birdtalk

economic and political briefing

Feb 2026

IBON

2026 Yearstarter:

From frustration to action

15 February 2026

114 Timog Avenue
Quezon City 1103
Philippines

Trunkline: (632) 8927 7060 to 61
Direct line: (632) 8929 2496
www.ibon.org

Key messages

1 The economy's problems are structural, deeper than corruption, and call for fundamental reforms in development strategy.

The country's high-growth period from 2004-2016 has ended, and the economy has been slowing since 2017 as the temporary demand-side drivers that drove expansion weakened. The pandemic briefly masked the slowdown, while the corruption scandals merely exacerbated it. Re-growth strategies around anti-corruption efforts will have limited economic impact. Instead, state-led development strategies that durably shift the economy's productive structure towards agricultural modernization and, above all, Filipino industrialization are essential to create high-quality jobs, raise productivity, and sustain growth.

2 The current consumption-driven growth model is self-limiting with growth likely reverting back to its historical average of 5% or even lower.

The economy is locked in a self-reinforcing underdevelopment trap: low incomes constrain domestic savings and market depth; limited domestic savings and shallow markets hinder productive investment in agriculture and manufacturing; and this weak investment keeps the economy consumption-heavy and incomes low. Expansion is largely driven by household consumption and low-productivity services rather than by production that creates jobs and high incomes. High investment rates in Filipino manufacturing capacity are vital. Yet, instead, investment is construction-heavy which mechanically boosts growth but has weak productivity, technology, and multiplier effects. Stagnating wage and salary employment is a constraint.

3 Exogenous sources of growth are weakening—overseas remittances, government transfers, exports, and foreign investment.

Overseas remittance growth has slowed to less than half the yearly average in the last two decades, while government spending is restrained by deficits and debt at their highest share of the economy in at least the same period. Fiscal stimulus is hindered by debt service eating up most new borrowing, and by revenue-erosion from an increasingly regressive tax system. The geopolitical rivalry, protectionism, and supply-chain reorganization reshaping the global economy make export- and foreign investment-led strategies more untenable than ever. Climate shocks further threaten food security and livelihoods. These conditions underscore the need to strengthen endogenous sources, particularly industrial deepening, technological upgrading, more equitable productivity-linked incomes, and structural transformation.

4 *Slowing growth falls most heavily on the poor and vulnerable majority.*

The country's growth model does not deliver broad-based welfare gains because employment expands mainly in informal, low-productivity, and low-pay agricultural or service work. Even the years of relatively strong growth since the mid-2000s saw rising poverty, hunger, and job insecurity. While corporate profits and wealth grew at the top—especially from rent-seeking and rent-extractive activities—the majority of Filipinos had stagnating real family incomes with low living standards. Social assistance programs expanded significantly but are insufficient to reach all families in need.

5 *Headline labor force figures understate joblessness rooted in backward agriculture and non-industrialization.*

Official unemployment is understated by excluding discouraged workers and unpaid family workers as employed. Employment is further overstated by failing to account for widespread informality, including among wage workers, and for structural employment volatility, with multi-million swings year-on-year across sectors, by class of worker, and by hours worked. Lower inflation is not reducing poverty or improving welfare because family incomes are insufficient, unstable, and tied to poor quality jobs. This employment insecurity is characteristic of backward agriculture and non-industrialization.

6 *Corruption is systemic, extends well beyond flood control projects, and plausibly reaches the highest levels of political authority.*

There are pork barrel abuses across the wide range of public infrastructure and social assistance projects, alongside other forms of rent-seeking and corporate capture. Disproportionate inattention to serious allegations against the president and vice-president risks reinforcing political impunity and will undermine the effectiveness of merely technocratic and procedural anti-corruption measures.

7 *Political stress is intensifying as economic pressures mount.*

Public protests demanding accountability and reform reflect deeper grievances over insecure livelihoods, high living costs, and inadequate public services. Large mass mobilizations such as seen last year are a potential counterweight to elite factional conflict, but are being managed with performative anti-corruption measures amid narrowing democratic space and rising risks of repression. At the same time, fiscal deficits and debt pressure constrain the Marcos Jr administration's ability to use public spending to spur growth or as a tool for political accommodation and managing social unrest.

8 *Deepening strategic alignment with the United States (US) narrows policy space – a loss of autonomy that is inevitable when elite political camps situate themselves on one side or the other of a US-China binary.*

The Philippines' expanding security and economic alignment with the US risks constraining autonomous industrial policy, increasing fiscal burdens, and heightening exposure to geopolitical spillovers. The domestic economic development gains from dual-use infrastructure and defense-industrial coordination are overstated. More broadly, national security-driven industrial policies by major powers narrows the policy space for late industrializers like the Philippines.

9 *2026 is a hinge year.*

The baseline trajectory is the Marcos Jr administration managing drift, with selective accountability, continued reliance on patronage and fiscal stopgaps, and slowing growth. This sets the stage for familiar intra-elite competition in the 2028 national elections. However, a more democratic trajectory becomes possible with wider and sustained public pressure. Linking anti-corruption demands to calls for jobs, food security, public services, and productive economic transformation can open space for a development-centered strategy.

10 *Economic and political reforms must advance together.*

Structural economic change demands active state intervention with protection and support for rural development, Filipino industrialization, and universal social services. These require political reform to break patronage and enforce accountability, overcome resistance by vested interests, and expand democratic space and participation. Separating economic reform from political reform may hinder gaining traction in either.

Executive summary

The past year removed any remaining ambiguity about the economy's direction under the Marcos Jr administration. Growth further slowed and, despite easing inflation, more Filipinos are poor and hungry because of worsening joblessness. The drift in 2025 was unmistakable, and the risk in 2026 is accelerated decline.

The corruption scandals dampened growth but did not cause the economic slowdown, implying that governance-only fixes cannot restore growth without addressing deeper structural constraints. The country's high-growth period from 2004-2016 has ended, and the economy has slowed since 2017 as the temporary demand drivers that sustained expansion from the mid-2000s faded, while structural constraints remained unresolved. The pandemic lockdowns momentarily obscured this decline.

Since 2017, household consumption softened as wage employment plateaued and remittance growth decelerated, while negative net exports worsened and became a larger drag on output. Private investment softened too in response to weaker demand. Government spending decelerated and albeit large has not been sufficient to offset the slowdown. Greatly expanded social assistance and construction-heavy infrastructure outlays provided short-term relief while supporting consumption and headline growth. However, the skewing of investment spending toward construction generates weak productivity gains, limited technological upgrading, and shallow domestic linkages.

The fading of these growth drivers is magnified by the long-standing weakness of agriculture and manufacturing, which have never functioned as sustainable engines of growth and job creation. As a result, economic growth is likely reverting to its historical average of 5% or possibly lower. This trajectory could be temporarily eased by overcoming self-imposed fiscal constraints, including addressing how the disproportionate majority of new borrowing goes back to debt service rather than development, and increasing revenues with a more progressive tax system. More urgent are genuinely transformative structural reforms, especially towards Filipino industrialization with agriculture playing a catalytic role.

The government's "Big Bold Reforms: The Philippines 2026" briefing unfortunately confirmed continuity rather than change, and characteristically omitted consequential measures for rural development or Filipino industrialization. Economic policy retains an outdated faith in "free markets" and globalization, even as the world economy fragments and many countries assert stronger national control over production, trade, and investment. National security-oriented industrialization strategies of major powers are reshaping trade, investment, and supply chains in their favor at the expense of late industrializers like the Philippines. As it stands, inherited structural weaknesses are set to collide with domestic political shocks, amid an increasingly volatile geoeconomic and geopolitical landscape.

This is compounded by systemic corruption, of which the flood control scandals are only a small part. The abuse of public power for private gain by officials, operators, and oligarchs runs far wider and deeper and remains to be more widely recognized – as does the extent to which corruption extends to the highest level of political power. Even so, the surge in public protests and popular mobilization for democratic accountability is a significant development.

Broadening this democratic upsurge represents a potentially important counterweight to the intensifying factional conflict between the Marcos and Duterte camps, whose competition revolves around control of executive power and the immense political and material advantages this confers. Public action opens the possibility of replacing destabilizing elite rivalries and political shocks from above with broader democratic unity and pressure for reform from below.

Yet the political space for those pushing substantive change continues to narrow. Security forces have continued practices such as red-tagging, lawfare, and other repressive and even violent measures. Meanwhile, the administration ties the country's economic and strategic trajectory ever more closely to the US, just as the Trump administration's more aggressive geoeconomic and geopolitical posture is stirring pushback even from its own major-power allies.

The year ahead presents a stark choice between a drift towards deeper decline or a deliberate shift for the better. The country's economic difficulties are structural, not cyclical, and worsened by inertia in both policies and politics. Incremental adjustments risk prolonging drift rather than reversing it. Decisive breaks can address these and spur meaningful change.

This includes moving beyond narrow market-led thinking towards a development-centered strategy where the state actively shapes national production, employment, and long-term capacity with greater strategic autonomy. This demands coherent policies for rural development, national industrialization, and universal social services that are at the same time attuned to profound shifts underway in the global order.

The US's more aggressive defense of strategic primacy in response to China's rise sets the pace of global disruption. Its greater use of protectionism and economic coercion aims to reorder global trade and investment flows according to American industrial strategy. Heightened unilateralism and militarism further instrumentalize the so-called liberal multilateral order, while fortifying US hemispheric control as a base for projecting global hegemonic influence.

Political disruption reaching even the highest levels of government is necessary to create the conditions for economic progress in the country. The reforms needed are politically difficult, redistributive, and long-term. They will not advance without strong social and mass movements capable of confronting entrenched domestic and foreign elites whose business models depend on financial flows, market structures, and public spending inconsistent with industrialization. Without this deeper democratic foundation, even progressive proposals risk being reduced to modest adjustments that fall short of the structural transformation the moment demands and the people deserve.

Growth without transformation

The Philippines had a period of modestly faster sustained growth from 2004 to 2016. Average annual gross domestic product (GDP) growth was 5.3% from 1947 to 2003, which increased to 5.7% annually in the period 2004-2016. The start of this relatively high-growth period can be marked by the increase in GDP growth to 6.6% in 2004, and its end by a 7.1% peak in 2016. (**See Annex 1**)

Growth steadily decelerated after this to 6.9% (2017), 6.3% (2018), and 6.1% (2019). Excluding the pandemic-era collapse and rebound in 2020-2022 when growth averaged 1.3% annually, growth eased further to 5.5% (2023), 5.7% (2024), and then 4.4% (2025).

Successive administrations have used GDP as the headline indicator of national progress, and treated growth performance as proof of sound economic management. This narrative endured even as more development-relevant indicators – poverty, hunger, job insecurity, and informality – moved in the opposite direction for large sections of the population.

What is now widely described as a corruption-driven downturn since the second semester of 2025 is better understood as the continued winding down of the economy since 2017 – as the demand drivers that sustained expansion since the mid-2000s weakened, especially while structural constraints remain unresolved. This was aggravated by government spending restraint in the aftermath of the corruption scandals.

To understand this better, it helps to identify the foundations and sources of growth since the mid-2000s, see how these began to shift since 2017, and note the continuity until today. These will also explain why growth has been exclusionary and accompanied by increasing poverty. Taken together, they point to the importance of rapid agricultural development, astride immediately taking the first steps on the long journey of Filipino industrialization. It is also important to note that the structural weaknesses of the current growth model stem from extensive "free market" policies of liberalization, privatization, and deregulation implemented since the 1980s and retained until today.

PH underdevelopment trap

Looking at national accounts from the demand side, growth is determined by changes in household consumption, investment, government spending, and net exports (exports minus imports). This aggregate demand corresponds to a supply response from the agriculture, industry, and services sectors. From the production side, growth is measured by the expansion of output in the agriculture, industry, and services sectors. Producing this output generates family incomes, supports investment, yields government revenues, and entails foreign trade.

Philippine growth is driven primarily by household consumption (around 73% of demand over the past five years), and dominated by services (about 62% of output). This configuration locks the economy in a self-reinforcing underdevelopment trap, abstracting from other contributing factors.

Low and insecure household incomes limit domestic savings and market depth, resulting in limited long-term finance and weak incentives for productive investment. Agriculture and local manufacturing, which require scale, capital, and sustained demand to raise productivity, consequently remain underdeveloped.

Services expand disproportionately because many of its activities can operate even in a low-income economy. Major subsectors like trade, transport, hotel and restaurants, and personal services require minimal capital and skills, operate largely informally, and can function with shallow, low value-added, and non-cumulative linkages to the rest of the economy. Yet these account for nearly two-thirds (65%) of services employment. (**See Annex 2**) The sector absorbs labor but with limited productivity gains and weak wage growth, while often relying on imports or external demand rather than domestic production linkages.

The resulting employment structure is dominated by poorly-paying, irregular, and low-productivity jobs. This reinforces weak household incomes and consumption-led growth.

GDP growth therefore closely tracks household spending, reflected in household final consumption expenditure (HFCE). (**See Annexes 3a and 3b**) Unfortunately, this model is structurally self-limiting from its reliance on low-income employment from low-productivity service activities, and from its increasing dependence on exogenous income sources such as overseas remittances and government transfers.

Higher-value services like finance, business process outsourcing (BPOs), and professional services remain small employers, accounting for just 13% of services employment (**See Annex 2**), and lack strong production linkages which limits their economy-wide impact. These cannot provide jobs at the scale or quality needed to lift mass household incomes.

The consumption-led and services-driven economy continues to grow, but at persistently low levels of productivity and income that reproduce the very constraints preventing structural transformation.

In contrast, growth anchored in developed domestic agriculture and a higher-productivity Filipino industrial base would raise wages and labor productivity, deepen domestic savings and investment, expand the fiscal base, and improve the trade balance in a more endogenous, internally driven, and self-reinforcing growth process.

Exclusionary growth

The Philippines' growth since the mid-2000s has not been inclusive. Poverty reduction has been erratic and – according to self-rated poverty measures, which are released more frequently than official statistics – it has even worsened in both magnitude and incidence over the past 20 years of relatively high growth. (**See Annex 4**)

This reflects the economy's persistent failure to generate enough decent work for the growing population. Job generation is weak, employment is volatile, and livelihoods are fragile across the economy. Employment growth of just 172,000 in 2025 was barely one-fourth of the historical average of around 700,000 annually over the past five decades, and ranks among the weakest outcomes in the last 25 years, following just a 90,000 increase in 2015 and contractions in 2017 and 2020. (**See Annex 5**)

As job generation weakened, officially reported unemployment increased, growing by 200,000 to 2.1 million in 2025. (**See Annex 6**) This figure understates labor market distress. It excludes 3.3 million unpaid family workers unjustifiably classified as "employed" as well as, by IBON's estimates, some 1.5-2 million discouraged jobless workers who are not counted as unemployed but instead categorized as "not in the labor force." Adding these would bring the true number of unemployed to around 6.9 million or higher.

The headline figure of 49 million employed in 2025 is a weak indicator of economic well-being. By class of worker, IBON estimates that around 37-38 million or nearly four-fifths (77%) of total employment are in low-paid, insecure, and irregular informal work. This includes 13.5 million self-employed, 4.3 million employed in family farms and businesses, 2.1 million in private households, and roughly 18 million wage and salary workers in informal establishments. (**See Annex 2**)

This employment structure is closely linked to the country's services-led growth model. Employment expansion has been concentrated in low-paying and unstable activities. In 2025, nearly 35 million workers or more than 70% of total employment were in backward agriculture, construction, trade, transport, accommodation and food services, and other low-productivity services. (**See Annex 2**) These sectors are revolving doors of insecure livelihoods. They absorb labor easily but offer limited income security, weak productivity growth, and few pathways to stable employment.

