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**WHORM Subject File Code:** CO125

(Countries: Philippines)

**Case file Number(s):** 547000-559999

**Box:** 153

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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** WHITE HOUSE OFFICE OF RECORDS MANAGEMENT  
(WHORM): SUBJECT FILE

**Withdrawer**

DLB 8/6/2010

**File Folder** CO125 (PHILIPPINES) (547000-559999)

**FOIA**

S10-306

**Box Number** 152

SYSTEMATIC

934

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
95575	LETTER	PRESIDENT AQUINO TO PRESIDENT REAGAN	1	9/18/1987	B1
		<b>R 9/15/2022 NSC/DEPT. OF STATE WAIVERS</b>			

The above documents were not referred for declassification review at time of processing

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- B-3 Release would violate a Federal statute [(b)(3) of the FOIA]
- B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

**WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET**

- O - OUTGOING
  - H - INTERNAL
  - I - INCOMING
- Date Correspondence Received (YY/MM/DD) 87 11 25

Name of Correspondent: HONORABLE SOLARZ

MI Mail Report User Codes: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

Subject: URGE THE PRESIDENT TO FORGE A MULTI-NATIONAL MULTI-YEAR "MARSHALL PLAN" TO AID THE PHILIPPINES. THE GOALS OF THIS PLAN SHOULD BE TO INCREASE FOREIGN ASSISTANCE (AND TO INCREASE THE GRANT ELEMENT OF THAT ASSISTANCE). TO ENCOURAGE INTERNATIONAL INVESTMENT AND TO IMPROVE THE ROUTE TO: TERMS OF TRADE FOR PHILIPPINE ACTION PRODUCTS. DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>LABALL</u>	ORIGINATOR	<u>87, 12, 01</u>	<u>B</u>	<u>A</u>	<u>87, 12, 03</u>
<u>99 DDB</u>	Referral Note:	<u>87, 12, 08</u>	<u>CJ</u>	<u>A</u>	<u>88, 01, 22</u>
<u>LABALL</u>	Referral Note:	<u>88, 01, 28</u>	<u>FYE</u>	<u>C</u>	<u>88, 01, 29</u>
_____	Referral Note:	<u>1 1</u>	_____	_____	<u>1 1</u>
_____	Referral Note:	<u>1 1</u>	_____	_____	<u>1 1</u>

- ACTION CODES:**
- A - Appropriate Action
  - C - Comment/Recommendation
  - D - Draft Response
  - F - Furnish Fact Sheet to be used as Enclosure
  - I - Info Copy Only/No Action Necessary
  - R - Direct Reply w/Copy
  - S - For Signature
  - X - Interim Reply
- DISPOSITION CODES:**
- A - Answered
  - B - Non-Special Referral
  - C - Completed
  - S - Suspended

**FOR OUTGOING CORRESPONDENCE:**  
 Type of Response = Initials of Signer  
 Code = "A"  
 Completion Date = Date of Outgoing

Comments: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Keep this worksheet attached to the original incoming letter.  
 Send all routing updates to Central Reference (Room 75, OEOB).  
 Always return completed correspondence record to Central Files.  
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

# RECORDS MANAGEMENT ONLY

## CLASSIFICATION SECTION

No. of Additional Correspondents: \_\_\_\_\_ Media: 8 Individual Codes: L.21D L.24D I.220  
1 230

Prime Subject Code: CO 125 - Secondary Subject Codes: EQ 003-02 IA -  
CO 078 -

### PRESIDENTIAL REPLY

Code	Date	Comment	Form
C		Time: _____	P- _____
DSP		Time: _____	Media: _____

**SIGNATURE CODES:**

- CPn - Presidential Correspondence
- n-0 - Unknown
- n-1 - Ronald Wilson Reagan
- n-2 - Ronald Reagan
- n-3 - Ron
- n-4 - Dutch
- n-5 - Ron Reagan
- n-6 - Ronald
- n-7 - Ronnie

- CLn - First Lady's Correspondence
- n-0 - Unknown
- n-1 - Nancy Reagan
- n-2 - Nancy
- n-3 - Mrs. Ronald Reagan

- CBn - Presidential & First Lady's Correspondence
- n-1 - Ronald Reagan - Nancy Reagan
- n-2 - Ron - Nancy

**MEDIA CODES:**

- B - Box/package
- C - Copy
- D - Official document
- G - Message
- H - Handcarried
- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

ID # 547696  
CO125

WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- I - INTERNAL
- I - INCOMING  
Date Correspondence Received (YYMMDD) 87.11.25

Name of Correspondent: HONORABLE SOLARZ

MI Mail Report User Codes: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

Subject: URGE THE PRESIDENT TO URGE A MULTI-NATIONAL MULTI-YEAR "MARSHALL PLAN" TO AID THE PHILIPPINES. THE GOALS OF THIS PLAN SHOULD BE TO INCREASE FOREIGN ASSISTANCE (AND TO INCREASE THE GRANT ELEMENT OF THAT ASSISTANCE). TO ENCOURAGE INTERNATIONAL INVESTMENT AND TO IMPROVE THE ROUTE TO DISPOSITION OF TRADE FOR PHILIPPINE ACTION PRODUCTS.

Office/Agency (Staff Name)	Action Code	Tracking Date YYMMDD	Type of Response Code	Completion Date YYMMDD
<u>LA BULL</u>	<u>ORIGINATOR</u>	<u>87.11.25</u>	<u>DOB</u>	<u>87.12.03</u>
<u>AG DOB</u>	<u>Referral Note:</u>	<u>R 12/08/17</u>	<u>A 88 10210</u>	
<u>LA Bull</u>	<u>Referral Note:</u>	<u>88 102104</u>	<u>See memo</u>	<u>88 102104</u>
	<u>Referral Note:</u>			

**ACTION CODES:**

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure

- I - Info Copy Only/No Action Necessary
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- Type of Response - Initials of Signor
- Code - "A"
- Completion Date - Date of Outgoing

Comments: \_\_\_\_\_

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Always return completed correspondence record to Central Files.  
Refer questions about the correspondence tracking system to Central Reference, ext. 2890.

UNCLASSIFIED

DEPARTMENT OF STATE  
EXECUTIVE SECRETARIAT

TRANSMITTAL FORM

S/S 8735232

Date February 3, 1988

**FOR:** Mr. Paul Schott Stevens  
Executive Secretary  
National Security Council  
The White House

**REFERENCE:**

**To:** President Reagan  
**From:** The Honorable Stephen Solarz  
**Date:** November 25, 1987  
**Subject:** Concern about the Future of the Philippines

WH Referral Dated: \_\_\_\_\_  
NSC ID# (if any): \_\_\_\_\_

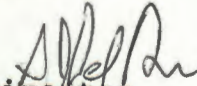
\_\_\_\_\_ The attached item was sent directly to the  
Department of State.

**ACTION TAKEN:**

- \_\_\_\_\_ A draft reply is attached.  
\_\_\_\_\_ A draft reply will be forwarded.  
\_\_\_\_\_ A translation is attached.  
 An information copy of a direct reply is attached.  
\_\_\_\_\_ We believe no response is necessary for the reason  
cited below.  
\_\_\_\_\_ The Department of State has no objection to the  
proposed travel.  
\_\_\_\_\_ Other (see remarks).

**REMARKS:**

Earlier info copy mistakenly forwarded before final editing by H.  
Copy of signed original with H clearance is attached.

  
1 Director  
Secretariat Staff

WHITE HOUSE

88 FEB 3 10:33

SITUATION ROOM

RECEIVED  
88 FEB 4 47:09



United States Department of State

Washington, D.C. 20520

FEB 1 1988

Dear Mr. Solarz:

I am responding on behalf of the President to your letter of November 25 urging his support for a significant new aid initiative for the Philippines.

The Administration shares your view that the United States should continue to play a key role in promoting long-term multilateral economic assistance to the Philippines. We are, of course, already making a substantial contribution to reviving the Philippine economy and improving the effectiveness of that country's armed forces. Generous levels of assistance over the past two fiscal years have played an important role in helping the Philippines establish vibrant new democratic institutions.

The Administration agrees wholeheartedly with President Aquino's view that the private sector must play a central role in Philippine economic recovery. We have helped establish a joint U.S.-Philippine Business Committee to encourage trade and investment in the Philippines. We have worked closely with OPIC and the EximBank to promote increased U.S. private sector participation in the Philippine economy. Unfortunately, perceptions of political instability have inhibited the medium- and longer-term investment necessary for sustained economic growth.

