Originally Processed With FOIA(s):
2005-1003-F; 2009-0857-F; S

FOIA Number:
S

FOIA MARKER

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Record Group/Collection:	George H.W. Bush Presidential Records
Collection/Office of Origin:	National Security Council
Series:	H-Files
Subseries:	NSC Meetings Files

OA/ID Number:	90002
Folder ID Number:	90002-003

Folder Title:
NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Stack:	Row:	Section:	Shelf:	Position:
V	0	0	0	0

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Distribution Record	National Security Council Distribution Record, Re: NSC Meeting 9 February (1 pp.)	2/7/90	(b)(3)	
01b. Memo	From G. Philip Hughes to Distribution List, Re: Review of East Asia Strategy Initiative (1 pp.)	2/7/90	(b)(1)	S
01c. Agenda	National Security Council Meeting, Re: EASI and the MBA (1 pp.)	2/9/90	(b)(1)	S
01d. Summary	Re: Summary and Conclusions for Deputies Committee (2 pp.)	1/26/90	(b)(1)	S
01e. Summary	PCC Paper on East Asia Strategy Initiative (11 pp.)	n.d.	(b)(1)	S
01f. Paper	PCC Paper on East Asia Strategy Initiative (30 pp.)	n.d.	(b)(1)	S
01g. Talking Points	SecDef Talking Points for Asia Trip/EASI Paper - Korea (5 pp.)	n.d.	(b)(1)	S
01h. Talking Points	SecDef Talking Points for Asia Trip/EASI Paper - Philippines (3 pp.)	n.d.	(b)(1)	S
01i. Talking Points	SecDef Talking Points for Asia Trip/EASI Paper - Japan (4 pp.)	n.d.	(b)(1)	S
01j. Summary	Re: Summary of Conclusions of Deputies Committee Meeting on the Philippine Military Bases Agreement [Document declassified; FOIA restrictions redacted] (2 pp.)	1/31/90	(b)(1), (b)(3)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Pinksheet Number: cap1403
OA/ID Number: 90002-003
Date Closed: 9/23/2009
FOIA/Sys Case #: 2005-1003-F
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01k. Report	Tab A: Alternate Site Options (1 pp.)	n.d.	(b)(1)	
01L. List	Philippine Bases Negotiations: Congressional Interest (2 pp.)	n.d.	(b)(1)	
01m. Report	Tab C: A Firm Financing Commitment (2 pp.)	n.d.	(b)(1)	
01n. Report	Re: [Options for Debt Reduction] (9 pp.)	11/27/89	(b)(1)	S
01o. Report	Tab E: GOP Use of a Long-Term US Financing Commitment to Raise Funding for Debt Reduction or Other Economic Objectives (1 pp.)	n.d.	(b)(1)	
01p. Report	Re: [Copeland Plan] (2 pp.)	n.d.	(b)(1)	S
01q. Report	Tab G: Japanese Assistance for a Long-Term Commitment (1 pp.)	n.d.	(b)(1)	
01r. Report	Tab H: Non-traditional Compensation Options (2 pp.)	n.d.	(b)(1)	
01s. Report	Tab I: Non-traditional Compensation: Trade (1 pp.)	n.d.	(b)(1)	
01t. Report	National Security Study: Philippine Base Negotiations (21 pp.)	n.d.	(b)(1)	S
01u. Memo	From G. Philip Hughes to Distribution List, Re: Review of East Asia Strategy Initiative (1 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Pinksheet Number: cap1403
OA/ID Number: 90002-003
Date Closed: 9/23/2009
FOIA/Sys Case #: 2005-1003-F
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
02. Planning Sheet	Re: NSC Time Planning Sheet [50 U.S.C. 403g, Sec. 6] [Personal Information Redacted] (1 pp.)	2/9/90	(b)(3), (b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Pinksheet Number: cap1403
OA/ID Number: 90002-003
Date Closed: 9/23/2009
FOIA/Sys Case #: 2005-1003-F
Re-review Case #:
P-2/P-5 Review Case #:

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 9020204
RECEIVED: 07 FEB 90 15

TO: SCOWCROFT

FROM: HAGIN, J

DOC DATE: 07 FEB 90
SOURCE REF:

KEYWORDS: NSC

PERSONS:

SUBJECT: PRES APPROVED ACTIVITY RE NSC MTG 9 FEB

ACTION: FOR RECORD PURPOSES   DUE DATE: 10 FEB 90   STATUS: C

STAFF OFFICER: NONE   LOGREF: 9020179   9020196

FILES: IFM O   NSCP: NS0039   CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION	FOR CONCURRENCE	FOR INFO
		GATES
		HILLIARD
		HUGHES
		MILLISON
		SCOWCROFT
		SITTMANN

COMMENTS: ______________________________

DISPATCHED BY ____________ DATE ________ BY HAND W/ATTCH

OPENED BY: NSEF   CLOSED BY: NSEF   DOC 1 OF 1

UNCLASSIFIED

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001		X	90020715	FOR RECORD PURPOSES

1009

20204

THE WHITE HOUSE

WASHINGTON

MEMORANDUM

TO:	General Scowcroft
FROM:	JOSEPH W. HAGIN
SUBJECT:	APPROVED PRESIDENTIAL ACTIVITY
EVENT:	NSC Meeting
DATE:	February 9, 1990 ---- Friday
TIME:	10:00 a.m.
DURATION:	One Hour
LOCATION:	Cabinet Room
ATTIRE:	Business suit
REMARKS REQUIRED:	No
MEDIA COVERAGE:	White House Photographer only
FIRST LADY PARTICIPATION:	No
ADDITIONAL INFORMATION:	

CONTACT: ______________________, ______________________

TELEPHONE: OFFICE ______________ HOME ______________

NOTE: PROJECT OFFICER, SEE ATTACHED CHECKLIST

Ed Rogers	Marlin Fitzwater	David Bates
James Cicconi	David Demarest	David Valdez
Fred McClure	Jean Lamb	USSS - PPD
Susan Porter Rose	Sig Rogich	Gary Walters
Patty Presock	John Keller	WHCA Audio/Visual
Chriss Winston	Tim McBride	WHCA Operations
Laurie Firestone	J. Bonnie Newman	C. Boyden Gray
William Kristol	Paul Bateman	John Herrick
Jackie Kennedy		

~~SECRET~~

NSC/S PROFILE

RECORD ID: 9020196
RECEIVED: 06 FEB 90 14

TO: AGENCIES

FROM: HUGHES

DOC DATE: 07 FEB 90
SOURCE REF:

KEYWORDS: ASIA
DC
NSC

MILITARY BASES
AGENDA
PHILIPPINES

PERSONS:

SUBJECT: NSC MTG 9 FEB RE REVIEW OF EAST ASIA STRATEGY INITIATIVE / EASI & RENEGOTIATION OF MILITARY BASES AGREEMENT / MBA W/ PHILIPPINES

ACTION: HUGHES SGD MEMO TO AGENCIES   DUE DATE: 09 FEB 90   STATUS: C

STAFF OFFICER: JACKSON   LOGREF: 9020179   9020200

FILES: IFM O   NSCP: NS0039   CODES:

D O C U M E N T   D I S T R I B U T I O N

FOR ACTION   FOR CONCURRENCE   FOR INFO

COMMENTS:

DISPATCHED BY ______________ DATE __________ BY HAND   W/ATTCH

OPENED BY: NSEF   CLOSED BY: NSAJC   DOC 2 OF 2

~~SECRET~~

RECORD ID: 9020196

ACTION DATA SUMMARY REPORT

DOC	ACTION OFFICER	CAO	ASSIGNED	ACTION REQUIRED
001	HUGHES	Z	90020618	FOR SIGNATURE
002		X	90020712	HUGHES SGD MEMO TO AGENCIES

National Security Council
The White House

PROOFED BY: AM | LOG # 20196
URGENT NOT PROOFED: | SYSTEM PRS NSC INT
BYPASSED WW DESK: | DOCLOG AM A/O

	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep Exec	1	/	A
Philip Hughes	2	JPH	
Bob Gates			
Brent Scowcroft			
Philip Hughes			
Situation Room			
West Wing Desk	3	2/7 AC	D
NSC Secretariat	4	LMS 4/20	R

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: VP Sununu Other

Should be seen by: (Date/Time)

RECEIVED 90 FEB 6 P6: 27

COMMENTS

NOM - NSC mtg 2/9

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01a. Distribution Record	National Security Council Distribution Record Re: NSC Meeting 9 February (1 pp.)	2/7/90	(b)(3)	

Collection:

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Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Date Closed: 9/23/2009	**OA/ID Number:** 90002-003
FOIA/SYS Case #: 2005-1003-F **Re-review Case #:** **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

PRM. Removed as a personal record misfile.

