

# Marcos' Yen for Corruption

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The year 1986 was to be devoted to a thorough examination of the policies and practices regarding Official Development Assistance (ODA), in the light of several exposes of cases of corruption and bribery involving Ferdinand Marcos, the Japanese International Cooperation Agency (JICA), and the Overseas Economic Cooperation Fund (OECF). In reality, however, only the substantial expansion of the budget for ODA is apparent at present. What does this signify?

This article takes up the issue of corruption under the Marcos regime with regards to yen loans to the Philippines, particularly the issue of rebates paid by Japanese companies to the Marcoses and their "cronies".

It is contended here that embezzlement has been conducted over a long period, not in a disorderly or sporadic manner, but systematically and comprehensively. The first step to take, therefore, in order to prevent any recurrence of the "Marcos scandal" is a thorough exposition and eradication of the system which allowed the embezzlement to take place. In this context, the Japanese government's system of review of ODA will also be examined.

## The "Marcos Scandal" and the Philippine Government

Even before the fall of the Marcos government, the rebate scandal and Marcos' illegal accumulation of wealth were brought into question many times in the Philippines, Japan, and the United States. But facts were never fully disclosed and examination of evidence

was often stalled. With Marcos' downfall and flight in February 1986, moves for a full-scale investigation were finally taken.

The Presidential Commission on Good Government (PCGG) was created by the Aquino government through Executive Order (EO) No. 1 to investigate questionable deals and to recover Marcos' "ill-gotten wealth". The PCGG, then, was not only an investigating committee, but also a powerful semi-judicial agency [1] with five commissioners [2] who were authorized to look into alleged Marcos properties, to investigate, and if necessary, to seize, these. Jovito Salonga, a well-known leader of the anti-Marcos movement, was chosen as its first chairperson. Salonga, known as a politician of stature and an upright man, lent prestige to the newly-organized commission. He, however, resigned from the PCGG in order to run for the Senate in July 1987. He was replaced by one of the commissioners, Ramon Diaz. (At present, the PCGG is headed by David Castro. -Ed.)

It is difficult to measure the extent to which the PCGG has investigated the "Marcos scandal". Raul Daza, then PCGG commissioner in charge of Japanese affairs, was interviewed by this writer in September 1986, and said this about their progress at that point:

Everything is already clear about the 'Marcos scandal'. We have discovered that the stolen money of the Overseas Economic Cooperation Fund (yen loans provided by the Japanese government) has been kept mostly in secret accounts in Switzerland. Because of the financial difficulties of the Philippine government, the PCGG is presently focusing its attention on recovering

these funds and will start investigating those responsible as soon as possible.

Marcos brought with him volumes of documents, aside from various commodities and money in his flight to Hawaii. These were discovered and confiscated by the US Customs in Honolulu, and sent to the US government in Washington, D. C.. Since the Marcoses' illegally accumulated wealth in the US had been previously discussed in the US Congress, many people were interested in the so-called "Marcos documents". On 20 March 1986, the US Congress publicized most of these documents.

The documents were also extensively reported about in Japan since they contained accounts of yen loan projects and the involvement of Japanese companies. Journalists continued their investigations and both the Houses of Representatives and Councilors formed the "Philippine Economic Assistance Investigative Special Committee" to study the issue.

Among the materials obtained by the PCGG were the following:

1) "Marcos Documents" - 1,500 documents confiscated at the US Customs; 2,300 pages.

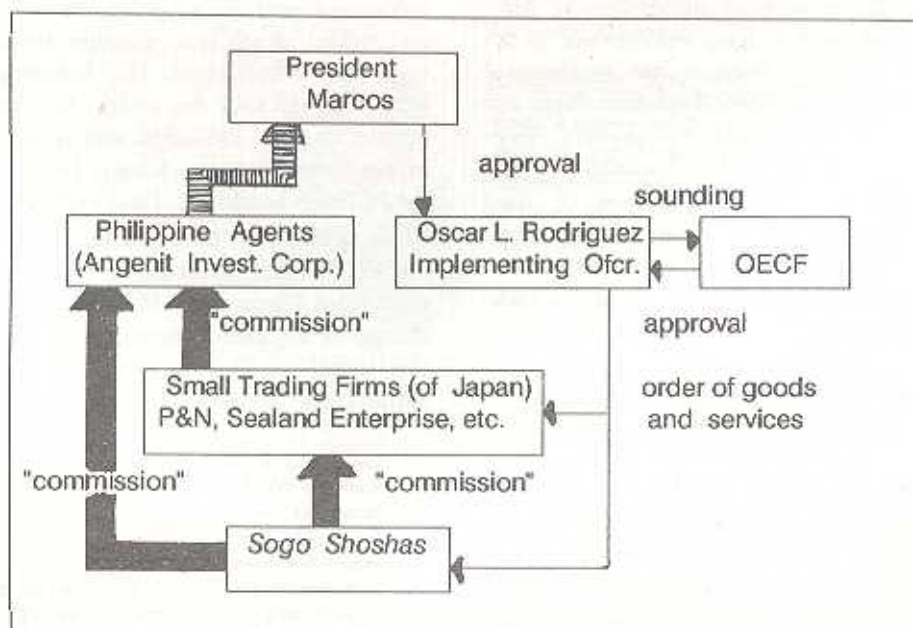
2) "Malacanang Documents" - documents in 35 suitcases and dozens of boxes and seized by the PCGG from Malacanang Palace.

3) "Rodriguez Documents" - 1,200 to 1,300 pages of materials about yen loans submitted to the PCGG by former Implementing Officer of yen loan projects, Oscar L. Rodriguez.

The "Marcos Documents" helped substantiate suspicions about the embezzlement of yen loans. They provided evidence that a considerable part of yen loans was spent on rebate payments. Indeed, 25 to 30 percent of contract amounts were embezzled as rebate for the implementation of yen loan projects (Figure 1). Japanese companies, such as C. Itoh Shoji, claimed that this was but "proper commission". [3] Since they took every means to conceal this practice during the Marcos regime, however, calling rebate payments "proper" only after the documents were publicized is not convincing at all.

Further, payments made could only be considered "proper" if the amounts (or the rates) were reasonable, if recipients had a right to them, and if such payments were stipulated in the contracts beforehand. (These will be dis-

Figure 1. The Mechanism of Marcos' Rebate Payments



Source: Translated and modified chart from *Asahi Shimbun*, 28 August 1989.



cussed more fully below.) Indeed, there is no doubt that unreasonably large amounts were paid by the companies as commission, in spite of their knowledge that these were used as bribes for the president.

### Institutionalizing Corruption

The biggest problem here was that the mechanism for controlling rebate payments was institutionalized. As shown in Figure 1, the Implementing Officer (IO), who was then Public Works and Highways Deputy Minister Oscar L. Rodriguez, controlled everything from consultations for projects to biddings for them, received direct instructions from Marcos, and was in close contact with the OECF. Rodriguez pointed to the complicity of the OECF by saying that "none of the funds could be used without the approval of the OECF" [4]. Indeed, the close relationship between the two functioned as Marcos' "yen loan control mechanism". In connection with this, Angenit Investment Corporation (owned by Andres V. Genito, Jr.) operated as the "rebate receiving mechanism". Daza told this writer that "Mr. Genito, who fled to the US, was in charge of all abuse of funds".

Dr. Romeo Reyes, one of the top bureaucrats of the National Economic Development Authority (NEDA), pointed out the unusual practices in the disbursement of yen loan projects in a 1985 NEDA publication entitled **Official Development Assistance to the Philippines: A Study of Administrative Capacity and Performance**, saying that:

the arrangements between the donor government and the Philippine government, the internal administrative structure within the Philippine government, and the process for loan programming and disbursement for Japanese ODA loans are significantly different from all others. [5]

According to Dr. Reyes, the IO plays a decisive role in the bidding and contracting of projects:

Once the loan has been declared effective, bidding documents are sent by the IO to the OECF for approval. The usual bidding and contracting

process is conducted, except in the case of OECF-assisted projects. The latter situation is characterized by the following unique features: a) the IO coordinates the entire process; and b) the President approves the award of contract and the contract document. [6]

Thus, except in the case of the OECF funds, all donor countries' ODA, such as USAID, is directly received and implemented by the NEDA. (Figures 2 and 3)

The system of the IO, indeed, functioned as an effective means of controlling yen loans. In this regard, how strong was the influence of the OECF or the Japanese government in the establishment of the IO office which, as Mr. Rodriguez had claimed, functioned as Marcos' support system? What does the fact that the IO was established a day after martial law was declared imply?

#### *Background and history*

The process of rebate payment is said to have been institutionalized when martial law was declared in September 1972. [7] Expecting opposition from the legislature, it was probably only after he had abolished Congress that Marcos created the Implementing Officer system in order to facilitate the flow of rebates. The offices of the Presidential Coordinating Committee for Japanese Official Assistance (PCC), Implementing Officer, and Secretariat were created through Administrative Order No. 338 dated 22 September 1972, with the sole task of receiving Japanese yen loans. They were assigned to coordinate and supervise all activities related to the programming and utilization of the loans. [8] Seen from this perspective, ensuring yen loan rebates could then be considered as one of the motives for the declaration of martial law in 1972.

