Yearend 2017

Dutertenomics and Dictatorship: Thwarting Democracy

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The year 2017 will be remembered as the year when the first major signs of distress for the Duterte administration showed themselves. The signs of economic troubles and the fundamentally anti-poor direction of economic policies became even clearer. The political agenda of centralized power and extended rule through charter change also became clear, notwithstanding the misdirection of federalism dangled as a cure-all for the country's far-ranging economic and political ills. These set the stage for greater unrest, as the Duterte administration shifts to high gear in undermining nascent Philippine democracy in 2018 and beyond.

Neoliberal troubles

The administration's economic managers are keenly aware that the country is still lacking sustainable domestic sources of growth, especially those able to deliver faster and more broad-based growth. Their immediate concern is to avert a slowdown, which may already have manifested in the first quarter of 2017, and their main strategy is the *Build, Build, Build* infrastructure offensive. Poverty is chronic and inequality worsening but addressing the roots of these is not in mind. On the contrary, Dutertenomics is aimed at completing the neoliberalization of the Philippine economy, which started some 40 years ago during the Marcos dictatorship. This will have grave repercussions for national development.

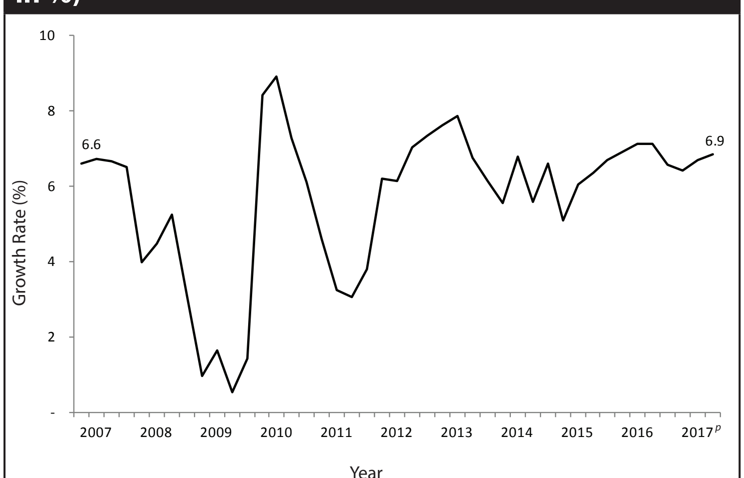
Job-destroying growth. Growth in gross domestic product (GDP) has generally been rising since the 2000s even considering the interruption in 2009 from the global financial crisis. (**See Chart 1**) Growth has been most rapid in the period since 2010 in the sense of staying at relatively high levels much above average annual growth rates of 1.8% in the 1980s, 2.9% in the 1990s, and 2.9% in the 2000s. GDP growth averaged 6.3% annually in the period 2010-2016, albeit basically reaching a plateau with an upper limit of around 7 percent.

GDP growth was at 6.7% in the first nine months of 2017. This maintains the relatively high growth since 2010 even if it was slower than the 7.1% recorded in the same period the year before. As it is, the World Bank has already hailed the Philippines as the "fastest-growing economy in the Association of Southeast Asian Nations (ASEAN)" and projects it to grow by 6.7% for the whole year. The Asian Development Bank (ADB) likewise hailed the growth momentum and upgraded its forecast to 6.8% for the whole year. Fitch Ratings even upgraded the country's credit rating from "BBB-" since 2013 to "BBB" with a stable outlook last December. Apparently dismissing 'political noise', the benchmark Philippine Stock Exchange Index (PSEi) even reversed two years of decline and closed 2017 at a new record high of 8,558.

All of which just underscores what really matters for the country's economic managers and even international development agencies – and it is not development. While there are many praises for the country's economic growth, there is scant attention to how employment actually contracted in 2017 by the biggest amount since the Asian financial crisis. This vividly underscores the exclusionary nature of the country's growth.

Chart 1

Quarterly Gross Domestic Product growth rate, 1st quarter 2007-3rd quarter 2017 (at constant 2000 prices; in %)



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

The number of employed Filipinos fell by 663,000 to 40.3 million in 2017 from the year before and the number of unemployed rose by 66,000 to 4.1 million. This is the largest contraction in employment in 20 years or since the 821,000 lost in 1997. The unemployment rate has also risen to some 9.2% and remains by far the highest in ASEAN. (**See Chart 2**) These are IBON employment re-estimates seeking to make official government figures more comparable with historical data.

Yet even this still does not capture the full extent of joblessness. Unemployment figures do not count perhaps as much as 1-2 million

Table 1

Selected labor force statistics, 2016-2017 (population in thousands; rate in %)			
Indicator	**2016**	**2017 p**	**Change, 2016-2017**
Total 15 years old and over	**68,311**	**69,896**	**1,585**
Labor Force	**43,361**	**42,776**	**(585)**
Employed	40,998	40,335	(663)
Underemployed	7,513	6,506	(1,007)
Unemployed	2,363	2,441	78
Not in the Labor Force	**24,950**	**27,120**	**2,170**
Participation Rate	63.5	61.2	(2.3)
Employment Rate	94.6	94.3	(0.3)
Underemployment Rate	18.3	16.1	(2.2)
Unemployment Rate	5.4	5.7	0.3

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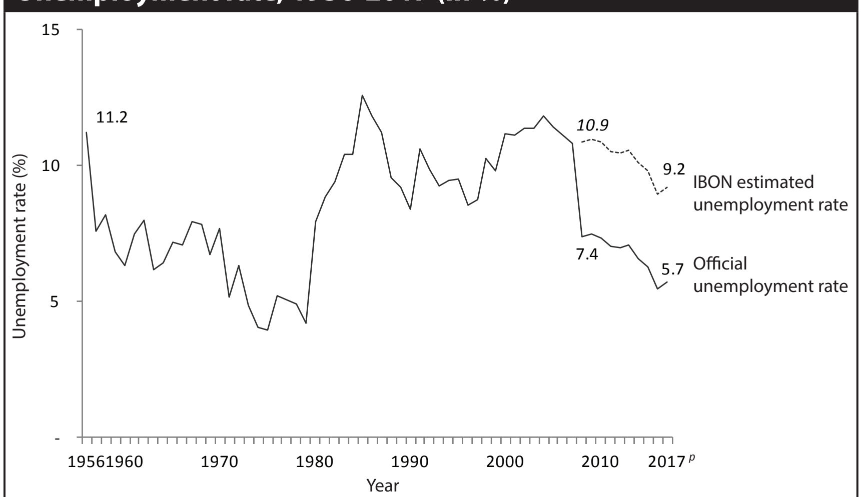
Source: *Philippine Statistics Authority Labor Force Survey*

discouraged workers who stopped looking for work that is not there to be found, and hence dropped out of the labor force. It is conspicuous that while the number of 15 years old and over (i.e. the potential labor force) rose by 1.6 million, the labor force actually shrank by 545,000 and the number of those not in the labor force (NILF) grew by a huge 2.1 million. The labor force participation rate (LFPR) has correspondingly fallen to 63.7% which is the lowest in over three decades since the 63.1% rate during the severe economic crisis in 1985. This is only marginally explained by the new K-to-12 education scheme keeping erstwhile high school graduates in school.

These trends in 2017 are little changed even if official government figures are used. The fall in the number of employed Filipinos is the same at 663,000 to 40.3 million in 2017 from the year before while the number of unemployed still rises by 78,000 to 2.4 million. **(See Table 1)** The unemployment rate also rises, to 5.7%, which is still the highest in ASEAN. The increase in the number of 15 years old and over is the same at 1.6 million while the labor force still shrinks by 585,000, and the number of those not in the labor force still grows by an even larger 2.2 million. The LFPR is even lower at 61.2%, which is the lowest in the three-and-a-half decades since the 61.0% rate in 1982.

Chart 2

Unemployment rate, 1956-2017 (in %)



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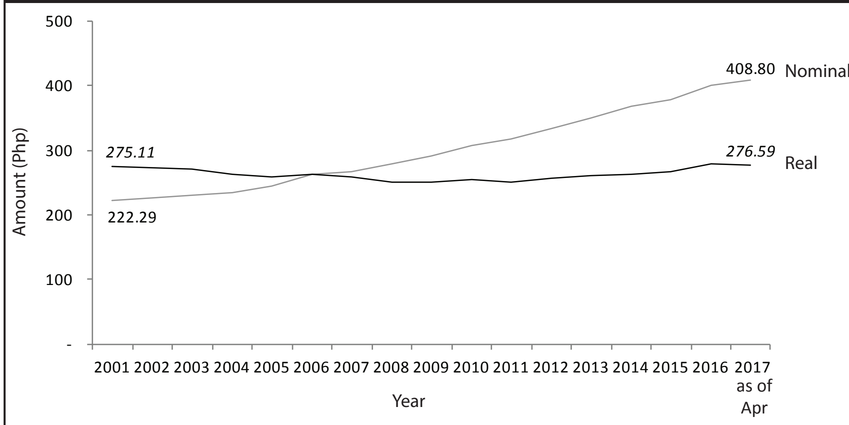
Note: There have been many changes in the official methodology for estimating the unemployment rate in the country. The most significant was in 2005 when additional criteria to count as unemployed was added that drastically reduced the number of unemployed and the unemployment rate. IBON computes an alternate estimate to make comparisons with previous periods possible. Other changes in methodology in 2013 and 2016 would, strictly speaking, also prevent comparison but the discrepancy here is much less.
Source: *Philippine Statistics Authority Labor Force Survey*

This vast reserve army of unemployed gives employers huge leverage over employees and workers with scant options elsewhere in the economy. This combines with the government's cheap wage policy – ostensibly to encourage hiring, keep prices competitive, and attract foreign investors – to keep wages down and contractualization unabated.

