseas allowances to PHILCAG personnel and that therefore the purpose for which the funds were actually applied could not be established. (See pp. 8-9)

GAO was unable to establish the validity of the receipt, disposition, or actual cost of equipment and logistical support provided to PHILCAG due to incomplete documentation by DOD. GAO is reasonably sure that such support cost at least \$24 million, of which \$4.2 million was for providing PHILCAG with equipment in Vietnam and \$20 million was for recurring subsistence, operating expenses, ammunition, and some additional equipment. The possibility exists that the total cost was far greater than these figures. The amount of equipment turned in by PHILCAG upon leaving Vietnam in December 1969 could not be reconciled by U.S. military personnel with the shipment, authorization, or inventory lists covering PHILCAG operations. (See pp. 10-12)

GAO noted that costs amounting to about \$3 million had been incurred for equipment, patrol craft, and weapons used to support military units in the Philippines and that \$500,000 related to the costs of replacing personnel in PHILCAG in Vietnam and of packing, crating, handling, and transportation costs connected with PHILCAG. (See pp. 12-13)

Although not directly related to PHILCAG, other U.S. assistance to the Philippine Government, including military and economic aid, increased substantially during fiscal years 1966 to 1970. (See p. 14)

GAO was seriously hampered and delayed in making this study by the reluctance of both DOD and the Department of State to give GAO access to the documents, papers, and records which GAO considered pertinent to the review. Furthermore, DOD did, in effect, refuse to give GAO access to certain records. In general, the records to which access was permitted were only those documents, papers, and records which GAO was able to specifically identify and request and then access was permitted only after time-consuming screening at various levels within the two Departments. (See apps. II, III, IV, and V.)

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CHAPTER 1

INTRODUCTION

By letter dated November 26, 1969, the Chairman, Subcommittee on U.S. Security Agreements and Commitments Abroad, Senate Committee on Foreign Relations, requested the General Accounting Office to study the payments made to the Government of the Republic of the Philippines by the Government of the United States in support of the Philippine Civic Action Group in Vietnam.

In subsequent meetings with the Subcommittee staff, it was agreed that we would direct our study to (1) payments for the cost of per diem and overseas allowances of PHILCAG personnel in Vietnam, (2) material and logistical support provided to PHILCAG in Vietnam by the U.S. Military Assistance Command, Vietnam, and (3) related material assistance given to military units in the Philippines.

This report is based on our review of documents made available to us by the Department of State and DOD and on verification work we performed in the field. It should be noted that our study was seriously hampered and delayed by the reluctance of both DOD and the Department of State to give us access to the documents, papers, and records which we considered pertinent to our review. Furthermore, we were forced to reduce the scope of our review and limit it to payments directly related to PHILCAG, because DOD, in effect, refused to give us access to certain records we had requested. In general, the records to which we did gain access were only those documents, papers, and records which we were able to specifically identify and request and then we gained such access only after time-consuming screening at various levels within the Departments. This problem is covered in detail in appendix II.

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CHAPTER 2

BACKGROUND OF NEGOTIATIONS

The Philippine Government's commitment to send a military unit to Vietnam was established during discussions between U.S. President Lyndon B. Johnson and then-President of the Philippines Diosdado Macapagal during the latter's state visit to the United States in October 1964. It was publically reported at that time that the commitment was an outgrowth of President Johnson's urgent desire to get other free-world forces to join the U.S. cause in Vietnam.

Subsequent discussions concerning the Philippines' sending a military unit to Vietnam and the United States' providing financial and material assistance to the Philippines were held by U.S. Embassy personnel in Manila with President Macapagal as early as December 1964 and were continued with succeeding President Ferdinand E. Marcos.

Department of Defense records indicated that the first support for the Philippine Task Force, as it was then called, was contained in the fiscal year 1966 Military Assistance Program (MAP) for South Vietnam. The source of funding for this support was subsequently transferred to the military functions appropriations; however, this early MAP funding suggests that, in view of the normal MAP-programming cycle, the decision to provide U.S. assistance to the Philippines in support of PHILCAG was made late in 1964 or at the beginning of 1965.

From the beginning, the discussions reflected the willingness of President Marcos to send a small military contingent to Vietnam. Philippine negotiators emphasized, however, that to do this the Philippines would require assistance from the United States. At the same time they expressed serious concern that such assistance from the United States might convey a mercenary connotation for the Philippine unit. President Marcos also stated that Philippine congressional approval of his aid-to-Vietnam legislation would be facilitated if the

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United States were to provide, in addition to the support needed to deploy a military contingent to Vietnam, some form of assistance to Philippine domestic programs. Various kinds of assistance were considered by the United States, including expanded assistance under MAP and additional Public Law 480 and other economic aid.

We found no evidence, except for the financial and military working arrangements in Vietnam, of any written agreements having been concluded by the two governments with respect to PHILCAG and the related commitments of the United States. Neither did the records of verbal discussions between the two governments, to which we were permitted access, indicate the limits of U.S. aid in exchange for PHILCAG. For these reasons, we were restricted in our review by the Departments' arbitrary definition of U.S. quid pro quo assistance.