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

NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number 20196

Date February 7, 1990

Subject: NSC MTG 9 FEB

DOCUMENT CLASSIFICATION: ☐ TOP SECRET ☒ ~~SECRET~~ ☐ CONFIDENTIAL ☐ UNCLASSIFIED

EXTERNAL DISTRIBUTION:	#CYS	Date	Time	Received/Signed for By:
THE VICE PRESIDENT	1	7 Feb	1423	Gary H Branson
THE SECRETARY OF STATE Exec Sec/Room 7241	1	2/7/90	4:15	Chantay Newman
THE SECRETARY OF THE TREASURY Main Bldg/Room 3422	1	2-7-90	3:18	James Little
THE SECRETARY OF DEFENSE The Pentagon	1	2/7/90	3:55	Louis E. Arias
DIRECTOR, ACDA Room 5933/Dept of State				
CHAIRMAN US START DELEGATION % ACDA, 5933 State				
CHAIRMAN US INF DELEGATION % ACDA, 5933 State				
DIRECTOR, CIA Langley, VA	1	2-7-90	1630	[redacted] (b)(3) [50 U.S.C. 403g, Sec. 6]
CHAIRMAN, JCS The Pentagon	1	7 Feb 90	1614	[illegible]
DIRECTOR, OMB Room 252 OEOB	1	7 Feb	1534	B Wuth
U.S. REPRESENTATIVE TO UNITED NATIONS Room 6333, State Dept.				
THE SECRETARY OF COMMERCE 14th & Const. Ave. NW, Room 5851				
THE SECRETARY OF ENERGY GA257, Forrestal Bldg.				
DIRECTOR, AID Room 5942, Dept. of State				
THE ATTORNEY GENERAL Dept. of Justice, Room 5119				
DIRECTOR, OSTP Room 360, OEOB				
DIRECTOR, USIA 400 C Street, S.W., Room 800	1	7 FEB	1500	Ruby Holder
THE SECRETARY OF THE INTERIOR 18th & E Street N.W., Room 6151				
THE SECRETARY OF AGRICULTURE Independence & 14th S.W., Room 200A				
UNITED STATES TRADE REPRESENTATIVE Room 209 Winder Bldg 17 & F St. NW				
THE DIRECTOR, FEMA 1500 C Street, Room 828				
DIRECTOR, DMSPA Room 3E813, Pentagon				
THE SECRETARY OF TRANSPORTATION 400 7th Street S.W.				
MANAGER, NATL COMMUNICATIONS SYSTEM (NCS), Room 4125 8th & SO Courthouse Rd., Arlington, VA				
THE SECRETARY OF HHS 200 Independence Avenue, NW, Room 615F				
THE SECRETARY OF HUD 451 7th Street SW, Room 10000				
THE SECRETARY OF EDUCATION 400 Maryland Avenue, SW, Room 4181				

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NATIONAL SECURITY COUNCIL
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Date February 7, 1990

Subject: NSC MTG 9 FEB

DOCUMENT CLASSIFICATION: ☐ TOP SECRET ☒ ~~SECRET~~ ☐ CONFIDENTIAL ☐ UNCLASSIFIED

EXTERNAL DISTRIBUTION:

	#CYS	Date	Time	Received/Signed for By
THE VICE PRESIDENT	1			
THE SECRETARY OF STATE Exec sec/Room 7241	1	2/9/90	1045	[illegible signature]
THE SECRETARY OF THE TREASURY Main Bldg/Room 3422	1			
THE SECRETARY OF DEFENSE The Pentagon	1			
DIRECTOR, ACDA Room 5933/Dept. of State				
CHAIRMAN US START DELEGATION % ACDA, 5933 State				
CHAIRMAN US INF DELEGATION % ACDA, 5933 State				
DIRECTOR, CIA Langley, VA	1			
CHAIRMAN, JCS The Pentagon	1			
DIRECTOR, OMB Room 252 OEOB	1			
U.S. REPRESENTATIVE TO UNITED NATIONS Room 6333, State Dept.				
THE SECRETARY OF COMMERCE 14th & Const. Ave. NW, Room 5851				
THE SECRETARY OF ENERGY GA257, Forrestal Bldg.				
DIRECTOR, AID Room 5942, Dept. of State				
THE ATTORNEY GENERAL Dept. of Justice, Room 5119				
DIRECTOR, OSTP Room 360, OEOB				
DIRECTOR, USIA 400 C Street, S.W., Room 800	1			
THE SECRETARY OF THE INTERIOR 18th & E Street N.W., Room 6151				
THE SECRETARY OF AGRICULTURE Independence & 14th S.W., Room 200A				
UNITED STATES TRADE REPRESENTATIVE Room 209 Winder Bldg 17 & F St. NW				
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THE SECRETARY OF HUD 451 7th Street SW, Room 10000				
THE SECRETARY OF EDUCATION 400 Maryland Avenue, SW, Room 4181				

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By CAP NARA, Date 9/23/09

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Log Number 20196

Date February 7, 1990

Subject: NSC MTG 9 FEB

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EXTERNAL DISTRIBUTION:

	#CYS	Date	Time	Received/Signed for By
THE VICE PRESIDENT	1			
THE SECRETARY OF STATE Exec Sec/Room 7241	1			
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THE SECRETARY OF DEFENSE The Pentagon	1			
DIRECTOR, ACDA Room 5933/Dept of State				
CHAIRMAN US START DELEGATION % ACDA, 5933 State				
CHAIRMAN US INF DELEGATION % ACDA, 5933 State				
DIRECTOR, CIA Langley, VA	1			
CHAIRMAN, JCS The Pentagon	1	7 Feb	1657	[illegible]
DIRECTOR, OMB Room 252 OEOB	1			
U.S. REPRESENTATIVE TO UNITED NATIONS Room 6333, State Dept.				
THE SECRETARY OF COMMERCE 14th & Const. Ave. NW, Room 5851				
THE SECRETARY OF ENERGY GA257, Forrestal Bldg.				
DIRECTOR, AID Room 5942, Dept. of State				
THE ATTORNEY GENERAL Dept. of Justice, Room 5119				
DIRECTOR, OSTP Room 360, OEOB				
DIRECTOR, USIA 400 C Street, S W., Room 800	1			
THE SECRETARY OF THE INTERIOR 18th & E Street N W., Room 6151				
THE SECRETARY OF AGRICULTURE Independence & 14th S W., Room 200A				
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E.O. 12958, SEC 3.4 (B) September 11, 2006
By CAP NARA, Date 9/23/09