Among others this results in how recent years that have seen the fastest growth in some four decades has not translated into increased take home pay. Rising wages are among the most effective means of distributing the benefits of growth. Yet while the economy has more than doubled in size in real terms (120%) in the 16 years since 2001, the real average daily basic pay of wage and salary workers is unchanged with an insignificant half a percentage point (0.54%) increase over that same period. (**See Chart 3**) Real wages are due to take a big hit this year with inflation that is already the fastest in three years. This will be stoked even more as the inflationary impact of the Duterte administration's new tax reform program passed into law last December works its way through the economy starting January 2018. (**See Chart 4**)

Chart 3

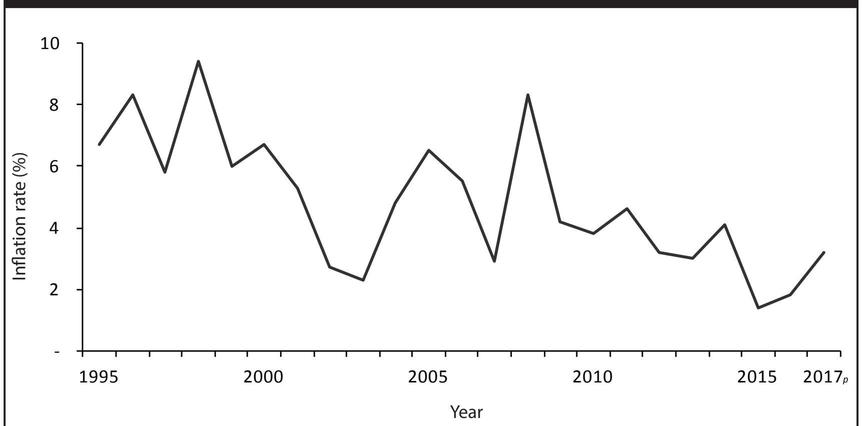
Nominal and real average daily basic pay of wage and salary workers, 2001-2017 April (real value in 2006=100; in Php)



Source: *Philippine Statistics Authority*

Chart 4

Inflation rate, 1995-2017 (2006=100; in %)



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Source: *Philippine Statistics Authority*

It is worth watching how the government reacts to labor groups' demands for wage hikes following higher prices. Prospects for meaningful increases in the mandated minimum wage are not promising though. Even in the politically sensitive National Capital Region (NCR), for instance, minimum wage increases since 2012 have generally not been enough to offset inflation causing its real value to fall and the gap with the family living wage (FLW) to remain wide. (**See Table 2**) IBON estimates the FLW for a family of six, with families tending to be larger at lower income levels, at Php1,171 in end-2017; the equivalent figure for a family of five is some Php976.

This unremitting and indeed worsening domestic jobs crisis continues to drive millions of Filipinos abroad for work to support themselves and their families. Preliminary data from the Philippine Overseas Employment Administration (POEA) reports 1,281,506 overseas Filipino workers (OFWs) deployed from last January to September, or equivalent to an average of 4,694 per day in the first nine months of 2017. This includes some 1.1 million land-based workers and 223,477 sea-based workers.

Shallow growth. The economy is still overly reliant on shallow cheap labor sources of income as its main drivers – overseas Filipinos and workers in business process outsourcing (BPO) firms and foreign-dominated export enclave manufacturing. These are shallow economic activities in the sense that they are not integrated into domestic production chains or otherwise contribute in any meaningful way to building local technological or production capacity. So while there is a stimulus from the consumption spending side, there is none from the all-important production side.

Table 2

Daily wage indicators for the National Capital Region, December 2010-2017					
Period	Daily Minimum Wage (in Php)	Real Minimum Wage (2006=100; in Php)	Estimated Family Living Wage (in Php)	Wage gap	
				(in Php)	(in %)
Dec 2010	404	342	975	(571)	59
Dec 2011	426	349	1,005	(579)	58
Dec 2012	456	364	1,033	(577)	56
Dec 2013	466	362	1,060	(594)	56
Dec 2014	466	357	1,077	(611)	57
Dec 2015	481	364	1,089	(608)	56
Dec 2016	491	362	1,119	(628)	56
Dec 2017	512	360	1,171	(659)	56

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

As it is, cash remittances were still high at US$25.3 billion in the first 11 months of 2017, but the year-to-date growth of just 4.0% puts 2017 on track to be the fourth year in a row of slowing remittance growth. The slowdown is partly due to how there are already huge numbers of Filipinos abroad and large remittance flows. Still, this points to how remittance-driven consumption will provide less and less of a stimulus in the years to come. Department of Foreign Affairs (DFA) and migrant group estimates place the number of overseas Filipinos at some 10-12 million. The Philippine Statistical Authority (PSA) reports some 5.8 million families receiving cash receipts and support from abroad, with the average cash remittance at around Php12,490 monthly.

The slowdown in the BPO sector has also already started. The Philippine Economic Zone Authority (PEZA) reported last November that investment pledges in information technology-business process management (IT-BPM) fell 22% in the first nine months of 2017 compared to the same period the year before, or from Php14.6 billion down to Php11.4 billion. The Information Technology and Business Process Association of the Philippines (IBPAP) later said that it expects the sector's annual revenue growth to slow from around 17% in 2016 and the mid-teens in previous years to around 6.7% in 2017 and optimistically perhaps some 8-9% until 2022. Industry sources claim some 1.3 million jobs in the sector.

OFW remittances and BPOs have been among the most important drivers of growth in recent years with first-order and knock-on effects felt in: consumption spending; residential and commercial real estate; construction; utilities; trade, transport and communication; and banking and finance. However it appears that their tapering off has already started to be felt in 2017 with flat or slowing growth in all of these. (**See Table 3**)

The slack was taken up and compensated for by notably faster growth in agriculture, manufacturing, and the public sector. **(See Table 4)** Agricultural and manufacturing performance are particularly important to watch for being among the economy's largest sectors with agriculture accounting for 8.2% of GDP and manufacturing in turn at 23.1 percent. They are also important potential job creators with agriculture accounting for 25.4% of total employment and manufacturing for 8.6 percent. **(See Table 5)** Public sector spending is reported to have accelerated from the implementation of salary adjustments aside from increased infrastructure spending.

It is troubling however how the agricultural sector, despite an apparent recovery to 4.6% in the first three quarters of 2017 from a contraction in the same period the year before, still managed to lose 803,000 jobs which fell to 10.3 million from 11.1 million. This is a serious blow to farmers remaining in deep rural poverty from wide landlessness and uncompleted agrarian reform, backward production methods and government neglect, and vulnerability to natural calamities.

The accelerating growth in manufacturing on the other hand did result in more jobs – increasing by 78,000 to 3.5 million. This is welcome in itself but could be even more extensive to the extent that more Filipino firms, rather than foreign manufacturers in export enclaves, are encouraged to be set up and grow. A more comprehensive and determined national industrialization policy is