The record of discussions implies that assistance from the United States in the form of logistical support of PHILCAG and payment of per diem and overseas allowances to PHILCAG personnel were President Marcos' conditions for sending a unit to Vietnam. U.S. assistance for domestic civic action and anti-smuggling programs, consisting of engineer construction equipment and patrol craft, was mentioned in the PHILCAG context but ostensibly as a device for helping President Marcos' aid-to-Vietnam bill through the Philippine Senate. The United States chose to consider a portion of the domestic assistance as PHILCAG related and funded it as part of the support of the Free World Military Assistance Forces in Vietnam. Other, identical assistance was funded under MAP and excluded from the quid pro quo definition.

President Marcos' concern over the possible mercenary implications of accepting assistance from the United States for PHILCAG was evident from the method which was agreed to and subsequently implemented for the handling of the payment of allowances for PHILCAG personnel. The United States delivered dollar checks directly to the Philippine Secretary of National Defense in Manila. It was agreed to between officials of the Department of State and President Marcos that the Philippine Government could conceal the receipt of these payments from

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the Philippine public in its national defense budget. It is quite conceivable that few officials in the Marcos administration were aware of the cash payments by the United States or of the purpose for which they were actually intended.

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CHAPTER 3

ASSISTANCE PROVIDED

According to Department of Defense records, approximately \$41 million, including estimated costs for the first half of fiscal year 1970, was provided in the military functions appropriations for PHILCAG-related assistance. We made such tests as we considered necessary to satisfy ourselves that the Philippine Government actually received such assistance from the United States and that the value and makeup of such assistance was substantially as described by Mr. James M. Wilson, Jr., Deputy Chief of Mission, U.S. Embassy, Manila, in his testimony before the Subcommittee on September 30 and October 1 and 2, 1969.

In accordance with section 401(b) of Public Law 89-367 and section 640(b) of Public Law 89-687, which authorized the support of the Free World Military Assistance Forces in Vietnam with military appropriation funds, DOD submitted quarterly reports to the Congress on the estimated value, by country, of such support based on actual or estimated obligations for material contracts and services. The total cost for this support reported for the Philippines from fiscal year 1966 through the second quarter of fiscal year 1970, when PHILCAG redeployed from Vietnam, was \$17 million, or less than 50 percent of the support costs incurred. This variance appeared to be caused by the fact that DOD reports apparently included only personnel and operations and maintenance costs associated with PHILCAG but excluded the cost of equipment.

A recapitulation of PHILCAG-related cost data, by source, follows.

<u>DOD budget</u> <u>data</u>	<u>Reported by DOD</u> <u>to the Congress</u>
\$40.8 million	\$17.3 million

PER DIEM AND OVERSEAS ALLOWANCES

Approximately \$3.9 million was paid to the Government of the Philippines between October 1966 and January 1970 for the cost of per diem and overseas allowances of PHILCAG personnel in Vietnam. Quarterly payments were made on the basis of personnel-strength figures reported to the Comptroller, Joint U.S. Military Advisory Group (JUSMAG), by the Philippine Department of National Defense and verified through the use of strength data submitted by PHILCAG through the U.S. Military Assistance Command, Vietnam. These strength figures, all reported by Philippine sources, were accepted by U.S. officials as the basis for computing payments without further verification either in the Philippines or in Vietnam.

In checking the accuracy of the JUSMAG computations, we found that the payment for the fourth quarter of fiscal year 1969 had been incorrectly computed which resulted in an overpayment to the Philippines of \$30,000. The amount of the payment was computed by the JUSMAG Comptroller using the following combined schedule of daily rates for per diem and overseas allowances.

Brigadier General	\$7.00
Colonel	6.50
Lieutenant Colonel	6.00
Major	5.50
Captain	5.00
First Lieutenant	4.50
Second Lieutenant	4.00
Master Sergeant/First Sergeant	2.50
Technical Sergeant/Staff Sergeant	2.00
Sergeant	1.50
Corporal	1.20
Private First Class/Private	1.10

At the written request of the JUSMAG Comptroller, a U.S. Treasury check was issued by the disbursing officer at Clark Air Force Base after the close of each quarter. This request cited a message as authority for the disbursing officer to issue the check. We never saw this message, however, because, in answer to our requests for a copy of it,

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we were told that no copy was available at JUSMAG, the American Embassy, Clark Air Force Base, or the originating Air Force Headquarters in Hawaii. The disbursing officer stated that he considered the Comptroller's request to be his authority for issuing the check. Although PHILCAG re-deployed from Vietnam in December of 1969, we were advised by JUSMAG officials that, as of the time of our inquiry, they had received no instructions from higher headquarters regarding the termination of payments. The Chief, JUSMAG, indicated, however, that he would make no more payments.

Fourteen quarterly checks were issued between October 1966 and January 1970. These checks were charged mainly to the Army military pay and allowances appropriation. An examination of canceled checks returned to the Department of the Treasury showed that they had been made payable to the Secretary of National Defense, Republic of the Philippines, and that they had contained no data identifying their purpose. The most frequently occurring indorsement on the checks appeared to be the signature of Ernesto S. Mata, Secretary of National Defense. The checks were deposited in the Philippine Veterans Bank, usually in the Camp Aguinaldo Branch.

Each check was delivered by the Chief, JUSMAG, or his Chief of Staff, to the Secretary of National Defense, together with a typed receipt. The receipt listed the check number and date and stated that the payment was for "commercial consumable support for the AFP" (Armed Forces of the Philippines), a phrase which was described as a cover by JUSMAG in a message to the Commander in Chief, Pacific, in October 1966 when the first check was delivered. The receipt, which was signed by the Secretary of National Defense, was retained in JUSMAG's files. When delivery of the check was accomplished, President Marcos was notified by the U.S. Ambassador.