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Page 1 of 1 Pages

West Wing West
Situation Rm
White House

NATIONAL SECURITY COUNCIL DISTRIBUTION RECORD

Log Number 20196

Date February 7, 1990

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EXTERNAL DISTRIBUTION:	#CYS	Date	Time	Received/Signed for By
THE VICE PRESIDENT	1			
THE SECRETARY OF STATE Exec Sec/Room 7241	1			
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THE SECRETARY OF DEFENSE The Pentagon	1			
DIRECTOR, ACDA Room 5933/Dept of State				
CHAIRMAN US START DELEGATION % ACDA, 5933 State				
CHAIRMAN US INF DELEGATION % ACDA, 5933 State				
DIRECTOR, CIA Langley, VA	1			
CHAIRMAN, JCS The Pentagon	1			
DIRECTOR, OMB Room 252 OEOB	1	2/7/90		Martha M. Black
U.S. REPRESENTATIVE TO UNITED NATIONS Room 6333, State Dept.				
THE SECRETARY OF COMMERCE 14th & Const. Ave. NW, Room 5851				
THE SECRETARY OF ENERGY GA257, Forrestal Bldg.				
DIRECTOR, AID Room 5942, Dept. of State				
THE ATTORNEY GENERAL Dept. of Justice, Room 5119				
DIRECTOR, OSTP Room 360, OEOB				
DIRECTOR, USIA 400 C Street, S.W., Room 800	1			
THE SECRETARY OF THE INTERIOR 18th & E Street N.W., Room 6151				
THE SECRETARY OF AGRICULTURE Independence & 14th S.W., Room 200A				
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THE SECRETARY OF HUD 451 7th Street SW, Room 10000				
THE SECRETARY OF EDUCATION 400 Maryland Avenue, SW, Room 4181				

DATE, TIME & SIGN THIS RECEIPT & RETURN TO: WEST WING DESK, SITUATION ROOM, WHITE HOUSE

WASHFAX RECEIPT

THE WHITE HOUSE

C

MESSAGE NO. ____________ CLASSIFICATION ~~SECRET~~ PAGES 21

FROM G. PHILIP HUGHES
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION NSC MTG 9 FEB

LOG # 20196

TO (AGENCY)	DELIVER TO:	DEPT/ROOM NO.	EXTENSION
TREASURY	EMILY L. WALKER	EXEC SEC	

REMARKS ATTACHED ARE MISSING PAGES TO TAB E.

URGENT

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By CAP NARA, Date 9/23/09

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

~~SECRET~~ 20196

February 7, 1990

MEMORANDUM FOR

MR. CARNES LORD
Assistant to the Vice President
for National Security Affairs

MR. J. STAPLETON ROY
Executive Secretary
Department of State

MS. EMILY L. WALKER
Executive Secretary
Department of Treasury

COL. GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

MR. FRANK HODSOLL
Executive Associate Director
Office of Management and Budget

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence
Agency

BGEN THOMAS E. WHITE, JR.
Executive Assistant to
the Chairman
Joints Chiefs of Staff

MR. ARTHUR E. GREEN
Executive Secretary
U.S. Information Agency

SUBJECT: Review of the East Asia Strategy Initiative (EASI), and the Renegotiation of the Military Bases Agreement (MBA) with the Philippines -- February 9, 1990, 10:00 a.m. (~~S~~)

The National Security Council will meet on Friday, February 9, at 10:00 a.m. in the Cabinet Room to discuss EASI and the MBA. The agenda is attached. PCC papers and Summaries of the Deputies Committee meetings on EASI and the MBA are attached. Attendance should be limited to principals plus one. (~~S~~)

G. Philip Hughes
G. Philip Hughes
Executive Secretary

Attachments
Tab A Agenda
Tab B DC Summary of EASI
Tab C PCC Paper on EASI
Tab D DC Summary of MBA
Tab E PCC Paper on MBA

~~SECRET~~
Declassify on: OADR

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2006
By MM NARA, Date 7/1/2016

NATIONAL SECURITY COUNCIL MEETING
Friday, February 9, 1990
Cabinet Room
10:00 a.m. - 11:00 a.m.

EASI AND THE MBA

Agenda

I. Opening Remarks............................The President

II. Issues for Decision........................Brent Scowcroft

III. Discussion.................................All Participants

IV. Summary ....Brent Scowcroft

~~SECRET~~
Declassify on: OADR

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01d. Summary	Re: Summary and Conclusions for Deputies Committee (2 pp.)	1/26/90	(b)(1)	S

Collection:

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WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Date Closed: 9/23/2009	**OA/ID Number:** 90002-003
FOIA/SYS Case #: 2005-1003-F	**Appeal Case #:**
Re-review Case #:	**Appeal Disposition:**
P-2/P-5 Review Case #:	**Disposition Date:**
AR Case #:	**MR Case #:**
AR Disposition:	**MR Disposition:**
AR Disposition Date:	**MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

PRM. Removed as a personal record misfile.

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]
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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
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Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

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FOIA/SYS Case #: 2005-1003-F **Re-review Case #:** **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

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

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Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01f. Paper	Re: PCC Paper on East Asia Strategy Initiative (30 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Date Closed: 9/23/2009	**OA/ID Number:** 90002-003
FOIA/SYS Case #: 2005-1003-F	**Appeal Case #:**
Re-review Case #:	**Appeal Disposition:**
P-2/P-5 Review Case #:	**Disposition Date:**
AR Case #:	**MR Case #:**
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Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01g. Talking Points	Re: SecDef Talking Points for Asia Trip/EASI Paper - Korea (5 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Date Closed: 9/23/2009	**OA/ID Number:** 90002-003
FOIA/SYS Case #: 2005-1003-F	**Appeal Case #:**
Re-review Case #:	**Appeal Disposition:**
P-2/P-5 Review Case #:	**Disposition Date:**
AR Case #:	**MR Case #:**
AR Disposition:	**MR Disposition:**
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Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01h. Talking Points	Re: SecDef Talking Points for Asia Trip/EASI Paper - Philippines (3 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Date Closed: 9/23/2009	**OA/ID Number:** 90002-003
FOIA/SYS Case #: 2005-1003-F	**Appeal Case #:**
Re-review Case #:	**Appeal Disposition:**
P-2/P-5 Review Case #:	**Disposition Date:**
AR Case #:	**MR Case #:**
AR Disposition:	**MR Disposition:**
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Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01i. Talking Points	Re: SecDef Talking Points for Asia Trip/EASI Paper - Japan (4 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Date Closed: 9/23/2009	**OA/ID Number:** 90002-003
FOIA/SYS Case #: 2005-1003-F **Re-review Case #:** **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
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Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01j. Summary	Re: Summary of Conclusions of Deputies Committee Meeting on the Philippine Military Bases Agreement [Document declassified; FOIA restrictions redacted] (2 pp.)	1/31/90	~~(b)(1)~~, (b)(3)	~~S~~

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Copy of **Document Declassified (Document Follows)**
By MM **on** 5/18/2023

Date Closed:	9/23/2009	**OA/ID Number:**	90002-003
FOIA/SYS Case #:	2005-1003-F	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	2010-2068-MR(502)
AR Disposition:		**MR Disposition:**	Released in Full
AR Disposition Date:		**MR Disposition Date:**	6/9/2016

RESTRICTION CODES

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

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C(1) Closed by Executive Order 13526, governing access to national security information
C(2) Closed by statute or by the agency which originated the information
C(3) Closed in accordance with restrictions contained in donor's deed of gift [formerly listed as only C]
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Presidential Records Act - [44 U.S.C. 2204(a)]

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~~SECRET~~

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

~~SECRET~~ 20190

Summary of Conclusions for
NSC Deputies Committee
DATE: January 31, 1990
LOCATION: Situation Room
TIME: 2:00 - 3:00pm

SUBJECT: Summary of Conclusions of DC Meeting on the Philippine Military Bases Agreement (MBA) (~~S~~)

PARTICIPANTS:

The Vice President's Office:
Carnes Lord

State:
Robert Kimmitt
Richard Solomon

Treasury:
John Robson
George Folsom

DoD:
Paul Wolfowitz
Carl Ford

CIA:
Richard Kerr
(b)(3) [redacted]

JCS:
Michael Carns
Merrill Ruck

OMB:
William Diefenderfer
Jeff Ashford

AID:
Mark Edelman
Carol Adelman

USIA
Eugene Kopp
Walter Sasser

White House:
Andy Card
Robert Gates

NSC:
Karl Jackson

Summary of Conclusions

The Deputies Committee of the National Security Council met to consider the National Security Review on renegotiating the Military Bases Agreement (MBA) with the Philippines. The draft NSR was judged of sufficient quality to form the basis of a full NSC discussion (in conjunction with the East Asia Strategy Initiative). (~~S~~)