Table 3

National Accounts of the Philippines by industry group and by type of expenditure, 2015-2016 and 1st-3rd quarter 2015-2016 and 2016-2017 (growth rates; at constant 2000 prices; in %)			
Industry group / Expenditure share	**2015-2016**	**1st-3rd Quarter 2015-2016**	**1st-3rd Quarter 2016-2017**
By industry group			
1. Agriculture, Hunting, Forestry and Fishing	(1.3)	(1.3)	4.6
a. Agriculture, Hunting, Forestry	(0.6)	(0.6)	5.8
b. Fishing	(4.3)	(4.5)	(1.4)
2. Industry Sector	8.4	8.5	7.1
a. Mining and Quarrying	3.2	1.5	(0.2)
b. Manufacturing	7.0	7.0	8.3
c. Construction	13.7	14.9	6.5
d. Electricity, Gas and Water Supply	9.8	10.0	2.7
3. Service Sector	7.4	7.5	6.7
a. Transportation, Storage, and Communication	5.9	5.7	3.8
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	7.2	7.5	6.6
c. Financial Intermediation	7.6	8.3	8.3
d. Real Estate, Renting and Business Activities	8.9	8.8	7.8
e. Public Administration and Defense: Compulsory Social Security	7.2	5.1	7.2
f. Other Services	7.3	7.8	6.5
By expenditure share			
1. Household Final Consumption Expenditure	7.0	7.3	5.4
2. Government Final Consumption Expenditure	8.4	9.6	5.3
3. Capital Formation	23.7	27.7	8.6
a. Fixed Capital	25.2	28.0	10.4
i. Construction	15.1	17.4	6.8
ii. Durable Equipment	34.5	37.9	11.6
iii. Breeding Stock and Orchard Development	3.6	3.5	3.7
iv. Intellectual Property Products	34.2	36.7	35.6
4. Exports of Goods and Services	10.7	9.9	19.2
a. Export of Goods	9.2	8.3	21.0
b. Export of Services	16.2	16.4	12.9
5. Less: Imports of Goods and Non-Factor Services	18.5	19.5	17.0
a. Import of Goods	20.8	20.9	19.0
b. Import of Services	10.0	14.1	8.5
Gross Domestic Product	**6.9**	**7.1**	**6.7**
Gross National Income	**6.7**	**7.0**	**6.5**
Source: *Philippine Statistics Authority National Accounts of the Philippines*			

Table 4

National Accounts of the Philippines by industry group and by type of expenditure, 2016 and 1st-3rd quarter 2016 and 2017 (percentage share of Gross Domestic Product; at constant 2000 prices; in %)			
Industry group / Expenditure share	**2016**	**1st-3rd Quarter 2016**	**1st-3rd Quarter 2017**
By industry group			
1. Agriculture, Hunting, Forestry and Fishing	8.7	8.4	8.2
a. Agriculture, Hunting, Forestry	7.2	7.0	6.9
b. Fishing	1.5	1.4	1.3
2. Industry Sector	33.9	33.7	33.9
a. Mining and Quarrying	1.0	1.1	1.0
b. Manufacturing	23.2	22.7	23.1
c. Construction	6.4	6.4	6.4
d. Electricity, Gas and Water Supply	3.3	3.5	3.3
3. Service Sector	57.3	57.9	57.9
a. Transportation, Storage, and Communication	7.6	7.5	7.3
b. Trade and Repair of Motor Vehicles, Motorcycles, Personal and Household Goods	16.8	16.6	16.6
c. Financial Intermediation	7.2	7.4	7.5
d. Real Estate, Renting and Business Activities	11.5	11.7	11.8
e. Public Administration and Defense: Compulsory Social Security	3.9	3.9	4.0
f. Other Services	10.4	10.7	10.7
By expenditure share			
1. Household Final Consumption Expenditure	69.3	68.2	67.4
2. Government Final Consumption Expenditure	10.5	11.2	11.0
3. Capital Formation	28.0	27.6	28.1
a. Fixed Capital	27.7	27.5	28.5
i. Construction	9.9	9.9	9.9
ii. Durable Equipment	15.5	15.5	16.2
iii. Breeding Stock and Orchard Development	1.3	1.2	1.2
iv. Intellectual Property Products	1.0	1.0	1.2
4. Exports of Goods and Services	50.3	53.6	59.9
a. Export of Goods	39.5	42.0	47.6
b. Export of Services	10.9	11.6	12.3
5. Less: Imports of Goods and Non-Factor Services	58.1	60.2	66.0
a. Import of Goods	46.5	48.7	54.3
b. Import of Services	11.6	11.5	11.7
Gross Domestic Product	**100.0**	**100.0**	**100.0**
Source: *Philippine Statistics Authority National Accounts of the Philippines*			

Table 5

Number of employed persons by industry, 2016-2017 (in thousands)

Industry	2016	2017 [p]
Total Employed	**40,998**	**40,335**
Agriculture	11,064	10,261
Agriculture, hunting and forestry	9,801	9,066
Fishing	1,263	1,194
Industry	7,159	7,371
Mining and Quarrying	219	204
Manufacturing	3,404	3,482
Electricity, Gas, Steam and Air Conditioning Supply	91	80
Water Supply; Sewerage, Waste Management and Remediation Activities	68	69
Construction	3,378	3,537
Service	22,775	22,703
Wholesale and Retail Trade	8,039	7,899
Transport and Storage	3,038	3,127
Accommodation and Food Service Activities	1,777	1,740
Information and Communication	366	396
Financial and Insurance Activities	514	507
Real Estate	193	186
Professional, Scientific and Technical Activities	213	247
Administrative and Support Service Activities	1,371	1,476
Public Administration and Defense, Compulsory Social Security	2,196	2,408
Education	1,304	1,204
Human Health and Social Work Activities	502	484
Arts, Entertainment and Recreation	361	325
Other Service Activities	2,898	2,701
Activities of Extraterritorial Organizations and Bodies	3	2

[p] - preliminary
Source: *Philippine Statistics Authority Labor Force Survey*

necessary to correct the decades-long decline in manufacturing for it to serve as the leading edge in national economic development. **(See Chart 5)** This will need to be coordinated particularly with agriculture to ensure that the economy as a whole shifts from being a low-value-added and low-productivity services economy to a high-value-added and high-productivity producing economy.

There are however indirect indications that domestic production, albeit higher, is increasingly insufficient for the country's needs. Imports include both goods for domestic consumption as well as those merely passing through for assembly in export enclaves; exports meanwhile include both goods produced by Filipino enterprises and those by foreign firms locating in the country. With that in mind, the large increase in the trade deficit since 2014 still tends to indicate a growing imbalance and shortfall in domestic production. (**See Chart 6**) As of November 2017, the country is on track to register an eight-fold increase in its trade deficit from 2014 to a record-high of some US$26 billion.

As it is, the exchange rate of the Philippine peso to the US dollar has already depreciated significantly from Php42.45 in 2013 to Php50.40 by 2017. Gross international reserves (GIR) have also fallen steeply over this period: from US$83.2 billion or equivalent to 11.6 months worth of imports in 2013 to just US$81.5 billion or equivalent to 8.3 months worth of imports in 2017.

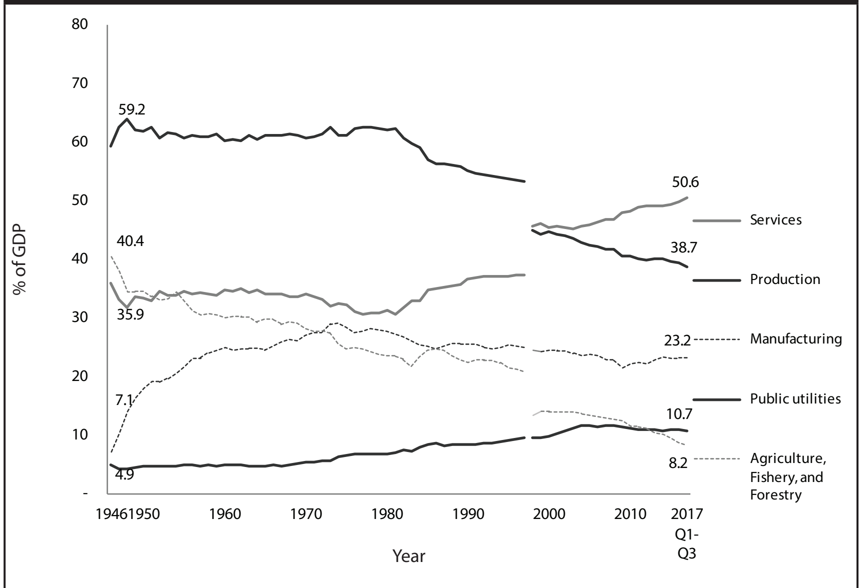
Build, Build, Build and TRAIN. Recent rapid growth have been mostly driven by a convergence of favorable conditions – low global interest rates and easy credit, steady overseas remittances, an expanding BPO sector, and enough domestic capacity in construction and various services to respond to the increased demand. Yet, after many years, more sustainable internal sources of growth have yet to take root – strong agriculture, robust domestic industry, job generation, and higher incomes.

The Duterte administration's *Build, Build, Build* infrastructure offensive is then crucial for the country to maintain its growth momentum, even if not necessarily to transform into a developed industrial economy. Some Php8.4 trillion worth of infrastructure projects are planned until 2022 of mostly railways but also roads and bridges, mass transit systems, airports and seaports with some water and flood control projects. The National Economic and Development Authority (NEDA) has reportedly already approved Php1 trillion worth of big-ticket infrastructure projects to be rolled out in 2018.

