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# Change underway?

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**P**res. Rodrigo Duterte entered the national political scene on the back of widespread public dissatisfaction and with vivid promises of change. The new ‘pro-poor’ administration would be different and overturn the domination of the traditional powers that keep the country poor and underdeveloped: oligarchs, corrupt politicians, drug lords and organized crime, and even United States (US) imperialism. The reform platform was vague, but Duterte’s commanding personality made it compelling enough to clinch a solid 16.6 million votes, the presidency, and wide popular support.

The Duterte administration moved quickly to consolidate its political position. Yet notwithstanding the president’s anti-elite pronouncements, his populist reform agenda does not overhaul inequitable economic and political structures. This is most evident in the adherence to neoliberal economic policies. There has already been backtracking on campaign promises and the steady push for more anti-people neoliberal measures across the economy is carried over from the previous Aquino administration.

Six months into the new government and despite some visible differences from previous ones, there are scant signs that any major social transformation is underway. The wealth of foreign capital, oligarchs and the economic elite remains protected under the same profit-driven market-oriented economic policy framework. Foreign policy is seemingly less US-centric, but remains unformed and timid in asserting sovereignty and independence from all foreign powers with self-serving geopolitical interests in the country. Traditional political elites at the national and local levels remain privileged and unchallenged. Disturbingly, glimmers of authoritarianism already start to threaten what could be prospects of liberal democracy in the country.

As it is, the prospects for change are getting dimmer rather than brighter. The inertia in the ruling system is powerful and real change in socioeconomic policies and political practices remains a challenge. The neoliberal economic framework is still visibly the most influential astride the push for federalism. There is also the looming possibility of authoritarian powers being used against any opposition and perhaps even institutionalized to maintain the inequitable status quo over the longer-term.

But the situation is basically unpredictable. On one hand, optimistically, pro-people campaign promises may still turn into policy with a government that takes a strong and genuine stand. A coherent pro-people agenda can sustain a groundswell of both spontaneous and organized support against elite opposition. This would immediately improve the people’s welfare and lay the basis for greater change beyond the Duterte administration. On the other hand, and increasingly likely, the traditional political powers may react more aggressively to the on-going realignment in the balance of forces. The effort to return to the pre-Duterte state of affairs would usher in a period of greater political instability perhaps even including a strong reactionary counteroffensive against the mainstream Left.

# POPULISM, FILIPINO-STYLE

The Duterte administration's declared major thrusts are clear: anti-crime, anti-corruption, government service delivery, poverty alleviation, settlement of armed conflicts through peace negotiations, and shifting to a federal form of government. Apparently seeing nothing fundamentally wrong with the economy, its economic agenda is conventional and continues the neoliberal policies of previous administrations. Major constitutional changes are foreseen with a constitutional assembly and plebiscite by mid-term in 2019 and then general elections with the new charter in 2022.

The administration's populist character comes from choosing to highlight day-to-day issues, which resonate with a large critical mass of the public combined with the image of a strongman with decisive will able to overcome political gridlock. This gives Pres. Rodrigo Duterte – who masterfully laces anti-elite and nationalist rhetoric with street language and witty remarks – a solid starting point for governance.

Every government is obliged to consolidate its political power, but this is especially so for the Mindanaoan outsider. Pres. Duterte's base, including his core of staunchly devoted supporters, is not enough to stay in power and push the administration program. The administration is giving particular attention to building a more stable national constituency with a few key elements.

## Political base-building

**The administration is using established political tools.** It has cobbled together a coalition of traditional political parties around Partido Demokratikong Pilipino (PDP)-Laban headed by Pres. Duterte and the Nacionalista Party (NP) headed by its president, Manny Villar, and with Alan Peter Cayetano as secretary-general; the other parties are Nationalist People's Coalition (NPC), National Union Party (NUP), Lakas-Christian Muslim Democrats (CMD), Liberal Party (LP) and 39 members of the party-list coalition. This includes accommodating political turncoats especially from the LP. Between the election period and now, for instance, the membership of PDP-Laban in the House of Representatives (HOR) swelled (from three to 94) while that of the LP shriveled (from 116 to 35); other major parties saw much less declines (NPC from 42 to 38, NUP 23 to 22, NP 23 to 21, and United Nationalist Alliance or UNA 11 to 9).

The pork barrel and patronage system is also apparently still in use, albeit disguised, which Sen. Panfilo Lacson decried after the 2017 national government budget was signed into law. He claimed that senators were allotted Php300 million worth of pork barrel projects with some Mindanao representatives getting as much as Php1.5-5 billion in projects. Grassroots anti-poverty programs are also visibly played up. It has also prominently allied with the Marcos family

and, controversially, is repaying political debts by helping rehabilitate the family's image starting with the burial of former president Ferdinand Marcos in the Libingan ng mga Bayani.

**It is also exerting extra effort to gain the trust of the Armed Forces of the Philippines (AFP) and Philippine National Police (PNP).** Pres. Duterte promised to eventually double the take-home pay of soldiers and police through a combination of increases in combat incentive pay and allowances; Executive Order (EO) No. 3 on combat pay already took effect in September. Pres. Duterte has visited 26 AFP and PNP camps during at least 32 visits to promise pay increases and give funds for additional weapons, equipment and medical facilities.

There is gushing support for the armed forces with conspicuous inaction on state-sponsored human rights violations (HRVs) and ceasefire violations. The new AFP chief of staff, Lt. Gen. Eduardo Año, is even a notorious human rights violator. The support of the AFP/PNP is critical to remain in power as well as for any authoritarian measures to contain internal dissent. The administration is also keenly aware of considerable pro-US and anti-Left sentiment among the military and police.

**It is getting the support of foreign capital and domestic oligarchs with a fully neoliberal economic team and conventional economic program.** The most important factor for this

powerful sector is a stable business environment, freedom to profit, and the security of their wealth and assets. They have been reassured with a government economic team – customarily composed of the secretaries of finance, budget, trade and industry, and economic planning – who are all adherents of neoliberalism. Their interests are also safe in the pro-business 10+0 Economic Agenda and the upcoming Philippine Development Plan 2017-2022 crafted in the framework of Ambisyon Natin 2040. The popular anti-corruption line is also used to justify neoliberalism with the argument that government intervention invites corruption so the less regulation of business the better – yet this is at the expense of giving the profit-seeking private sector ever greater influence over the country's social and economic life.

**The administration is building international support by maintaining relations with the US, but offsetting this with deeper relations with China and Russia.** This potentially balances antagonisms between the US and China-Russia, but also any between China and Russia. Although anti-US rhetoric has been strong, there are not yet any radical changes in US-Philippine relations that rectify military agreements, economic policy interventions, or general relations. The Philippine chairing of the Association of Southeast Asian Nations (ASEAN) on its 50th anniversary this year will also give the administration the opportunity to build closer economic relations with ASEAN, Japan and China.

**Pres. Duterte has embraced a strongman image to intimidate opposition and give confidence to supporters.** This includes the liberal use of force in the war on drugs, harsh political attacks such as against Sen. Leila de Lima, and visible displays of an authoritarian streak such as favoring Martial Law and others rationalized as anti-criminality. This image even helps turn Pres. Duterte's unpredictability and inconsistency from an outright liability to a potential advantage for pressuring or threatening both allies and opponents.

The president's toying with the idea of renewed authoritarianism has been interpreted as a reaction to the development failures of liberal democracy post-EDSA 1986. The administration is also likely encouraged by the persistence of weak democracies and degrees of authoritarianism in

many ASEAN countries – i.e. Malaysia, Indonesia, Thailand, Singapore, Vietnam, Laos, Cambodia, and Myanmar. This undemocratic tendency undermines the potentially important EO No. 2 signed in July supposedly operationalizing freedom of information in the executive branch.

**The Duterte administration is building a political mass movement through the newly-formed Kilusang Pagbabago (KP).** This capitalizes on the outpouring of electoral support for Pres. Duterte among communities and middle class and may eventually be transformed into a political party as, possibly for instance, a People's Federal Party. It also appears that the administration was keen on an alliance with the mainstream Philippine Left in the spirit of united front work especially at the start of its term. Peace talks were resumed with the National Democratic Front of the Philippines (NDFP) and a few Cabinet positions were given to long-time Leftist activists to advance this possibility.

## Populism

**The administration's populism has changed the political landscape and ruling elites will have to contend with growing anti-elite public sentiments and other upstart factions in the future.** The potential for political volatility in the country has become even greater.

The unconventional Duterte administration actually reflects larger political trends in the global post-Cold War era. After the so-called fall of Socialism in the 1980s, Western liberal democracy of free elections and civil society was widely promoted, including in the Philippines. This supposed political democracy was paradoxically accompanied by neoliberal globalization-driven poverty and inequality – resulting in a widening gap between the few rich and influential, and the majority poor and marginalized. The elections give populations the chance to express their frustration with elite domination, which in turn creates the opportunity for the rise of non-traditional populist, but not necessarily non-elite, leaders.

The administration's populism is built around the president's strong personality and anchored on an evidently popular 'war on drugs', condemnation of traditional corrupt politicians and oligarchic elites, nationalist posturing against overbearing US

power, and a Leftist-inspired bias for the poor and exploited. Amid persistent personality-centered politics, the president's 'authenticity' makes him an effective messenger able to spontaneously connect with the masses and generate the numbers to make populism real.

Not hewing to conventional ideological lines also allows tactical alliances to be built with a disparate range of groups with varying agendas. This is apparently working for now. The balancing, however, is not easy even given the vast resources of government and apparently wide popularity among the general public. The Duterte administration seeks to bolster these strengths with higher taxes, greater foreign assistance, and keeping public sentiment and confidence.

Yet the opportunism of politicians and pragmatism of business elites are well-established as is the mercenary tradition of the AFP. US intervention is a given and will likely become increasingly

aggressive if the US perceives its strategic interest in the country becoming compromised. The US will be able to rely on the so-called Yellow forces of the dethroned Liberal Party and related civil society groups, especially social democrats, to assert its interests.

Any formal or tacit alliance with the mainstream Left meanwhile hinges on actual concrete pro-people measures taking place. To be sure, the pragmatic character of the administration's populist agenda both creates the opening for pro-people measures as well as sets these up to be blocked when other interest groups come into play. This is where the president's stand becomes important. The first six months have unfortunately so far seen the loose populist framework tilting towards the status quo rather than challenging it. If Pres. Duterte's apparent ambivalence on major socioeconomic reforms is not overcome then the Leftist flank of its alliance will quickly erode.

## MISSING OPPORTUNITIES

Pres. Duterte openly declared himself a 'Leftist' and a 'Socialist' and, while not part of any organized mass movement which this would imply, nonetheless showed an atypical openness to working with the mainstream Left. Aside from a reputation of being pro-poor and favoring underdogs against the abuse of power, there were a few administration initiatives consistent with long-standing Leftist advocacies.