~~SECRET~~
Declassify on: OADR

~~SECRET~~

The three crucial variables in the upcoming MBA negotiation will be duration, compensation, and sovereignty concerns. (C)

On duration, the preferred outcome would be a long-term agreement for as much as twenty-five years. The U.S. military would treat anything less than a ten-year agreement as a phased withdrawal, which would begin immediately. A third possibility would involve an agreement with a fairly short, ten-year term, but this would be acceptable if extension remained a possibility, and there was no definite termination date. A fourth possibility is that there might be an overall umbrella agreement of perhaps 20 years. Under it the U.S. would hold onto some functions for five years, while others might not be turned over to the Philippines for ten or even twenty years. (S)

Regarding sovereignty issues, there remains relatively little flexibility on criminal jurisdiction and unhampered military operations. However, there is a possibility that joint use might be possible with the Philippines as well as more radical concessions or sovereignty, which would lead to a less obvious American presence and decreased compensation while still insuring a modicum of operating access. (S)

Compensation remains a difficult area. Although the PCC paper suggested compensation levels of up to $450 million per year in ESF, MAP, and DA, this year's budget competition yielded approximately $310 million in these categories. The short-fall in the best efforts pledge may lead to an outcry in Manila that will postpone the formal renegotiation. In the absence of conventional budget resources for increasing real compensation to the Philippines, some form of long-term financial commitment might be considered in return for a long-term agreement for continued access to the facilities. The Deputies noted that the concept of a long-term financial commitment, and the possibility of Japanese financial participation, should be discussed at the forthcoming NSC meeting. (S)

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01k. Tab	Re: Alternate Site Options (1 pp.)	n.d.	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Date Closed: 9/23/2009	**OA/ID Number:** 90002-003
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PHILIPPINE BASES NEGOTIATIONS: CONGRESSIONAL INTEREST

During negotiations, the Secretary and other Department Principals should provide current information to the following: (Key members underscored)

Leadership

Senate: President pro Tempore Byrd, Majority Leader Mitchell, Minority Leader Dole, Majority Whip Cranston, Minority Whip Simpson

House: Speaker Foley, Majority Leader Gephardt, Minority Leader Michel, Majority Whip Gray, Minority Whip Gingerich

Senate Subcommittee on Defense Appropriations

Specific individuals: Inouye, Hollings, Johnston, Byrd, Leahy, Sasser, Deconcini, Bumpers, Lautenberg, Harkin; Stevens, Garn, McClure, Kasten, D'Amato, Rudman, Cochran, Specter.

Senate Armed Forces Subcommittee on Force Projection and Regional Defense

Specific individuals: Kennedy, Nunn, Exon, Dixon, Gore, Shelby; Cohen, Warner, McCain, Gorton, Lott

Senate Foreign Relations Committee

Specific individuals: Cranston, Pell, Biden, Dodd; Murkowski, Lugar, McConnell, Helms

House Subcommittee on Defense Appropriations

Individuals: Murtha, Dicks, Wilson, Hefner, AuCoin, Sabo, Dixon; McDade, Young, Miller, Livingston

House Armed Services Subcommittee on Military Installations and Facilities

Individuals: Schroeder, Aspin, Montgomery, Skelton, McCurdy, Foglietta, Ortiz, Robinson, Bilbray, Mavroules, Hutto; Martin, Dickinson, Blaz, Spence, Ravenel, Courter, Hansen

House Foreign Affairs Committee

Individuals: Solarz, Fascell, L. Hamilton, Faleomavaega, Lantos, Torricelli, Ackerman, Clarke; Leach, Broomfield, Lagomarsino, Roth

Senate Veterans Affairs Committee

Cranston, Matsunaga, DeConcini, Mitchell, Rockefeller, R. Graham; Murkowski, Simpson, Thurmond, Specter, Jeffords

House Veterans Affairs Committee

Montgomery, Edwards, Applegate, Evans, Penny, Staggers; Stump, Hammerschmidt, Wylie, McEwen, Smith, Burton, Bilirakis

If Debt for Bases is adopted as our strategy in the negotiations, the following subcommittees and individuals should be briefed before the plan is presented to the Filipinos and kept informed during the course of the negotiations:

Senate Committee on Finance

Individuals: Bentsen, Matsunaga, Moynihan, Baucus, Boren, Bradley, Mitchell, Pryor, Riegle, Rockefeller, Daschle; Packwood, Dole, Roth, Danforth, Chafee, Heinz, Durenberger, Armstrong, Symms

House Committee on Ways and Means

Individuals: Rostenkowski, Gibbons, Pickle, Rangel, Stark; Archer, Vander Jagt, Crane

Senate Subcommittee on Foreign Operations (Appropriations)

Individuals: Leahy, Inouye, Johnston, DeConcini, Lautenberg, Harkin, Mikulski; Kasten, Hatfield, D'Amato, Rudman, Specter, Nickles

House Subcommittee on Foreign Operations

Obey, Whitten, Yates, McHugh, Lehman, Wilson, Gray, Mrazek, Coleman; Edwards, Conte, Lewis, Porter, Gallo

House Subcommittee on International Development and Finance

Fauntroy, Neal, LaFalce, Torres, Morrison; Leach, Bereuter, Shumway

A Firm Financing Commitment

Base-related compensation has been provided to the Philippines since 1979 under a "best efforts" commitment. While many Filipinos consider such assistance as "rent", as long as the USG provided the assistance, the GOP was content with the best efforts pledge. When it becomes apparent that the USG will fail to meet the pledge made at the end of the 1988 Review for an average of $360 million annually in security assistance over two years, GOP negotiators almost inevitably will demand a firmer US commitment as part of any new agreement. Separately, the 1986 Philippine constitution requires that a new basing agreement be approved by 2/3rds of the Philippine Senate and be recognized as a treaty by the United States. One objective of that provision apparently was to secure a binding legal commitment for base compensation, even though, in fact, a treaty ratified by the US Senate cannot ensure the appropriation of funds.

There are several ways that a financing commitment could be structured. An executive agreement/joint Congressional resolution, as in the Freely Associated States compact, could specify payment and even create a right of action in US courts if the payments were not provided. In that case, however, the payment, while a legal obligation of the United States, remains subject to annual appropriations. OMB reports that the entire amount of the commitment would have to be scored as budget authority in the first year of the agreement.

A full advance appropriation is another option. The entire amount of the advance appropriation would have to be scored as budget authority in the first year. Outlay authority would be limited to yearly payments under the agreement.

A legal obligation to make payments, as part of a Treaty ratified by the US Senate, is also a possibility. The Senate made it clear, however, when ratifying the 1976 US Defense treaty with Spain (which included a multi-year arrangement specifying the amount of security assistance), that it would no longer agree to such obligations. In that case, the Senate explicitly made its consent to the Treaty subject to following the annual appropriation process. Under US law, funding must be appropriated under normal procedures, even for payments required by a duly ratified treaty.

Another, less attractive alternative for the GOP would be a multi-year authorization, like we have sought for the MAI. In the 1976 Philippine Base negotiations, then Secretary Kissinger told the GOP that we would make a commitment to seek a multi-year authorization of a fixed amount of assistance. However, following Senate action on the 1976 Spanish treaty and the change of US Administrations, the US withdraw its offer to seek an advance authorization for the Philippines.

Another alternative would be to agree to provide a partial US government guarantee of Philippine commercial borrowing, similar to the arrangement under which we guaranteed 90 percent of Israel's $4.2 billion, two tranche commercial borrowing to refinance its high interest US FMS debt. Such borrowing is not currently scored against the expenditure budget, but, should credit budget reform occur, would be scored in the credit budget. The subsidy element in the guarantee would be scored as budget authority in year one, however, and it could have other budgetary impacts. With such a guarantee as part of a larger compensation offer, some traditional US assistant program could continue for the Philippines.