The sectoral composition of employment also reflects long-term structural decline. In 2025, the share of agriculture in total employment fell to 20.5% and of manufacturing to just 7.1% – the lowest shares on record for both sectors. (**See Annex 7**) Modernizing these production-oriented sectors promises more stable work, but their erosion has instead left the labor market dominated by activities sensitive to demand fluctuations and household coping strategies. This can be complemented with expanded public provision of education, health, housing and other social services alongside the necessary public works and community infrastructure programs – delivering the dual benefits of increased public employment and improved access to essential services.

Instead, employment is highly volatile because of the informal and services-heavy structure. Since 2017, excluding the period of pandemic measures from 2020 to July 2023, year-on-year changes in total employment in any given month have ranged from a contraction of 1.6 million (July 2025) to an expansion of 3.1 million (July 2024). These swings cannot be explained by seasonality alone. Volatility is most pronounced among the self-employed, whose year-on-year numbers have fluctuated by as much as 2.1 million down (July 2025) or 2.4 million up (July 2024) in different months. This is chronic uncertainty from marginal livelihoods rather than stable job creation.

By sector, agriculture remains the most precarious. Employment can fall by as much as 2.3 million (August and November 2024) or rise by as much as 1.5 million (November 2023) year-on-year in any given month. Meanwhile, average daily basic pay (ADBP) is the lowest of any sector at just Php367 in 2025. This combination of extreme volatility and low pay underscores agriculture's role as a residual absorber of labor rather than a source of rising productivity or incomes.

Instability is also evident in employment by hours worked. Part-time employment can drop by as much as 5.5 million (April 2024) or increase by up to 2.8 million (January 2025). Full-time employment is often assumed to be more secure but still fluctuates between declining by 1.1 million (November 2025) to increasing by 6.1 million (April 2024). This shows how systemic employment volatility is rooted in informality and services-led growth, rather than confined to temporary shocks.

The real value of mandated minimum wages has generally remained flat, including throughout the economy's high-growth period, and is worth less on average than four decades ago when wage-setting was regionalized. (**See Annex 8**) Regional minimum wages are now worth around 19% less than in 1989, with the National Capital Region (NCR) and Region IV-A the only exceptions at a marginal 3-9% higher over the same period. Slight increases recently are likely to have limited impact on general worker well-being because of the growing informality even in wage work.

Employment insecurity from weak job generation, unstable work, and low wages and earnings are central constraints to inclusive growth. The dominance of informal and low-productivity service activities suppresses wage growth and livelihoods, by keeping the economic pie small. This is aggravated by weaker labor bargaining power that prevents productivity gains from being shared more widely, and distributes the small pie unequally.

Since 2001, for instance, labor productivity – measured as economic output over employment – has increased 92%, but ADBP has lagged, growing just by 22% over the same period. (**See Annex 9**)

While wages lagged behind productivity, corporate profits and top-end wealth expanded rapidly, indicating how productivity gains were disproportionately captured by capital rather than broadly distributed across labor. The recent controversy with the Villar group over alleged large-scale financial misreporting and manipulation, meanwhile, underscores how wealth accumulation can be amplified by regulatory advantage and political power. Manny Villar, until recently reported as the richest Filipino, leads the Nacionalista Party, which has extensive representation in the Senate, the House, and local government – including his two children in the Senate – illustrating the overlap between economic concentration and political power.

The annual net income of the country's Top 1000 corporations grew almost four-fold between 2006 and 2024, while that of Philippine Stock Exchange (PSE) firms grew five-fold over the same period. (**See Annex 10**)

IBON meanwhile estimates that the top 10% of Filipinos held approximately Php40 trillion in wealth as of 2022, nearly three times the Php15 trillion net worth of the bottom 90% combined. The top 1% alone controlled Php17.9 trillion, or roughly triple the Php6 trillion net worth of the poorest half of the population. There is concentration even at the very top—an estimated 3,000 billionaires held Php8.2 trillion, with just the richest 700 billionaires accounting for Php5.9 trillion.

As a result, economic growth fails to translate into sustained improvements in living standards for most households, disproportionately benefiting a narrow segment of firms and higher-income groups, while leaving the majority behind.

The episode of relatively rapid growth distracted from these weaknesses. Consumption-led expansion, supported by remittances and fiscal transfers, masked the economy's failure to build productive capacity, making growth appear more robust and inclusive than it really was.

Unsustainable growth

The exhaustion of the consumption- and services-driven growth model started in 2017 and implies that efforts to revive growth through fiscal measures or business-as-usual efforts will have limited effect unless the production base is structurally upgraded. The weakening of wage work, overseas remittances, exports, investments and government spending weigh heavily on the economy's growth prospects. These headwinds are unlikely to be countered by marketing and public relations efforts seeking to build confidence, optimism, and "animal spirits" in the absence of substantive structural reforms.

Wage work

First, the absorption of the growing working-age population into wage and salary work has suddenly decelerated. The number of wage and salary workers grew at an average of just 2.8% annually in 2000-2003, but then picked up to 4% annually in the high-growth period 2004-2016. This peaked at 9.9% in 2016, before suddenly contracting by 0.1% in 2017. Since then, growth in wage and salary work has fallen to below its pre-high-growth period pace and averaged just 2.6% annually in 2017-2025.

The rapid expansion of wage and salary employment after 2003 added 9.9 million cash-earning and -spending workers, almost doubling the total to 25.2 million by 2016. (**See Annex 11**) This raised their share in total employment from 50% in 2003 to 62% in 2016, after which it plateaued at an average of 63.1% in the period 2017-2025. Many of these jobs are low-paying, irregular, and insufficient to lift households out of poverty, but the cumulative increase nonetheless provided a significant boost to household consumption and overall economic growth during that period.

Labor supply is swelling but without a corresponding upgrade in domestic productive capacity. This has led to more volatile work, thinning incomes and earnings, and exhaustion of informal coping strategies. Labor force survey data confirm that employment remains concentrated in informal, insecure, and low-paid work, limiting the scope for sustained income growth and demand expansion.

Aside from more wage work, the increase in cash transfers through the massive *Pantawid Pamilyang Pilipino* Program (4Ps) also boosted household consumption spending during the high-growth period. After a pilot phase in 2008, the 4Ps program greatly expanded from a Php5 billion budget with around 250,000 beneficiary families in 2009 to an average of Php63 billion with 4.4 million beneficiaries by 2014-2016. (**See Annex 12**) This increased further to a budget of around Php103-113 billion with over 4 million beneficiary families in the period 2020-2026, except for a cut in 2025 to accommodate discretionary pork barrel allocations.

Overseas remittances

Second, growth in overseas remittances has markedly weakened. This grew at an average of 6.1% annually in 2000-2003, then more than doubled to 15% at the start of the high-growth period in 2004-2009, before slowing to 6.5% in 2010-2016. Since then, growth in remittances has fallen to below the pre-high-growth period pace and averaged just 3.9% annually in 2017-2019, before slowing further to just 2.8% in 2020-2025.

During the episode of high growth, overseas remittances tripled from US$8.6 billion in 2004 to US$26.9 billion in 2016, with the latter equivalent to Php1.3 trillion converted at prevailing exchange rates. (**See Annex 13**) This was on the back of annual overseas worker deployments doubling from 933,588 in 2004 to 2.1 million in 2016.

Like the increase in spending from growing wage work, the remittances were a substantial contribution to household spending. Remittances increased by an average of US$1.5 billion annually between 2004 and 2016, before moderating to an average of US$970 million annually in 2017-2025 (or US$1.1 billion excluding the pandemic period 2020-2022).

Cash remittances continue to grow, albeit more slowly, and still stabilize household spending aside from ensuring a supply of foreign exchange to finance imports of goods and services. However, slower remittance growth means that while its overall contribution to the economy remains large, this has been declining from the equivalent of 10% of GDP in 2005-2006, to 8.5% in 2017, and further to just 7.3% as of 2025, which is the smallest in 25 years.

Net exports

Third, growth-dampening import-dependence has worsened. Net exports of goods and services – or exports minus imports – have historically been a drag on growth. Reported exports may rise but imports are consistently larger, which means that net exports subtract from rather than add to GDP growth. Net exports averaged a negative 4.2% of GDP annually over the period 2004-2015, which more than doubled to negative 10.8% annually in the period 2016-2019. This barely improved to a negative 10% yearly in the 2020-2025 period. (**See Annex 14**)

Investments

Fourth, investments are slowing as household spending and exports both weaken. Investment trends can be measured by gross capital formation (GCF). GCF averaged 8.8% growth annually over the 2004-2016 period, including a peak of 20.8% in 2016 before slowing markedly to an average of 4.1% in the 2017-2025 period.

(**See Annex 15**) This likely reflects the private sector component reacting to weaker market opportunities domestically and abroad, and the public sector component making the political decision to moderate spending for fiscal consolidation.

Apart from the slowdown, the composition of investment also matters. Construction accounts for too much of GCF, consistently making up about 62% over the long 2004-2025 period. Construction generates quick output gains and short-term employment, but has weaker long-term productivity effects than machinery- or equipment-led investment. There is also a leakage when materials are imported for want of domestic manufacturing linkages. This helped growth look strong in headline terms even as development outcomes in terms of industrial progress were actually weak.

In any case, GCF in construction has dropped markedly – from average yearly growth of 8.5% in 2004-2016 to 4.9% in 2017-2025. Looking at gross value added (GVA) in construction, private corporate investment has slowed by more than public investment could offset. Private corporate investment weakened substantially from 9.7% annually in 2004-2016 to 4.1% in 2017-2025. Public investment grew faster but still slowed from 9.9% to 8% over the same periods.

Budget bind

Among all the economic policy tools the government has at its disposal, fiscal policy and particularly public spending has the most immediate and direct impact on growth. Financial and monetary policy, trade and investment regulations, labor and social welfare measures, environmental policy and other measures shape the economy, but their effect is more indirect and cumulative.

The national government budget averaged 18.2% of GDP annually over the period 1986-2003. This moderated to an average 16.3% over the high-growth period 2004-2016, slightly lower but still playing a role in sustaining demand. This increased to 20% of GDP in 2017 until a peak of 24% in 2020 during the pandemic, then dropped slightly to 23% by 2025. Although large, the fiscal stimulus from the budgets does not appear to have been able to avert steadily slowing economic growth since 2017.

There has been a notable increase in spending on social assistance (i.e., *ayuda*) and infrastructure in recent national government budgets. IBON estimates that total social assistance programs, covering regular social assistance and emergency measures, rose from Php171.9 billion in 2019 to a peak of Php472.7 billion in 2020. (**See Annex 16**) This averaged Php312.7 billion annually in 2021-2025, including a likely election year-driven spike to Php399.5 billion in 2024. The realignment from controversial flood control projects increased the social assistance budget to Php404.2 billion for 2026, the second largest after the pandemic budget in 2020.

Social assistance helps alleviate the socioeconomic distress of families. These also provide a substantial boost to household consumption spending, especially given how *ayuda* recipients have a high marginal propensity to consume and likely spend this fully and immediately. The *ayuda* also serves political purposes of expanding resources for patronage and tempering public unrest and dissatisfaction.

Infrastructure outlays were also increasingly important to give repetitive short-term boosts to growth. Government budget data shows that outlays increased rapidly from Php175.4 billion in 2011 to Php991.3 billion in 2017, then to a historic high of Php1.79 trillion in 2024, before moderating to around Php1.64 trillion planned in 2025. (**See Annex 17**) Following the corruption scandals, the infrastructure programs for 2023-2025 are suspected to include large amounts of pork barrel projects.

Public infrastructure spending easily lifts growth because it injects demand directly, creates employment quickly, and spurs spending on related local services. However, this impact needs constant spending to be maintained as the boost fades just as quickly once construction cycles, short-term jobs, and local spending end. Such spending supports headline GDP but does not create durable growth engines because meaningful agricultural and industrial development needs far more than infrastructure.

At the same time, the fading of growth drivers puts even more pressure on fiscal stimulus for the government to keep up growth appearances. The growth in the national government budget has generally been on a downward trend since the recent peak of a 24% growth in spending in 2017, falling to just a 7.4% increase in 2026. This reflects how the government's medium-term fiscal framework (MTFF) frames deficit reduction and so-called fiscal consolidation as central objectives for their own sake.

The administration has been unable to arrest the rise in national government debt. This was 39.6% of GDP in 2019 then increased to 54.6% in 2020, following prolonged pandemic lockdowns that sharply compressed revenue collections. This continued to rise to an average of 60.5% in 2021-2024, and hit a 20-year high of 63.2% in 2025. (**See Annex 18**) The outstanding national government debt of Php17.7 trillion in 2025 exceeded the full-year Php17.4 trillion program ceiling by Php348.2 billion.

Debt dynamics are increasingly adverse. Of the Php8.45 trillion in gross borrowing undertaken by the Marcos Jr administration as of November 2025, Php6.36 trillion has been used for debt servicing—implying that roughly 75% of new borrowings are used to roll over existing obligations rather than finance net fiscal expansion or development spending. This sharply narrows the government's capacity to use fiscal expansion for development, instead forcing trade-offs between social spending, infrastructure, and debt service. The total borrowing plan for 2026 is reportedly set at Php2.68 trillion, compared with planned debt service of Php2 trillion. This continues the trend of borrowing going mostly to debt servicing rather than new spending.

The narrowing of fiscal space is partly the result of a regressive tax structure that constrains revenue mobilization and limits the state's capacity to sustain fiscal expansion. Reliance on persistently high borrowing could be substantially reduced through a more progressive tax regime, including measures such as a wealth tax on billionaires, higher income taxes on the richest households and large corporations, and windfall taxes on private gains from publicly funded infrastructure projects. These could potentially raise Php750 billion or more annually.

Economic growth will tend back towards the historical average of 5% or lower without fiscal stimulus overcoming self-imposed revenue constraints especially unless genuinely transformative structural reforms are implemented.

Structural bind

Because demand-side drivers are structurally weakening, growth increasingly depends on supply- or production-side transformation. Domestic agriculture and manufacturing need to be developed as autonomous engines of growth, and the broad-based and long-term measures for this need more priority in economic policy.

Unfortunately, these sectors have been failing throughout the era of neoliberal "free market" policies of globalization – with manufacturing falling to its smallest share of the economy in 76 years, and agriculture to its smallest share in the country's history. (**See Annex 19**) Notably, this contraction in the production sectors, especially in manufacturing, has occurred despite foreign direct investment (FDI) reaching record highs both in absolute terms and as a share of GDP. (**See Annex 20**) These are also the biggest factors behind increasingly large trade deficits as import-dependence worsened.