U.S. officials exercised no control or supervision over the utilization of these funds; therefore the purpose for which the funds were actually used could not be established. Our inquiries into this matter, which were confined to U.S. sources, revealed that no information was required of, or received from, the Philippine Government on the disposition of the funds paid to it by the United States.

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EQUIPMENT AND LOGISTICAL SUPPORT IN VIETNAM

We were able to verify that some equipment and logistical support of PHILCAG in Vietnam had been provided by the United States. Because of incomplete DOD documentation, we were unable to establish the actual cost of this support. We are reasonably sure that such support cost at least \$24 million, and there is a strong possibility that the total cost was greater. Approximately \$4.2 million of this amount was funded to provide PHILCAG with equipment in Vietnam, and the remaining \$20 million was the cost of recurring subsistence, operating expenses, ammunition, and some additional equipment.

From available records, we confirmed that most of the equipment represented by the \$4.2 million was shipped to Vietnam for PHILCAG in August 1966 under a special DOD project. Because of the inadequacy of the records, we were unable to establish a clear picture of the disposition of this equipment; however, we were able to determine that:

1. The United States-Philippine working agreement provided that equipment support to PHILCAG in Vietnam was to be on a loan basis, except for replacements of items brought to Vietnam by PHILCAG. Evacuation from Vietnam of equipment, the title to which did not rest with the Philippine Government, required prior approval of the Commander, U.S. Military Assistance Command, Vietnam.
2. JUSMAG officials had no record of the equipment, if any, which had accompanied PHILCAG to Vietnam or which had been returned with PHILCAG upon its redeployment.
3. PHILCAG equipment authorizations had been based on a Table of Organization and Equipment and a Table of Allowances which had been approved by the U.S. Military Assistance Command, Vietnam. These documents authorized equipment far in excess of that originally included under the special DOD project, such as medical and dental equipment, additional small arms, automatic weapons and mortars, howitzers, armored personnel carriers, and tanks. Records of initial equipment issues to PHILCAG were not available; however, in the opinion of several officials of the U.S. Military

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Assistance Command, Vietnam, the equipment authorized probably had been issued to PHILCAG.

4. Prior to its departure from Vietnam in December 1969, PHILCAG conducted an inventory of equipment on hand. This inventory was, for the most part, unconfirmed by U.S. personnel. As in the case of the authorizations, quantities inventoried had exceeded the special DOD project equipment and the quantities finally turned in.

5. PHILCAG records of turn-in of equipment had been accepted without verification by the U.S. Military Assistance Command, Vietnam; however, the records could not be reconciled with shipment, authorization, and inventory lists. At the time of our review, the U.S. Military Assistance Command, Vietnam, had not yet resolved turn-in discrepancies and PHILCAG property records had not yet been closed.

The following comparison demonstrates the inconsistency in the number of PHILCAG equipment line items contained in various documents we reviewed.

<u>Authorized</u>	<u>Inventoried</u>	<u>Turned in</u>
675	319	301

Accountable records identifying subsistence and operating costs for PHILCAG were not maintained prior to fiscal year 1969. In the absence of such records, these type costs were estimated by DOD for budgeting and reporting purposes on the basis of PHILCAG personnel-strength figures. We used these estimated costs for the purpose of our review. In addition, U.S. Army, Vietnam, identified approximately \$5.1 million in equipment and ammunition costs between fiscal years 1967 and 1970, which, according to Army officials, were based, in part, on actual issues and which we accepted as probably valid for the purposes of our review. These costs were apparently not included in the DOD report to the Congress on support to the Free World Military Assistance Forces.

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In view of the noncombatant mission of PHILCAG, our attention was attracted to the recorded cost of ammunition issued to PHILCAG. We found that ammunition costs in fiscal year 1969 were significantly higher than those for other fiscal years and that costs for the second quarter of fiscal year 1970, during which PHILCAG redeployed from Vietnam, were higher than those in the preceding quarter. The recorded cost of ammunition issued from fiscal year 1967 to fiscal year 1970 is shown in the following schedule.

<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	
			<u>1st quarter</u>	<u>2d quarter</u>
\$864,000	\$395,000	\$1,739,000	\$192,000	\$377,000

MATERIAL SUPPORT FOR MILITARY UNITS
IN THE PHILIPPINES

We were able to identify material support valued at approximately \$3 million for military units in the Philippines. This assistance included equipment to convert three existing MAP-supported combat engineer battalions to construction battalions, four patrol craft, and weapons for the Philippine Constabulary. As previously mentioned, this type of assistance was requested by President Marcos to support his politically popular civic action and antimuggling programs in the Philippines and thus to provide a more favorable atmosphere for the passage of his aid-to-Vietnam legislation.

We also confirmed that the United States provided support for replacement personnel for PHILCAG in fiscal years 1968 and 1969. This and the overall costs for estimated packing, crating, handling, and transportation amounted to approximately \$500,000.

In attempting to determine the disposition of the equipment sent to the Philippines, we were advised by JUSMAG that the patrol craft were combat-ready. The only detailed information on the condition and utilization of the engineer equipment, however, was contained in reports prepared by the Armed Forces of the Philippines. We were unable to obtain access to these reports.