The vocal criticism of the country's excessively pro-US and US-centric foreign policy was welcome. Likewise with the resumption of peace talks with the NDFP and appointment of known Leftists to his Cabinet. Yet while key elements of the Duterte administration's agenda, these do not seem part of a coherent overall reform strategy to overhaul an inequitable system.

If anything, the administration has already started drawing conformist political and economic lines that it will not cross, such as military agreements with the US and business- or investor-friendliness. Positive policy measures at the start of the administration when the momentum for change is strongest have been few, tentative and partial, which indicates a rapidly closing window rather than growing opportunities for reforms. The

direction of the administration in its first six months is keeping it entrenched and interlinked with traditional economic and political elites.

### Foreign policy in flux

**The shift from the country's traditional pro-US and US-centric foreign policy is significant, but the proclaimed independent foreign policy remains hollow.** This shift is consistent with the growing multipolarity at the global level of a relative decline in US influence and the rise of China and Russia, among others. It also mirrors rising nationalism in China, Taiwan, Japan, India and, closer to home, Thailand, Indonesia and Cambodia. An independent foreign policy handled well can improve the country's negotiating position with foreign powers and result in favorable deals. Chinese president Xi Jinping has reportedly already invited Pres. Duterte to observe the next BRICS (Brazil, Russia, India, China and South Africa) summit in Xiamen, China in September 2017.

Yet while Pres. Duterte's pronouncements of a shift are visibly different from all previous administrations, concrete measures to build new foreign policy are still absent. The administration

has not yet articulated even the nationalist principles underpinning the supposed shift, thus the benefits from a supposedly independent, non-aligned and pragmatic position may not materialize. It is for instance still unclear how the terms of the relationship between the Philippines and China or Russia will be qualitatively different from that with the US.

The verbal policy statements of a shift from US-centrism by the president and his directives are of course important. But the Americanization of the foreign policy machinery and diplomatic corps, government bureaucracy, military and police, Senate and Congress, courts system, business community, academe, civil society, and even the general public cannot be underestimated. Rectifying this and giving formal policy substance to the supposed shift needs correspondingly considerable effort within and outside government that does not yet seem to be happening.

Among the most important expressions of independent foreign policy is an independent foreign economic policy. A strong domestic economy is a critical material basis for long-term sovereignty and independence. Yet there are no efforts to ensure that the country's foreign economic relations are of mutual benefit and support rural development and national industrialization. It would be vital, for instance,

to immediately suspend ongoing negotiations on new free trade agreements (FTAs) and review existing international trade and investment agreements towards recovering policy space lost over decades of globalization.

**Major mechanisms of US intervention in the country still remain.** Pres. Duterte appears to have drawn a line between the country and the US. He has made many strident anti-US statements. He has also reached out to China and Russia and pursued deeper economic and military ties with them. However, the basic terms of the US-Philippine alliance actually still remain.

Joint naval patrols with the US in disputed waters of the West Philippine Sea/South China Sea, which started in 2016 of which there have been three so far, were suspended. In October, the administration said that the Philippine Amphibious Landing Exercises (PHIBLEX) then would be the last joint US-Philippines military exercises. The president had also declared that US Special Operations Forces (SOF) in Mindanao would be expelled "to keep them out of harm's way".

Yet the administration has upheld the string of military deals with the US from the 1951 Mutual Defense Treaty, up to the 1998 Visiting Forces Agreement (VFA), 2002 Mutual Logistics Support Agreement (MLSA), and the 2015 Enhanced Defense Cooperation Agreement (EDCA). The Mutual Defense Board (MDB) and Security Engagement Board (SEB) between the two governments continues to meet. The US\$54.6 million in military and security aid programmed for 2017 is still the same amount as last year. **(See Table 1)**

The MDB-SEB – co-chaired by head of the US Pacific Command Adm. Harry B. Harris Jr. and then AFP chief of staff Gen. Ricardo Visaya – met at the end of November and announced 258 joint US-Philippines military exercises in 2017, including 13 major drills such as the large-scale

**Table 1**

<b>Selected US assistance programs to the Philippines by funding account, FY 2015-2017 (in US\$ million)</b>			
<b>Funding Account</b>	<b>FY 2015</b>	<b>FY 2016<sup>P</sup></b>	<b>FY 2017<sup>P</sup></b>
<b>Economic aid</b>	108.7	129.6	133.4
Global Health Programs	32.0	31.2	31.0
Development Assistance	75.7	98.4	102.4
Economic Support Fund	1.0		
<b>Military, security aid</b>	67.4	54.6	54.6
Foreign Military Financing Program	50.0	40.0	40.0
International Military Education and Training	2.3	2.0	2.0
International Narcotics Control and Law Enforcement	9.0	9.0	9.0
Non-Proliferation, Anti-Terrorism and Demining Related	6.1	3.6	3.6
<b>Total</b>	176.1	184.2	188.0
<sup>P</sup> - preliminary; data are as requested by US Department of State respective of the fiscal years			
<b>Source:</b> US Department of State Foreign Assistance Budget			



Balikatan. This is, only five less exercises than the 263 exercises in 2016. In the last week of October, a new batch of US SOF was reported to have been deployed in Mindanao, which still has 107 US soldiers operating with the AFP. At least 14 US navy ships made port calls in Manila, Subic Bay, Cebu and Puerto Princesa since July when the Duterte government came into power, which is even more than in the first six months of the year or in the whole of 2015.

The US also still remains the single-biggest foreign influence on Philippine economic policy-making. There is still the US\$739-million Partnership for Growth (PFG) initiative started under the Aquino administration in 2011. This includes US Agency for International Development (USAID) economic policy intervention projects cumulatively worth some US\$50 million (Php2.4 billion): Trade-Related Assistance for Development (TRADE), Facilitating Public Investment (FPI), Investment Enabling Environment (INVEST), and Advancing Philippine Competitiveness (COMPETE) Project.

The American Chamber of Commerce (AmCham), along with the Joint Foreign Chambers (JFC) of Commerce, is among the most aggressive groups seeking to change the 1987 Philippine Constitution and remove the last legal impediments to foreign capitalism in the country. The US imposes neoliberal globalization policies on the Philippines to benefit American corporate export and commercial interests as well as to create the kind of free market-driven trade and investment system in the Asia-Pacific that allows it to maintain its hegemony and dominant economic position.

**US geopolitical interests in the Philippines are unchanged.** The US military and diplomatic strategy in East and Southeast Asia would be affected by a real shift in its erstwhile longstanding reliable ally, the Philippines. In particular the US strategy to militarily and diplomatically counter China's territorial claims, island-building, and force projection would be impaired. This is motive enough for the US to keep intervening in the country's affairs.

US reaction so far includes critical public statements, a smear campaign in the international press, and de facto suspension of Millennium Challenge Corporation (MCC) aid. These have been largely on the issue of drug war-

related human rights problems but may expand to other issues in the future.

The phone conversation between Pres. Duterte and US Pres. Donald Trump was reported as warm. But the Trump administration is reportedly inclined to take a more aggressive economic, diplomatic and military stance against China, including a more confrontational approach on Chinese maritime claims. Pres. Trump has also been vocal about increasing military spending and enlarging every branch of the US armed forces, including the navy and air force, to increase the US Pacific military presence. US efforts to avoid losing the Philippines as a frontline country in East Asia and Southeast Asia against China deserve to be closely watched.

## Faltering peace

**The peace talks with the NDFP are losing momentum as differing approaches come into play.** The talks resumed on a high note at its first round in August 2016 with the release of 19 NDFP consultants to participate in the peace talks, the possibility of amnesty and release for 434 remaining and unjustly detained political prisoners, affirmation of all past and binding agreements, and commitment by both parties to resolve the root causes of the armed conflict. Then came an unprecedented indefinite unilateral ceasefire by the Communist Party of the Philippines-New People's Army (CPP-NPA) at the end of August that, at nearly four and a half months so far, is their longest on record. During the second round in October 2016, talks on social and economic reforms and initial work on political and constitutional reforms and on the end of hostilities and disposition of forces also started.

The talks are still progressing but initial reservoirs of goodwill are fast being depleted as thorny issues emerge. Topmost is the release of all political prisoners (PPs) which the NDFP asserts is simply compliance with security and human rights agreements among those affirmed in August 2016. Pres. Duterte himself had even raised in June 2016 the possibility of a "general amnesty" as the most expedient way for releases, and again in early December, that 130 PPs would be released on humanitarian grounds before Christmas. To date the human rights group Karapatan reports only one prisoner out of over 400 has been released in line with the peace talks



and that one ailing detainee even died while awaiting release.

The reason for non-release was confirmed on December 8 when the president publicly called the political prisoners his “aces” and “last cards” in talks with the NDFP. He lamented that he “had conceded to the CPP too much, too soon” and was apparently frustrated that a bilateral ceasefire agreement was not yet in place – hence in effect using the PPs as leverage in seeking a bilateral ceasefire as well as possibly other demands to come in the talks. The CPP-NPA’s unilateral ceasefire is holding, which the AFP reciprocated also unilaterally, but a bilaterally agreed ceasefire agreement is seen as more binding. The NDFP said it is willing albeit depending on the government meeting its commitments.

This situation illustrates an apparent difference in respective approaches to the current rounds of talks. For the NDFP, the content of agreements is primary and compliance with these is both the measure of success and basis for further progress. For the Philippine government, it appears that the content of agreements and compliance is secondary and the measure of success and basis for progress are immediate commitments to stop fighting. Fortunately, the Duterte government has not yet gone as far as the Aquino government, which demanded a stop to fighting before talks proceed.

The upcoming third round in the latter part of January 2017 is critical with a number of issues converging. The delay in the release of PPs has only become more serious and unacceptable to the NDFP as time goes by. The AFP’s continued military operations in NDFP areas grossly violate the spirit of the simultaneous ceasefires. These contribute to making the NDFP’s withdrawal of its unilateral ceasefire imminent. The Philippine government, meanwhile, may start to more forcefully register its dissatisfaction with not yet being able to reach a bilateral ceasefire agreement.

The round also begins to take up the substantive agenda of a comprehensive agreement on social and economic reforms (CASER) – specifically, the framework for this and the first policy area of agrarian reform and rural development. It remains to be seen how the negotiating panels can reconcile the government’s elitist neoliberal

economic policies, as evident in its economic agenda and government development plans, and the NDFP’s radical pro-people socioeconomic program. The peace talks could be an opportunity to inject more progressive policies into the government’s economic agenda, but this would require much greater openness and work on socioeconomic reforms than the government panel has so far shown.

**The peace talks with the Moro Islamic Liberation Front (MILF) meanwhile has yet to gain momentum and faces many potential stumbling blocks.** In contrast to the process with the NDFP, the peace process with the MILF has been slow in formally taking off. The Duterte administration and even the president himself has been meeting with MILF and Moro National Liberation Front (MNLF) leaders since June 2016 including August talks in Kuala Lumpur, Malaysia to discuss implementation of the Comprehensive Agreement on the Bangsamoro (CAB) reached under the Aquino administration in 2014. The president also personally facilitated the coming out of hiding of MNLF founding chair Nur Misuari in a gamble for greater inclusivity.