The Administration is currently conducting a thorough review of the Philippines' short- and medium-term economic and military assistance needs. Given arrangements under the budget summit agreement and, in particular, ceilings assigned to International Affairs (Function 150) appropriations, however, any significant increment for the Philippines will require some kind of jointly-agreed adjustment which will protect other elements of our foreign affairs budget.

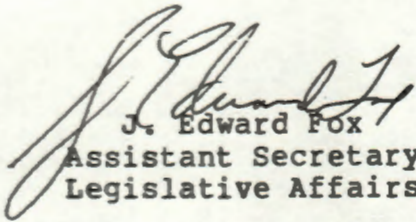
The Secretary would be delighted to meet with you and your colleagues in the near future. I will be in touch with you about a precise date and time. We would hope Appropriations Committee members and representatives of the leadership might also attend to discuss prospects for dealing with urgent requirements in the Philippines.

The Honorable  
Stephen J. Solarz,  
Chairman, Subcommittee on Asian and  
Pacific Affairs,  
House of Representatives.



The success of the Administration's Philippine policy is due in great measure to the unfailing bipartisan support it has received from you and your colleagues. We value that support and look forward to working closely with Congress to ensure that we continue doing all we can to assist the Philippines in a time of particular need.

Sincerely,



J. Edward Fox  
Assistant Secretary  
Legislative Affairs



United States Department of State

Washington, D.C. 20520

FEB 1 1988

Dear Senator Lugar:

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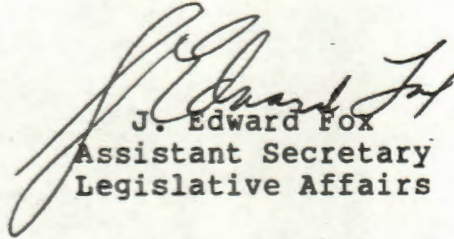
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J. Edward Fox  
Assistant Secretary  
Legislative Affairs



United States Department of State

Washington, D.C. 20520

February 1, 1988

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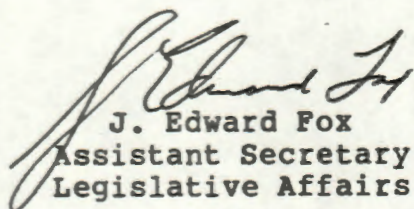
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Assistant Secretary  
Legislative Affairs



United States Department of State

Washington, D.C. 20520

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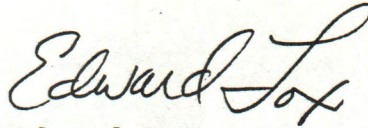
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Sincerely,

A handwritten signature in cursive script that reads "Edward Fox". The signature is written in dark ink and is positioned above the typed name.

J. Edward Fox  
Assistant Secretary  
Legislative Affairs

UNCLASSIFIED

DEPARTMENT OF STATE  
EXECUTIVE SECRETARIAT  
TRANSMITTAL FORM

S/S 8735232

Date JAN 26 1988

**FOR:** Mr. Paul Schott Stevens  
Executive Secretary  
National Security Council  
The White House

**REFERENCE:**

**To:** President Reagan  
**From:** The Honorable Stephen Solarz  
**Date:** November 25, 1987  
**Subject:** Concern about the Future of the Philippines

**WH Referral Dated:** December 8, 1987  
**NSC ID# (if any):** 547696

       The attached item was sent directly to the  
Department of State.

**ACTION TAKEN:**

- A draft reply is attached.  
       A draft reply will be forwarded.  
       A translation is attached.  
  x   An information copy of a direct reply is attached.  
       We believe no response is necessary for the reason  
cited below.  
       The Department of State has no objection to the  
proposed travel.  
       Other (see remarks).

**REMARKS:**

*John Salpini*  
Director  
Secretariat Staff



RECEIVED

WHITE HOUSE

88 JAN 27 A 7: 18

88 JAN 26 PII : 43

SITUATION ROOM



United States Department of State

Washington, D.C. 20520

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The Administration shares your view that the United States should continue to play a key role in promoting long-term multilateral economic assistance to the Philippines. We are, of course, already making a substantial contribution to reviving the Philippine economy and improving the effectiveness of that country's armed forces. Generous levels of assistance over the past two fiscal years have played an important role in helping the Philippines establish vibrant new democratic institutions.

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and Pacific Affairs,  
United States Senate.

-2-

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Assistant Secretary  
Legislative Affairs

EAP/PHL:LRHughes~~\*~~  
W2316L 1/22/88 x-7-1221  
8735232

Clearances:  
EAP/PHL:CBSalmon, Jr.  
EAP:DLambertson  
EAP:GSigur  
WNance~~\*~~  
P:DKenney~~\*~~  
H:SKrebs  
PM:NBoshoven~~\*~~  
D:RBoyce~~\*~~



United States Department of State

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Legislative Affairs

EAP/PHL:LRHughes~~\*~~  
W2316L 1/22/88 x-7-1221  
8735232

Clearances:  
EAP/PHL:CSalmon, Jr.  
EAP:DLambertson  
EAP:GSigur  
WNance~~\*~~  
P:DKenney~~\*~~  
H:SKrebs  
PM:NBoshoven~~\*~~  
D:RBoyce~~\*~~



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J. Edward Fox  
Assistant Secretary  
Legislative Affairs

EAP/PHL:LRHughes~~X~~  
W2316L 1/22/88 x-7-1221  
8735232

Clearances:  
EAP/PHL:CBSalmon, Jr.~~X~~  
EAP:DLambertson  
EAP:GSigur  
WNance~~X~~  
P:DKenney~~X~~  
H:SKrebs  
PM:NBoshoven~~X~~  
D:RBoyce~~X~~



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Assistant Secretary  
Legislative Affairs

EAP/PHL:LRHughes~~\*~~  
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Clearances:  
EAP/PHL:CBSalmon, Jr. ~~\*~~  
EAP:DLambertson  
EAP:GSigur  
WNance~~\*~~  
P:DKenney~~\*~~  
H:SKrebs  
PM:NBoshoven~~\*~~  
D:RBoyce~~\*~~

8735232

T H E   W H I T E   H O U S E   O F F I C E

REFERRAL

DECEMBER 8, 1987

TO: DEPARTMENT OF STATE  
ATTN: ED FOX

ACTION REQUESTED:  
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 547696

MEDIA: LETTER, DATED NOVEMBER 25, 1987

TO: PRESIDENT REAGAN

FROM: THE HONORABLE STEPHEN SOLARZ  
U.S. HOUSE OF REPRESENTATIVES

WASHINGTON DC 20515

SUBJECT: EXPRESS CONCERN ABOUT THE FUTURE OF THE  
PHILIPPINES AND STATE THAT THE U.S. HAS A  
MAJOR INTEREST IN ASSISTING THAT COUNTRY IN  
MEETING ITS CURRENT CHALLENGES. RECOMMEND  
PUTTING TOGETHER A MULTI-NATIONAL, MULTI-YEAR  
MARSHALL PLAN FOR THE PHILIPPINES. THE  
MAJOR GOALS OF THE PLAN WOULD INCLUDE  
INCREASING WORLDWIDE FOREIGN ASSISTANCE AND

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN  
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE  
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE  
(OR DRAFT) TO:  
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE, 20500

SALLY KELLEY  
DIRECTOR OF AGENCY LIAISON  
PRESIDENTIAL CORRESPONDENCE

December 3, 1987

8735232

Dear Mr. Solarz:

Thank you for your letter of November 25, cosigned by three of your colleagues, urging that the President take the lead in establishing a multi-national, multi-year "Marshall Plan" to aid the Philippines and help solve the serious political and economic challenges which the Aquino government now faces.

We appreciate being advised of your interest in this matter. In an effort to be of assistance, we have forwarded your letter to the President's foreign policy advisers for their careful review. You will receive a follow-up reply in the near future.

With best wishes,

Sincerely,

William L. Ball, III  
Assistant to the President

The Honorable Stephen J. Solarz  
House of Representatives  
Washington, D.C. 20515

WLB:KRJ:JWR:jwr

cc: w/copy of inc to Ed Fox, Congressional Affairs, State --  
for DIRECT

*Letter to all Agencies*

**Congress of the United States**

Washington, D.C. 20515

8735232

November 25, 1987

The Honorable Ronald Reagan  
President  
The White House  
Washington, DC

Dear Mr. President:

We write to you as a bipartisan group of members of Congress who are deeply concerned about the fate and future of the Philippines. We believe that the Philippines is now at a critical juncture, with the future of democracy in that country hanging in the balance.