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JUSMAG refused to make the reports available to us on the basis that the information was outside the scope of our review in that it did not distinguish between quid pro quo equipment and that which was acquired from other sources. We were, however, furnished with summaries of the reports, and we were told by JUSMAG officials that these documents depicted a high deadline rate for engineer equipment and that the Armed Forces of the Philippines had failed to man the engineer battalions at the level to which it had agreed in accepting the equipment.

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OTHER U.S. ASSISTANCE TO
THE PHILIPPINE GOVERNMENT

During our review, we observed that the levels of other forms of U.S. assistance to the Philippine Government, such as MAP support and economic aid, increased substantially during fiscal years 1966 to 1970, the period during which the PHILCAG negotiations were taking place through the time the unit was in Vietnam. This increase in the levels of assistance was not included in the Department of State's and DOD's definition of PHILCAG-related aid to the Philippines.

Increases which we identified included approximately \$2.9 million in MAP and \$24.4 million in economic assistance provided through direct grant-in-aid and long-term loans. The increases included assistance which had been specifically discussed with President Johnson by President Macapagal at the time of the latter's state visit during which he agreed to send a military unit to Vietnam and by President Marcos in his state visit shortly after PHILCAG had been deployed to Vietnam, represented types of assistance that had been mentioned in United States-Philippine discussions in Manila on sending a Philippine military unit to Vietnam, and included MAP support of engineer battalions for civic action that was similar to that which was service funded as quid pro quo.

During our review, we were unable to look into the details of MAP assistance to the Philippines due to DOD's delay in permitting us access to pertinent records. As part of our continuing reviews of the foreign assistance programs, however, we plan to make a thorough review of the U.S. military assistance to the Philippine Government, and we will report to the Congress on the results of this review.

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APPENDIXES

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APPENDIX I

Page 1

J. W. FULBRIGHT, ARK., CHAIRMAN
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United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, D.C. 20510

CARL MARCY, CHIEF OF STAFF
ARTHUR M. KUHL, CHIEF CLERK

The Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, D.C. 20548

Dear Mr. Staats:

In the course of the hearings held by the Subcommittee on U.S. Security Agreements and Commitments Abroad on October 2, 1969, Mr. James M. Wilson, Jr., Deputy Chief of Mission of the United States Embassy in Manila testified under oath that "President Marcos accepted (from the United States) as directly related to PHILCAG . . . the equipment for PHILCAG and the special overseas allowance for PHILCAG over and above their regular pay." (page 255) In support of Mr. Wilson's statement, the Department of Defense provided the Subcommittee a table detailing "additional allowances paid by the United States to PHILCAG" (page 265) and a listing of financial and material support of PHILCAG given by the United States which totalled "in the neighborhood of \$36 million." (p. 278).

In his prepared statement filed with the Subcommittee and printed in the Subcommittee record, Mr. Wilson detailed assistance to the Philippines in connection with PHILCAG totalling \$38,809,661 (p. 358).

On November 20, 1969, the press carried the enclosed story which contains the following paragraph:

"The Philippines has received no fee or payment of any kind for the Philcag or its personnel nor has there been any grant in consideration for the sending of Philcag to Viet Nam,' a Presidential spokesman said in an official statement."

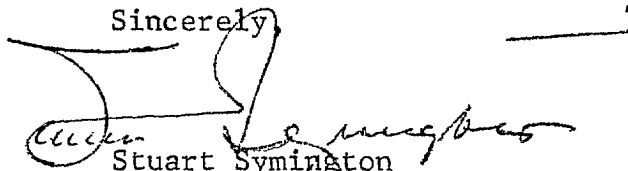
In light of the testimony given the Subcommittee and the above mentioned statement, reportedly made by a spokesman for the

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Philippine President Ferdinand Marcos, we request that your organization make a detailed study of the payments discussed by Mr. Wilson and determine the factors relevant to their disposition by U.S. Government officials.

Sincerely,



Stuart Symington
Chairman, Subcommittee on U.S.
Security Agreements &
Commitments Abroad

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THE EVENING STAR

Washington, D. C., Wednesday, November 19, 1969

Philippines' Regime, Leaders Deny U.S. Paid for Troops

By AMANDO E. DORONILA
Special to The Star

MANILA—The Symington subcommittee report saying that America subsidizes the Philippine forces in South Vietnam today drew sharp denials and reaction from Filipino leaders.

A statement issued by the presidential press office said, "The Philippines has received no fee nor payments of any kind in support of the Philcag (Philippines Civil Action Group), or its personnel, nor has there been any grant given in consideration of sending the Philcag to Vietnam."

Some observers said that the decision of recently re-elected President Ferdinand E. Marcos

and the Foreign Policy Council to withdraw the 1,500-Philcag from Vietnam to fulfill a Marcos campaign pledge was hastened by an intention to blunt the Symington report.

The administration had expected an unpleasant report, the contents of which were bannered in today's afternoon papers here.

The violent reaction came from House Majority Leader Marcelino Veloso, who said, "In view of these grave distortions and slanderous misrepresentations, it is about time we consider dismantling U.S. military bases in the Philippines."

The government statement avoided answering specifics of the report, but said that in 1965 the Philippine government

agreed to receive a contribution from the United States.

This fund, however, was used for national security and intelligence purposes, and the initial contribution was received in April 1965, before Marcos assumed office, the statement said.

The fund was given before the Philippine government's decision to send troops to South Vietnam—a decision made by Congress in 1966, the statement added.

Details about the project were suppressed for "reasons of national security," but the statement said the fund was not related to Philippine participation in Vietnam.