The Bangsamoro Transition Commission (BTC) has been expanded and tasked to draft a new Bangsamoro Basic Law (BBL) to submit to Congress, which has to be passed and implemented by the 2019 midterm elections. The BTC has 11 members chosen by the MILF and 10 by the government, including three seats for the MNLF Semma faction which is at odds with the MNLF Misuari faction. As in 2014, there is pressure on the BTC to water down the BBL to get it passed.

There are a number of possible stumbling blocks. Presidential adviser Jesus Dureza in November said that the government will deal with the MNLF and MILF in effectively two parallel negotiations. This adds complexity to an already complicated Moro peace process. In a post-Mamasapano context, the upsurge in Islamic State of Iraq and Syria (ISIS)-related activity in the Southern Philippines – including in ostensibly MILF-controlled territory – could adversely affect political and public support for the BBL’s passage and implementation. It is also not yet clear how much political capital the administration will expend in pushing the BBL amid its drive for federalism. When Misuari surfaced, he publicly

endorsed federalism as a solution – consistent with Pres. Duterte’s preference for the MILF to be accommodated in his federalism framework and new Constitution rather than a self-standing BBL.

## Progressives pushing limits

**The ability to institute reforms of progressives in the Duterte cabinet is limited by the bureaucracy and anti-reform elements in the cabinet.** The appointment of Leftist activists to head the Department of Agrarian Reform (DAR), Department of Social Welfare and Development (DSWD), and National Anti-Poverty Commission (NAPC) and as undersecretary to the Department of Labor and Employment (DOLE) exemplifies the growing influence of the Left. The administration’s pro-poor credentials are also significantly enhanced by their presence.

Pres. Duterte can use these seasoned Leftist activists to push a progressive social and economic agenda in his administration. But this does not yet appear to be happening to any significant degree. The most stylized fact for this is how the administration’s economic program remains methodically neoliberal despite their presence in the cabinet.

To be sure they each have their limitations. The DAR secretary is bound in the near-term by the legal parameters for land distribution established by the Comprehensive Agrarian Reform Program (CARP) and its extension as well as by existing agency bureaucracy and processes. The dormant Presidential Agrarian Reform Council (PARC), the highest policy-making body for implementing

agrarian reform laws, was however reconvened during which Pres. Duterte expressed full support for agrarian reform. The DSWD secretary meanwhile works mainly within the welfare mandate of the department. Efforts so far have involved greatly improving implementation of programs and delivery of services. The department is also exploring how to push for government initiatives beyond mere short-term welfare interventions.

The mandate of the NAPC meanwhile has been affected by EO No. 1, which consolidated the various government anti-poverty agencies under the office of Cabinet Secretary Jun Evasco. The commission is working to shift “anti-poverty” from being a residual consideration to being more rigorously at the center of all government economic policies including its macroeconomic, trade, investment, and financial policies. The DOLE undersecretary meanwhile is under the direct authority of the labor secretary who, for instance, publicly distanced himself from the undersecretary’s proposal for a Php125 across-the-board salary increase and called this a mere “personal position”.

The administration’s tacit alliance with the mainstream Left was boosted by early initiatives but its tenability hinges on the administration taking concrete steps to improve the welfare of the people, develop the economy, and advance democracy. While this does not require the administration to have a coherent, consistent and ideologically-defined platform, it does mean that continuing or pursuing adverse policies would be a growing problem.

# TROUBLING NEOLIBERALISM

The promise of change is appealing to the majority of Filipinos who face unremitting poverty and economic backwardness amid the growing fortunes of a few. The Duterte administration was seen by many as a chance to address the joblessness, landlessness, low incomes and wages, rising costs of living, and decrepit or unaffordable social services that people deal with on a daily basis. The neoliberal economic policies of the administration, however, show the limits of its reform agenda.

## Continuing neoliberalism

**The neoliberal economic agenda is continuous with the previous administration and will deliver the same kind of exclusionary growth.** The Duterte administration adopted the Aquino-era AmBisyon Natin 2040 as its guide for development planning and issued EO No. 5 directing the next four Philippine Development Plans (PDPs) and other government plans to be consistent with it. This includes the 10+0 Economic Agenda and

the upcoming PDP 2017-2022. Neoliberalism is therefore still advancing, this time under the smokescreen of the attention-getting controversial war on drugs, nationalist bluster, and enhanced pro-poor rhetoric.

The essence of neoliberalism is to enhance the role of the State in promoting capitalist profit-seeking with public resources, yet removed from public scrutiny and intervention. This includes creating the legal and institutional structure for markets and corporations to dominate the people's social and economic life. Foreign investors in particular demand the freedom to operate as unhindered as possible by any sort of regulation even if this is for the general public's welfare.

This is clearly reflected in the Duterte administration's economic strategy, which over-emphasizes on so-called business- and investor-friendliness even at the expense of the welfare of the people and long-term economic development. The economic team for instance has already blocked reforms seen as making businesses uncompetitive.

The DOLE's weak proposal for dealing with contractualization will in the end not end contractualization at all. On the contrary, organized workers, including the Kilusang Mayo Uno (KMU) who oppose DOLE's Department Order (DO) 168, say that it affirms existing legal arrangements for contractualization and will do nothing to contain its spread. They argue that DO 168, under the guise of regularizing workers under manpower agencies, actually further disempowers the workers vis-à-vis their real employers by obliging them to deal with yet another layer of middlemen. The DOLE proposal leans more towards the demand of foreign chambers of commerce and domestic big business groups to be able to keep their labor forces flexible.

The DAR's proposal for a two-year moratorium on conversion of agricultural lands was also blocked by the administration's economic team, and even by Vice-President Leni Robredo, who argued that real estate development, infrastructure development, and agricultural corporations would suffer. DAR Sec. Rafael Mariano proposed to suspend the processing and approval of all applications for land-use

conversions of agricultural land to non-agricultural uses for two years. This was an initial attempt to end a practice that is seen as subverting peasant welfare and the goals of agrarian reform.

AmBisyon Natin 2040 supposedly articulates the kind of life that Filipinos aspire for in the next 25 years. It is intended to be the anchor for development planning of the four 6-year administrations until 2040. The vision of a "simple and comfortable life" seems innocent enough but actually promotes the neoliberal market-oriented economy while concealing its unsustainability. The targeted gross monthly family income of Php120,000 needed for instance includes expenses for expensive privatized education, health and housing. It also includes a budget for owning a car which, at current population projections, would mean some 34.4 million private cars by 2040 – the illogical result of prioritizing individualized private mass transport rather than the more economically and environmentally rational option of nationalized public mass transport.

These are apart from how AmBisyon Natin 2040's crude extrapolation fails to consider how family incomes are actually fettered by structural inequities and economic backwardness. Addressing these is the more sensible and practical approach to achieving development rather than hyping personal family material aspirations.

**The strategies to achieving the goals articulated in AmBisyon Natin 2040, which are in the administration's 10+0 Economic Agenda and drafts of the upcoming PDP 2017-2022, will fail to bring about national development.** The economic agenda and draft PDP confirm that the underlying economic thrust is still to develop the country as a subordinate site for foreign capital. Foreign investors are actively sought to profit from cheap Filipino labor and raw materials, and from selling to the domestic market. The administration will attract them with low wages, fiscal and other incentives, removing Constitutional limits on foreign capital, and better infrastructure. The various measures to dismantle and streamline government regulations and to integrate domestic producers including micro, small and medium enterprises (MSMEs) into global value chains are also part of this thrust.

This approach, however, prevents domestic agriculture and industry from developing in a way that creates sufficient jobs, raises incomes, and develops local technology over the long run. Philippine development would be better served by a strategy that focuses on developing Filipino industry – meaning Filipino firms producing Filipino goods using local agriculture, fisheries and minerals. This should involve supporting and protecting MSMEs, including rallying patriotic business enterprises in a drive for national industrialization. This is the key to ensuring that jobs and incomes are created at home rather than abroad. Exporting our raw materials and chronically importing the goods we consume supports jobs abroad rather than in the national economy.

Agricultural development should first focus on real land reform. This ensures that subsequent farm support will increase rural incomes and improve the livelihoods of the majority poor peasantry, expand the domestic market, and create a surplus for reinvestment in national industry. These are also the conditions for greater linkages between agriculture and industry, including the promotion of rural industrialization. A genuinely equitable distribution of land and rural assets is the necessary starting point of rural development.

In contrast, the economic agenda still includes the trade and investment liberalization that has undermined the domestic productive economy. The drive to remove the nationalist provisions of the 1987 Constitution has advanced with Pres. Duterte himself announcing that he favors this. Supporting long-standing demands by the US government and the foreign chambers of commerce and echoing the false neoliberal claim that liberalization reduces monopolies, he said that he would press to remove equity limits on foreign investors including but not just in the power, energy and telecommunications sectors.

The administration is also continuing to negotiate two big FTAs – the China-centered Regional Comprehensive Economic Partnership (RCEP) and the European Union-Philippines (EU-RP) FTA. These expansive deals cover goods, services, investment, intellectual property, government procurement, e-commerce, and competition, among others, but are negotiated in secrecy. Although argued as necessary to maintain

‘competitiveness’ and promote consumer interests, these FTAs expose the country to unfair competition with the advanced capitalist powers while preventing the use of State intervention and protectionist measures necessary for development. They also strengthen foreign investor rights at the expense of government regulation in the public interest.

The country needs to be more circumspect with the terms of these deals and should not replicate the one-sided terms with the US, Japan and Europe. The shift from US-centric foreign policy is important and welcome. But a more definite framework of national economic development is still needed to ensure that the Philippines is not just shifting from one dependency to another. Even ASEAN economic initiatives that merely seek to develop the region as a single market and production base for foreign monopoly capital deserve changing. Immediately recovering policy space and asserting independent foreign economic policy amid an evolving global economy is necessary to be able to negotiate with industrialized powers and other countries for economic relationships of mutual benefit.

**The strategies are conspicuously heavy on promoting economic growth and profit-seeking while silent on measures to hard-wire inclusiveness in the national economy and ensuring that the majority benefits.** This entails implementing meaningful asset, income and wealth reforms so that growth is stimulated, moreover, in a way that the gains from this are distributed equitably. A few examples can be taken up.

The economic agenda does not give due emphasis on achieving agrarian reform through the free distribution of land to farmers and the voluminous PDP 2017-2022 only mentions this in a paragraph as an evident afterthought. The distribution of this key rural asset is not factored anywhere in the narration of the plan’s agriculture and fisheries strategy. The plan likewise does not really address inequitable access to capital and financing of smaller enterprises. The plan is made according to short-term market financing conditions rather than the needs of strategic long-term economic development – meaning that initiatives to build genuinely Filipino industry will be deemed unprofitable and will not be financed.