The history of corruption involving Marcos and the Japanese, however, dates back to the period when war reparations were extended to the Philippines. When Philippine-Japan diplomatic relations were restored in May 1956, the War Reparations Agreement was signed by the governments of both countries. The total amount to be given was 550 million US dollars for a term of 20 years, making the



Philippines recipient of the biggest amount among countries that received war reparations (the others were Indonesia, Burma, and Vietnam). It was agreed that 250 million dollars would be provided for the first 10 years, and 300 million dollars for the succeeding 10. The latter period coincided with the first years of the Marcos regime. [9]

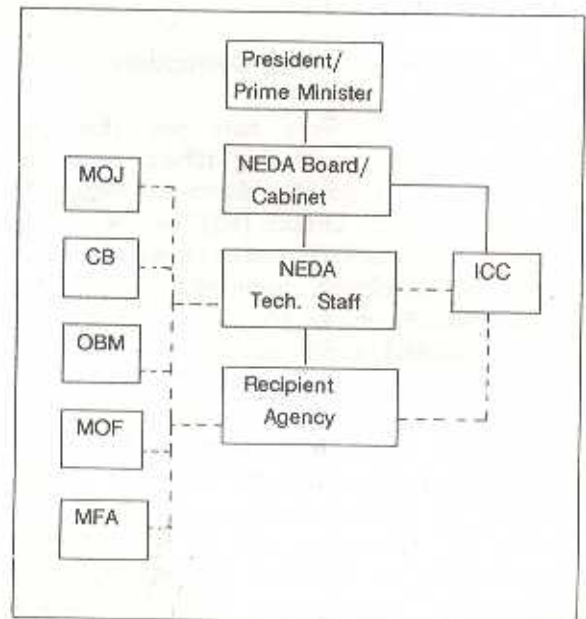
Reparations were given in the form of machinery and services. The Philippine government would request desired items from the Japanese government, and upon approval, would enter into contracts with Japanese trading firms and manufacturers to procure machinery and services. In turn, the Japanese government would pay the companies the yen equivalent of requested items. For Japanese companies, this became an important opportunity to export their products because, by then, payment for their goods would have been ensured. Thus, from July 1956 to 1976, Japan granted a total of 190.2 billion yen in the form of trains, ships, plants, machinery, and automobiles under this Agreement. [10]

It is said that politicians of both countries were involved in facilitating transactions for the reparations program. Their participation was heightened in 1966, a year after Marcos was first elected, because he then ordered projects under the reparations program to be frozen and transformed them from being investments in the private sector into projects under the public sector. [11]

The first yen loan was provided in 1971. Between 1971 and 1976, payment of reparations and disbursement of yen loans were done simultaneously. With the Amity Trade and Navigation Treaty signed by the Philippines and Japan in 1974, Japanese investment suddenly increased. To adjust to the requirements of the situation, there was a need to set up the IO system as an improved rebate control mechanism.

Although Marcos now had the authority to control projects officially because of martial law, receiving rebates had to be done behind the scenes. It is assumed that this task went to Eulogio Balao, former chairperson of the reparations committee, and other people, who

Figure 2. Actual Administrative Structure for USAID and Other Bilateral ODA Loans



Source: R. A. Reyes, *Official Development Assistance to the Philippines: A Study of Administrative Capacity and Performance*, NEDA, 1985, p. 57.

had similar responsibilities in handling the reparations projects. During Balao's term as chairperson of the reparations committee, the rebate rate, which used to be 15 percent of the project amount, doubled to 30 percent, with the additional 15 percent for the committee's share. This "greed" was reported to have perplexed even the Japanese companies. [12] Further, in the list of contracts for a flood prevention project in Manila around 1973 to 1977, 15 percent of the contract amount with Toyo Trading Co., Nissho-Iwai, Sakai Heavy Industries and others were recorded under "BBB" [13], referring to Balao who was once ranked brigadier general. This shows that Balao played a substantial role in receiving rebates, not only during the period of payment of reparations, but also in disbursing yen loans.

According to information leaked by the PCGG [14], Marcos received at least 47.7 million dollars as commission for various projects between 1966 and 1981 [15], an amount equivalent to 15.9 percent of the 300 million-dollar reparations the country was supposed to receive. Balao controlled this operation and coordinated with the executives of Toyo Trading Co. and Sakai Heavy Industries in choosing companies which would receive contracts. They remitted "kickbacks" or rebates to Marcos' secret Swiss bank account via Hong Kong.

This leaked report was based on the affidavit of Baltazar Aquino (hereafter referred to as B. Aquino) who was Minister of Public Works and Highways until July 1979. B. Aquino took over Balao's position when the latter died, and continued to receive and remit rebates to Switzerland. In his affidavit,

he disclosed that "in behalf of Marcos, I sent the full amount paid by the Japanese businessmen to his account, according to his instructions, without any embezzlement on my part". [16]

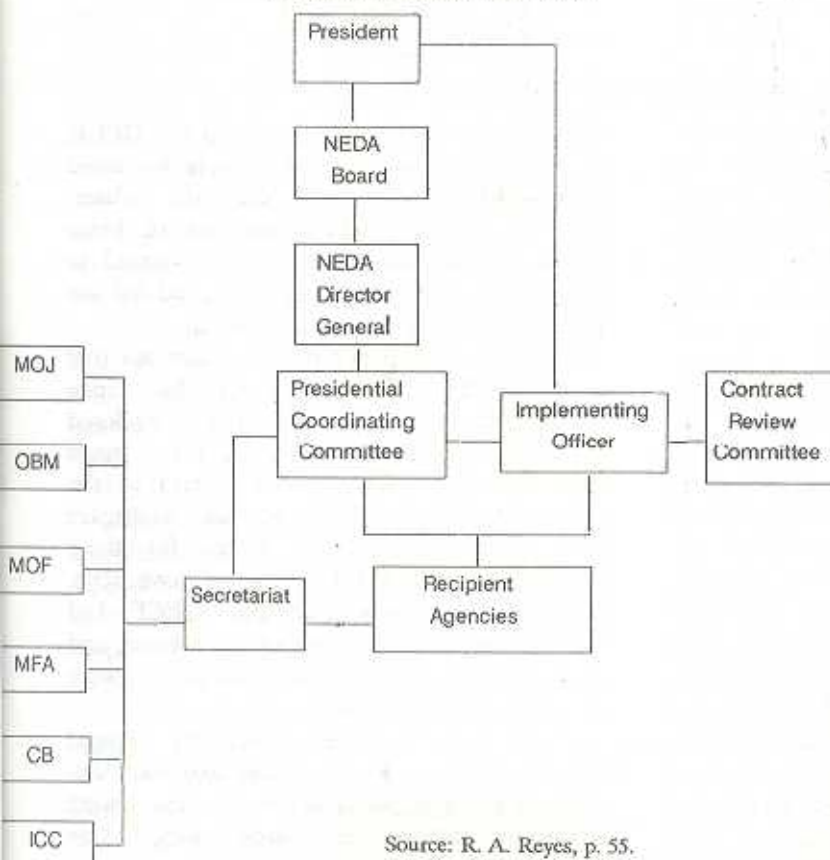
There is no doubt that Marcos regarded the war reparations and the yen loans as important sources of his wealth, and shrewdly used them to his advantage. First, he converted reparations programs into public sector projects to facilitate government intervention; then he assigned Balao and other men close to him to control the bidding and coordination of projects; and finally, he ordered them to receive and rechannel rebates.

#### *Changes in the rebate route*

When Balao died, changes had to be instituted. As mentioned above, B. Aquino took over the reparations-related projects. Rodriguez controlled a major component of the implementation of yen loans, and Genito established the channel for receiving rebates.

In November 1977, Sanritsu Trading Co. split from Ohira Overseas which had ranked sixth in terms of number of contracts held. In September 1978, Toyo Trading Co., which had the most contracts for yen loan projects, pulled out from the Philippines and set up another company, called P & N. Both these corporate changes took place as the rebate route was being changed. These moves cannot be dismissed as mere coincidences, for they were later instrumental in reinforcing the links between Marcos and the Japanese companies. Interestingly, P & N had Genito of Angenit Investment Corp. as an important stockholder. [17] Further,