It admitted the Philippines received "several hundred thousands of pesos per quarter," but

spent millions of pesos in counterpart funds.

It said it was "erroneous to describe the American contribution to the program as a 'fee' in return for the services of Philcag because Philcag receives direct and exclusive funding from the Philippine government, and from no other source."

The statement said that equipment received by the Philippines from the United States was in compliance with a military assistance agreement. Any non-Philippine equipment "that may now be in the hands of Filipinos" came from the Saigon government, which is the "official host" of Philcag.

The Senate president pro-tempore and chairman of Senate Foreign Relations Committee, Jose J. Roy, said a statement by U.S. Sen. J. William Fulbright that the United States paid the Philippines a "handsome fee" for Vietnam participation "is a blatant and transparent lie."

He said the United States "has in fact been niggardly in giving assistance to the Philippine Government."

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THE EVENING STAR
 Washington, D. C., Wednesday, November 19, 1969

U.S. Paid Viet Allies, Senate Panel Reports

By HENRY S. BRADSHIER
 Star Staff Writer

The United States has paid the Philippines, South Korea and Thailand to send troops to Vietnam to make the war appear to be a joint effort of Asian allies, a Senate report says.

"This seems to me to be the ultimate in corruption," Sen. J. William Fulbright said, "for us to make deals like this in pursuit of an illusory policy all designed to prove to the world that we have great support in Vietnam, which we do not have at all."

The Senate report raised broad questions of whether U.S. commitments to defend allies have been reciprocated by any obligations of those countries.

Deletions from the report, ostensibly for security reasons, also raised questions of the extent to which the United States should protect the political sensitivities of friendly countries from the publication of facts about them.

The report was issued last night by the Senate Foreign Relations Committee's subcommittee on U.S. security agreements

and commitments abroad. It was a transcript—minus deletions—of hearings Sept. 30 to Oct. 3 on commitments to the Philippines.

The tone of the hearings, chaired by Sen. Stuart Symington, D-Mo., was one of suspicion and even hostility toward commitments entered into by the executive branch of the government. A prosecuting attorney's approach was often evident.

The report showed that the United States had paid some \$45 million to support up to 2,300 Filipino road-building troops in Vietnam.

But Washington never asked the Philippines to send to Vietnam a battalion combat team which was earmarked for Southeast Asian Treaty Organization duty and financed by the United States.

(In Manila, however, the presidential palace issued a statement saying that "the Philippines has received no fee nor payments of any kind" in support of the Filipino effort

See SECURITY, Page A-16

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Continued From Page A-1
in Vietnam. "Nor has there been any grant given in consideration of sending" the troops there, the statement added.)

Testimony showed that 50,000 South Korean troops and "a fairly substantial force" of combat troops from Thailand were also financially supported in Vietnam by the United States. They and the Filipino troops were better paid there than at home.

The only other countries providing troops to help Saigon besides the United States are Australia, with 8,000, and New Zealand, 600. Those countries pay their own costs.

Fulbright, D-Ark., commented in the hearing:

"We pay Korea and Thailand exorbitant prices for what they furnish, and the trouble is you have here a built-in resistance to any ending of the war. They do not want the war to end, I would think, with the kind of income they are getting for these troops."

The record also showed that the United States paid \$48 million to support between 1,100 and 1,500 Filipino troops in the Korean war.

The report was the first of 14 that the subcommittee plans to release.

It has completed hearings on U.S. commitments to Laos and is now battling with the Departments of State and Defense to get security clearances on as much material as possible. Hearings on Thailand are almost over.

After hearings on commitments to Nationalist China and to Japan end, the subcommittee will inquire into commitments to West European countries including North Atlantic Treaty Organization members and Spain.

Probe to Continue

Preparations for the series of inquiries began in February and the hearings are not expected to end until next September. Witnesses are being called home from U.S. diplomatic and military missions in the countries involved.

At a news conference in connection with the release of the report on the Philippines, Symington said that "we in the Congress, along with responsible officials in the administration, seek to inject what I believe to be a new realism in American foreign policy.

"That new realism calls for an honest assessment of our own strength and limitations . . . (and) for an examination as to just what have been and are the contributions made by our friends and allies, especially those to whom we have made commitments."

Symington quoted with approval a statement by Sen. Barry Goldwater, R-Ariz., last September that the military budget should be tailored to overseas commitments, requiring "an up-to-date appraisal" of those commitments.

Symington added that, on the basis of an over-all look, he did not have "a shadow of a doubt that this nation is overcommitted to the point that something has to give."

Release of the Philippines report was postponed at State Department request until after last week's presidential elections there. Immediately upon reelection, President Ferdinand Marcos, who used anti-American statements to win nationalistic support, announced that he would withdraw the road-building troops from Vietnam.

Answering a question, Symington said he did "not have the faintest idea if (the report) will strain Philippines relations" with the United States. "We tried to get out the facts for the U.S. people," he added.

Most of the deletions, including one section of 19 blank pages, involved internal conditions in the Philippines. Sources said some testimony about internal matters which had originally been cleared for publication by the State Department was knocked out at the last minute, apparently after reference to the U.S. Embassy in Manila.

Left in, however, were some comments by James M. Wilson Jr., No. 2 man in that embassy, that were unlikely to be well received in Manila.

An unidentified U.S. colonel of intelligence testified that "an atmosphere of general lawlessness appears to exist throughout the area surrounding Clark Air Base," a big U.S. installation northwest of Manila. Wilson partially blamed this and other crime problems on the failure of land reform, which has created support for Huk guerrillas.