The agenda does not give primacy to ensuring higher wages and benefits as a key element in making growth inclusive. Yet raising wages – for instance, initially with a Php125 across-the-board increase in the minimum wage and then working towards a Php750 national minimum wage – and ensuring that workers receive this has a wide range of gains. This will improve the welfare of some 10 million families with main income from wages, have spillover effects where the families spend their increased purchasing power such as in the informal sector, expand domestic demand, and drive economic growth. This needs to be complemented by ensuring that workers receive all their due benefits aside from putting an end to contractualization. Wages are unfortunately seen as just a necessary evil that should be kept as low as possible in the name of competitiveness.

The agenda does not even consider that a universal non-contributory tax-financed pension scheme is possible and necessary to ensure the welfare of all Filipino elderly. An increase in social security pensions such as the Php1,000 Social Security System (SSS) increase recently approved by the president will benefit over two million pensioners and lead to concrete improvements in the people's welfare. This, however, still leaves some 4.5 million senior citizens without SSS or Government Service Insurance System (GSIS) pensions aside from the 940,000 receiving just the token Php500 under the expanded senior citizens law. Rather than increase SSS premiums and beyond improving SSS efficiency and collections, it is timely to start designing a genuinely universal pension scheme.

The tax system is also becoming more regressive with less direct taxes on the rich and large corporations and more indirect consumption taxes that unduly burden the poor majority. All this is on top of the standing problem that the neoliberal approach continues government neglect of its responsibility to ensure that all Filipinos have the basic social services and public utilities so necessary for minimum standards of decent living. The privatization of education, health, housing, water, electricity and transport continues. And these are more and more becoming commodities for the private sector to profit from than vital services for the people to live by.

## Pro-elite policies

**The administration's infrastructure offensive epitomizes the neoliberal approach of using the State and public resources to promote private corporate profit-seeking at the expense of public welfare.** The Duterte administration said that it is planning to spend up to Php8 trillion for transportation infrastructure projects alone in the next five years. The infrastructure budget for 2017 is already reportedly at some Php861 billion, equivalent to 5.4% of gross domestic product (GDP), which is markedly higher than the 2.2% spent in 2014. The economic planning secretary said that the government is aiming for 7% of GDP by 2022.

Profit-seeking parameters can result in the socially undesirable misallocation of resources. The Philippines lacks a wide range of infrastructure including transport infrastructure. Yet the sort of infrastructure that is especially needed at the country's current state of development remains chronically neglected, such as rural roads and free irrigation to support small farmers nationwide and greater investments in social infrastructure for free or affordable public education, health and housing. Government spending for these pales in comparison to the big-ticket infrastructure projects.

For instance, the additional Php8.3 billion allocated to cover the tuition in state universities and colleges (SUCs) was justifiably called a "game-changer" and "a step in the right direction" towards free public higher education in the country by youth activists Kabataan Party-list. However, this was just a one-shot realignment of funds and does not mean that free tuition for tertiary education has started to become institutionalized as a right of all Filipinos. It is also Php4.4 billion short of really being able to give free tuition to all 1.7 million students enrolled at all levels in SUCs. This is part of the 4.1 million enrolled in public and private higher education. The realignment also does not cover other considerable expenses for registration and other fees, books and other instructional materials, supplies, food and lodging, transportation, and other personal expenses. The Commission on Higher Education (CHED) has already announced that not all SUC students will be covered.

There is a similar situation with health spending. An additional Php3 billion was reportedly allocated to the Philippine Health Insurance Corporation (PhilHealth) for 8 million Filipinos not covered and to ensure coverage for all Filipinos. This reportedly brings the Department of Health (DOH) budget for 2017, including PhilHealth, to a total of Php141 billion. The PhilHealth scheme however is meant to substitute for publicly provided health care and to incentivize private profit-seeking hospitals to replace public hospitals. This results in health care that is expensive rather than affordable, appropriate and accessible to the people.

The supposedly 'universal' coverage also conceals the shallowness of coverage. The support value of PhilHealth remains at 50% while the balance of 50% is still paid out of pocket. Also, 40% of the number of claims paid to indigent/sponsored program beneficiaries actually still needed co-payments. This negates the claim of the government that the poor and sick need not worry about hospital expenses. The "no balance billing" policy for indigents is also only applicable to increasingly underfunded government hospitals.

The Department of Agriculture (DA) has meanwhile announced that the president has approved free irrigation for the country's millions of rice farmers starting the first planting season in 2017 – equivalent to about Php2-4 billion per year in irrigation service fees. Farmers group Kilusang Magbubukid ng Pilipinas (KMP) welcomed the additional Php2.3 billion budget allocation to the National Irrigation Authority (NIA) in the 2017 national budget as a victory of farmers' decades of struggling for free irrigation. This is on top of the Php30.4 billion allocation for new irrigation systems and the restoration and rehabilitation of existing irrigation facilities.

The planned infrastructure boom and corresponding growth stimulus may tangentially benefit marginalized sectors and areas. However, in the context of the economic agenda's overall neoliberal thrust, the infrastructure boom is mainly about building the domestic transport and related infrastructure for the country to better perform its role as a site in the global value chain of foreign capital. There is a disproportionate emphasis on the National Capital Region (NCR) and surrounding provinces, on a few urban

centers such as Cebu and Davao, and in natural resource-rich Mindanao provinces.

The administration is also working to make it even easier to implement infrastructure public-private partnerships (PPPs). The National Economic and Development Authority (NEDA) Board which approves PPP projects has streamlined its review procedures. The Department of Finance (DOF) has proposed to eliminate bid premiums that are seen as adding front-end costs and discouraging potential bidders. The government is also more open now to unsolicited proposals which, among others, are prone to being less transparent than solicited bids. It is also considering 'hybrid' PPPs where the government uses cheap official development aid (ODA) financing to build facilities, using private contractors, but then bids out subsequent operations and management. In effect, the hybrid PPP is a greater ODA-financed public subsidy for profit-seeking private operators. The PPP Center also started a project in October that will study legal and institutional means for increasing foreign investment in PPPs.

It may be noted that Chinese monopoly capital may be a conspicuous direct and indirect beneficiary of the government's infrastructure offensive. The economic rise of China since the 1980s was on the back of cheap Chinese labor, but domestic wages are rising and the pressure for rapid productivity gains is more pressing. Like the old imperialist powers, China needs new cheap labor sites overseas aside from cheap raw materials and buyers of its mounting excess capacity. The Duterte administration's China economic strategy is consistent with this and consists of negotiating the China-dominated RCEP, accessing aid from the China-led Asian Infrastructure Investment Bank (AIIB), and clinching a wide range of bilateral deals especially in infrastructure, mining and agriculture. This includes US\$15 billion in deals and US\$9 billion in soft loans after the president's State visit to China in October. **(See Annex A)** Transparency is important to prevent controversies about kickbacks and payoffs as under previous administrations, which even reached up to the presidency.

**A considerable part of the proposed huge increases in infrastructure spending for a 'golden age in infrastructure' benefiting elites will be financed by new taxes on the poor majority.**



The DOF is pushing for a regressive tax reform package to raise funds from the general public for government efforts to implement the neoliberal economic agenda of generating profits for foreign and domestic corporate elites. The poor will face higher taxes on the goods and services they consume, while wealthy families and large corporations will pay less income and other taxes. This is a glaring anti-poor policy of the Duterte administration.

The DOF-proposed tax reform program seeks to raise an additional Php600 billion by 2019. The rich will benefit from lower income taxes, property-related taxes, and capital income taxes. They will pay less income tax under the proposed new tax brackets and tax rates. The DOF plays up how the proposed tax rate for the highest-income earners increases from 32% to 35%, but the actual taxes the richest pay still falls because of the adjusted tax brackets. For instance, those earning Php6,000,000 a year will actually be paying Php232,500 less in 2019 under the new tax package, because the supposedly higher tax rate of 35% is only applied on earnings over the new tax bracket of Php5,000,000 (i.e. Php1,000,000 only) and not to the whole Php6,000,000 earned.

Around 6.7 million deserving wage and salary earners do stand to benefit from the DOF's plan to update the 19-year-old tax brackets, which is welcome. The new personal income tax scheme income will result in Php139.0 billion less revenues for the government in just the first year of implementation.

The rich will get other tax benefits. The corporate income tax will go down from 30% to 25%, so corporations will pay Php34.8 billion less in income taxes. The tax rate on property-related transactions of the wealthy will also be cut. The estate tax of 20% will go down to 6% of the value of property being transferred; donor taxes and transaction taxes on land will be reduced. The rich will pay Php3.5 billion less in estate and donor taxes. The tax on interest income earned on peso deposits and investments will also go down from 20% to 10%, so the rich will pay Php1.0 billion less in capital income taxes.

The DOF will offset lower taxes paid by the wealthiest Filipinos by increasing taxes on the poor majority. The poor will suffer higher prices from value-added tax (VAT) being charged on

previously exempt items and higher excise taxes on petroleum products. Other proposals floated even include a new sweets tax, fatty foods tax, and higher taxes on tobacco and alcoholic products.

Minimum wage workers could end up paying some Php2,500 more per year in additional VAT and oil excise taxes. The poorest families and informal workers meanwhile may pay up to Php1,200-1,600 more each year. This is an onerous burden on low-income families.

The 12% VAT will be charged on the widest range of consumer items in the country's history with exemptions on just very few necessities like raw food, education and health. The tax exemptions on senior citizens and persons with disabilities (PWDs) may also be removed. Consumers will pay Php166.8 billion more for the same goods and services.

There will be higher excise taxes reaching up to Php6 or Php10 per liter or kilogram on diesel, LPG and kerosene (which have zero excise taxes at the moment), on regular and premium gasoline (which have excise taxes of Php4.35 and Php5.35, respectively at the moment), and on the entire range of oil products. Consumers will pay Php199.6 billion more when they buy oil products or pay for correspondingly more expensive goods, services and transport fares. This does not yet include how higher costs of production will feed into higher prices of goods and services.

The sugar excise tax starting at Php5 per kilogram will increase the prices of sugary foods, fruit drinks, sodas, sweetened tea and coffee, sports drinks, and other sweetened products. Consumers will reportedly pay Php48.7 billion more for the sugary products they buy.

The DOF's supposed protection of the poorest through so-called targeted cash transfers for the poor, senior citizens, and PWDs is meanwhile just a smokescreen to push the burdensome tax measures through. The measures are only temporary and will last one to two years at most, while the higher taxes, higher prices and burden on the poor will remain long after the cash transfers are removed. The DOF's targeted subsidy scheme also remains underdeveloped as opposed to the new taxes, which confirms its being an afterthought to undercut opposition.

## Continuing backwardness

Nearly four decades of neoliberal trade and investment liberalization has weakened local agriculture and Filipino industry, limited job creation, repressed incomes, and maintained poverty. The government reports relatively rapid economic growth, but the basic conditions of the largest number of poor Filipinos is not getting much better. Real GDP growth was reported at 7.0% in the first nine months of 2016, which was faster than the 5.7% in the same period the year before. **(See Table 2)** By industry group, among the fastest growing sectors were construction and real estate followed by trade and manufacturing. The agriculture sector however contracted. By expenditure, investment and government spending saw the fastest growth.