The decades of implementing International Monetary Fund (IMF) and World Bank programs, joining the World Trade Organization (WTO), and entering into 12 free trade agreements and 31 bilateral economic cooperation engagements have not developed the Philippines. Even the expected upper-middle-income status is an illusory measure of progress—the country will still remain among the poorest one-third of countries in the world, while social development indicators will remain adverse. (**See Annex 21**)

The Philippines remains a laggard even in Southeast Asia. It is among the poorest countries in the region by gross national income (GNI) per capita, after decades of seeing the least improvement in this. (**See Annexes 22a and 22b**) Using national poverty lines, the country has had among the least poverty reduction in the region and still has among the highest reported poverty incidence. (**See Annex 23**) The Philippines also has one of the worst Human Development Index status. (**See Annex 24**)

These social development outcomes are closely correlated to the Philippines' persistent weakness with domestically-grounded production. Providing further confirmation of the limitations of a service-dependent economy, the country has among the smallest agriculture and manufacturing sectors as a share of GDP in the region and among the highest unemployment rates. (**See Annexes 25a, 25b, and 26**)

Building productive capacity matters because the resulting composition of jobs matters. Years of relatively strong GDP growth did not reduce poverty because the translation to decent work, wages, and other livelihoods was weak. From this perspective, it can be said that economic growth relies on job quantity rather than job quality.

Social distress

Employment expanded but largely in informal, insecure, and low-paying activities. Productivity gains accrued unevenly and were captured by capital-intensive sectors and higher-skill enclaves, but without broad wage pass-through. Construction-led investment raised output mechanically but did not systematically upgrade domestic capabilities or generate durable income ladders.

Recent labor market data sharpen the picture and confirm the deeper problem of structural joblessness and informality. Employment contracted year-on-year in late 2025, while unemployment rose sharply. These figures even understate distress – millions of unpaid family workers are counted as employed, and discouraged jobseekers are excluded from unemployment statistics. The benefits from recent increases in minimum wages are meanwhile dampened by growing informality, even among wage and salary workers.

As a result, both official and self-rated poverty indicators remained stubbornly high even during periods of strong growth. Over half of Filipino families rated themselves as poor (51%), with nearly two-thirds considering themselves poor or vulnerable, according to the November 2025 survey of the Social Weather Stations (SWS).

This also explains why there is little relief from inflation easing to 1.7% in 2025, below the government's target. Lower inflation did not lead to improved welfare for many Filipinos because people's incomes are too unstable and inadequate for price moderation to be felt. Wage-based poverty reduction strategies will also have even greater impact if accompanied by sectoral upgrading that expands higher-productivity employment. Employment quality and stability, not inflation alone, remain the decisive determinants of long-term welfare.

Vested interests

The country's exclusionary and unsustainable growth reflects policy failures as much as the configuration of power shaping economic policymaking. Economic power and political authority in the Philippines remain highly concentrated in intertwined networks of elected officials, senior bureaucrats, and large domestic and foreign business groups whose interests align with the existing growth model.

As a result, the most significant policy choices favor economic activities that: 1) generate secure and politically protected rents such as utilities, transport and logistics, real estate and construction, trade and finance, and extractives; 2) support these sectors such as BPO and cheap labor export; and 3) enable profitable export-oriented foreign investment enclaves with limited domestic linkages and spillovers.

BPOs and overseas work, in particular, reinforce the prevailing growth model by supplying foreign exchange, sustaining real estate rents and land speculation, and supporting demand for utilities, transport, and other rent-dependent infrastructure. However, none of these activities compel the long-term commitment to productivity growth associated with building domestic agriculture and Filipino manufacturing capacity.

This bias helps explain the durability of liberalization, privatization, and deregulation as core policy doctrines. Liberalization and deregulation create the conditions for capital to pursue profits freely, even as regulatory capture gives competitive advantage to those closest to power. Privatization commodifies public services and rationalizes their underfunding, while oligopolistic or monopoly industry structures allow private operators to extract rents from essential services.

Meanwhile, large infrastructure programs—often framed in terms of growth or competitiveness—are implemented by crony procurement and public-private partnership (PPP) networks that favor oligarch conglomerates, politically-connected firms, and foreign investors. These inflate land and property values and lower business operating costs, but with limited spillovers to domestic production, job creation, or technological upgrading. Social assistance is expanded on welfare grounds, but also functions as a containment mechanism to diffuse popular unrest.

The narrow segment of Filipino capital emerging from a semifeudal and externally-oriented economy is disinclined to the risks and long time horizons required by domestically-anchored industrial investment. Instead, it aligns with foreign firms to pursue short-term profit opportunities, which reinforce speculative activity, low value-added enclaves, and import-dependence.

Entrenched economic elites therefore have strong incentives to resist national industrialization. Domestic conglomerates derive substantial rents from privatized utilities, real estate, and other sectors that would be threatened by industrial policies to expand public provision, regulate prices, or redirect finance toward productive investment. Foreign capital, for its part, resists reforms that might disrupt their privileged access to cheap labor, raw materials, and domestic markets.

The Philippines is thus constrained by political leadership and a capitalist class that is among the least developmental in the region. It is structurally averse to building indigenous industrial capabilities or dense domestic supply chains. This orientation is reinforced by policy, and by academic and civil society circles who continue to provide intellectual cover for outdated neoliberal policy frameworks.

These conditions create extreme wealth concentration that both reflects and reinforces policymaking biases where economic power translates into political influence, agenda-setting capacity, and resistance to redistribution or structural reform. The economy is locked in by the vested interests benefiting most from credit and finance, subsidies and support, and regulatory favors according to the inequitable and low-productivity growth model. This model, however, is only capable of episodic growth while being structurally unable to deliver sustained improvements in livelihoods and social welfare.

Political stress

The weakening economy forms the backdrop to the central political question facing the Philippines after last year's anti-corruption scandals – whether the political system will respond to public demands to address systemic corruption, not only in terms of pork barrel abuses but the broader abuse of public power for private gain.

Accountability at the level of the presidency is a critical test case. How this is handled will indicate whether anti-corruption efforts can go beyond selective enforcement and performative gestures toward confronting corruption embedded in elite-dominated power structures.

Pres. Ferdinand Marcos Jr is facing serious allegations as the chief executive. The three consecutive budgets in 2023-2025 that he approved had the largest unprogrammed appropriations (UA), infrastructure outlays, and flood control projects in the country's history – amounting to Php2.1 trillion in UA, and Php4.9 trillion for infrastructure, of which Php986.5 billion was for flood control. Hundreds of billions in pork barrel projects were lodged within these allocations. The sheer scale of these allocations strongly implies policy design and the use of formal state mechanisms, such as the so-called "baselined-balanced-managed" (BBM) parametric formula reportedly used to apportion public works funds.

Testimonial and documentary evidence has already surfaced that directly implicate the president. Further disclosures are possible with a combination of greater public pressure, protests, and demands for presidential accountability, giving more courage to whistleblowers astride a breakdown of intra-elite payoffs, compromise, and accommodation. Credible assurances of protection are also needed against pressure and retaliation targeting them and their families.

The logistical challenge for the government's anti-corruption machinery is formidable. Pursuing hundreds or even thousands of corrupt lawmakers, officials, and private collaborators will strain already limited political and institutional capacity. Yet precisely for this reason, the argument can be made to deploy resources asymmetrically for maximum impact. Prioritizing accountability at the highest levels of power sends a far stronger and more credible signal of reform than dispersing the same effort across numerous lower-level cases.

As it is, the normalization of impunity at the apex of power appears to be taking hold. Neither the Senate nor the House of Representatives (HOR) has pursued lines of inquiry involving the president or his cousin, the former House Speaker, despite allegations serious enough to merit further investigation. There is likewise no public indication that the Office of the Ombudsman and other anti-corruption agencies like the Commission on Audit (COA), the Department of Justice (DOJ), or the Anti-Money Laundering Council (AMLC) have started any probes, even though their Constitutional and statutory mandates presumably do not end at Malacañang.

The credibility of the political system will be affected by how the demand for accountability of its highest officials is handled, especially with impeachment complaints lodged against the president and the vice-president. At present, there is a strong tendency for the processes to be subsumed in the factional struggle between the country's two most powerful political dynasties. Impeachment is treated less as a mechanism for accountability than just part of the trajectory of politics in the run-up to the 2028 elections.

If the fate of these complaints is pre-determined by Malacañang's political strength rather than by evidence of wrongdoing and a real compulsion to root out corruption, this signals that only reforms that do not threaten elite interests will be made. Such an outcome sharply reduces the effectiveness of any technocratic, procedural, and institutional anti-corruption fixes. It creates the conditions for selective implementation, dilution, or outright subversion to preserve elite impunity.

Consolidating power

Since last year, the pace and direction of the political situation have been set by the Marcos Jr administration and particularly by the president's efforts to consolidate power. This is towards ensuring that the Marcos-Romualdez dynasty retains influence and positions beyond the electoral change in 2028.

Visible efforts to neutralize the rival Duterte clan began with the arrest of former president Rodrigo Duterte and his transfer to the International Criminal Court (ICC) in March 2025. This marked the definitive end of the Marcos-Duterte "Uniteam" and set the stage for their first major political confrontation in the May 2025 midterm elections.

The senatorial results were emblematic of the president's political vulnerability. Duterte-aligned candidates and liberal opposition figures gained seats at the expense of the administration slate, underscoring erosion of executive dominance. Early reports that some opposition candidates coordinated tactically with the administration foreshadowed later reluctance to press corruption allegations more forcefully against the president, reflecting both elite hedging and uncertainty over the balance of power.

The unfavorable midterm results, stymied impeachment complaints against Vice-president Sara Duterte amid Duterte camp show of force, and declining approval ratings amid growing social distress appear to have converged in prompting the president to launch the high-profile anti-corruption campaign in his July 2025 State of the Nation Address (SONA), framed around the slogan *"Mahiya naman kayo."* The move can also be read as preemptive—seeking to contain corruption allegations implicating the highest levels of executive and legislative power, while seizing control of the political narrative.

The strategy can be read as serving multiple purposes consistent with consolidation: tightening Malacañang's control over fiscal resources for patronage and control; disciplining factions within the ruling coalition; constraining Duterte-aligned forces without provoking a full backlash; and attempting to restore public legitimacy without dismantling the underlying patronage system.

While framed as reformist and stabilizing, the campaign has reinforced centralized executive control over corruption rather than broad-based genuine accountability. It selectively exposed patronage networks tied to flood-control projects, contractors, and legislators – networks that had expanded markedly under the Marcos Jr administration, as indirectly indicated by soaring pork barrel in the budgets from 2023 to 2025. Exposés focused narrowly on flood-control projects while avoiding other "hard" and "soft" pork barrel even larger in scale, as well as other major forms of rent-seeking and institutional abuse.

The 2026 General Appropriations Act (GAA) shows how the national budget remains Malacañang's central instrument of political control and patronage. It contains an estimated Php750 billion to nearly Php1 trillion in pork-like discretionary allocations, fragmented line items, and executive-legislative patronage schemes.

Rather than marking a clean break, the preservation of executive discretion and congressional largesse exposed the touted "clean" budget less as reform than as elite consolidation, despite unprecedented popular mobilization last year. Token anti-patronage provisions were included but enforcement is expected to be weak and selective. Structural development priorities like agriculture, national industry, and universal public services meanwhile remain underfunded.

The failure to deliver on promised prosecutions of "big fish" by year-end and into the new year has reinforced public perceptions of selective accountability. As in past anti-corruption campaigns, legal processes appear vulnerable to delay, dilution, and eventual reversal once public attention wanes or shifts.

Corruption is so entrenched and widespread that large swathes of the administration have been implicated. Unprecedentedly high-level resignations or preemptive exits followed in rapid succession – the Senate presidency and speakership of the HOR, the executive secretary who is the president's principal alter-ego and gatekeeper, the budget secretary with operational control over public funds under the president's authority and direction, and the public works secretary of the department managing massive infrastructure funds. Numerous undersecretaries and other lower-ranked officials also resigned. These defensive moves were markers of eroding political capital rather than institutional renewal.

Elections looming

The political skirmishes last year marked the start of early positioning for the 2028 national elections, setting the stage for more narrative-setting this year, and then alliances and defections in 2027. The administration retains formal legislative majorities, but sporadic attacks by lawmakers such as with impeachment complaints may suggest that executive control is more uncertain, contingent, and transactional despite attempts at consolidation.

Early maneuvering for 2028 is already shaping policy and governance. Marcos-aligned, Duterte-aligned, and emerging liberal opposition blocs prioritize electoral viability over programs for sustained long-term social and economic reforms, and perhaps ironically in the current charged climate, even over real political reforms.

This is a result of political contestation more over positions and power, rather than between competing social and economic development strategies. The former plays out over short-term electoral cycles, while the latter requires long-term time horizons.

Executive authority remains formally strong but is being challenged, entangling the Marcos Jr administration in intra-elite rivalry. Traditional politics is structured around three main blocs – the Marcos-aligned camp anchored on the equity of the incumbent, a Duterte-aligned bloc with a critical mass of popular support, and the emerging but still fluid liberal bloc.

The Marcos bloc's principal advantage is its control over substantial state resources and authority. This partially compensates for the president's perceived weak leadership and declining legitimacy.

Pressure is likely to mount on the administration to take more aggressive action against the Duterte camp to blunt its political momentum. These may include giving play to the plunder and impeachment complaints against Vice-president Sara Duterte, pursuing corruption charges against the Duterte family and allies at the national level and in Mindanao, or enabling the arrest and transfer to the ICC of close political allies of former president Rodrigo Duterte. Such actions would be calibrated to avoid feeding a persecution narrative that could further consolidate the Duterte base.

At the same time, selective concessions to public pressure are likely and will include high-profile cases against a limited number of high-profile personalities – perhaps two to three (2-3) sitting and former senators, five to ten (5-10) representatives, dozens of low-ranking bureaucrats, and many contractors – along with shows of shutting down implicated firms. These gestures will aim to restore credibility and give the appearance of resolve, but without dismantling entrenched patronage networks. The broader objective will be asserting presidential dominance over Congress and local governments, while controlling the political damage from public frustration with selectivity and impunity.

Whether this strategy succeeds will depend heavily on public pressure. Sustained and expanding mobilizations demanding investigation, prosecution, and conviction remain the strongest remedy to the cynical misuse of accountability mechanisms as political levers for disciplining rivals.

The year ahead sees symbolic political markers. The 40th anniversary of EDSA in February will likely sharpen public reckoning over unfulfilled promises of accountability. Connecting current pork barrel controversies centered around the president with the world-class plunder of the Marcos dictatorship will underscore how the Marcos brand is associated with the worst corruption in the country's history. The president's next SONA in July will be the first since the start of the anti-corruption campaign. For the Duterte camp, developments at the ICC around former president Duterte's case or movements against key allies could either tarnish their brand or galvanize its estimated 30-35% core support among the public.

The "Pinklawan" liberal opposition, meanwhile, continue to seek coherence amid the absence of a dominant leader and a clearly articulated alternative economic strategy. It remains uncertain whether the traditional opposition will enter a tacit accommodation with the Marcos camp, risking a role as a legitimizing flank for elite continuity aligned with pro-US stability, or whether it can consolidate with other groups to emerge as a truly independent "third force" to the intra-elite factional Marcos-Duterte rivalry.

As electoral calculations intensify, mainstream political actors are likely to increasingly focus on shaping the terrain of the 2028 elections with attention diverted from both immediate and far-reaching social, economic, and political reforms.

