

*Malacañang*  
Manila

BY THE PRESIDENT OF THE PHILIPPINES

ADMINISTRATIVE ORDER NO. 19

DIRECTING THE DEPORTATION OF HARRY S. STONEHILL AND ROBERT P. BROOKS,  
PLACING KARL BECK AND JOHN J. BROOKS  
UNDER PROBATION FOR TWO YEARS  
AND OTHER ORDERS.

This order has reference to the Deportation Cases No. R-953 and R-955 commenced on March 3, 1962, before the Deportation Board against Messrs. Harry S. Stonehill, Robert P. Brooks, John J. Brooks and Karl Beck, who have been charged with corrupting public officials, among other imputations, and to the mention in the documents seized as evidence of the names of persons formerly or presently occupying positions in the three branches of the Government.

The respondents were charged with (1) having defrauded the Government through violations of Central Bank Laws, Internal Revenue Laws and Customs Laws and (2) having committed acts inimical to the interest and security of the State effected through influence peddling and/or corruption of public officials.

After a series of frequently interrupted hearings in which the respondents were given clear due process, they filed on August 2, 1962, a verified petition before the Deportation Board stating that "respondents Harry S. Stonehill and Robert P. Brooks are willing to voluntarily depart immediately and are no longer contesting the proceeding (against them)." Acting upon this verified petition which was submitted by the respondents in open hearing, the Deportation Board recommended to the President that respondents Harry S. Stonehill and Robert P. Brooks be deported and that respondents Karl Beck and John J. Brooks be placed on probation for two years.

Considering the evidence presented before the Deportation Board, evidence which stands uncontroverted in view of respondents' implied waiver of their right to present their evidence, as well as a report of the Secretary of Justice, it is found that there is sufficient basis for the following findings:

(1) That respondents Stonehill and Robert P. Brooks had established a network of corruption reaching into practically every important office of the Government.

*Petitions 3-2 Stonehill, Harry S.*

(2) That respondents Harry S. Stonehill and Robert P. Brooks had been engaged in a conspiracy to gain business ascendancy through economic sabotage, blackmail and other illegal means.

Exhibit A: A memorandum dated February 27, 1962, on a proposed "economic intelligence and counter-intelligence office" to be called Manila Press Service, whose staff would be utilized to obtain, among other things, "documents in government and private offices . . . under the guise of press freedom" and "advance information on policies of sensitive government offices, e.g., the Central Bank, etc." On the upper part of this memorandum is Stonehill's handwritten note of approval (Exhibit A-1) addressed to Bob (Robert P. Brooks) as follows: "I think it's an excellent idea and should be done earliest."

Exhibit C: A letter dated January 3, 1962, of Stonehill to Major Vernon S. Prickett proposing that the latter manage an office in the Philippines for "business espionage, counter-espionage and business sabotage" and suggesting that Prickett make studies on "espionage and sabotage."

Testimony of NBI Director Lukban to the effect that there were found in the hideout of Stonehill and Robert P. Brooks in the former Cuban Embassy electronic gadgets and telephone tapping apparatus. (Hearing on March 5, 1962. TSN pp. 34-35.)

(3) That above respondents had attempted to use pressure upon the justices of the Supreme Court in order to obtain a decision favorable to them, a reprehensible scheme to subvert the due course of justice in the highest tribunal of the land.

Exhibit B: A letter of Stonehill to Mr. Jose Nable dated February 15, 1962, adverting to the tobacco importation case then pending before the Supreme Court and underscoring the need to influence the justices by one means or another; for which purpose, the letter had as an annex a dossier on 8 justices of the Supreme Court, including possible "pipelines" to said justices. (Exhibit B-1.)

(4) That the U.S. Tobacco Corporation, under the "overall supervision and control" of respondents Stonehill and Robert P. Brooks, had been engaged in large-scale illegal manufacture and sale of cigarettes which in the calendar year 1959 amounted to ₱29,973,941.00 and in the calendar year 1960, ₱37,201,657.50; and that in the pursuit of these illegal activities and in order to conceal the same, various acts of falsification of public and

official documents had been committed at the instance of the said respondents. (Exhibits 32-A to 40-A and the testimony of Spielman thereon on April 10, 1962, TSN pp. 28 to 45, and on April 12, 1962, TSN pp. 28 to 125.)