Differing relative growth rates did not significantly change sectoral shares – the important manufacturing sector maintained its share at 22.8% of the economy although agriculture saw a slight decline to 8.4%, already among the smallest in the country's history. **(See Table 3)** Taken as a whole, the production sectors consisting of agriculture, manufacturing, construction and mining slightly declined to 38.5%, which is among the smallest recorded shares in the country's history. **(See Table 4, Page 19)** The services sector meanwhile remains disproportionately large at 50.5% of GDP. These results indicate that the structural decline of the economy that started in the late 1970s continues despite recent reported rapid growth.

Looking at wealth and profit trends gives some indication of the beneficiaries of this growth. The net worth of the 40 richest Filipinos grew by almost 14% between 2015 and 2016 and the profits of Philippine Stock Exchange

(PSE)-listed firms by over 18% over that same period. **(See Table 5, Page 18)** However, the real minimum wage in the NCR, a proxy for workers' wages, actually fell by almost 3% between 2015 and 2016.

## Table 2

**National Accounts of the Philippines by industry group and by type of expenditure, 1<sup>st</sup>-3<sup>rd</sup> quarter 2014-2015 and 2015-2016 (growth rates; at constant 2000 prices; in %)**

Industry group / Expenditure share	1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2014-2015	1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2015-2016
<i>By industry group</i>		
1. Agriculture, Hunting, Forestry and Fishing	0.3	(1.3)
a. Agriculture, Hunting, Forestry	0.6	(0.7)
b. Fishing	(1.0)	(4.5)
2. Industry Sector	5.9	8.2
a. Mining and Quarrying	(4.5)	0.3
b. Manufacturing	5.5	7.0
c. Construction	9.9	13.2
d. Electricity, Gas and Water Supply	5.6	9.8
3. Service Sector	6.5	7.6
a. Transportation, Storage, and Communication	7.6	5.9
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	7.1	7.5
c. Financial Intermediation	5.2	8.2
d. Real Estate, Renting and Business Activities	7.1	9.1
e. Public Administration and Defense: Compulsory Social Security	(0.7)	5.1
f. Other Services	8.1	7.9
<i>By expenditure share</i>		
1. Household Final Consumption Expenditure	6.2	7.3
2. Government Final Consumption Expenditure	5.6	9.6
3. Capital Formation	15.9	23.8
a. Fixed Capital	11.8	25.4
i. Construction	9.4	15.2
ii. Durable Equipment	14.8	35.1
iii. Breeding Stock and Orchard Development	1.8	3.7
iv. Intellectual Property Products	14.2	32.7
4. Exports of Goods and Services	8.4	8.7
a. Export of Goods	7.1	6.8
b. Export of Services	14.2	16.1
5. Less: Imports of Goods and Non-Factor Services	13.7	18.5
a. Import of Goods	13.3	19.8
b. Import of Services	15.5	13.5
<b>Gross Domestic Product</b>	<b>5.7</b>	<b>7.0</b>
<b>Gross National Income</b>	<b>5.3</b>	<b>6.8</b>

*Source: Philippine Statistics Authority National Accounts of the Philippines*

Employment figures meanwhile seem to indicate an improving jobs situation between 2015 and 2016 – the number of reported employed appears to have increased by some 2.1 million, the number of unemployed decreased by 235,000, and the unemployment rate fell by 0.8 percentage points to just 5.5 percent. (See Table 6, Page 19) However, these trends cannot be interpreted

so straightforwardly because of methodological changes between labor force survey rounds including different master sample designs and the January and April rounds in 2015 not including Leyte province.

In any case, initial IBON re-estimates of labor force survey figures amount to over four million unemployed Filipinos with an unemployment rate of over 9% and the officially reported 7.5 million underemployed with an underemployment rate of 18.3% in 2016. This indicates that there are still a considerable 11.5 million who are without work or still looking for more work because of the poor quality of jobs. These are also apart from an increasing number of discouraged workers who stopped looking for work who likely constitute a large number of the 1.2-1.3 million Filipinos dropping out of the labor force. This continuing massive joblessness underpins the economy's as well as the workers' continued reliance on overseas work.

At first glance, it may also appear that the quality of work improved in 2016 – the share of part-time workers in employment is smaller at 32.5% and of full-time workers larger at 66.6 percent. (See Table 7, Page 20) The methodological limitations mentioned earlier preventing comparability however also apply. IBON's most recent estimates of the quality of domestic employment meanwhile indicate that almost two out of three employed (63%) or 24.4 million Filipinos are non-regular, agency-hired, informal sector, or unpaid family workers. This means

**Table 3**

**National Accounts of the Philippines by industry group and by type of expenditure, 1<sup>st</sup>-3<sup>rd</sup> quarter 2015 and 2016 (percentage share of Gross Domestic Product; at constant 2000 prices; in %)**

Industry group / Expenditure share	1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2015	1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2016
<i>By industry group</i>		
1. Agriculture, Hunting, Forestry and Fishing	9.1	8.4
a. Agriculture, Hunting, Forestry	7.5	7.0
b. Fishing	1.6	1.4
2. Industry Sector	33.2	33.5
a. Mining and Quarrying	1.2	1.1
b. Manufacturing	22.8	22.8
c. Construction	5.9	6.2
d. Electricity, Gas and Water Supply	3.4	3.5
3. Service Sector	57.7	58.1
a. Transportation, Storage, and Communication	7.6	7.6
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	16.6	16.6
c. Financial Intermediation	7.3	7.4
d. Real Estate, Renting and Business Activities	11.6	11.8
e. Public Administration and Defense: Compulsory Social Security	4.0	3.9
f. Other Services	10.6	10.7
<i>By expenditure share</i>		
1. Household Final Consumption Expenditure	74.0	73.8
2. Government Final Consumption Expenditure	11.3	11.6
3. Capital Formation	20.0	23.6
a. Fixed Capital	21.5	24.0
i. Construction	11.8	12.5
ii. Durable Equipment	8.1	9.7
iii. Breeding Stock and Orchard Development	1.3	1.3
iv. Intellectual Property Products	0.4	0.4
4. Exports of Goods and Services	29.9	28.9
a. Export of Goods	17.9	15.9
b. Export of Services	12.0	13.0
5. Less: Imports of Goods and Non-Factor Services	35.1	37.8
a. Import of Goods	27.4	29.6
b. Import of Services	7.7	8.3
<b>Gross Domestic Product</b>	<b>100.0</b>	<b>100.0</b>

Source: Philippine Statistics Authority National Accounts of the Philippines

**Table 4****National Accounts of the Philippines by production, 1<sup>st</sup>-3<sup>rd</sup> quarter 2015 and 2016 (percentage share of Gross Domestic Product; at constant 2000 prices; in %)**

Production share	1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2015	1 <sup>st</sup> -3 <sup>rd</sup> Quarter 2016
1. Production	38.9	38.5
a. Agriculture, Hunting, Forestry and Fishing	9.1	8.4
b. Manufacturing	22.8	22.8
c. Construction	5.9	6.2
d. Mining and Quarrying	1.2	1.1
2. Public Utilities	11.0	11.0
a. Electricity, Gas and Water Supply	3.4	3.5
b. Transportation, Storage, and Communication	7.6	7.6
3. Service Sector	50.1	50.5
a. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	16.6	16.6
b. Financial Intermediation	7.3	7.4
c. Real Estate, Renting and Business Activities	11.6	11.8
d. Public Administration and Defense: Compulsory Social Security	4.0	3.9
e. Other Services	10.6	10.7
<b>Gross Domestic Product</b>	<b>100.0</b>	<b>100.0</b>

Source: Philippine Statistics Authority National Accounts of the Philippines

**Table 5****Key indicators of inequality, 2015 and 2016**

Indicator	2015	2016	Change	
			Absolute	% change
Net worth of (in billion Php) <sup>a</sup>				
40 richest Filipinos	3,246	3,694	448	13.8
10 richest Filipinos	2,243	2,517	274	12.2
Net income of (in billion Php)				
Top 1000 corporations	1,148	nda	-	-
Top 100 corporations	531	nda	-	-
PSE-listed firms <sup>b</sup>	321	380	59	18.4
NCR minimum wage (in Php) <sup>c</sup>				
Nominal	481	491	-	-
Real (2006=100)	364	362	(2)	(0.1)
Philippines average daily basic pay (in Php) <sup>d</sup>				
Nominal	379	nda	-	-
Real (2006=100)	268	nda	-	-

<sup>a</sup> - converted from US\$ at prevailing average exchange rate for the year

<sup>b</sup> - as of second quarter only

<sup>c</sup> - as of yearend

NCR - National Capital Region

nda - no data available

PSE - Philippine Stock Exchange

Sources: Forbes website, BusinessWorld Top 1000 Corporations in the Philippines (Vol 29), Philippine Stock Exchange, National Wages and Productivity Commission website, Philippine Statistics Authority Current Labor Statistics (October 2016)

low-paying and insecure work with poor or no benefits.

Wage trends are important. The daily minimum wage in NCR remains at Php491, but its real value is unchanged because of inflation – falling by 2.7% between 2015 and 2016. (See Table 8, Page 20) Another measure of this erosion is the growing gap between the minimum wage and the family living wage, estimated by IBON at Php1,119 for a family of six in 2016. This grew slightly from 55.8% in 2015 to 56.0% in 2016.

The low minimum wage is only the mandated wage and is not necessarily what is received. Government estimates of the average daily basic pay (ADBP) actually received by workers are useful to look at even, if using labor force survey data, the comparability of recent estimates is not possible. Looking at overall trends in ADBP since 2001 shows that the real pay received by workers is at the very least unchanged over the last decade-and-a-half and that this is possibly even smaller now than in 2001. Again, this gives some indication of how workers are not among the beneficiaries of recent reported rapid growth.

The pervasiveness of irregular including contractual work is likely among the reasons for low wages, with flexibilization operating to repress wages. The latest available data from June 2014 indicates that over one out of three (34.5%) rank and file workers are non-regular workers. (See Table 9, Page 22) This points to the urgency of real measures by the government to address the problem of pro-business yet anti-worker contractualization.



The economic pressures of flexibilization are also aggravated by continuing violations of workers' rights. The labor non-government organization (NGO) Center for Trade Union and Human Rights (CTUHR), for instance, tallied 166 cases of violations of workers' rights involving 23,703 workers in 2016. The most number of affected workers were victims of long-term contractualization, underpayment of minimum wages, non-receipt of statutory benefits, forced overtime/undertime/leaves and reduced workdays, and union busting. There were also hundreds of victims of threats, harassment and intimidation, attacks on picket lines and dispersals of mass actions, and physical assault.

