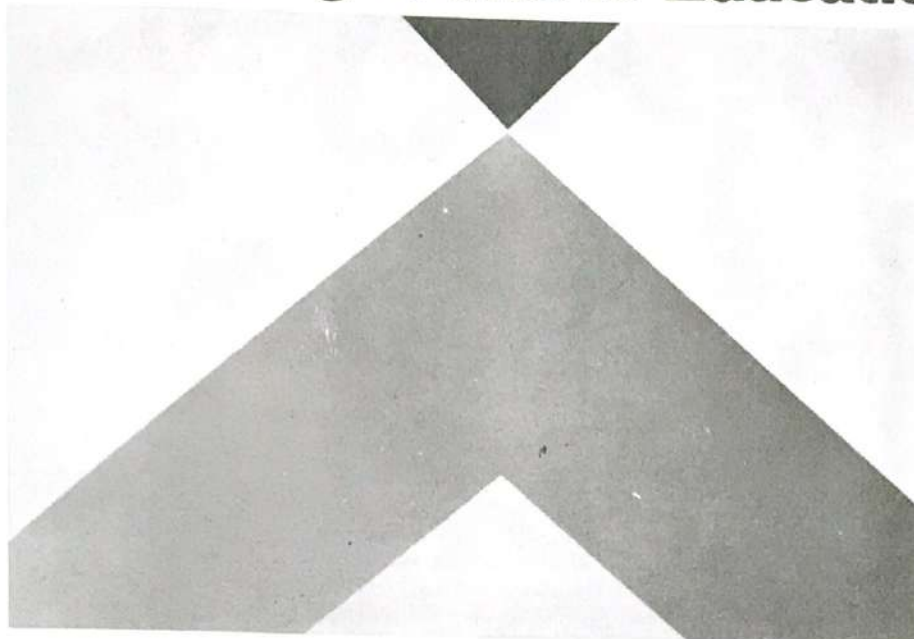


CHAPTER II

Diplomatic and Political Background: From War Damage Fund to Education Fund



It seems rather strange that the idea of government assistance to private education in the Philippines could be traced to the coming of the Spaniards and the fund that made it possible to institutionalize that idea, to the coming of the Americans at the turn of the century and, still later, to the coming of the Japanese during the Second World War. For the fund was a part of the Special Fund for Education set aside by the American Government in 1963 from the surplus funds authorized by the War Damage Act of 1962. The latter, in turn, was actually a supplement to the Philippine Rehabilitation Act of 1946 which authorized the payment of private claims to damages sustained during the Second World War, a war which probably would never have involved the Philippines had it not been a colony of the United States in 1941.

The Fund for Assistance to Private Education is, therefore, a child of our history, of the political and diplomatic

events that have significantly influenced our evolution as a nation.

In May 1945, when the physical destruction wrought by the Second World War was still clearly visible, the Philippine Rehabilitation Commission arrived in Manila to "investigate all matters affecting the postwar economy, trade, finance, economic stability, and rehabilitation of the Philippine Islands."¹ The nine-man Commission, which was headed by Senator Millard E. Tydings,² estimated the value of damage to private property alone at \$800,000,000.³ On the basis of the Commission's findings and recommendations, the American Government enacted the Philippine Rehabilitation Act of 1946.⁴

Origins of the War Damage Claims

The Rehabilitation Act appropriated \$620,000,000; of this amount \$400,000,000 was for the "payment of private war damage claims, minus the maintenance cost of the Philippine War Damage Commission" (PWDC), a

new agency created to handle the claims and payments under the Act.⁵ Fully aware that the total value of claims would be far in excess of the authorized amount, the framers of the Act stipulated that all valid claims up to \$500 were to be paid in full. But for larger claims, not more than 75% of the amount beyond the first \$500 was to be paid.⁶ The PWDC early realized that despite the legal maximum and outright rejection of numerous spurious claims and drastic scaling down of valid ones, the amount available for awards would not be enough. It, therefore, reduced in practice the satisfaction of all approved claims in excess of the first \$500 to 52.5%, leaving an unpaid balance of 22.5%. At the same time, however, it recommended to the Truman Administration the appropriation of an additional \$80,000,000 to cover the 22.5%. This amount was embodied in a bill introduced in 1949 by Congressman George P. Miller—the first of several proposals that were to be spon-

sored by this friend of the Filipino claimants until 1962—a measure that was initially supported by the State Department. But the bill was frozen in committee because the Treasury Department had earlier persuaded the State Department to change its mind, and not even President Elpidio Quirino's representations with President Truman in February, 1950, and again in September, 1951, could convince the latter to endorse the Miller Bill.⁷ Consequently, when the PWDC wound up its work in March, 1951, and had paid and committed \$388,150,000 to all approved claimants, there remained an unpaid balance of \$73,251,422, representing 22.5% of all claims in excess of \$500.

This was too big an amount to be easily forgotten, much less given up for lost. Believing, and rightly so, that they had been shortchanged—especially since the amount of damages was based on prewar values—the Filipino war damage claimants organized themselves, thanks to the encouragement and active support of Judge Francisco Delgado, the only Filipino member of the defunct PWDC and who had been elected to the Philippine Senate in 1951. Through Senator Delgado, the Filipino claimants hired John A. O'Donnell, likewise of the former PWDC, as their lobbyist in Washington, D.C.⁸ The latter accepted his new role with alacrity, knowing that under the Philippine Rehabilitation Act of 1946 he stood to collect a large enough commission if he succeeded in getting a war damage bill through the American Congress.⁹

It was a bad time, however, for O'Donnell and his clients. The American people were more preoccupied with the on-going Korean War, preparations for the San Francisco Conference on the Japanese Peace Treaty, and the presidential primaries and elections, among others, during the remainder of 1951 and the whole of 1952; consideration of the unpaid balance of war damage claims—the "22.5%"—receded as an important issue.