(5) That Stonehill and Robert P. Brooks, during the time of control of foreign exchange when dollar transactions were subject to licensing by the Central Bank, engaged in illegal and unauthorized remittances of dollars abroad. (In particular see Exhibits J to K, Exhibit 41, Exhibit 58 and Spielman's testimony [April 10, 1962, TSN pp. 45 to 48; April 11, 1962, TSN pp. 114 to 118] which show that during the period that dollar transactions were subject to licensing, the U.S. Tobacco Corporation, under the overall supervision and direct control of the said respondents, unlawfully remitted dollars amounting to P87,000.00 a month to the P. Lorillard Company of the United States as royalty payments for the manufacture of Old Gold cigarettes. Likewise, during the same period, said corporation effected payment of \$288,583.17 to a German corporation without license from the Central Bank. (Exhibits 47-A to 47-WW, Exhibit 56 and Spielman's testimony, April 11, 1962, TSN pp. 54 to 114.)

(6) That under the direction of Stonehill and Robert P. Brooks, the U.S. Tobacco Corporation was able to import, without letter of credit, a slitting machine for cigarette paper, which machine was falsely declared as "thresher." (Exhibits 44-A, 44-K and 44-R, taken in connection with Spielman's testimony, TSN pp. 7 to 19, April 12, 1962.)

(7) That respondents Stonehill and Robert P. Brooks jointly owned, as they still do, the Julius Baer Bank in Switzerland, an investment which they never reported to the Central Bank as they were required to do. (See Exhibits 47-QQ to 47-WW and Exhibit 57.)

(8) That it was the standard operating procedure of Stonehill and Robert P. Brooks to purchase and hold assets abroad, as they have in fact been doing, through the instrumentalities of dummies in order to avoid tax liabilities. (See Exhibit 49 and Spielman's testimony on April 11, 1962, TSN p. 124.)

(9) That a total of 39,941 cigarette paper bobbin cores had been found in the possession of the U.S. Tobacco Corporation under the control of respondents Stonehill and Robert P. Brooks, and that the cigarette paper on said cores was never reflected in the Official Register Book of said corporation as having been used in the manufacture of cigarettes. (Exhibits 60-A to 78-B.) The deducible inference is that the U.S. Tobacco Corporation, under the direction of the said respondents, illegally imported or acquired cigarette paper bobbins through misdeclaration or falsification, and used the same for illegal

manufacture of cigarettes. And this inference is corroborated by the fact that 4,000 bobbins of cigarette paper, falsely labeled as school supplies and other items, were found and seized by agents of the Bureau of Internal Revenue in the warehouse of the Universal Trading Company, one of the corporations owned or controlled by the said respondents. (See Exhibits 65-A to 65-B; Exhibits 52-A to 52-C in relation to Spielman's testimony, TSN pp. 21-22, April 12, 1962.)

(10) That respondents Karl Beck and John J. Brooks, although merely receiving instructions from Stonehill and Robert P. Brooks, had knowledge of, and participation in, the illegal operations of the latter two.

On the basis of the foregoing, respondents Harry S. Stonehill and Robert P. Brooks, we are constrained to hold, are undesirable aliens whose presence in the Philippines constitutes an immediate and continuing menace to the peace, welfare and security of the country.

In connection with the charge of corrupting public officials, it is meet to recall that the unethical practices, which include a pattern of corrupting public officials, took place during a time of moral disintegration in the government service from the highest to the lowest echelon of officialdom. It may be observed that in the recent past, the corruption of public officials was forced upon many businessmen and citizens dealing with the graft-ridden government if they had to succeed or stay in business.

This situation has been changed by two factors: first, the removal of the main causes of influence peddling and graft like exchange control; and second, the determination of the present leadership to stamp out and destroy corruption. It may be justifiably said that under the present Administration, it would be neither necessary nor possible, in order to do legitimate business, to resort to and commit the scandalous acts committed by, and imputed to, Stonehill and his associates which appear to be a network of corruption, woven or sought to be woven over public officials and employees in various offices.

The cause of justice suggests that this consideration be taken into account in passing judgment upon those who were caught in the Stonehill network of corruption for what was necessary and possible in the immediate past can not now take place in the present era of moral reform. As in other fields of the current national endeavor, it is healthier and more constructive to be forward-looking in the rehabilitation of our systems and of the public morals of our officials.