Mass mobilizations

The corruption exposés triggered the largest wave of National Capital Region (NCR)-based and nationwide protests in decades. Demonstrations on September 21 and November 30, 2025 brought together youth and students, trade unions and farmers groups, urban poor groups, church networks, civil society organizations, and others demanding accountability, transparency, and institutional reform. Demands extended beyond corruption, including at the level of the presidency, to also include grievances about insecure livelihoods, rising living costs, and chronic gaps in public services.

The scale of corruption exposed its systemic nature. While public attention was strongest on pork barrel, kickbacks, and bribes, progressive groups highlighted broader institutionalized rent-seeking and abuses to accumulate private wealth and economic power—framed as bureaucrat capitalism.

The protests are destabilizing for political elites but not yet existential. Still, elite responses have emphasized containment of radical democratic demands by re-legitimizing formal accountability and institutional channels, reviving "good governance" narratives, and narrowing the scope of reform to procedural fixes compatible with existing power structures.

Left and progressive organizations have played a prominent role in sustaining anti-corruption mobilizations and in articulating demands for more substantive social, economic, and political reforms. Cross-sector coordination and sustained mass mobilizations remain the principal levers for deeper institutional change and open democratic space beyond elite-managed processes.

As mobilizations broaden, however, the risk of targeted repression rises. As protests grow and elite insecurity deepens, attacks on pro-democracy forces may be increasingly used as shows of force to deter wider participation and neutralize more radical demands. Such responses reflect the structural tension between elite-biased continuity and more disruptive political change that challenges entrenched power rather than merely contests positions within it.

Security institutions including the Armed Forces of the Philippines (AFP) have so far emphasized constitutional continuity and a preference for elite-managed electoral processes. Their long-standing alignment with the US does introduce potential sensitivities should political developments, such as a China-leaning Duterte candidacy or a broader nationalist reform movement, be perceived as threatening prevailing strategic or institutional arrangements.

In this context, the state's coercive and regulatory toolkit has continued to expand, encompassing lawfare, red-tagging, surveillance, and financial controls. These tools are increasingly deployed against pressures deemed threatening to the status quo. Trumped-up cases against activists, journalists, and other human rights defenders persist alongside extrajudicial killings, enforced disappearances, and other serious violations of basic civil and political rights. (**See Annex 27**)

Binding ties

Recent agreements, policy statements, and deployments strongly indicate that the Marcos Jr administration is embedding Philippine development and security choices more deeply within the US's "America First" national interest framework. This direction of rapid strategic alignment with the US can influence the country's options for sovereign development, even as it makes the US more invested in the Philippines as a frontline state in the first island chain to check China's dominance in the region.

Proponents argue that deeper alignment improves deterrence against China and secures economic assistance and military aid – the latter reportedly reaching US$2.1 billion over 2016-2021, with another US$1.4 billion in 2022-2024, according to the US State Department. However, these benefits are primarily defined by US strategic priorities with the long-term effect of limiting autonomous policy experimentation.

The US's 2025 National Security Strategy (NSS), 2026 National Defense Strategy (NDS), and 2026-2030 State Department strategic plan are all strident about the "America First" framework subordinating allies and partnerships to the assertion of US strategic and economic primacy. The US Congress authorizing US$2.5 billion of military assistance under the "Philippines Enhanced Resilience Act" (PERA) in December is particularly relevant, representing the biggest military spending in the country since the US bases were expelled. This greatly deepens the country's structural ties to US-defined strategic priorities, aside from locking-in Philippine fiscal resources to US military suppliers for training, maintenance, and upgrades.

The Marcos Jr administration has already approved scores of agreements, vision statements, and roadmaps extending beyond military basing and exercises to also include dual-use infrastructure and defense-industrial economic coordination.[1] The government has added four (4) new Enhanced Defense Cooperation Agreement (EDCA) sites to expand the US's overt military base footprint to nine (9) strategic sites nationwide, aside from allowed US Typhon and NMESIS missile deployments. In 2025, the US-Philippines Combined Coordination Center (CCC) in Camp Aguinaldo started operations, Task Force Philippines was formed, and a US Army "rotational force" was deployed as an initial continuous troop presence.

The build-up of US-dedicated military infrastructure in the country is complemented by US support not only to enhance the operational utility of Philippine military bases, but also to develop nominally civilian infrastructure projects with military-related dual-use potential. Together, these investments enhance US logistics, mobility, and response capabilities especially, and not only, in conflict or crisis situations. The PERA includes provisions for spending on civilian infrastructure with such applications.

The NSS and NDS emphasize US economic power and reindustrialization with extensive discussion on how its trade, investment, technology, and supply chain policies are core elements of national security policy. In particular, they speak of strengthening US defense industrial base primarily domestically but within a larger global network of defense production. The objective is not just productive efficiency but also to enable a rapid military logistics response in times of conflict, including hedging against supply chain disruptions.

The US's Statement of Principles for Indo-Pacific Defense Industrial Base Collaboration (May 2024) is relevant for the Philippines and was immediately endorsed by the Marcos Jr administration, along with 12 other nations. This was soon followed by a Joint Vision Statement on US-Philippine Defense Industrial Cooperation (March 2025) where the US Department of War (DoW) and Philippine Department of Defense (DND) commit to joint efforts in: ship and aircraft maintenance and repair; production and storage of ammunition, unmanned systems, components and spare parts; refining critical minerals; additive manufacturing (3D printing); and broad logistics support in these and other areas. The joint vision statement carried NSS and NDS themes of interoperability, burden-sharing and regional deterrence.

1 The US-Philippines Bilateral Defense Guidelines (May 2023), Philippines-Security Sector Assistance Roadmap (July 2024), and Agreement Concerning Security Measures for the Protection of Classified Military Information (GSOMIA, November 2024) are major agreements framing military alignment, but other notable commitments are found in the: Joint Statement of the US-Philippines 2+2 Ministerial Dialogue (April 2023), Joint Statement on US-Philippines Space Dialogue (May 2024), Joint Statement of the Security Consultative Committee (July 2024), Joint Statement on the Philippines-United States Fourth 2+2 Ministerial Dialogue (July 2024), and various Joint Statements on Maritime Cooperative Activities (MCAs, 2023-2025).

Strategic prize

The development of Subic Bay is an early implementation of this shift. US defense contractor Cerberus Capital Management acquired facilities in late 2022 followed by upgrades to ship repair docks and fuel depots. Last year, the government confirmed US plans set up ammunition production and storage facilities, consistent with the objective of having forward-staged ammunition manufacturing in the Indo-Pacific and developing Luzon island as a forward-operating platform of the US for Indo-Pacific power projection.

This integration widened in 2024 with the launch of the Luzon Economic Corridor (LEC), encompassing port expansions in Manila and Batangas and new roads and railways linking EDCA sites and other facilities with US war materiel. The US has already provided technical assistance for the Subic-Clark-Manila-Batangas (SCMB) Railway component. While improving civilian connectivity, these are designed to enhance US military logistics, mobility, and resupply capabilities.

The process is advancing further. In August 2025, the US-ASEAN Business Council organized its largest-ever Aerospace, Defense, and Security (ADS) Mission with 26 major US defense contractors – including giants Boeing, Lockheed Martin, Northrop Grumman, GE Aerospace, RTX, and BAE Systems – to explore prospects for extending the US military-industrial complex to the country.

In February 2026, the Philippines signed a memorandum of understanding (MOU) with the US on critical minerals, which are strategic inputs to the US's military and advanced technology supply chains. This is part of the US's global efforts to secure reliable access to critical minerals and rare earths for its defense industrial base, which may increase the Philippines' mineral output but with likely limited development spillovers amid persistent environmental and social costs.

Although framed as enhancing the country's defenses and supporting economic development, these efforts risk amplifying long-standing internal weaknesses of the Philippines. In the absence of a coherent industrialization policy framework to guide its economic choices, accommodating foreign investors will tend to reproduce foreign investment enclaves without Filipino industrial capacity-building. Moreover, the US's trade and investment initiatives today are so explicitly national security-driven and biased toward its reindustrialization that they constrain the policy autonomy of other countries.

As it is, government decisions on spending, managing trade and investment, and technology acquisition will tend to be influenced by US strategic military priorities, including aversion to trade and investment regulation and strong protection of proprietary American technologies. The Marcos Jr administration's US alignment complicates efforts to pursue autonomous, diversified, and national-planned development strategies.

The alignment hinders the use of tools historically associated with national industrialization – such as tariffs, investment performance requirements, and state-led coordination of economic activity – where these conflict with the US's own reindustrialization and defense industrial priorities. The Philippines' role in US-led supply chains will likely be as enclave activities with limited domestic spillovers and multipliers. These risk reproducing patterns of dependent and exclusionary growth, without industrial upgrading or structural transformation. The country's experience confirms that construction, logistics, enclave manufacturing and other such sources of growth are shallow.

The fiscal implications of the US demand for interoperability and burden-sharing are still uncertain but are likely to be very large, and need to be weighed against opportunity costs in domestic development especially considering elevated deficits and debt. Capital-intensive military-related spending tends to have low social multipliers, yet these may increasingly crowd out more urgent social spending or more appropriate infrastructure projects in non-militarily strategic areas. Additional costs associated with joint military activities and exercises with the US are also likely to rise, with over 500 of these already scheduled for 2026.

The alignment will also likely heighten exposure to geopolitical spillovers. Heavy military alignment with the US risks positioning the Philippines as an operational asset whose value is contingent on fitting into the US's broader plan for power projection. This heightens polarization and increases the risk of escalating maritime or other untoward incidents. It also exposes the country to tourism, trade, and investment retaliation from US rivals, particularly China. The space for diversified partnerships and alternative development paths beyond the US-aligned neoliberal globalization framework is also narrowed.

These dynamics have political consequences. In practice, major powers relate to the Philippines instrumentally rather than normatively, with strategic interests taking precedence over governance or even human rights concerns. Thus, US support for the Marcos Jr administration or its successor depends on the US strategic interests above all. This is disconnected from concerns over large-scale high-level corruption and accountability or even democratic backsliding and coercive governance. Such tolerance in effect reinforces impunity even at the level of the presidency, vice-presidency, and Congress. China, meanwhile, applies its own maritime pressure and calibrates economic relations according to its own national interest and strategic priorities in the region.

Domestic political alignments increasingly mirror this external rivalry – the Marcos Jr administration and much of the liberal opposition align with the US, while the Duterte camp is more closely associated with China. These alignments narrow the political space for positive democratic disruption. Incumbents from whatever camp get external validation and legitimacy, regardless of any anti-democratic tendencies, which contributes to muting demands for basic economic and political reforms.

As it is, national politics is increasingly framed as a contest between externally-anchored blocs rather than a choice between competing platforms or development visions. Principled critics of US militarism are tagged as "pro-China" or disloyal while those of Chinese claims in the West Philippine Sea are "pro-US" or "US proxies." This polarization can foreclose discussions on more sovereign and independent alternatives.

It may be argued that these alignments of traditional elites with major powers reinforces the use of periodic elections as predictable mechanisms for sustaining domestic influence. Elections become preferable to the uncertainty of grassroots- and movement-driven change, especially if such change includes calls for more independence and sovereignty from external powers. The result is a preference for system stability and elite-managed continuity through electoral cycles, such as in 2028, even when these repeatedly reproduce elite-biased governance and constrain democratic change.

Global flux

The country's domestic challenges are compounded by a world in flux and being reshaped by geopolitical rivalries, heightening risks for the Philippines.

The global economic environment is deteriorating, marked by prolonged low growth, rising inequality, and mounting financial fragilities. There are pockets of expansion in finance and digital sectors, but weak investment, stagnant productivity, and high inequality erode aggregate demand across both advanced and developing economies.

The global economy has shifted to a lower growth path and been sluggish since the 2008/09 financial crisis. (**See Annex 28**) Measured as a share of global GDP, global trade has also been flat since 2008 and global foreign direct investment (FDI) inflows have even fallen since 2017. (**See Annexes 29 and 30**) These point to both the risks of continued over-reliance on exports and foreign investment and the importance of more domestic-driven growth. While deteriorating net exports (i.e., trade deficits) have increasingly dampened growth, FDI inflows in the country have also been receding since their nearly US$12 billion peak in 2021. (**See Annex 31**)

Growth has been sustained largely through debt accumulation and financial speculation rather than real-economy investment. Global debt remains at historic highs – raising the risk of renewed financial crisis – while fiscal and monetary policy space is increasingly constrained.

The room for independent economic development policies is squeezed by increasing national security-driven protectionism and industrialization by the big powers, led by the US but also undertaken by the European Union and China. Neoliberal globalization pressures on underdeveloped countries to keep opening up continue, however, as the industrialized countries reorganize and consolidate their overseas supply chains.

These are reflected in the large increases in protectionist measures worldwide – especially state subsidies, import restrictions, export support, public procurement, and investment measures – astride lesser but still continuing liberalization. (**See Annex 32**) Just 14 countries accounted for over half (50.2%) of discriminatory measures, with the US implementing the most, followed by China, Brazil, Germany, and India, and then most of the remaining Group of 7 (G7) and BRICS members. For late industrializers, this reduces the reliability of export- and foreign investment-led growth strategies and underscores the importance of domestic demand expansion and coherent industrial policy pacing and sequencing.

Military build-ups and regional arms races are also intensifying across multiple theatres which heightens the risk of miscalculation, proxy confrontation, or inadvertent escalation. As it is, the number of intra- and inter-state armed conflicts in the world is already at a historic high. An escalation in the Middle East or Eastern Europe, or a crisis over Taiwan or the South China Sea, would disrupt international trade, investments, and financial markets.

Window for change

This year functions as a hinge year. At a minimum, it will produce symbolic reforms and elite realignments. However, it could still become a critical juncture upon sustained public pressure and mass mobilizations demanding more meaningful change. The anti-corruption campaign may yet bring more details to light – including at the highest levels of government on all sides of traditional politics – which may spur protests large and widespread enough to overwhelm the capacity of existing arrangements to absorb dissent. Strong enough demands for change may not be able to wait for the familiar cycle of elite-managed elections.

Regardless of the political path the Philippines follows in 2026, policymakers confront the same underlying structural bind. The growth model is weakening after decades of over-reliance on household consumption, construction-led investment, and periodic fiscal stimulus instead of productive transformation. The service-driven economy delivers job insecurity and informality, which keeps families poor from repressed household income, spending, and consumption. These structural constraints limit what short-term measures can achieve while amplifying domestic, external, and climate shocks.

Yet the fiscal space to even just momentarily boost growth, much less to deliver universal social services or broad-based development, is already squeezed by tax relief for large corporations and wealthy families amid elevated debt-service burdens. This makes the government's principal response of expanding social assistance and infrastructure spending brittle, with additional tightening from heightened pork barrel sensitivities.

The domestic and global context compels a fundamental rethink of national priorities. Economic growth and development need to come from a domestic-oriented strategy—one driven by rising internal demand rooted in a more equitable economy, while sustained by increasing production from a robust agriculture and the constant expansion of Filipino industry.

This reassessment is reinforced by renewed global interest in industrial policy amid the recent sharpening industrial rivalry among the big powers. In the Philippines, the mainstream Left has been the most consistent proponent of national industrialization, with agriculture playing a catalytic role as among the main elements for broad-based economic development. (**See Annex 33**) The national democratic mass movement was already a strong advocate even during the 1980s and 1990s when neoliberal globalization was just gaining momentum worldwide.