But only temporarily. Philippine (i.e., Senator Delgado's) agitation



through O'Donnell prompted the introduction of a joint resolution in the U.S. House of Representatives in 1953, also by Congressman Miller, calling for the appropriation of \$130,000,000, later reduced to \$100,000,000, to satisfy the remaining 22.5%. Unfortunately, President Dwight Eisenhower, like his predecessor, was cool to the idea, and remained so until almost the end of his second term,¹⁰ a rather surprising stance considering that when he saw Manila in May 1946 he had observed with sadness that "with the exception of Warsaw [Poland's capital which was devastated in 1939 and again in 1944] this is the worst destruction I have ever seen."¹¹

Congressman Miller's resolution was frozen, like his 1949 bill, mainly because it was not endorsed by the White House, to the dismay of O'Donnell, Senator Delgado and their expectant clients.

Philippine-American War Claims Negotiations

Meanwhile, the Philippine Government had decided to renegotiate the Bell Trade Act, which had governed Philippine-American trade relations since 1946. For this purpose, President Ramon Magsaysay sent an impressive mission, headed by Senator Jose P. Laurel and including Senator Delgado. In addition to negotiating a new trade agreement, the Philippine Economic

Mission to the United States (PEMUS) was instructed to discuss the settlement of outstanding monetary claims against the United States—the so-called "Omnibus Claims", which included the unpaid balance of the war damage claims.¹²

President Magsaysay may have regretted he had listened too much to Senator Delgado. The American Panel headed by Mr. James Langley refused to receive, let alone discuss, the claims: it had no instructions, to say nothing of authority, to do so. As President Magsaysay did not wish the expensive PEMUS to return empty-handed, he instructed Senator Laurel to concentrate on the trade negotiations and to request the Department of State, instead, for separate discussions on the omnibus claims. Thus, while the PEMUS was successful in obtaining a slightly more favorable trade agreement,¹³ all that it could accomplish with respect to the omnibus claims was to document them—haphazardly in some cases, it turned out—and later discuss them with a not-too-distinguished Department of State Panel in ten futile sessions in January-April, 1955. The Philippine Panel, now under the chairmanship of Ambassador Melquiades Gamboa, Senator Laurel having gone home, lost its composure at one of the sessions when its counterpart refused right then and there to admit the validity of the claims, even as it con-

descendingly agreed that the American Government would examine the claims with sympathy and understanding, but that it would take some time before the American Government could give its reply.¹⁴

True enough, the American Government took its time and replied only in August, 1959—almost five years later! But for war damage claimants, it was well worth waiting because theirs was among the only three of the omnibus claims that were favorably considered. A portion of the American Note bears quoting:

With respect to the Philippine claim for payment of additional war damage compensation ... the executive branch of the United States Government will, at the next regular session of the Congress, and in connection with the legislative program for fiscal year 1961, request appropriate legislation enabling the settlement of this matter on the basis of \$73 million, which amount reflects the statutory maximum of unpaid private claims according to the reports of the War Damage Commission.¹⁵

However, the news had its negative aspect too, because the American Government proposed to settle the claims "directly with the Philippine Government," and in the process "consider itself completely divested of all responsibility for payment of individual private claims;" the claimants were not sure of getting paid promptly, if ever, on account of dilatoriness and "graft and corruption".¹⁶ Furthermore, there was the plan, not made public at the time, to reduce the \$73 million by an amount equal to the unpaid obligation of the Philippine Government under the Romulo-Snyder Agreement of November 6, 1950, plus interest.¹⁷

These were the salient features of the Fulbright Bill (S.B. 3329) which was filed in the U.S. Senate on March 21, 1960, at the request of the Eisenhower administration. No action on the bill was made, however, perhaps because of the forthcoming presidential elections and the Berlin Crisis,



exacerbated by the U-2 Incident.

The following year, this time with a more sympathetic President Kennedy at the White House, another war damage bill was filed by Senator Hubert Humphrey. Unlike the Fulbright bill, Humphrey's bill (S.B. 2380) provided for direct payments to individual claimants, "in order to generate a reservoir of goodwill" towards the United States. A similar bill was filed in the lower house (H.R. 8617) by Congressman Clement Zablocki, a confirmed friend of the Philippines. Both bills were not taken up in 1961, either.¹⁸

Prospects of the Zablocki Bill's enactment in 1962 were brighter, the Philippine Government having settled its Snyder obligation — \$21,242,584 — in April, 1961; at the same time, it categorically stated that it was in favor of payments to individual claimants directly and not to, or even through, itself.¹⁹ During the extensive hearings on the Zablocki Bill by the House Sub-Committee on the Far East and the Pacific under its chairman, Congressman Zablocki no less, almost all the witnesses favored the latter's bill.²⁰ Finally, the Garcia administration had been replaced by that of Diosdado Macapagal, who showed early promise of ridding the government of graft and corruption once and for all. Hopefully, this would convince earlier opponents of the war damage bill, who did not believe that a "corrupt" Philippine government was a worthy recipient of even indirect as-

sistance through individual claimants, to change their minds. In view of all these, House passage of the Zablocki Bill seemed certain, a mere formality; the Kennedy administration felt that it could afford to be complacent and hardly sent any congressional liaison officers to Capitol Hill. ²¹

Ironically, one of President Macapagal's actions, coupled with *pro forma* endorsement from the White House, may have contributed to the defeat of the war damage bill when it finally came to a vote. This was his voiding of the importation of P70 million worth of Virginia Leaf tobacco, which had been authorized by his predecessor and was already awaiting unloading at the pier. Although the Supreme Court eventually overruled President Macapagal, the House of Representatives rejected the war damage bill by a vote of 201-171.²¹

The defeat of the measure touched off a series of reactions in the Philippines. President Macapagal forthwith cancelled a state visit to the United States already scheduled for the latter part of June, 1962;²² for good measure, he accepted a hastily extended invitation by Generalissimo Francisco Franco to visit Spain.²³ More pointedly, he changed the date of Philippine independence from the traditional July 4th to a more historically accurate June 12th.²⁴

President Macapagal was treading on solid ground. The national leadership, with a very small minority counselling sobriety, and public opinion were behind him.