It was in this light that in the case of the four Cabinet members whose names appeared in the Stonehill files as contained in the report

of the Secretary of Justice, the resignations of two were accepted but the other two have been retained in the Cabinet and their names withheld. While all four are innocent of any act of corruption, in the case of the replaced Cabinet members, there were two relevant circumstances: first, the Stonehill files established a project by Stonehill to use the two Cabinet members to unduly obtain government favors and second, both had previous professional dealings with Stonehill. To avoid suspicion by the public not of what happened in the past but of what may in the future happen, it was best to accept the resignations of the two Cabinet members from their sensitive positions which had ample jurisdiction over the Stonehill business enterprises in accordance with the creed of the Administration that Cabinet members and other key public officials, like Caesar's wife, must not only be upright but above suspicion.

In the case of the other two Cabinet members who have been retained, there are, apart from their innocence, two pertinent circumstances: (1) there is no apparent Stonehill project that forms a pattern of utilizing them for gaining government favors and (2) they had no previous dealings with Stonehill. The appearance of their names in the Stonehill papers does not warrant action against them, since there is no plausible ground for suspicion in their actuations.

It appears that there is a pending criminal case against respondent Harry S. Stonehill, as well as other proceedings in which the respondents may be desired as witnesses. Should these litigations and proceedings have the effect of deferring the ouster of the respondents from the country? From the legal standpoint, it is the rule that the execution of an order of deportation takes precedence over other processes and proceedings of this Republic. A deportation order is a supreme and paramount act of State. It is predicated on the finding that an alien's continued presence in the country is inimical to its interest, welfare and safety. It is an act of self-preservation on a national scale. Accordingly, the interest of any other party in any pending criminal, civil or administrative proceedings must be deemed subordinate thereto and must yield to such overriding necessity. Thus, in *Tama Miyake v. U.S.* (257 Fed. Rep. 732), it was ruled that dismissal of criminal proceedings is not a condition precedent for the execution of an order of deportation.

The power to expel aliens vested in the President under Section 69 of the Revised Administrative Code is absolute and unlimited, it being an inherent and inalienable right of a sovereign nation. "The President in the exercise of his executive prerogative and as an act of State is vested with full power and discretion to issue orders of deportation." (*Ang Beng v. Commissioner of Immigration*, 53 O.G. [July 31, 1957] 4448.)

Significantly, there is nothing in Section 69 of the Revised Administrative Code which limits, restricts or curtails the President's power to deport undesirable aliens upon the ground that some criminal charges are pending against the person sought to be deported. It merely "prescribes the procedure necessary for the exercise of the power in order that the alien may have his 'day in court'" (Tan Tong v. Deportation Board, G.R. No. L-7680, April 30, 1955). Once the political department of the government or the official clothed with authority to deport has made a determination that an alien should be excluded, such determination "is necessarily conclusive upon all its departments and officers." (Fong Yue Ting v. U.S., 149 U.S. 905.)

Indeed, it is a sound rule that the deportation of an undesirable alien may not be deferred by other proceedings, otherwise it would be easy to defeat the enforcement of a deportation order by the institution of other proceedings against him.

From the standpoint of the public interest, it is even more necessary that the departure of the respondents from the country should be given precedence over their appearance in other proceedings which will have the effect of prolonging their stay in the country. This is particularly so in proceedings where ample opportunity was available during the past weeks and months to require their appearance if indeed such appearance were essential in such proceedings.

In view of the fact that the respondents had engaged in the practice of bribing officials, the prolongation of their stay in the country would jeopardize the drive of the government against graft. The proven character and bent of mind of these individuals make them a continuing threat to the community's sense of values and moral tone. Their immediate deportation will effectively tend to reduce the baneful influence bred by their presence. Public interest demands the immediate deportation of the said respondents.

Moreover, this case, the pendency of which required the presence of the respondents in the country, has already harmed the public interest due to the excessive time and attention given by the government authorities and the public in the last five months, thereby diverting precious time and attention from the grave and constructive problems of the country, including the proper implementation of the Nation's socio-economic development program which requires concentrated national attention. Many agencies of the government have been engaged for five months now in a massive effort to match the resources and maneuvers of Stonehill and Robert P. Brooks. Immediate expulsion of this tandem will release many government hands and make them available for pressing and vital national endeavors. The respondents having been found to be undesirable aliens, the highest interests of the country and the public welfare would be best served if the two respondents shall leave the country at the earliest time possible,

subject to the continuation of other proceedings in their absence which are necessary to protect the government's interest and the rights of others.

The Administration is resolved, in its program of moral reform, calculated to improve the ethical conduct and practices of public officials, that where guilt is established, it should punish offenders. The Administration acted firmly in this case; replaced two Cabinet members and it now deports the main respondents. In our Administration, we have absolutely no interest except the interest of the people.