The National Democratic Front of the Philippines (NDFP) pressed for industrialization in peace talks since the mid-1990s and elaborated these proposals in successive draft agreements through the 2000s until 2017. At the same time, multi-sectoral people's organizations submitted detailed policy proposals on national industrialization and other socioeconomic reforms to the last administration, with many measures reflected in a government proposal for reforming the country's anti-poverty policy. More recently, Leftist lawmakers filed legislation for a People's Green New Deal (PGND) in the last two Congresses which includes a program for industrialization aligned with job generation, climate resilience, and structural transformation.

Looking ahead

A few broad political-economic trajectories appear plausible, abstracting from overlaps and hybrid outcomes. These mainly depend on how key political actors respond to slowing growth, fiscal constraints, and worsening social distress, including how contradictions are managed, contested, or transformed.

The baseline trajectory is managed drift by the Marcos Jr administration. Political infighting will be contained until the 2028 elections which will remain largely politics-as-usual and dominated by elites. Public unrest will be moderated with selective accountability and limited transparency measures, fiscally-straining social assistance, and deployment of calibrated coercion against dissent. There will not be any substantive political or economic reforms. Patronage and clientelism will persist, perhaps taking new forms. The economy will continue its steady decline with subdued private investment and persistent poverty and hunger.

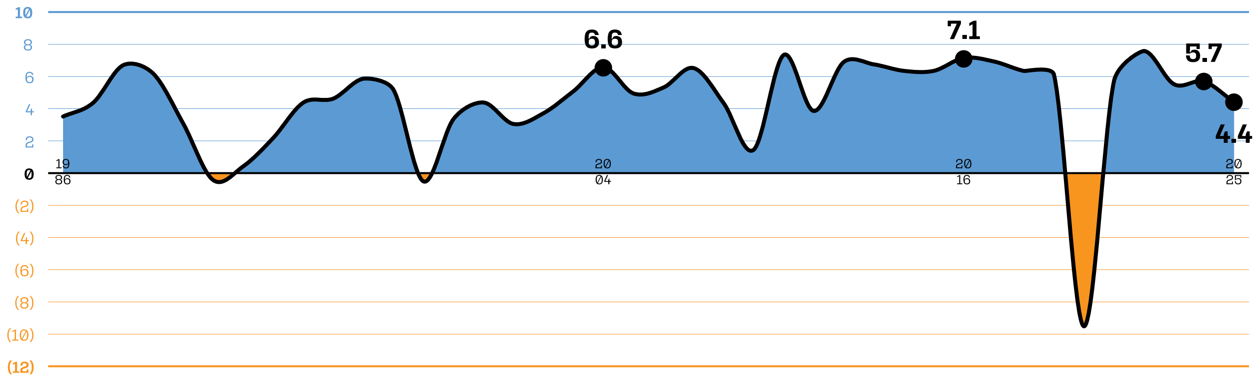
Intensified political rivalry would define a second trajectory. Competing factions may escalate corruption exposés as tools for political or prosecutorial leverage against each other. The Marcos Jr administration could face more difficulty consolidating, despite the advantage of anti-corruption agencies and state resources to pursue high-profile cases against opponents. The pressure to use the national budget for political accommodation and moderating social unrest is greater, while political and economic reforms will become even more unlikely. Short-term uncertainties will make the economic situation more volatile, dampen private investment, and exacerbate distress among poor and vulnerable families. Despite these strains, the political system largely reproduces itself heading into the 2028 elections.

More sustained public pressure from below would define a third, more democratic trajectory. In this scenario, sustained mass mobilizations link demands for accountability with calls for jobs, expanded public utilities and social services, and agricultural modernization and Filipino industrialization. Sustained collective action can disrupt elite consolidation, reduce the effectiveness of patronage and coercion, and open space for more meaningful institutional and economic reforms, potentially spurred by earlier and cleaner elections. This direction represents the clearest departure from inert politics and economic decline.

The most positive disruptions depend on the upsurge in public consensus and pressure for change. These are essential to avert elite-dominated stabilization without transformation that keeps poverty elevated from entrenched inequality, repressed growth, and ossified dependencies. Under any scenario, maintaining and expanding the momentum of popular mobilization will shape not only the immediate political landscape but the country's development trajectory well beyond this year and even the next electoral cycle.

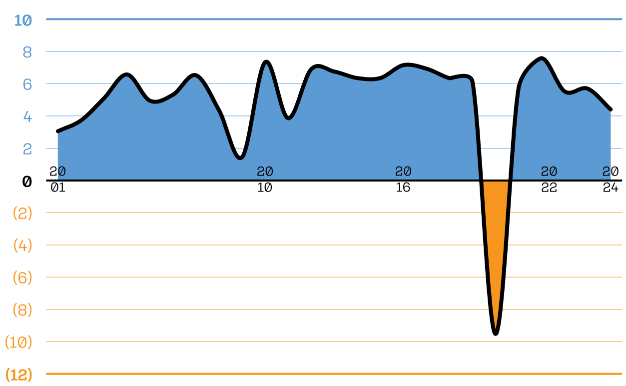
Annexes

Annex 1. GDP growth, 1986-2025 (%, constant 2018)



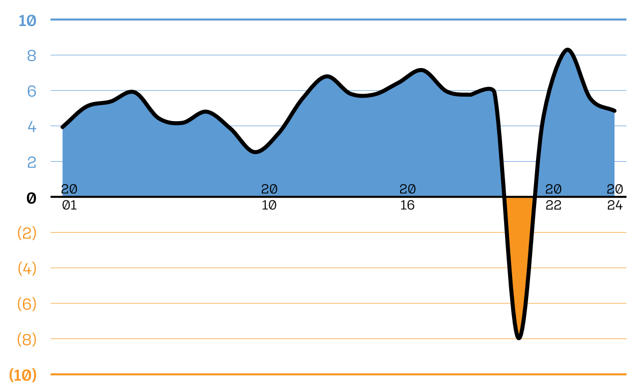
SOURCE: Philippine Statistics Authority

Annex 3a. GDP growth, 2001-2024 (%, constant 2018)



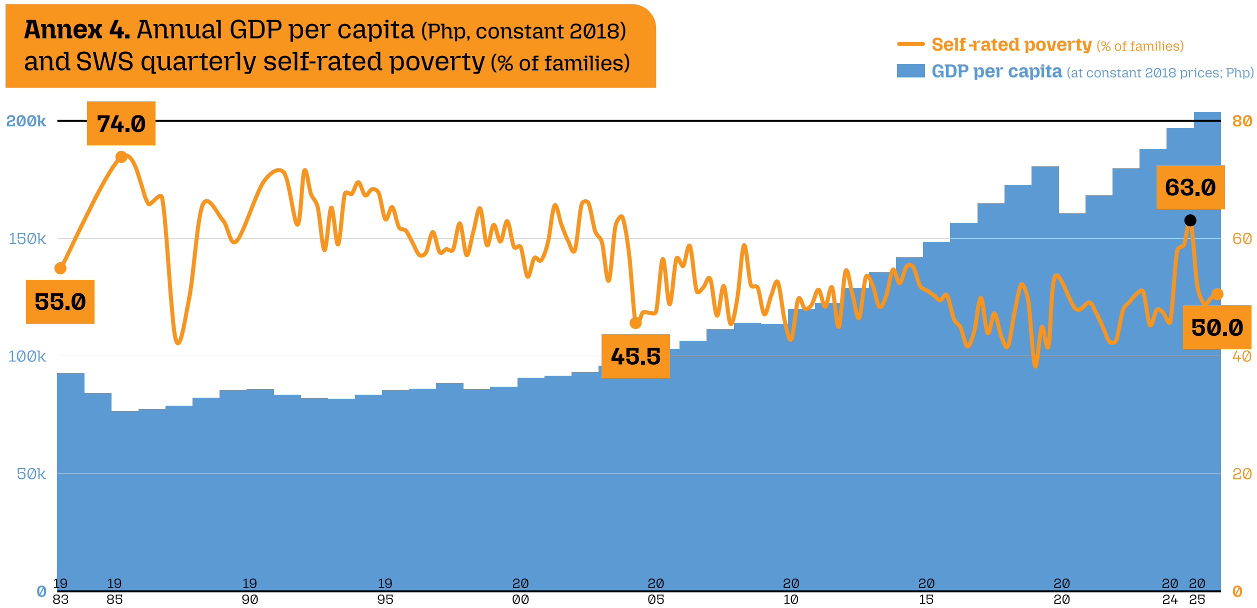
SOURCE: Philippine Statistics Authority

Annex 3b. Household final consumption expenditure growth, 2001-2024 (%, constant 2018)



SOURCE: Philippine Statistics Authority

Annex 4. Annual GDP per capita (Php, constant 2018) and SWS quarterly self-rated poverty (% of families)



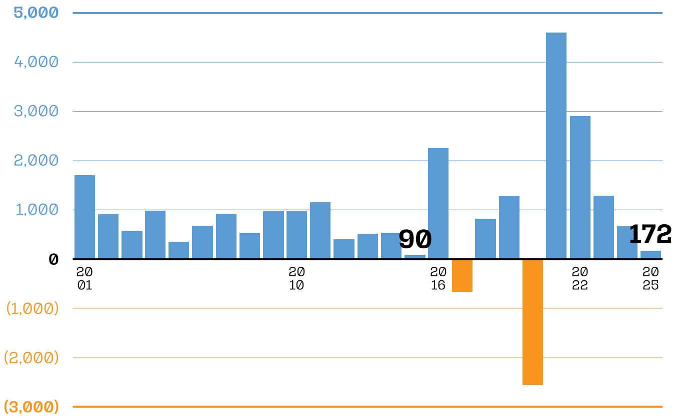
SOURCE: Philippine Statistics Authority

Annex 2. Employed persons, 2025

	in '000	% of total
Employed persons	**49,013**	
By Industry		**100.0**
Agriculture	**10,048**	**20.5**
Agriculture and forestry	8,749	17.9
Fishing and aquaculture	1,299	2.7
Industry	**8,702**	**17.8**
Mining and quarrying	208	0.4
Manufacturing	3,487	7.1
Electricity, gas, steam, and air conditioning supply	97	0.2
Water supply; sewerage, waste management and remediation activities	71	0.1
Construction	4,839	9.9
Services	**30,263**	**61.7**
Wholesale and retail trade; repair of motor vehicles and motorcycles	10,068	20.5
Transportation and storage	3,767	7.7
Accommodation and food service activities	2,788	5.7
Information and communication	497	1.0
Financial and insurance activities	715	1.5
Real estate activities	287	0.6
Professional, scientific and technical activities	391	0.8
Administrative and support service activities	2,796	5.7
Public administration and defense; compulsory social security	3,002	6.1
Education	1,686	3.4
Human health and social work activities	776	1.6
Arts, entertainment and recreation	459	0.9
Other service activities	3,029	6.2
Activities of extraterritorial organizations and bodies	0	0.0
By class of worker		**100.0**
Wage and salary workers	31,342	63.9
Worked for private household	2,129	4.3
Worked for private establishment	24,510	50.0
Worked for government or government corporation	4,568	9.3
Worked with pay in own family-operated farm or business	135	0.3
Self-employed without any paid employee	13,460	27.5
Employer in own family-operated farm or business	935	1.9
Worked without pay in own family-operated farm or business (unpaid family worker)	3,276	6.7
Openly informal work	***19,935***	***40.7***
By hours worked		**100.0**
Less than 40 hours	14,971	30.5
Worked 40 hours and over	33,537	68.4
With a job, not at work	506	1.0

SOURCE: Philippine Statistics Authority

Annex 5. Net employment creation, 2001-2025 ('000)



SOURCE: Philippine Statistics Authority

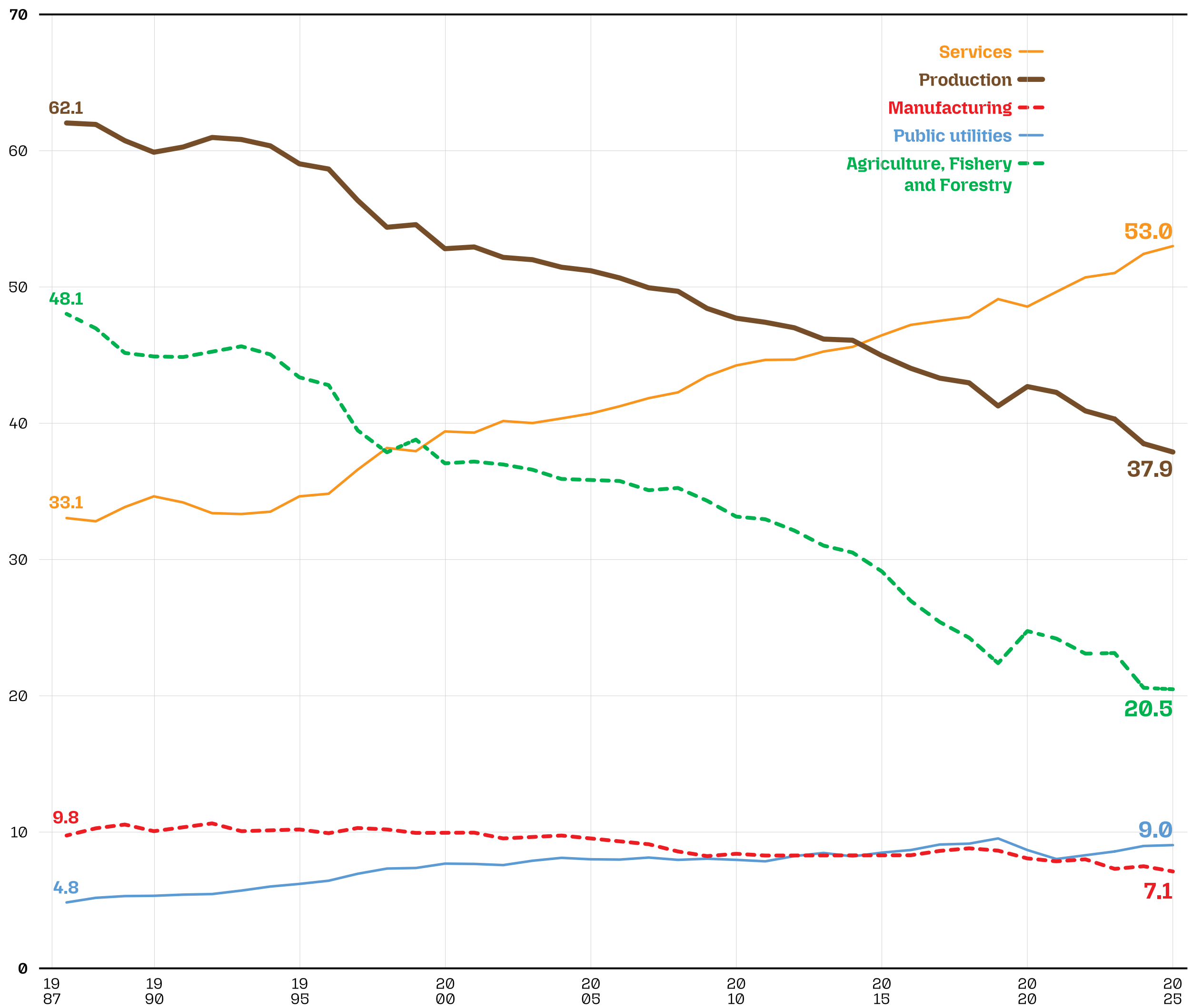
Annex 6. Key labor force indicators, 2025

in '000

Total 15 years old and over	**79,857**
Labor Force	**51,156**
Employed	49,013
Unemployed	2,143
Underemployed	5,823
Not in the Labor Force	**28,701**
Participation Rate	***64.1%***
Employment Rate	***95.8%***
Unemployment Rate	***4.2 %***
Underemployment Rate	***11.9 %***