Congressional consultations are necessary to determine what would be the most effective and least objectionable manner to structure a financing commitment as part of a new Philippine basing agreement.

November 27, 1989

Options for Debt Reduction as a Component of Base Compensation for the Philippines

I. Introduction

U.S.-Philippine negotiations on a new military basing agreement are due to begin by mid-December 1989. The U.S. objective will be to secure a long-term agreement (minimum 10 years with option to renew, but preferably 15 or 20 years).

President Aquino, however, faces intense domestic political pressures to agree to only a shorter-term agreement (5-7 years) during which the bases would be phased out altogether. The communist insurgency is also expected to heighten its terrorist activities in an effort to undermine popular support for the bases. In order to gain the political ammunition that she would need to convince the Philippine people to accept a long-term renewal, President Aquino may seek one or all of the following:

(1) An agreement that would "enhance" the nominal amount of our base payments by directly channeling some or all of those payments into some popular use that would generate additional financial and political benefits.

(2) A firm long-run financing commitment from the USG, which would provide the Philippines with the certainty of a guaranteed annual level (real or nominal) of base payments for the full length of the agreement.

(3) A yielding by the USG to the Philippines of sovereignty over the conditions and uses of base payments, i.e. a recognition that such payments are basically rent and can be disposed of as the Philippine people themselves best see fit.

The following analysis addresses only the first issue, i.e., how the value of U.S. base payments might be enhanced. Debt reduction is widely regarded as an effective way to enhance the nominal value of our base payments. When implemented in conjunction with strong economic reforms, debt reduction should stimulate a reflow of flight capital, lower domestic interest rates, restore access to voluntary lending, and attract greater direct-foreign investment. Thus, debt reduction has a very important role to play in restablishing the Philippines creditworthiness and ability to sustain long-run growth.

Debt reduction's usefulness, however, as an enhancement in the USG's bases negotiations is not clear. While debt reduction may have some popular appeal in the Philippines, such appeal may be based on misconceptions concerning the magnitude of eligible debt and the ease with which additional debt reduction could be negotiated:

- Only commercial bank medium and long-term debt is eligible for debt and debt service reduction. Official debt -- both bilateral and multilateral -- is not eligible.

- After the current cash buyback of commercial bank debt is completed, remaining eligible commercial bank debt will total only about $5 billion, or less that 20% of the Philippines remaining stock of debt.

- In addition, subsequent rounds of debt reduction are likely to be more difficult to negotiate than the current cash buyback, as the banks that are most eager to exit will have participated in the current buyback.

- Finally, the reluctance of the Government of the Philippines (GOP) in recent negotiations with the commercial banks to explore debt and debt service reduction options other than a cash buyback -- and to make use of resources available to finance those other options -- raises questions about the real priority that the GOP attaches to debt and debt service reduction.

II. Summary of Analysis

A. The "Copeland plan". The attachment discusses the Copeland plan for a debt/bases link. This plan consists of a large upfront debt reduction financed by a Philippine bond issue which is backed by a U.S. long-run financial commitment and by a Japanese yen exchange rate guarantee. This plan has been portrayed to both the USG and the Philippines as applicable to the Philippines total stock of debt and, therefore, providing enormous debt service savings to the Philippines. The analysis shows that the Copeland plan is premised on highly unrealistic assumptions, entails grave political and financial risks to the USG, Japan, and the Philippines, and does not deliver the economic benefits that its proponents claim.

B. Alternatives for commercial bank debt reduction. This paper analyzes two alternative approaches that the Philippines could follow within the context of a long-run base agreement: (a) a generic upfront reduction of commercial bank debt financed by a large Philippine bond issue which is serviced by future base payments; and (b) a year-by-year voluntary debt buyback program which is financed by a portion of annual base payments. The major conclusions are that:

- o The net present value of debt service savings from the year-by-year approach is potentially much higher than from the upfront approach, because the former method is likely to preserve a larger discount on the debt.

- o The year-by-year approach leaves a larger portion of the base payments available for economic development, while achieving the same ultimate amount of commercial bank debt reduction, because it does not require a permanent servicing obligation on a new Philippine bond. It is thus a more cost-effective use of USG base payments.

- o In the event that the Philippine economy improves more quickly than anticipated or real international interest rates decline, the market discount would diminish or even disappear. Under such circumstances, the year-by-year approach gives the Philippines the flexibility to put more of the base payments into domestic investment (the return to which would be higher than anticipated due to improved economic policies), rather than being permanently locked into servicing a large upfront debt reduction bond to buy back debt at a disadvantageous price.

C. <u>Comparison of resource enhancement.</u> The "bottom-line" comparison of the overall benefits of the base compensation package under scenarios involving a generic upfront debt reduction, a voluntary year-by-year buyback, and a "baseline" which includes no debt reduction at all, shows that:

- o The upfront debt reduction package provides less than half the total present value benefits of the year-by-year debt reduction package. Thus, this option does not fulfill the basic requirement of enhancing the value of our base payment resources.

- o The comparison of the year-by-year debt reduction approach with the baseline scenario, which would use base payments only to finance investment, depends upon (a) the assumption that is made as to the return to domestic investment and (b) the assumption that is made as to the broader economic benefits of debt reduction.

- o If the return to domestic investment is assumed to be as high as 10%, and if the potentially substantial second round economic benefits of debt reduction are not quantified, the analysis shows that the year-by-year approach would provide roughly the same benefits to the Philippines as the baseline scenario. However, this very conservative estimate understates the benefits of debt reduction to a considerable degree.

--A 10% rate of return on investment is an extremely optimistic assumption, given the Philippines' track record over the past 10 years of an average rate of return to investment of only 3% and the existence of a large pipeline of undisbursed project assistance. If the assumed return to investment is reduced to a more realistic 5%, the year-by-year debt reduction approach provides significantly greater comparative benefits.

--Debt reduction, when implemented in conjunction with strong economic reforms, would produce significant second round benefits, such as a reduction in Philippine domestic interest rates, the return of flight capital, and greater foreign investment inflows. Factoring in these benefits also significantly improves the case for the year-by-year debt reduction approach in comparison with the baseline scenario.

Thus, using a less optimistic assumption concerning the return to investment in the Philippines over the medium term, and taking into consideration the second round benefits of debt reduction, the year-by-year approach could successfully provide some enhancement of the value of USG base payments. That said, given the limited amount of commercial bank debt that is likely to remain available for reduction, even the best debt reduction scheme cannot be counted on, by itself, to "buy" a long-term agreement. Therefore, it may ultimately prove necessary to offer a firm long-term financial commitment or a concession on the rent issue in order to obtain agreement on a new long-term lease.

III. Alternative Debt Reduction Approaches

A. Generic Upfront Debt Reduction

Under this option, the Philippines would issue a $3.75 billion bond in order to buy back $5 billion in commercial bank debt at a 25% discount. This bond could carry a fixed market interest rate or a floating interest rate but, for the purposes of this analysis, a fixed 10% rate is assumed. Principal/interest payments would be made in equal yearly installments. The longer the agreement, the lower the annual payments.

Both interest and principal on the bond would be fully assured by some form of U.S. guarantee to provide base compensation payments to the Philippines (and ultimately to bond holders) of $500 million per year for the length of the base agreement. The maturity of the bond would correspond to the length of the agreement, which we assume could be alternatively 10, 15, or 20 years.

B. Year-By-Year Debt Reduction

This approach would allow the Philippines to utilize all or some of its annual base payments of $500 million per year to buy back commercial bank debt for any given number of years, depending on conditions prevailing in the market at the time. Thus no bond issue is necessary. Illustrative buyback programs of 6, 10, or 15 years are compared below. In each case, the base payments not needed for buybacks would go into economic development.

