Midyear 2018

Illusory Growth, Emergent Authoritarianism

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Two years into the Duterte administration, the Philippine economy's gains are illusory and the political situation is on the brink of accelerated decline. The economy is on borrowed time. There is a limit to how long the government's infrastructure spending frenzy and hype about sound fundamentals can disguise its problems. Agricultural and industrial backwardness is unresolved and the immediate vulnerabilities are very real. A more clear-eyed view of the data shows the people's conditions getting worse even as the economy's foundations erode.

Many of the political controversies have long been recognized as signs of an unreformed ruling system particularly driven by the Duterte clique's single-minded obsession to remain in power. They are undesirable in themselves. But there are even more destructive long-term anti-democratic consequences at stake – the Philippine state is descending into authoritarianism geared to protecting neoliberalism and its gross inequities from resistance and dissent.

These are not trends passively accepted and opposition is growing. Popular discontent is on the rise across classes nationwide and is steadily giving momentum to organized struggles. The resurgence of more radical transformative politics is the spearhead of real change for the better in the country.

Overall framework

Borrowed time

The Duterte administration repeatedly invokes rapid growth and supposedly sound fundamentals as signs of a developing economy. This exploits how economic growth is undeservedly the headline indicator of progress and how, likewise undeservedly, certain macroeconomic conditions important to capital are seen as vital for this progress.

Philippine economic growth is on a sharp upward trajectory – with growth in gross domestic product (GDP) averaging 2.0% annually in the 1980s, 2.8% in the 1990s, 4.5% in the 2000s, and 6.4% so far in 2010-2017; growth was at 6.8% in the first quarter of 2018. Between the 1990s and 2010s: inflation rates slowed; the national government deficit, public debt, and external debt each fell as a share of GDP; international reserves soared; and the Philippines achieved investment grade credit ratings.

The numbers look good and show a long period of economic expansion – but is development taking place?

No jobs, low wages

Not if we look at the jobs situation. One of the development bottom lines for the economy is that it should create enough employment and livelihoods for the growing population. These should also pay decently and be secure. Neither is happening and the situation, if anything, seems to be getting worse.

Last year should have been an eye-opener – the economy grew at a hyped 6.7% but it actually shed 663,000 jobs. Not only did the economy not create new jobs but there were actually hundreds of thousands less jobs to be had. This was the biggest contraction in employment in 20 years (since 1997).

The only reason official unemployment figures did not increase dramatically is because huge numbers of Filipinos dropped out of the labor force or were statistically dropped from the labor force; a change in government methodology dating from over a decade ago conveniently reduces official unemployment by the millions. As it is, the official labor force participation rate of 61.2% last year was the lowest in three-and-a-half decades (since 1982).

Are things any better so far in 2018 especially with the economy hailed for growing 6.8% in the first quarter of 2018? Job generation in April 2018 from the same period in the year before was an unremarkable 625,000 new jobs. This is just around the historical average since the 1980s and actually even less than average annual employment generation of over 800,000 since the 2000s. The quality of work is meanwhile undermined by low pay, poor benefits, and apparently unabated contractualization.

The number of unemployed increased by 82,000 to 4.1 million with the unemployment rate at an unchanged 9.1% from the same period last year (estimated by IBON for greater comparability with historical trends). Labor force participation rates have not improved and are still at their lowest in decades, which is likely a further indicator of poor jobs prospects and growing numbers of discouraged workers.

The pattern of employment creation also does not indicate an economy developing strong foundations. The most job creation was in construction (465,000 added) and in public administration (260,000) which together account for at least half of gross job creation. But construction work is short-term while more government jobs is not a sign of stronger economy and may even be patronage taking place.

Steady job creation in the production sectors of manufacturing and agriculture are much better indicators of whether long-term economic development is underway. Yet despite claims of some kind of manufacturing resurgence, there was only tepid job creation in the sector with the 111,000 new jobs created coming in a distant third. This likely reflects the sector's dependence on foreign manufacturers operating in export enclaves disconnected from the rest of the economy. The share of the sector in total employment is still at a low 8.9% which is much below that in the 1960s and 1970s.

Things are meanwhile still very bad for the agricultural sector where the greatest concentration of the poor is found. The sector lost a huge 803,000 jobs in 2017 while latest data for April 2018 show 723,000 jobs lost from the year before. These are ominous signs of a huge increase in rural poverty under the Duterte administration.

Real incomes continue to erode. Latest figures on the average daily basic pay (ADBP) of wage and salary workers show this as virtually stagnant over the past 16 years of increasingly fast economic growth – adjusted for inflation, the reported ADBP of Php413 in July 2017 is a negligible 1.0% increase since 2001.

The administration has been unresponsive to calls for a meaningful increase in the mandated minimum wage. For instance, inflation has increased the family living wage (FLW) needed for meeting basic needs to Php979 for a family of five and Php1,175 for a family of six in the National Capital Region (NCR) as of June 2018. The NCR nominal minimum wage is however still kept low at Php512 which means wage gaps of Php467 (48% shortfall) and Php663 (56%), respectively. The wage gap will continue to widen as inflation erodes the minimum wage.

All these are among the factors forcing Filipinos to find work abroad instead. Deployments of overseas Filipinos are chronically on the rise and the 2.1 million deployed in 2016 (equivalent to 5,771 leaving every day) and 2.0 million in 2017 (5,460 daily) are record numbers of Filipinos forced overseas for work. In every year of the last six years, more Filipinos are deployed for work abroad than new jobs are created in the local economy. This is one of the clearest signs of domestic economic failure belying claims of economic progress.

*Infrastructure illusion*s

There also seems to be scant development looking at the domestic production situation. The problem of poor job creation and low wages (and poverty) is ultimately due to the underlying structural problem of the economy being service- rather than production-oriented. This also explains the current over-reliance on cheap labor export which happens literally in the case of overseas work, and virtually in the case of manufacturing enclaves and business process outsourcing (BPO).

Agriculture is generally backward and low-productivity methods are widespread amid the grossly inequitable distribution of assets – particularly of land – and from persistent government neglect. Filipino industry is also generally backward and low-productivity with a chronic reliance on imported technology and capital especially in the all-important manufacturing sector. The few pockets of seeming technological advancement are largely low value-added operations of foreign firms in import-dependent and export-oriented enclaves.

The big *Build, Build, Build* (BBB) question is the extent to which this massive infrastructure drive corrects, or contributes to correcting, the fundamental problem and brings about equitable agricultural development and sustainable national industrialization.

This matters for two reasons. First, the agricultural and industrial sectors are essential for putting the domestic economy on a technology- and productivity-driven growth path that maximizes the country's natural resources, creates jobs, and raises incomes of the majority of Filipinos. They are the foundations of the economy that can provide stability beyond short- and medium-term fluctuations. Second, they are also necessary to generate the economic surplus that will eventually be used to pay off infrastructure-related and other debts being incurred today.

There is reason to doubt that the current infrastructure offensive will have this effect. While the country has huge infrastructure gaps, just building infrastructure will not be enough in the absence of a larger strategic plan to develop agriculture and national industry. The slight improvements that will be felt should not be confused with the meaningful changes in the economic structure that are needed.

To illustrate, some Php1.5 trillion or 94% of the value of the government's 75 flagship projects are transport-related – e.g. railways (52.1%), roads and bridges (27.3%), airports (8.0%), mass transit (5.2%), and seaports (1.6%). When all these are completed there is no doubt that users will feel palpable improvements in terms of much greater mobility. But are these benefits commensurate to the costs involved?

It is further argued that they will stimulate economic activity, but then of what sort? The country's agrarian and industrial backwardness is not due primarily to poor transport infrastructure even if, admittedly, improved mobility is better than unimproved mobility. Economic backwardness is rather mostly because domestic producers were prematurely exposed to foreign competition without government support to become more competitive in open markets.

Government support will need to provide a wide range of support spanning speedy agrarian reform, extension services, post-harvest support, trade protection, subsidized credit, tax breaks, science and technology development, government procurement, performance requirements for foreign investment (especially technology transfer), and of course infrastructure. These have to be deployed systematically according to a vision of rural development and national industrialization.

What will happen with more infrastructure but in the absence of such a clear vision and the necessary government support? This infrastructure will likely just shore up the same kind of economy that nearly four decades of neoliberal globalization and so-called market forces has already spontaneously wrought – the very service- rather than production-oriented economy which is over-reliant on cheap labor export which is the problem today.

There is so far little sign that infrastructure is the magic bullet for development it is made out to be. Public spending on infrastructure has been growing rapidly for some years now. It increased from being equivalent to 1.8% of GDP in 2011 to 5.1% in 2016 and 5.4% in 2017. This is targeted to keep rising to as much as 7.3% by 2022 under the Duterte administration's BBB program.

The government is always keen on improving infrastructure to attract foreign investors. Over that same period, net foreign direct investment (FDI) increased from US$2.0 billion in 2011 to US$8.3 billion in 2016 and US$10.1 billion in 2017. This includes rising foreign investments in manufacturing which, for instance, increased from accounting for 12.9% of net equity investments in 2016 to 35.2% in 2017.

Yet despite driving growth, this infrastructure spending and foreign investment does not appear to be developing domestic agriculture and Filipino industry. The agricultural sector grew at an annual average of just 1.4% over 2011-2017, which is not even keeping pace with population growth of some 1.6 percent. Agricultural employment has also fallen by 2.0 million from 12.3 million in 2011 to 10.3 million in 2017.

The manufacturing sector grew much faster at an annual average of 7.5% over that same period. Multiplier effects are however limited by how manufacturing employment increased by just 395,147 from 3.1 million in 2011 to 3.5 million in 2017, which is too small to make a substantial dent on unemployment that is already at some four million. Moreover, this hailed rapid growth has only incrementally raised the sector's share in GDP to 23.6% in 2017, which is still lower than its 24.2% share in the early 2000s.

It also seems that most of new manufacturing investment is by foreign rather than Filipino capital with 65% of total approved manufacturing investment in the 2011-2017 period accounted for by FDI. There is in principle nothing wrong with using foreign investment to achieve development ends. However, in practice, the development impact of foreign firms including in manufacturing has been limited because of their preference for importing components, keeping a close grip on their industrial technologies, and repatriating profits rather than reinvesting these locally.

This is because the country's neoliberal economic managers eschew the strong and directive industrial policy needed to build Filipino industrial capacity and to ensure long-term gains from foreign investment. Such industrial policy is also what ensures that infrastructure contributes to strengthening domestic production sectors rather than merely facilitating low value-added operations of foreign capital or the chronic import of necessary goods and services.

Illusory growth

Is the Philippines on course for sustained economic growth? Despite rapid economic growth, the economy is unfortunately still not building the long-term foundations for this.

Robust agriculture and industry – especially Filipino rather than foreign manufacturing – are essential to generate jobs, raise incomes, and stimulate dynamism in the economy. Yet these are still quite weak even considering the reported recent surge in the latter. Services already account for the majority of economic activity in the country but cannot substitute for them. Service activities are varied but as a whole they are generally low productivity, low technology, and much less interlinked with other sectors the way farms and factories are.

Public spending is then becoming more and more important to sustain the illusion of economic progress. The expenditure accounts for national income show that between the first quarter of 2017 and the first quarter of 2018, for the major expenditure items: household consumption slowed (from 5.9% to 5.6%); spending on durable equipment slowed (14.8% to 8.4%); and exports slowed (17.4% to 6.2%).

The main countervailing factor to these slowdowns was government spending with: a huge leap in government final consumption expenditure from 0.1% growth in the first quarter of 2017 to 13.6% in the same period in 2018; and a huge leap in public construction from 2.1% to 25.1% growth. This large increase in public construction was critical towards offsetting the marked slowdown in private construction from 13.6% to 6.8% between the same quarters.

The Department of Budget and Management (DBM) has already reported notably higher government spending in the first five months of 2018. There were Php1.3 trillion in disbursements from January to May this year or 25% higher than in the comparable period last year. This included a 42.4% increase in public infrastructure spending to Php281 billion and a 22.0% increase in personnel services to Php386 billion. The Duterte administration is implementing the last tranches of salary standardization from 2015 and on top of this has committed to double the salaries of police and military forces, which is estimated to cost an additional Php63 billion.