Suddenly, Philippine-American relations seemed to be reaching a low point. Not since the publication of the Dulles draft of the Japanese Peace Treaty in 1951 had there been a comparable upsurge of anti-American feeling in the Philippines.²⁵

President Kennedy had to move fast to repair the harm done by the congressional rejection of the War Damage Bill. He personally assured President Macapagal that he would work more than he had done for the eventual passage of the bill, even as he regretted the latter's decision to cancel or postpone his projected state visit.²⁶

The House of Representatives was persuaded to revive the Zablocki Bill (now H.R. 11721) and Senators Fulbright and Humphrey reintroduced their respective bills. More hearings were conducted, partly to assuage the legislators' fears that the Philippines was "veering" away from the United States as evidenced by their changing the date of independence. Averill Harriman, elder statesman and a Kennedy adviser, assured the legislators that such was not the case, and that the change in the date of Philippine independence "was in no sense any ill will toward the United States."²⁷ Senator Fulbright himself, as if to indicate that he was not going to insist on his own bill, authorized the printing of a letter he had received from Helena Z. Benitez, a portion of which reads:

We feel very strongly that the remaining funds should go directly to the parties that were adversely affected and therefore realistically handicapped in their rehabilitation. The Government of the Philippines, already adversely affected all educational institutions, including those devastated during the last war, by imposing a postwar tax of 1 percent on school income in order to bolster Government funds for rehabilitation. It took us 10 years to have this unfair tax subsequently repealed.²⁸

Due partly to a dramatic appeal by General MacArthur, who personally believed that it would "amount to a national tragedy" if the Congress failed to approve the bill, the House of Representatives reversed its earlier position and approved the bill with only 35 negative votes. Senate approval of the House version followed in short order, and on August 30, 1962, a beaming President Kennedy signed the Zablocki Bill into law (PL 87-616).²⁹

Under the Act, only the unpaid balance of awards made by the former PWDC were to be considered, thus precluding new claims. Payments under the War Claims Act of 1948, and its amendment in 1955, were to be taken into account, such that the aggregate amount for each claim would

not exceed the statutory maximum established by the Philippine Rehabilitation Act of 1946. This was explicitly stipulated so as to avoid double compensation, especially since in the course of the hearings on the bill it was brought out that some religious corporations in the Philippines had already collected some \$25 million under the War Claims Act, as amended, for damage done to their religious, educational, hospital and other facilities.

PL 87-616 also stipulated that only claims filed within a twelve-month period would be entertained. Finally, before payment could be made to any claimant residing outside the Philippines, he must establish to the satisfaction of the Foreign Claims Settlement Commission, which was going to implement the Act, that he had invested, or will soon invest, in "the rehabilitation or economic development of the Philippines an amount not less than the claims [previously] approved in his favor under . . . the Philippine Rehabilitation Act of 1946" (Section 4). The latter stipulation was the alternative to a last minute attempt to revive the Fulbright Bill.

In view of these stipulations, and the possibility that many claimants may have either died without rightful heirs or may simply not wish to go through the ordeal of filing claims again,³⁰ it was calculated that a substantial portion of the \$73 million would not be awarded.

But there was also the provision that the unspent or unawarded balance would revert to the United States Treasury. This might generate resentment on the part of many claimants, especially private corporations and schools, as well as the Philippine Government itself which had expected the money for economic development. There was, moreover, the apprehension that lobbyists, like O'Donnell, stood to collect huge commissions if no restrictions were imposed, thereby lessening the amount that would be plowed into the Philippine economy, if the savings were to be turned over to the Philippine Government. These considerations, among others, led to the amendment of the War Damage Act on

Big education fund created
President Marcos created a trust fund yesterday to assist the private sector in the amount of \$25 million.
August 12, 1963, a few months before the expiration of the deadline for filing claims.³¹

The amendment limited awards to a maximum of \$25,000 for each claim, thus further ensuring that there would be substantial savings. It was expressly stated that the acceptance by any claimant of payment under the amendment would be "considered to be in full satisfaction and final settlement of all claims by such claimant arising out of awards for war damage compensation." This meant that claimants would no longer have any legal claims to additional compensation upon acceptance of the amendatory ceiling of \$25,000; if they refused, they stood to gain nothing. In addition, the amendment penalized any former employee of the PWDC, and anyone paying the same, in connection with the filing of claims under the Act.³²

The Special Fund for Education

The centerpiece of the amendment insofar as private educational institutions in the Philippines were concerned, however, was the stipulation that the unpaid balance of claims beyond \$25,000, which would have been payable were it not for the amendment, and after deducting administrative expenses,

shall be placed into a *special fund* in the United States Treasury to be used for the purpose of furthering educational exchange and other *educational programs* to the mutual advantage of the Republic of the Philippines and the United States in such manner as the

Presidents of those two Republics shall from time to time determine." (Emphases added)

Thus was born the Special Fund for Education.³³

Before continuing with our narrative, it might be interesting to point out that this was not the first time that the United States, in its financial dealings with other countries, had channelled excess funds which would have gone back to its treasury, for the promotion of "educational exchange and other educational programs to the mutual advantage" of those countries and the United States, regardless of whether such countries wanted such programs or not. One readily recalls to mind the American "remission" of the Boxer Indemnity in 1908 and payments for U.S. surplus property by countries where such properties were located at the end of the last global war. The Boxer Indemnity was used to finance the studies of Chinese students in the United States, notwithstanding the preference of the Chinese government at the time.³⁴ Surplus property payments, on the other hand, initially subsidized the now well-known Fulbright Scholarship Program that has been going on for the last three decades.³⁵