The government released its latest poverty figures last year. The Philippine Statistical Authority (PSA) reported population poverty incidence of 21.6% with a magnitude of 21.9 million poor Filipinos for the whole year of 2015, which was 1.8 million less than the 23.7 million reported in 2012. (See **Table 10, Page 23**) Family poverty incidence correspondingly fell to 16.5% with a magnitude of 3.8 million poor families, which was 468,408 less than the 4.2 million reported in 2012.

This, however, uses a very low poverty threshold of just Php60 per person per day and only reflects the situation of Filipinos in extreme poverty. The official methodology grossly under-reports real poverty in the country because it uses a conservative food threshold and an outdated and mechanical estimation of non-food expenses. Comparing official family income and expenditure data with internal IBON surveys, IBON on the other hand estimates some 66 million poor Filipinos consisting of those struggling to survive on just around Php125 or less per day. IBON's latest national opinion survey in September 2016 also had seven out of 10 Filipinos rating themselves as "poor".

The seemingly improved 2015 poverty results also merely reflect the cash support given to reportedly 4.6 million beneficiary households – in particular to the 468,408 families in effect brought above the official poverty line by 2015. The Aquino administration's Pantawid Pamilyang Pilipino Program (4Ps)/conditional cash transfers (CCTs) cost Php295 billion over six annual national budgets in the 2011-2016 period, including Php64.7 billion for 2015. This is a large enough amount of cash transfers to reflect in incomes

**Table 6**

<b>Labor force indicators, 2015-2016 (population in thousands; rate in %)</b>		
<b>Indicator</b>	<b>2015</b>	<b>2016<sup>P</sup></b>
<b>Total 15 years old and over</b>	64,936	68,125
<b>Labor Force</b>	41,343	43,204
Employed	38,741	40,837
Underemployed	7,180	7,478
Unemployed	2,602	2,367
<b>Not in the Labor Force</b>	23,593	24,921
Participation Rate	63.7	63.4
Employment Rate	93.7	94.5
Underemployment Rate	18.5	18.3
Unemployment Rate	6.3	5.5

<sup>P</sup> - preliminary

Notes:

Figures are based on the annual average of the January, April, July and October survey rounds of the respective indicators as computed by the PSA. The following are particular differences in methodologies in the said survey rounds:

1. Population projections used in generating labor force figures are based on the 2000 Census of Population for the four survey rounds for 2015 and January 2016, and on the 2010 Census of Population and Housing for April, July and October 2016.
2. The 2003 Master Sample Design is adopted for the four survey rounds for 2015 and January 2016 (approximately 50,000 households), while the 2013 Master Sample Design for April, July and October 2016 (approximately 44,000 households).
3. January and April 2015 rounds do not include Leyte. Annualized data is average of four rounds excluding Leyte. These annual figures are ideally not to be compared with each other; however, these are the only available official labor force figures.

**Source:** Philippine Statistics Authority Labor Force Survey

reported by poor households in the poverty survey by the PSA.

The reported decrease in official poverty incidence potentially reflects improved welfare among these poorest Filipinos. The multi-billion peso CCT-driven result is however no reason for complacency because the signs of structural poverty from economic backwardness remain. The very slight improvement due to CCTs for Filipinos in extreme poverty should not be taken as an indication of Philippine development. There are other signs of underdevelopment – such as the high joblessness and poor quality of domestic work – which indicate poverty for tens of millions of poor Filipinos not reflected in the official poverty results.

# ALARMING RIGHTS VIOLATIONS

**Human rights principles are another casualty of the administration's drug war.** The most controversial issue surrounding Pres. Duterte for now is his publicly expressed disdain for human rights principles, virtual endorsement of violations by State forces, and condoning of violations against even just suspected drug offenders. He has even claimed to have justifiably killed criminals which has been interpreted as an admission that he is himself a rights violator. The State has a poor human rights record as it is, but the vocal disparagement from the presidency is alarming and will have repercussions.

Over the July-December period, the administration's war on drugs has resulted in 2,166 deaths of "drug personalities" during police operations aside from at least 4,049 more victims of drug-related extrajudicial or vigilante-style killings. **(See Table 11 Page 23)** The largely template story of alleged small-time dealers or users in poor neighbourhoods resisting arrest and shooting at the police, resulting in their death during police operations, has been criticized as suspicious. Meanwhile 2,928 of the unexplained killings are supposedly still under investigation. The fear factor has apparently had the desired effect and the PNP reports 1,003,118 drug surrenderees – 93% of whom are users and the balance of 7% pushers – aside from 42,978 pushers and users arrested.

**Table 7**

## Employed persons by number of hours worked, 2015-2016 (population in thousands, rate in %)

Number of hours worked	2015	2016 <sup>P</sup>
Total employed	38,741	40,387
<i>Percent to total at work</i>		
At work	98.8	99.0
Part-time workers (worked less than 40 hours)	35.8	32.5
Full-time workers (worked 40 hours and over)	63.0	66.6
With job, not at work	1.2	1.0

<sup>P</sup> - preliminary

Notes:

Figures are based on the annual average of the January, April, July and October survey rounds of the respective indicators as computed by the PSA. The following are particular differences in methodologies in the said survey rounds:

1. Population projections used in generating labor force figures are based on the 2000 Census of Population for the four survey rounds for 2015 and January 2016, and on the 2010 Census of Population and Housing for April, July and October 2016.
2. The 2003 Master Sample Design is adopted for the four survey rounds for 2015 and January 2016 (approximately 50,000 households), while the 2013 Master Sample Design for April, July and October 2016 (approximately 44,000 households).
3. January and April 2015 rounds do not include Leyte. Annualized data is average of four rounds excluding Leyte.

These annual figures are ideally not to be compared with each other; however, these are the only available official labor force figures.

**Source:** Philippine Statistics Authority Labor Force Survey

The administration has immeasurably raised the profile of the drug problem in the country even if there is no public consensus on either its place in the hierarchy of the country's social problems or on the most effective approach to solving it.

**Table 8**

## Daily wage indicators for the National Capital Region, December 2015 and 2016

Period	Daily Minimum Wage (in Php)	Real Minimum Wage (2006=100; in Php)	Estimated Family Living Wage (in Php)	Wage gap	
				(in Php)	(in %)
December 2015	481	364	1,089	(608)	55.8
December 2016	491	362	1,119	(628)	56.0

**Sources of basic data:** National Wages and Productivity Commission and Philippine Statistics Authority



Similarly, aggressive and forceful drug campaigns in Thailand, Mexico, the US and other countries have delivered similar sensational numbers, but met with little success in stemming the proliferation of drugs. The disproportionate impact on poor users and pushers is, however, clear even as the socioeconomic roots of the drug problem remain largely unaddressed.

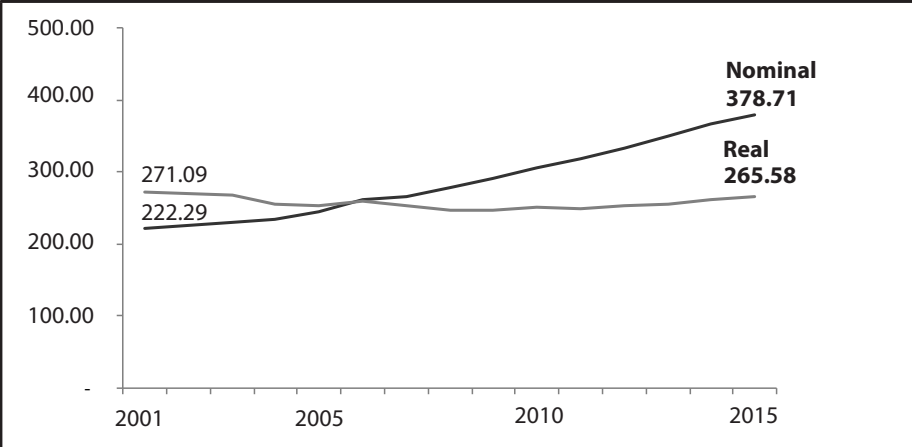
The drug war is apparently a major source of the Duterte administration's public support. It is, at the same time, the Duterte administration's area of greatest political vulnerability for now. Political detractors may stoke the issue to divert the administration's attention and expend political capital, may exploit it to portray the country bereft of the rule of law, or may use it to create an 'unstable' investment climate, to isolate the administration.

There are some welcome proposed measures to treat the illegal drugs issue as a health problem needing a more rehabilitative approach. This is, however, limited by the scant government resources being given for this and the apparent preference for the use of force. As it is, the deficiency of rehabilitation facilities is glaring with the health secretary reported as saying that the 44 accredited centers in the country can only accommodate 3,000 patients. The administration has instead encouraged a privatized approach and welcomed at least Php4.4 billion worth of rehabilitation facilities donated by Chinese and Filipino businessmen.

The disregard for human rights, especially for protection against an abusive State, is the adjunct of authoritarianism, thus the wave of massive drug-related HRVs since the start of the administration is ominous. As it is, the administration has used the war on drugs and crime to justify multi-billion peso increases in the budgets of the PNP, AFP and Office of the President.

## Chart

**Nominal and real value of average daily basic pay, 2001-2015 (2006 = 100; in Php)**



Source: Philippine Statistics Authority

### Civil and political rights violations continue.

The AFP ceasefire appears to have reduced the number of extrajudicial killings (EJKs) and of frustrated EJKs of activists, which fell to 18 and 20, respectively in the July-November 2016 period from the year before. (See Table 12, Page 24) On one hand, this is yet another confirmation of the complicity of State forces in the EJKs. On the other hand, that they continue indicates that the government counterinsurgency program against civilians is unrelenting even during a supposed ceasefire period.

Indeed if anything, it appears that the AFP, PNP and paramilitaries have exploited the ceasefire period to step up their operations in civilian communities in perceived NDFP territories. The number of armed incidents has noticeably fallen since the ceasefire started, reflecting in part the dutiful maneuvering of the CPP-NPA to prevent encounters. (See Annex B) However, the number of civilian victims of forced evacuation (13,734 victims), threat and harassment (13,627), endangerment (12,979), and use of schools, medical, religious and other public places for military purposes (14,083) has dramatically increased. (See Table 12, Page 24) At least 495 barangays in 144 municipalities in 48 provinces have been affected by these State violations of the spirit of the unilateral ceasefires with the NDFP.

# POSSIBILITIES FOR CHANGE

The extent to which the administration is willing to disrupt the dominant position of entrenched interests, and conversely to increase the economic and political power of the people, also determines how rapidly the country and the national economy develops.

The government and its economic team are unlikely to change from their accustomed neoliberal policies on their own account.

Although discredited, the inertia of market-oriented economic thinking among policymakers and the bureaucracy is considerable.

Powerful interest groups also benefit from these policies including foreign investors, domestic oligarchs, corporations and big landlords as well as the corps of related businesses, academics and even civil society groups whose livelihoods are interlinked with them.

