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WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Corazon C. Aquino, President of the Republic of the Philippines (7)

PARTICIPANTS: The President
The Vice President
James A. Baker, Secretary of State
Nicholas Brady, Secretary of the Treasury
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
Nicholas Platt, Ambassador to the Philippines
Richard Solomon, Assistant Secretary of State for East Asian and Pacific Affairs
Karl D. Jackson, Senior Director for Asian Affairs, NSC, Notetaker

Corazon C. Aquino, President
Raul Manglapus, Secretary of Foreign Affairs
Emmanuel Pelaez, Ambassaor to the United States
Vicente R. Jayme, Secretary of Finance
Jose S. Concepcion, Jr., Secretary of Trade and Industry
Heherson Alvarez, Chairman, Senate Committee on Agrarian Reform
Margarito Teves, Chairman, House Committee on Economic Affairs
Adolfo S. Azcuna, Press Secretary, Notetaker

DATE, TIME November 9, 1989, 11:10 a.m.
AND PLACE: Cabinet Room

The President and President Aquino met in a one-on-one meeting at 10:30 and moved to the Cabinet Room for the Plenary Session at 11:10.

The President opened the Plenary Session by welcoming the Philippine delegation. "We have just discussed the broad parameters of the U.S.-Philippine relationship. I described the extra-ordinarily tough time we are having with the U.S. Congress. From our standpoint, I hear from my old friend Nick Platt that our relationship is good. There are some problems regarding the

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bases, but we agreed to conduct the talks in a dignified manner. We cannot afford to have the relationship shaped by extreme rhetoric on both sides." (S)

President Aquino said that she "appreciated the leadership of the United States on the Multilateral Assistance Initiative (MAI). To sustain economic growth, market access and debt relief are necessary. We request that the textile quota be increased to \$1.5 billion over and above the present level. We are trying to use employment generated by textile production to reduce the attractiveness of the insurgency. We hope the same kind of generous treatment can be given the Philippines as is being given to Bangladesh and China. The Philippines would like to see more products included under the 1990 GSP as well as an increase in procurement by U.S. forces." (S)

The President asked what kind of goods Mrs. Aquino had in mind. (U)

Joe Concepcion mentioned food stuffs as an example. (U)

President Aquino asked the U.S. to grant a sugar quota of 200,000 metric tons per year for the Philippines. "We would also like to see more U.S. investments in the Philippines and would appreciate help in drumming up more American investments. The top three countries for new investments are Japan, Hong Kong, and Taiwan, but we would like to see more American investment. The debt burden of the Philippines remains heavy; interest payments consume 40 percent of our budget. We would like to reiterate our appreciation of the Brady plan. However, the debt buy back of \$1.4 billion requires a payment of \$650 million by January 3, 1990. New World Bank, IMF, and Japanese resources are critical. It would be very helpful if the U.S. Government would consider condonation of the outstanding debt due on U.S. Eximbank, foreign military sales, and P.L. 480 amounting to \$1.3 billion. Full condonation is particularly desirable for FMS. We are also interested in H.R. 2545 recognizing Philippine Commonwealth Army Veterans. The environment is a major thrust of my Administration. We would appreciate U.S. support on the National Forestation Program, the National Biodiversity Conservation Program, and the Rivers Revival Program. We are thinking of holding a conference for Pacific Rim countries on global environmental problems in early 1991." (S)

The President asked whether President Aquino's environmental experts would be meeting with their equivalent U.S. officials. He thanked President Aquino for her presentation and asked Secretary Baker for his views. (S)

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Secretary Baker began by saying, "we will discuss all of the matters you have raised in greater detail. However, the President has already taken note of what the conference committee is doing with regard to ESF/MAP funding. We have not met the \$200 million we sought for MAI, but under the present budget constraints we have done relatively well. We will need to make it up over the next four years and the overall commitment continues to be \$1 billion. This is a matter of great importance. We will continue to try to restore funding shortfalls." (S)

"On trade matters, someone from your delegation should meet with USTR. Textiles are always a serious problem in the United States. Your quota has recently been increased. You should discuss this with USTR. Our sugar program globally is a disaster and it needs a complete revision. Perhaps, in the course of the review a larger quota can be found for the Philippines, for instance, by redistributing Panama's quota. On investment, I have just returned from the APEC meeting in Canberra. Your representative there was very supportive. We were able to conclude a joint statement on the need for such a new, Pacific-wide organization. Singapore will host the second meeting. Thailand, the Philippines, and Singapore were very supportive. We talked about the importance of increased investments. Investments will gravitate to growing economies, but only if the investment climate is appropriate. Foreign and domestic investments take place naturally if investors feel comfortable about the overall climate, which includes many things such as protection for intellectual property rights." (S)

Secretary Manglapus intervened regarding the subject of U.S. procurement of Philippine goods. "The U.S. agreed during the MBA review to push for a waiver of the Berry Amendment. The Senate has passed it but the House has not. On debt reduction, we look forward to rapid disbursement of ESF funds. Treasury has said yes but the Department of State has not decided yet." (S)

Secretary Cheney stated that it would be helpful "if you mentioned this matter on the House side. This is a difficult political problem. A word or two with Speaker Foley would be helpful." (S)

A further discussion ensued of the Philippine need for front loading of the IMF program because otherwise the \$1.3 billion debt buy back would fall short on January 3, 1990. (S)

President Aquino expressed its hope that the U.S. Government would support the attempt to come up with the necessary \$650 million to implement the Brady plan. "We wish to show that there are benefits to countries that are responsible in honoring their debts. This raises questions among the people about why we must spend so much on debt reduction." (S)

Congressman Teves spoke about the investment climate. "Both the Philippine Senate and House as well as the Ministry of Trade and Industry are reviewing investment laws in consultation with the U.S. Chamber of Commerce. On a quarterly basis we discuss these matters, along with issues such as IPR, to provide a clear signal to investors and to make us competitive with Thailand and other countries." (S)

Vice President Quayle said that he appreciated the hospitality he had received during his visit to the Philippines. He felt the relationship between our two countries was "very solid." On investment he suggested that the focus should be on the broad concept of stability. Economic and other types of stability continue to be interrelated. (S)

Secretary Brady commented that the debt reduction scheme currently underway was very promising. "There are problems to be ironed out at the IMF but the Philippine transaction might well close before any of the other debt reduction plans." (S)

The President described the enormous debt burden in South America and the broad feeling that the Brady plan offers hope. However, it all depends on the private banks. "We can encourage the private banks to cooperate but we cannot dictate to them. In any case, we remain committed." (S)

President Aquino said, "I believe the Secretary found our package acceptable because it stresses the voluntary aspects." (S)

The President closed the meeting by saying that Mrs. Bush would love to have tea if President Aquino could find time in her schedule. (U)

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