This markedly increased government spending is being driven by debt and deficits. The national government deficit is growing rapidly from being equivalent to an annual average of some 1.6% of GDP in the period 2011-2016, to 2.2% in 2017 (Php350.6 billion deficit), and 3.9% of GDP so far in the first quarter of 2018 (Php138.7 billion deficit). This is despite improving tax effort on the back of the regressive anti-people Tax Reform for Acceleration and Inclusion (TRAIN) tax reform program which increases consumption taxes on the poor to enable lower direct taxes on higher income groups including the country's rich.

The government's complacency about the deficit is pretended or mistaken, but in either case dangerous. The final deficit as a percentage of GDP for 2018 remains to be seen, but the 3.9% in the first three months of the year is already approaching double the 2.1% historical annual average in the post-Marcos era. If unchanged in the rest of the year, it would also be the worst deficit since the 2000-2003 fiscal crisis when the deficit averaged 4.5% annually.

Gross borrowings are growing rapidly from Php507 billion in 2016 to Php902 billion in 2017 (78% increase) and Php986 billion in 2018 (9.3%). The government has already announced that gross borrowing will reach Php1.2 trillion in 2019 or a 21% increase from this year. Maintaining credit-worthiness to be able to keep borrowing is among the government's objectives in passing TRAIN.

These are driving up total outstanding national government debt at an accelerated pace. Total debt is already at Php6.8 trillion in May 2018 from Php6 trillion in June 2016 at the start of the Duterte administration. This Php885 billion increase implies government debt growing at Php38.5 billion a month in the first 23 months under Pres. Duterte which is more than double the Php19 billion monthly clip over the six years of the previous Aquino administration (which started with Php4.6 billion in debt). This comes to around Php452 billion additional debt annually today compared to just Php228 billion under the previous administration.

Particular concerns have been raised about the official development assistance (ODA) component of financing the government's infrastructure drive. Particular attention is given to how the specific circumstances of Chinese ODA may work against the country's interests. Top of mind is how loans from China have higher interest rates than other ODA sources such as Japan and how the government may be forced to collaterize state assets if these become unpayable. There are also suspicions about what the Philippine government might be giving to China in exchange for the funds being provided such as the country's claims in the disputed West Philippine Sea/South China Sea and even possible kickbacks. And while tied aid is a normal practice in ODA contracts, some Chinese firms are reputedly notorious for shoddy work, unscrupulous business practices, and lack of environmental and labor standards.

There is more allowance with the debt-to-GDP ratio compared to the deficit. This was at 42.6% as of the first quarter of 2018 compared to between 42.1% and 51.5% during the previous administration and still well below the 74% reached in the mid-2000s. This is however critically dependent on the GDP growth being able to outgrow debt.

Risks to growth

The country's growth momentum is not certain and there are a number of risks, some are more immediate than others. The basic condition of an economy whose agricultural and industrial sectors are not really developing and so is lacking a sustainable long-term source of domestic demand exerts a long-term drag on the economy. It also makes it overly vulnerable to external factors, some of which are already starting to move adversely.

Some factors will have a steady depressing effect. This is the case with the apparent slowdown in overseas remittances and on BPOs, especially call centers, which the underdeveloped economy has been overly dependent on for too long. There will be cascading dampening effects on household consumption, real estate and construction, which have been notable growth drivers in recent years.

Remittances are volatile on a month-to-month basis but if the 3.5% cumulative growth in the first four months of the year does not pick up then this would be the slowest annual growth since the 0.3% contraction in remittances in 2001. On a year-to-year basis, remittance growth already slowed to 4.3% in 2017 from 5.0% growth in 2016.

The National Economic and Development Authority (NEDA) meanwhile has already acknowledged that the BPO industry is plateauing with an annual slowdown expected until 2022. The BPO sub-sector was reported as growing revenue-wise at 45% in 2006, down to 19% in 2014, and then around 12% last year with a projected further slowdown to 9% until 2022. This will be aggravated further by automation and artificial intelligence in the coming years.

Other factors will have a more immediate effect and in the worst case be the source of jarring shocks. These include the dampening effect on growth of accelerating inflation and continued peso depreciation, which are not unrelated. The recent uptick in inflation is due to the peso's decline, rising global oil prices, and additional taxes under the new TRAIN law.

The June 2018 inflation rate of 5.2% is more than double the 2.5% in the same period a year ago and four times the 1.3% inflation rate in June 2016 at the start of the Duterte administration. Measured using 2012 as the base year, this is the highest inflation in at least five years. Measured using 2006 as the base year, however, would register a 5.7% inflation rate, which would be the fastest in nearly 10 years or since March 2009. The poor are worst hit by this because food prices are rising faster than most other components of inflation while more than half of their spending is on food.

The effects of rising global oil prices could have been mitigated with better government regulation of the oil industry. The impact of TRAIN on higher prices is more straightforward – the government need not have raised consumption taxes and instead raised taxes on the rich especially amid the current inflationary environment.

The peso depreciation in turn is due to a number of factors. The most basic is the long-standing agricultural and industrial backwardness at the root of the country's chronic trade deficit. The country's unending over-dependence on imported materials and equipment is the reason why expanding construction and manufacturing are having such deleterious effects on the trade deficit. The narrow export base meanwhile limits how a cheaper peso could incite a positive export response. The remittance and BPO investment slowdown also exerted downward pressure on the peso, which could not be offset even by hyped record foreign direct investment (FDI) inflows. As it is, the exchange rate to the US dollar of

Php53.52 in June 2018 is the lowest in 12 years since Php53.59 in June 2012.

Inflation and the peso depreciation have already prompted the Bangko Sentral ng Pilipinas (BSP) to raise key interest rates twice, in May and June, with speculation of another increase in August. The intent seems to be to slow spending, by making capital more expensive, and to attract foreign portfolio investment by keeping pace with global rates made higher by US Federal Reserve-induced increases marking the end of the era of easy money. Rising interest rates will tend to further dampen growth.

A major point of concern though should be the impact on currently rising public and private debt. As of May 2018, the national government has outstanding debt of Php6.83 trillion while private loans outstanding for production and household consumption reached as much as Php7.3 trillion. Interest rate hikes raise the cost of servicing loans and while they may remain manageable for now this could quickly change.

Among the biggest risks in the immediate future is a sudden deterioration in the global economic environment. The world is still in a protracted crisis with a weak growth environment in the big industrial powers but also even in the so-called emerging nations.

Worsening global debt across all sectors is a particular problem where this has continued to grow from US$177 trillion in 2007, on the eve of the financial crisis, to US$237 trillion (318% of world GDP) as of 2017. The deterioration in debt ratios is widespread among developed (increasing from 358% to 382% of their GDP) and underdeveloped economies (145% to 210%). The time of easy money and low interest rates provided short-term debt relief but this has come to an end, which means that long-term issues of unsustainability will be coming to the fore. Financial fragility and economic uncertainty is already driving protectionism and trade wars, starting with the US against China and even erstwhile European allies.

GREATER HARDSHIPS

The poor majority of Filipinos are facing increasing difficulty in surviving under the continuation and intensification of neoliberal economic policies. This is aggravated by an unsympathetic government and state violence that is becoming more overt and done with impunity.

Economic burdens are greater to negate the 6.8% economic growth reported in the first quarter of 2018. These put in question the validity of the Duterte government's development plan that is anchored to foreign investment liberalization with a huge infrastructure program as main strategy. President Duterte's economic managers are on a relentless defense of the plan and neoliberalism, while the anti-poor and authoritarian character of the presidency quickly unravels.

The Duterte administration's economic team has aggressively pushed for the infrastructure program BBB to maintain the economic growth momentum and avert a more likely slackening. The reality of narrow growth and shallow sources as well as sharpening inequality and poverty remains pervasive. This sharp contrast to the reported economic growth can easily delegitimize Dutertenomics, and the economic team is working persistently to prevent that from happening.

To fund the infrastructure offensive and to make it look attractive to foreign investors and domestic economic oligarchs, the Duterte government has pushed for the TRAIN Law, Republic Act (RA) 10963. One-half of the BBB projects will be funded by official development assistance (ODA) loans and one-third will be from the national budget. In short, the bulk of the projects will be bankrolled by taxes. But the TRAIN has caused uproar, because instead of generating the revenue from the wealth of the wealthy, the Duterte government has slapped taxes on people's consumption especially of the poor majority.

Package 1 of RA 10963 cut personal income tax (PIT) and estate and donor's taxes, much to the delight of the upper-middle class and the rich. But it introduced new and higher excises on petroleum products, new excises on sugar-sweetened beverages, generally higher taxes on automobile, lifting of value-added tax (VAT) exemptions, and higher taxes on tobacco products, coal, mining, cosmetic procedures and passive income. The TRAIN is the most comprehensive and the most controversial due to its extreme regressiveness, meaning being anti-poor, but the economic managers of the Duterte administration have launched a major campaign to ram it into the economy.

Rising prices

Inflation spiraled in the first half of 2018, with the rate reaching an almost-decade high of 5.2% in June. The trend reflects the use of 2006 as base year, which the government rebased to 2012 only in February 2018. The rebasing would still show that the inflation rate in June 2018 is the worst in five years.

The inflation rate is already breaching government's inflation target of 3% for the year. It is more than double the 2.5% in the same period in 2017 and four times the 1.3% inflation rate in June 2016 when the Duterte administration took over. **(See Table 1)**

The steepest price increases occurred in food commodities, especially in corn (14.1%), fish (11.2%), vegetables (8.6%), fruits (5.3%), meat (5%), and rice (4.7%). Prices of alcohol and tobacco registered the highest inflation among non-food, followed by transport; housing, water, electricity, gas, and other fuels; and education. **(See Tables 2)**

The economic managers are quick to dismiss the TRAIN as having anything to do with the runaway inflation. In a joint statement issued by the secretaries of theDBM, Department of Finance (DOF) and the NEDA, the economic managers argue that the increase in global oil prices is the main driver of higher domestic prices of basic commodities. This has been compounded, according to them, by peso depreciation and rice price hike.

But the Duterte administration cannot deny its direct accountability for the TRAIN-driven price increases of commodities. To illustrate, the price of Dubai crude oil reached US$105 per barrel in 2013, but inflation only averaged 2.6 percent. When the peso went over Php54 to a US dollar in late-2002 to middle of 2004, inflation only averaged 2.5 percent. The current inflation has been obviously made worse by government's imposition of consumption taxes.

Table 1

Inflation rate, January 2016-June 2018 (2012 = 100; in %)

Month	2016	2017	2018
January	0.7	2.5	3.4
February	0.5	3.1	3.8
March	0.6	3.1	4.3
April	0.7	3.2	4.5
May	0.9	2.9	4.6
June	1.3	2.5	5.2
July	1.3	2.4	
August	1.3	2.6	
September	1.7	0.3	
October	1.8	3.1	
November	2.1	0.3	
December	2.2	2.9	

Source: Philippine Statistics Authority

Oil price hikes

Indeed, global oil prices have been surging since 2016. They started breaking through the 'psychological barrier' of US$50 per barrel in October 2017 and hit a four-year high of over US$70 per barrel in May 2018.

Global analysts are pointing to production decline, which in the case of oil is oftentimes associated with geopolitics. Specific reasons cited include the unilateral decision of US President Donald Trump to leave the nuclear deal with Iran, the 17-month cuts by major oil producing countries led by Saudi Arabia and Russia, and the crisis gripping oil-rich Venezuela. Oftentimes too in the case of global oil there is the unbridled financial speculation in the futures trading exchanges, which pushes oil prices way beyond production realities.