While the ultimate responsibility for resolving the problems of the Philippines rests primarily with the Aquino Government and the Filipino people, the United States has a major interest in assisting the Philippine Government meet the serious challenges now confronting it. There is far more at stake than just continued access to military bases at Subic Bay and Clark Air Field, as important as those bases may be.

At stake in the Philippines is a far more important principle: that peaceful democratic change can succeed in the Third World. The People Power revolution of February 1986 was an inspiration to others yearning for democracy across the world. The failure of that revolution would be a crushing blow to untold millions who seek democracy in their own countries.

The problems in the Philippines are well known. The economy, ravaged by the crony capitalism of the Marcos years, is staggering under a \$29 billion foreign debt. In 1986, the Philippines paid over \$1 billion more in debt service to foreign creditors than it received in new assistance. In a country where almost 70% of the people live below the poverty line and per capita income is less than \$2 a day, this net transfer of capital out of the country is a significant impediment to a sustained economic recovery. Unless the promise of democracy can be translated into tangible improvement in the lives of Filipino people, the future of democracy will be in jeopardy.

We believe, therefore, that the time has come for the United States and the rest of the international donor community to act.



We urge you to take the lead in putting together a multi-national, multi-year "Marshall Plan" for the Philippines. Should you decide to undertake such an initiative, we think it would be advisable to appoint a special coordinator or commissioner who will be responsible for coordinating this initiative.

The goals of a Marshall Plan, in our view, should be:

1. to increase worldwide foreign assistance by \$1 billion a year above current levels for five years beginning in 1988;
2. to substantially increase the percentage of the grant element in such assistance during this same period;
3. to encourage international investment in the Philippines, including the conversion of a substantial percentage of private bank loans into equity investment in that country; and
4. to improve the terms of trade for Philippine products in the major industrial nations.

We recognize that the problems in the Philippines won't be solved with money alone. In particular, the Philippine Government will have to demonstrate its willingness and ability to utilize the substantial amounts of aid already in the pipeline, as well as the additional assistance we are proposing. But it seems to us that our willingness to come forth with an expanded aid program will serve as a powerful inducement to the Philippine Government to take the necessary steps to break the logjam that is now impeding the rapid utilization of our assistance.

In order to meet this ambitious target, we believe that a two pronged approach is necessary. First, the United States must be willing to make a substantial increase over its present aid commitments to the Philippines. Our capacity to persuade other countries and multilateral organizations to increase significantly their own aid levels will be greatly enhanced if we have demonstrated our own willingness to increase our assistance.

Second, the United States must make a much more vigorous effort to persuade Japan and other countries in Asia to dramatically increase their assistance to the Philippines. Ensuring the survival of democracy in the Philippines is not just an American concern. Japan and other countries in the region which rely on our security commitments to them should have a strong interest in fostering stability and economic recovery in the Philippines. Our bases in the Philippines play an important role in enabling us to fulfill our defense commitments to Japan and our other friends and allies in the Asia and Pacific region. Their loss, due to political turmoil or an NPA victory, would result not only in forced relocation to less desirable base locations at a cost well exceeding \$10 billion, but in a serious reduction in U.S. ability to secure sea lanes vital to a forward deployed U.S. strategy in the Western Pacific.

Some may argue that any increase in U.S. aid is not realistic in the current budgetary environment. Certainly, it will not be easy for the United States to shoulder its fair share of any increases. However, we strongly believe that with your leadership, and in the context of a Presidential initiative in which you made clear your determination to implement this plan, coupled with a willingness by other countries and international financial institutions to join with us in this effort, it could be done.

As a great power, the United States has responded to other crises elsewhere in the world with generous, far-sighted assistance programs that served the national interest and ultimately proved cost-effective. After World War II, we initiated the Marshall Plan to rebuild a devastated Europe. The \$13.9 billion in economic assistance that we provided was crucial to the spectacular economic recovery of Europe. The assistance, equivalent to \$70.8 billion in current dollars, amounted to 1.8% of our GNP, a far higher level than the 3/10 of 1% of GNP we now spend on foreign aid.

A less known success story is postwar U.S. economic aid to East Asia. During the postwar period (1946-52), U.S. economic assistance alone to East Asia totaled over \$20 billion in present value. This was the price paid by American citizens at a time when our economic strength paled in comparison to what it is today. As a matter of fact, the Federal Reserve reported that the real net worth of the nation has quadrupled since 1945.

Other examples of U.S. aid initiatives when significant U.S. interests were at stake, include our assistance to Greece and Turkey under the Truman Doctrine, \$2.2 billion in emergency assistance to Israel during and immediately after the Yom Kippur War, and \$1.5 billion in supplemental economic assistance to facilitate an economic recovery program in Israel in Fiscal Years 1985 and 1986.

These illustrations make clear that there are a number of precedents where the United States mustered the political will to provide substantial sums of assistance to vitally important countries during times of budget difficulties in our own country.

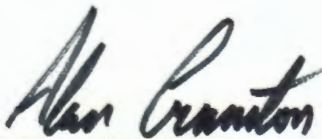
We also believe that there are several reasons why Japan would be likely to participate in the type of initiative we have described. First, as we've mentioned previously, Japan has an important stake in promoting political stability in the Philippines. Second, a dramatic increase in Japanese aid to the Philippines would provide the Japanese government with a means to offset some of the recent strains in US-Japanese relations resulting from the trade deficit, the Toshiba diversion of technology to the Soviet Union, and Japan's inability, because of constitutional limitations, to assist the West in protecting neutral shipping in the Persian Gulf. A multilateral aid

initiative would be an excellent opportunity for Japan to demonstrate its willingness to cooperate with the United States on an important issue.

In conclusion, we emphasize the need for your personal leadership in promoting this initiative. The continuation of a business-as-usual policy could result in the failure of democratic government in the Philippines. The cost of such a failure for the United States would be enormous, both in terms of relocating our bases, which we would almost inevitably have to do in the event the Aquino Government falls, and in terms of our national interest in promoting democratic government around the world.

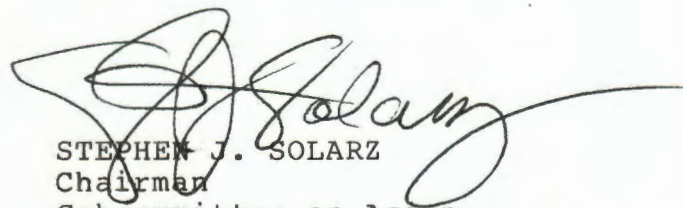
Now is the time for a bold proposal that will significantly strengthen the Aquino Government. Should you decide to go forward with the initiative we have described, we pledge to work with you on a bipartisan basis to secure its approval in the Congress.

Sincerely,



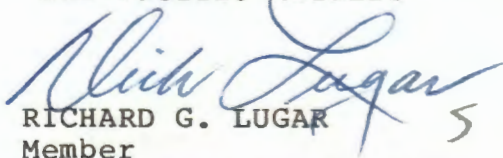
ALAN CRANSTON  
Chairman  
Subcommittee on East Asian  
and Pacific Affairs

S



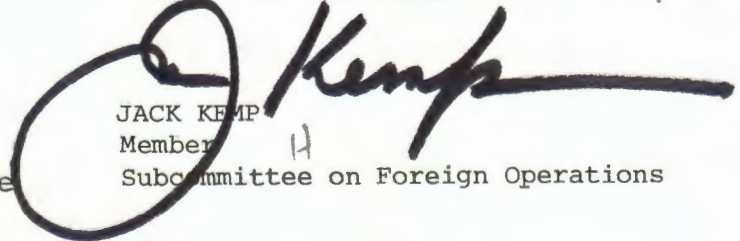
STEPHEN J. SOLARZ  
Chairman  
Subcommittee on Asian  
and Pacific Affairs

23166



RICHARD G. LUGAR  
Member  
Senate Foreign Relations Committee

S



JACK KEMP  
Member  
Subcommittee on Foreign Operations

H

**UNCLASSIFIED**

DEPARTMENT OF STATE  
EXECUTIVE SECRETARIAT

**TRANSMITTAL FORM**

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3100 7675  
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**MVS**

S/S 8729857 FG011

Date October 15, 1987

FE006-12

**FOR:** Mr. Grant Green  
Executive Secretary  
National Security Council  
The White House

**REFERENCE:**

To: President Reagan  
From: President Aquino, CORAZON C.  
Date: September 18, 1987  
Subject: Philippine State of the Nation Address

WH Referral Dated: \_\_\_\_\_  
NSC ID# (if any): \_\_\_\_\_

The attached item was sent directly to the Department of State.