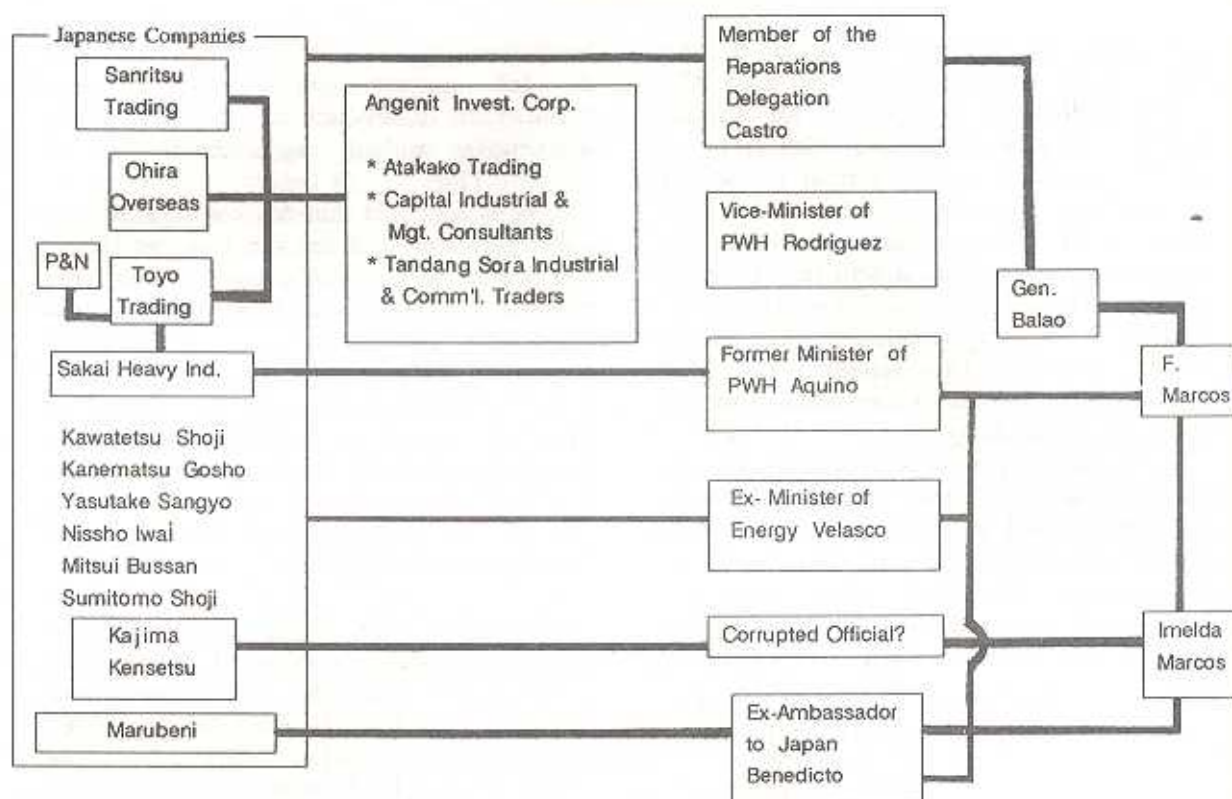
Figure 3. Actual Administrative Structure for Japanese (OECD) ODA Loans



Source: R. A. Reyes, p. 55.



Figure 4. The Relationship Between Japanese Companies and the Philippines



Source: *Mainichi Shimbun*, 31 March 1986.

Geronimo Z. Velasco, who was Minister of Energy under Marcos, was assigned to manage yen loan projects related to electric power and energy. [18] The "Marubeni route", with then Ambassador to Japan Roberto Benedicto as central figure, was also established. (Figure 4)

#### *The Rodriguez statement and the OECF*

In an interview with the *Asahi Shimbun*, Rodriguez claimed that the IO system was "set up in response to a request from the OECF". [19] He explained that the Japanese side insisted on negotiating with only one person from the Philippine government and that transacting with "a single receiving body was their constant policy". The OECF, asked to respond to this, could only vaguely reply that "since it was quite a long time ago, we have to check it up" or "I've never heard that we requested such a thing".

The IO set-up, was favorable to the OECF, in the sense that it enabled them to avoid being directly connected with the rebate-receiving window where the risk of being found out was higher. They still wanted to keep this a close secret, however, and did not publicly announce the new system.

In another newspaper report, Rodriguez told a fact-finding delegation of the Japan Socialist Party that "had the OECF disclosed the cost of yen loan projects, there would have been no problem with regard to the rebates". [20] It would seem that Rodriguez was trying to shift the blame for these problems to the OECF. As we have seen, however, Rodriguez and the OECF had worked together to control the rebates, and they, as well as Marcos, were definitely aware of all that had happened.

In any case, Rodriguez' statement showed that the OECF's secret system and the existence of a single recipient for the loans were important factors for Marcos' illegal loan

channel. Therefore, in order to prevent any repetition of the "Marcos scandal", at least the following measures have to be taken (discussed in detail later):

- abolish the IO system which is a special receiving body only for yen loans;
- conduct all loan procedures openly; and
- adopt an auditing system by an independent agency with non-Japanese and non-Filipino individuals and organizations as members.

#### *The IO System under the Aquino government*

Surprisingly, the IO system was maintained even after the Aquino government came to power. As mentioned, Rodriguez was retained as deputy minister for public works and highways even under Aquino (at least in the early months). He was never prosecuted nor called to account for his previous activities. The data for the First to the 12th Yen Loan projects, gathered from the "Rodriguez Documents", were said to have been submitted by Rodriguez to his superior in order to prove his innocence. [21] It is possible then to say that he was just a loyal technocrat [22], and that he himself had never embezzled money. He was likewise not accused of being Marcos' accomplice in controlling rebates because he did not figure visibly in the transactions and had instead cooperated with the PCGG in their investigations.

According to JICA, the old administrative system of implementing ODA funds was "basically retained" with some modifications: [23]

1. Instead of the President, it is now the Investment Coordination Committee (ICC) that will approve all projects. The ICC consists of representatives from nine agencies - Department of Finance, NEDA, Department of Budget, Central Bank, and five financial institutions, including the Philippine National Bank.

2. An IO is appointed to take full responsibility for the implementation and supervision of yen loan projects.

3. Proposals will be regularly prepared to assure continuity.

Thus, there has been no fundamental change except the removal of the direct link between the IO and the President. Instead, the ICC, which is attached to NEDA, would now coordinate with the IO for approval of loans. [24] This writer was later informed that a relative of President Aquino, Helminigildo Aquino (currently a Representative) was installed as IO after Rodriguez.

In June 1986, Vice-President Salvador Laurel, who was then Foreign Minister, visited Japan and proposed the creation of the "Laurel Route", which would assign the Department of Foreign Affairs as the only receiving channel for ODA. [25] In September 1987, however, he resigned from his ministerial position without realizing this plan.

The importance and role of the IO under the Aquino government remains unclear. But while this structure is still maintained, the amount of ODA for the Philippines has been increased under the 14th and 15th Yen Loan packages. And there seems to be no guarantee that what the Marcoses did will not be done again.

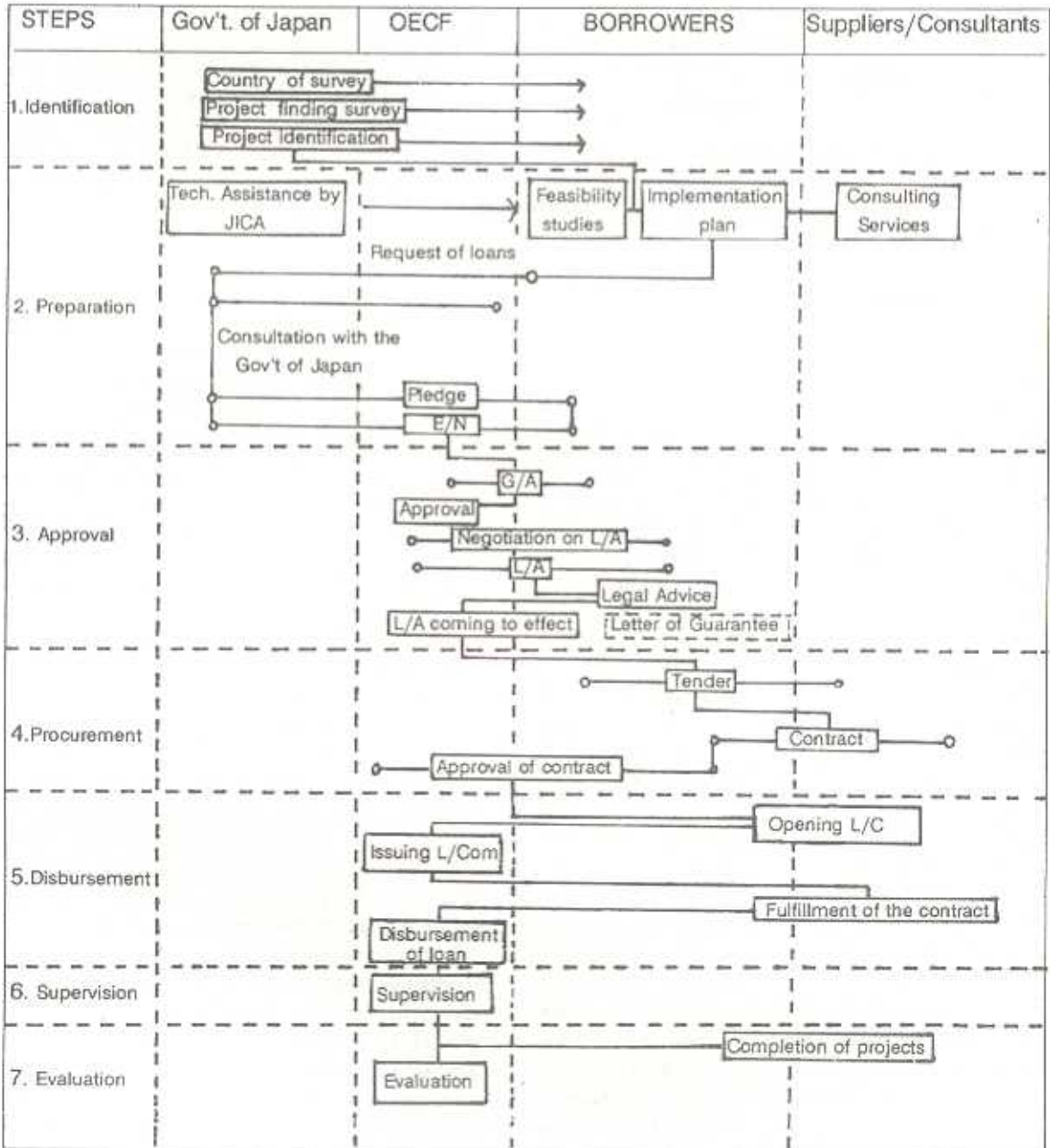
#### **Implementation of Yen Loans**

This section will examine the procedure of providing loans by the Japanese government through data from the Ministry of Foreign Affairs of Japan (MFA) and other agencies, [26] and the process of implementing these on the side of the Philippines, based on the "Philippine Administrative System for the Introduction and Employment of Foreign Aid", an article written by Koki Hirota, then of the OECF Research and Development Department. [27]