Domestic oil prices recorded total increases of Php6.15 per liter for diesel, Php5.89 for gasoline, and Php4.32 for kerosene by end of 2017. Liquefied petroleum gas (LPG) ended the year with a whopping Php10.49 per kilogram (kg) price

Table 2

Inflation rate by commodity group, June 2018 (2012 = 100; in %)	
Commodity group	**Inflation rate**
All items	**5.2**
Food and non-alcoholic beverages	6.1
Of which:	
Bread and cereals	4.5
Rice	4.7
Corn	14.1
Other cereals, flour, cereal preparation, bread, pasta and other bakery products	2.4
Meat	5.0
Fish	11.2
Milk, cheese and egg	2.1
Oils and fats	3.1
Fruits	5.3
Vegetables	8.6
Sugar, jam, honey, chocolate and confectionery	3.9
Food products, NEC	3.1
Alcoholic beverages and tobacco	20.8
Clothing and footwear	2.2
Housing, water, electricity, gas, and other fuels	4.6
Furnishing, household equipment, and routine maintenance of the house	3.0
Health	2.7
Transport	7.1
Communication	0.4
Recreation and culture	1.4
Education	4.0
Restaurant and miscellaneous goods and services	3.6

Source: Philippine Statistics Authority

increase, with Metro Manila residents paying as much as Php781 for one 11-kg cylinder of the household fuel.

In the first half of 2018, prices of petroleum products skyrocketed and surpassed the 2017 aggregate hike. The Department of Energy (DOE) computes increases as much as Php7.25 per liter for diesel, Php7.85 for gasoline, and Php9.00 for kerosene for the first six months. These figures do not yet include the TRAIN-imposed excise and VAT on diesel (Php2.80 per liter), gasoline (Php7.84 per liter), and kerosene (Php3.36).

DOE figures are also conservative in the sense that pump prices across the country's regions have wide variances. For instance, gasoline commonly costs Php55.55 per liter in Metro Manila in recent weeks, but it fetched as much as Php67 in Baguio City – a discrepancy that the DOE could not explain.

The country is visibly suffering the ramifications of deregulating a key industry such as oil. Despite widespread public protest, the Philippine government implemented the Oil Deregulation Law in 1998 to step aside to "level the playing field and allow market forces to determine prices", among other justifications. This neoliberal policy was the first of its kind in Asia and probably the most comprehensive at this point. A 2016 Standard and Poor's Global study shows that on a scale of -10 to +10, moving from fuel subsidies and government price controls to full liberalization, the Philippines is the only country in Asia with a +10 score. China, India, and Vietnam are ranked +5, Pakistan and Malaysia hover around +2, while Thailand and Indonesia remain in the negative scale.

The local oil industry thus automatically reflects international price movements, whether or not these are merely speculative or geopolitical in nature, without government intervention and support. Oil price hikes are very inflationary, and in a fully liberalized environment the pass-on to consumers is full and immediate. Filipino consumers have suffered the brunt of oil industry deregulation for decades, especially under the condition of acute job scarcity and the absence of substantial wage increases. But what compounds the crisis in a more strategic sense is that by deregulating oil the Philippine government has surrendered its powers to cohesively plan for national industrialization and economic development. This has sent the country in a downward spiral of poverty and underdevelopment.

Insensitivity and lies

It is the height of insensitivity therefore that the Duterte administration has gone on to slap petroleum excise taxes and VAT on the helpless consumers. The most control government has at this point is over the taxes it imposes, but the Duterte government has chosen to squeeze more taxes out of the people while global oil prices are out of control just to fund its BBB.

The TRAIN imposes increasing petroleum taxes from 2018 to 2020, such that by 2020, the Duterte government will have permanently added Php6.72 per liter to the price of diesel, Php5.60 per liter to the price of kerosene, and Php11.20 per liter to the price of gasoline. LPG price will also reflect an additional Php3.36 per kg by 2020.

The more profound aspect of the Duterte government's insensitivity is the controversial key point that the TRAIN has achieved, which is the imposition of excise taxes on diesel, kerosene, and LPG. These products since 2005 under the Expanded VAT Law (RA 9337) had zero rates.

Diesel is the most important part of the barrel consumed in the country, accounting for 41.3% of demand in 2017, while gasoline comprised 23.5%, LPG 11.2%, and kerosene, 10.3 percent. It powers public transportation and land transport of goods, fuels agricultural and industrial activities, and is also utilized for electricity generation in rural areas where power supply is intermittent or not at all connected to the grid. Diesel's historical exemption from excise tax thus is for fear of stoking inflation and unpopular transport fare hikes.

Meanwhile, the LPG is typically associated with cooking expenses, and in Asian countries except the Philippines the fuel is heavily subsidized by their governments even if they have to juggle growing budget deficits. Kerosene is also consumed for home cooking and lighting among households that are unable to afford or access LPG and electricity, which may still be found among Metro Manila's urban poor.

It is quite misleading for the DOF to claim that the TRAIN petroleum taxes will affect the rich far more than the poor. The agency is citing the 2015 Family Income and Expenditure Survey (FIES) to show that 10% of the richest households consume 51% of the total fuel consumption. To be precise, what the FIES is saying is that the rich spend more for fuel in the same way that the bottom 60% spend more for food, but it would be wrong to imply that the fuel demand is mostly consumed by the rich.

The economic managers peddle the deceiving argument that the TRAIN is not inflationary. They have made assurances that TRAIN's impact on prices would be minimal and that inflation will be manageable and stable.

Excise taxes on the socially sensitive oil products alone are quite inflationary. When excises on petroleum products were raised in 1996 under RA 8184 – by Php1.83-2.83 per liter for gasoline, Php1.18 per liter for diesel, and Php0.10 per liter for kerosene – the inflation rate went up from an annual average of 6.8% in 1995 to 8.3% in 1996. In 2005, when excise taxes on diesel, kerosene and LPG were removed but VAT was expanded to cover petroleum products under RA 9337, inflation shot up from 4.8% in 2004 to 6.6% in 2005. The TRAIN imposes by far the highest amounts of petroleum taxes and has the most comprehensive coverage. Inflation rate during its first year of implementation is also the fastest so far among the aforementioned tax reform years.

The economic managers are saying that high inflation is temporary and that it would "taper off" by October, creating the false impression that prices would go back to pre-TRAIN levels. But Philippine price increases are permanent. Prices will actually continue to increase in the coming years – the TRAIN has made sure of that – and even if the inflation rate would taper off, prices have already increased permanently.

The economic managers insist that the take-home pay of 99% of taxpayers has increased by 15% because of TRAIN, while revenues from TRAIN allow the government to provide social and economic services including cash transfers. This "should help in coping with the rising prices of goods". In the first place, there are only 7.5 million taxpayers against a backdrop of 22.7 million families, of which 2 million minimum wage earners were already exempt from paying income tax before TRAIN. In short, around 17.5 million Filipino families whose wages or incomes have not increased pay for higher prices of basic commodities. Finally, the TRAIN will barely cover for the already meager social services, since government has already allocated 70% of TRAIN collections to BBB.

Probably the most hopeless lie is the provision of unconditional cash transfers (UCT) to the bottom half of Filipino families numbering around

10 million. The Duterte administration plans to distribute Php200 per month in 2018 and Php300 per month in 2019 and 2020. It nullifies its arguments for the TRAIN as the UCT is an admission that the poor will indeed suffer from TRAIN and have to be relieved with cash transfers. Yet, the UCT will end in 2020, while higher prices due to TRAIN will remain. Also, the amount is insufficient and quite delayed – the government started distributing the UCT only in March and to only 4.4 million families who are already receiving the conditional cash transfers (CCT) under the current poverty program, and to 3 million senior citizens. The remaining 2.6 million families will have to wait until August. Lastly, the UCT fund is also coming from people's taxes.

Public outrage is brewing over price increases with the regressive TRAIN Law taking center stage. But the Duterte administration's economic managers are systematically weaving alternative reality just so as to defend the legitimacy of the TRAIN. They are obviously not budging and have maintained their adamant opposition to calls for the repeal of the TRAIN Law to alleviate the onslaught of higher prices on the poor. Worse, the economic managers are taking advantage of the moment to push for more neoliberal reforms, including the complete liberalization of rice imports through tarrification.

The curious case of rice

Rice prices increased for six straight months in 2018. The average price of the regular milled rice rose by Php2.54 from Php38.15 per kilo in January to Php40.69 in June. **(See Table 3)**

The rice inflation, however, could not be explained by production statistics. The country had a bumper harvest of 19.3 million metric tons (MT) of *palay* in 2017, which is the highest volume since 2008 when there was also a dramatic rise in rice prices. This was equivalent to 12.5 million MT of milled rice. There was a carry-over stock of 2.7 million MT in the beginning of 2018, which was boosted by the first quarter production of 4.4 million MT of *palay*, or 2.9 million MT of milled rice, in the first quarter of 2018.

But since January, the National Food Authority (NFA) has been reporting declining stocks especially in its own warehouses. Inventory reached its lowest of 1.7 million MT in March, equivalent only to a 50-day buffer stock. The government announced in March its decision to import 250,000 MT from Vietnam and Thailand and another 250,000 MT under open tender. Government approval came too soon for the anticipated lean months that fall on the third quarter of the year. On top of that, the bidding for the importation of 805,000 MT under the Minimum Access Volume (MAV) of the World Trade Organization (WTO) has already started.

Table 3

Price and inventory of regular milled rice, January-June 2018 (price in Php per kilogram; inventory in thousand metric tons)

Month	Price per kilogram	Inventory
January	38.15	2,289.65
February	39.38	1,795.78
March	39.74	1,697.37
April	40.03	2,182.67
May	40.29	2,909.46
June	40.69	2,360.98

Source: Philippine Statistics Authority

Although tranches would start only in June, the inventory increased right away in April to 2.2 million MT and in May to 2.9 million MT. Stocks in commercial warehouses increased by 45% in April and by 91% in May, while those in households increased minimally and stocks in the NFA continued to decline. The phenomenon led many to believe that the 'rice shortage' was staged by no less than the NFA to pressure government to import and to benefit commercial traders by giving them justification to increase their prices or by favoring them with importation allocations. Despite increased stocks, rice prices have continued to go up.

The NFA's inability to control the buffer stock as well as rent-seeking by some of its officials came into focus. The watchdog Bantay Bigas points out that the agency's Php7 billion budget for 2018 can procure 350,000 MT of *palay* if the agency would raise its buying price to at least Php20 per kilo to encourage farmers to sell to NFA. But the Duterte administration has focused on how to clip NFA's powers further by introducing the government-to-private mode of importation ostensibly to rid the NFA of corruption. This means that local traders can go straight to exporting governments for their orders.

The economic managers have insisted on the amendment of RA 8178, the Agricultural Tariffication Act which removed agricultural tariffs except on rice. They are recommending government to give up the prevailing quantitative restrictions (QR) on rice and replace these with a 35% tariff for Association of Southeast Asian Nation (ASEAN) countries and 40% for non-ASEAN. This is purportedly to ensure stable rice supply. The country has renegotiated several times with the WTO for the extension of the deadline for the country to lift its rice QR by conceding to MAV commitments of 805,000 MT with corresponding tariffs. Pres. Duterte signed Executive Order (EO) No. 23 in April to provide another three-year extension or until an amendment is made to RA 8178. But he also casually announced in April that private importers can now import as much as they want.

The country's staple has for decades taken a beating from neoliberal policies – from imports liberalization to limiting the remaining function of the NFA to procure from farmers and influence the market. Government's production support has also dwindled over time. Neoliberalism has entrenched the local rice cartel and middlemen to dictate the farmgate, wholesale and retail prices by their sheer monopoly of the market. Under the WTO, the country started importing rice where there was none before, yet importation did not stabilize rice supply and prices. The country has only become import-dependent in rice and vulnerable to the manipulation of the global rice cartel. The Duterte administration wants to complete this neoliberalism with the rationale that the country will never be self-sufficient in rice. It is doing this to the detriment of the farmers' livelihood, poor consumers, and national food security.

Weakest peso

The Duterte administration's economic managers also blame the peso depreciation for the inflation. However, this also tends to boomerang hard on the very faults of neoliberal policies and the basic weaknesses of the economy.