It is assumed that the discount on the debt under this option starts out much higher than in the upfront approach, because each transaction will be small enough to leave the prevailing market discount largely intact. The current secondary market discount of 50% will be taken as the starting point. However, as the reform process under the MAI proceeds, the discount should fall reflecting the higher yield on investment and improved confidence in the economy. We assume that the discount falls by 5% per year, but does not fall below 25% (beyond the sixth year).

C. Comparison of Financial Benefits

The cash flow analysis of both the upfront and the year-by-year approaches to debt reduction within a base compensation package is based on the $5 billion in commercial bank medium and long-term debt which is likely to remain after implementation of the Philippines current agreement with the commercial banks. In each case, net present value of cash flow savings are calculated by taking the repayment schedule of bank debt (15 years, 8 years grace, 10% interest) less: (a) cost of servicing bonds, discounted at 10%, in the upfront case and (b) purchase cost of debt, in the gradual buyback case.

This analysis gives the following results:

- The expected present value of cash flow savings are at least as good under the year-by-year buyback option as under the upfront option, and up to twice as large:

  --The upfront bond option achieves $1.2 billion in net present value of debt service savings.

  --A 10 or 15-year buyback program using $300 or $200 million per year achieves roughly the same result ($1.1 and $1.5 billion, respectively).

  --A 6-year buyback program using $500 million per year achieves $2.1 billion in savings, i.e., double the savings under the upfront debt reduction.

- Residual base payments for economic development are far higher under the gradual buyback option:

--6-year buyback leaves all base payments of $500 million per year intact in years 7 and beyond; 10-year buyback allows $200 per year for 10 years, and the full $500 per year thereafter. Length of base agreement does not matter.

--Upfront debt reduction residual is much smaller and only possible with very long-term agreements:

--20-year agreement leaves $60 million per year;
--15-year agreement leaves no resources (breakeven);
--10-year agreement is impossible, since the necessary $610 million per year for bond service significantly exceeds expected base payments.

D. Comparison of Risks

The preceding analysis demonstrates that the year-by-year debt buyback option offers at a minimum the same expected financial benefits from debt reduction to the Philippines, and possibly much more, than the upfront approach, and leaves significantly more resources for development. But perhaps even more importantly, the year-by-year option accomplishes these benefits with far less risk to the Philippine economy.

The year-by-year buyback option allows the Philippines maximum flexibility to re-examine the desirability of engaging in debt reduction each year according to how the market discount evolves. In the event that the discount declines due to improvements in the economy, then the Philippines has the freedom to use more of its base payments for economic development. Since a low debt discount is likely to be associated with a high rate of return on domestic investment, then this would be the optimal choice. Since these factors cannot be known in advance, maximum flexibility should be an important attribute of U.S. compensation. The upfront scheme, by contrast, could immediately lock the Philippines into a commitment on a major debt reduction at a disadvantageous price.

The year-by-year buyback scheme also fits in ideally with the Multilateral Assistance Initiative (MAI). So long as the rate of return on investment stays low (and the debt discount high), as expected in the early years of the agreement before the MAI reform process has taken hold, it would be profitable for the Philippines to spend more of its base assistance on debt reduction. MAI assistance will provide as many resources for infrastructure projects as the Philippines could absorb anyway. Then, in later years, after MAI reforms have borne fruit, i.e., investment is efficient and the pipeline problem is solved, the Philippines will want to use most of its base assistance for economic development. The upfront scheme would give the Philippines no such freedom, and debt reduction would be no greater.

F. Comparison of Resource Enhancement

The value of the full long-run base compensation package, including not only cash flow savings from debt reduction but also the value of the invested residual and of the reinvested cash flow savings from debt reduction, were calculated for the upfront debt reduction option, the year-by-year buyback option, and the "baseline" scenario involving no debt reduction.

The calculations assume a 15-year base agreement (break-even point for the upfront debt reduction). They also assume that resources not used for debt reduction are invested domestically and earn a rate of return of 10%. Reinvested cash flow savings earn the same return. The results are as follows:

- The net present value of the invested residual is:

  --$105 million for the upfront option.
  --$3.0 billion for a 6-year buyback program.
  --$3.6 billion for a 10-year buyback program.
  --$4.6 billion for a 15-year buyback program.

- The net present value of the full base compensation package, counting cash flow savings from debt reduction, the reinvested value of such savings, and above invested residual base payments, is:

  --$3.2 billion for the upfront option.
  --$7.7 billion for a 6-year buyback program.
  --$6.7 billion for a 10-year buyback program.
  --$6.8 billion for a 15-year buyback program.
  --$7.5 billion for the "baseline" package with no debt reduction.

Thus, the year-by-year buyback option yields more than double the benefits of the upfront option. The year-by-year option, however, is roughly equivalent to the baseline package which assumes no debt reduction, given the conservative assumptions that have been made.

On the other hand, the ultimate return to the year-by-year buyback package could be much higher than the baseline package than we have assumed for the following reasons:

- There is no assurance that the return to investment will be as high as 10% (a very optimistic assumption). The return to debt reduction is much more certain.

- If the return to investment were assumed to be 5%, for example, the present value of the various packages are as follows:

--$2.8 billion for the upfront option.
--$6.9 billion for a 6-year buyback program.
--$5.7 billion for a 10-year buyback program.
--$5.5 billion for a 15-year buyback program.
--$5.3 billion for the "baseline" package.

Under this assumption, the 6-year buyback program yields considerably greater comparative benefits than the baseline package with no debt reduction, though the absolute amounts in each case are smaller.

- Debt reduction per se could have very beneficial second-round effects throughout the economy as the country's creditworthiness improves. As demonstrated in the case of Mexico, significant debt reduction could eliminate the risk premium on domestic interest rates and induce a return of flight capital. It may also establish a return to voluntary commercial bank lending and higher direct investment flows. The ultimate economic rate of return to the country as a whole could be considerable.

- Debt reduction would have significant psychological and political benefits in the Philippines, which are essentially non-quantifiable.

IV. Conclusion

A debt reduction package aimed at remaining commercial bank medium and long-term debt and using base compensation payments could be designed with the Government of the Philippines if it were deemed that this would be a useful part of the USG's negotiating strategy. If we were to move in this direction, the above analysis indicates that such a package should be based on the following general principles:

- minimize financial risk to the USG;

- be voluntary and market-oriented;

- maximize flexibility to respond on a year-by-year basis to changes in interest rates, the discount on Philippine debt, and returns on investment in the Philippines;

- achieve the maximum financial benefit to the Philippines at minimum economic risk (e.g., inflation and capital flight);

- make use of existing understandings between the USG and the Government of the Philippines (e.g., the Reagan-Aquino letter);

- not undermine or conflict with the Philippines efforts to complete the current new money/cash buy-back arrangement with the commercial banks (e.g., any additional USG support should follow availability of $114 million in ESF for the current cash buy-back);

- address only the medium- and long-term commercial bank debt remaining after the currently planned debt reduction operation is completed, with official debts (bilateral and multilateral) offlimits; and

- maximize the amount of USG assistance which is available for investment and development, after the needs of debt and debt service reduction have been met.

The above analysis shows that the year-by-year debt buyback approach adheres to these principles. Even so, this approach may not provide sufficient "enhancement" to secure a long-term base rights agreement. To achieve this objective, it may be necessary to look to other inducements, such as a binding long-term U.S. financial commitment or a concession on sovereignty, i.e., that U.S. payments constitute rent, with no strings attached to their use. Such other inducements, however, have budgetary, legal, and precedential implications that would need to be examined closely.

In the early stages of U.S. negotiations with the Philippines, it will be premature to discuss specific debt reduction options with the GOP or to make a definitive proposal to the GOP.

- Discussion of specific debt and debt service reduction instruments at this stage might lock us too soon into an approach that could prove disadvantageous as conditions in the Philippines and international financial markets evolve.

- The conclusion of the current commercial bank financing package, including both its new money and cash buyback elements, will have an important bearing on the appetite among the banks and in the Philippines for further debt reduction and the viability of specific debt and debt service reduction instruments.