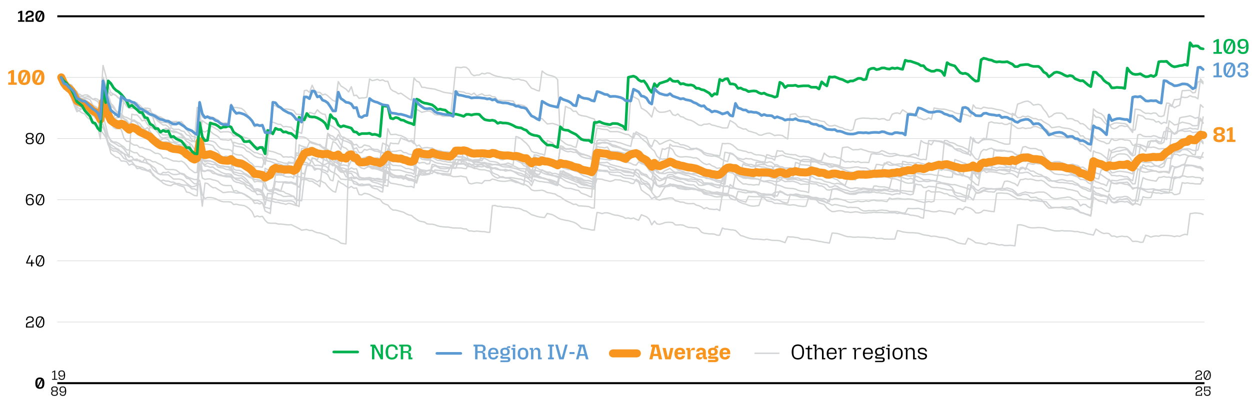
SOURCE: Philippine Statistics Authority *P - preliminary*

Annex 7. Employment by sector, 1987-2025 (% of total)



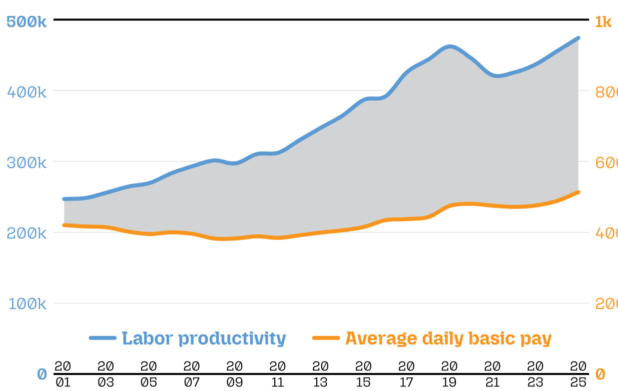
SOURCE: Philippine Statistics Authority

Annex 8. Regional real minimum wage, Jul 1989 - Dec 2025 (2018=100)



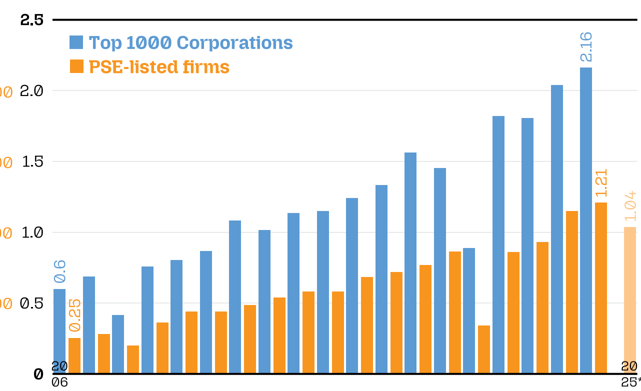
SOURCES: National Wages and Productivity Commission, Philippine Statistics Authority

Annex 9. Labor productivity and average daily basic pay, 2001-2025 (Php, constant 2018)



SOURCE: Philippine Statistics Authority

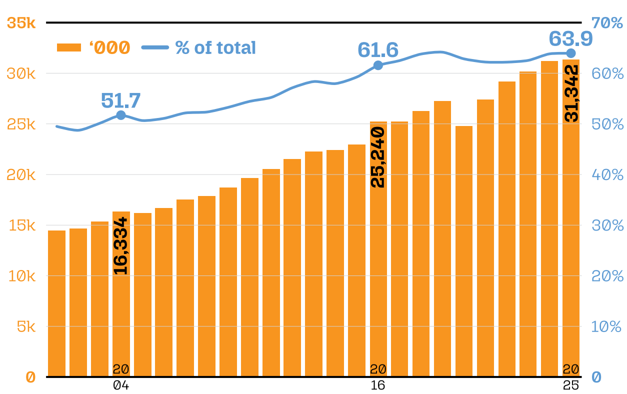
Annex 10. Net income of Top 1000 and PSE listed Corporations, 2006-2025* (Php trillion)



SOURCES: BusinessWorld Top 1000 Corporations in the Philippines, Philippine Stock Exchange

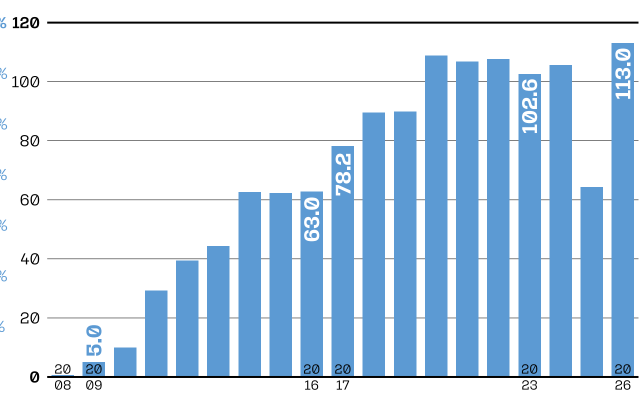
**2025 PSE data as of Q1-Q3 only; Top 1000 data still unavailable*

Annex 11. Wage and salary workers, 2001-2025 (% of total employment; '000)



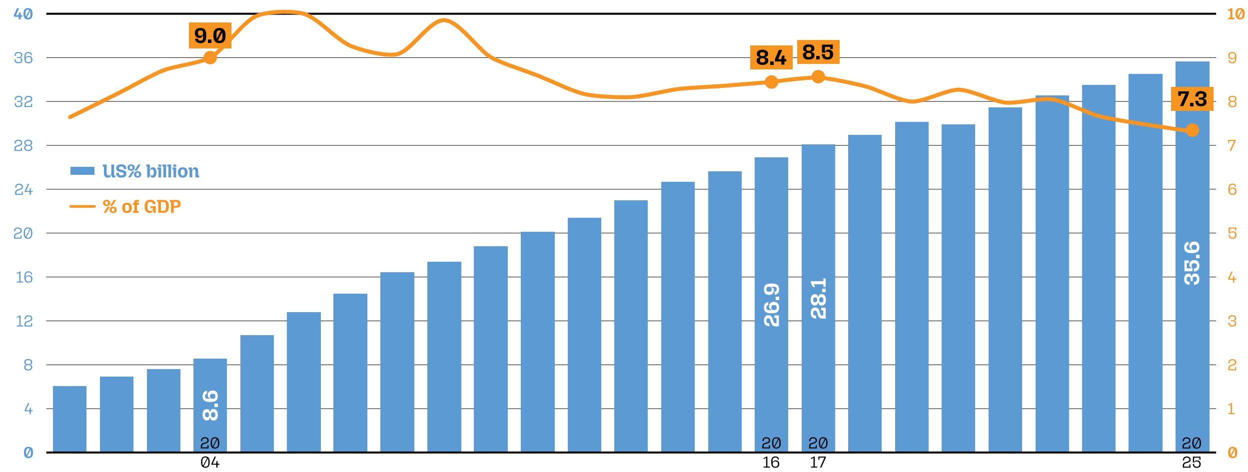
SOURCE: Philippine Statistics Authority

Annex 12. Pantawid Pamilyang Pilipino [4Ps] budget, 2008-2026 (Php billion)



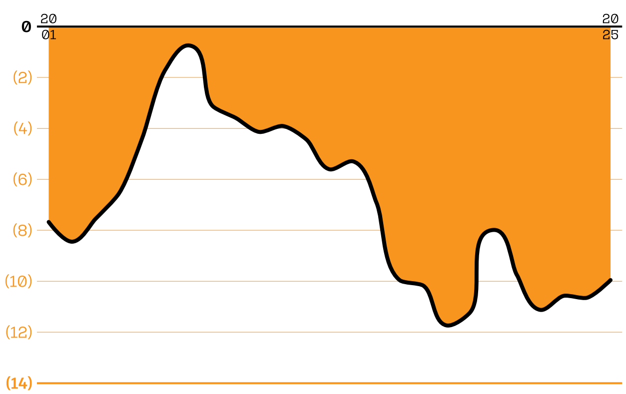
SOURCE: Philippine Statistics Authority

Annex 13. Overseas remittances, 2001-2025 (US$ billion; % of GDP)



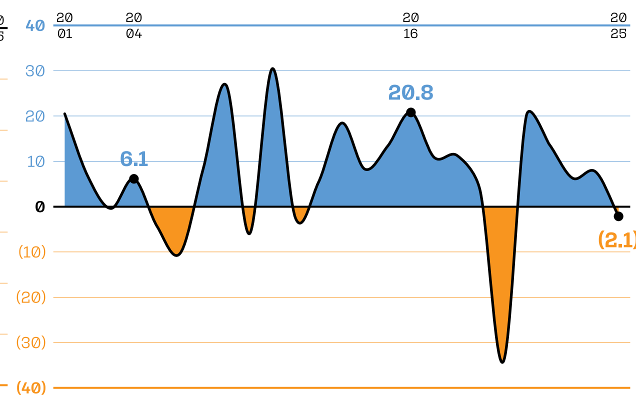
SOURCES: Bangko Sentral ng Pilipinas, Philippine Statistics Authority

Annex 14. Net exports [X-M], 2001-2025 (%, constant 2018)



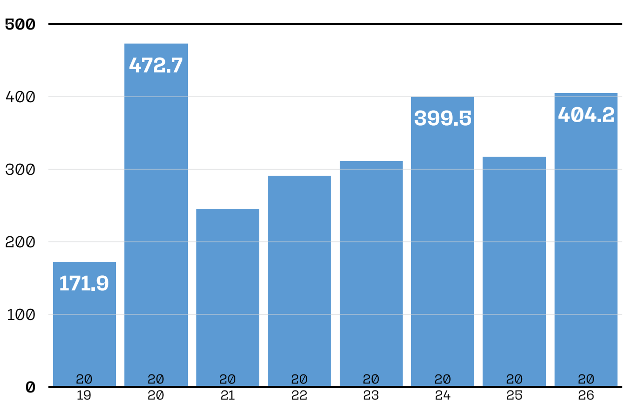
SOURCE: Philippine Statistics Authority

Annex 15. Gross capital formation growth, 2001-2025 (%, constant 2018)



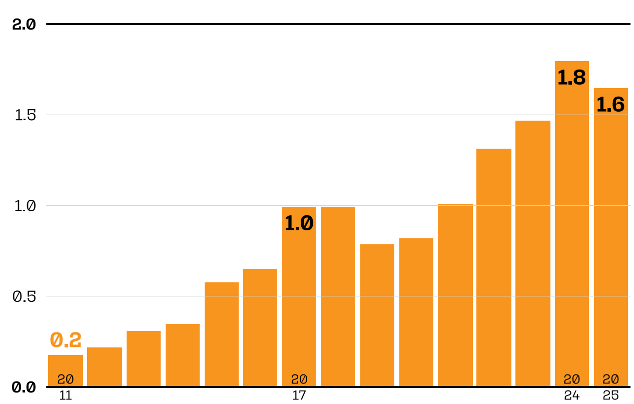
SOURCE: Philippine Statistics Authority

Annex 16. *Ayuda* budget, 2019-2026 (Php billion)



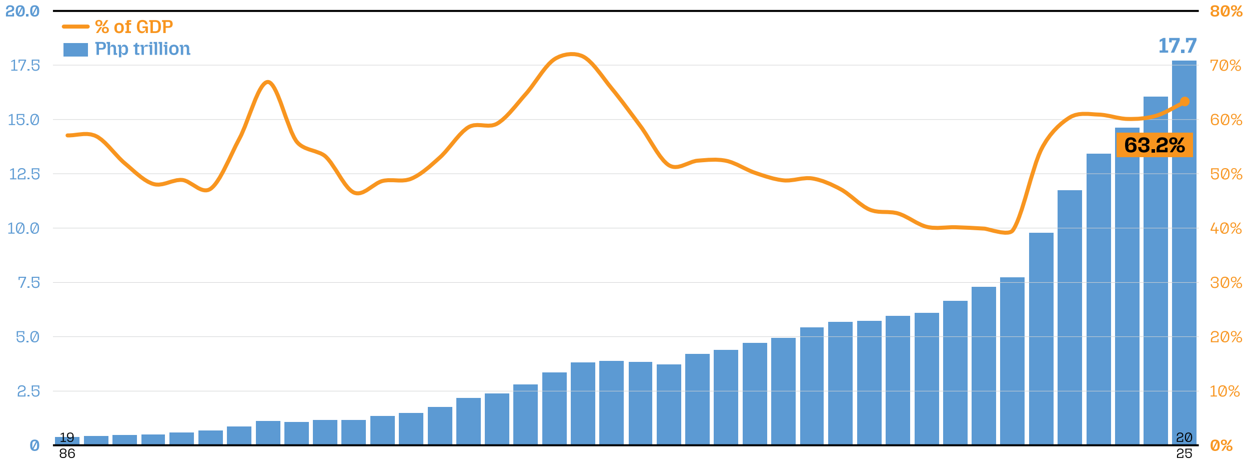
SOURCE: Department of Budget and Management

Annex 17. Infrastructure outlays, 2011-2025 (Php trillion)