The Philippine peso started its continuous weakening against the US dollar in 2013 and has significantly depreciated from Php44.41 on end-2013 to Php53.52 as of end-June 2018. **(See Chart 1)**

It is the weakest the peso has been in exactly 12 years. The Philippine peso is also now the weakest among ASEAN currencies, which have managed to strengthen vis-á-vis the US dollar despite increasing US interest rates that tend to attract investments to the US. The economic managers have remained bullish, though recognizing the inflationary pressures of a weak peso, and continued to cite 'strong economic fundamentals'.

But the peso is vulnerable precisely due to a dominantly trading economy with shrinking production capacity, which is barely an indicator of 'strong economic fundamentals'. Imports surged 22.2% in April 2018, from US$7.1 billion in April 2017 to US$8.7 billion in April 2018. Total export earnings dropped by 8.5%, from US$5.6 billion in April 2017 to US$5.1 billion in April 2018. The trade gap widened further by 262%, from US$1.6 billion deficit in April 2017 to US$3.6 billion deficit in April 2018.

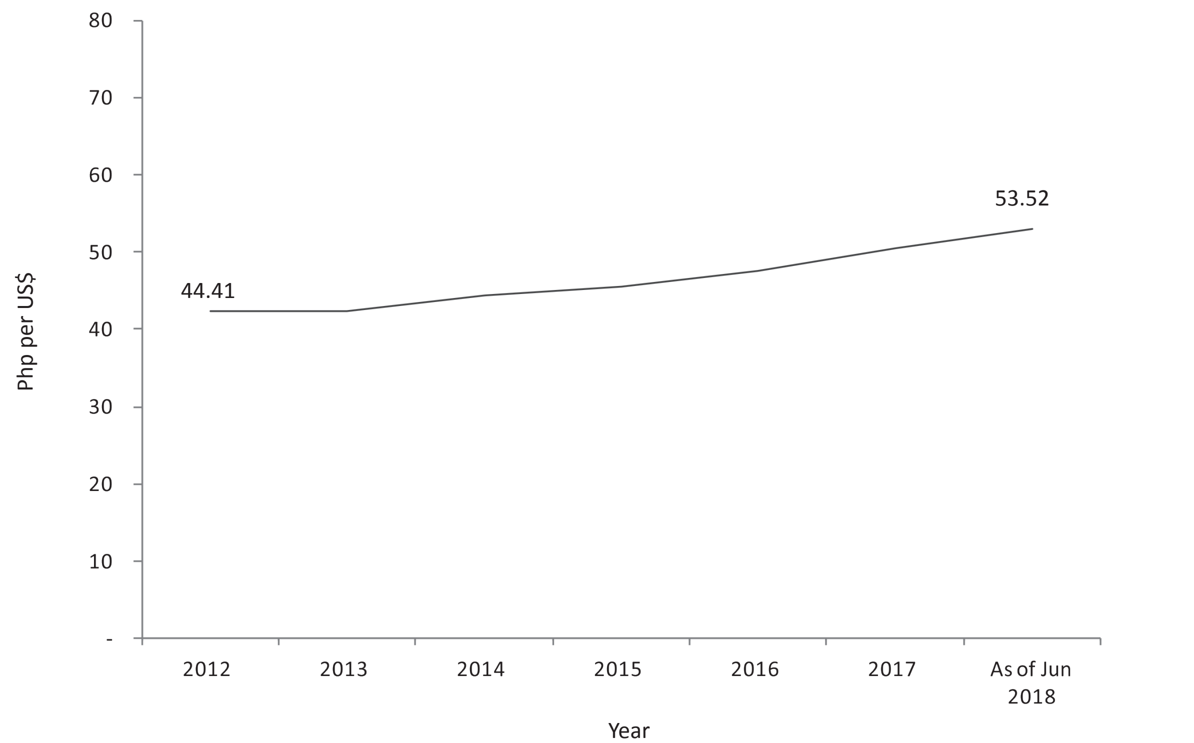
The country's chronic trade deficit has always been less than US$10 billion, except in 1996, 1997, 2011, and 2012 when it reached an average of US$11.1 billion. Although it narrowed in the succeeding years of 2013 and 2014, the trade deficit increased uncontrollably beginning in 2015 to hit an all-time high of US$27.4 billion in 2017. **(See Chart 2)**

BBB is the impetus for the economy's voracious importation. Electronics, largely semiconductors, continue to account for the bulk of the import bill, comprising 25.7% in April 2018. Likewise, electronics make up 58.2% of the country's exports, which shows the nature of the trading economy as simply serving as an assembly location. Transport equipment and fuels and lubricants follow as top imports.

Yet, it is noteworthy that in April 2016, industrial machinery and equipment, iron and steel, and transport equipment outpaced the growth of electronics compared to the same period the previous year. Their respective contributions to imports growth also became substantial. In April 2017, the importation of electronic products even decreased by 0.2%, but the importation of metalliferous ores and metal scrap and iron and

Chart 1

Peso exchange per US$, 2012-2018 June (in Php)



Source: Bangko Sentral ng Pilipinas

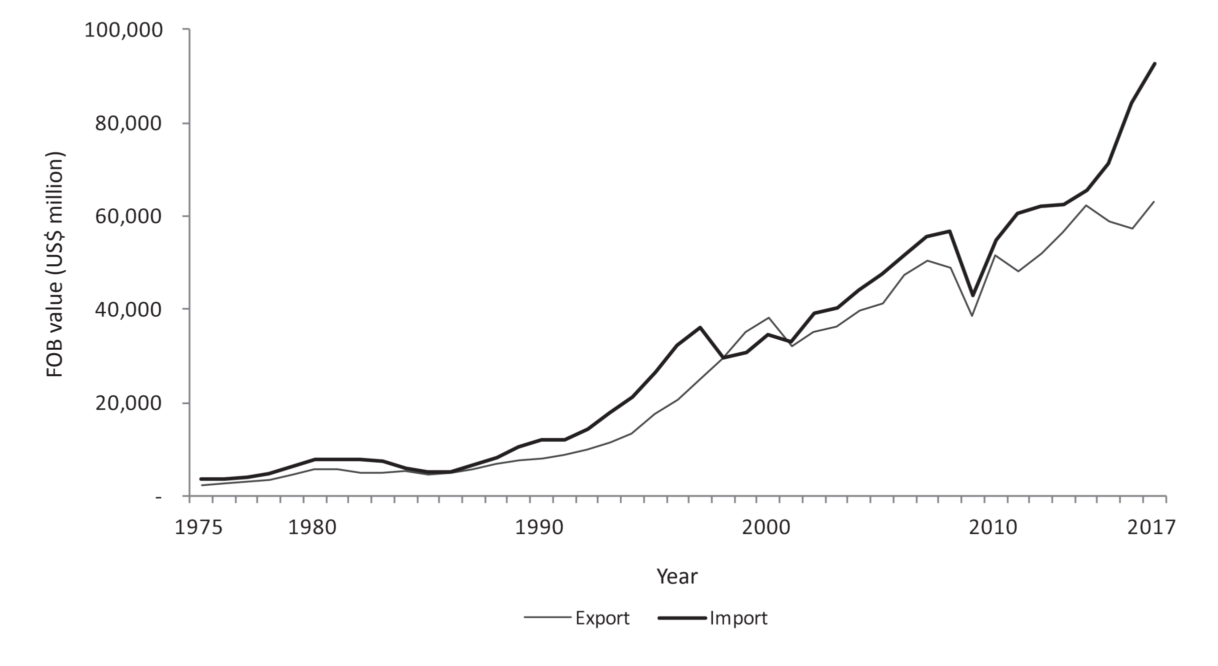
steel grew by 3,554.8% and 27.8%, respectively. These construction materials boosted importation growth by 153.6% and 56.3%, respectively. Electronics recovered in April 2018, but miscellaneous manufactured articles and plastics grew faster; together with transport equipment, fuel and lubricants, industrial machinery and equipment, and iron and steel, they accounted for 63.4% of imports growth.

Dollar reserves have plunged over the period when the peso started weakening in 2013, from US$83.2 billion enough to cover 11.6 months worth of imports to US$79.2 billion as of May 2018 equivalent to only 7.6 months worth of imports. The remittances of overseas Filipino workers (OFW) on the other hand, which the Philippine government has relied on for decades to hedge its dollar reserves, are diminishing. OFW remittances growth has slowed down starting in 2009, averaging only 7.3% in 2010-2014 from double-digit growth rates in previous years, down to 4.4% in 2015-2017 and only 3.5% in the first four months of 2018. **(See Chart 3)**

This development definitely sends the peso to its weakest, but it cannot be faulted as such for the country's inflation. The underlying weakness is in the economy's backwardness that has been aggravated by neoliberalism. Due to liberalization, the country imports a wide range of commodities for domestic consumption as well as for processing or assembly in the export zones. The country serves as mere location for foreign and Filipino firms' manufacturing, the materials for which form a large part of the country's imports and the products from such are exported. The economy's import dependence and export orientation for decades has taken its toll on domestic capital and production. A weakening peso in this sense is only symptomatic of weak and precarious economic fundamentals. The Duterte administration intensifies these weaknesses by embarking on a massive infrastructure program without domestic production base and only reliant on foreign debt and private investment. It then seeks to fund this through the regressive TRAIN.

Chart 2

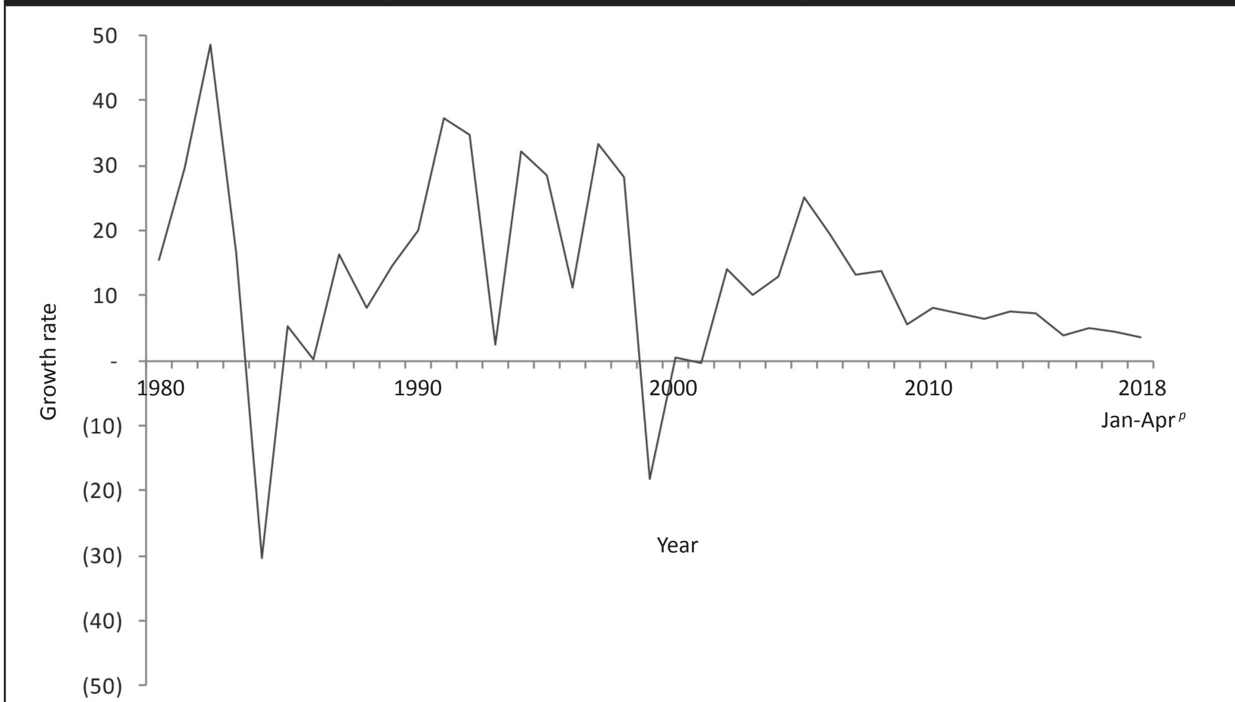
Balance of trade, 1975-2017 freight on board value; in US$ million



Source: Philippine Statistics Authority

Chart 3

Growth rates of overseas Filipinos' remittances, 1980-2018 April 2018 (in %)



p - *preliminary*

Source: Bangko Sentral ng Pilipinas

Government's absurd poverty analysis

Poor people suffer the most from rising prices. But the Duterte government is unsympathetic and instead has insisted on the necessity of implementing the TRAIN law. But the increasing difficulty of the poor majority undeniably far outweighs the government-justified necessity to raise revenues for BBB.