Returning now to the War Damage Act, numerous applications were expectedly filed for the \$73 million. Out of 93,226 claims, however, the U.S. FCSC Manila Office accepted only 78,928 for consideration because of multiple filings and spurious ones. Of these, 2,678 were eventually denied for a variety of reasons, and awards were issued on 76,250 adjudicated claims amounting to \$40,802,059.72. The unawarded balance of meritorious claims beyond \$25,000—the statutory maximum—was \$29,197,544.73. Since \$1,065,000 went into administrative costs, there was therefore a balance of \$28,132,544 for the Special Fund for Education.³⁶

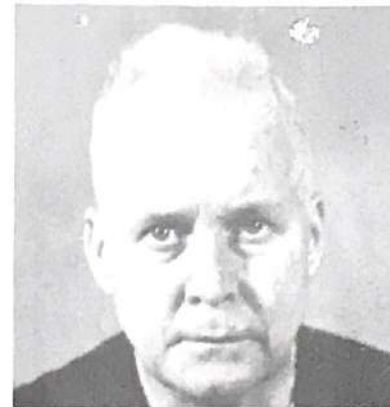
This figure would not be official until a year later, when official determinations of claims were completed, but it was simply assumed when the deadline for filing claims expired on December 23, 1963, that there would be a huge saving from the \$73 million.

Jubilant initially blinded those who had a potential vested interest in the Special Fund into thinking that the amount paid to individual claimants—\$40,802,059—was the Special Fund or War Damage Education Fund.³⁷

It was probably just as well. To the Filipinos in December 1963, especially private school heads and educators, nothing could have been more welcome for Christmas. They were under no illusions, of course, that their institutions would automatically receive a portion of the Special Fund, let alone one-half of it. For them, therefore, the pursuit had just begun. Their vigilance and determination, their persistent but never invidious approaches and efforts to activate or channel a portion of the Special Fund for the improvement of private education in the Philippines—activities which spanned the last two years of President Macapagal's administration and almost three of President Marcos' first term—all this constitutes a fascinating chapter of the human drama which led to the establishment of the Fund for Assistance to Private Education, or FAPE.

Plans for the Special Fund

At the vanguard of this movement were three prominent Ateneo Jesuits, namely: Reverends John W. McCarron, Pacifico A. Ortiz, and Thomas R. Fitzpatrick.³⁸ Each performed distinct, although at times overlapping, roles: Fr. McCarron's was to convince the American Government to accept the basic principle that private education in the Philippines was entitled to a share of the Special Fund;³⁹ Fr. Ortiz's role was primarily that of mobilizing the private schools and institutionalizing their efforts to tap the Special Fund; while Fr. Fitzpatrick's special concern was the search for the best possible formula that would assure optimum earnings of the Fund earmarked for assistance to private education. As we shall see presently, were it not for Fr. McCarron's adventure in private diplomacy from 1963 through 1965, it is conceivable that most of the Special Fund for Education would have gone into agrarian reform education.⁴⁰ FAPE might never have been born. It is, therefore, appropriate to discuss Fr.



McCarron's role in this section of this history, since it served as the unofficial backdrop of the official negotiations on the Special Fund; those of the other two, which would not have been possible but for the former, will be treated in the next two chapters.

In the belief that the best way to apply pressure on the Philippine Government was through Washington, Fr. McCarron left for the United States in December, 1963, initially on a personal mission but subsequently on behalf of COCOPEA. He returned after more than half a year, apparently without getting any commitment from the American Government that private education would be considered in any disposition of the Special Fund.⁴⁰ He was at least relieved to find out that during his absence, Fr. Ortiz had already mobilized COCOPEA and established the Foundation for Private Education in the Philippines (FPEP), about which more will be said in the next chapter. At the same time, he was disappointed that the representatives of these two organizations had not been received by President Macapagal before his departure for the United States on October 3, 1964; they had hoped to get his assurance that he would intercede in behalf of private education in his forthcoming meeting with President Lyndon B. Johnson.

As expected, Presidents Macapagal and Johnson talked about the Special Fund, especially since it meant so much to President Macapagal. The relevant portion of the statement issued after their discussions reads as follows:

Both Presidents discussed the



disposition of the Special Fund for Education provided for in the Philippine War Damage legislation. They *agreed* to consider plans including the possible formation of a joint committee which would ensure use of this fund to further educational programs to the *mutual* advantage of the Philippines and the United States, among which *educational programs pertaining to land reform would be eligible*.⁴²

The following July, President Macapagal created the Committee For Land Reform Education as the Philippine component of the joint committee mentioned above, under the Chairmanship of the Chairman of the National Land Reform Council, not the Secretary of Foreign Affairs.⁴³ This, of course, was understandable because President Macapagal had meant to utilize almost the entire Special Fund for agrarian reform education, a program which, *sui generis*, was not actually incompatible with national development—the original intent of the War Damage Act of 1962 and the parent Rehabilitation Act of 1946. But to do this, after having promised COCOPEA and FPEP representatives that private education would receive a share of the Special Fund during an audience the previous May,⁴⁴ was something else.

