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Rich Family Loses Power in Bitter Feud With Marcos

By Joseph Lelyveld Special to The New York Times

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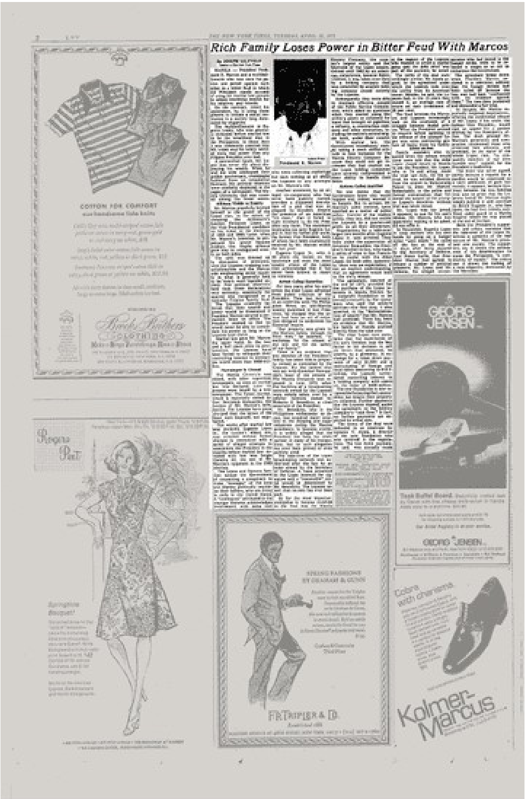
Rich Family Loses Power in Bitter Feud With Marcos

MANILA — President Ferdinand E. Marcos and a multimillionaire who was once his patron are pitted against each other in a bitter feud in which the President stands accused of using his martial law powers to amass enormous wealth for his relatives and friends.

On the contrary, retort his spokesmen, he is using those powers to initiate a social revolution in a society long dominated by oligarchs.

The multimillionaire is Eugenio Lopez, who was generally reckoned before martial law to be the wealthiest man in the Philippines. In those days it was commonly asserted that Mr. Lopez and his family wielded more real power than any Filipino President ever had.

A patriarchal figure, Mr. Lopez was never shy about displaying his wealth. When he and his wife celebrated their golden anniversary, champagne bubbled from an ornamental fountain. His political interests were similarly displayed in the pages of a newspaper, The Manila Chronicle, that was counted among his lesser assets.

Alliance Yields to Enmity

Mr. Marcos gratefully hitched himself to the power of the Lopez clan, to the extent of choosing the millionaire's brother, Fernando Lopez, as the Vice Presidential candidate on his ticket in the elections of 1965 and 1969. Later, when Mr. Marcos's intention to perpetuate his power became evident, the fragile alliance gave way to undisguised enmity on both sides.

The split was dressed up in discussion of principles, with the Lopezes stressing constitutionalism and the Marcos side emphasizing social equality in What Is generally held to be Asia's most lopsided society. Few political observers here took these declarations very seriously; essentially the quarrel was recognized as a typically Filipino family feud.

The Lopezes evidently believed that their wealth and power would be threatened if President Marcos secured a permanent lease on office. The President seemed to feel he would never be able to consolidate his power so long as the Lopezes kept theirs.

Martial law gave Mr. Marcos the upper hand. In the two and a half years since its proclamation, the Lopezes have been forced to relinquish their controlling interest in enterprises worth more than $400-million.

Newspaper Is Closed

The Manila Chronicle was closed, with other opposition newspapers, as soon as martial law was declared. Later its presses were leased by a new newspaper, The Times Journal, which is reportedly owned by Gov. Benjamin Romualdez, the brother of Mr. Marcos's wife, Imelda. The Lopezes have since charged that the terms of the lease were imposed, not negotiated.

Ten weeks after martial law was declared, Eugenio Lopez Jr., the tycoon's eldest son, was arrested without formal charges in connection with series of alleged attempts to assassinate the President in the months before martial law. Arrested with him was Sergio Osmena 3d, the son of Mr. Marcos's opponent in the 1969 election.

The Lopez and Osmena families accuse the Government of concocting a conspiracy to make “hostages” of the sons and thereby politically neutralize their fathers, who are living in exile in the United States. A “confession” attributed to they younger Osmena acknowledges involvement with some men who were collecting explosives but says nothing at all about the Lopezes or any attempts on Mr. Marcos's life.

Another statement, by an alleged co-conspirator who has never been publicly named, provides a disjointed description of a plot that was so plagued by blunders, despite the presence of an American “hit man,” that it failed in eight attempts to do the President any harm. This statement implicates not only Eugenio Lopez Jr. but his father and uncle, the former Vice President, both of whom have been courteously received by Mr. Marcos within the last year.

Eugenio Lopez Jr., who is 46 years old, insists on his innocence and even the most caustic critics of the Lopez clan acknowledge that it has never been known to resort to violence.

Arrest Called Extortion

For two years after his son's arrest the elder Lopez refrained from public criticism of the President. Then last January, in an interview with The Philippines News, an anti-Marcos weekly published in San Francisco, he charged that the arrest had been an act of extortion designed to undermine his financial empire.

“Our property was given to the Marcos family through its front men,” he asserted, “in exchange for the release of my son and for the safety of our family.”

There is no evidence that any member of the President's family has taken title to property owned or controlled by the Lopezes. But the pattern that was set with Governor Romualdez's lease of the presses of The Manila Chronicle was repeated in June, 1973, when the facilities of a broadcasting network owned by the Lopezes were simply taken over by a smaller network owned by Roberto S. Benedicto, a close associate of the President.