The government has shifted from the public-private partnership (PPP) model to a 'hybrid' with greater dependence on state-led construction while the private sector takes up operations and maintenance. In January 2017, the Department of Finance (DOF) said that "about a fourth" of the funding requirement will be funded by the Tax Reform for Acceleration and Inclusion (TRAIN) tax reform program with the balance sourced "mostly" from official development assistance (ODA). Economic managers are confident about the massive spending planned with the national government rising slightly but so far manageable. (**See Chart 7**) The TRAIN will in any case also have the effect of bolstering the government's creditworthiness to facilitate new debt.

Chart 5

Gross Domestic Product by production, 1946-2016 and as of 1st-3rd quarter 2017 (at constant prices*; in %)

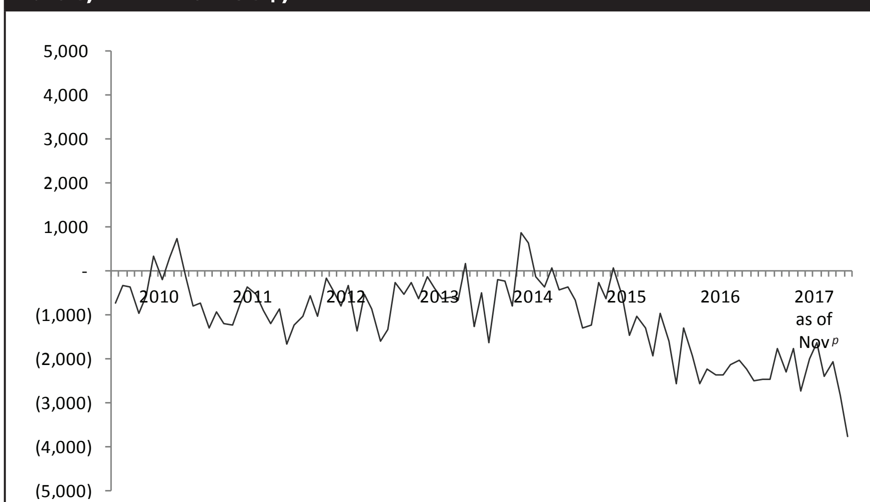


* - data for 1946-1997 are based on estimates at constant 1985 prices, while data for 1998-2016 at constant 2000 prices

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

Chart 6

Monthly trade deficit, 2010-2017 November (freight on board value; in million US$)



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Source: *Philippine Statistics Authority*

The *Build, Build, Build* program's audacity goes far in promoting an atmosphere of optimism about the country's economic prospects. Domestic big business is also keen on finding profitable opportunities, whether under the previous PPP scheme which is reportedly now focused on local government projects, the current 'hybrid' PPP scheme, or from taking on unsolicited proposals. The scale of the *Build, Build, Build* program will however challenge the government's capacity to implement so many projects at the same time, from shepherding them through the bureaucracy to resolving right-of-way issues to managing actual construction. While the ODA route partly resolves possible capacity constraints of the domestic construction industry, it does also raise its own issues regarding tied aid, suitability, and hidden costs. The budget secretary has also publicly raised the possible need to even import foreign workers.

These apart from the basic questions of flagship projects being mainly concentrated in the country's richest regions – NCR and its neighboring regions – and being centralized big-ticket infrastructure that are not really what the country's majority poor will use or need.

The neoliberal TRAIN is the most comprehensive tax reform program in the country's history. Package 1A passed into law last December and included: cuts in personal income tax (PIT) and estate and donor's taxes; lifting of value-added tax (VAT) exemptions; new and higher excise taxes on petroleum products; generally higher taxes on automobile; new excise taxes on sugar-sweetened beverages; and higher taxes on tobacco products, coal, mining, cosmetic procedures, and passive income.

Package 1B will be taken up by Congress in early 2018 and will cover general amnesty, estate tax amnesty, and tax administration measures. Package 1 is seen to raise Php128.8 billion in 2018, Php175.1 billion in 2019, Php221.7 billion in 2020, Php224.3 billion in 2021, and Php219.2 billion in 2022.

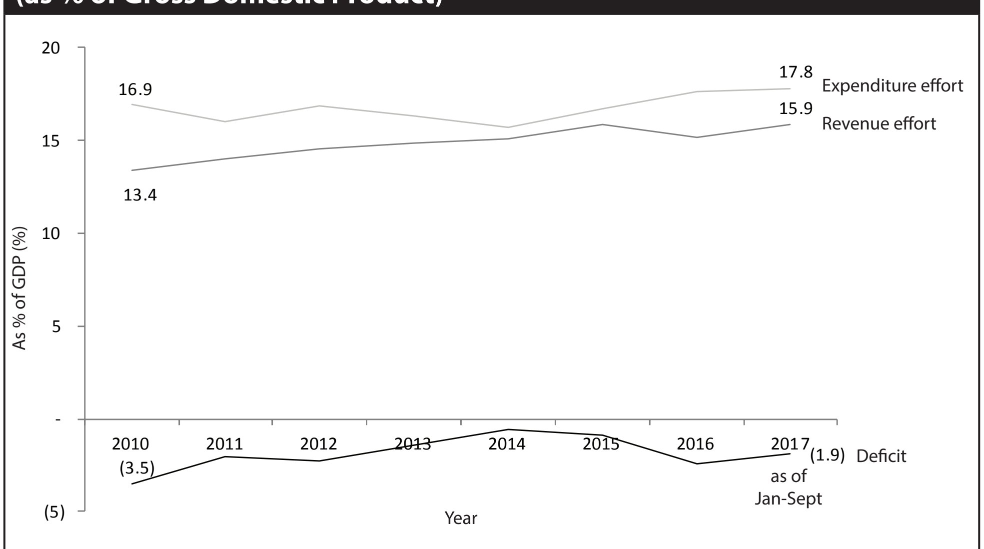
Package 2 will lower corporate income taxes and rationalize fiscal incentives; Package 3 will rationalize property-related taxes and fees; Package 4 will change taxes, reducing some and increasing others, on capital income; and Package 5 will increase taxes on alcohol, carbon dioxide emissions, gambling, and luxury goods.

Administration economic managers have been engaged in misdirection to cover up the TRAIN's anti-poor and pro-rich character. TRAIN proponents use illusory PIT gains for the poorest households and temporary cash transfers to give the impression that the tax reform package gives the poorest net gains. The DOF estimates TRAIN's overall impact in 2018 by positing family incomes and then estimating families' tax savings from PIT changes, additional income from targeted cash transfers, and additional expenses from changes in VAT and taxes on oil products, sweetened beverages, tobacco, automobiles, and second-order inflationary impacts. The DOF says that there are no equivalent estimates for succeeding years.

IBON estimates using data on TRAIN's impact in 2018 from the DOF clearly establish TRAIN's regressiveness. The six lowest income deciles or the poorest 60% of families lose 0.7-0.8% of

Chart 7

Selected fiscal indicators, 2010-2016 and as of January-September 2017 (as % of Gross Domestic Product)



Source: *Bureau of the Treasury*

their income, while those in the four highest income deciles gain 5.5-12.3% of their income. Even the top 1% apparently gain 2.8% of their income. (**See Table 6**)

These figures disregard the cash transfers because these are temporary for just three years and adding them covers up the permanent tax burden. They also disregard the imputed PIT gains for the poorest six deciles because most families here are unlikely to be paying PIT to begin with. The eventual tax burden is also very likely much higher than as estimated by the DOF because oil excise taxes continue to rise in 2019 and 2020 which means additional inflationary impact. It also remains to be seen if actual movements in prices will be higher or lower than as simulated by the DOF.

Table 6

Overall TRAIN impact, 2018

Decile	Monthly income (in Php)	DOF estimate of overall TRAIN impact		Overall TRAIN impact without cash transfer & without tax savings for lowest 6 deciles	
		Per year (in Php)	Impact as % of income	Per year (in Php)	Impact as % of income
Decile 1	7,724	1,719	1.9	(681)	(0.7)
Decile 2	10,711	1,447	1.1	(953)	(0.7)
Decile 3	12,835	1,275	0.8	(1,125)	(0.7)
Decile 4	15,132	19,791	10.9	(1,378)	(0.8)
Decile 5	17,309	24,923	12.0	(1,646)	(0.8)
Decile 6	21,119	33,550	13.2	(1,892)	(0.7)
Decile 7	25,239	37,163	12.3	37,163	12.3
Decile 8	32,032	44,221	11.5	44,221	11.5
Decile 9	45,342	50,615	9.3	50,615	9.3
Decile 10	104,170	68,913	5.5	68,913	5.5
P100	253,695	85,362	2.8	85,362	2.8
T1000	494,471	(72,492)	(1.2)	(72,492)	(1.2)
Top A	1,376,147	(535,538)	(3.2)	(535,538)	(3.2)
Top B	2,752,294	(1,126,660)	(3.4)	(1,126,660)	(3.4)

DOF - Department of Finance
TRAIN - Tax Reform for Acceleration and Inclusion
P100 - Top 1%
T1000 - Top 0.1%
Top A - Top individual taxpayer A
Top B - Top individual taxpayer B
Note: Figures are based on computations uniformly assuming the status of a married couple with two dependents.
Source: *IBON computations using DOF On-line Tax Calculator (http://taxcalculator.ph/)*

***Completing neoliberalization*.** The Duterte administration is on the brink of completing the neoliberal overhaul of the economy. This started during the Marcos dictatorship with the next five administrations steadily implementing more and more market- and globalization-oriented policies across the entire range of economic policy-making. After four decades only the 1987 Constitution – specifically its nationalist economic and social justice provisions – remains as the last legal impediment to thoroughgoing neoliberalization.