That was as far as President Macapagal could go, however. The United States in the end decided not to release the Special Fund for his pet program, or for any other purpose for that matter, in 1965;⁴⁵ not yet, anyway. Perhaps, it was because 1965 was a presidential election year, or that it did not think that pouring the bulk of the educational fund into land reform education would be to the *mutual advantage* of both the Philippines and the United States. For this, Fr McCarron could claim considerable credit,⁴⁶ thanks to his persistence and contacts in the United States and his own close relationship with U.S. Ambassador William McCormick Blair, Jr., and other embassy personnel.⁴⁷

The American policy not to commit, let alone release, the war damage educational fund to agrarian reform education alone—probably made in late July or early August, 1965—was paralleled by a decision not to exclude the private sector, i.e., private education, from the disposition of the fund.⁴⁸ Fr. McCarron, however, would not even settle for this, insisting that private education must be clearly identified as a possible recipient. As he wrote Fr. Hurley again:

All I can say is that this is damn nice of the bureaucrats in Washington. Hence, within 2 or 3 days I shall be off to Washington to become *not* excluded but *included*.⁴⁹

So in September, 1965, Fr. McCarron would make a second extended trip to the United States in behalf of private education. This time, he returned with the unofficial assurance by the U.S. Government that it would only be too willing to set aside one-half of the Special Fund for private education in the Philippines—and through FPEP at that—if the Philippine Government proposed it, indeed, even with just the latter's "merest suggestion."⁵⁰

Thus ended Fr. McCarron's successful private mission.⁵¹ Although now remembered only by a few of his close associates,⁵² it was a good enough starting point for the next round of official negotiations on the Special Fund for Education—this time under the new regime of President Marcos and that of President Johnson, who himself had been elected in his own right as U.S. President a month after his discussions with President Macapagal in October, 1964 on the disposition of the Special Fund.

President Marcos had scarcely settled down in Malacañang when he took concrete steps to make full use of the Special Fund. Realizing the potential uses of the Fund for urgent educational requirements, and under pressure from the private education sector to redeem a campaign promise,⁵³ he

pursued negotiations with the American government with more vigor and determination than his predecessor. This resulted in the general "understandings" of April 26, 1966, among which were:

1. The fund shall be used to further enduring educational projects in the broadest sense which shall promote the general development of the Philippines. Such projects shall be developed and determined by means of consultation between the two Governments.
2. Disbursements from the fund ... for approved projects shall be made from time to time as provided in a schedule of payments to be mutually agreed upon for each project ... The two governments agree to negotiate the release of the Special Fund for Education *within the minimum time* consistent with the formulation and implementation of each project developed.⁵⁴

President Marcos next created, in less than a fortnight thereafter, the Special Fund for Education Committee, "to establish guidelines and to review project proposals screened by the Department of Education and to consult with the representatives of the United States Government on the projects to be financed under the Fund ..."⁵⁵ The Committee was assisted by a Secretariat headed by Dr. Onofre D. Corpuz, then Undersecretary of Education, and who had been given specific oral instructions from President Marcos to take care of the Special Fund.⁵⁶ This Committee subsequently published an "Information Bulletin [on the] War Damage Special Education Fund," inviting public as well as private agencies to submit project proposals in accordance with a set of eight guidelines, among which was the "promotion of Filipino culture" (Guideline 2).⁵⁷ It set October 15, 1966 as the deadline for submission of project proposals.

Meanwhile, President Marcos would pay a state visit to the United States. Like President Macapagal two years earlier, he and President Johnson discussed the Special Fund. The pertinent portion of their communique reads:

The two Presidents agreed to put to *effective* and *creative* use the special fund for education available from, and pursuant to, the war damage appropriations for the Philippines. They *directed* the joint panel established last Spring to *accelerate* discussions already underway on project proposals and *concurred* in the *rapid implementation* of projects as they are mutually agreed [upon].⁵⁸

The Secretariat of the Special Fund for Education Committee (henceforth referred to as the Education Assistance Committee), thereafter feverishly shaped up the project proposals for the Committee's consideration and submission to the American Panel.⁵⁹ In a span of six years, the Committee drew from the Special Fund a total of seven funds.⁶⁰ Of these the Fund for Assistance to Private Education — \$6,154,000 — is the second largest, although it was much less than the "\$10,000,000 or one-half [of the Special Fund] (whichever is larger)," which the private schools lobbied and worked for.⁶¹

Why a fund for private education, in the first place, how it should be utilized, and through what kind of instrumentality or entity, will be discussed in the next chapter.



NOTES

¹Quoted in Alejandro M. Fernandez, *The Philippines and the United States: The Forging of New Relations* (Quezon City: NSDB-UP Integrated Research Program, 1977), p. 205.

²Co-author of the Philippine Independence Act of 1934 and its amendment in 1939.

³U.S., Congress, *Report of the Special Investigation Mission*, 79th Cong., 1st Sess.

⁴Public Law 370, 79th Cong.

⁵President Harry Truman would later claim that he had recommended \$500 million for private war damage payments. See "Memorandum of Conversations with President Elpidio Quirino, September 14, 1951," in U.S., Department of State, *Foreign Relations of the United States: 1951*, Vol. VI, Pt. 2, p. 1563.

⁶Limiting payment of claims to the first \$500 was related to a provision of the Bell Trade Act, which withheld payment of rehabilitation funds beyond that amount until the Filipino people had amended their constitution to allow Americans in the Philippines to do business here as if they were Filipino citizens—the so-called "parity rights". Happily for us, parity rights ended with the expiration of the Laurel-Langley Agreement on July 3, 1974. The text of the Bell Trade Act is reproduced in Fernandez, *op. cit.*, Appendix 21.

⁷President Truman pleaded "financial restraint" in 1950, but the reason given by the Department of State was that "any such appropriation [now] would probably eliminate the possibility at some later date of securing anything else from the Congress of the Philippines which would be more economically productive." Dean Acheson to Truman, February 2, 1950, in *For. Rel.: 1950*, Vol. VI, p. 1409. The Truman-Quirino Meeting took place on February 4th.

In 1951, President Truman told President Quirino that while he "personally favored" additional war damage payments, "he did not think there was the slightest chance that Congress would agree." *Ibid.*, 1951, Vol. VI, Pt. 2, p. 1563. By that time, the report of the State Department's Economic Survey Mission to the Philippines—the so-called *Bell Report*—had been released, and the information it contained that additional war damage payments would not contribute materially to economic development (p. 103) had become a strong argument against any war damage legislation.