The cost of living has risen far apart from minimum wage levels in the country. FLW by June 2018, the amount needed by a family as estimated by IBON, has escalated to Php1,175 for a family of six, or Php979 for a family of five which is more representative of the average family size. High inflation has increased the FLW by Php64 for the six-member family or Php54 for the five-member family in June 2018 from the same period in 2017. The currently highest minimum wage of Php512 in the NCR is less than half of the FLW. **(See Table 4)**

The peso's worth is diminished to Php0.86 as of June 2018 using 2012 base year. Even after the Php21-increase in the NCR minimum wage in October 2017, the real value of Php512 has already eroded by Php17 to Php447.16 in June 2018.

Organized labor has logically demanded a wage hike that is substantial enough to cope with the fast erosion of purchasing power and the intensifying poverty conditions of the working people. A well-articulated proposal is by the Makabayan bloc in the House of Representatives to legislate a Php750 national minimum wage, abolish regional wage-setting, and prohibit layoffs and downsizing. The rationale for this is that the decentralized wage-setting by regional wage boards has been instrumental in wage depression. But the Duterte administration and its neoliberal apologists are making a concerted effort to discredit the logic by reviving old and worn-out arguments about substantial wage hikes being inflationary and being bad for enterprises and the economy in general.

At the height of the public debate on the TRAIN-triggered inflation, the NEDA was even quoted as saying that Php10,000 a month is enough for a family to live by. The statement earned the ire of labor groups and the general public, and the agency later clarified that it is a 'hypothetical figure' just to show how it is budgeted and affected by inflation. The explanation did not help appease public agitation – Php10,000 is ridiculously low, not to mention that about 6.5 million families do not yet earn that much, based on the 2015 FIES. But the truth is the figure is not hypothetical at all for the PSA. The PSA currently pegs the poverty threshold at Php9,063.75 a month for a family of five, equivalent to only Php60.43 a day per person. This is a far cry from IBON's estimate that a person needs at least Php125 a day to subsist and that about 66 million Filipinos live off that amount and lower. PSA's figure only confirms that government is simply looking at those who are in extreme poverty.

NEDA Secretary Ernesto Pernia contradicted government's own poverty threshold in another effort to manage the controversy by saying that Php42,000 is the decent income needed to live above poverty. Twenty million or 88% of Filipino families fall below that figure, which

Table 4

Daily wage indicators for the National Capital Region, June 2012-2018

Period	Daily Minimum Wage (in Php)	Real Minimum Wage (2012=100; in Php)	Estimated Family Living Wage (family of 6, in Php)	Wage gap	
				(in Php)	(in %)
Jun 2012	446	447	1,023	(577)	56
Jun 2013	456	450	1,041	(585)	56
Jun 2014	466	446	1,074	(608)	57
Jun 2015	481	462	1,069	(588)	55
Jun 2016	491	468	1,077	(586)	54
Jun 2017	491	454	1,111	(620)	56
Jun 2018	512	447	1,175	(663)	56

Sources of basic data: National Wages and Productivity Commission and Philippine Statistics Authority has only confirmed what IBON has been saying all along and that the government is using a gross underestimation of income poverty and subsequently an equally unrealistic poverty program. Sec. Pernia was quick to add that he is not endorsing a wage hike based on his claim, which further confirmed that wage-determination in the country is not really based on what workers need to live decently.

Killing wage demand

The Employers Confederation of the Philippines (ECOP) in unison with the Duterte administration's economic team is shooting down rising demand for a substantial wage hike that will be reflected in a national minimum wage. By reiterating regional differences, the ECOP argues that the demand for the Php750 national minimum wage is inflationary and will be harmful to enterprises especially the micro, small and medium enterprises (MSME) outside NCR. It points out that minimum wage earners nationwide who will benefit from the wage hike are a minority, and the negative impact on the economy will have a ripple effect on the country's unemployed and the rest of the wage and salary workers. ECOP is clearly against the idea of a national minimum wage. By arguing against it, ECOP manifests that it is not particularly in favor of regional substantial wage hikes either.

A substantial wage hike is necessary, as already pointed out with the weakening purchasing capacity and the yawning gap between FLW and nominal minimum wages. In addition, the average daily basic pay (ADBP) of wage and salary workers is almost stagnant, with increases of only 7.5% from July 2015 to July 2016 and 2.8% from July 2016 to July 2017. The ADBP in the services sector, which employs the bulk of the labor force, increased by a measly Php0.54 as of July 2017. The real value of the ADBP has actually declined and moved further away from its nominal value. The ADBP of Php412.92 as of the latest July 2017 data was only Php277.87 in real terms. At this point, a substantial wage hike is necessary for mere self-preservation.

A substantial wage hike is possible simply by looking at how much establishments have profited over time. For example, the 2015 Annual Survey of Philippine Business and Industry (ASPBI) of the PSA shows that the 216,995 establishments of all employment sizes have Php15.1 trillion in total profits and 5.8 million employees. Raising the ADBP of wage and salary workers of Php378.71 in 2015 to the proposed Php750 transfers only 28.6% of profits. Applying the proposal only to large establishments (with 200 and over employees) that have total of 2 million employees and Php1.2 trillion profits transfers only 18% of profits. A cut in profits should not be reason to reflect higher production costs to be passed on to consumers. Wage hikes are not inflationary, for wages after all form part, not of production costs but of production income. **(See Table 5)**

A substantial wage hike is only fair. Labor productivity has increased by 3.8% by the latest 2016 data, at a time when only non-agricultural wages in NCR, Region XI (Davao), and Region XIII (Caraga) had measly increases of Php10, Php5, and Php20, respectively. These increments represented 2%, 1.5%, and 7.7% of their nominal wages at that time. Agricultural wage rates increased by only 3% in the same period. Same data shows that wage and salary workers had already increased productivity to Php1,353.28 a day when their ADBP was only Php401.

The ECOP is killing the idea by speaking on behalf of the MSMEs and the unemployed, whose numbers are huge for a supposedly growing economy. But that is exactly the point about raising wages and legislating a national minimum wage. Increasing workers' consumption capacity can stimulate production and economic activity, even by that of MSMEs, and wage-setting becomes an integral part of development planning. On the other hand, while the largest corporations can easily absorb the substantial wage hike, government can provide support to MSMEs, such as accessible and affordable credit, marketing support, innovation capabilities, and local integration with supply chains. Lastly, government can correct development planning where wage shall be determined based on development potentials instead of continuing the current faulty approach of depressing wages just so government can attract investments.

Recently, the Department of Labor and Employment (DOLE) floated the idea of providing a wage subsidy of Php200 per month to minimum wage earners as though that can take the place of a proper wage hike. A decent wage level in addition to the justifications already mentioned will go far in making economic as well as business

Table 5

Cost of the proposed Php750 daily national minimum wage, 2015

Indicator	All employment sizes	With 200 and over employees
Total number of establishments	216,995	2,984
Income (in Php billion)	15,071.16	7,670.35
Expenses (in Php billion)	12,935.90	6,503.64
Profit (in Php billion)	2,135.26	1,166.71
Employment	5,819,431	2,006,671
Average daily basic pay (in Php)	378.71	378.71
Proposed wage hike [a] (in Php)	371.29	371.29
Additional income per employee per month [b] (in Php)	8,075.56	8,075.56
Additional income per employee per year (including 13th month pay; in Php)	104,982.25	104,982.25
Total cost of proposed wage hike (in Php billion)	610.94	210.66
As % of Profit	*28.6*	*18.1*
Total clean profit (in Php billion)	1,524.32	956.04
As % of Profit	*71.4*	*81.9*

[a] - based on the proposed Php750 daily national minimum wage
[b] - based on 261 working days in a year
Source: Philippine Statistics Authority 2015 Annual Survey on Philippine Business and Industry

poverty standards to attract investment. The country's jobs crisis is the basic issue that debunks any claims of growth.

The GDP grew by 6.8% in the first quarter of 2018. The figure maintains the relatively high growth beginning in 2010, which averages 6.4% in 2010-2017, and is also faster than the 6.5% growth in the same period last year.

However, the figure is outside the government's full-year target of 7 to 8 percent. Inflation was the spoiler, according to economic managers, as GDP growth would have been within target if not for the high inflation. This shows that even with such growth pace, the Philippine economy remains largely consumption-driven. At any rate, the government is confident that in 2018 the country's economic growth would even surpass that of production-based China.

The World Bank projects that the Philippine economic growth would place fourth in

growth inclusive. The government is obviously aware that the minimum wage is not enough but is resorting to a mechanism that is unmanageable and costly for government just to protect business profits. And again this will be done at the expense of taxpayers.

Failing to find work amid growth

At the bottom line of the people's growing hardships is their difficulty to meaningfully participate in the economy. Decades of neoliberalism have eroded the economy's capacity to create meaningful jobs and increase people's access to resources. This situation in turn has given the government the favorable condition to perpetuate cheap labor and low

Asia, next to Cambodia, Bhutan, and the fastest being India. This however means that the country would have the same full-year growth rate of 6.7% last year. Among the ASEAN, although Vietnam has been outpacing the Philippines since the third quarter of 2017, the Philippines has been ahead of Indonesia, Malaysia, Singapore, and Thailand since 2012.

But the Philippines has the highest unemployment rate in Asia, which has been going on for several years now – an alarming phenomenon that the economic managers and multilateral institutions rarely talk about. The number of employed Filipinos increased by 625,000 to 40.9 million as of April 2018, which simply recovered from the unprecedented contraction of 393,000 last year and which is less than the average annual job generation of more than 800,000 since 2000s. The number of unemployed increased by 82,000 to 4.13 million nevertheless, which brings the rate to an unchanged 9.1% from the previous year despite supposed faster growth. **(See Table 6)**

IBON recomputes official government employment data to make sense of historical trends, since the government made several changes in its methodology that significantly reduced unemployment and underemployment figures. Official statistics no longer include in the labor force as much as 1-2 million 'discouraged workers' who stop looking for that otherwise elusive work. The country's jobs crisis thus is a tempered reality by a redefinition of who needs work.

Another 723,000 jobs in agriculture were lost as of April 2018. This continues a six-year trend of the sector continuously shedding jobs during April labor force survey rounds. The unrecovered job-generating capacity of agriculture clearly indicates that the vagaries of the weather are no longer valid reason for the unabated job losses. Long-time government neglect of the sector coupled with neoliberal policies that have undermined domestic agricultural production and market as well as land availability have taken their toll on the country's production base.

But the Duterte government seems to be unfazed by the disturbing trend. Offsetting the job losses were gains in construction (467,000); public administration and defense, compulsory social security (269,000); and other service activities (120,000). The economy's job creation is clearly being boosted by BBB, the strengthening of the police state, and service sundries. Despite the lack of sustainability of such jobs created, the Duterte administration remains confident that the Philippines is on-track to becoming a high-income country by 2040, or even upper-middle income by next year.