**ACTION TAKEN:**

- A draft reply is attached.
- A draft reply will be forwarded.
- A translation is attached.
- An information copy of a direct reply is attached.
- We believe no response is necessary for the reason cited below.
- The Department of State has no objection to the proposed travel.
- Other (see remarks).

**REMARKS:** Letter accompanies copy of President Aquino's State of the Nation Address which was sent to President Reagan for his information.

*Juan A. Allap*  
Director  
Secretariat Staff

**UNCLASSIFIED**

NSC #8707675

UNCLASSIFIED

WHITE HOUSE

07 OCT 15 PII : 11

SITUATION ROOM

TO : [Illegible]

FROM : [Illegible]

SUBJECT: [Illegible]

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MALACAÑAN PALACE  
MANILA

18 September 1987

Dear Mr. President,


I deeply appreciated your statement of support. I welcomed it not only as head of government, but as a message from one friend to another - colleagues also in the grave and turbulent business of government. I do not wish to compete with you in the area of storm and stress, but having colonels hailed to Congress to explain their actions is one thing; being hailed with bullets by colonels on a pitch-black night quite another. But all this is personal. The nation suffered more.

Each coup attempt that I have crushed, is a personal victory but a national tragedy as well. The stock market plunges - our volatile barometer of public confidence; business takes its money away again; potential investors look elsewhere. The last coup attempt may be the bloodiest in recent memory in any country in the world; it took a heavy toll in lives and has set back our economic recovery. I said it in your Congress, No sooner is one stone laid than two are taken away. But we cannot stop, we cannot give up. This is the only country we have.

We do need a greater capability to move and coordinate our troops, and to multiply their firepower. For, while I recognize that only substantial economic progress will finally uproot the insurgency, only feats of arms at present will buy us the time and the relative peace and order in which our economic programs can bear fruit. I devoted a third of my first State of the Nation Message to the requirements of a stronger military force. I am sending you a copy with this letter. It presents a general idea of our requirements. No state ever has enough money for all its pressing needs, especially in war, let alone the war needs of an ally. But such help as your Government can muster will be deeply appreciated.

My warmest regards to you and Nancy. Again my thanks for a word of friendship and support from a friend when it truly counted.

Sincerely,



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AUTHORITY NSE/state waivers  
BY db NARA DATE 3/15/2022

Historical File



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# **State of the Nation Address**

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**by**  
**President Corazon C. Aquino**

**Congress of the Philippines**  
**meeting in joint session**

**July 27, 1987**

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*Following is the full text of the State of the Nation address delivered on July 27, 1987 by President Corazon C. Aquino before the Congress of the Philippines meeting in joint session:*

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Mr. President of the Senate, Mr. Speaker of the House of Representatives, members of both Houses of Congress, the Vice President and members of the Cabinet, Chief Justice and Associate Justices of the Supreme Court, your excellencies of the diplomatic corps, distinguished guests, ladies and gentlemen.

Fifteen years ago, in this season of the year, my husband stood in the Senate and delivered what turned out to be the valedictory of Philippine democracy. He exposed the conspiracy to place the country under martial law, dissolve the Congress and set the stage for the unremitting plunder of our patrimony, and the degradation of our great name and honor.

The dictatorship's last mockery of democracy was committed in this hall, where the loser was proclaimed winner of the snap election. I join you today in rededicating this hall to true democracy.

The route to these chambers was long and difficult, fraught with danger and paved with sacrifice. The electoral contest just completed has been exacting for all and bitter for some. But the nation has spoken. The complete leadership of this country has been chosen; the configuration of their powers and duties permanently set by the new Constitution.

An election is as much an expression as it is an exercise of the national will. We have been made instruments of this will. Our performance will bear witness to its wisdom.

It is my duty under the Constitution to apprise you now of the state of the nation — but henceforth its continuing progress shall be our common accountability.

#### **The Economic Program**

When I took power in this country seventeen months ago, I was immediately called upon to deal with the danger-



ous combination of a severely distressed economy and a growing insurgency; threats which fed on each other and on the hopelessness and confusion which prevailed. Production had contracted by 11% for two consecutive years, bringing unemployment rates to double-digit levels. Twelve percent of the labor force, nearly 2.6 million workers, were unemployed. (And up to now, 750,000 join the labor force every year.) Real per capita income had been set back 10 years. New investments had dried up and business confidence was at an all-time low. Interest payments on a \$26.3-billion external debt took almost half our export earnings. And as I must stress yet again, no part of this debt benefited, or perhaps was even seriously expected to benefit, the Filipino people. Yet their posterity to the third generation and farther are expected to pay it.

Poverty blighted the land. Five million families (59% of the total) lived below the poverty line, as compared to 45% in 1971. Dictatorship had done nothing but make more of our people poorer.

It also made us sicker. The prevalence of malnutrition among our young and the incidence of birth fatalities had risen at alarming rates. Infant fatalities due to pneumonia alone rose by 12% in 1984 and severe malnutrition among children rose to 21.6% in 1985. In short, an economy in shambles and a polity with no institutions save my Presidency to serve as the cornerstone of the new democracy that we set out to build.

I had taken the oath to be President of a country that had lost everything, everything but honor. But with that honor came a renewed faith in national leadership and in the ability of our race to change things for the better given the will and the courage to do it.

I responded with an economic reform program aimed at recovery in the short and sustainable growth in the long run. More concretely, it addressed itself to the basic problems of unemployment and underemployment, and the consequent mass poverty.

The program calls for comprehensive structural reforms of the internal economy, complemented by no less important external economic cooperation.

There are two basic features of this program:

The first is its comprehensiveness with respect to struc-

tural reforms. We have come to regard the scope of reform not as a problem, but as a challenge, as necessary as it is ambitious; and as realizable as the strength of our commitment allows.

The second basic feature is its reliance on the private sector to carry the main burden of growth. We have reaffirmed our faith in private initiative to propel and sustain our economy. Our premise is that, for as long as free market forces dictate the dynamics of the business environment, the private sector will respond aggressively. As a corollary, the program defines and limits government's participation in the economy.

### **Internal Structural Reforms**

The dictatorship gave special privileges to government corporations and select individuals. In their various forms, these enterprises had several things in common. They enriched the few at the cost of impoverishing the many. They distorted markets and factors of production. And they bore the aspect of legitimacy that made challenge and change impossible.

We abolished these monopolies and special privileges and the effect was felt almost immediately. Fertilizer prices dropped 33% and farmgate prices of copra nearly doubled in 1986. We trace in part the renewed vigor in agriculture and the general economy to these and similar measures.

We committed ourselves to a fair and transparent trade liberalization program that is consistent with the country's continuing weaknesses. Some 1,000 items were released, from a complex bureaucracy of licensing requirements, in a regime of rational tariff protection.

We removed price controls which had been an almost permanent fixture of the past regime. And yet inflation was less than 1% for the whole of 1986 and our estimates place it at an average of 1% for the first half of this year.

We instituted tax reforms to shelter the poor from onerous taxes and equitably redistribute the tax burden. We created an Asset Privatization Trust and a Committee on Privatization to start the divestiture of government control or participation in private business and, with the Sequestered Assets Disposition Authority, to help fund the Comprehensive Agrarian Reform Program that I enacted last week.

## External Cooperation

Recession hit the international economy in the early eighties. Every economy suffered, but the heaviest toll was taken on the fragile economies of the developing nations. One of the worst hit was our own. The dictatorship had already borrowed heavily, exceeding the debt ceiling mandated by law, when interest rates shot up. Meanwhile, a material portion of the debt had gone to projects that offered virtually no hope of payback. Conceived to either line pockets or inflate egos, these projects would never contribute to the repayment of the debt.

The domestic structural reform program we have initiated cannot be pursued in earnest unless the necessary financing is made available. Fresh funding is needed to effect adjustments in the industrial structure, to assist new ventures, and to support our social programs. This funding cannot come from the domestic economy. Low domestic incomes cannot generate the required savings. Meanwhile, debt service was taking half our export earning. Rescue could only come from foreign sources, both official and private.

Our appeal for external economic cooperation was aimed at gaining increased flexibility in our domestic resource management. The program required a reduction in our debt burden and increased support from bilateral and multilateral institutions. Simply put, we needed to buy time for our structural reforms to start paying dividends. And time is money. While a fool and his money are easily parted, we have discovered that our foreign creditors are not such great fools as the past leadership of our country.