⁸Nicholas O. Berry, "Representation and Decision Making: A Case Study of Philippine-American War Claims" (unpublished Ph.D. dissertation, University of Pittsburgh, 1967.) A microfilm copy is available at the U.P. Library and in the National Library. Several documents not available to Berry have since been published, and archival sources not then open have been declassified, but some of his observations have retained their validity.

⁹U.S. Code, *Congressional and Administrative News*, 88th Cong., 1st Sess., pp. 794-803. This gives a brief legislative history of the War Damage Act and its amendment. See, also, Berry, *op. cit.*, citing contemporaneous congressional records.

¹⁰Unlike Truman, Eisenhower was actually for fiscal restraint; indeed, the Eisenhower years were noted for retrenchment in many aspects of American policies.

¹¹As quoted in Mamerto S. Ventura, *United States-Philippine Cooperation and Cross-Purposes: Philippine Post-War Recovery and Reform* (Quezon City: Filipiniana Publications, 1974), p. 52.

¹²This was mainly at the suggestion of Senator Delgado, who chaired the Sub-Committee on War Damage Claims of the PEMUS Claims Committee.

¹³This is more popularly known as the Laurel-Langley Agreement of 1955. Dr. Aurelio B. Calderon of De La Salle University has recently published *The Laurel-Langley Agreement: A Critically Annotated and Selected Bibliography* (Manila: De La Salle University Research Council, 1979). It is limited only to the Manuel Roxas, Jose P. Laurel, and Miguel Cuaderno Papers, but it is a handy beginning guide for anyone who wishes to write on the background of that historic document, which expired on July 3, 1974.

¹⁴Primary data on the PEMUS have been obtained from the files of the Philippine Embassy in Washington, D.C. and the Miguel Cuaderno Papers at the U.P. Archives. See also, Berry, *op. cit.*, especially pp. 98-108.

¹⁵Acting Secretary of State Douglas C. Dillon to General Carlos P. Romulo, Ambassador of the Philippines, August 4, 1959, in Philippine Embassy File No. 295.2 An excerpt is printed in U.S., Congress, *Senate Report 1882: Philippine War Damage Claims*, 87th Cong., 2d Sess.

¹⁶There are many letters by both Filipinos and Americans along this line in the files of the U.S. Foreign Claims Settlement Commission in the Washington National Records Center (WNRC), in Suitland, Maryland.

¹⁷The intention of the U.S. Government to off-set this obligation (\$24 million, including interest) against the \$73 million was clearly spelled out in several inter-office memoranda on the omnibus claims in the Treasury Department. It was argued that in agreeing to pay additional war damage compensation, the U.S. was merely redeeming a "moral", not "legal", obligation to the Philippines; in the case of the Philippines, it was clearly a "treaty", i.e., legal, obligation. See Treasury Files, Phi 2 201.00, in WNRC, Suitland, Maryland.

¹⁸The official reason given by President Kennedy was "lack of time", which could very well be true because of the aftermath of the Bay of Pigs Fiasco, the Kennedy-Khrushchev Vienna Meeting, and renewed tension over Berlin. However, according to Berry (*op. cit.*), it was because many solons were disenchanted with the Garcia administration's putative reputation of "graft and corruption".

¹⁹The U.S. agreed to waive the interest on the Snyder loan. As for the modality of payment, General Romulo said that Eisenhower's recommendation was "unwelcome in the Philippines." And since 1961 was an election year, the U.S. might be dragged into the campaign as "imposing" its will and thus the issue might generate ill-will instead of goodwill. See his Aide Memoire of his conference with Dillon, Kennedy's Treasury Secretary, on February 10, 1961, Philippine Embassy File 295.2.

²⁰See, for instance, U.S., Congress, House Subcommittee on the Far East and the Pacific, *Hearing: Philippine War Damage Claims* (June 1, 1961) and *House Report No. 1042* (August 26, 1961), both during the 87th Congress, 1st Session. The latter contains a letter from General Douglas MacArthur, dated August 7, 1961, enclosing a copy of his remarks following his visit to the Philippines the previous July as special guest of the Philippine Government, in which he had said that "the restitution of the damage . . . necessitated by the exigencies of war has not received adequate compensation" and that "the belief of the Filipinos in the American sense of justice is a very precious ideal which should not be lightly sacrificed." In effect, the "Liberator" of the Philippines was strongly recommending approval of the war damage bill.

²¹*Manila Times*, May 11, 1962.

²²Diosdado Macapagal, *A Stone for the Edifice: Memoirs of a President* (Quezon City: Mac Publishing House, 1968), pp. 298-9. See, also, the *Manila Times*, May 14, 1962.

²³*Ibid.*,

²³*Ibid.*, p. 341. The state visit to Spain took place on June 30-July 6, 1962.

²⁴Proclamation No. 28, May 12, 1962. It is probably unfair and too facile to attribute a causal relationship between the rejection of the war damage bill and Proclamation No. 28, for as early as 1959 there had developed a strong clamor especially by Filipino historians and surviving *revolucionarios* — particularly General Emilio Aguinaldo — for changing the date of Philippine independence, something which could not be ignored for long. But the timing does give the impression that there was such a causal relationship.

²⁵The Dulles draft did not provide for reparations from Japan. For this, angry student demonstrators burned his effigy at Plaza Miranda.

²⁶Kennedy to Macapagal, May 28, 1962, in Macapagal, *op. cit.*, Appendix T.

In a way, Kennedy and Macapagal were re-enacting history. During the colonial period, if the Filipino leadership made a loud enough noise against American "high handedness", or lack of *simpatia*, or policies they did not like, they always managed to get what they wanted. This was particularly true during the first decade of American rule. See my *Filipino Reaction to American Rule, 1901-1913*, cited earlier, and Dr. Peter W. Stanley's later book, *A Nation in the Making: The Philippines and the United States, 1899-1921* (Cambridge: Harvard University Press, 1973).

²⁷For Harriman's statement, see U.S. Congress, Senate, Committee on Foreign Relations, *Hearings on S. 2380 and S. 3329 (Philippine War Damage Claims)*, 87th Cong., 2d Sess., p. 11. By coincidence, Harriman testified on June 12, 1962.