Seventy-five percent of yen loans are for project loans. According to data from the MFA, before loans are granted, the following steps are taken: 1) identification of projects; 2) preparation; 3) approval and loan negotiation; 4) procurement; 5) disbursement; 6) supervision; and 7) evaluation and examination of new projects, if any. (Figures 5 and 6)



Figure 5. Procedure of Yen Loans

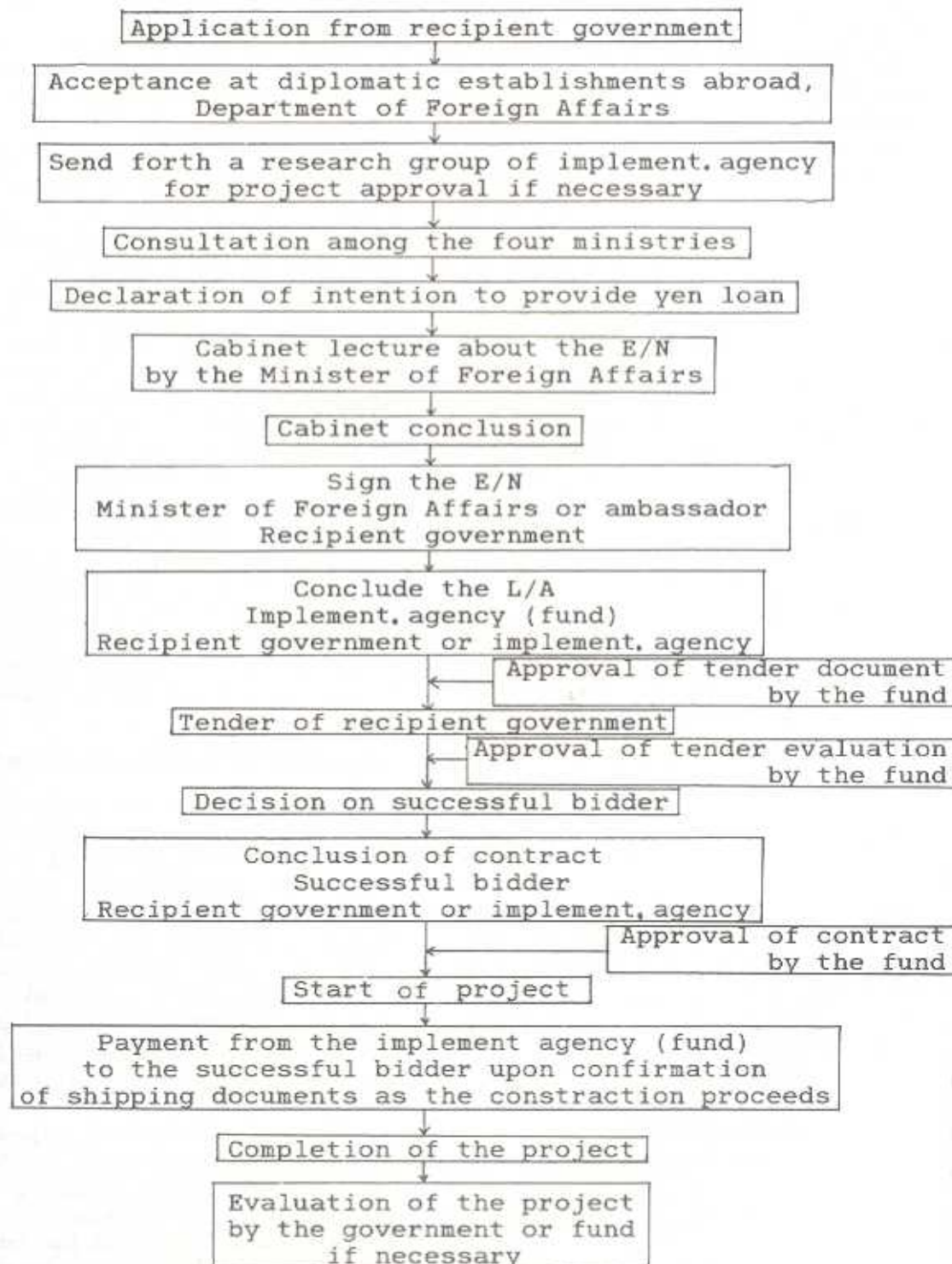


Source: Chart based on materials of Gaimusho (Ministry of Foreign Affairs); introduced in Masao Sakurai, *Kokusai Kyoryokuno Shikumito Hou* (Legal Problems of Development Cooperation; Tokyo: Senseido, 1985), p. 89.

E/N: Exchange of Notes  
G/A: General Agreement  
L/A: Loan Agreement  
L/C: Letter of Credit  
L/Com: Letter of Commitment



Figure 6. Implementation of Yen/Project Loans



Source: E. Sakamoto, "Yurage Nihon no Taigai Enjo 'Shinwa'" (The Waving 'Myth' of the Overseas Assistance of Japan) in *Sekai Shuho*, 29 April, 6 May 1986, p. 36.

In the first step, the Japanese government looks at the country profile and conducts "hakkutsu" [lit., excavation, especially of ancient ruins] surveys [28]. The intention behind these "hakkutsu" surveys, which are not mentioned on the Philippine side, has never been made clear. In the second step, the program for implementation is prepared on the basis of a feasibility study, after which applications for loans are submitted by the Philippine government to the Japanese government. According to Hirota, NEDA is the central authority for development projects of the Philippine government. NEDA makes decisions, coordinates with concerned agencies, and audits and evaluates projects. NEDA serves as "the window for foreign agencies". [29] After projects are studied and approved by the ICC, negotiations for loans begin. [30]

Upon receiving requests for loans, the Japanese government examines and reviews planned projects. Amounts and conditions for loans are decided on after consultations with the ministries of Foreign Affairs, Finance, and International Trade and Industry, and the Economic Planning Agency. [31] The Japanese government then gives its "pledge" to the Philippine side, and Exchange of Notes (E/Ns) follows.

From the third step onwards, much of the work is done by the OECF and representatives of the Philippine government. Schedules for release of loans and other conditions are discussed, after which loan agreements are signed by the two parties. Bidding for materials is then announced, and after suppliers are chosen, the OECF issues Letters of Commitment (L/Com) against Letters of Credit (L/C) opened by suppliers. Disbursement takes place when contracts are fulfilled. OECF and NEDA supervise and report on the progress of projects. Upon completion, they also prepare reports of completion, after which projects are then evaluated.

#### *ODA behind the scenes*

Hirota's article may be cited as a general reference on ODA. It suffers, however, from

a glaring omission, i. e., it neglects to say that a different system governs the disbursement of Japanese ODA, which can mislead people into thinking that yen loans are processed in the same manner as ODA from other donors.

The article, likewise, did not report on what had actually happened in the implementation of ODA, especially during Marcos' time. In the second step of the project cycle (preparation), where the OECF and Rodriguez played the central role, loan applications were submitted without a thorough examination and review by the aforementioned Japanese agencies. From the third step (approval) to the seventh (evaluation), no audit was done by an independent agency. Everything was carried out by the OECF and Rodriguez beyond public scrutiny. Therefore, padding or bribes concerning the tenders could never be known unless insiders spoke out. [32]

Fortunately, reports on the structure of rebate embezzlement, amounts set aside for rebates (eight to 20 percent of project cost), and involvement of Japanese *sogo-shoshas* would later find their way into the pages of popular magazines and other publications. [33] [34]

#### **The Role of Shoshas and Sogo-Shoshas**

A peculiar aspect of the yen loan rebate issue was the considerable participation of small *shoshas* (trading firms) that mediated between Japanese manufacturers and Marcos, such as Toyo Trading Co. (renamed as Toyo Technica in 1984) and P & N, (which split from Toyo), Ohira Overseas, and Sanritsu Trading Co (which became independent from Ohira Overseas), Sealand Enterprise Japan (or Sealand), and Sakai Heavy Industries (which was a manufacturer rather than a trading firm). (Table I)

On the other hand, Marubeni, a *sogo-shosha* (very large trading firm) posted the highest record of trading with the Philippines - equal to 116 billion yen - or 70 percent of the total amount of the 173 billion yen loan extended to the Philippines from the nine big *shoshas* in 1985. [35] Surprisingly, however, Marubeni