**Table 9**

**Total number of persons engaged by establishments with 20 or more workers by type of workers, June 2012 and 2014**

Type of Worker	June 2012	June 2014
<b>Total Number of Persons Engaged</b>	<b>4,287,360</b>	<b>5,093,690</b>
<b>Total Establishment Employment</b>	<b>3,769,259</b>	<b>4,471,785</b>
Working Owners	18,514	25,358
Unpaid Workers	11,973	9,722
Paid Employees	3,738,771	4,436,706
Managers / Executives	208,099	232,547
Supervisors / Foremen	288,286	330,404
Rank and File	3,242,387	3,873,754
- Regular Workers	2,093,822	2,538,081
- Non-Regular Workers	1,148,565	1,335,673
<b>Agency-Hired Workers</b>	<b>518,101</b>	<b>621,905</b>
Total Non-Regular Workers	1,148,565	1,335,673
Probationary Workers	260,260	318,705
Casual Workers	202,472	207,895
Contractual / Project-based Workers	600,764	672,279
Seasonal Workers	56,059	102,070
Apprentices / Learners	29,009	34,722
<i>Non-Regular Workers as Percentage of --</i>		
Total Establishment Employed	30.5	29.9
Total Paid Employees	30.7	30.1
Total Rank and File	35.4	34.5
<i>Non-Regular Workers + Agency-Hired Workers as Percentage of Total Rank and File + Agency-Hired Workers</i>	44.3	43.5
<i>Contractual / Project-based Workers as Percentage of --</i>		
Total Establishment Employed	15.9	15.0
Total Paid Employees	16.1	15.2
Total Rank and File	18.5	17.4

Notes:

Agricultural establishments are included.

Estimated data may not add up to totals due to rounding.

**Source:** Philippine Statistics Authority 2011-2012 BLES Integrated Survey and 2013-2014 Integrated Survey on Labor and Employment

## Out-of-the-box reforms

**The current political situation and ongoing peace talks with the NDFP creates a chance for the country to take a more genuinely progressive direction.** The talks with the NDFP are taking up social and economic reforms and will take up political reforms soon after. This is a unique opportunity for the administration to step back from its inert economic policy bureaucracy and craft a more rigorous pro-people economic and political program outside of current restrictive confines.

Taking advantage of this also gains the support of the most potent force for progressive political action in the country. The mainstream Left's ideological work, organization skills and capacity for mobilization will be vital assets against elite resistance to change and to marshal the support of the majority of poor and marginalized Filipinos.

The NDFP's revolutionary forces are strongest in the countryside and their territories, but also present in the cities. They will be able to work with existing Leftist party-list groups in Congress and the vastly more numerous people's organizations and organized communities across the country. There are also already the Leftist activist leaders holding Cabinet positions aside from many activists in the bureaucracy and various levels of local government. Their influence, moreover, is magnified many times over by scores of alliances built with nationalist

businessmen, patriotic individuals with their respective spheres of influence, other people's organizations, groups or associations, and millions of citizens concerned about the direction of the country.

**The major change in the system of government that the Duterte administration is pursuing can be transformed into the first tentative steps of a major change in the country's ruling system.**

The administration's move to change to a federal system of government can be informed, influenced and improved by the peace process and agreements reached with the NDFP. Public discussions on fundamental Constitutional matters are also an opportunity to take up the fundamental problems of the country which are already the substance of the peace talks with the NDFP.

The administration created a 25-member consultative committee through EO No. 10 signed in December to propose revisions and amendments to the 1987 Constitution in six months. These will be submitted to Congress in 2017 which will convene as a constituent assembly (con-ass), deliberate and then vote to amend the Charter "upon a vote of 3/4 of all its members" in 2018. The plebiscite on the new Charter will be synchronized with the mid-term elections in 2019.

The NDFP and Philippine government can negotiate and agree on their CASER in 2017 and on the comprehensive agreement on political and constitutional reforms (CAPCR) at the latest by early 2018. The CASER's economic reforms that address poverty and underdevelopment and the CAPCR's political reforms that address elite capture and monopolization of governance in the country can feed into Congress' deliberations as a con-ass. It may even be possible to have consultations as early as the stage of the consultative committee whose broad mandate is to "study, conduct consultations, and review the

**Table 10**

<b>Poverty incidence among Filipino families and population, 1997-2015</b>							
<b>Indicator and methodology</b>	<b>1997</b>	<b>2000</b>	<b>2003</b>	<b>2006</b>	<b>2009</b>	<b>2012</b>	<b>2015</b>
<i>Poverty incidence among families</i>							
1992 methodology	31.8	33.7					
2003 methodology		27.5	24.4	26.9	26.3		
2011 methodology (CPI, 2000=100)			20.0	21.1	20.9		
2011 methodology (CPI, 2006=100)				21.0	20.5	19.7	16.5
<i>Poverty incidence among population</i>							
1992 methodology	36.9	39.5					
2003 methodology		33.0	30.0	32.9	32.6		
2011 methodology (CPI, 2000=100)			24.9	26.4	26.5		
2011 methodology (CPI, 2006=100)				26.6	26.3	25.2	21.6
<i>Source: Philippine Statistics Authority Official Poverty Statistics of the Philippines</i>							

provisions of the 1987 Constitution including but not limited to the provisions on the structure and powers of the government, local governance, and economic policies".

The CASER's and CAPCR's provisions for national development will stand on their own as well-thought out proposals for consideration in the

**Table 11**

<b>Selected data on the "war on drugs" July 1-December 30, 2016</b>	
<i>According to the Philippine National Police</i>	
Number of operations	40,284
Number of houses visited	5,868,932
Surrenderees	1,003,118
Pushers	928,248
Users	74,870
Arrested	42,978
Deaths	2,166
<i>According to media reports *</i>	
Total deaths	6,180
Of which --	
Killed in police operations	2,131
Killed "vigilante style"	4,049
Unexplained killings	3,717
Under investigation	2,928
Investigated with arrested suspects	504
Investigated with suspects at large	285
* - as of December 15 only	
<i>Sources: The Duterte Administration Year-end Report: Key Accomplishments, July-December 2016, Presidential Communications Operations Office and Michael Bueza, In Numbers: The Philippines' War on Drugs. Rappler, 21 December 2016.</i>	

drafting of a new Philippine Constitution. The deliberations would be the venue for addressing various concerns: federalism's viability given local political families and warlords or its possibly adverse impact on coordinated national economic development; the danger of removing nationalist economic provisions; promoting democracy in the political system; ensuring safeguards against authoritarianism; and others.

The political status of the NDFP relative to what it holds as a counterpart government's process is another matter – it can be presumed that the greater the recognition of its achieved status, the more it will be invested in the process. The NDFP, has in any case, repeatedly expressed its commitment to fully implement all reforms agreed during the peace talks regardless of the charter change process.

## Paths to development

**Economic development can already start, accelerate upon implementation of comprehensive socioeconomic reforms, and can be deepened with a nationalist and progressive Constitution.** The administration's neoliberal policy framework prevents it from implementing better development policies. Ensuring profitability and maintaining the inequitable status quo are too overriding. Yet the wide range of pro-people measures are available as long as there is real political will and mass support.

Major income, wealth and asset reforms can be started right away. Wages and benefits can be increased, land can be distributed for free, taxes on the rich can be raised and on the poor removed, and government can spend more

on better social services, pensions and public utilities. Corporate and landlord elites and adherents of neoliberalism will object, but these reforms will immediately improve the people's welfare.

When the peace agreement on comprehensive social and economic reforms is reached, this can serve as the broader framework for national development – redirecting the economy from being backward service-oriented to a modern industrialized power. This requires wide-ranging programs for rural development and national industrialization

**Table 12**

**Number of victims of violation of civil and political rights, July-December 2010 and 2015 and July-November 2016**

Violations	July-December 2010	July-December 2015	July-November 2016
Extrajudicial killing	41	35	18
Enforced disappearance	4	1	-
Torture	46	12	2
Rape	2	1	-
Frustrated extrajudicial killing	46	68	20
Illegal arrest without detention	95	88	402
Illegal arrest and detention	74	45	28
Illegal search and seizure	11	13	26
Physical assault and injury	27	17	65
Demolition	120	120	-
Violation of domicile	412	83	68
Destruction of property	327	1,150	-
Divestment of property	95	90	41
Forced evacuation	1,769	9,830	13,734
Threat / Harassment / Intimidation	2,154	5,489	13,627
Indiscriminate firing	639	5,239	-
Endangerment of, Threat against civilians due to indiscriminate firing, bombing, artillery fire, landmines, etc.		-	12,979
Forced / Fake surrender	15	274	3
Forced labor / Involuntary servitude	8	57	3
Use of civilians in police and/or military operations as guides and/or shield	295	65	6
Use of schools, medical, religious and other public places for military purpose	2,679	4,910	14,083
Restriction or violent dispersal of mass actions, public assemblies and gatherings	315	675	1,500

*Source: KARAPATAN Alliance for the Advancement of People's Rights*

with supportive nationalist trade, monetary, financial and fiscal policies. These will be opposed by foreign capitalists losing the country as a source of raw materials and cheap labor, and a market for their goods, but these are necessary for long-term economic progress.

These reforms can later be institutionalized in a new Constitution, although this feasibility will depend on the balance of forces. An overarching

nationalist and progressive legal framework governing the country would be positive. This would uphold the country's sovereignty and independence, promote democracy and human rights, and assert the rights and interests of workers, peasants, women, youth, children, indigenous peoples and the Bangsamoro, and all other disadvantaged sectors. A Constitution to the contrary would however be dangerous.

## DIMMING PROSPECTS

Pres. Duterte is to some degree defying established political forces. This includes traditional politicians, especially at the national level and in so-called imperial Manila, militarists in the armed forces, conservatives in government and among the business elite, long-dominant US imperialism, and drug lords and other beneficiaries from the drug trade. But in the absence of a clear progressive and pro-people agenda, the administration's efforts are not significantly reformist or, much less, revolutionary.

Indeed, the prospects for change are getting dimmer. Any substantive change in socioeconomic policies and political practices remains a challenge. The inertia in the ruling system is strong.

There are three scenarios for the coming period depending on the content of the administration's reform agenda, the reaction of vested interests, and the strength of the progressive forces for social transformation. The first is the basic direction for now. But the situation is intrinsically unpredictable and can still change between two other extremes depending on how the various social and political forces play out.

**First, the neoliberal economic framework remains ascendant astride a push for federalism. Some minor welfare-related reforms are implemented but there are no fundamental income, wealth or asset reforms.** The Duterte presidency would be a populist administration pushing neoliberal policies under the smokescreen of the war on drugs, nationalist rhetoric, and a Leftist façade. It is also possible that authoritarian powers will be used against any opposition and institutionalized to maintain the inequitable status quo over the longer-term.

**Second, optimistically, the administration implements progressive economic and political policies with real assertions of Philippine sovereignty.** Pro-people campaign promises are implemented as policy with a government that takes a strong and genuine stand. A coherent pro-people agenda would sustain a groundswell of both spontaneous and organized support against elite opposition. This immediately improves the people's welfare and lays the basis for even greater changes beyond the current administration. The Duterte presidency would mark a historic shift from the post-Martial Law elite pseudo-democracy to a progressive Left-leaning democracy.