²⁸Benitez to Fulbright, June 14, 1962, *ibid.*, p. 54. Miss Benitez was then Executive Vice President of PWU, eventually becoming President herself. Elected to the former Senate of the Philippines, she is currently a member of the *Interim Batasang Pambansa* for Southern Tagalog region.

²⁹*Manila Times*, September 1, 1962.

For his role in the enactment of the Zablocki Bill, General Romulo received the two pens which President Kennedy used in signing PL 87-616. See the *Philippine Collegian* for September 18, 1962. By coincidence, General Romulo was the Secretary of Education when the Special Fund for Education, created in 1963 by an amendment to the War Damage Act, was being apportioned for educational and cultural development programs. See Chapter III.

³⁰The Manila Office of the Foreign Claims Settlement Commission (FCSC) conducted an extensive information campaign on the features of PL 87-616 before setting the deadline for filing applications, which was originally set for December 15, 1963 and subsequently extended to December 23, 1963. Still, many claimants—over 700—failed to file on time. Fortunately, upon representations by the Philippine Government as "*Parens Patriae*" and/or as trustee, such claims were considered for adjudication on their merits. However, for claimants who had died without legal heirs and those who could not be located or did not file at all, in spite of the filing of a claim in their behalf by the Philippine Government, also as *Parens Patriae*, the FCSC said no. See U.S., FCSC, *Decisions and Annotations* (Washington: U.S. Government Printing Office, n.d.), pp. 669-674, FCSC Claim No. 1393.

³¹For the U.S. Senate hearings leading to the enactment of the amendment (PL 88-94), see U.S. Congress, Senate, Committee on

Foreign Relations, *Hearing: Activities of Nondiplomatic Representatives of Foreign Principals in the United States*, April 18, 1963, 88th Cong., 1st Sess., Part 2. Also, *U.S. Code* . . . already cited.

32A high official of the FCSC told the author while in Washington, D.C. in November, 1978, that O'Donnell suffered and almost died of a heart attack when the amendment was passed. This was not surprising because he may have already spent his own funds while working for the processing of certain claims, to say nothing of the fact that he stood to lose a potential commission of at least \$1 million. See *Activities of Nondiplomatic Representatives* . . . *passim*.

33Sometimes referred to as the War Damage Educational Fund, or Residual War Damage Fund, and the like.

34Contrary to popular belief, only a portion of the indemnity was actually remitted, and at that it was the excess of the value of American losses on account of the Boxer outrages in 1900: morally, if not also legally, this was Chinese money. The Chinese government would have preferred to use the money, amounting to over \$10 million, for projects of modernization, but the American government said no. See Michael Hunt, "The American Remission of the Boxer Indemnity: A Reappraisal," *Journal of Asian Studies*, Vol. XXXI, No. 2 (May 1972), 539-559.

35The Philippine-American Educational Foundation has recently published a *Directory of Filipino Fulbright scholars (1948-1975)*.

36FCSC, *Twenty-First Semi-annual Report to the Congress for the Period Ending December 31, 1964*, p. 13. In going over the IBM printout of recipients of payments in the FCSC office in Washington in 1978, the author found out that only a handful of private schools may have received the \$25,000 legal ceiling, unlike the Aglipayan Church and all the bishoprics of the Catholic Church. The Archbishop of Manila, in fact, was paid four checks of \$25,000 each. This, in spite of the War Claims Act of 1948, as amended.

37See, for instance, Dr. Sotero Laurel's speech in March, 1964, wherein he adverted to the "\$40,000,000 surplus War Damage Fund." Emphasis added. See Chapter III.

38Fr. McCarron, who passed away in 1975, was then Chairman of the Department of Languages and Linguistics; Fr. Ortiz, Regent of the Ateneo Graduate School; while Fr. Fitzpatrick was, and still is, Ateneo's Treasurer.

39Indeed, Fr. McCarron may even have been the first to conceive the idea of tapping the Special Fund for the benefit of private education, in spite of evidence which suggests that the honor belongs to Fr. Ortiz (see Chapter III, footnote 3). See, for instance, his memorandum to Dr. Paulino Garcia, then Ateneo's Vice-President for Research and Development, less than a month after President Kennedy signed PL 88-94: "40 million dollars. Who gets it? 1. Suggest we get tough (not nasty) on this matter . . . that we go right to the top in Washington, not negotiate here . . . that we will not stand for any discrimination for any reason . . . Interested?" McCarron to Garcia, 3 September 1963, in Papers of John W. McCarron, S.J., Ateneo de Manila University Archives, Quezon City [hereinafter McCarron Papers]. I wish to thank Dr. Emy Pascasio, who worked with the late Fr. McCarron, for leading me to the McCarron Papers. See, also, McCarron to Rev. John Hurley of Loyola Seminary, New York, 8 October 1963 (*loc cit.*), wherein he warned that failure to act promptly might lead to the "whole of \$40,000,000 [being] turned over to U.P. or the Philippine Government." Emphases in both quoted material are Fr. McCarron's. I am deeply grateful to Reverend Jose A. Cruz, S.J., and Fr. Thomas R. Fitzpatrick, S.J., President and Treasurer of Ateneo de Manila University, respectively, for having gone over this section.

40I first learned about Fr. McCarron's role from Dr. Waldo S. Perfecto during an interview on August 29, 1978. "We almost lost the money that went to FAPE," he said. "It was a good thing Fr. McCarron lobbied hard for it in Washington."

41Fr. McCarron was recalled by the Provincial of the Society of Jesus so that he could, among others, resume his academic duties at Ateneo. But he was in continuous communication with fellow churchmen in the United States who knew influential people and government officials. For the letter of recall, see Rev. Francis X. Clark, S.J. to McCarron, 15 July 1964, in McCarron Papers.