**Table 1. Japanese Companies Contracted for Yen Loan Projects to the Philippines**  
(First to 12th)

Name of Company	No. of Projects	Contract Amount (yen)
1. Toyo Technica	18	31,593,117,563
2. Sakai Heavy Industries	14	11,555,055,841
3. P & N	10	11,217,078,560
4. Marubeni	7	8,802,945,073
5. Toyo Trading	6	7,447,861,300
6. Ohira Overseas	18	5,960,670,426
7. Tomen	2	5,153,955,617
8. Mitsui Bussan	4	3,755,550,466
9. Kanematsu Kosho	4	3,153,536,893
10. Sumitomo Shoji	5	2,394,039,765
11. Kawatetsu Bussan	2	1,663,338,200
12. Hagiwara Seisajuko	3	1,583,421,699
13. Ito Shoji	4	1,562,369,677
14. Nihon Musen	1	1,550,487,000
15. Nissho Iwai	5	1,252,219,045
16. Sankyo Kogyo	1	1,187,794,575
17. Sumitomo Shoji	1	864,140,480
18. Seika Sangyo	1	626,906,682
19. Toyota Trading	7	616,784,389
20. Mitsubishi Shoji	3	506,600,970
21. Inoue Electric MFG	1	365,080,726
22. Yasutake Sangyo	2	321,666,826
23. CLM Cooperation	1	267,590,912
24. USIPHIL	1	239,409,572
25. Kurimoto	1	194,500,000
26. Deruta Juki	1	66,530,020
27. Komatsu	1	59,285,473
28. F-E-I	1	49,070,370
29. Ingasoluland	1	20,132,450
30. K Motor Sales	1	13,524,927
31. Kawatetsu Shoji	1	4,522,500
32. Yashima Company	1	3,425,230
33. MP-INC	1	2,029,600
34. Parona Trading	1	1,686,680
35. Kubota	1	1,685,316

Notes:

Technical Assistance Projects contracted to 24 consultants are omitted.

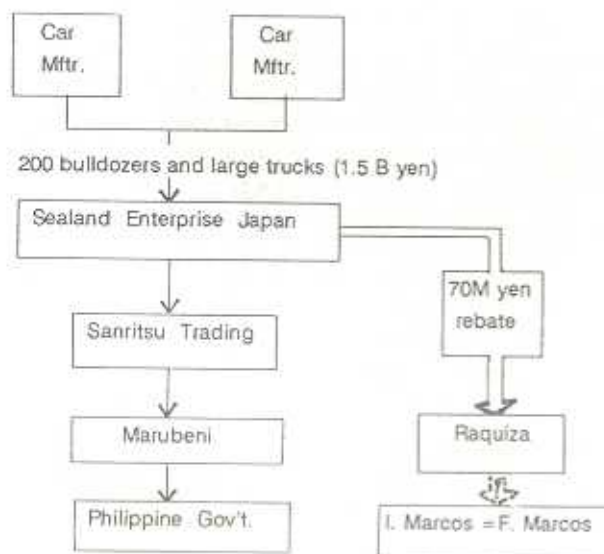
Among all the projects, which cost a total of about 103.3 billion yen, Toyo Trading (1, 3, 5) was involved in 34 of them, costing about 50.3 billion yen, 50 percent of total amount- (author's note.)

Source: *Yomiuri Shimbun*, 14 April 1986; based on reports submitted to the PCGG by Oscar Rodriguez.

hardly figured in the "Marcos documents". This was mainly because Marubeni had a separate, direct route to Marcos via Benedicto; and because Marubeni subcontracted projects to smaller *shoshas*. [36]

Let us dwell more lengthily on the second point. Right after the expose of the "Marcos Documents" in March 1986, different mass media groups were hot on the trail of yen loans, a competition which resulted in several scoops. For example, *Sankei Shimbun* (25 March 1986) reported extensively on the 70 million yen tax evasion case of Sealand. In 1981, 70 million yen was withdrawn in cash from an account in a Tokyo bank and was handed by the said company to a Filipino who was then in Japan. This was revealed by the National Tax Administration Agency (NTAA) in Tokyo in the autumn of the following year. They noted Sealand's failure to account for 150 million yen, including 70 million yen which was slapped additional tax. In an interview with *Sankei Shimbun*, Sealand president Toshio Yoneyama revealed that the Filipino recipient was Mr. Raquiza, former minister of Public Works and Highways who took over from B. Aquino. After Balao's death, Raquiza, who was reportedly not well-

Figure 7. Flow of Goods and Rebate in Eighth Yen Loan for Port Loading Facilities Expansion Project



Source: Translated and modified chart from *Sankei Shimbun*, 25 March 1986.

liked by Imelda Marcos, lost his job. In 1981, maybe in a bid to come back, he was reported to have offered to act as go-between in bringing money to Imelda, with Yoneyama's help.

According to the said article, this deal, facilitated by Marubeni, Sanritsu Trading, and Sealand, involved the purchase of 200 bulldozers and large trucks by the Philippine government, which were supplied by Sakai Heavy Industries from certain automobile manufacturers. (Figure 7) This shows how Marubeni was at first able to escape detection as a major participant in the transactions.

*Shukan Posuto* also wrote extensively on the complicated relationship between Marubeni, Sakai Heavy Industries, and Sanritsu Trading Co. According to its reports, "it is strongly suspected that Sanritsu Trading Co. was, in the first place, established by Marubeni as a dummy company for the purpose of sending rebates to Marcos". [37] (Figure 8)

Among the companies listed in Table 2, only one has been involved in several yen loan projects, thus the presence of Marubeni is even more remarkable, as it was involved in four projects, costing roughly 31.2 billion yen.

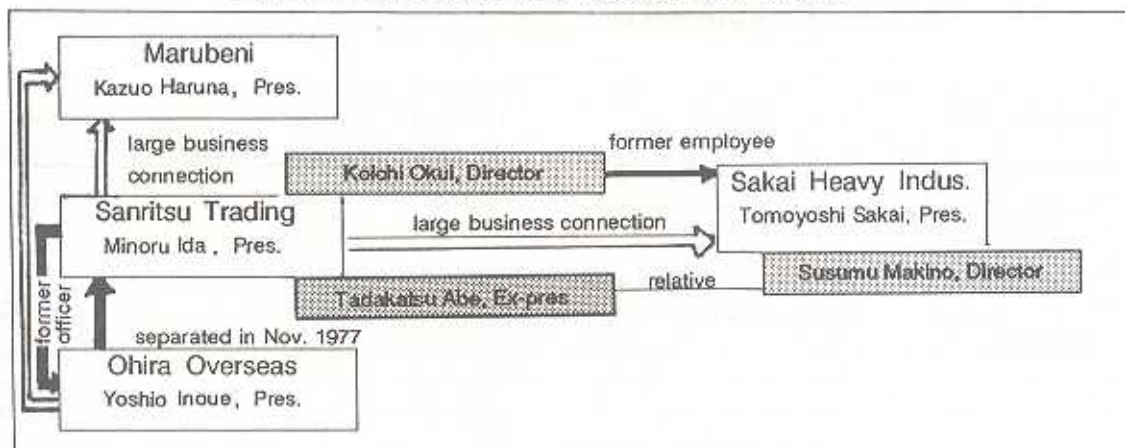
On 1 April 1986, PCGG Commissioner Raul Daza, reported that at least five Japanese companies, including Marubeni and Toyo Menka, were involved in yen loan rebate payments to Marcos, estimated to be as much as 500 million dollars. Based on reports from Japanese companies concerned, Daza explained the system of paying rebates as follows: [38]

The project's implementation agency (or the IO-author's note) would authorize the release of the project fund, part of which would be given to a Japanese prime contractor in a construction project. This prime contractor was usually represented by a large Japanese firm.

The prime contractor would then pass on 20 to 25 percent of the project money to a "special trading house" which allegedly took care of remitting the funds to Marcos or his nominees.



Figure 8. The Relationship Among Marubeni and Small *Shoshas*



Source: *Shukan Posuto*, 18 April 1986, p. 192.

Therefore, although Marubeni and other big shoshas are hardly visible in the "Marcos Documents", it cannot be said that they were above suspicion. Rather, it is proof of Marubeni's shrewdly planned operations that they were almost able to get away with being associated with the "Marcos scandal".

### "Economic Assistance is Like a Secret Budget"

Yen loans became suspect because actual operations were kept secret, and worse, hardly any kind of checking was conducted. In fact, of the seven loan procedures mentioned previously, only the exchange of notes would be publicized; all the others would be conducted behind closed doors.

What compounds this situation is that, as a practice, the Japanese government does not disclose the contents of contracts it enters into with traders, saying that this "secrecy is for the sake of diplomacy", or "for the sake of business interests" or "out of respect for the sovereignty of the other country". [39] Government officials are themselves very sparing with information and details. In this particular case, even the Board of Audit was not eager to examine the yen loan projects and has never pointed out any "improper expenses". [40]

Thus, implementing yen loan projects, a process which is not subject to any system of checks, has been the very hotbed of corruption on the sides of both the recipient and

donor. Not only have huge amounts of taxes been misused; loans which have no prospects of being repaid have also been incurred. The real victims are, therefore, ordinary citizens of both countries: Japanese who dutifully pay taxes which finance yen loans, and Filipinos on whom the burden of repayment falls.