- Changes in the Philipppines own economic policies and performance may also occur to alter our assessment of the most feasible instruments.

- In any event, we should await a concrete proposal from the GOP.

Classified by George A. Folsom

GOP Use of a Long-Term US Financing Commitment to Raise Funding for Debt Reduction or Other Economic Objectives

State and Defense support the development of creative ways to make use of a long-term US financing commitment to facilitate Philippine borrowing for debt reduction or other economic objectives, as a means to obtain an acceptable, long-term basing agreement.

Under this concept, the Philippine Government would pledge US base payments to service large Philippine commercial borrowing ($6 billion or more) on US government terms. Since a 20 year or longer US base payment commitment is needed to service significant GOP borrowing, President Aquino might be able to sell a long-term GOP basing agreement as "necessary" to achieve the significant economic advantages from such massive favorable borrowing used for debt reduction or other purposes.

We would work with the Philippine Government to develop the most favorable uses for the up to $6 billion which the GOP might be able to borrow. Some of that cash could be effectively used for debt reduction operations, in accordance with the Brady plan. Remaining commercial debt could be bought back at a discount or exchanged for par bonds at low interest or discounted long term bonds either in one year or spread over a period of years. Other parts of the funding could be used for development, investment, to enhance reserves, to pay off IFI debt or perhaps restructure part of the Philippine domestic debt. Some of these options might not be feasible or optimal for the Philippine economy. However, the benefits to the USG of long-term basing must be strongly weighed in determining the value of this approach.

A full faith and credit commitment from the USG may be required to secure this favorable lending to the GOP. If such a commitment were required, either indirectly or through a USG guarantee of the Philippine borrowing, the USG would be accepting the risk that we would have to continue payments under the agreement (to commercial creditors) even if the Philippine Government were to abrogate or materially breach the basing agreement. Whether the benefits of a long-term basing agreement would be sufficient to justify that risk would be an issue to be carefully considered with Congressional leaders.

Nontheless, the Federated States of Micronesia have been able to borrow on favorable terms by pledging US Compact payments as collateral, even though the compact agreement itself states that the US obligation to make payments will cease if the FSM violates the agreement with the United States.

Whatever its problems, the concept deserves careful exploration with key US Congressional leaders and the GOP as it is the only prospect, however unlikely, of getting the long-term, favorable basing agreement we need.

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ATTACHMENT
Analysis of the Copeland Plan

The Copeland plan has gone through several permutations since its inception one year and a half ago, and currently has many variants. The most recent "preferred" variant envisions a large Philippine bond issue, secured by a full faith and credit U.S. long-term financial commitment to provide annual payments for bond service. The plan also envisions a possible Japanese exchange rate guarantee, which would allow the Philippines to float a yen-denominated bond at low yen-market interest rates. For a 20-year agreement, and a $500 million annual U.S. base payment commitment with 3% escalator, the size of such a yen-denominated bond could be $6 billion without the yen guarantee and $10 billion with the yen guarantee.

Proceeds of the bond would be used to buy back debt. Since the quantity of commercial bank debt remaining after the current commercial bank debt deal is likely to be only around $5 billion, this plan envisages a buyback of significant amounts of multilateral debt and domestic Philippines Treasury Bill debt (currently about $7.5 billion and carrying very high domestic interest rates). The plan assumes that the discount on the commercial debt buyback would be 25% (or perhaps 30%), which would leave $2-8 billion to retire these other forms of debt.

The plan's authors usually cite only the gross savings from reduced debt -- failing to mention of the opportunity cost of foregone base payments, which would be totally dedicated to servicing of the Philippine bond.

The Copeland approach rests on unrealistic assumptions and is not likely to achieve the presumed benefits. In fact, rather than enhancing the value of our assistance, this approach diminishes it by virtue of a highly cost-ineffective use of resources for debt reduction. Moreover, it entails major risks associated with (a) an unconditional guarantee by the USG for the bond issue and (b) a large upfront cash infusion to the Philippines, which could be misspent and lead to higher inflation and capital flight. It also locks the Philippines into a predetermined mix between debt reduction and development in its overall compensation package (at an unattractive debt discount), and denies it any flexibility over the uses of our assistance.

Specifically:

- An unconditional guarantee of the full future stream of base payments would mean that there would be no escape clause in the event of a political change in the Philippines which might lead to an abrogation of the bases treaty -- a grave political risk to the U.S. -- but such a guarantee would be required to successfully market the bond.

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Classified by George A. Folsom

- Providing the Philippines with all or most of the present value of future base payments up front, via the bond issue, leaves the U.S. with no leverage over the Philippines' future compliance with the military base treaty.

- The assumption of a Japanese exchange rate guarantee (from which most of the presumed savings would flow) is highly unrealistic. Such a guarantee would be very risky (i.e., expensive) for Japan to undertake.

- Marketing the bond will be extremely complex, time-consuming, and uncertain, and will require the payment of substantial fees to investment bankers.

- The need for all commercial banks to subscribe to the bond would imply a very low discount for a large upfront debt reduction (25% or less), thus constituting an inefficient use of base payment resources. (We calculate that the "break-even point" for an efficient discount for buybacks is around 35%). Moreover, the current debt reduction agreement with the banks will have saturated bank buyback demand at the 50% discount.

- The proposed use of bond proceeds for domestic debt retirement could have dangerous inflationary consequences and lead to capital flight. Efforts to sterilize the inflationary effects would be self-defeating as they would require a renewed exchange of government debt for cash. Domestic debt reduction would also postpone economic reform by offering a "quick fix" solution to the domestic debt service problem, rather than a fundamental solution which lowers domestic interest rates through appropriate policies.

- The proposed use of bond proceeds to prepay multilateral debt does not make sense, as the average interest rate on that debt is only about 8%, while the interest rate on the Philippine bond is only lower if a Japanese guarantee is assumed.

These fundamental flaws render the Copeland plan both dangerous and completely unacceptable as an element of the U.S. negotiating position. Therefore, the analysis must turn to other possible approaches to debt reduction in the context of a long-run base agreement.

11

TAB G

JAPANESE ASSISTANCE FOR A LONG-TERM COMMITMENT

- The original proposal for a long-term debt reduction for bases scheme envisaged Japan providing a guarantee for the exchange rate risk involved in 20 year GOP bonds, denominated in yen and sold on the Tokyo market where the cost of capital is lower, but serviced with dollars. There are several factors which suggest it would be extremely difficult to get Japan to agree to participate in such a plan.

  - First, an full GOJ guarantee for such an issue would constitute an open-ended commitment, one that could not be budgeted or predicted, given movements in the yen/dollar exchange rate. Limitations on the scope of the commitment could be developed, but would reduce its value to the GOP.

  - Second, even with a cap on Tokyo's monetary liability, such a guarantee would likely be linked either publicly or by implication to our basing arrangement with the Philippines. Active support for military facilities in a third country would likely be politically untenable for the government and might even by unconstitutional.

As a less valuable option, the Japanese might permit floating of a yen-denominated bond issue by the Government of the Philippines on the Tokyo market without a GOJ guarantee. Although this would likely also be opposed by the opposition parties, the government could point to previous bond issues for developing countries (e.g. Pakistan and Turkey) as precedents for a debt reduction bond. The lack of a guarantee on exchange rate losses would lower its attractiveness to investors, however. If we decide to pursue discussions with the Japanese, the Philippines and the United States should quietly sound out the Japanese together. Such an approach should not be made until after Japan's elections, expected for late winter or early spring of next year.

We should also seek other ways in which the Japanese Government could support a new basing agreement, in the burdensharing context, in view of the strong Japanese interest in a continuing significant US military commitment in the Philippines.

Non-traditional Compensation Options

Non-traditional compensation options would be designed to enhance the value of currently provided compensation or find new funding sources other than foreign assistance. They would include new forms of economic cooperation and using DOD funds or equipment.