This direction is clear from how the Philippine Development Plan (PDP) 2017-2022 released in early 2017 is continuous with previous anti-development neoliberal economic plans. At the plan's heart is a dogmatic faith that profit-seeking amid supposedly free markets will develop the country. It also eschews necessary state intervention in the economy including building the capacity to intervene responsibly with as little corruption and inefficiency as possible.

The administration then continues to seek free trade agreements (FTAs) according to an outdated liberalizing framework rather than one of building economic relations supportive of national development. The Philippines was at the forefront of pushing for the conclusion of the China-centered Regional Comprehensive Economic Partnership (RCEP) during its chairmanship of ASEAN in 2017 and the hosting of the ASEAN summit and other work meetings. Last November, the administration started discussions with United States (US) trade representatives in Washington to begin talks on a US-Philippines FTA. Last December, the Department of Trade and Industry (DTI) formally asked the Senate to ratify the FTA with the European Free Trade Association (EFTA); this will be only the second comprehensive bilateral FTA of the country after the Japan-Philippines Economic Partnership Agreement (JPEPA).

The country's unreformed approach to foreign trade and investment relations is increasingly anachronistic. Underdeveloped countries around the world have already been revisiting their investment agreements to replace them with more pro-development deals. This includes, among others: Indonesia, among our neighbors in the region; India in South Asia; Bolivia, Ecuador and Venezuela in Latin America; and South Africa in Africa. Even the US under Pres. Trump has declared an 'America First' policy, while the United Kingdom (UK) is in the process of 'Brexit' or leaving the European Union (EU). China, meanwhile, which is hailed as a new global power has always been practical with economic planning and command instruments over the domestic economy astride calibrated opening up to foreign trade and investment.

Yet the Duterte administration persists with the mistaken belief that foreign investment is a magic bullet for development that needs to be convinced to do business in the country with fiscal incentives, subsidies, and a subdued labor force. However without the necessary regulation to ensure contributions to national economic development, this approach is merely facilitating the exploitation of Filipino labor and natural resources for very shallow and narrow domestic benefit.

Last November, the president issued Memorandum Order No. 16 directing the NEDA to lift or ease restrictions on foreign investment including through legislative efforts. Most immediately, this includes the 11th Foreign Investment Negative List (FINL), which is expected to be drastically shorter than previous lists. Also among the administration's priorities is House Bill (HB) No. 5828 amending the Public Service Act to redefine what counts as a public utility as a way to bypass Constitutional restrictions on foreign investment in utilities.

Dictatorship 2018

As is happening with authoritarian regimes elsewhere in the world, the Duterte administration is evolving an updated dictatorship for the 21st century adapted to the post-Cold War world of globalized markets, free elections, and technology-driven media. The recent geopolitical shift towards multipolarity in global affairs is also significant. At the same time the traditional core features of dictatorship remain: state violence and human rights violations, political repression, and narrow elite self-interest. The outcome is then no different – a direct attack on the struggle for democracy in the country.

21st century authoritarianism. The Duterte administration has been corroding democratic norms and practices since coming to power. By now, there is little reason to doubt that the administration seeks to establish a dictatorship albeit, for now at least, one with slight differences from the familiar features of the last Marcos dictatorship. The Marcos regime was for instance brazen in ruling by decree, abolishing Congress, curtailing civil liberties, and controlling media outfits. The current Duterte government is however conscious that the Marcosian approach eventually resulted in his ouster by a people's uprising. It is also aware that the people's capacity to assert their democratic rights even to the point of ousting a government has only become stronger today.

But there are other new considerations particular to 21st century conditions. Some four decades of neoliberal globalization has resulted in a deeper inter-linking of domestic oligarch and foreign transnational capitalist interests, with the latter remaining dominant. They will resist any state-induced disruption of these profitable trade and investment ties. The post-Cold War era also saw decades of promoting institutions and values of Western liberal democracy: 'free' elections, ‘civil society’ and participation, transparency and accountability. These are still very much limited in practice but have already become part of the country’s political consciousness and cannot easily be repudiated.

Improvements in information, communications and transport technology have also vastly expanded cross-border and in-country flows of information and people, making absolute control both practically and politically difficult. This is a mixed affair. On one hand, overtly disrupting accustomed flows will invite immediate dissent. On the other hand, expanded social and mass media creates opportunities to influence or manipulate public discourse with well-funded and well-organized propaganda groups.

Even the multipolarity following the relative decline of the world’s sole superpower, the US, has implications. This created the opportunity for a hedging strategy by the government and pursuing ties with the US, China and even Russia. The US remains the overwhelmingly dominant influence on Philippine political, economic and social life but there is increased space for the Duterte administration to pursue opportunities with its peer competitors.

Subverting democracy. The Duterte administration’s evolving authoritarianism for the moment remains within these parameters. Although the president frequently expresses frustration with established executive and legislative processes, for now he still uses familiar mechanisms of control: dispensing pork barrel as expedient and forming alliances of convenience.

House Speaker Pantaleon Alvarez for instance unapologetically declared that opposition lawmakers would not get infrastructure funding for their constituents in the 2018 budget. As it is, the president’s supermajority in the House of Representatives (HOR) has delivered on two administration priorities amid objections of railroading and violations of basic parliamentary procedures: package one of the TRAIN (Republic Act 10963) law and a resolution convening Congress as a constituent assembly to amend the 1987 Constitution (House Concurrent Resolution No. 09). Congress also quickly approved the president’s request for a one-year extension of martial law in Mindanao.

Pres. Rodrigo Duterte’s alliances with former presidents Arroyo and Estrada and with the family of the dictator Marcos are meanwhile well-known. A compromise deal with the Marcos heirs was even reported as in the making. These only reinforce the patronage-driven and clientelistic character of politics and politicians in the country. They also stoke corruption.

Pres. Duterte frequently complains about institutional checks and balances on himself and his allies. The administration has then worked to undermine or intimidate key institutions of liberal democracy seen by the president as hindrances to his overarching political agenda or, at the very least, overly critical of his administration. The direction is nothing less than to dominate all the branches of government.

The arrest in February last year on flimsy drug trafficking charges and public shaming of Senator Leila de Lima was an act of intimidation against the Senate which is known for its relatively more independent streak on national issues vis-à-vis the presidency. More parochially, it was also apparent retribution for de Lima’s decade-long crusade to expose the president as behind death squads in Davao City while mayor.

There is also the impeachment of the chief justice of the Supreme Court. Chief Justice Ma. Lourdes Sereno was accused of a jumble of corruption, betrayal of public trust, and other charges. Although scant evidence was provided during impeachment proceedings which started last November, the president’s supermajority in the HOR makes it certain that the matter will be elevated to the Senate for the actual impeachment trial. There are already rumors of similar impeachment efforts against other uncooperative associate justices.

Pres. Duterte earlier in September 2017 also threatened to investigate and arrest officials of the Office of the Ombudsman following its efforts to probe allegations of ill-gotten wealth by the president and his family, including alleged multi-billion peso bank accounts. The president even said that he would personally file an impeachment complaint against Ombudsman Conchita Carpio-Morales, triggering at least three impeachment raps to be prepared against her. Earlier in the year, in July, the president ‘joked’ about abolishing the Commission on Human Rights (CHR) in apparent response to its criticisms of the administration's war on drugs and human rights abuses. The HOR later proposed to reduce the CHR's budget to Php1,000 although this did not push through.

The Duterte team famously used social media in campaigning for the presidency and then later in its propaganda work for the president. The Duterte social media group was reportedly trained by a Facebook team during the campaign period, along with that of other presidential candidates, and then again as the new administration. The Duterte administration makes unprecedented use of misinformation, disinformation, and trolls and bloggers in social media to harass and marginalize opponents in and out of government. It also floods the internet with messaging to exaggerate support for the administration and its actions. In place of the crude censorship of old is the sophisticated wielding of online discourse to suppress ideas and shape thinking.

Yet while the administration's social media machinery is extensive it is still not a complete counterweight to conventional mass media. Constricting press freedom, major news organizations are attacked for their critical coverage of the president's violent war on drugs and strongman rule. The president's verbal tirades and threats are always only the start. Under pressure including threats of investigation for tax evasion, the Prieto family in November last year sold their majority stake in the broadsheet Philippine Daily Inquirer to Ramon Ang, reportedly a close ally of the president. In January 2018, the Securities and Exchange Commission (SEC) abruptly revoked the registration of on-line news outfit Rappler. The president last year also already threatened to personally block the franchise renewal of broadcaster ABS-CBN. These aside from continued attacks on individual journalists and media workers nationwide.