In the words of a former Cabinet minister: [41]

"Economic assistance is like a secret budget. The way it is used is not controlled by the Diet. People are not informed about it. In addition, there is constant pressure for increasing it. It is the best way to raise political funds."

### Japanese Response to the "Marcos Scandal"

This section reviews and evaluates reactions of the Japanese government and its agencies to the exposition of these issues.

*The Ministries of Foreign Affairs, Finance, International Trade and Industry, and the Economic Planning Agency*

When the involvement of Japanese companies in the rebate problem was first discussed in the Diet, then Foreign Minister Abe reacted positively by expressing his support for the attempts to get to the bottom of the issue. He was quoted as saying that "it is important to change the orientation of Japanese economic assistance. I will try to cooperate with the efforts to examine our

**Table 2. Sogo-Shoshas' Participation in Yen Loan Projects (First to Ninth Loans)**  
 [Figures are the full costs of the projects, in million yen]

Sogo-Shosha	Project	Yen Loan	Amount	Note	Total Amount part. project
C. Itoh	Cagayan Valley Electrification	1st	5,191	Completed	15,611
	Cagayan Valley Electrification		10,420	Completed	
Kanematsu Goshō	Cagayan Valley Electrification	6th	5,191	Completed	9,791
	Mindanao Power Line Construction		4,600		
Sumitomo Shoji	(NPC)	NA	NA		
	(PNOC)	NA	NA		
Toyo Menka	Expansion of Aviation Security Facilities	7th	5,270		5,270
Nichimen	None				
Nissho-Iwai	(PNOC Pier)	NA	5,410		5,410
	Improvement of Manila Metropolitan Transportation System				
Marubeni	Subic Repair Dock	5th	11,230	Completed	31,200
	Power Generation Plant	Special	7,000		
	Metropolitan Transportation System	8th	5,410		
	Leyte Industrial Zone Harbor Construction	9th	7,560		
Mitsui Bussan	National Railways	3rd	1,898	Completed	
	Commuter-Transportation Reinforcement				
	Expansion of Postal Management Facilities	8th	850	Completed	
Mitsubishi Shoji	None				

Source: Mamoru Tsuda and Masaki Yokoyama, "Politics of Yen Loans to RP", in Mamoru Tsuda and Leo Deocadiz, eds., *RP-Japan Relations and ADB* (Manila: National Bookstore, 1986).

assistance program." [42] He also announced that the "Assistance Evaluation and Examination Section" of his private advisory body, the "ODA Implementation Efficiency Study Group", had already begun to examine the concept of economic cooperation. [43] Their group, however, avoided any mention of the fact that the issue was in any way part of the "Marcos scandal". [44]

The Ministry of Foreign Affairs also sent a fact-finding team to the Philippines in order to conduct a field survey. They, however, also avoided touching the issue of rebate payment. How, then, could they conduct any fundamental "review" without dealing with the "Marcos scandal"?

In May 1986, officials of the four government ministries involved in ODA interviewed

representatives of 12 Japanese companies mentioned in the "Marcos Documents". A report was then submitted to the Philippine Economic Assistance Special Investigating Committee of the House of Representatives, containing, among other things, the following items: 1) almost half of the commissions recorded in the said documents, most of which were equivalent to 15 percent of loans, were confirmed to have been paid; 2) all companies considered payment of commissions as a normal procedure in ordinary commercial transactions; and 3) among the 20 cases of payment recorded in the said documents, the legality of at least 14 cases could not be confirmed. These companies were not named nor were details of the hearings announced. The reason given by the government



was that these were "voluntary" hearings, leading one to suspect that the government was protecting the companies.

In the end, even Foreign Minister Abe's "effort to investigate" turned out to be mere lip service. Up to now, the truth about the "Marcos scandal" has never been completely uncovered. What was obvious, though, was the attempt of the Japanese government to prevent more exposes and investigations of the scandal by exerting pressure on the Philippine government in return for promises of assistance.

### *The Board of Audit*

In April 1986, the Board of Audit (BoA) also decided to undertake an audit of foreign assistance projects and restructured its personnel for this purpose. Prior to this, loans and grants were administered by separate offices, a set-up which resulted in communication and coordination problems. These offices were also severely understaffed.

In the spring and summer of 1987, three- to four-member teams were sent to seven countries, including the Philippines, in order to conduct field surveys. They discovered controversial items, not only in the disbursement of yen loans to the Philippines, but in the entire ODA program. They were not able to examine them any further, however, because the Ministry of Foreign Affairs said that such a move would constitute interference into each country's domestic affairs. As feared, the BoA has, up to now, been unable to expose cases of corruption related to the use of the loans.

In December 1987, a 20-member foreign affairs audit section was established in the BoA, and was assigned principally to audit ODA projects. Shigekazu Okabe, the section chief, however, declared early on that "we are not linked concretely to the Marcos scandal or to JICA's activities", revealing a lack of enthusiasm or will to tackle the corruption problem. [45]

### *State Prosecutors, the Police and the NTAA*

Although both the state prosecutors and the police expressed a strong interest in the ODA issue, they did not make any move to investigate it as they did with the Lockheed incident. They said that an investigation could not be made unless domestic law had been violated, or a foreign government had requested such a legal action. According further to them, the "Marcos scandal" did not merit such a move since the "Marcos Documents" were dated and the period to prosecute anyone had lapsed by the time they were disclosed. [46] There was also no obvious attempt by the local authorities to expose the rumored fund flowback to Japan.

The NTAA started investigating the tax angle of the controversy soon after the "Marcos Documents" were first disclosed. A year and a half later, they reported that about 1.6 billion yen was found to have been omitted from the amounts that six companies submitted for assessment, (about 600 million yen was collected in addition as fine). [47] This confirmed, albeit partially, that rebate payments amounted to 25 to 30 percent of loan amounts. Assuming, however, that the total loan amount of 500 billion yen slated for until 1985 included provision for rebate, an average of 20 percent rebate becomes equivalent to 100 billion yen. Therefore, one can see how the 1.6 billion yen can easily be only the proverbial tip of the iceberg.

Even considering a sensitive issue like "interference into domestic affairs", it is doubtful whether investigations conducted with the Philippine government or PCGG were sufficient. What is sure, however, is that announcing the "completion" of the tax investigation brought about an anti-climactic end to the play entitled the "Marcos scandal".

### *The Diet*

The parties in the Diet immediately took up the controversial issue and criticized the pas-

sive attitude and behavior of the government towards the "scandal". On 25 March 1986, Economic Planning Agency Director Wataru Hiraizumi, who was in charge of OECF loans, said at a news conference that "to meddle in the 'Marcos scandal' constitutes interference into the Philippines' domestic affairs". The opposition demanded that Hiraizumi take responsibility for his statement and asked him to resign. The opposition was later placated by an apology from Hiraizumi, with an added promise to establish a special committee to investigate the issue. [48]

This special committee for Philippine economic assistance was created a month afterwards, and discussions were held in both the Lower and Upper Houses. The opposition, however, lacked new data regarding the flow-back of funds to Japanese politicians, a situation which was aggravated by government's refusal to share information. It seemed that they were more preoccupied with the double elections to be held close to that time.

#### *Corporate response and the question of "proper commission"*

When information about the Marcos documents reached Japan, all the Japanese companies mentioned in them denied any involvement. The PR section of the Marubeni head office, for example, said that "we don't know which among the various commodities we handled, from iron to fiber, was the one in question". Toshihiko Morita, business section chief of Sumitomo Shoji, also declared that "it was a misinformation". [49] Sumitomo Shoji, however, recanted its statement on the same day and Morita himself admitted that, when they signed the contract for power transmission materials on the Seventh Yen Loan in 1979, they sent more than 210 thousand dollars, which constituted five percent of the contract amount, to a Philippine agency as commission for providing information about the power development plan in the Philippines, and the materials and supplies needed. [50]

Kanematsugosho Co. also confirmed its payment of about 400 thousand dollars recorded in the "Marcos Documents". They said the amount was paid as commission (equivalent to 95 million yen) for a one billion-yen contract to supply substation and power transmission materials under the Sixth Yen Loan package for the Cagayan Valley Electrification Project. [51] This was equivalent to about 10 percent of the contract amount and they, as well as Sumitomo Shoji, called it "proper commission". [52]

Likewise, Toyo Trading Co., which was found to have paid the equivalent of 15 percent of project cost as commission, said through its president, Hisashi Nomura, that the act "was legal in terms of both the amount and the manner of payment". [53] (Foreign Minister Abe later argued, however, that this kind of commission "is really bribery if the money was extended to Mr. Marcos". [54])

The issue of paying commissions was noted by the NTAA in 1979, which subsequently limited the cases that could justify payment of such to those with: 1) signed contracts stipulating payment of commission before projects start; 2) specific statements of information and services to be provided; and 3) reasonable amounts to be paid for such information and services. [55] Since all the companies mentioned were engaged in "suspicious" transactions involving commissions, are they not obliged to offer explanations, including the disclosure of the details of their contracts? The PCGG might be able to prove, sooner or later, that bribery was indeed committed. When that time comes, however, it might be impossible for Japan to charge concerned individuals because the period in which the cases can be legally brought to court might have lapsed by then.