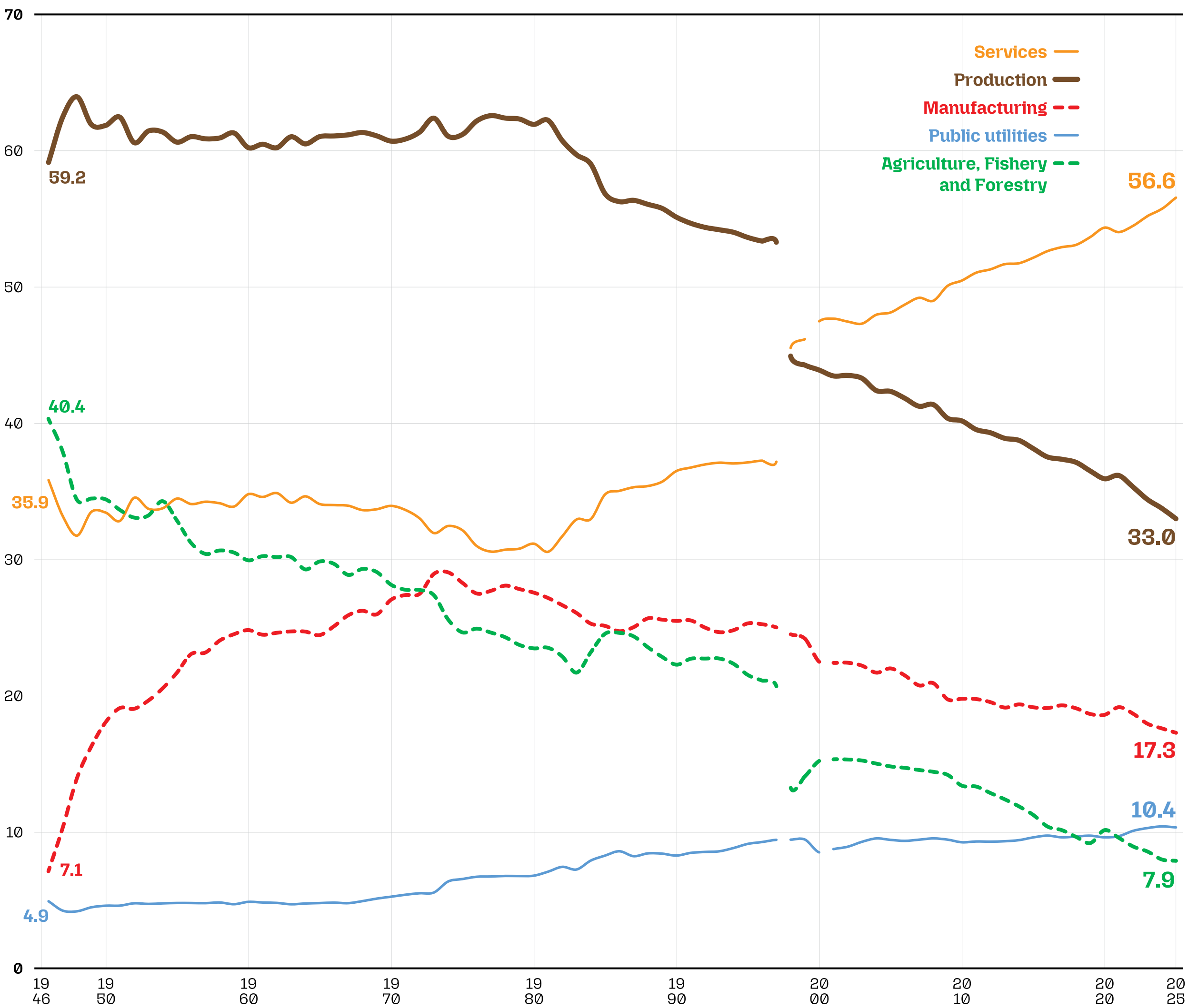
SOURCE: Department of Budget and Management

Annex 18. NG outstanding debt, 1986-2025 (Php trillion; % of GDP)



SOURCES: Bureau of the Treasury, Philippine Statistics Authority

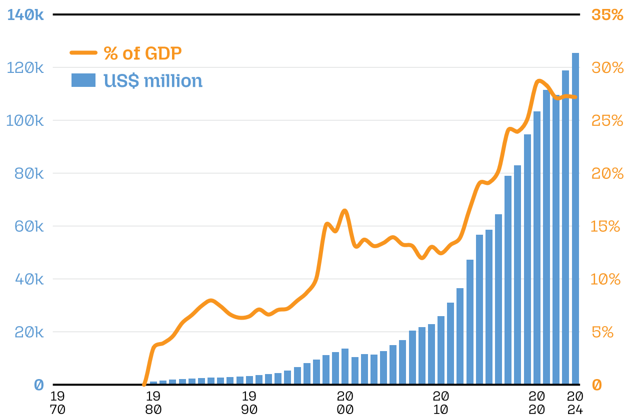
Annex 19. Industry share of GDP*, 1946-2025 (%, constant prices)



SOURCE: Philippine Statistics Authority

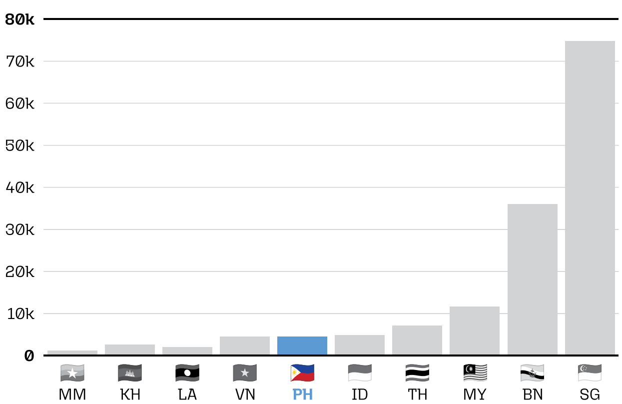
*Data for 1946-1997 at constant 1985 prices, 1998-1999 at constant 2000 prices, and 2000 onwards at constant 2018 prices

Annex 20. PH FDI inward stock, 1980-2024 (US$ million, % of GDP)



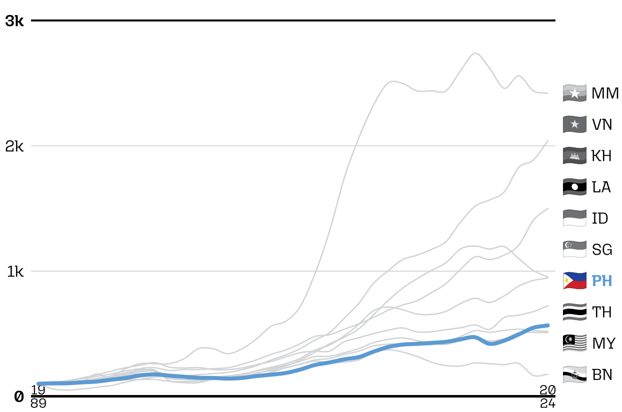
SOURCE: United Nations Conference on Trade and Development

Annex 22a. GNI per capita, 2024 (current US$; Atlas method)



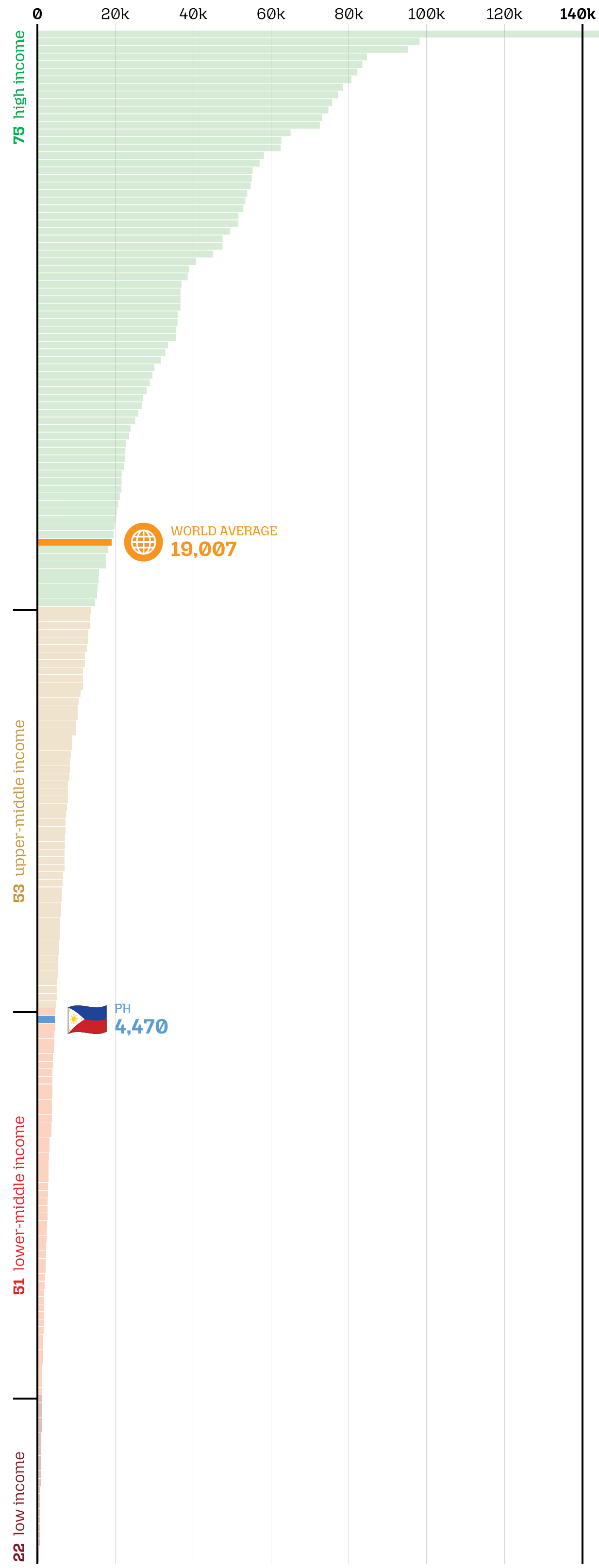
SOURCE: World Bank

Annex 22b. GNI per capita index, 1989-2024 (1989=100)



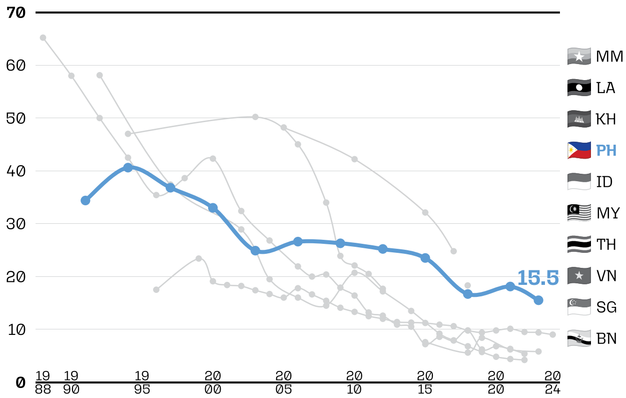
SOURCE: World Bank

Annex 21. GNI per capita, 2024 or latest available year (current US$; Atlas method)



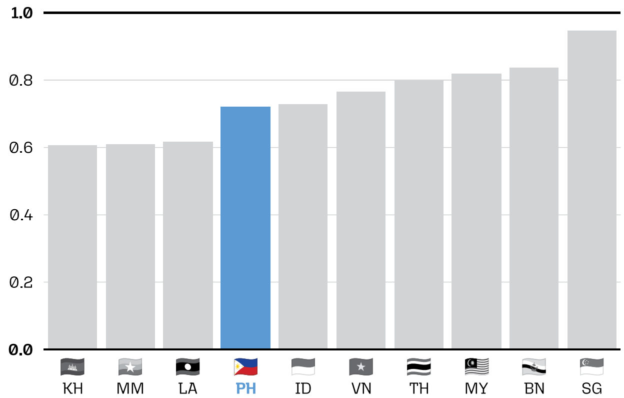
SOURCE: World Bank

Annex 23. Poverty headcount ratio at national poverty lines, 1988-2024 (% of population)



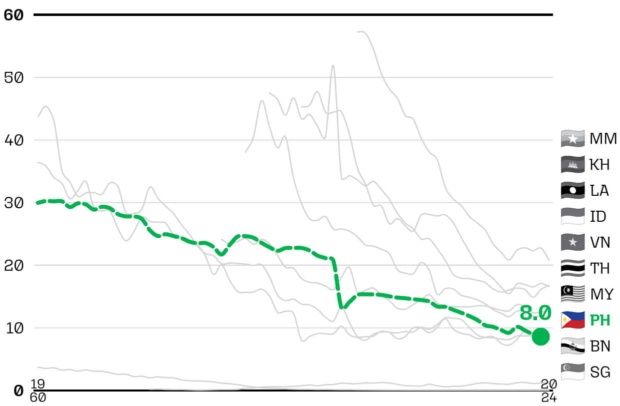
SOURCE: World Bank

Annex 24. Human Development Index [HDI], 2023



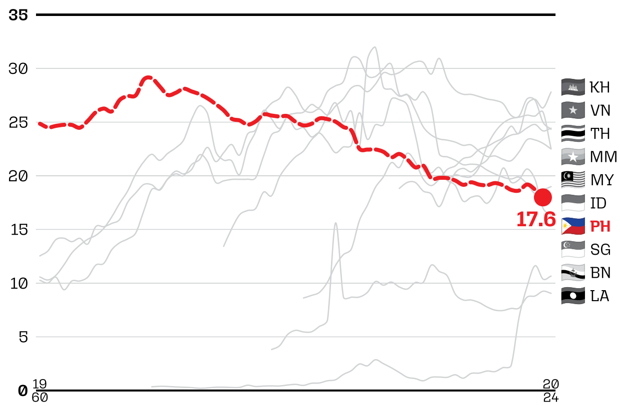
SOURCE: UNDP Human Development Report

Annex 25a. Agriculture share of GDP, 1960-2024 (%)



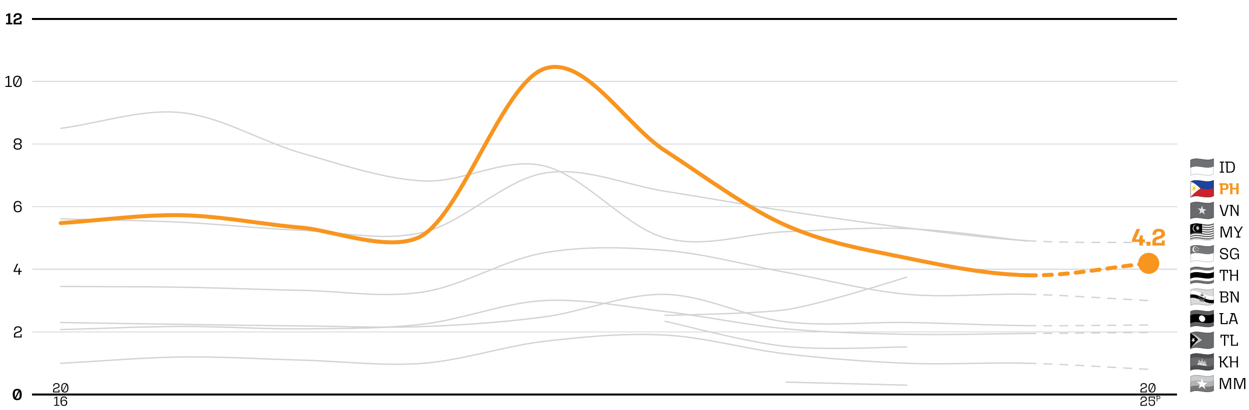
SOURCE: World Bank

Annex 25b. Manufacturing share of GDP, 1960-2024 (%)



SOURCE: World Bank

Annex 26. Unemployment rates, 2016-2025P (%)



SOURCE: International Monetary Fund, respective national statistical agencies

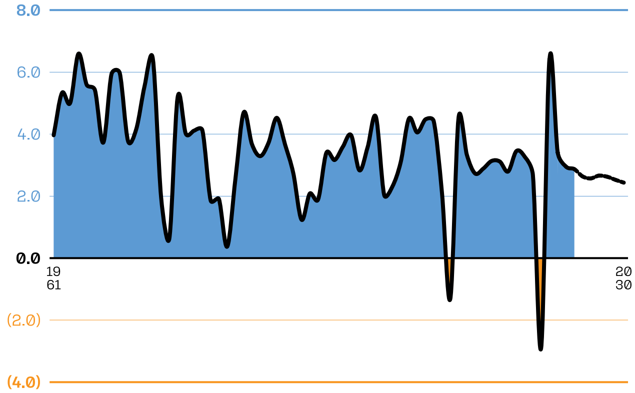
P - preliminary

Annex 27. Number of victims of violation of civil and political rights, Jul 2022-Dec 2025