Mr. Benedicto, who is the Philippines Ambassador to Japan, has acquired major interests in the shipping and sugar industries during the Marcos presidency. In business circles, it is widely alleged that the President has been his silent partner in many of his transactions, but no such allegation has ever been proved or even publicly aired.

The take-over of the Lopez broadcasting network was authorized after the fact by an order signed by the Secretary of Defense. A lease presented to the Lopez interests for signature said a “reasonable” rental would be determined by Mr. Benedicto. The Lopezes assert that no rent has ever been paid.

By far the most important enterprise to become involved in the feud was the Manila Electric Company, the country's largest utility and the keystone of the Lopez empire. Owned until 1962 by an American corporation, General Public Utilities, it was taken over then by a holding company that was controlled by another holding company owned entirely by the Lopezes.

Subsequently they were able to maintain effective control of the Public Service Commission, which asked no questions when they started using the utility's assets as collateral for loans that brought oil pipelines, a refinery, a construction company and other enterprises, including the nation's second largest bank, under their control.

With martial law, the Government immediately started taking a much stiffer attitude to rate increases for the Manila Electric Company. Because they could not get increases they had counted on, the Lopez holding companies were severely compromised in their ability to handle their debts.

Actions Called Justified

No one denies that the Government knew this would happen and, indeed, wanted it to happen. But its actions, Mr. Marcos's aides contend, were justified as a matter of public policy. Control of the leading utility, they say, did not entitle the Lopezes to a guaranteed profit on all their enterprises. Negotiations for a take-over began two months after Eugenio Lopez Jr was arrested. They were under the supervision of Governor Romualdez, the Presi dent's brother-in-law, who made a series of trips to San Francisco to confer with the elder Lopez. On both sides, apparently, there was an expectation, if not an explicit understanding, that an agreement would lead the son's release.

The agreement, reached at the end of 1973, provided for the purchase of the Lopez interests in Manila Electric by a nonprofit foundation to be owned eventually by the consumers who used the utility's services—the first step, it was asserted, in the “democratization of wealth” that Mr. Marcos had promised. There has been no evidence that Mr. Marcos, his family or friends profited directly from the take-over.

The elder Lopez now maintains that the expectation of his son's freedom was the key factor in his decision to sell on terms that amounted, he asserts, to a giveaway. In exchange for a token down payment of only $1,500 and restructuring of foreign and local debts amounting to $12.2-million, the Lopezes surrendered controlling interest in a holding company with assets on the order of $400-million. The new foundation is now responsible forpaying the Lopezes' debts but retains their property as collateral. Further payments due the Lopezes depend, under the agreement, on the holding company's “cash flow.” In fact, no further payments are expected by either side.

The terms of the deal were defended in an interview by Antonio V. Ayala, a director of the new foundation who was involved in the negotiations. The low down payment, he said, was actually made at the request of the Lopezes who wanted to avoid a capital gains tax; the debt relief was part of the payment, he noted.

The terms of the deal were strikingly similar, Mr. Ayala argued, to the agreement under which the Lopezes took over the utility from its American owner. Besides, he said, the Lopezes had, in the 12 years they owned it, an average rate of return on their investment of 29 per cent.

The feud between the Marcoses and Lopezes increasingly took on the overtones of a struggle between feudal princes. What the President seemed to require before agreeing to the release of the younger Lopez was some convincing gesture of fealty from his family.

Silent on Son

Family members who inquired when the release would come were told that the elder Lopez should return to Manila to see the President. Mr. Lopez, who is 74 and ailing, made the visit last July. On his arrival, he was whisked directly from the airport to Malacanang Palace to meet Mr. Marcos. Remarkably, in the polite and formal conversation that followed the subject of the younger Lopez's detention without trial was never raised.

Mr. Lopez was too proud, it appears, to sue for his son's release. Mr. Marcos, who was apparently waiting to be asked, did not offer it.

In November, Eugenio Lopez Jr. took matters into his own hands by going on a hunger strike “unto death.” He called off the fast at the end of 11 days after being assured by the Secretary of Defense, Juan Ponce Enrile, that President Marcos had agreed to release a number of political prisoners. Mr. Lopez and Mr. Osmena, his alleged co-con spirator who had joined in the hunger strike, were to be released in stages so as not to embarrass the Government.

The agreement broke down. when President Marcos declared in a television address that the hunger strikes had been called off because the two men had been “confronted with the evidence against them.” The two then protested and demanded a fair trial.

In January, Mr. Marcos reportedly reopened negotiations, offering the conditional release of Mr. Lopez if his uncle, the farmer Vice President, would sign an appeal for a pardon drafted by the President's office. The draft praised Mr. Marcos's generosity and compassion, condemned those who criticized him unjustly, and promised, in the name of the whole Lopez clan, “to constantly manifest in our own humble way” support for the President's leadership.

The letter was never signed, inertly because a request for a pardon would be construed as a tacit admission of guilt but mainly, it appears, because mistrust between the two families was now so great that the Lopezes feared Mr. Marcos might simply publish it and continue to detain Eugenio Jr., who has spent the last five months confined under guard in a Manila hospital where he was placed at the end of his fast.

Both the President's supporters and critics maintain that the take-over of the Lopez interests is symbolic of the real nature of Mr. Marcos's promised new society. The supporters say it shows the seriousness of his determination to make the Philippines "a community of equals." The critics say it shows the making of a new oligarchy, dominated by the Marcoses.