What these tell us is that Japanese companies had made the most of the "lessons" that the Lockheed scandal in 1976 taught them. This can be seen in the move to change the rebate route from 1977 to 1978, and to set up a complicated mechanism of rebate control, in order to avoid easy detec-



tion for those responsible. As a result, the six companies got away with having to pay only six million yen in taxes and the rest, such as Marubeni and the politicians, were not even slightly touched.

### Attempts at Reforms

After the "Marcos scandal" was publicized and JICA's involvement in a bribery case was disclosed, "the people's concern about the various systems of assistance was enhanced", and thus intensified the discussion to "overhaul once again the entire assistance system, with the end in view of offering proper and effective assistance". [56] Therefore, the Japanese government was obliged not only to respond to the suspicions raised, but also to start its own review of the "assistance" program.

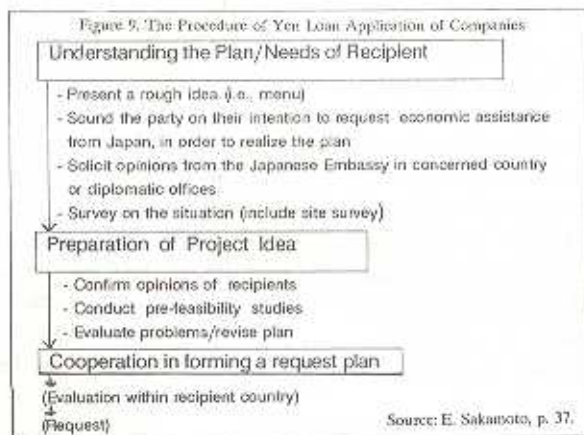
In January 1987, an "assistance study panel" for 20 countries was established by the Ministry of Foreign Affairs, [57] starting with the "Country Study Group for Development Assistance to the Republic of the Philippines" headed by Prof. Akira Takahashi of the University of Tokyo. Together with researchers and JICA, which acted as secretariat, the study group conducted field surveys of ODA projects in the Philippines, and completed their report after three months. [58]

In June and July, two successive missions, the Philippine Economic Cooperation Research Group (or the Okita Mission), and the Federation of Economic Organizations, visited the Philippines, in fulfillment of a promise

made to Aquino during one of her visits to Japan.

Councilor Takahiro Kawakami of the Ministry of Foreign Affairs, who came to Manila as a member of the Okita Mission, suggested that besides the usual "request" basis as the first step in availing of ODA, the "offer" basis should be considered. [59] So far, although the "request" system has supposedly governed ODA operations, the actual process has been that Japanese companies would often conduct surveys so that they can themselves supply the "requested items" of recipient governments. (Figure 9) [60] These informal surveys have always been done previously. (The suggestion made, in fact, would merely formalize usual practice.) What the Japanese government wanted was to be able to offer projects without a formal request from the recipient, because then it would be easier for them to evaluate the manner in which ODA is used and implemented. Corollary to this, of course, is that they wanted to be able to initiate many projects so that they can fully dispose of an ever increasing ODA budget.

On the Philippine side, more concrete proposals were presented before the Okita Mission, specifically, that ODA be used to assist the Aquino government's land reform program. The OECF, however, responded that it could not give its allotted funds as landowners' compensation because of prior restrictions. [61] Thus, the Japanese said that they were prepared to discuss cooperation regarding marginal projects to facilitate agrarian reform like financing, popularization, and in-



frastructure. [62] Nevertheless, they agreed to the use of "collateral funds" in pesos for landowners' compensation and for commodity loans, which, they promised, would increase considerably in the future. [63]

Besides these, the Japanese government also announced that, henceforth, names of companies that receive job orders would be publicized. [64] In October 1987, OECF President Mitsuhide Yamaguchi said that ODA is "mostly citizens' taxes and therefore, must be used properly to make it most beneficial. We will announce officially the names of the companies as much as possible". [65]

Much still needs to be done, however, with regards to the implementation of these reforms. In the "announcement" of names of companies made in December that year, for example, not only did contracted amounts remain unclear; the list was also very selective. Only five projects for six companies were mentioned. This was because the announcement included only new contracts, which cost more than one billion yen per project (with more than 100 million yen as consultancy fee). [66] It was way below public expectations. Moreover, no company linked to the Philippine yen loans was included. In the second "announcement" by the OECF in October 1988, only 44 names were listed under similar standards. Likewise, not one had to do with Philippine yen loan projects. [67]

### Breeding Ground for Corruption

In 1988, three seemingly unrelated news items appeared at around the same time:

1) For a year up to July 1988, as much as 57 billion yen was listed as expenditure that companies involved in the controversy could not account for (the largest amount in history). At first, they could not name any recipient. Based on investigations, however, it was later found out that secret contributions were given to politicians (about 2.4 billion yen) and rebates given to transacting parties. This is based on the NTAA's investigation of amounts set aside as rebates of 20 percent of large enterprises, i. e., those with a capitaliza-

tion of 100 million yen, or 5,000 companies. Assuming that the remaining 20,000 enterprises would do the same, the total amount would be a staggering 300 billion yen! (The Recruit scandal, which was based largely on the distribution of "operational funds" to political and bureaucratic circles, was a typical example of this process. [68])

2) According to *Asahi Shimbun* (31 December 1988), the Kensetsusho (Japan's Ministry of Construction) holds a "list of favorites" from which successful bidders for construction projects are chosen. "Membership" in such a list has been decided on by members of the industry. This confirms the strong link between government and business.

3) On 23 December 1988, a conference on overseas economic cooperation was held by the ministers of Finance, Foreign Affairs, International Trade and Industry, and the Director-General of the Economic Planning Agency. Also present in the conference were a number of LDP politicians and cabinet ministers who normally would not be interested in such a meeting. According to an LDP member, "there is strong psychological pressure on politicians and government officials to get their hands on a continuously increasing ODA budget". Politicians, according to him, look at ODA as "similar to the war reparations project, thus, very 'tempting' for those who want to take part in the distribution of the budget". [69]

The three cases mentioned above clearly indicate the interlocking relationship of Japanese business groups, politicians, and bureaucrats. The "Marcos scandal" took root in such an environment, which likewise nurtured both the Lockheed scandal (1976) and the "Recruit controversy" (1988).

While investigating the "Marcos scandal", the issue of rebate flowback to Japan, which was the most important factor from the point of view of the Japanese, did not prosper into a real issue, and has become little more than an unconfirmed rumor. As for the rebates paid to Marcos, only a small part of it was charged under the tax law, but the whole case



was not treated as a criminal act, nor was anyone tried for bribery.

An important figure who could have shed light on the scandal, then PCGG Chairman Salonga, had expressed his intention to visit Japan. The Japanese government, however, was not too keen on the idea, and he was never invited. [70] The then ruling Liberal Democratic Party has been unenthusiastic about cooperating with the PCGG, probably to prevent any risk of exposure for their members.

Meanwhile, the Philippine government is bent on collecting the millions that Marcos had stashed away. At the same time, it also needs to maintain a good relationship with the Japanese government since the former wants continued economic assistance from the latter. Therefore, the Philippine government would not want to make the situation any worse than it is now. Data from official investigations are, thus, likely to remain classified unless there are information leaks and independent researches by the press, such as the report of the *Manila Chronicle* on the rebates from war reparations in September 1988.

As exemplified by the Recruit scandal, fund transfers and the close relationship among politicians, bureaucrats, and businessmen together form a structure which facilitates bribery. In a sense, this has become daily fare in Japanese politics through practices like the almost mandatory contribution of funds by businessmen to certain political parties and factions, purchase of tickets for political parties' fund-raising events, and other similar activities.

The attitude of politicians regarding "assistance" has not changed at all since the period of war reparations, as shown above. Within this context, the "Marcos scandal" can easily be repeated, although it will probably be conducted in a more cunning and subtle manner. What the Lockheed and Marcos scandals have taught company managers and politicians is that it is best not to transfer funds directly, but to skillfully create a mechanism for fund transfer consisting of several stages. In this

way, they can hide behind these "several stages" if ever there is any investigation. They can always repeat the claim that what they give or receive are "proper commissions" without showing any data.

Also, they have learned that the rebate flow-back to Japan may be inconspicuous if it comes in the form of ordinary contributions to political parties' funds from businesses to groups supporting political parties, or by using names of dummies and breaking up the amount into little chunks, rather than transferring large amounts at once. And then again, they can always play innocent if they are found out.

Since Japanese politics and business seem to have gained much from this system of extending "assistance", it is hardly likely that bureaucrats and businessmen will stop practicing the "best way to raise political funds" in the future. Or, even supposing that Japan's ODA program has been ideal and properly carried out, having a partner like the Philippines where graft is institutionalized means that corruption can be practiced at every step of project implementation.

### Countering Corruption

At this point, we can ask: how can we eradicate corruption? It is important that we deepen concern about ODA among ordinary taxpayers, and together with journalists and researchers, closely monitor the ODA-related activities of the government. There are also moves to push for the enactment of the "Fundamental Law of International Development Cooperation" (see Document Section - Ed.), which should consider the following points:

- 1) Crimes committed in relation with other countries, particularly with regards to ODA, should not be allowed to go unpunished just because the period in which these can be brought to court had already lapsed. Prescriptions for such crimes must be abolished.

- 2) ODA projects must be implemented openly without bias for diplomatic or business interests. [71] It should be clearly stated that no secret deals between com-

panies/governments will be allowed in the E/Ns and loan agreements.