**Third, and increasingly likely, the traditional political powers react more aggressively to the on-going realignment in the balance of forces.** The effort to return to the pre-Duterte state of affairs ushers in a period of greater political instability perhaps even including a strong reactionary counteroffensive against the mainstream Left. Elite factional conflict intensifies. The Duterte presidency would be an unconventional interlude in the established ruling system. Its populism has, however, already changed the political landscape and ruling elites will have to contend with growing anti-elite public sentiments and upstart factions in the future. The potential for volatility has become even greater.

The immediate situation regarding the prospects for change is still evolving. In any case, the need to significantly strengthen the national democratic movement as the most potent force for change is a basic requisite for real socioeconomic and political reforms. The first six months of the Duterte administration illustrates the limits of change that relies on electoral victory and

spontaneous public support amid rigid structures of inequity and domination.

Filipinos have long organized and struggled for meaningful wage hikes, ending contractualization, land, free or at least affordable social services, national industrialization, and many other urgent demands. These are all part of the aspiration for a truly independent, democratic and prosperous Philippines. The people can support any administration reforms that are in their interest. Or, absent such reforms, the people can push a progressive reform agenda while continuing to oppose any anti-people measures. In the end, the progressive forces for change and their struggles remain the strongest foundations for democracy and development in the country – continued struggle including seizing opportunities as they arise only makes these stronger.



## Annex A

### List of US\$15 billion worth of signed investment pledges between the Philippines and China (in US\$ billion)

Project	Amount	Parties involved	Other details
1 Subic-Clark railway project (65-km) that will run through Subic-Clark-Tarlac Expressway		BCDA and CHEC	MOU signed for feasibility studies at company's cost. CHEC, a subsidiary of CCCC, was banned from World Bank-Funded projects until 11 January 2017 due to anomalous practices in a previous Philippine project.
2 Bonifacio Global City-NAIA Segment of Metro Manila Bus Rapid Transit-EDSA project		BCDA and CRBC	MOU signed for feasibility studies at company's cost. CRBC, also a CCCC subsidiary was also banned by the World Bank.
3 Real estate projects		BCDA and China Fortune Land	MOU in line with Clark Green City Industrial Park.
4 Safe and smart city projects for BCDA		BCDA and Huawei Technologies	
5 Transportation and logistics infrastructure at Sangley Point		Cavitex Holdings, ICTS, and CHEC	Cavitex Holdings also operates MPIC's Manila-Cavite tollway road. Henry Sy's Belle Corp. and Wilson Tieng's ARRC have a proposal to the government to convert Sangley Point into a new international airport and seaport. The CCCC dredging unit, a co-subsiary of CHEC, will also be involved in this project.
6 Infrastructure projects		Jimei Group of China and Expedition Construction Corp.	JVA signed. Infrastructure projects may be in line with entertainment, hotel and casino industry. Both companies have investments in the hotel industry.
7 North and South Negros biomass projects	7.9	Bronzeoak Philippines and Wuxi Huaguang Electric Power Engineering with financing from investment banking firm ThomasLloyd Group	There are three sugarcane ethanol biomass projects these companies are involved in - North Negros Biopower Inc., South Negros Biopower Inc. and San Carlos Biopower Inc. - located in Manpala, San Carlos and La Carlota, Negros Island. ThomasLloyd and the IFC of the World Bank signed definitive loan agreements worth US\$161 million in August 2016 to finance these biomass projects. Also involved are the Canadian government through the IFC-Canada Climate Change Fund, and PINAI, of which GSIS is a lead investor along with ADB.
8 Globe Telecom projects to improve network quality and capacity		Globe Telecom, Huawei Technologies, ASB, and Wuhan FiberHome International Technologies Inc.	Globe Telecom and Huawei will have a project for the modernization of Globe's fixed-line network and rollout of fixed high-speed broadband lines. Globe, ASB, and FiberHome will focus on speeding up the Philippines' internet service.
9 Jin Jiang hotel room capacity expansion from 1,000 to 2,000		Double Dragon Properties and Hotel of Asia Inc.	Double Dragon has 70% stake in Hotel of Asia, Inc.
10 Joint development projects in renewable energy, major infrastructure and real estate	0.1	Columbus Capitana and CAMCE	MOU signed. Columbus Capitana among top 100 stockholders of San Miguel Corp. as of 31 December 2015.

11 New Generation Steel Manufacturing Plant	0.2	MRTC and SIIC Shanghai International Trade HK	Strategic cooperation agreement signed. President of MRTC is Lawrence Daniel Sy. MRTC was involved in controversy last year over 5,000 MT of deformed reinforcing steel bars from China that was consigned to MRTC.
12 Joint venture on steel plant, possible provision of trade financing to GFNI's Ipilan mine in Palawan, and other projects	0.5 to 0.7	GFNI and Baiyin International	MOC signed. GFNI is the second largest nickel producer in the Philippines and largest single lateritic mine exporter in the world. It is a key supplier of low-cost nickel ore to clients in China, and has mining operations in Cagdianao, Surigao del Norte. Joseph C. Sy is chairman of GFNI and Platinum Group Metals Corp, as well as a PCCI board member. Baiyin is a China State-owned enterprise in Gansu Province and one of the largest producers of non-ferrous metals in China.
13 Renewable energy projects		TBEA Xinjing Sunoasis Co. Ltd., Trademaster Resources Corp., and Servequest Inc.	Trademaster, in partnership with the First Cabanatuan Ventures Corp., built the Php710 million solar power plant in Bgy. Lourdes, Cabanatuan City, Nueva Ecija.
14 Davao coastline and port development project	0.8	Mega Harbour Port and Development, Inc. and CHEC	MOU signed.
15 Manila Harbour Center Reclamation Project	0.1	R-II Builders Inc. and CHEC	MOU signed.
16 Cebu International and Bulk Terminal project	0.3	Mega Harbour Port and Development, Inc. and CCCC Dredging Company	MOU signed. CCCC Dredging is a CCCC subsidiary banned by the World Bank.
17 Build cabling manufacturing facilities	3.0	MVP Global and Tianjin Suli Grp. Ltd.	MOU signed. Suli Group will have 70% share while 30% will go to MVP Global. Tianjin was the first company to receive funding from AIIB.
18 Manila EDSA Bus Transportation Program	0.1	Philippine State Group of Companies, Yangtse Motor Group Ltd., and Minmetals international (HK) Ltd.	MOU signed.
19 Hybrid rice production for 2 million hectares of rice fields	0.2	SLAC and Jiangsu Hongqi Seed Co. Ltd.	Cooperation agreement signed.
20 Bus manufacturing facility	0.3	Zhuhai Granton Bus and Coach Co.	Letter of investment signed.
21 Banana plantation project	0.1	AVLB and Shanghai Xinwo Agriculture Development Co. Ltd.	MOU signed.
22 300 MW Pulangi-5 Hydro Project	1.0	Greenery Development Corp. and Power China Guizhou Engineering Corp.	MOA signed.
23 Pasig River, Marikina River and Manggahan Floodway bridges construction project	0.6	Zonar Construct and Sino Hydro	MOU signed.

24 Ambal Simuay Sub-river Basin of the Mindanao river basin flood control project	0.3	One White Beach Land Development Corp. and Sino Hydro	
25 Nationwide island provinces link bridges for sustained development	0.8	Zonar Systems and Power China Sino Hydro	
26 Railway project (study)	2.5	MVP Global and China Railway Engineering Corp.	MOU signed. Though no details were given regarding this project, MVP Global has previously expressed plans to link Luzon's seaports through dedicated cargo railway lines like the Manila-Laguna cargo railway and Manila to Clark Freeport Zone.

Legend:

ADB - Asian Development Bank	GFNI - Global Ferronickel Holdings, Inc.	MRTC - Manage Resources Trading Corporation
AIIB - Asia Infrastructure Investment Bank	GSIS - Government Service Insurance System	MT - metric ton
ARRC - All-Asia Resources and Reclamation Corp.	HK - Hong Kong	MW - megawatt
ASB - Alcatel-Lucent Shanghai Bell Co. Ltd.	ICTS - International Container Terminal Services, Inc.	MVP Global - MVP Global Infrastructure Group
AVLB - AVLB Asia Pacific Conglomerate, Inc.	IFC - International Finance Corporation	NAIA - Ninoy Aquino International Airport
BCDA - Bases Conversion Development Authority	JVA - Joint Venture Agreement	PINAI - Philippine Investment Alliance for Infrastructure
CAMCE - China CAMC Engineering Co. Ltd	MOA - Memorandum of Agreement	PCCI - Philippine Chamber of Commerce and Industries
CCCC - China Communications Construction Co. Ltd.	MOC - Memorandum of Cooperation	SIIC - Shanghai Industrial Investment (Holdings) Co., Ltd.
CHEC - China Harbour Engineering Co.	MOU - Memorandum of Understanding	SLAC - SL Agritech Corporation
CRBC - China Road and Bridge Corp.	MPIC - Metro Pacific Investments Corp.	TBEA - Tebian Electric Apparatus

**Source:** Various publications monitored by IBON

## Annex B

Armed confrontations between the NPA and government forces, 2012-2016										
Date	Number of Incidents	Dead <sup>a</sup>			Wounded <sup>a</sup>			Captured		
		NPA	AFP/ PNP/ CAFGU	Civilian <sup>b</sup>	NPA	AFP/ PNP/ CAFGU	Civilian <sup>b</sup>	NPA	AFP/ PNP/ CAFGU	Civilian <sup>b</sup>
2012	323	143	324	20	49	309	59	49	1	57
2013	372	81	441	11	26	407	35	66	35	29
2014	317	103	336	15	11	381	16	36	10	49
2015	318	41	233	25	17	321	14	25	11	80
2015 Jan-Jun	165	20	79	10	10	128	5	3	4	71
2015 Jul-Dec	153	21	154	15	7	193	9	22	7	9
2016 Jan-Jun	168	33	180	4	3	144	8	16	17	-
2016 Jan-Jun	153	23	170	4	3	127	8	16	12	-
2016 Jul-Dec <sup>c</sup>	15	10	10	-	-	17	-	-	5	-

<sup>a</sup> - These figures do not include an additional undetermined number due to incomplete reports.

<sup>b</sup> - These include civilians merely alleged or accused by the AFP as NPA members and supporters but still killed, wounded or illegally detained. Details can be provided upon request.

<sup>c</sup> - All monitored incidents took place outside the declared unilateral cesaefire period separately announced by the Government of the Republic of the Philippines and the Communist Party of the Philippines in light of the resumption of the formal peace talks beginning in August 21, 2016.

AFP - Armed Forces of the Philippines  
CAFGU - Citizens Armed Forces Geographical Unit  
NPA - New People's Army  
PNP - Philippine National Police

**Source:** Various publications monitored by IBON