It is noteworthy that despite an increase of 1.4 million in the potential labor force, the employment rate remains statistically unchanged, while the labor force participation rate of 60.9% is one of the lowest since 1982. This may be due to the extended schooling years of high school students because of the K-to-12 grade system beginning in 2013, but the trend clearly reflects

Table 6

Labor force population, April 2016-2018 (levels in thousands, rate in %)

Indicator	Officially reported			IBON Estimates [a]		
	Apr 2016	Apr 2017	Apr 2018 [p]	Apr 2016	Apr 2017	Apr 2018 [p]
Population (in thousands)						
Total 15 years old and over	68,167	69,605	71,014	68,167	69,605	71,014
Labor Force	43,289	42,714	43,256	44,978	44,462	45,362
Employed	40,664	40,271	40,896	40,664	40,271	40,896
Underemployed	7,431	6,468	6,934	7,431	6,468	6,934
Unemployed	2,625	2,443	2,360	4,256	4,046	4,128
Not in the Labor Force	24,878	26,891	27,758	23,189	25,143	25,652
Rates						
Participation Rate	63.5	61.4	60.9	66.0	63.9	63.9
Employment Rate	93.9	94.3	94.5	90.4	90.6	90.2
Underemployment Rate	18.3	16.1	17.0	18.3	16.1	17.0
Unemployment Rate	6.1	5.7	5.5	9.5	9.1	9.1

[a] - IBON computes estimates on the labor force according to the old Labor Force Survey unemployment definition for the purposes of comparison.
[p] - preliminary
Source: Philippine Statistics Authority Labor Force Survey

a growing number of those dropping out of the labor force.

The reality of poor quality work further debunks the growth hype and the moderated official unemployment. Underemployment claimed a higher figure of 6.9 million in the April 2018 round compared to 6.5 million in the same period last year. Underemployment rate reached 17% that is slightly higher than last year's. The increase in the number of underemployed was largely due to the increase in the number of those who worked for 40 hours and over and were still looking for additional work. Called "invisibly underemployed", their number grew by 758,000 from 2.4 million in April 2017 to 3.2 million in April 2018, which indicates that current wage levels and the workers' average take-home pay are not enough for a full-time worker.

The dearth of jobs in the country, quality or otherwise, has forced millions of OFWs to seek employment abroad. Preliminary figures from the Philippine Overseas Employment Administration (POEA) show that nearly 2 million Filipinos were deployed last year, at a rate of 5,460 per day in the entire year. The Philippines has the highest unemployment rate in Asia and is probably the world's top migrant worker-sending country relative to its population size.

The Department of Education (DepEd) reasoned upon the introduction of K-to-12 in 2013 that the additional two years in senior high school or SHS would be useful as SHS graduates will already be 'employable'. The first batch of K-to-12 graduates entered the labor force in March 2018, but employers such as those under the Philippine Chamber of Commerce and Industry (PCCI) have expressed concern that SHS graduates are not ready to work in a "professional workplace". The truth is the country has consistently high youth unemployment, with young people aged 15-24 years comprising 45.8% of the country's unemployed as of April 2018. By highest grade completed, 35.8% of the country's unemployed are college-level students and graduates. This proves that more than the curriculum, grade system or even educational attainment, failure to find work is really about the economy's eroding capacity to create relevant jobs.

Shaky growth

The jobs crisis is a feature of the Philippine crisis, which cannot be concealed by meaningless growth spurts. Public construction boosted the economic growth in the first quarter of 2018 with a high 25.1% growth rate. Government spending grew by 13.1%, which is mostly felt in infrastructure development, although some would observe that the huge increases in the salaries of the police force contributed to the rise in government spending. These figures on the demand side are the highest since Pres. Duterte took office. **(See Table 7)**

On the supply side, save for the unusual 13.2% uptick in public administration and defense, construction increased by 9.3 percent. Overall services grew by 7% and contributed 58.4% of the overall economic growth. Services continue to comprise more than half of the country's economic activities, which is not at all a sign of a developing economy as it is not backed by the production sectors.

Agriculture remains in the doldrums with the first quarter 2018 growth at 1.5% which is lower than the annual average growth rate of 2.4% from 2000 to 2017. Manufacturing, on the other hand, grew by 8% but only on the back of exports production. The sector maintains its lackluster average of 5.2% in the last 17 years. The alarming reality, which is why the government's upper-middle-income ambition for the country remains an illusion, is the diminishing shares of agriculture and manufacturing in the GDP. Manufacturing's share of 23.6% has significantly shrunk from more than three decades of neoliberalism, while agriculture's share of 8.5% is the lowest in history. **(See Chart 4)**

The government has overly relied on OFW remittances, BPO, and exports production to compensate for the economy's lack of industrial foundation. These are low value-added economic activities that are dissociated from local production and are dominated and directed by foreign corporations and countries. The government expects these to boost consumption, regardless that they do not drive production development.

Table 7

National Accounts of the Philippines by industry group and by type of expenditure, 1st quarter 2017-2018 (growth rates; at constant 2000 prices; in %)

Industry group / Expenditure share	1st Quarter 2017-2018
By industry group	
1. Agriculture, Hunting, Forestry and Fishing	1.5
a. Agriculture, Hunting, Forestry	2.4
b. Fishing	(3.7)
2. Industry Sector	7.9
a. Mining and Quarrying	4.5
b. Manufacturing	8.0
c. Construction	9.3
d. Electricity, Gas and Water Supply	6.0
3. Service Sector	7.0
a. Transportation, Storage, and Communication	6.4
b. Trade and Repair of Motor Vehicles, Motorcycles,	
Personal and Household Goods	6.1
c. Financial Intermediation	7.6
d. Real Estate, Renting and Business Activities	4.7
e. Public Administration and Defense:	
Compulsory Social Security	13.2
f. Other Services	8.8
By expenditure share	
1. Household Final Consumption Expenditure	5.6
2. Government Final Consumption Expenditure	13.6
3. Capital Formation	12.5
a. Fixed Capital	8.9
i. Construction	10.1
ii. Durable Equipment	8.4
iii. Breeding Stock and Orchard Development	4.2
iv. Intellectual Property Products	12.7
4. Exports of Goods and Services	6.2
a. Export of Goods	2.9
b. Export of Services	17.9
5. Less: Imports of Goods and Non-Factor Services	9.3
a. Import of Goods	9.3
b. Import of Services	9.6
Gross Domestic Product	**6.8**
Gross National Income	**6.4**

Source: Philippine Statistics Authority National Accounts of the Philippines

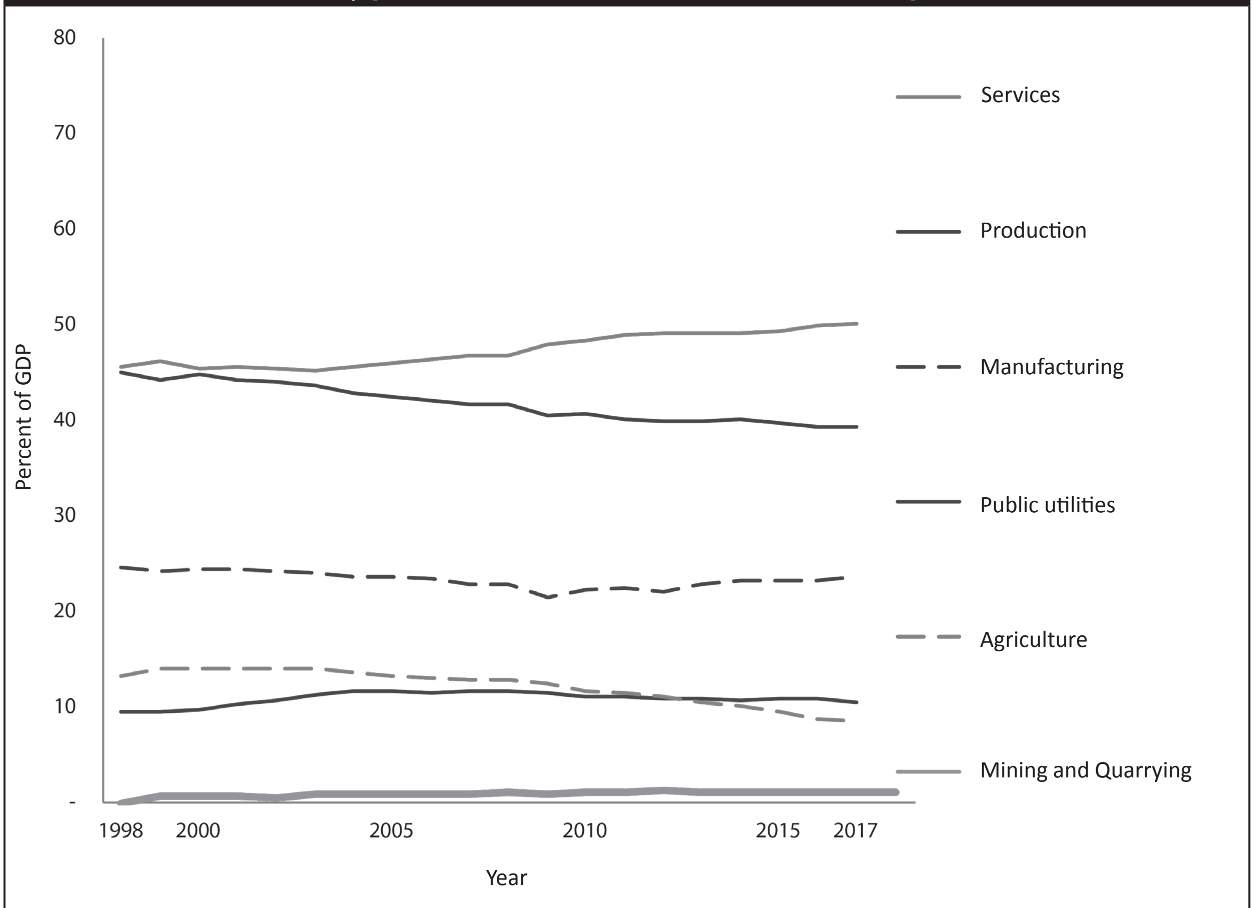
Cash remittances reached US$28 billion in 2017 and registered a slower growth of 4.3% than the 5% growth recorded in 2016. The year 2017 is the fourth year in a row that cash remittances growth was slowing down; the year also records the second lowest growth rate since 2009. It remains to be seen in 2018 if the Duterte government's handling of foreign affairs would worsen the slowdown. OFW remittances through banks crashed by 9.8% in March 2018 due to the repatriation of Filipino workers from the Middle East. But more than the Duterte government's lack of diplomacy, the global crisis is the apparent reason for OFW remittances' slowing growth. About 28% of the 22.7 million Filipino families rely on cash remittances from abroad for their household expenses.

On the other hand, investment pledges in the country's export zones where BPOs are also registered plunged by 58.6% in the first four months of 2018 to Php39.1 billion from Php94.4 billion a year ago. Investments in information technology (IT) services registered under the Philippine Economic Zone Authority (PEZA) where the bulk is located dropped by 52.1%, from Php3.9 billion in the first quarter of 2017 to Php1.9 billion in same period this year. The year 2017 closed with only 8.9% growth in total PEZA investment approvals, where total investments in IT services of Php14.5 billion was the lowest in PEZA's history. The government's 'star industry performer' is obviously winding down.

The Information Technology and Business Process Association of the Philippines (IBPAP) is more straightforward – it projects a much slower BPO industry growth of 9% until 2022. The BPO industry growth was 45% in 2006, down to only 19% in 2014, and further to an annual average of 17% for the past six years. The IBPAP estimates about 1.12 million BPO workers; they are currently feeling the worst part of the slowdown through so-called extended unpaid leaves or outright downsizing. Industry players attribute the slowdown to political and security uncertainties under the Duterte administration. But then again the increasing competition and innovation in the global BPO industry negatively impacts on the Philippines

Chart 4

Gross Domestic Product by production, 1998-2017 (at constant 2000 prices; in %)



Source: Philippine Statistics Authority National Accounts of the Philippines

since it is a mere service provider, or "captive" in BPO parlance.

New manufacturing investments in PEZA also declined by 46.4% from Php90.2 billion in 2016 down to Php48.4 billion in 2017, which was the worst performance that PEZA had in history. PEZA notes that before 2017 manufacturing in the zone accounted for 80-85% of total investment commitments but the sector comprised a little more than 20% in 2017. Exports almost came to a halt in the national accounts from 21.3% growth in the first quarter of 2017 to only 2.3% in the same period this year. It actually plunged by 8.6% in the trade accounts.