Wilson was asked if "The government and the ruling oligarchy of wealthy families . . . are not sufficiently motivated in the interests of social progress in this area? He replied, "There are reports to that effect."

The report showed that the United States had provided direct support, including helicopter lifts, for forces fighting the Huks.

Security Problem

The subcommittee dragged out of military witnesses admissions that, under the U. S. defensive umbrella, the only military problem of the Philippines was internal security.

Symington summarized in a hearing that the military assistance came "down to a quid pro quo for the (U.S.-used) bases and a means of contributing to the Filipino government."

A deputy assistant secretary of defense for military assistance and sales, Lt. Gen. Robert H. Warren, added that it was

also for the Philippines "to maintain internal security and stability and, thereby, make our own activities over there more secure." Symington then commented:

"In other words, we are paying the Philippine Government to protect us from the Philippine people who do not agree with the policies of the Government or do not like Americans."

Warren: "To a degree, yes, sir."

Senators contended during the hearings that some military equipment provided, such as 22 F-86 jet fighter-bombers costing \$15.5 million, were inappropriate simply for maintaining internal security.

They also returned several times to the question of why Washington never asked to use Clark Air Base for Vietnam operations, although the SEATO treaty seemed to allow it without further consultation with Manila. The only answers obtained seemed to suggest U. S. concern about political worries of the Filipino government.

The Vietnam war and resulting expansion of non-combat U.S. operations from the Philippines has resulted in extra jobs

for Filipinos. Wilson expressed concern — which the senators questioned — that a cutback in Vietnam would hit the Filipino economy hard. He suggested U.S. retraining programs to soften the blow.

A basic theme of some earlier Fulbright inquiries was sound in the hearings: concern of executive agreements had tended treaty commitments made with Senate approval.

The Philippines asked in 1950s that the existing treaty agreement, for the United States to regard an attack on the Philippines as an attack on itself, be understood to mean that the United States would "instantly repel" any attack. In 1964 President Lyndon B. Johnson used the phrase "would instantly be repelled."

This "seems to me," Fulbright said, "to negate altogether the whole concept of constitutional processes. It eliminates the idea of any participation of the Congress in the whole process."

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THE NEW YORK TIMES, THURSDAY, NOVEMBER 20, 1969

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MARCOS DENIES U.S. PAID FOR UNIT

Says Funds Weren't Related to Troops in Vietnam

Special to The New York Times

MANILA, Nov. 19—The Philippine Government acknowledged today that it had received "a fund contribution" from the United States before the dispatch of a Filipino construction battalion to South Vietnam, but denied that the money was in return for the troop assignment.

The comment came in a statement from the office of President Ferdinand E. Marcos, responding to testimony made public in Washington yesterday by a Senate Foreign Relations subcommittee. According to the Senators, \$39-million was paid to equip and transport the Filipino troops in 1966 and to augment their military salaries, in some cases doubling them.

President Marcos's statement said the contribution — the amount was unspecified — was paid in 1965 for "national security and intelligence purposes."

"It would be erroneous," the statement added, "to describe the United States contribution as a subsidy in any form or as a fee in return for the sending of the Philippine contingent."

Resentment Is Voiced

At the same time, strong resentment was voiced here against statements yesterday by Senator J. W. Fulbright, the Foreign Relations Committee chairman, who asserted that the United States had tried to buy demonstrations of allied support for the war in Vietnam.

The Senate's President pro tempore, Jose Roy, said: "This is a blatant and transparent lie. The United States has in fact been niggardly in giving assistance to the Philippine Government."

'Bare-faced Prevarication'

Representative Manuel Enverga, chairman of the House Foreign Affairs Committee, said, "The United States Government should have made available to Fulbright all pertinent papers so he would have discovered the extent of government assistance so that he need not have gone into bare-faced prevarication on the integrity of the Philippines."

Representative Constantino Navarro, chairman of the Defense Committee, said the Philippines was buying ammunition from Nationalist China because the United States did not provide enough for the country's needs.

Representative Marcelino Velloso denounced what he called "grave distortion and slanderous misrepresentation," and said that Filipinos should consider dismantling United States bases here.

One Philippine Senator, Jose Diokno, took a calmer view of the Fulbright charges. He said that while there was no testimony that Manila had exacted a fee for sending the unit to South Vietnam, the Fulbright charges "proved the rightness of those who opposed the dispatch of Philippine troops there in the first place."

Notes Intelligence Project

President Marco's statement maintained that the intelligence project under which the Philippine Government "received several hundred thousands of pesos per quarter and on its part spent millions," should not be confused with the Philippine participation in South Vietnam.

This security project was entered into between the Philippines and the United States before the Philippine Government's decision to send the unit to South Vietnam, which was made only in 1966, the statement said.

"As to the alleged equipment referred to in the press reports," the statement continued, "it is an established fact that the Philippines has received certain equipment from the United States in compliance with the provisions of the military assistance agreement. Further, any non-Philippine equipment that may now be in the hands of Filipinos in South Vietnam will be returned to the South Vietnamese Government."