None of which is to say that traditional coercive mechanisms have become unnecessary. Ultimately, the administration's authoritarianism is built on the bedrock of the military and police and their brute force. Towards gaining and keeping their support, Pres. Duterte in January 2018 raised salaries of military, police and other uniformed personnel significantly with base pay from the lowest personnel to the highest ranking officials increasing anywhere from around 30-100% to be implemented over two years. He has also appointed some 60 military and police officials – including seven former Armed Forces of the Philippines (AFP) chiefs of staff – to high government posts including but beyond security- and peace and order-related positions. At least seven are in Cabinet or Cabinet-level positions. Rumors of restiveness among the military and police are persistent but are apparently manageable so far.

As it is, state violence done visibly and with impunity is used to attack activist opposition, intimidate poor communities and the public, and buttress the administration's authoritarian credentials. Human rights group Karapatan has already documented 126 victims of political killings and four enforced disappearances from the first day of office of the Duterte administration in July 2016 until December 2017. (**See Table 7**) There were also: 87 victims of torture; 56,456 of threat, harassment, and intimidation; 362,355 of indiscriminate firing including aerial bombing; and 426,590 of forced evacuation. The president had earlier promised a general amnesty for over 400 political prisoners, but instead an additional 121 have been imprisoned on various trumped-up charges.

This is aside from mounting victims of the administration's violent war on drugs. The Philippine National Police (PNP) has reported 3,967 drug offenders killed, 118,287 arrested, and some 1.3 million drug suspects surrendering in anti-drug operations since the start of the Duterte administration until end-November 2017. These are aside from 16,355 homicide cases until end-September 2017 that the PNP only says may be drug-related and are being investigated.

There is of course the need to ensure at least a critical mass of support from the general public. Oligarchs and foreign investors are assured profitable economic and commercial opportunities under neoliberalism. Foremost for domestic firms are contracts under the infrastructure offensive; foreign capital is meanwhile offered cheap labor in enclave manufacturing or BPO activities. Practical benefits are also given such as greater ease of doing business.

For the poor majority, the approach is to cultivate an image of the president as a paternalistic and benevolent strongman who comes from the masses. Crass humor, anti-elite rants, and posturing as a non-traditional politician combine with selective social welfare programs that are unthreatening to elite interests.

Disinterest in reform. The emergent authoritarianism is not by any measure a reforming regime, populist propaganda and demagoguery notwithstanding. Its authoritarianism is a self-evident assault on democracy and democratic institutions that the country has been trying to develop for decades. In the economy meanwhile, the clearest indicator of the administration's reactionary character is that the neoliberal social and economic policies that keep the economy underdeveloped with tens of millions in poverty or forced abroad to find work are not being changed.

The year 2017 saw Pres. Duterte backing down too easily on some unprecedented opportunities for introducing radically pro-people reforms. It is moot now whether the engagement with the Left was a tentative effort countered by the US, militarists and big business or merely a stratagem to see how far the Left can be neutralized by the promise of cooptation.

Short-term and immediate gains would have been possible if the few Leftists and progressives in Cabinet were retained. Instead, the president deferred to: Congressional allies' demand for pork barrel from the Department of Social Welfare and Development (DSWD); landlord interests threatened by a Department of Agrarian Reform (DAR) that actually defended the rights and welfare of landless farmers; and mining corporations opposed to a Department of Environment and Natural Resources (DENR) that upheld environment laws and regulations. He allowed the nominally independent Commission on Appointments (CA) to reject the appointments of social welfare secretary Judy Taguiwalo, agrarian reform secretary Rafael Mariano, and environment secretary Gina Lopez. Later, he also unceremoniously let go of Presidential Commission on the Urban Poor (PCUP) chairperson Terry Ridon on flimsy grounds of allegedly excessive travel.

Table 7

Number of victims of violation of civil and political rights, July 2016-December 2017

Violations	Number of victims
Extrajudicial killing	126
Enforced disappearance	4
Torture	87
Frustrated extrajudicial killing	235
Illegal arrest without detention	930
Illegal arrest and detention	272
Illegal search and seizure	139
Physical assault and injury	166
Demolition	6,114
Violation of domicile	366
Destruction of property	3,772
Divestment of property	154
Forced evacuation	426,590
Threat / Harassment / Intimidation	56,456
Indiscriminate firing	362,355
Forced / Fake surrender	92
Forced labor / Involuntary servitude	18
Use of civilians in police and/or military operations as guides and/or shield	102
Use of schools, medical, religious and other public places for military purpose	39,623
Restriction or violent dispersal of mass actions, public assemblies and gatherings	1,871

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

More fundamental gains and headway towards longer-term reforms would also have been possible if the peace talks with the National Democratic Front of the Philippines (NDFP) resumed in August 2016 were completed. Four formal rounds abroad and dozens of bilateral team meetings in the Philippines resulted in unprecedented technical-level agreements on the *Comprehensive Agreement on Social and Economic Reforms* (CASER) being negotiated – specifically on the key sections of agrarian reform and rural development and of national industrialization. Completing talks on CASER would have paved the way for an agreement on political and constitutional reforms and eventually on an end to the hostilities. Instead, the president abruptly terminated the talks after the ASEAN

Summit and meetings with US president Donald Trump. In a parallel process, with the Moro Islamic Liberation Front (MILF), Pres. Duterte recently said that the proposed Bangsamoro Basic Law (BBL) will be passed in 2018 before the shift to federalism – although the legislative mill has been slow so far and the BBL may soon be overtaken by events.

Dependent foreign policy. Unlike during the Cold War-era, the current multipolar world order allows for dictatorships to be more flexible in their alignments with contending global powers for their support or at least acquiescence.
The US remains the dominant global power in East and Southeast Asia notwithstanding the rising challenge from China. It also remains overwhelmingly dominant in the Philippines with persistent influence on the armed forces, political leaders, business groups, media, civil society, and the academe.

More than past administrations, Pres. Duterte has reached out to China and Russia for loans, investments, trade, and even military aid. However, lacking a strong independent and nationalist foreign policy stance, the result is a patchwork of concessions to different foreign powers that are cumulatively still in a neocolonial mode. There is so far little indication that the net effect of the administration's hedging is more positive for the country than before its posturing to be less US-centric.

The US still has privileged access to Philippine territory for its military personnel and war material. The country is among the string of US military outposts that are the basis of planned US military expansion in the expansive Indo-Pacific region.

The promised huge loans and investments from China are not yet forthcoming even as the Duterte administration has back-pedalled on asserting the country's territorial claims in the West Philippine Sea/South China Sea. Indeed, the government has already agreed to allow Chinese government research groups to inventory natural resources in the 13-million hectare underwater plateau Benham Rise over which the Philippines has sovereign rights.

Charter change

Charter change is the next stage in the Duterte administration's neoliberal and authoritarian trajectory. There are two main drivers of the process. The first is the convergence of political self-interest – of the president (to replicate the command he had as mayor of Davao City at the national level) and that of other government officials down to the local level (to extend and strengthen their hold on political power). The second, less obvious but arguably of even greater strategic impact, is the neoliberal overhaul of the Constitution to institutionalize profit-seeking and the market as the main organizing feature of the country's social and economic life.

The most immediate and urgent issue pertains to political self-interest, and in particular to the concern that the charter change process is aimed at establishing a Constitutional dictatorship centralized around Pres. Duterte during an indefinite transition period. After this are the concerns about the adverse long-term consequences of the proposed revisions to various social and economic provisions and the eventual shift to federalism.

Charter change underway. The administration's charter change effort is gaining momentum with leaders of the Senate and HOR already agreeing to amend the 1987 Constitution by convening into a constituent assembly (con-ass), the president's preferred mode over a constitutional convention (con-con). Agreement on the timetable is next, and critically on whether voting will be done separately or jointly. Senators are adamant on voting separately to prevent being overwhelmed by the HOR.

Senate President Aquilino Pimentel II sees the con-ass convening after July 2018, proposing amendments by the end of the year, and then having these ratified in a nationwide plebiscite held simultaneously with the mid-term elections in May 2019. Speaker Alvarez meanwhile sees the con-ass convening and proposing amendments in early 2018 with the plebiscite held in May 2018 alongside Sangguniang Kabataan and barangay elections; this may imply the cancellation of the May 2019 elections.