3) Provisions for evaluation and audit of ODA projects must be made. Independent audits and project reviews must be done by international agencies without the participation of countries involved in the projects. Subsequent projects should be implemented based on these evaluations, which should be allocated for in the budget of projects.

It is also preferable that auditing bodies be composed of specialists recommended by people's movements, representatives of opposition parties in recipient countries, and non-governmental organizations (NGOs) that are directly involved in development work in the Third World. Such bodies will be helpful in international efforts to monitor aid.

4) Loans and grants from all donors should be processed and disbursed through only one office, such as NEDA in the Philippines.

5) Smaller but numerous projects are preferable to big projects in order to prevent the transfer of large amounts as commission or "kickback".

It is expected that politicians and business groups that have been benefitting from the present system will strongly oppose the proposals above. Thus, legislation is impossible without considerable support and pressure from people's movements. The key

factor is solidarity with people's movements in recipient countries.

### An International Network to Audit ODA Use

After the disclosure of the "Marcos Documents", Japanese citizens who had been concerned with ODA since 1983 became more active in investigating suspicious cases. Links with the people's movement in the Philippines, however, have not been very strong. For one thing, the attempt to expose the "Marcos scandal" seems to have centered on recovering the funds that Marcos had received as rebates. For another, people's organizations often concentrated their efforts on tackling issues like agrarian reform, US bases, elections, attempted coups, and human rights, while giving low priority to problems like ODA.

The situation has not changed much since the "Marcos scandal" first broke out in the press. Thus, efforts to correct it should all the more become persistent and consistent. What can be done at this point is to establish an international network composed of people's movements, peasant groups, the labor movement, journalists, lawyers, and researchers that would monitor and audit the use (and misuse) of ODA. Only by working together will people be able to make changes that matter.

### Notes

1. Danilo Luis M. Mariano, "Was government serious about the PCGG?", *Philippine Free Press*, 10 September 1988, p. 7.

2. Besides Salonga, Daza, and Diaz who are mentioned in the text, the other commissioners were Pedro Yap and Mary Concepcion Bautista.

3. *Nihon Keizai Shimbun* and others, 28 August 1987.

4. *Asahi Shimbun*, 24 April 1987.

5. Romeo A. Reyes, *Official Development Assistance to the Philippines: A Study of Administrative Capacity and Performance*, (Manila: National Economic and Development Authority, 1985), p. 53.

6. *Ibid.*, p. 56.

7. According to the *Asahi Shimbun*, the post of the IO was created in 1967 with Manuel Salientes as the first IO, and Rodriguez took over in 1971, 8 April 1986.

8. *Ibid.*, p. 54.

9. Department of Trade and Industry, ed., *Keizai Kyoryoku no Genjo to Mondaiten* (The Situation and the Problems of Economic Cooperation), Trade and Industry Research Group, 1976, p. 342.

10. *Asahi Shimbun*, 23 March 1986.

11. *Tokyo Shimbun*, 27 March 1986.

12. *Yomiuri Shimbun*, 2 April 1986.

13. *Mainichi Shimbun*, 23 March 1986.

14. Reported by the *Manila Chronicle* on 20 September 1988, and was also relayed to Japan by Kyodo



Den. Reported by *Mainichi Shimbun* the following day.

15. The reparations program ended in 1976, but some projects were delayed in the implementation process.

16. *Manila Chronicle*, 20 September 1988.

17. According to Mitomi Masayoshi, P & N President, *Akahata*, 26 March 1986

18. *Mainichi Shimbun*, 31 March 1986. *Yomiuri Shimbun*, 14 April 1986.

19. *Asahi Shimbun*, 28 April 1986.

20. *Sankei Shimbun*, 28 April 1986. Report from *Kyodo Den* on 26 April 1986.

21. *Mainichi Shimbun*, 12 April 1986.

22. According to the testimony of Toshio Yoneyama, president of Sealand, after the death of Balao, "Genito was controlling everything and Rodriguez was only a technocrat". *Sankei Shimbun*, 31 March 1986.

23. Japanese International Cooperation Agency, "Country Study for Development Assistance to the Republic of the Philippines", 1987, p. 45.

24. It is not known whether "Implementation Officer" was a typographical mistake of "Implementing Officer", or they actually changed the term.

25. *Nihon Keizai Shimbun*, 5 June 1986.

26. Masao Sakurai, *Kokusai Kaihatsu Kyoryoku no Shikumi to Ho* (The System and the Law of International Development Cooperation; Sanseido, 1985). There is an explanation of the yen loan procedure based on data from the Foreign Affairs Ministry on pp. 75-123.

27. Koki Hirota (OECF Research and Development Department, Research Section 1), "Firipin no Enjo Ukeire, Jisshi Gyosei" (Philippine Administrative System for the Introduction and Employment of Foreign Aid) in *OECF Research Quarterly*, No. 46, July 1984, pp. 54-68.

28. Sakurai, *op. cit.*, p. 90.

29. Hirota, *op. cit.*, p. 56.

30. *Ibid.*, pp. 61-64.

31. Sakurai, *op. cit.*, p. 93.

32. Kiyoshi Wakamiya, *Ako Na*, (Jyoho Center Publisher, 1984), pp. 202-203.

33. *Ibid.*, p. 201. There is also a similar comment attributed to Hideo Den, member of the House of Councilors, in *Shukan Gendai*, 1 March 1986, p. 22.

34. Yuki Ichi, "Firipin Shakkan, Matamo Magatacho de Sasayakareru 'Giwako' no Kozo" (Loans in the Philippines: The System of the Suspicion Rumored Again in Nagatacho), *Asahi Journal*, p. 19.

35. "Beigikai 'Marukosu Gokuhai Bunsho' Kohyo to Marubeni 'Shachoshitsu' no Taisei (The Disclosure of the 'Marcos-Top-Secret-Documents' by the US Congress and the System of the Marubeni President's Office - Inquiry into the Philippine Loans Controversy, Part III) in *Shukan Posuto*, 4 April 1986, p. 44. See also *Mainichi Shimbun*, 11 April 1986. *Sogo-shoshas* are Japanese large trading firms which handle an extremely wide variety of goods and services.

36. *Sankei Shimbun*, 31 March 1986. There is a similar comment in *Asahi Shimbun*, 29 March 1986. Takao Sekiguchi, chief editor of the Sunday edition of *Akahata*, said in a symposium that when the Philippine economy broke down in 1984, Marubeni, foreseeing the fall of the Marcos regime, sent a special team to the Philippines and conducted their "MM Plan" in order to settle everything. See also *Akahata*, 30 March 1986.

37. "Marubeni" to 'Marukosu' wo Musubu Dami Gaisha no Shotai wo Arau - Tai Firipin En Shakkan mondai Shinsou Tsuikyuu Dai 5 Dan" (Debunking the Dummy Company Connecting "Marubeni" and "Marcos" - the Investigation of the Philippine Yen Loan Issue, Part V) in *Shukan Posuto*, 18 April 1986, pp. 192-194.

38. *Business Day*, 2 April 1986, then later compiled in Mamoru Tsuda and Leo A. Deocadiz (eds.), *RP-Japan Relations and the ADB, In Search of a New Horizon* (Manila: National Book Store, 1986), pp. 80-91.

Also articles based on this in *Asahi Shimbun* and *Mainichi Shimbun*, 2 April 1986. According to *Malaya* (2 April 1986), the five Japanese companies were, besides Marubeni and Tomen, P & N, Ohira Overseas, and Sanritsu Trading Co..

39. *Asahi Shimbun*, "Enjo" Shuzaihan (Reporters' Team on Development Cooperation), *Enjo Tojokoku Nippon* (Japan: Still a Developing Country in Development Cooperation; *Asahi Shimbunsha*, 1985), p. 106.

40. *Ibid.*

41. *Ibid.*, p. 108.

42. *Mainichi Shimbun*, 25 March 1986.

43. *Mainichi Shimbun*, 25 March 1986.

44. *Asahi Shimbun*, 25 March 1986.

45. "ODA no Kensa Taisei wo Jujitsu - Kaikei Kensain 'Gaimu Kensaka' wo Shinsetsu" (Complete the ODA Audit System - Set Up a Foreign Affairs Section in the Board of Audit) in *Kokusai Kaihatsu Journal*, No. 375, March 1988, p. 28.

46. *Mainichi Shimbun*, 24 March 1986. In case the Japanese investigative bodies start to investigate, the suspicion could be charged as bribery, violation of the foreign exchange law, violation of the political fund law, breach of trust, or evasion of taxes. (*Sankei Shimbun*, 30 March 1986.)

47. All newspapers, 28 August 1987.

48. All newspapers 26, 27 March 1986.

49. *Asahi Shimbun*, 21 March 1986.

50. *Mainichi Shimbun*, 23 March 1986.

51. *Asahi Shimbun*, 25 March 1986.

52. *Nihon Keizai Shimbun*, 25 March 1986.

53. *Yomiuri Shimbun*, 23 March 1986.

54. All newspapers, 30 March 1986.

55. *Tokyo Shimbun*, 28 March 1986.

56. Comment of Takahiro Kawakami, Ministry of Foreign Affairs, Economic Cooperation Office Investigator, at the symposium on "The Aim of the Country Study for Development Assistance - a New Style of