It is my sad duty to report to you that the results of the recently concluded debt renegotiations are far short of our expectations and, more importantly, of our urgent needs. Let me put it bluntly. Our extraordinary achievement in fulfilling the first requirement of renegotiation, the establishment of free and responsible government, gained us applause but no substantial accommodation from our foreign creditors. The saga of democracy had made great television, but no appreciable change on their business priorities. We were treated not much better than other debtors, even those who had rejected the austered discipline mandated by restructuring. A discipline we had readily accepted. Incredibly, despite the

significant reduction in country risk effected by the democratic restoration, we were not accorded the terms given other countries, which got longer periods, better rates and greater latitude for growth.

We cannot help but feel that our foreign creditors took undue and unfair advantage of the internal difficulties we have had with factions intent on subverting this government and destroying our democracy. Under the continuing threat of a cutoff in trade credits, which would have given new vigor and a signal to seize the moment to the enemies of democracy, we had to relent and sign the accord.

Nothing is more revealing of the tenor of the negotiations than the insistence that our government assume the liability of Planters Products to a consortium of banks. Their private risk would have to become our public liability. Nonetheless, the demand stood and provided the none too subtle coercion — sign or face the prospect of a protracted delay in the finalization of the debt restructuring program agreed to in March 1987.

We do not bow our heads in shame for the shame is not ours. Yet even as necessity has forced our hand to agreement, we vow never again to let the patrimony of this nation lie at the feet of these noble houses that have finally shown the true face of foreign finance.

For the record, our foreign debt stands today in excess of \$28 billion. The increase from \$26.3 billion when we took power is largely accounted for by the weakening of the dollar against major currencies. In the next six years, we shall have to pay \$20 billion to our official and private creditors. Net payments could average five percent of our total output. Close to 40 percent of government expenditures and over 45 percent of our projected merchandise export earnings, or 27 percent of all foreign earnings, will go towards servicing this debt. The bottom line, honorable members of Congress, is that we have been left little room for domestic error. It is for this reason that I have yielded more to prudence than desire in the reform measures I have enacted. I have aimed for modest successes to avoid a comprehensive failure.

Still, despite our disappointments in this sector, I am pleased to report certain healthy signs in the economy. Recession bottomed out in late 1986. GNP posted a modest growth at 1.5 percent; significant nonetheless because of the previous

two years' negative performance. Exports posted a volume growth of 21.7 percent and provided the much-needed boost. To be candid, as we must always be, fortuity can account for these improvements as much as the reform measures we had taken. For the low 0.7 percent inflation rate in 1986 was largely a reflection of the drop in oil price and the prevailing weak demand and purchasing power.

Our reform measures, however, started to pay dividends in the first half of this year. Our estimate of 1st Quarter GNP is 5.5 percent. Unemployment declined from 12 percent last year to 11.2 percent. The exchange rate remained relatively stable. And gross international reserves at the Central Bank stood at about \$2.4 billion as of end-June 1987, or the equivalent of five months merchandise imports.

What is important is that this time it is not the world market, but a reinvigorated domestic economy that is paving the way to recovery. Investments reversed their contractionary trend of the past three years. The 23 percent growth rate in investments promise a respectable real GNP growth for the rest of the year.

The current budget has a definite bias for health care, education and social services expenditures. About 6.9 million people received food assistance from the Food and Nutrition Program in 1986. We began to expand the coverage of Medicare. Teachers' salaries were increased, and a leaner and more relevant curriculum was adopted. Some 5.2 million poor availed of vital services such as self-employment assistance, job placement, and family planning. For 1987, we have made P4.2 billion available for long-term mortgages in support of the national shelter program.

### **National Defense and Security**

The price of security and national honor, no less than liberty is eternal vigilance. And, that, too, has a price. Our country is threatened by totalitarian slavery on the left and reversion to fascist terror and corruption on the right. Meanwhile, the bottom is threatened by secession. On the bomb-shattered reviewing stand of our military academy, I vowed to end all threats to our democracy by the end of my term. We shall make good on that pledge. Meanwhile, it should be clear by now that no one in these struggles has had a mo-

monopoly of anguish and no one in these debates has had a monopoly of moral insight. It is in that light that we ventured to settle these issues outside the battlefield. For, surely in the words of an architect of conflict and peace, "a society becomes great not by the victories of its factions over each other but by its reconciliations." To this end, we shall continue to exhaust measures and avenues that will involve all our people in the task of moral and material reconstruction and national unity.

Still our march towards nationhood must be undeterred and any threat to its progress will be countered with all the resources available to us, wielded with as much passion as self-preservation can muster.

The application of force will be as effective as it is judicious. The operational thrust of our Armed Forces is predicated on deterrence, preemption and destruction. But the question is: can we execute? If we have come to ask our soldiers to do battle to secure our way of life, then we have an obligation to equip them sufficiently for the fight.

Having exhausted the avenues of negotiation, we have armed them with the right. Now we must complete the complement with the material organizational and physical wherewithal to accomplish the task.

We have directed our immediate attention toward strengthening the chain-of-command, re-instilling discipline within the rank-and-file, and upgrading morale in the Armed Forces. We have placed renewed emphasis on training — on the physical and mental readiness of the troops. Area Unified Commands have been established to facilitate force augmentation and complementation within and across the major services, particularly in areas where military operations are either imminent or ongoing.

We do, however, have a dire need to improve our intelligence, logistics and communication services. Given our limited resources, we must improve our ratio of patrols to contacts, and our capability to maximize such combat opportunities as present themselves. We therefore need ordnance platforms and air transports for ground support, troop mobility and medevac. We need a truly effective navy to secure our coastlines against fresh infusions of arms to rebel or fascist forces, and to punish any further attacks on our territorial honor and integrity, especially in the South.

Our Armed Forces are asked to do more for less. Defense appropriations are down 1¼% of GNP from an average of 2% prior to 1986. We have been able to afford this reduction because of the moral victory we gained in the February Revolution. Still, our defense expenditures are the lowest in ASEAN, and yet no country's security is so seriously threatened as ours.

Given the realities of our finance and our priorities, we will continue to press for efficiency in the Armed Forces. But we will need a sober assessment of adequacy.

Some will say that force does not address the roots of insurgency. I will answer: indeed, for such roots are addressed by measures of economic improvement and equitable distribution. But such measures also need time to bear fruit, time that only feats of arms and negotiating from strength can buy us.

We have chosen to improve upon our capability to effectively manage force not so that we, who desire peace, could wage war, but rather so that those who would war upon us will realize, by the deadlines of our riposte, the virtues of peace.

Thus: "we shall bear arms when the intent of bearing them is just," and, if necessary, we shall mourn our dead by celebrating the birth of generations whose legacy shall be one nation, free, upright, and prosperous.

I have spoken of our problems and I have sketched our programs, some of which have already borne appreciable results. A more detailed report will be submitted to this Congress. Succeeding messages to Congress will convey the legislative agenda of my Administration, particularly the Comprehensive Agrarian Reform Program, whose congressional complement is eagerly awaited. We have prepared the ground for congressional action on autonomy in the Cordillera. We are determined to achieve genuine autonomy and thus eliminate completely the issues that divide us from our Muslim brothers in a manner consistent with the honor and integrity of the republic.

In deference to the Congress, executive orders issued last week have one year, 90-day, and 60-day effectivity dates. While we believe these measures merit immediate implementation, Congress may want a second look.

I would also hope that our proposed revisions of the Tariff Code and the rationalization of the government corporate sector shall be among the Congress's first concerns, these

being two areas that I find require the common counsel of executive and legislature.

I have also spoken of our continuing vulnerabilities. Now let me speak of our strength.

The source of the new vigor and energy in the land is the sense of pride and renewed self-confidence of our people; pride in their unmatched political achievements. And, flowing from that pride, the renewed confidence that we can improve things given the will and courage to do what is right.

That pride and that confidence rest however on their continuing faith in the one solid and undeniable achievement of the great moral exertion of our people: the establishment of a democratic government under an honest and dedicated leadership. In short, it rests on their continuing faith in a government that will lead them to permanent peace, freedom and progress.

All the assaults on our government have fallen flat and harmless because the people believe in our government in its honesty and sincere desire to work for the common good.

When this session opened, the great powers of the State that were united in my person divided, and a portion has flowed to you. I have felt no loss but rather a great sense of achievement. The great work we set out to do, for which the nation made me its single leader, is completed. We have this day opened the door of Asian democracy's most famous home: the Congress of the Republic of the Philippines.

With the portion of power that has gone to you, goes the shared responsibility to maintain the people's faith in government.

While I held total power in my hands, and even after I had scattered the enemies of democracy, I kept ever in mind that power and glory are fleeting. That, in times to come, in the words of Gandhi, "the people will not judge us by the creed we profess or the label we wear or the slogans we shout but by our work, industry, sacrifice, honesty and purity of character."