42"Joint Statement Following Discussions with the President of the Philippines, October 6, 1964," in *Public Papers of the Presidents of the United States: Lyndon B. Johnson . . . 1963-64* (Washington: U.S. Government Printing Office, 1965), Bk. II, p. 1214. Emphases added. See, also, the *Manila Times* for October 8, 1964.

43Administrative Order No. 127, July 1, 1965, in Republic of the Philippines, *Official Gazette*, Vol. 61, pp. 4397-8. Besides the Secretary of Foreign Affairs, the other members of the Committee were: the Secretary of Agriculture and Natural Resources and the Director-General of the Program Implementation Agency.

44More on this in Chapter III.

With regard to President Macapagal's promise, "I am not sanguine at all," wrote Fr. McCarron. "Somehow or other we have to bring pressure on him to accede to our request of half of the \$28 million [no longer \$40 million] for education." McCarron to Hurley, 28 May 1965, in McCarron Papers.

45"The dumping of any large sums into the land reform movement is out," Rev. Frederick McGuire, CM, wrote Fr. McCarron on August 30, 1965 (*loc. cit.*) This was in reply to the latter's letter of July 16, 1965, wherein he expressed concern over President Macapagal's moves.

vis-a-vis the Special Fund, adding that "as far as excellence in higher education goes, the securing of part of this money is basic."

46Fr. McCarron's objection to using the Fund for land reform education was rather strong, perhaps, because he thought it would mean denying private education a sizable share of the Special Fund. See his letter to Fr. Hurley, dated July 20, 1965 (*loc. cit.*).

47Fr. McGuire, one of Fr. McCarron's contacts in Washington, was apparently close to Vice-President Hubert Humphrey, Congressman Cornelius Gallagher of New Jersey, and Mr. Jack Valenti—all confidants of President Johnson. Fr. McCarron had earlier said that he *could* reach President Kennedy through Robert Kennedy. McCarron to Garcia, 3 September 1963. But then President Kennedy was killed in November that year.

48Fr. McCarron probably learned about this from Ambassador Blair or Mr. Albert Ravenholt. McCarron to Hurley, 16 July and 12 August 1965, *loc. cit.*

49*Idem*, 20 September 1965. Emphases are Fr. McCarron's.

50For more details on this, and the documentation, see Chapter III.

51Fr. McCarron's mission reminds one of an earlier, and far more ambitious, mission by two churchmen to avert hostilities between the United States and Japan in 1940. Bishop James E. Walsh of the Maryknoll Society and his able assistant, Fr. James M. Drought, went to Japan armed with nothing but a letter of introduction to a private Japanese citizen, whose retired uncle happened to know Foreign Minister Matsuoaka and Premier Konoye, both of whom they met. Far from preventing the spiral of tension between the two countries, however, they may have even contributed to the confusion. See John H. Boyle, "The Drought-Walsh Mission to Japan," *Pacific Historical Review*, Vol. XXXIV, No. 2 (May, 1965), 141-161, and Robert J.C. Butow, "The Hull-Nomura Conversations: A Fundamental Misconception," *American Historical Review*, Vol. LXV, No. 4 (July, 1960), 822-826.

52Probably because, according to those who knew him, he was so "secretive" about his work, Fr. McCarron's role has not been properly recognized by FAPE and the private education sector. It is not too late to honor him.

53COCOPEA officials saw President Marcos in March, 1966 to remind him of his commitment. See Chapter III.

54Exchange of Notes . . . Regarding the Special Fund for Education under the War Damage Act, as Amended, Manila, April 26, 1966. Emphases added.

55Administrative Order No. 11, May 13, 1966, in *Official Gazette*, Vol. 62, p. 4533. This order also dissolved the Committee for Land Reform Education earlier created by President Macapagal.

The members of the Committee were: the Secretary of Foreign Affairs, or his representative, as Chairman, and the Secretaries of Finance, Education, and Agriculture and Natural Resources, the Chairman of the National Economic Council, the Chairman of the National Land Reform Council, and the Director-General of the Presidential Economic Staff, or their representatives.

56As told to the author by Dr. Corpuz during an interview (July 24, 1978) in his office at the University of the Philippines. As will be seen in the next chapters, Dr. Corpuz played a crucial role in the birth of FAPE; he was, to borrow Acheson's title to one of his books, "present at the creation" of FAPE.

57This guideline made it possible for the Cultural Center of the First Lady, Madame Imelda Romualdez-Marcos, to submit a project proposal, which was approved.

58The text of the Marcos-Johnson Communique, following their talks on September 14-15, 1966, is in Ministry of Foreign Affairs Library and Archives, Joint Communique Files. Typescript, paragraph 22, p. 11. Emphases added.

59The American Panel was headed by the American Ambassador to the Philippines, or his representative; its Philippine counterpart was the Education Assistance Committee.

The Philippine Panel submitted in 1967 alone three project proposals to the American Panel, this, in spite of the length of the documents. The school building construction project, for example, occupies twenty-seven pages (English text) of very fine print in the *UN Treaty Series*.

60These were, in the order of approval by the Joint Panel: a) the Fund for the School Building Construction Project, May 18, 1967; b) the Fund for the Textbook Production Project, June 26, 1967; c) the Fund for the Cultural Development Project, August 11, 1967; d) the Fund for Assistance to Private Education Project, June 11, 1968; e) the Fund for the Philippine Science High School Building Project, September 5, 1969; f) the Fund for Assistance to Students Project, March 30, 1971; and, lastly, g) the Fund for the Project for Assistance to the Philippine Agrarian Reforms Education Program, March 21, 1972.

61The evolution, or rather devolution, of this figure is treated in the next chapter. It may be suggested now, however, that had it not been for the Fund for Cultural Development Project (i.e., the \$3.5 "seed money" for the Cultural Center of the Philippines), the fund allocated for assistance to private education would have been considerably larger.