

December 18, 1987

NATIONAL SECURITY STUDY  
DIRECTIVE NO. 10-87

UNITED STATES POLICY TOWARDS THE PHILIPPINES (S)

Introduction

This National Security Study Directive establishes the terms of reference for an interagency review of United States policy towards the Philippines. In view of the immediate need of the Aquino government for heightened international support, the study will be conducted in two phases. The first involves a rapid review of Philippine economic prospects, current assistance levels and proposals for greater United States and international support, including economic and military assistance and strengthened trade and investment promotion measures. The second phase will be a more general update of National Security Study Directive 6-87 to reassess the Philippine political situation, the Government of the Philippines' (GOP) counter-insurgency program, and United States Government policy interests in the Philippines, together with prospects for protecting such interests. (S)

Scope

This study should focus on all instruments of United States influence available to help the Philippine Government meet current challenges and those likely over the next five years. (S)

At a minimum, the review should cover the following topics:

- Current Philippine economic policy and performance and the implications for political stability and the strengthening of democracy.
- Effectiveness of GOP use of assistance resources and prospects for enhanced GOP performance.
- Factors inhibiting investor confidence and the implications for economic growth and political stability of low levels of investment.
- Implications of the current GOP foreign debt burden for future economic growth and development.

- The viability of democratic institutions in the Philippines.
- An update of the Communist Party of the Philippines (CPP)/New People's Army strengths and weaknesses, their likely strategy, and an assessment of the threats posed by the insurgency to both Philippine and United States interests.
- The strengths and weaknesses of the New Armed Forces of the Philippines and their likely future role.
- The current strategy of the Aquino government to defeat the communist insurgency, and the likelihood of its success.
- Philippine Government strategy towards the next Military Bases Review. (S)

Policy recommendations for the first phase of the review on assistance and enhancement of economic growth should be formulated in, but not limited to, the following areas:

- The optimum level of United States economic and military assistance over the next five years to ensure the survival of democracy and promote economic growth and successful implementation of a GOP counterinsurgency strategy.
- The level and mix of United States economic and military assistance over the next five years to meet United States objectives.
- The level and mix of assistance from other bilateral and multilateral donors needed to meet United States objectives.
- How best to induce the international donor community to meet the pressing needs of the Philippines over the next five years.
- Means of assisting the Philippine Government in making more rapid and effective use of assistance funds.
- Possibilities for additional flexibility in managing the GOP's foreign debt service over the next few critical years.
- Development of a comprehensive program (with legislative, administrative and policy elements) designed to bolster Philippine economic development, political stability and democracy over the medium term, including assessment of available options, inter alia, in the following areas:

- United States market opening measures, including for textiles and garments, agricultural products and manufactures, through special arrangements, Generalized System of Preferences, enhanced quotas, and other measures.
- Investment tax credits or other tax measures designed to enhance the attraction of the debt/equity swap-privatization program for American investors.
- Fiscal incentives to encourage United States creditors of the GOP to convert debt to equity under the debt/equity swap program.
- Foreign tax credits or other United States fiscal advantages for United States investors operating in the Philippines.
- Legislative and/or administrative measures designed to increase United States Government procurement from Philippine sources.
- United States Government funded programs to assist United States investors in the Philippines.
- Special OPIC and Eximbank programs designed to increase credits, guaranties and insurance coverage for United States investors planning Philippine investments.
- Most effective means of coordination with the Congress to ensure implementation of assistance levels and other measures necessary to Philippine economic development. (9)

Policy recommendations for the general review of United States policy towards the Philippines should be formulated in, but not limited to, the following areas:

- The most effective ways for the United States to support President Aquino's efforts to strengthen democratic institutions and political stability.
- The most effective ways for the United States to support the Philippine Government's counterinsurgency effort without generating pervasive charges of interference or direct United States involvement.
- Response to the security concerns created by apparent CPP decision to target United States citizens perceived as involved in the Philippine counterinsurgency program.

- Our options in the event of a worsening insurgency situation and the lack of an effective Philippine response.
- Our options in the event of a threatened military takeover or other extra-constitutional challenge to the Aquino government.
- The most appropriate approach for the United States to prepare for the 1988 base review.
- The most effective ways to ensure continued bipartisan support in Congress for a responsible United States policy towards the Philippines.
- The best means of channeling the support of friendly nations into effective political support for democracy in the Philippines. (S)

The study shall be conducted on a need-to-know basis by an interagency group chaired by the Assistant Secretary of State for East Asian and Pacific Affairs. The rapid review of assistance and trade and investment issues should be completed by January 29, 1988. The general review of United States Government policy and updating of NSSD 6-87 should be completed by March 10, 1988.

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Ronald Reagan