In the great debates that will ring in this chamber, remember also these words of his: "Insist upon truth by loving argument, by the testimony of your own life. Once you are assured of the truth, refuse to recant even to death."

You are blessed beyond all Congresses of the past or of any other nation. For here, ever to guide you, are the sombre shades of the eternal senators of our Republic: Jose W. Diokno

and Benigno Aquino Jr. Even as their memory continues to freshen our sorrow, may their sacrifices ever nourish our idealism and commitment to our people, and remind us of the painful lesson that "a government that is evil has no room for good men and women except in its prisons."

This day completes the circle of our democratic achievements. Now Philippine democracy rests solidly upon the three pillars of freedom: the President, the Supreme Court and Congress. Mr. Senate President, Mr. Speaker, members of the Congress, join me now in expressing our congratulations and deepest gratitude to those who have this day by God's grace given to the nation the fully ripened fruit of freedom: *Ang ating mga kababayan, ang mamamayang Pilipino.*



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# **State of the Nation Address**

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by  
**President Corazon C. Aquino**

**Congress of the Philippines  
meeting in joint session**

**July 27, 1987**

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**State of the Nation Address**

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*Following is the full text of the State of the Nation address delivered on July 27, 1987 by President Corazon C. Aquino before the Congress of the Philippines meeting in joint session:*

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Mr. President of the Senate, Mr. Speaker of the House of Representatives, members of both Houses of Congress, the Vice President and members of the Cabinet, Chief Justice and Associate Justices of the Supreme Court, your excellencies of the diplomatic corps, distinguished guests, ladies and gentlemen.

Fifteen years ago, in this season of the year, my husband stood in the Senate and delivered what turned out to be the valedictory of Philippine democracy. He exposed the conspiracy to place the country under martial law, dissolve the Congress and set the stage for the unremitting plunder of our patrimony, and the degradation of our great name and honor.

The dictatorship's last mockery of democracy was committed in this hall, where the loser was proclaimed winner of the snap election. I join you today in rededicating this hall to true democracy.

The route to these chambers was long and difficult, fraught with danger and paved with sacrifice. The electoral contest just completed has been exacting for all and bitter for some. But the nation has spoken. The complete leadership of this country has been chosen; the configuration of their powers and duties permanently set by the new Constitution.

An election is as much an expression as it is an exercise of the national will. We have been made instruments of this will. Our performance will bear witness to its wisdom.

It is my duty under the Constitution to apprise you now of the state of the nation – but henceforth its continuing progress shall be our common accountability.

### **The Economic Program**

When I took power in this country seventeen months ago, I was immediately called upon to deal with the danger-



ous combination of a severely distressed economy and a growing insurgency; threats which fed on each other and on the hopelessness and confusion which prevailed. Production had contracted by 11% for two consecutive years, bringing unemployment rates to double-digit levels. Twelve percent of the labor force, nearly 2.6 million workers, were unemployed. (And up to now, 750,000 join the labor force every year.) Real per capita income had been set back 10 years. New investments had dried up and business confidence was at an all-time low. Interest payments on a \$26.3-billion external debt took almost half our export earnings. And as I must stress yet again, no part of this debt benefited, or perhaps was even seriously expected to benefit, the Filipino people. Yet their posterity to the third generation and farther are expected to pay it.

Poverty blighted the land. Five million families (59% of the total) lived below the poverty line, as compared to 45% in 1971. Dictatorship had done nothing but make more of our people poorer.

It also made us sicker. The prevalence of malnutrition among our young and the incidence of birth fatalities had risen at alarming rates. Infant fatalities due to pneumonia alone rose by 12% in 1984 and severe malnutrition among children rose to 21.6% in 1985. In short, an economy in shambles and a polity with no institutions save my Presidency to serve as the cornerstone of the new democracy that we set out to build.

I had taken the oath to be President of a country that had lost everything, everything but honor. But with that honor came a renewed faith in national leadership and in the ability of our race to change things for the better given the will and the courage to do it.

I responded with an economic reform program aimed at recovery in the short and sustainable growth in the long run. More concretely, it addressed itself to the basic problems of unemployment and underemployment, and the consequent mass poverty.

The program calls for comprehensive structural reforms of the internal economy, complemented by no less important external economic cooperation.

There are two basic features of this program:

The first is its comprehensiveness with respect to struc-

tural reforms. We have come to regard the scope of reform not as a problem, but as a challenge, as necessary as it is ambitious; and as realizable as the strength of our commitment allows.

The second basic feature is its reliance on the private sector to carry the main burden of growth. We have reaffirmed our faith in private initiative to propel and sustain our economy. Our premise is that, for as long as free market forces dictate the dynamics of the business environment, the private sector will respond aggressively. As a corollary, the program defines and limits government's participation in the economy.

### Internal Structural Reforms

The dictatorship gave special privileges to government corporations and select individuals. In their various forms, these enterprises had several things in common. They enriched the few at the cost of impoverishing the many. They distorted markets and factors of production. And they bore the aspect of legitimacy that made challenge and change impossible.

We abolished these monopolies and special privileges and the effect was felt almost immediately. Fertilizer prices dropped 33% and farmgate prices of copra nearly doubled in 1986. We trace in part the renewed vigor in agriculture and the general economy to these and similar measures.

We committed ourselves to a fair and transparent trade liberalization program that is consistent with the country's continuing weaknesses. Some 1,000 items were released, from a complex bureaucracy of licensing requirements, in a regime of rational tariff protection.

We removed price controls which had been an almost permanent fixture of the past regime. And yet inflation was less than 1% for the whole of 1986 and our estimates place it at an average of 1% for the first half of this year.

We instituted tax reforms to shelter the poor from onerous taxes and equitably redistribute the tax burden. We created an Asset Privatization Trust and a Committee on Privatization to start the divestiture of government control or participation in private business and, with the Sequestered Assets Disposition Authority, to help fund the Comprehensive Agrarian Reform Program that I enacted last week.

## External Cooperation

Recession hit the international economy in the early eighties. Every economy suffered, but the heaviest toll was taken on the fragile economies of the developing nations. One of the worst hit was our own. The dictatorship had already borrowed heavily, exceeding the debt ceiling mandated by law, when interest rates shot up. Meanwhile, a material portion of the debt had gone to projects that offered virtually no hope of payback. Conceived to either line pockets or inflate egos, these projects would never contribute to the repayment of the debt.

The domestic structural reform program we have initiated cannot be pursued in earnest unless the necessary financing is made available. Fresh funding is needed to effect adjustments in the industrial structure, to assist new ventures, and to support our social programs. This funding cannot come from the domestic economy. Low domestic incomes cannot generate the required savings. Meanwhile, debt service was taking half our export earning. Rescue could only come from foreign sources, both official and private.

Our appeal for external economic cooperation was aimed at gaining increased flexibility in our domestic resource management. The program required a reduction in our debt burden and increased support from bilateral and multilateral institutions. Simply put, we needed to buy time for our structural reforms to start paying dividends. And time is money. While a fool and his money are easily parted, we have discovered that our foreign creditors are not such great fools as the past leadership of our country.

It is my sad duty to report to you that the results of the recently concluded debt renegotiations are far short of our expectations and, more importantly, of our urgent needs. Let me put it bluntly. Our extraordinary achievement in fulfilling the first requirement of renegotiation, the establishment of free and responsible government, gained us applause but no substantial accommodation from our foreign creditors. The saga of democracy had made great television, but no appreciable change on their business priorities. We were treated not much better than other debtors, even those who had rejected the austered discipline mandated by restructuring. A discipline we had readily accepted. Incredibly, despite the

significant reduction in country risk effected by the democratic restoration, we were not accorded the terms given other countries, which got longer periods, better rates and greater latitude for growth.

We cannot help but feel that our foreign creditors took undue and unfair advantage of the internal difficulties we have had with factions intent on subverting this government and destroying our democracy. Under the continuing threat of a cutoff in trade credits, which would have given new vigor and a signal to seize the moment to the enemies of democracy, we had to relent and sign the accord.

Nothing is more revealing of the tenor of the negotiations than the insistence that our government assume the liability of Planters Products to a consortium of banks. Their private risk would have to become our public liability. Nonetheless, the demand stood and provided the none too subtle coercion — sign or face the prospect of a protracted delay in the finalization of the debt restructuring program agreed to in March 1987.

We do not bow our heads in shame for the shame is not ours. Yet even as necessity has forced our hand to agreement, we vow never again to let the patrimony of this nation lie at the feet of these noble houses that have finally shown the true face of foreign finance.