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APPENDIX II

Page 1

ACCESS-TO-RECORDS DIFFICULTIES

We were unable to complete our work and report on this assignment within a reasonable time because of the time-consuming screening process exercised by the Departments of State and Defense before making records available for our examination. Our work was seriously hampered and delayed by the reluctance of the Departments to give us access to the documents, papers, and records which we considered pertinent to our review. In general, we were given access to only those documents, papers, and records which we were able to specifically identify and request, and then we were given access only after time-consuming screening at various levels within the Departments.

Members of our staff were required to wait for periods of 2 weeks to 2 months to look at some documents they had requested and frequently the documents proved to be of little value for our purposes. We were also restricted by ground rules established unilaterally by the Departments that effectively limited our review in the field to the Departments very narrow interpretation of what it judged to be the scope of our review. This was perhaps the most restrictive limitation placed on our work, and it completely frustrated our attempts to review assistance to the Philippines that was not funded in the military functions appropriations.

Our audit staff members in the field were advised that documents which they requested that were releaseable to us under the restrictions of the so-called ground rules had to be dispatched to Washington for departmental clearance. By early May 1970, only four of 12 documents which were requested by our staff members on January 28, 1970, had been released to them in Manila.

Our letter to the Secretary of Defense (see app. III), which is similar to a letter that we addressed to the Secretary of State, illustrates one of our many attempts to resolve our access-to-records problems. The reply from DOD (see app. IV) characterizes, in our opinion, the attitude of DOD during our review.

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APPENDIX II

Page 2

Although we have been able to obtain sufficient information upon which to base this report, we are not certain that we have the full story. In view of the restricted access to records, there is the possibility that the agencies may have withheld information which is pertinent to our study.

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APPENDIX III

Page 1



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

FEB 26 1970

B-168501

Dear Mr. Secretary:

Pursuant to a letter request of Senator Stuart Symington, Chairman, Subcommittee on United States Security Agreements and Commitments Abroad, dated November 26, 1969, and subsequent discussions with him and staff members of the Subcommittee, the General Accounting Office has been reviewing the financial and material assistance provided by the United States to the Philippine Government. Our review has been seriously hampered and delayed by the reluctance of officials in the Departments of Defense and State to release documents for our review. We have not been permitted access to the files of these Departments. Documents that we have been permitted to review are, for the most part, those that we have been required to specifically identify and that officials in your Department and the Department of State have chosen to release to us after time consuming screening at various levels within the Departments. We consider such screening of files before being made available for our examination a hinderance to our review efforts, and an unreasonable delay of our work. Furthermore, the restricted access to records which we have been forced to accept in the pursuit of our work will require us to seriously qualify our report to the Chairman of the Subcommittee on United States Security Agreements and Commitments Abroad, as under the circumstances we are unable to satisfy ourselves that pertinent information has not been withheld from us.

The purpose of this letter is to request your assistance in obtaining ready access to the documents necessary to our review and to make as an unqualified matter of record that the scope of our review is broad enough to permit representatives of the General Accounting Office to investigate all matters relating to receipt, disbursement, and application of public funds related in anyway to our relations with the Government of the Philippines. Pursuant to the authority of Section 313 of the Budget and Accounting Act of 1921, 31 U.S.C. 54, representatives of the General Accounting Office will be requesting officials in your Department for access to, the right to examine, and when necessary in our opinion copies of any books, documents, papers, or records in the custody or control of your Department which we believe may contain information regarding the powers, duties, activities, organization, financial transactions, and methods of business related to the scope of our review.

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B-168501

We would hope that with your assistance we will be able to complete our review without further experiencing the delays which we have encountered since this review was initiated in November 1969.

Sincerely yours,

James A. Duff
Associate Director

The Honorable
The Secretary of Defense

Attention: Assistant Secretary of Defense (Comptroller)

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APPENDIX IV

Page 1



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D.C.

INTERNATIONAL SECURITY AFFAIRS

10 March 1970

In reply refer to
I-2309/70ct

Mr. James A. Duff
Associate Director
International Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Duff:

The Secretary of Defense has asked me to reply to your letter of 26 February in which you complained of a denial of access to the files of the Department of Defense, in which you concluded that the letter request of Senator Symington for an investigation of PHILCAGV is broad enough to encompass all matters of receipt, disbursement and application of public funds related in any manner to our relations with the government of the Philippines and in which you requested a far greater degree of cooperation on the part of officials of the Department of Defense than you allege to have experienced to date.

It is the policy of the Department of Defense in this Administration to provide maximum cooperation and assistance to the GAO, consistent, of course, with the proper discharge of the responsibilities of the Department as assigned to it by the National Security Act as amended.

It is a well known fact that the files of the Department of Defense contain some of the most sensitive documents of the Federal Government including documents relating to war plans, future budget and planning data, confidential correspondence exchanged between heads of state, highly sensitive memoranda between the President and the Secretary of Defense, internal departmental working papers and memoranda, reports of Inspectors-General, performance evaluation reports, and a number of others of similar sensitivity all of which have traditionally been withheld even from Committees of the Congress. Accordingly, the Department of Defense cannot accept the premise that GAO auditors possess the absolute right of complete, immediate and ready access to the uncensored files of the Department, and we will continue to consider such blanket requests for immediate access as inappropriate and improper.

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The request by Senator Symington for a GAO study of the equipment and materiel furnished by the United States to PHILCAGV presents an unusual case because of its peculiar relationship to hearings already held by the Symington Subcommittee. The Department of Defense, therefore, established a separate procedure for the review and handling of information requested in the course of your PHILCAGV study. It was designed to expedite your efforts by providing you a single authoritative point of contact within the Defense Department since your study involved both DOD and the military services.

