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NATIONAL SECURITY STUDY
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UNITED STATES POLICY TOWARDS THE PHILIPPINES (S) 4

Introduction

This National Security Study Directive (NSSD) establishes the terms of reference for a review of United States policies in the Philippines in view of the recent challenges to political stability, the deteriorating economic and financial situation, and the continuing substantial growth of communist New Peoples' Army (NPA) activity in several regions of the country. The study should examine all available instruments of United States influence and formulate appropriate recommendations and a draft National Security Decision Directive (NSDD) focused on the short to medium term, i.e., from now to FY 1988. (S) 4

Scope

The review will address the instruments of United States influence and our capabilities and limitations in helping the Philippines deal with the country's worst economic crisis since World War II and a worsening insurgency situation, in ways consistent with our interest in strengthening democratic institutions and political stability in the Philippines. At a minimum the review will cover the following topics:

- The successes and failures of Marcos government policies.
- The strengths and weaknesses of Philippine institutions, particularly the Armed Forces of the Philippines (AFP).
- An analysis of United States interests in the Philippines.
- An examination of how United States interests could be affected by:
 - the current Philippine financial crisis;

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- the deteriorating economic situation;
- the continued gains of the New Peoples' Army;
- the weakening of the Marcos government.

- How the Aquino assassination and the relatively successful parliamentary election have affected political stability.

- An explanation of the internal political, social, military, economic and cultural factors currently at play, particularly those affecting the growth of the NPA.

- An assessment of the prospects of restoring economic growth in the Philippines, including the impact of monopolies and other structural obstacles.

- An assessment of the NPA's strengths and weaknesses, its foreign support, the nature and extent of the NPA's operations and current trends, including the short-, medium-, and long-term threat to the Marcos government or to any successor government. The assessment should also cover the political front organizations of the Communist Party of the Philippines (CPP) and, especially, CPP/NPA organizational and agitprop activities in the countryside.

- An evaluation of how much the Marcos government realizes the extent of the insurgency problem and economic problem, and whether in its current approach to the problems, the government has the capacity and sufficient resources to deal with it.

- An assessment of the AFP, including current and projected capability to deal militarily with the insurgency and its potential role in influencing the Philippine political situation.

- An analysis of how much leverage the United States has in dealing with Philippine problems, including an examination of the United States factor in the Philippine mind-set, and the risks involved with United States assistance/involvement.

- An examination of what type of financial assistance is best suited for the Philippines. This should include the question of stimulating other donors.

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- An examination of the options available if the Government of the Philippines does not or cannot come to agreement with the International Monetary Fund (IMF) on standby over the next several months. (S) U

Policy recommendations should be formulated in, but are not limited to, the following areas:

- How currently planned United States and other donor economic and military assistance programs can be focused on dealing with the insurgency problem, including United States leverage on socio-economic reform.
- Possible increased United States bilateral assistance linked to concrete political improvement.
- The most effective ways of communicating United States concerns to the Marcos government, including the public affairs aspects of our policy in the Philippines, and reaching agreement on the proper United States role in measures the Marcos government takes to deal with its problems, particularly the insurgency.
- How best to deal with the Congress on Philippine policy, and how to build United States domestic support.
- Options available if Marcos is unable or unwilling to accept United States assistance. (S) U

The study will be conducted by an interdepartmental group chaired by the Department of State and including representation from the Office of the Vice President, Department of the Treasury, Department of State, Department of Defense, National Security Council, Joint Chiefs of Staff, Central Intelligence Agency, Agency for International Development Policy, and Office of Management and Budget. All matters relating to the NSSD will be classified SECRET, and handled on a strict need-to-know basis. The review and draft NSDD should be completed and submitted to the Assistant to the President for National Security Affairs by October 1, 1984. (U)

Paul Reagan

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