Violations	No. of victims
Extrajudicial killing	135
Frustrated extrajudicial killing	85
Enforced disappearance	15
Torture	45
Illegal arrest without detention	308
Illegal arrest and detention	518
Illegal search and seizure	908
Physical assault and injury	508
Demolition	17,844
Violation of domicile	747
Destruction of property	1,153
Divestment of property	166
Forced evacuation	48,247
Threat / Harassment / Intimidation	10,825,864
Indiscriminate firing	70,028
Bombing	57,156
Forced / Fake surrender	577
Use of civilians in police and/or military operations as guides and/or shield	521
Use of schools, medical, religious and otherpublic places for military purpose	12,895
Restriction or violent dispersal of mass actions, public assemblies and gatherings	4,241

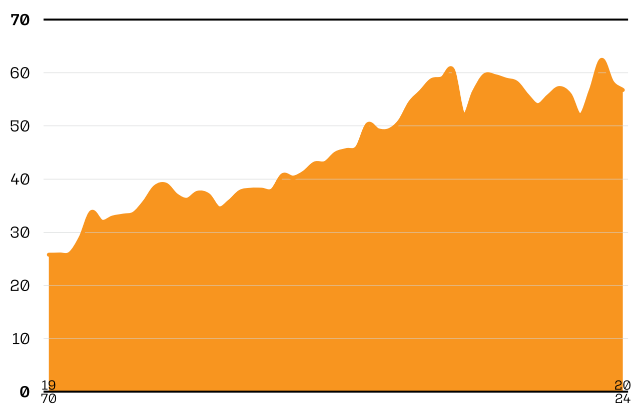
SOURCE: KARAPATAN Alliance for the Advancement of People's Rights

Annex 28. World GDP growth, 1961-2024 and est. 2025-2030 (%)



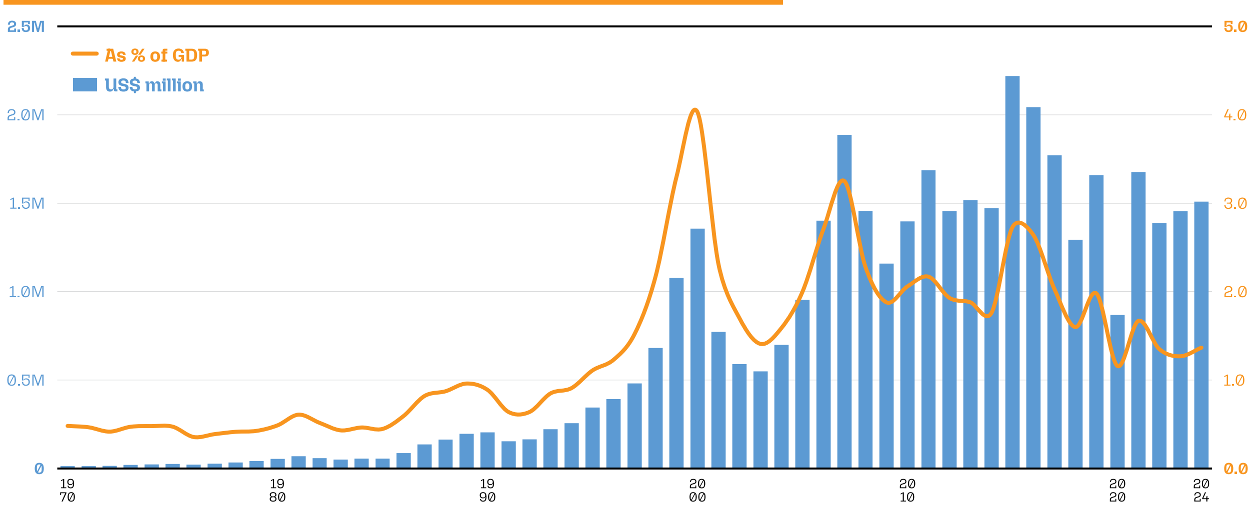
SOURCES: World Bank, International Monetary Fund

Annex 29. World trade in goods and services, 1970-2024 (% of GDP)



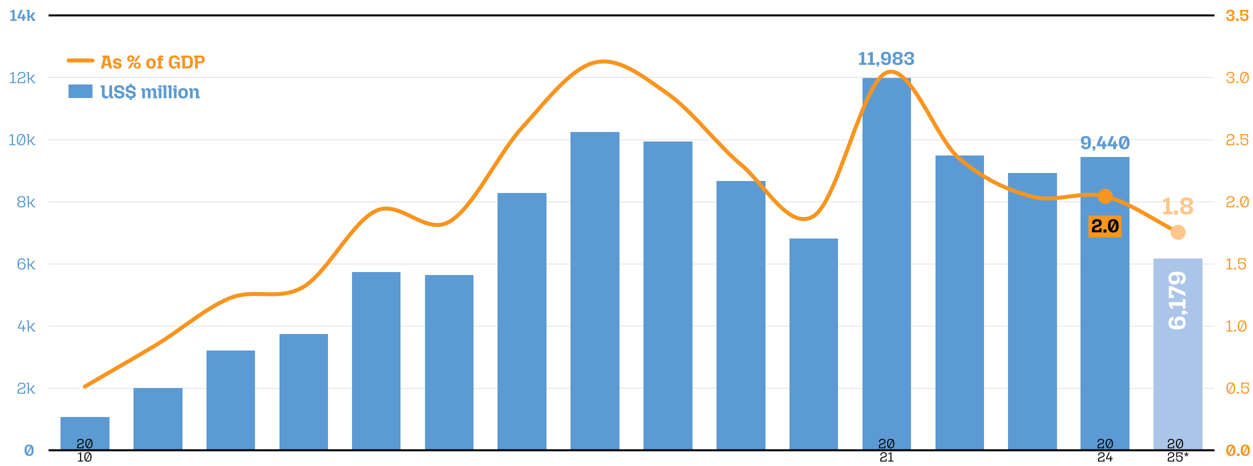
SOURCE: World Bank

Annex 30. Global FDI inflows, 1970-2024 (US$ million, % of GDP)



SOURCE: United Nations Conference on Trade and Development

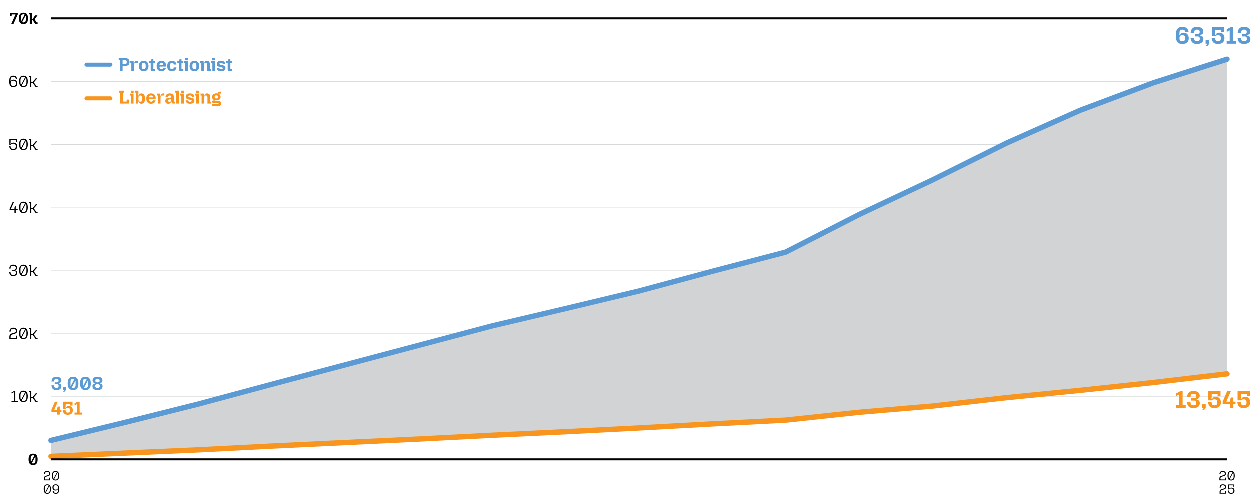
Annex 31. Net FDI, 2010-2025* (US$ million, % of GDP)



SOURCES: Bangko Sentral ng Pilipinas, Philippine Statistics Authority

2025 data as of Q1-Q3 only

Annex 32. Cumulative number of new interventions implemented, Nov 2009-2025



SOURCE: Global Trade Alert

Promote National Industrialization for National Development[2]
IBON Foundation | June 27, 2016

The Filipino people deserve and demand an industrial economy that improves the standard of living of the majority and that strengthens the country's national independence and self-reliance. We need to transform the Philippine economy from its current backwardness into an industrial power, anchored in rising mass incomes and improving social welfare. The administration can choose to start the country on a path of national industrialization and national development. These are our proposals to move forward.

1. **Declare national industrialization as the major strategy for Philippine development.** Explicitly acknowledging industrialization as the lead factor in development and the focus of overall economic strategy will break policy inertia and signal the need for a concerted effort across the wide range of social and economic policies. This policy declaration can, among others:
   i. Lay down the key elements of a pro-Filipino industrialization strategy consisting of:
      a. The strategic direction of ***majority Filipino-owned and -controlled*** of industrial sectors and enterprises;
      b. Thoroughgoing ***agrarian reform with rural and agro-industrial development*** as the necessary foundation of industrialization – the rural sector is a large market for consumer and industrial products, source of raw materials, and source of investible capital;
      c. Pragmatically using the ***widest range of policy instruments possible to protect and promote Filipino firms*** in a conditional and performance-based manner – including equity limits, technology transfer, local content requirements, tariff and non-tariff protection, subsidized credit, tax breaks, government procurement, state enterprises, and public control;
      d. Establishing criteria for ***prioritizing specific industries for development*** that considers immediate viability (given availability of natural resources, local labor and technology, and existing capacity) and long-term strategic benefit (meeting basic needs, potential for economy-wide linkages and technological dynamism). Priorities may, for instance, include the following industries:
         1) Agricultural inputs, machinery, and processing;
         2) Mineral processing and integrated steel industry;
         3) Information and communication technologies;
         4) Renewable energy technologies of wind and solar power generation; and
         5) Nationalized utilities in water, power, transport, and telecommunications.
      e. Developing the ***state's capacity*** to run public enterprises and control key industrial sectors
      f. Rigorously ***upholding workers' rights and welfare*** – including family living wages and benefits, regularizing contractual and informal work, strengthening

2 This proposal outlining strategic industrial policy measures in broad programmatic terms was originally presented at the People's Summit in June 2016 at the University of the Philippines (UP) Diliman. Edits have been made for clarity, to avoid repetition with the main paper, and to remove time-bound references, without altering its substantive framework or core policy recommendations. Sections on ecological sustainability and redistributive policies were added after the Summit.

labor laws and protections, investing in worker skills and education, and gender equality in the workplace;

g. Ensuring alignment with ***ecological sustainability*** to ensure long-term and inclusive development – including investing in technologies that minimize environmental harm and maximize resource efficiency, prioritizing local and sustainable resource use, and decarbonizing the economy, and protecting ecosystems and livelihoods dependent on them.

ii. Create a multi-sectoral ***National Industrialization Council*** involving the government, Filipino industrialists, MSMEs, labor unions, people's organizations, academe, and other civil society groups.

iii. Launch a nationwide ***"Buy Filipino, Build Filipino"*** campaign for Filipino producers and consumers to work together in building a pro-Filipino economy. This can be part of a larger campaign to promote nationalist culture and economic patriotism.

2. **Reclaim and assert Filipino economic sovereignty.** Neoliberal globalization policies have systematically opened up the economy to unfair competition, allow one-sided foreign exploitation of Philippine resources and labor, and prevent nationalist development policies. The Philippines is party to bilateral investment treaties and agreements, bilateral and regional free trade agreements (FTAs), and various agreements under the multilateral World Trade Organization (WTO). We need to recover our policy space to be able to industrialize. Among the critical steps to take are:
   i. ***Review all international trade and investment agreements.*** Such a critical evaluation can lead to a calibrated amendment, suspension, or termination of such agreements as necessary and conducive for national industrialization and development. The bias against Filipino firms needs to be remedied.
   ii. ***Develop a Philippine model for international trade and investment agreements*** that more systematically defends and upholds the national economic interest.

3. **Institutionalize priority measures to promote national industrialization.** The policy declaration of national industrialization needs to be complemented by subsequent measures that highlight key areas for government intervention. In the medium-term this includes:
   i. Creating and implementing a ***National Industrialization Financing Program.*** The Philippine financial system has tens of trillions of pesos in resources aside from additional resources that can be generated from reconsidering debt service policies and more creative approaches to foreign direct investment. The government itself has trillions in pesos under its control. These financial resources can be channeled to real national industrial development.
   ii. Creating and implementing an ***MSMEs for National Industrialization Program.*** Micro, small and medium enterprises need to be encouraged but specifically in ways that contribute to long-term national industrialization rather than towards being perpetually dependent on more advanced foreign firms.
   iii. Creating and implementing a ***Filipino Industrial Science & Technology Strategy*** for long-term dynamism and productivity growth. Filipino science and technology have to be developed independently and not merely as an extension of foreign-owned and -controlled science and technology, but as an autonomous national

capability. This also needs to be responsive to people's interests and needs rather than of foreign capital.

iv. Creating a ***Department for Industry and Commerce***. This gives explicit emphasis on developing Filipino industry and its related commercial activities. The current arrangement of the Department of Trade and Industry (DTI) has encouraged trade and enclave import/export operations at the expense of Filipino industry.

4. **Give Filipino manufacturers immediate relief.** Long-standing demands should be given immediate attention, including:
   i. Stopping corruption in the Bureau of Product Standards (BPS), Food and Drug Administration (FDA), and Bureau of Customs (BOC) and ensure proper and above-board implementation of regulations;
   ii. Reviewing and eventually remove incentives that give undue advantage to foreign manufacturers; and
   iii. Genuinely give priority to Filipino-made products in government procurement.

5. **Institute redistributive policies** aiming for the most effective use and development of social and economic resources, including:
   i. ***Progressive taxation*** to mobilize domestic resources to fund industrialization, agriculture and social programs such as with a billionaire wealth tax, windfall land valuation tax, higher income taxes on rich families and large corporations;
   ii. ***Increase the resources and expand the mandates of the Development Bank of the Philippines (DBP) and Land Bank of the Philippines (LBP)*** to channel resources into strategic industrial and agricultural sectors, MSMEs, research and development, and green industrialization that private banks may find too risky or inconsistent with their short-term profit motives;
   iii. ***Financial controls*** such as capital controls, directed credit policies, interest rate management and on foreign debt to ensure that financial resources are directed towards productive and equitable development; and
   iv. ***Funding comprehensive publicly-provided social services*** – education, health, housing and social protection (e.g., emergency assistance, disability benefits, insurance, pensions).