Exporters and foreign investors are reportedly uncertain if they would still continue to enjoy zero-rated VAT for their local transactions, which Pres. Duterte vetoed in the TRAIN Law. The economic managers are saying that this uncertainty should be temporary as the President is simply looking for a better refund system. In reality, the Duterte government is fully aware of the need to stabilize its shaky sources of growth, recover investor confidence, and to this end, remove all hindrances to foreign investment. It has banked on the come-on of the infrastructure offensive and the pro-corporate and pro-rich orientation of the tax reform to complete neoliberalism.

BUILD, BUILD, BUILD FOR NEOLIBERALISM

BBB and TRAIN are the main face of the Duterte administration's neoliberal offensive. Economic managers have branded the administration's package of economic policies "Dutertenomics", the continuation and enhancement of neoliberalism culled from the vision paper AmBisyon 2040 to which the Philippine Development Plan (PDP) 2017-2022 is anchored. BBB and TRAIN are important for Dutertenomics, for they shall keep the growth momentum and facilitate the completion of neoliberal policies.

Fast and furious

BBB projects are estimated to total Php8.4 trillion in the entire duration of Pres. Duterte's six years. In April 2017, the government rolled out 61 projects worth Php1.5 trillion in investments under its BBB publicity. These projects are under three agencies, namely Department of Public Works and Highways (DPWH), Department of Transportation (DOTr), and Bases Conversion Development Authority (BCDA). On the other hand, the NEDA Board Committee on Infrastructure which the President chairs has identified 75 flagship projects – 69 of which have determined cost of Php1.5 trillion. Only 22 of the flagship projects are mentioned in the BBB list of the three agencies, which shows the lack of coherent planning and individual uncoordinated efforts of the agencies involved. Not counting overlaps, there are 114 projects so far with total cost of Php2.65 trillion. Only 10 big-ticket projects already account for 42% of the total cost. **(See Table 8)**

Like other administrations, the Duterte administration centers on building infrastructure as the main showcase of governance. What sets BBB apart, however, is the enormity of it and the speed at which the Duterte administration hopes to achieve it. Government aims to increase spending on infrastructure, from an average of only 2.3% of GDP under the Cory, Ramos, Arroyo, Estrada and Aquino administrations to 5.3% in 2017 and 7.4% in 2022. It would even be larger than the infrastructure spending under the dictatorial rule of Ferdinand Marcos that was at 3.5% of GDP.

Table 8

Cost of the ten big ticket infrastructure projects (in Php billion)

Project name	Cost
Mega Manila Subway Project	356
Philippine National Railway North 2	211
Philippine National Railway Long Haul	151
Philippine National Railway South Commuter Line	134
Light Rail Transit 1 South	65
Subic-Clark Railway	50
New Clark City	44
Davao Airport	41
Cavite Laguna Expressway	36
Iloilo Airport	30
Other big ticket infrastructure projects (in Php billion)	
Iloilo Airport	30
Tarlac-Pangasinan-La Union Expressway	24
NLEX-SLEX Connector Road	23
NAIA Expressway Highway 2	20
Bacolod Airport	20
Davao City Bypass	19
Mactan Cebu International Airport	18
Metro Cebu Expressway	18
Central Luzon Link Expressway	15
Laguindingan Airport	15
Clark International Airport Expansion	13
New Communications Navigation Surveillance (CNS)	11
Tide Embankment Project	8

Source: National Economic and Development Authority

In 2017, the Duterte government exceeded its target by spending 6.1% of GDP. It also reduced the rate of underspending, or the variance of actual disbursements from programmed expenses, from 14% in 2014 to only 2.4% in 2017.

Government's infrastructure disbursements increased by 26% from Php46.2 billion in May 2017 to Php58.1 billion in May 2018, and grew by 42% in the first five months of 2018. If such rate would be kept, disbursements could outpace the 15% growth from full-year of 2016 (Php493 billion) to full-year of 2017 (Php569 billion). Infrastructure comprises an average of 20% of national government disbursements under the Duterte administration, much higher than the Aquino administration's annual average of 14 percent. **(See Table 9)**

To accelerate BBB, the Duterte government's preferred mode is 'hybrid PPP'. The Aquino administration maximized the regular public-private partnership (PPP) scheme for government projects, where the private sector would build with government counterpart, operate and maintain the infrastructure to profit from it, and transfer it to the government after a fixed period. The Duterte administration pursues the 'hybrid PPP' scheme where it will finance the construction of the infrastructure while the private sector will operate, maintain and profit from it. In order to do this, the Duterte administration will borrow ODA loans and implement the TRAIN.

The Duterte administration has also increased the awarding of 'unsolicited PPP' – projects that are proposed by the private corporations and are not necessarily in the investment menu of the government. Pres. Duterte himself has expressed his preference for the 'Swiss challenge' for government projects instead of public bidding. The Swiss challenge allows a private entity to submit unsolicited project proposals, which third parties can later match or surpass.

The Duterte government has clearly escalated the pace of infrastructure development, but at the expense of transparency while allowing the private corporations to serve their profit interests.

Attracting foreign investment as bottom line

The basic question in infrastructure or in any government project is what the project is for, or for whose benefit it will be. Government has already vigorously argued for TRAIN to fund BBB by justifying that infrastructure development would alleviate poverty. But its aggressive campaign runs short of the rationale that the grand infrastructure projects are what the people really need and that they would reduce poverty incidence in the long run. The minimum requirement of a scientific cost-benefit analysis of the projects is also wanting.

The Duterte government will build mega railways, highways and airports, while the country badly needs irrigation facilities, farm-to-market roads, storage and processing facilities for agricultural products, hospitals, schools, and safe, accessible, affordable mass transport system, among others. The country needs infrastructure for genuine national development. An overwhelming 67% of the cost of the target projects is also concentrated in the centers of commerce – NCR, Central Luzon, and Southern Tagalog – while the relatively poor regions get scant funds. **(See Chart 5)** Meanwhile, apart from encouraging unsolicited proposals where government allows private corporations to propose and cost a project, the government is also turning over its function of coming up with project feasibility studies to the private sector. In short, the Duterte government is not planning comprehensively for people's needs and for national development.

Table 9

National Government disbursement performance, May 2017-2018 and January-May 2017-2018 (in Php billion)

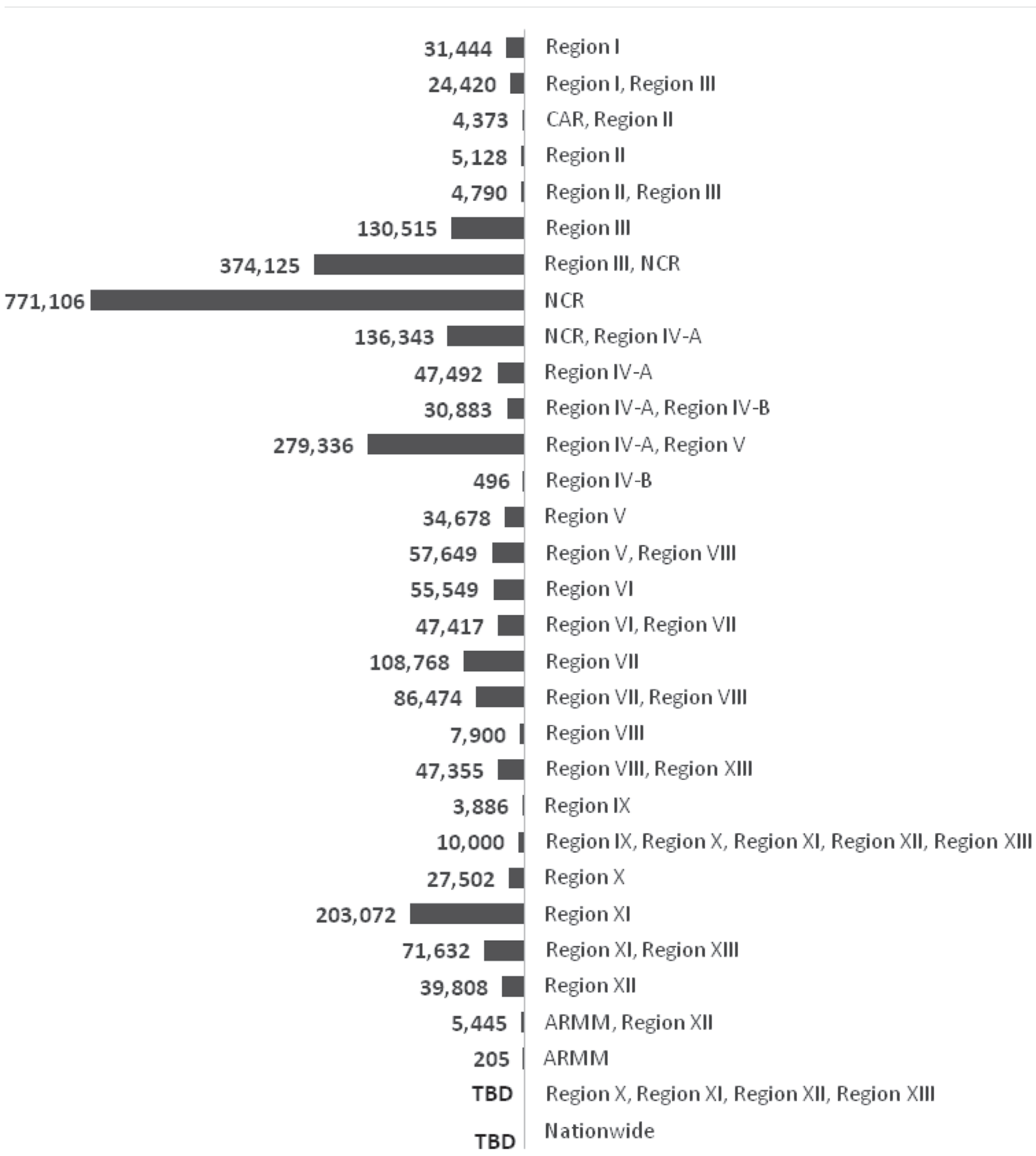
Particulars	May		Jan-May	
	2017	2018	2017	2018
Current operating expenditures	200.6	220.5	807.4	960.5
Personnel services	89.7	107.3	316.2	385.7
Maintenance and other operating expenses	52.0	52.2	166.4	196.6
Subsidy	4.1	3.8	25.9	53.0
Allotment to LGUs	32.5	35.6	162.4	176.3
Interest payments	21.0	21.1	132.3	141.4
Tax expenditure fund	1.4	0.6	4.3	7.5
Capital outlays	60.9	69.9	254.1	363.4
Infrastucture/Other capital outlays	46.2	58.1	197.2	280.8
Equity	0.0	-	0.1	2.0
Capital transfers to LGUs	14.6	11.8	56.8	80.6
Net lending	0.0	1.4	(1.5)	1.2
Total	**261.7**	**291.9**	**1,060.1**	**1,325.1**

Source: Department of Budget and Management

The real point of BBB for the Duterte government is to aggressively open up infrastructure development to foreign and private business and benefit immensely infrastructure transnational corporations (TNCs) and the country's economic oligarchs. This also affords vast bureaucrat capital for the commissioning public officials. Secondly, BBB can finally present the country favorable for foreign investment. Multilateral development institutions have constantly prodded the Philippine government to improve the country's infrastructure as it is the worst among ASEAN and

Chart 5

Cost of target infrastructure projects among the regions (in Php million)



Source: Build, Build, Build website and National Economic and Development Authority government spending for infrastructure also lags behind. Improving this can tremendously increase investment, according to the economic managers echoing multilateral development institutions.

