



Foreign and Commonwealth Office

London SW1A 2AH

10 July 1989

Dear Charles,

French Bicentenary: Discussion with President Aquino

A slot for a meeting with Mrs Aquino could not be agreed. We have therefore asked the French to place the Prime Minister close enough to Mrs Aquino at one of the Bicentenary meals to permit conversation. We do not yet know if this will be possible. If not, there should be an opportunity for a brief talk elsewhere in the Bicentenary margins. I enclose a personality note.

Mrs Aquino will be looking for help with trade, aid and debt. Our main objectives are to urge the establishment of a refugee processing centre for Vietnamese Boat people, to express support for the continued presence of US bases and to underline our support for (and investment in) the new democratic Philippines.

Vietnamese Boat people

Over 20,000 Vietnamese Boat people have arrived in Hong Kong this year alone. The Philippines already hosts two holding centres for Vietnamese boat people. In response to our active lobbying, at the refugee conference in Geneva, the Philippine Foreign Minister, Manglapus, offered to host a Regional Processing Centre (RPC) for refugees awaiting resettlement, subject to the establishment of a counterpart centre in Vietnam for those screened out. Several countries, including ourselves (£5 million), have offered to contribute to the RPC. UNHCR are now conducting urgent feasibility and cost studies. If Mrs Aquino raises the link between the Philippines centre and the one in Vietnam, the Prime Minister might say that the RPC in the Philippines is urgently needed to relieve pressure on Hong Kong, while the counterpart centre in Vietnam, is likely to be a transit, rather than a holding, camp. It will not be required for some months until there is a significant number of screened out to be processed. Timescales should thus not be linked but pressure on Vietnam maintained. Foreign Minister Manglapus was receptive to this line when Sir Geoffrey Howe put it to him in London recently.

Political Relations

There are no current bilateral problems. The UK was among the first to support Mrs Aquino when she came to power



in 1986 but she has not been able to take up a standing invitation to visit the UK as a guest of HMG. The Prime Minister might renew it.

Mrs Aquino may express gratitude for special training we have given to her Presidential Security Guard. Few of her Ministers and retinue are aware of it, so any reference to it will probably only be made in private.

Internal Political

Mrs Aquino has re-established democracy and contained both Communist and right-wing threats. She has lowered inflation and boosted economic growth. Her position seems secure until the elections in 1992. She insists that she will not stand for re-election but there is no obvious successor. The Prime Minister might:

- congratulate Mrs Aquino;
- say we hope domestic and foreign investment will increase, leading to sustained economic growth;
- point out that UK/Hong Kong is the largest investor in the Philippines.

Aid

Our contribution to the Philippines Assistance Plan (PAP: a multilateral aid initiative) is modest (a total of £15.2m for 1989, including Commonwealth Development Corporation commitments and £10.4m of trade support and technical cooperation). But the EC contribution as a whole is significant. In an effort to use foreign aid more efficiently, Mrs Aquino has made private enterprise an important element of the PAP. The Prime Minister could underline our support for the Plan in general, and the private enterprise aspect in particular.

Debt

The Philippines was one of the first countries to agree an IMF programme providing for resources to be used for debt reduction. Mrs Aquino might mention UK abstention on the IMF programme (together with FRG, Italy and Netherlands). Our reservations stemmed not from the Philippines' adjustment effort, but from concern that the banks should do their share in meeting a debtor's financing needs.

Mrs Aquino has in the past shown irritation at the attitude of commercial banks (including Barclays) in debt rescheduling negotiations. Mrs Aquino may ask the Prime Minister to encourage British banks to be flexible. The Prime Minister might:



- say that the Government has no control over commercial banks, but we hope an agreement can be reached quickly.
- commend Mrs Aquino's decision to agree (in May) an IMF adjustment programme.

US Bases

Under the new Constitution, the agreement covering the presence of US Bases in the Philippines must be renegotiated by 1991. Growing nationalist and anti-nuclear feeling in the Philippine Senate means that negotiations are likely to be acrimonious and the US presence may be phased out over the next twenty years, with the bases handed over to Philippine control. The Prime Minister could:

- express our support for the continued presence of the bases as a factor for regional stability;
- note that the Soviet "charm offensive" in South East Asia has so far produced no commitment to reduce its own military presence in the region; - note that (unlike the Philippines) we seek no rent for US bases in the UK.

I am copying this letter to Alex Allan (HM Treasury) and Trevor Woolley (Cabinet Office).

Jans,
Steph

(J S Wall)
Private Secretary

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10 Downing Street

10 JUL 1988



PHILIPPINE PRESIDENT CORAZON COJUANGCO AQUINO

Born 1933 into the wealthy Cojuangco family, others of whom were influential Marcos supporters. High school and college education in New York. Began a law course in Manila in 1954 but withdrew after one semester to marry aspiring politician Benigno Aquino.

Following her husband's assassination in 1983 Mrs Aquino became an important symbol of opposition to the Marcos regime. Despite an initial reluctance to do so, she was persuaded to run for President in the "snap" elections in February 1986 and assumed power following Marcos' flight to the United States.

As President, her popularity has been consistently high but, as the initial euphoria of the "People's Power" revolution has begun to wear off, she has come under increasing criticism for lack of leadership and for her style of Government. She consults widely before making decisions, and the process of consultation gives the impression (partly justified) of indecision. Yet, she has acted decisively when required, for example with the sacking of her then Defence Minister Enrile following coup rumours in October/November 1986. She has reshuffled her Cabinet several times and survived various coup attempts. But her Administration continues to be criticised for failure to control corruption, protect human rights and to implement announced policies (eg on agrarian reform, import liberalisation etc). She has denied publicly that she will run again in the 1992 Presidential elections, but many suspect that she will be persuaded to do so.

Deeply religious, she is essentially a nice person with a superficial air of naiveté beneath which there is a good deal of steel. Initially careless of her safety she is now heavily protected by the Presidential Security Group wherever she goes.



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