At the same time that we pursue relentlessly our moral program, it must not be forgotten that the main task of the Nation is still the more difficult endeavor of promoting economic growth that would improve the level of living of our people. In our drive against corruption, we seek to destroy the propensity to graft and to take punitive action, such as prosecution of criminal offenders and the forcible deportation of offending aliens who crave to remain in the country; but it would be a failure of duty to allow the case of these offenders and those who seek political profit therefrom to destroy instead the opportunity of our people to attain a richer life by diverting, through endless wranglings and recriminations, the national attention, energy and effort from the main job of promoting socio-economic development. In fine, we should tackle soberly, firmly and vigorously the curative task of bringing about redress for past misconduct and malfeasance; but we must not sacrifice and relegate to futility the constructive task of bringing about economic and social progress to our people which we ought to tackle with even more sobriety, firmness and vigor.

The Department of Justice merits commendation for its able work in this anti-graft case. This case is the beginning of a drive against networks of corruption of varying sizes thrown by some big businessmen around officials in various offices, against undue manipulations of certain foreigners in the economy in disregard of the public welfare and constituting abuse of the hospitality of the Nation, and against the special privilege enjoyed by some highly-placed business and political leaders, the existence of which blocks opportunities for the ordinary and honest citizen to attain progress. This drive will be pursued relentlessly until special privilege, graft and baneful manipulation in the economy are eradicated and wholesome conditions thereby created where the average citizens and the common people can avail of equal and fair opportunity for advancement. In cases of proven undesirable aliens, they shall be immediately ousted from the country, with proper measures to protect the public interest, and not be allowed to stay one day longer through any excuse such as that their presence is needed in other proceedings.

It is by establishing conditions under an atmosphere of equal and fair opportunity to all that the vast national resources of this country can be fully developed to produce benefits dispersed widely among the population and thereby give a chance to the common people to attain a better life.

The respondents have asked that the deportation of the two of them be "a voluntary deportation." This would enable them to return to this country. The evidence in the record of the Deportation Board and the public interest, however, require that the penalty that should be meted upon said respondents be not a "voluntary deportation" but a mandatory one based on established evidence and the coercive authority of the law in order that they shall not again return to this country to injure its interest and welfare.

WHEREFORE, it is hereby ordered that:

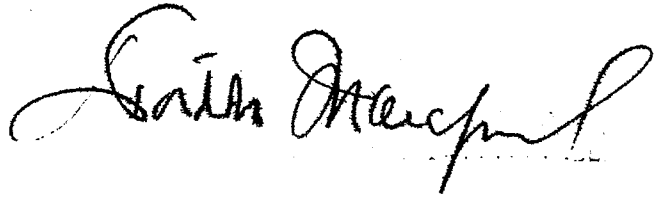
1. Respondents Harry S. Stonehill and Robert P. Brooks be immediately arrested and deported by the first available transportation from the Philippines. The Commissioner of Immigration and other proper officials are ordered not to readmit them into the country for any reason whatsoever.
2. Respondents John J. Brooks and Karl Beck should be placed under probation for two years under conditions as will hereafter be imposed, any violation of which will be cause for their immediate deportation.
3. The tax liabilities and other liabilities of all the four respondents to the government shall continue to be due from them and shall be enforced against their property wherever the same may be found. Likewise, all other proceedings which lie without the presence of the deported respondents shall be allowed to continue or be commenced against the four respondents.
4. (a) The Secretary of Justice shall continue in such manner as he may determine the investigation of officials pertaining to the Executive Branch, whoever they may be and to whichever party they may pertain, whose names appear in the Stonehill papers in order to establish whether or not any of them has committed a criminal or administrative offense, and he shall in due course disclose the names of those against whom a criminal or administrative action lies and shall forthwith commence such action;
- (b) He shall cooperate with the Senate and the House of Representatives or their committees in such investigation or action as



these two bodies may take affecting their members in relation to the Stonehill files, for which purpose he shall continue to conduct such investigation as he may deem necessary and proper; and

(c) As regards other persons whose names appear in the Stonehill papers, he shall take such action as justice and the cause of good government may require in accordance with law.

Done in the City of Manila, this 3rd day of August, in the year of Our Lord, nineteen hundred and sixty-two.



By the President:



SALVADOR L. MARIÑO  
Executive Secretary