

Harsh credit cutbacks aid Marcos opponents

by Richard Katz

New York bankers and Japanese press report an escalating cutoff of credit to the Philippines since the Aug. 21 assassination of opposition leader Benigno Aquino. The cutoff is spurring business circles to join other groups in opposing the continued rule of President Ferdinand Marcos, adding to the possibility of the ailing leader's early downfall. If, in addition, the U.S. President cancels the Philippines stop on his mid-November Asia tour—a growing possibility—then it is difficult to see how Marcos can survive. Philippines First Lady Imelda Marcos linked the financial and political pressures in a Sept. 28 talk to reporters when she said that if Reagan does not come, the government will “lose credibility” and the economy will collapse. “If our economy is ruined,” she pleaded, “we will fall.”

The opposition to Marcos in this former Spanish colony is led by plantation-owning oligarchical families, and their relatives in the Society of Jesus and among certain business strata. They, along with the International Monetary Fund and World Bank, have derided Marcos' significant, albeit flawed, industrialization efforts as mere boondoggles. As in Ibero-America, political instability in the Philippines is being heightened by the World Bank-State Department policy of forcing currency devaluations (including a 20 percent peso devaluation earlier this year), sharp cutbacks in industrialization projects, and increasingly harsh austerity measures.

In the wake of the turbulence after Aquino's assassination, austerity has been compounded by a credit cutoff. It has become practically impossible for Philippines governmental or private institutions to get any medium- or long-term funds in either the Eurodollar or the yen market, according to Japan's *Nihon Keizai Shimbun*. A Philippines desk officer at a leading New York bank confirmed the cutback: “Our view of the Philippines has changed. We're being much more cautious. Prior to the Aquino assassination, we were even thinking of expanding our lending to certain very secure areas now. Now, even for some of our existing customers, we're taking a second look at extending credit lines. There has been some cutback. Most of the major banks are not cutting back

drastically, but I don't know about the regional banks. They get more skittish.”

The credit restriction did not begin with the Aquino assassination and subsequent mass demonstrations, another banker cautioned: “People began looking askance at the Philippines because of the Mexico and Brazil crises. Philippines also has a very bad debt service to export ratio. But the current political instability has made it worse. People aren't sure if they can get their money back.”

Just as with the Shah of Iran, the U.S. State Department and international financial community are at best damning Marcos with faint praise. In fact, these factions publicly argue the United States can never again be caught without good relations with the opposition “just in case” Marcos also falls. Thus, Reagan is being urged by some State Department officials to cancel his Philippines trip. If he does go, they say, he should see Cardinal Jaime Sin, at present the most prestigious opposition leader. This, it is argued, will show “even-handedness.” Apparently, these officials want to follow up their successes in Iran and Central America with an equal success in the Philippines.

This international political and financial vote of no confidence in Marcos has encouraged many of Manila's businessmen to add their voices to the calls for Marcos's resignation. On Sept. 20, the day before a 100,000-person demonstration against Marcos, office workers swarmed out of buildings to break up a pro-Marcos rally in the heart of the business district. The next day, executives of some of the Philippines' largest corporations, such as the San Miguel Corporation, allowed their workers time off to attend the anti-Marcos rallies. The Philippines Chamber of Commerce and Industry, though it did not call for Marcos to step down, wrote an open letter to complain that business has been hurt severely by political instability, citing a plunge in tourist revenues and the cutback in international credit. They requested that Marcos respond by “maintaining restraint” against the demonstrators, and that he “refurbish” the commission assigned to investigate the Aquino murder by appointing new members of “unquestioned lack of bias.”

Marcos took to the airwaves on Sept. 24 to warn business participants in the demonstrations: “There will be men assigned to track you down, and we will meet you in court. . . . The policy of maximum tolerance has been discarded. We have pictures of everything that happened; there are videotapes where the faces of men are very clear. We will look for these men. . . . Whether they are members of big institutions like the Ayala Foundation, the Bank of the Philippine Islands, or the Development Bank of the Philippines, Security Bank and other banks, you can rest assured we will look for you.”

The immediate determinant of Marcos' survivability will be whether Reagan cancels his visit. On Sept. 26, he hinted in an interview with the *New York Post* that he might not go, using the pretext that the current congressional session might last longer than expected. This excuse will not wash; should Reagan change his plans, it will be interpreted everywhere as Washington's sentence of death for Marcos.