At the moment there are two versions of the Proposed Constitution of the Federal Republic of the Philippines at hand: one in Resolution of Both Houses (RBH) No. 08 and another proposed by the Study Group of the Partido Demokratiko Pilipino-Lakas ng Bayan (PDP-Laban) Federalism Institute. In addition, the HOR Committee on Constitutional Amendments formed subcommittees to come out with changes that include proposals from these two versions as well as some others not contained in either. Inasmuch as there is no single proposed version, these three can be considered as the sets of changes proposed by various groups, which will presumably be raised by their respective proponents at the con-ass.

All three versions in any case have the same general thrusts of making the Constitution's social and economic provisions more market-oriented and of shifting from a unitary to a federal form of government. There are many points of similarity, especially in provisions retained from the current Constitution, but there are also many differences. Many details about the proposed executive department, legislature, judiciary, independent constitutional commissions, regional and local governments, and transitory provisions differ between the three. RBH 08 proposes a federal-presidential system and PDP-Laban a federal-parliamentary one. It is notable that the PDP-Laban version has elaborated provisions on political parties and political dynasties while also going furthest in its market-orientedness.

Self-serving change. The most basic instinct of any politician is to stay in power, which goes far in explaining the longevity of political careers and the persistence of political dynasties. Such was the main motivation in previous attempts at charter change – in 1997 during the Ramos administration, in 1999 during the Estrada administration, and several times during the Arroyo administration in 2003, 2005 and 2009 – and also the main reason for the public backlash and rejection of charter change.

Pres. Duterte is a politician and no exception. This is confirmed by his and his family's three-decade stint in Davao City since 1988 which was only interrupted by a single-term foray as representative of Davao City's 1st district. The president is however less common in vocally pining for as much dictatorial powers as possible. The unwarranted declaration of martial law in the whole of Mindanao and its equally unwarranted extension were in effect partial expressions of the yearning for more autocratic rule. Meanwhile, the idea of a so-called Revolutionary Government which seemed an embarrassing non-starter was nonetheless a useful trial balloon to gauge reception to such a brazen proposal for dictatorial powers.

Regarding the proposed changes to the Constitution, the Makabayan Coalition has already raised its concern about proposals in RBH 08 having the effect of centralizing power in the president especially during the undefined period of transition to a federal system.

RBH 08 abolishes Congress and gives Pres. Duterte legislative powers in the interim until the first Federal Congress is convened. It also reorganizes the independent constitutional commissions – Commission on Elections (Comelec) which oversees elections, Commission on Audit (COA) which examines government spending including its contracts, and the Civil Service Commission (CSC) which administers government personnel – including cutting the terms of office of the commissioners and giving Pres. Duterte the power to appoint his officials. There is apparently also the possibility, albeit uncertain, that part of the proposed reorganization of the judiciary includes the president in effect appointing or reappointing the entire judiciary.

The PDP-Laban version does not have corresponding provisions. The HOR Subcommittee in turn provides for the immediate formation of an interim parliament, composed of senators and HOR members elected in May 2019, until the members of the regular parliament are elected in the first regular elections in May 2022. The president remains until 2022 while the vice-president automatically becomes a member of the interim parliament until expiration of term in 2022.

Weak justification. The revision of the 1987 Constitution is justified as necessary to develop the country and improve the lives of the people. The two basic economy-related arguments are straightforward: one, amending perceived restrictive economic provisions will increase foreign investment and develop the economy; and, two, changing the form of government to a federal system will mean that federal states/ regions will have more resources for their development instead of being concentrated in Metro Manila.

Thus, it is argued that revising the Constitution is needed to improve the conditions of tens of millions of poor Filipinos. There are subsidiary arguments such as that opening up the economy will make it competitive or that federalism improves political accountability. There are also many other proposed changes aside from the economic provisions and federalism. However these two arguments around these two main clusters of revisions are the most prominent.

The country certainly faces vast social, economic and political problems. The lived experience of tens of millions of Filipinos is chronic poverty, so it is unsurprising that charter change proponents use this as the peg for their arguments. Yet while the demand for radical change from the status quo is real, the proposed changes in the Constitution are not just unnecessary but actually harmful especially in current economic and political conditions.

The two arguments share the error of misidentifying the reason for economic underdevelopment including the backwardness of agriculture and industry as well as the severe inequities between regions and classes. This underdevelopment is due neither to the purportedly 'restrictive' economic provisions in the Constitution nor to the current unitary form of government. It is rather due to persistently unreformed neoliberal policies.

Contrary to claims, equity restrictions and strict regulation of foreign investment have actually played a key positive role in the experience of virtually every country that has achieved any measure of industrialization and progress especially, but not only, in their early stages of development. This is easily evidenced in the economic history – and in many instances even in the current practice – of countries as diverse as the US, France, Germany, Japan, South Korea, Taiwan, China, Russia, and others.

There is likewise no basis in any way to claim that federalism as a form of government leads to greater national development or to more equitable regional development. While the advantages of federalism in theory can be highlighted, there is in practice no real correlation between the form of government and levels of economic and regional development. For instance, the level of development of the 25 or so countries with federal systems ranges from such as India, Pakistan and Ethiopia to the likes of the US, Germany and Switzerland. The similarly great diversity among non-federal systems likewise points to how the most important explanatory factors for socioeconomic outcomes lie elsewhere.

It cannot then be credibly argued that the current 1987 Constitution – and in particular its economic provisions and prescribed unitary government – is a barrier or the binding constraint to development. The Philippines is underdeveloped and inequitable not because of the Constitution but despite its progressive social and economic provisions, most of which are either unimplemented or overridden in practice by neoliberal policies. The Constitution is not perfect, but there are nonetheless measures that can potentially be used to give the people some legal leverage over foreign capital, oligarchs, and even the state in its duties to Filipinos.

At any rate, a strong case can be made that the charter as it stands provides more than sufficient legal basis to begin to undertake measures towards improving the conditions of the people. The proposed amendments however will actually hinder many of these measures and in doing so will undermine the country's prospects for sustainable and equitable development.

Neoliberal Constitution. The fundamental flaw of current charter change proposals is the intent to further promote a neoliberal economy and to institutionalize in the Constitution profit-seeking and the market as the main organizing feature of the country's social and economic life. This is the logical conclusion of nearly four decades of neoliberal policies implemented by successive administrations. This will be a significant step backwards for the nation and the people in their quest for real socioeconomic progress and greater democracy.

The combined effect of the proposals at hand is extremely harmful – emaciating the social and economic provisions gives primacy to profit-driven market forces, while in such a context relatively more autonomous federal states give play to sub-national economic territories competing in a race-to-the-bottom. This race-to-the-bottom replicates within the country and between federal states what is already happening at the global level. The Philippines currently 'competes' with other countries in giving foreign investors overly generous tax incentives, subsidies, regulatory leeway, and labor concessions. As it is, this has ensured that investors are able to locate where it is most profitable for them yet without having to give anything back in terms of long-term national economic development.

The current charter was drawn up at a time that the neoliberal globalization offensive was just beginning and significantly when Leftist and progressive forces still had momentum from their successful ouster of the Marcos dictatorship. This resulted in the 1987 Constitution incorporating social justice and equity provisions, upholding national development including industrialization and agricultural development as vital objectives, and recognizing the necessity of responsible state intervention in the economy. These distilled the positive development experiences of countries and movements for national and social liberation in the post-war period.

Three decades later, they are reaffirmed by the negative development experiences with globalization of the Philippines and other countries. Charter change proponents however remain captive to obsolete and anti-development neoliberalism and propose the following (unless otherwise mentioned, numbering refers to the version of the proponent at hand):

1. **Replace social justice and equity as a primary orientation with anti-development and market-based notions of 'competitiveness', 'productivity', and 'efficiency'.**

   The proposed constitutions continue to mention social justice and equity but then only as motherhoods or in general terms. Yet proposals include diluting or outright removing more specific and concrete articulations.

Among the most frontal attacks of PDP-Laban is on labor rights. The explicit entitlement to security of tenure, humane conditions of work, and a living wage for all workers is replaced with the feeble "workers shall enjoy equitable treatment and freedom from discrimination on matters of employment, working conditions, and wage levels" (Art. XII, Sec. 3). Moreover, with PDP-Laban, state regulation of relations between workers and employees is no longer for the right of labor to its just share in the fruits of production but rather for "achieving economic expansion towards employment growth" (Art. XII, Sec. 3). This opens the way for even greater exploitation of Filipino workers.

There is an over-emphasis on market-based notions. PDP-Laban adds "economic growth and efficiency" as among the considerations in peace and order (Art. II, Sec. 5). PDP-Laban also gives prominence to "[enhancing] economic efficiency and [promoting] free competition" instead of the regulation or prohibition of monopolies when the public interest so requires (Art. XII, Sec. 12). Such provisions here and elsewhere have the effect of making the Constitution more responsive to the imperatives of the market rather than the demands of social and economic development.