For the record, our foreign debt stands today in excess of \$28 billion. The increase from \$26.3 billion when we took power is largely accounted for by the weakening of the dollar against major currencies. In the next six years, we shall have to pay \$20 billion to our official and private creditors. Net payments could average five percent of our total output. Close to 40 percent of government expenditures and over 45 percent of our projected merchandise export earnings, or 27 percent of all foreign earnings, will go towards servicing this debt. The bottom line, honorable members of Congress, is that we have been left little room for domestic error. It is for this reason that I have yielded more to prudence than desire in the reform measures I have enacted. I have aimed for modest successes to avoid a comprehensive failure.

Still, despite our disappointments in this sector, I am pleased to report certain healthy signs in the economy. Recession bottomed out in late 1986. GNP posted a modest growth at 1.5 percent; significant nonetheless because of the previous

two years' negative performance. Exports posted a volume growth of 21.7 percent and provided the much-needed boost. To be candid, as we must always be, fortuity can account for these improvements, as much as the reform measures we had taken. For the low 0.7 percent inflation rate in 1986 was largely a reflection of the drop in oil price and the prevailing weak demand and purchasing power.

Our reform measures, however, started to pay dividends in the first half of this year. Our estimate of 1st Quarter GNP is 5.5 percent. Unemployment declined from 12 percent last year to 11.2 percent. The exchange rate remained relatively stable. And gross international reserves at the Central Bank stood at about \$2.4 billion as of end-June 1987, or the equivalent of five months merchandise imports.

What is important is that this time it is not the world market, but a reinvigorated domestic economy that is paving the way to recovery. Investments reversed their contractionary trend of the past three years. The 23 percent growth rate in investments promise a respectable real GNP growth for the rest of the year.

The current budget has a definite bias for health care, education and social services expenditures. About 6.9 million people received food assistance from the Food and Nutrition Program in 1986. We began to expand the coverage of Medicare. Teachers' salaries were increased, and a leaner and more relevant curriculum was adopted. Some 5.2 million poor availed of vital services such as self-employment assistance, job placement, and family planning. For 1987, we have made P4.2 billion available for long-term mortgages in support of the national shelter program.

### **National Defense and Security**

The price of security and national honor, no less than liberty is eternal vigilance. And, that, too, has a price. Our country is threatened by totalitarian slavery on the left and reversion to fascist terror and corruption on the right. Meanwhile, the bottom is threatened by secession. On the bomb-shattered reviewing stand of our military academy, I vowed to end all threats to our democracy by the end of my term. We shall make good on that pledge. Meanwhile, it should be clear by now that no one in these struggles has had a mo-

nopoly of anguish and no one in these debates has had a monopoly of moral insight. It is in that light that we ventured to settle these issues outside the battlefield. For, surely, in the words of an architect of conflict and peace, "a society becomes great not by the victories of its factions over each other but by its reconciliations." To this end, we shall continue to exhaust measures and avenues that will involve all our people in the task of moral and material reconstruction and national unity.

Still our march towards nationhood must be undeterred and any threat to its progress will be countered with all the resources available to us, wielded with as much passion as self-preservation can muster.

The application of force will be as effective as it is judicious. The operational thrust of our Armed Forces is predicated on deterrence, preemption and destruction. But the question is: can we execute? If we have come to ask our soldiers to do battle to secure our way of life, then we have an obligation to equip them sufficiently for the fight.

Having exhausted the avenues of negotiation, we have armed them with the right. Now we must complete the complement with the material organizational and physical wherewithal to accomplish the task.

We have directed our immediate attention towards strengthening the chain-of-command, re-instilling discipline within the rank-and-file, and upgrading morale in the Armed Forces. We have placed renewed emphasis on training — on the physical and mental readiness of the troops. Area Unified Commands have been established to facilitate force augmentation and complementation within and across the major services, particularly in areas where military operations are either imminent or ongoing.

We do, however, have a dire need to improve our intelligence, logistics and communication services. Given our limited resources, we must improve our ratio of patrols to contacts, and our capability to maximize such combat opportunities as present themselves. We therefore need ordnance platforms and air transports for ground support, troop mobility and medevac. We need a truly effective navy to secure our coastlines against fresh infusions of arms to rebel or fascist forces, and to punish any further attacks on our territorial honor and integrity, especially in the South.

Our Armed Forces are asked to do more for less. Defense appropriations are down 1¼% of GNP from an average of 2% prior to 1986. We have been able to afford this reduction because of the moral victory we gained in the February Revolution. Still, our defense expenditures are the lowest in ASEAN, and yet no country's security is so seriously threatened as ours.

Given the realities of our finance and our priorities, we will continue to press for efficiency in the Armed Forces. But we will need a sober assessment of adequacy.

Some will say that force does not address the roots of insurgency. I will answer: indeed, for such roots are addressed by measures of economic improvement and equitable distribution. But such measures also need time to bear fruit, time that only feats of arms and negotiating from strength can buy us.

We have chosen to improve upon our capability to effectively manage force not so that we, who desire peace, could wage war, but rather so that those who would war upon us will realize, by the deadlines of our riposte, the virtues of peace.

Thus: "we shall bear arms when the intent of bearing them is just," and, if necessary, we shall mourn our dead by celebrating the birth of generations whose legacy shall be one nation, free, upright, and prosperous.

I have spoken of our problems and I have sketched our programs, some of which have already borne appreciable results. A more detailed report will be submitted to this Congress. Succeeding messages to Congress will convey the legislative agenda of my Administration, particularly the Comprehensive Agrarian Reform Program, whose congressional complement is eagerly awaited. We have prepared the ground for congressional action on autonomy in the Cordillera. We are determined to achieve genuine autonomy and thus eliminate completely the issues that divide us from our Muslim brothers in a manner consistent with the honor and integrity of the republic.

In deference to the Congress, executive orders issued last week have one year, 90-day, and 60-day effectivity dates. While we believe these measures merit immediate implementation, Congress may want a second look.

I would also hope that our proposed revisions of the Tariff Code and the rationalization of the government corporate sector shall be among the Congress's first concerns, these

being two areas that I find require the common counsel of executive and legislature.

I have also spoken of our continuing vulnerabilities. Now let me speak of our strength.

The source of the new vigor and energy in the land is the sense of pride and renewed self-confidence of our people; pride in their unmatched political achievements. And, flowing from that pride, the renewed confidence that we can improve things given the will and courage to do what is right.

That pride and that confidence rest however on their continuing faith in the one solid and undeniable achievement of the great moral exertion of our people: the establishment of a democratic government under an honest and dedicated leadership. In short, it rests on their continuing faith in a government that will lead them to permanent peace, freedom and progress.

All the assaults on our government have fallen flat and harmless because the people believe in our government in its honesty and sincere desire to work for the common good.

When this session opened, the great powers of the State that were united in my person divided, and a portion has flowed to you. I have felt no loss but rather a great sense of achievement. The great work we set out to do, for which the nation made me its single leader, is completed. We have this day opened the door of Asian democracy's most famous home: the Congress of the Republic of the Philippines.

With the portion of power that has gone to you, goes the shared responsibility to maintain the people's faith in government.

While I held total power in my hands, and even after I had scattered the enemies of democracy, I kept ever in mind that power and glory are fleeting. That, in times to come, in the words of Gandhi, "the people will not judge us by the creed we profess or the label we wear or the slogans we shout but by our work, industry, sacrifice, honesty and purity of character."

In the great debates that will ring in this chamber, remember also these words of his: "Insist upon truth by loving argument, by the testimony of your own life. Once you are assured of the truth, refuse to recant even to death."

You are blessed beyond all Congresses of the past or of any other nation. For here, ever to guide you, are the sombre shades of the eternal senators of our Republic: Jose W. Diokno

and Benigno Aquino Jr. Even as their memory continues to freshen our sorrow, may their sacrifices ever<sup>d</sup> nourish our idealism and commitment to our people, and remind us of the painful lesson that "a government that is evil has no room for good men and women except in its prisons."