If, as you suggest, your basic charter is legally sufficient to permit GAO to investigate all matters of receipt, disbursement and application of public funds related in any manner to our relations with the Philippine government, then such an audit should be conducted within the normal, established procedures and completely outside the special organization created for the PHILCAGV review. I suggest, therefore, that if you choose to undertake a study of all public funds related to the Philippines, you inaugurate your normal liaison procedures with the Department of Defense through the Comptroller's office since such matters fall clearly beyond the purview of Senator Symington's request regarding PHILCAGV. You will, I am sure, be given access to those documents to which you have traditionally been accorded access in the past.

Finally, because of the political sensitivity of our relations with the Government of the Philippines, we must insist upon the exercise of our prerogative to review all documents relating to PHILCAGV in Washington before releasing them to the GAO. We are fully cognizant of the fact that a Washington review of documents requested in the field will result in some delay in transmission, review and release which may not normally be incurred in your routine audits. We will make every effort to expedite the review so as to keep such delay to a minimum. The 12 documents which were requested by your auditors in the Philippines are currently undergoing review in Washington. Some further delay will be encountered because of the need to cable the field for clarification of some of the items. However, insofar as the Department of Defense is aware, this represents the only unfulfilled request of the many requests which have been made upon the Department in the course of your PHILCAGV inquiry.

Sincerely,



Stuart P. French
Special Assistant

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APPENDIX V
Page 1



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

INTERNATIONAL SECURITY AFFAIRS

20 April 1970

Mr. James A. Duff
Associate Director
International Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Duff,

By letter dated 13 April 1970, the Pentagon representative of the General Accounting Office (GAO) forwarded a copy of the draft of the final report on U.S. assistance to the Government of the Philippines in support of the Philippine Civic Action Group, Vietnam (PHILCAGV) and requested permission of the Department of Defense to transmit the draft report to the Subcommittee on U.S. Security Agreements and Commitments Abroad of the Senate Committee on Foreign Relations. Advice was also sought from the Department of Defense on the appropriate security classification of the report. Comments of the Department of Defense on the factual accuracy of the report, on the allegations of its refusal to furnish documents, or on the ill-conceived opinions characterizing the attitude of the Department of Defense toward the GAO investigation were not requested.

The Department of Defense interposes no objection to the transmittal of this report in its classified form to Senator W. Stuart Symington, Chairman of the aforementioned Subcommittee provided the Chairman is duly notified in the letter of transmittal that the Department of Defense has not been accorded the opportunity to comment on any of its contents.

The report is correctly classified SECRET and must be regarded as a complete entity in this respect. Accordingly, individual paragraphs, upon which the GAO has endeavored to place a security classification, cannot, at this time, be extracted from the overall context of the report and published separately.

With respect to the alleged difficulties of the GAO auditors in gaining access to documents and records of the Department of Defense, specific comment and rebuttal is reserved. The Department, however, is not unmindful of a newspaper article published on 13 April which

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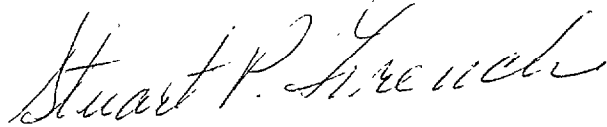
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APPENDIX V

Page 2

stated in effect that cancelled checks, which the Department was criticized for having failed to furnish were found in the basement of the downtown office building of the General Accounting Office.

Sincerely,

A handwritten signature in cursive script that reads "Stuart P. French". The signature is written in dark ink and is positioned above the typed name and title.

Stuart P. French
Special Assistant

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~~SECRET~~
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ASSISTANT SECRETARY OF STATE
WASHINGTON

May 11, 1970

Dear Mr. Milgate:

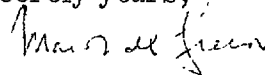
In response to your request of April 14, we have reviewed for security classification your draft report relating to payments made to the Government of the Republic of the Philippines by the Government of the United States in support of the Philippine Civic Action Group in Vietnam.

We consider that the paragraphs which you have classified SECRET are indeed SECRET and should retain that classification. To indicate the necessity of retaining this SECRET classification, we have sidelined in red the paragraphs which the GAO has classified SECRET and which we also consider to be SECRET.

In addition, we consider that a SECRET classification is required for certain passages in the paragraphs which the GAO has suggested might be UNCLASSIFIED. These passages, which should be classified SECRET, have been underlined in red.

Our reason for indicating a SECRET classification for these paragraphs is that the underlined portions are drafted in such a manner as to reveal certain detailed aspects of our negotiations with the Philippines regarding support for the PHILCAG which have remained classified thus far. Declassification of such details of confidential negotiations between the two Governments could cause serious embarrassment to the United States in its relations with the Philippine Government, just as it could in our relations with any other Government if details of normal confidential negotiations were unilaterally disclosed by us.

Sincerely yours,



Marshall Green

Mr. J. E. Milgate,
Assistant Director,
U.S. General Accounting Office.

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Memorandum

Date: August 12, 1987

To: Group Director, Mission Support Group, OIRM

From: Director, Office of Security & Safety - Gerald L. Berkin 

Subject: Declassified Report

Attached is GAO report, "Review of U.S. Assistance to the Philippine Government in Support of the Philippine Civic Action Group", B-168501 dated June 1, 1970. This report may be added to the unrestricted data base and released to the public when requested.

Attachment