Most non-traditional options would add relatively little to the cash value of the US base compensation package, but could be important to convince the GOP that we regard them as an important, major US ally. Non-traditional compensation options will be opposed in various agencies, and some would require legislation. There are, however, precedents for the following options, and offering them to the Philippines would be helpful in compensating for the likely decline in base-related foreign assistance funding.

Trade and Economic Cooperation

Precedents for tying trade liberalization and economic development agreements to basing exist in other basing and access agreements. The most salient examples are the Defense Industrial Cooperation agreements (DICA) with Greece and Turkey. These have involved establishing a joint board to review and develop programs for coproduction or technology transfer. Projects have included munitions, radio equipment and UH-1 helicopter assembly.

There a number of problems associated with offering some form of DICA to the GOP, chief among them the low level of development in the Philippines, but cooperation would be possible at the low end of the technological scale. This would provide economic benefits to the Philippines, meet GOP desires for technological and industrial growth, complement ongoing US efforts in maintenance and logistics and strengthen the bilateral economic and military relationship. Offering a DICA would let the US to argue that it is treating the GOP like its NATO partners.

Excess Equipment

Base-related compensation could be augmented with transfers of excess defense equipment (if operational). The US provides excess defense articles on a grant basis to the European base rights countries (and to Israel and Egypt) under the Southern Regional Amendment (SRA). Some items involved in this program would be inappropriate for the Philippines, but others (such as M-14 rifles, mortars and trucks) would be useful. In the past DOD has judged the amounts of equipment available and appropriate for the Philippines to be insignificant, but upcoming reductions in US forces may allow us to offer a larger and more valuable excess package.

The provision of excess equipment like [illegible] is an arrangement we have already made with other base-rights countries but did not extend to the Philippines. It would be useful for convincing the GOP that we do not regard it as a second class ally if it was offered similar arrangements.

Non-traditional Compensation: Trade

Senior Philippine officials in the past have raised the possibility of trade preferences as part of a compensation package for US access to military facilities. Trade preferences might include:

- o Increased garment and textile export quotas.

Imports of garment and textiles from the Philippines are limited by quotas negotiated in a bilateral agreement. In support of the Aquino administration, we increased these quotas in 1987 to provide more foreign exchange and jobs for the Philippines. That agreement will expire in 1991, and, if the quota system remains at that time, a new more liberal agreement could be an important trade off for basing rights. Increases could be resisted by the US industry and many members of Congress and could violate clauses in other bilateral agreements which require the US to generally treat all suppliers equally. Such an action might also raise problems in the GATT.

- o Philippine access to DOD world wide procurement

As part of the October 1988 review, Philippine businesses can supply DOD procurement needs in the CINCPAC area outside the US. GOP officials would like to expand this access to cover DOD procurement needs worldwide, as is the case with our NATO allies. Development of a NATO-style MOU with the Philippines would also help build the impression that we take the Philippines seriously as a mutual security partner and ally, as we are asking them to do.

- o Image of less strong US support for trade benefits without a new basing agreement.

It could work to the US advantage to make clear to the GOP that many of the trade benefits the Philippines now enjoys are related to our strong political support for the Aquino Government. In the context of unsatisfactory security arrangements for the future, it would not be in the US interest to continue to accord high value to political considerations in deciding on our trading relationship. For example, our efforts to continue and expand GSP, despite concerns about intellectual property protection, and our support for expanding textile quotas well beyond those provided for our other trading partners could be jeopardized by an unsatisfactory outcome to the negotiations.

Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01t. Report	National Security Study: Philippine Base Negotiations (21 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

Date Closed: 9/23/2009	**OA/ID Number:** 90002-003
FOIA/SYS Case #: 2005-1003-F **Re-review Case #:** **P-2/P-5 Review Case #:**	**Appeal Case #:** **Appeal Disposition:** **Disposition Date:**
AR Case #: **AR Disposition:** **AR Disposition Date:**	**MR Case #:** **MR Disposition:** **MR Disposition Date:**

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

PRM. Removed as a personal record misfile.

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

(b)(1) National security classified information [(b)(1) of the FOIA]
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(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

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

~~SECRET~~ 20196

February 6, 1990

SIGNED

ACTION

MEMORANDUM FOR G. PHILIP HUGHES

FROM: KARL D. JACKSON KDJ

SUBJECT: Agenda for February 9, 1990 NSC Meeting on EASI and the MBA

Attached is a memorandum for agencies announcing the February 9 NSC meeting. An agenda, PCC papers, and summaries of the respective Deputies meetings are attached.

RECOMMENDATION

That you sign the memorandum at Tab I.

Attachments
Tab I Memo to Agencies
- Tab A Agenda
- Tab B DC Summary of EASI
- Tab C PCC Paper on EASI
- Tab D DC Summary of MBA
- Tab E PCC Paper on MBA

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By CAP NARA, Date 9/23/09

~~SECRET~~
Declassify on: OADR

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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20196

MEMORANDUM FOR

MR. CARNES LORD
Assistant to the Vice President
for National Security Affairs

MR. J. STAPLETON ROY
Executive Secretary
Department of State

MS. EMILY L. WALKER
Executive Secretary
Department of Treasury

COL. GEORGE P. COLE, JR.
Executive Secretary
Department of Defense

MR. FRANK HODSOLL
Executive Associate Director
Office of Management and Budget

MR. H. LAWRENCE SANDALL
Executive Secretary
Central Intelligence Agency

BGEN THOMAS E. WHITE, JR.
Executive Assistant to the Chairman
Joints Chiefs of Staff

MR. ARTHUR E. GREEN
Executive Secretary
U.S. Information Agency

SUBJECT: Review of the East Asia Strategy Initiative (EASI), and the Renegotiation of the Military Bases Agreement (MBA) with the Philippines -- February 9, 1990, 10:00 a.m. (~~S~~)

The National Security Council will meet on Friday, February 9, at 10:00 a.m. in the Cabinet Room to discuss EASI and the MBA. The agenda is attached. PCC papers and Summaries of the Deputies Committee meetings on EASI and the MBA are attached. Attendance should be limited to principals plus one. (~~S~~)

GPH
Exec Sec

Attachments

Tab A	Agenda
Tab B	DC Summary of EASI
Tab C	PCC Paper on EASI
Tab D	DC Summary of MBA
Tab E	PCC Paper on MBA

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Planning Sheet	Re: NSC Time Planning Sheet [50 U.S.C. 403g, Sec. 6] [Personal Information Redacted] (1 pp.)	2/9/90	(b)(3); (b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: H-Files
Subseries: NSC Meetings Files
WHORM Cat.:
File Location: NSC0039 - February 09, 1990 - East Asia Strategy, National Security Review on Philippines Military Base Access [3]

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(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

NS39

NSC TIME PLANNING SHEET

TYPE: NSC ~~NSC/NSPG/PCG/PRG~~

DATE AND TIME: 2/9 10:00 AM

LOCATION: Cabinet Room

DURATION: 1 hour

SUBJECT: East Asia Strategy/Philippines

Participants	Invited	Agency Rep.	Date of Birth	Social Security Number	Confirm
VP	✓	Quayle			
STATE	✓	Eagleburger			
		Richard Solomon	[redacted] (b)(6)		
TREASURY	✓	Sec Brady			
		John Robson		(Brady +1)	
BAKER (PERSONAL)					
DOD	✓	Dick Cheney			
		Henry Rowen			
JUSTICE					
MEESE (PERSONAL)					
JCS	✓	General Powell			
		Merrill Ruck	[redacted] (b)(6)		
CIA	✓	Director Webster			
		[redacted] (b)(3) [50 U.S.C. 403g, Sec. 6]	(b)(6)		
OMB	✓	Richard Darman			
~~USUN~~					
WALTERS (PERSONAL)					
ACDA					
USIA	✓	Bruce Gelb	2/24/27	540-32-8793	
		David Hitchcock		485-8778 (Japan)	
H. BAKER		Aug 23 2? 070-22-3426			

COMMENTS: ☐ Principals ☒ Principals Plus 1