This day completes the circle of our democratic achievements. Now Philippine democracy rests solidly upon the three pillars of freedom: the President, the Supreme Court and Congress. Mr. Senate President, Mr. Speaker, members of the Congress, join me now in expressing our congratulations and deepest gratitude to those who have this day by God's grace given to the nation the fully ripened fruit of freedom: *Ang ating mga kababayan, ang mamamayang Pilipino.*

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NSC/S PROFILE

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ID 8707675

RECEIVED 16 OCT 87 14

TO PRESIDENT

FROM AQUINO, CORAZON

DOCDATE 18 SEP 87

LEVITSKY, M

15 OCT 87

KEYWORDS: PHILIPPINES

HS

SUBJECT: PRES AQUINO LTR TO PRES RE PHILIPPINE STATE / NATION ADDRESS

ACTION: FOR RECORD PURPOSES

DUE:

STATUS C

FILES WH

FOR ACTION

FOR CONCURRENCE

FOR INFO

CHILDRESS

KELLY, J

KELLY, B

COMMENTS

REF#

8729857

LOG

NSCIFID

( LF LF )

ACTION OFFICER (S)

ASSIGNED

ACTION REQUIRED

DUE

COPIES TO

DISPATCH

W/ATTCH

FILE

(C)

TO THE HONORABLE MEMBERS OF THE HOUSE OF REPRESENTATIVES

IN SENATE CONFIRMATION OF THE APPOINTMENT OF

OF THE OFFICE OF THE SECRETARY OF THE ARMY

AND THE OFFICE OF THE SECRETARY OF THE NAVY

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF THE INTERIOR

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF AGRICULTURE

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF COMMERCE

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF JUSTICE

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF LABOR

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF WAR

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF THE ARMY

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF THE NAVY

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF THE INTERIOR

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF AGRICULTURE

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF COMMERCE

AND THE OFFICE OF THE SECRETARY OF THE DEPARTMENT OF JUSTICE



THE WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

C0125

INCOMING

DATE RECEIVED: APRIL 01, 1988

NAME OF CORRESPONDENT: MR. JOSEPH M. SAGGESE

SUBJECT: WRITES IN SUPPORT OF THE SUGGESTED "MARSHALL  
PLAN" BY SEVERAL MEMBERS OF THE CONGRESS,  
FOR THE PHILIPPINES RECOVERY

8811119

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION		DISPOSITION	
	ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
MARY (MARTY) SCHNEPPER	ORG	88/04/01		C 88/04/04
REFERRAL NOTE: <u>Dept. of State</u>	A	88/04/04		A 88/04/11
REFERRAL NOTE:		/ /		/ /
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COMMENTS:

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES:

PL MAIL USER CODES: (A) (B) (C)

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- |                          |                      |                      |   |
|--------------------------|----------------------|----------------------|---|
| *ACTION CODES:           | *DISPOSITION         | *OUTGOING            | * |
| *                        | *                    | *CORRESPONDENCE:     | * |
| *A-APPROPRIATE ACTION    | *A-ANSWERED          | *TYPE RESP=INITIALS  | * |
| *C-COMMENT/RECOM         | *B-NON-SPEC-REFERRAL | * OF SIGNER          | * |
| *D-DRAFT RESPONSE        | *C-COMPLETED         | * CODE = A           | * |
| *F-FURNISH FACT SHEET    | *S-SUSPENDED         | *COMPLETED = DATE OF | * |
| *I-INFO COPY/NO ACT NEC* |                      | * OUTGOING           | * |
| *R-DIRECT REPLY W/COPY * |                      |                      | * |
| *S-FOR-SIGNATURE         |                      |                      | * |
| *X-INTERIM REPLY         |                      |                      | * |
- \*\*\*\*\*

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE  
(ROOM 75,OEOb) EXT-2590  
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING  
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS  
MANAGEMENT.

CLASSIFIED

DEPARTMENT OF STATE  
EXECUTIVE SECRETARIAT  
TRANSMITTAL FORM

S/S 8811119

Date April 12, 1988

**FOR:** Mr. Paul Schott Stevens  
Executive Secretary  
National Security Council  
The White House

**REFERENCE:**

To: President Reagan

From: Mr. Saggese

Date: March 21, 1988

Subject: Support of the suggested "Marshal Plan"

WH Referral Dated: April 7, 1988

NSC ID# (if any): 558358

       The attached item was sent directly to the  
Department of State.

**ACTION TAKEN:**

       A draft reply is attached.

       A draft reply will be forwarded.

       A translation is attached.

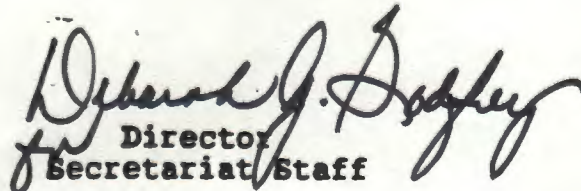
  x   An information copy of a direct reply is attached.

       We believe no response is necessary for the reason  
cited below.

       The Department of State has no objection to the  
proposed travel.

       Other (see remarks).

**REMARKS:**

  
Director  
Secretariat Staff



United States Department of State

Washington, D.C. 20520

April 11, 1988

Mr. Joseph M. Saggese  
Senior Group Vice President  
Borden Chemical Domestic and International  
40 Garvies Point Road  
Glen Cove, New York 11542

Dear Mr. Saggese:

I have been asked to respond on behalf of President Reagan to your letter of March 21 urging increased assistance for the Philippines.

The Administration welcomes your support of the Aquino Government and its efforts to restore democracy and economic growth. As part of our continuing commitment to doing all we can to assist that government, Secretary of State Shultz recently met with Congressional proponents of a new multilateral aid initiative. While enthusiastic about the its objectives, the Administration believes that U.S. participation in such a program will depend on the availability of scarce fiscal resources.

While examining proposals for an enhanced multilateral assistance effort, senior U.S. officials have continued to encourage friendly governments to increase their bilateral assistance to the Philippines. For its part, the Administration has implemented measures designed to promote trade and investment necessary to sustain Philippine economic recovery. Prominent among such steps have been increasing the number of Philippine products eligible for trade preferences and expanded insurance coverage available to U.S. firms investing in the Philippines.

Please be assured that the United States will continue to do all it can to help the democratic government of President Aquino bring a better life to the Philippine people and defeat a pernicious Communist insurgency that threatens political stability and mutual US-Philippine security interests.

Sincerely,

A handwritten signature in dark ink, appearing to read "Charles B. Salmon, Jr.", written in a cursive style.

Charles B. Salmon, Jr.  
Director, Office for Philippine Affairs  
Bureau for East Asian and Pacific Affairs

8811119

T H E   W H I T E   H O U S E   O F F I C E

REFERRAL

APRIL 7, 1988

TO: DEPARTMENT OF STATE

ACTION REQUESTED:  
APPROPRIATE ACTION

DESCRIPTION OF INCOMING:

ID: 558358  
MEDIA: LETTER, DATED MARCH 21, 1988  
TO: PRESIDENT REAGAN  
FROM: MR. JOSEPH M. SAGGESE  
SENIOR GROUP VICE PRESIDENT  
BORDEN CHEMICAL DOMESTIC AND  
INTERNATIONAL  
40 GARVIES POINT ROAD  
GLEN COVE NY 11542

SUBJECT: WRITES IN SUPPORT OF THE SUGGESTED "MARSHALL  
PLAN" BY SEVERAL MEMBERS OF THE CONGRESS,  
FOR THE PHILIPPINES RECOVERY

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN  
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE  
UNDERSIGNED AT 456-7486.

RETURN CORRESPONDENCE, WORKSHEET AND COPY OF RESPONSE  
(OR DRAFT) TO:  
AGENCY LIAISON, ROOM 91, THE WHITE HOUSE, 20500

SALLY KELLEY  
DIRECTOR OF AGENCY LIAISON  
PRESIDENTIAL CORRESPONDENCE

558358

**BORDEN CHEMICAL DOMESTIC AND INTERNATIONAL**  
DIVISION OF BORDEN, INC.



JOSEPH M. SAGGESE  
SENIOR GROUP VICE PRESIDENT

*Marty Schreyer*

March 21, 1988

8811119

The Honorable Ronald Reagan  
President  
The White House  
Washington, DC

Dear Mr. President:

Borden has been operating in the Philippines for thirty years and I, personally, had the pleasure of living there for five and a half years. I know you are concerned with the state of the economy in the Philippines and this concern is shared by many of us here in the United States.

When President Cory Aquino visited our country, it was a time of triumph. Many of us, including, I think, you, felt proud at what she had accomplished in her quest to restore democracy and decency to the Philippines.

Given the difficulties of Philippines recovery, several members of the Congress have suggested a type of "Marshall Plan" for the Philippines. I think that, with your personal commitment and leadership, a program of this type would have a good chance of passage.

The payment of foreign debt, which Mr. Marcos created, is preventing the economy from moving forward. With your leadership, a massive assistance program would provide local and foreign investors a measure of comfort to encourage them to expand their commitment to the Philippines.

Very truly yours,

JMS:mr