The bias for accumulated personal wealth over the social good is evident in how PDP-Laban completely removes the vital provision on how the use of property bears a social function and how all economic agents are expected to contribute to the social good; likewise on the duty of the state to promote distributive justice and to intervene as demanded by the common good (currently Art. XII, Sec. 6). This deletion seeks to safeguard the incomes and wealth that foreign and domestic elites have accumulated from dominating markets and market forces.

PDP-Laban removes the qualification that urban poor evictions shall be done in a just and humane manner (Art. XII. Sec. 5) and restricts state responsibility to provide affordable housing and basic social services from underprivileged and homeless citizens to just “homeless citizens” (Art. XII. Sec. 5). This neoliberal selectivity is a glaring denial of the collective and individual right of Filipinos to social services where, if anything, they should be granted universal and transformative social protection.

Instead, PDP-Laban also effectively institutionalizes health privatization by replacing the current flexible provision on the state adopting “an integrated and comprehensive approach to health” with the restrictive and financing-focused concept of “universal health care” (Art. XII, Sec. 6) over a robust public health care system. Free medical care is also narrowed to just “indigents and those living below the poverty line as defined by law,” (Art. XII, Sec. 6) but where this poverty line grossly underestimates the actual number of poor in the country.

PDP-Laban removes provisions that are potentially beneficial for marginalized Filipinos: on encouraging cooperatives and similar collective organizations in national economic goals (Art. XII, Sec. 1); on creating an agency to promote cooperatives (Art. XII, Sec. 8); and on small-scale utilization of fisheries resources with priority to subsistence fishermen and fishworkers (Art. XII, Sec. 2).

PDP-Laban did not even let mere sequencing pass in downgrading equity, and in listing the goals of the national economy transferred the “more equitable distribution of opportunities, incomes and wealth” last with no other changes (Art. XII, Sec. 1).

2. **Disregard the importance of national economic development with industrialization based on agrarian reform and agricultural development.**

PDP-Laban deletes the solid orientation of developing a self-reliant and independent national economy and replaces this with an unformed “dynamic and productive economy”. (Art. II, Sec. 19) The net effect of this is to let the exigencies of the market determine the structure of economy rather than the country’s requirements for strategic and broad-based development.

Consistent with that shift to market-determined ambiguity, PDP-Laban removes references to industrialization and to agrarian reform and rural development; these are completely deleted from being among the goals of the national economy (Art. XII, Sec. 1). Yet national industrialization and the development of a strong and broad industrial base is the key to generating jobs, raising incomes, reducing poverty, and improving technological capacity. This has only become more urgent than ever with the erosion of domestic production under globalization.

Agrarian reform and rural development are elsewhere also completely deleted (currently Art. XII, Sec. 4, 5, 6, 7 and 8) or replaced with “higher agricultural productivity and equitable land ownership arrangements” (Art. II, Sec, 21) or “economic expansion, higher productivity, and equitable distribution of the fruits of growth in the agricultural sector” with only token mention of “including the reform of land ownership arrangements to correct historical injustices and remove impediments to growth” (Art. XII, Sec. 4).

PDP-Laban moreover expands the commodification of land and natural resources by: removing explicit limits on alienable lands of the public domain (Art. XII., Sec. 3); removing explicit conservation of forest lands and national parks (currently Art. XII, Sec. 4); removing explicit mention of the possible applicability of customary laws on ancestral domain (currently Art. XII., Sec. 6).

PDP-Laban also deletes the limiting of professions to Filipino citizens (Art. XII, Sec. 7), and in doing so, risks diminishing both the expansion of Filipino capacity as well as the development of appropriate medical, legal, engineering, accounting, teaching, and other expertise.

3. **Remove the Constitutional levers for the state to responsibly intervene in the economy for strategic economic development.**

After decades of liberalization, the Constitutional restrictions on foreign investment are the last legal measures giving the state relatively strong leverage over foreign investors. They can potentially be used to ensure that there is mutual benefit from letting foreign capital operate in the country. The proposed changes are however, in effect, to give greater rights to foreign capital to profit from Filipino labor and natural resources. This is done by modifying existing provisions with the insertion of the phrase “unless otherwise provided by law” (RBH 08) – to allow Congress to legislate completely opening up to foreign capital and to be lobbied on the matter – or to remove these completely where they occur (PDP-Laban).

The affected sectors in the current Constitution are: natural resources (currently Art. XII, Sec. 2); public utilities (currently Art. XII, Sec. 11); educational institutions (currently Art. XIV, Sec. 4); mass media (currently Art. XVI, Sec. 11); advertising (currently Art. XVI, Sec. 11); and “certain areas of investments” (currently Art. XII, Sec. 5), which gives leeway to identify firms and sectors deemed essential for national economic development.

The scope for using trade policy to support and protect Filipino enterprises is also diluted. PDP-Laban deletes the current flexible provision on trade policy that “serves the general welfare and utilizes all forms and arrangements of exchange on the basis of equality and reciprocity” with the restrictive “enhances Filipino competitiveness” (Art. XII, Sec. 6).

PDP-Laban removes businesses affected with the public interest from being among the enterprises that the state can direct or take over in the public interest (Art. XII, Sec. 10). PDP-Laban also removes various provisions that are potentially beneficial to give fledgling Filipino enterprises and labor the means and opportunity to develop and be productive: on the preferential use of Filipino labor, domestic materials and locally produced goods” (currently Art. XII, Sec. 12).

While proponents give greater emphasis on the market, market forces, and the economic elites who dominate these, there is at the same time a calibrated restriction of people’s rights. The post-Marcos 1987 Constitution expanded the scope for people to assert their rights through direct democracy. RBH 08, however, seeks to circumscribe this by qualifying that sovereignty resides in the Filipino people but only “through suffrage” (Art. IIA, Sec. 1). This aims to make it harder to mobilize against unjust regimes. At the same time, RBH 08 expands the scope for political repression when the proposed provision that the federal state “abhors any act of terrorism” is interpreted in the context of an overly broad and ambiguous definition of “terrorism” in the Human Security Act of 2007 (Art. IIA, Sec. 4).

As a footnote, it is also worth mentioning how the unitary form of government is not by any measure the main reason for the patronage, corruption, and system of dynastic and oligarchic politics in the country. Neither is it the reason for the generally weak political participation in governance of marginalized groups and poor Filipinos. These problems are deeply rooted in the tenacious class and power relations from an undemocratic economy and entrenched political inequalities and will be hardly affected by a formalistic change to a federal scheme.

Pathways to change

Some four decades of neoliberal ‘free market’ policies of globalization have destroyed or otherwise stunted domestic agriculture and Filipino industry, while bloating the low-productivity service sector and forcing millions of Filipinos abroad for work. The global economic crisis meanwhile drives growing protectionism even among the world’s most advanced capitalist powers. And yet the country’s economic managers insist on obsolete neoliberal policies despite how decades of these have not resolved chronic poverty and made just a few very prosperous.

The momentum of liberal democracy has always been weak since the supposed restoration of democracy in 1986. Elections which appear fair, free and competitive are still circumscribed by how elites and the flawed electoral system restrict the choices of the voters. Political parties remain largely vehicles for personal political careers rather than public mechanisms for programs and participation. The branches of government are nominally separate but all are subject to influence by the same powerful capitalist, oligarchic and landed interests. In the protection of civil liberties, political freedoms, and human rights, a favored few are more equal than others. And yet the administration insists on giving these elites free rein to rewrite a Constitution that, for all its limitations, was crafted at a moment of people power.

The country is not short of concrete proposals to avert neoliberal economic decline. The Philippine Left has for decades been at the forefront of pressing the idea that the economy should serve the interests and welfare of the poor majority rather than the profits of a few foreign capitalists and domestic oligarchs. It also articulates overarching as well as specific reforms to achieve this, bearing in mind the need to keep pushing the boundaries of what is possible within the current system.

From the streets, the mass movement put forward the *People's Agenda for Change* in June 2016. From within government, the National Anti-Poverty Commission (NAPC) secretariat proposed its anti-poverty framework *Reforming Anti-Poverty Policy* which was launched in January 2018. Even the revolutionary forces of the NDFP were negotiating a CASER with the administration until the president terminated peace talks in November 2017.

The people already have alternatives for every issue they face, which once implemented can always be improved. However, a lack of reasonable proposals is not the problem so much as the lack of democracy that prevents proposals from being implemented. The biggest reason real reforms do not gain traction is because entrenched vested interests always maneuver to protect wealth and privileges obtained under the current unjust system.

This makes the Left's painstaking work of strengthening the organizations of peasants, workers, urban poor, indigenous peoples, women, youth and students, migrant workers, and other marginalized groups composing the majority of the population especially important. The future of the country has always depended on building the political power of the people.

The current situation is especially dangerous. Neoliberal policies are being pursued and authoritarianism is deepening under a fog of rationalizations and sophistry – the country is on the threshold of accelerated economic and political decline. Democratic forces are however already poised to prevent these and to make major advances.