The Duterte government has overemphasized the country's transportation problems to focus on transportation infrastructure. Of the 75 flagship projects, for instance, 52 are transportation-related and 22 of these are in Metro Manila. Of the 10 big-ticket projects, 9 are transportation-related. There is nothing wrong with transportation infrastructure – the country has long been denied of a decent mass transport system. But BBB's overemphasis on it only manifests the real purpose of the infrastructure program. It is explicit in the PDP 2017-2022 and AmBisyon 2040 that government's priority is to make the cost of moving people, goods and services competitive, and this is in line with the main strategy of the plan which is to attract foreign investment.

Government's borrowing binge

These are huge projects that will require government's financial endurance, which leaves a lot to the imagination since government is coming from deficit spending while the government or the economy does not have the manufacturing capacity to produce the materials and capital equipment requirements for building. But the Duterte government is relying mainly on borrowing and raising taxes while allowing foreign investors and domestic oligarchs to make a killing.

Of the 75 flagship projects, 48 shall be funded by ODA – 35 from China, 8 from Japan, 2 from Korea, 1 from the World Bank, and 2 yet to be known; 14 from the General Appropriations Act (GAA) otherwise called the national budget; 2 PPP; and 11 yet to be determined (TBD). The BBB publicity website does not identify the country partners, but of the 61 projects, 25 will be sourced from the GAA; 19 from ODA; 11 PPP; 1 locally funded; and 5 TBD. Not counting overlaps, this means that 49% of the total number of projects shall be funded by debt and 30% shall be funded from the national budget. In terms of amount, ODA covers Php1.9 trillion or an overwhelming 72% of the Php2.7 trillion worth of identified projects. In terms of country source, China holds Php738 billion worth of flagship projects equivalent to 48% of the total amount. **(See Chart 6 and 7)**

ODA loans and grants had a steep increase of 412% in 2016 to US$15.6 billion, with infrastructure registering the highest amount as well as the highest increase of 1,268% from US$540 million to a massive US$7.38 billion. Among the donors, the government of Japan through the Japan International Cooperation Agency (JICA) continued to dominate overall ODA to the Philippines and accounted for 36% of total ODA in 2016. Total ODA declined by 5.6% to US$14.7 billion in 2017, including for infrastructure, but the sector remained to account for 45% of the total. **(See Table 10)**

Pres. Duterte recently declared that the "economy is in the doldrums" but only looking at the infrastructure delays especially in the regions. The pace of project execution is apparently not what government has envisioned. By the first half of 2018, only 7 of the 75 flagship projects are under construction, while 24 are under pre-feasibility study, 13 for financing, 23 for procurement, and 8 for review. By the first half of 2018, of the top five projects in terms of determined amount, only the Mega Manila Subway worth Php356.96 billion

Table 10

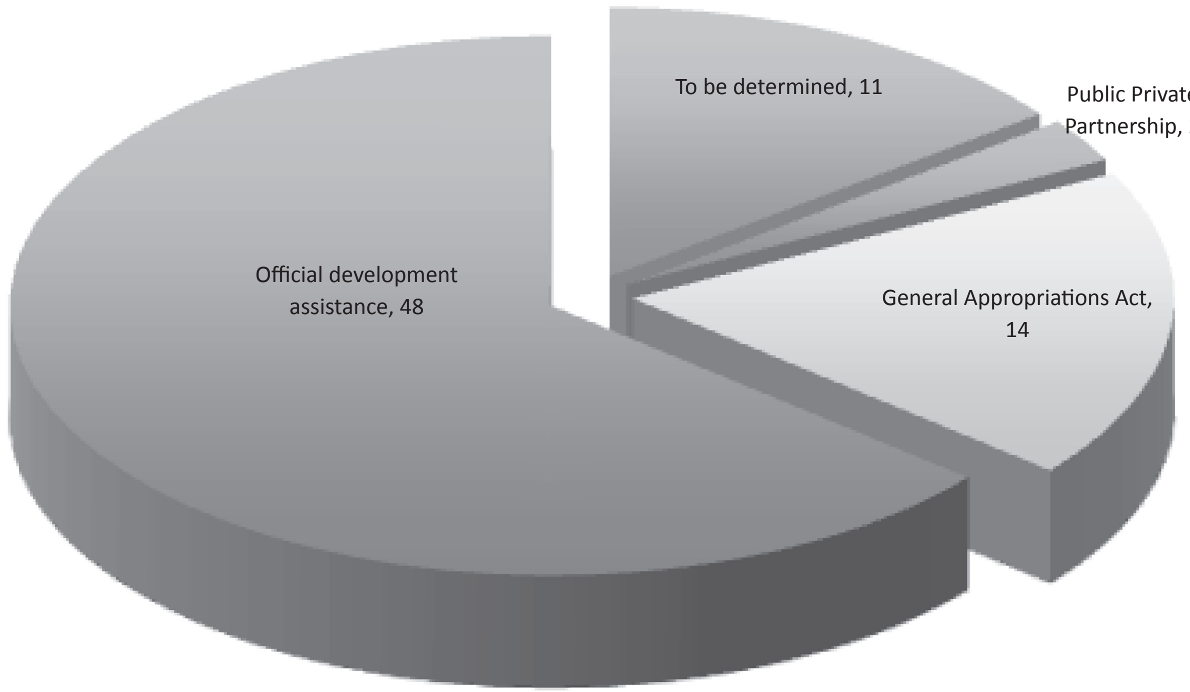
Total ODA distribution by sector, 2013-2017 (in US$ million)

Sector	2013	2014	2015	2016	2017
Infrastructure	382	4,320	540	7,385	6,623
Social Reform and Community Development	1,537	2,680	1,139	3,941	3,843
Agriculture Agrarian Reform and Natural Resources	377	1,620	549	2,071	2,082
Governance and Institutions Development	598	2,460	682	1,953	1,977
Industry, Trade and Tourism	69	90	137	245	191
Total	**2,963**	**11,170**	**3,047**	**15,595**	**14,716**

Source: *National Economic and Development Authority*

Chart 6

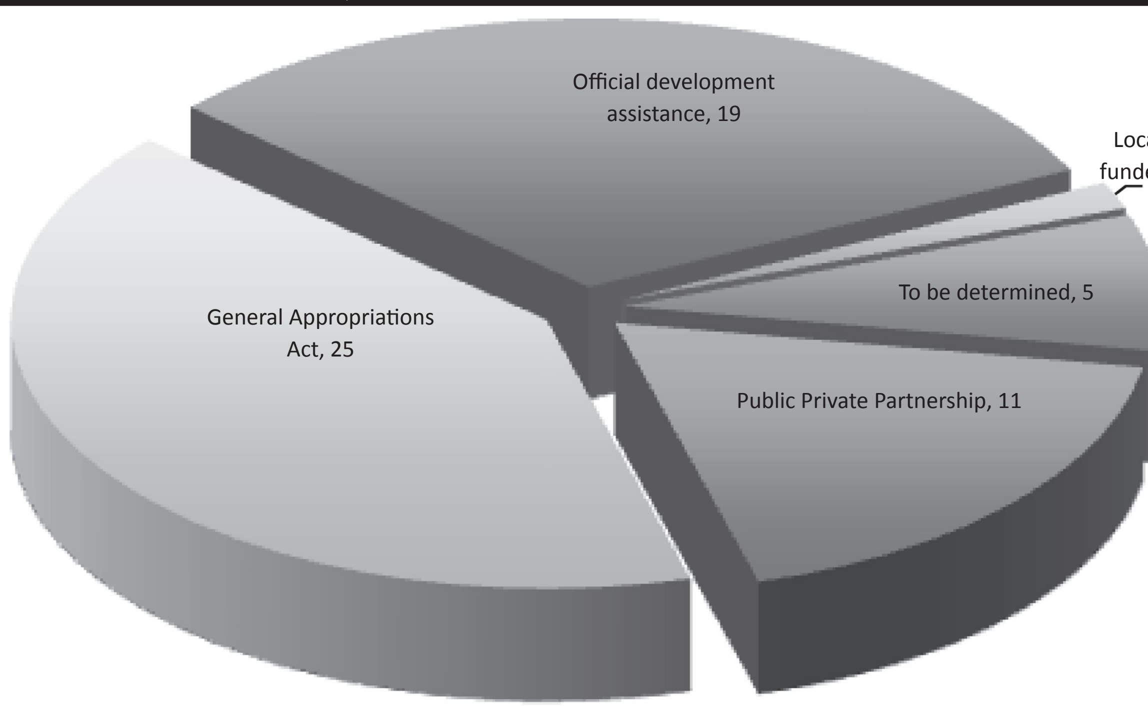
75 flagship infrastructure projects by funding source



Source: National Economic and Development Authority

Chart 7

Build, Build, Build Projects by funding source



Source: Build, Build, Build Website

(Japan) has its loan agreement signed, while the others are apparently stalling. On the other hand, the government forecasts that only the Philippine National Rail Way (PNR) South Commuter (Japan) and PNR South Long Haul (China) worth Php299.4 billion would be completed by 2022. Not even the Mega Manila Subway shall be finished by then.

But the absorptive capacity of the economy for loans for such a grand infrastructure program should be the cause for concern. BBB is only on its second year but the economy is already showing signs of 'overheating' only because of its fundamental lack of productive strength. An alarming trend is the country's mounting debt burden. National government (NG) outstanding debt increased from Php5.9 trillion in June 2016 when Pres. Duterte took office to Php6.8 trillion as of May 2018. Foreign debt stands at US$73.2 billion as of March 2018, 48% of it is public debt. NG outstanding debt is equivalent to 48% of the first quarter 2018 GDP and external public debt is equivalent to 44% of gross international reserves.

The government is planning further to increase gross borrowings in 2019 to an unprecedented level of Php1.19 trillion. This will comprise Php297.2 billion in external borrowings and Php891.7 billion in domestic borrowings. This is in line with a projected bigger budget deficit of 3.2% and the government has to increase its borrowings to sustain the progress of BBB.

But the administration's economic managers allay fears of worst debt scenarios as government is allegedly borrowing low-interest loans and by citing the rate of economic expansion. It remains to be seen, however, if such rate would really outpace the rise in borrowing, considering other indicators in the national and external accounts already cited as well as the weakening consumption capacity of households. In reality, the economic managers need not point to the economic growth. By having implemented Package 1 of TRAIN alone, they have made sure that the government's borrowing binge would be covered by people's taxes.

The affair with China

It is noteworthy how China has risen over Japan to be the dominant ODA creditor for BBB not only in terms of amount but also in terms of the number and variety of projects. As already noted, China accounts for Php738 billion of the Php1.5 trillion flagship projects. Its portfolio includes the big-ticket PNR South Long Haul, Clark-Subic Railway, and North Luzon Expressway East Phases I and II, as well as link bridges of Cebu-Negros, Cebu-Bohol and Bohol-Leyte. China also holds the contracts for controversial dam irrigation projects such as the Kaliwa Dam and Chico River Pump Irrigation. **(See Table 11)**

The Duterte administration's preferred alliance with the Chinese government has raised major concerns about the country falling into a debt trap. Chinese ODA are commercial loans, unlike Japanese ODA which are concessional loans coming from the tradition of war repayments. China charges 2-3% interest while Japan offers 0.25-0.75% concessional rate. The Philippine government may also be forced to collateralize

Table 11

Chinese funded projects (in Php million)

Project name	Region	Cost
Philippine National Railway South Long Haul (Manila- Bicol)	Region IV-A, Region V	275,318
Subic-Clark Railway Project	Region III	50,031
North Luzon Expressway East, Phase I and II	Region III	44,610
Cebu - Negros Link Bridge (Nationwide Island Provinces Link Bridges)	Region VII, Region VIII	14,412
Cebu - Bohol Link Bridge (Nationwide Island Link Bridges)	Region VII	56,619
Bohol - Leyte Link Bridge (included in the Nationwide Island Provinces Link Bridges)	Region VII, Region VIII	72,061
New Centennial Water Source - Kaliwa Dam Project	National Capital Region, Region IV-A	12,200
Chico River Pump Irrigation Project	Cordillera Administrative Region, Region II	4,372

Source: National Economic and Development Authority state assets, as illustrated by the case of Sri Lanka which had been forced to relinquish its strategically located Port Hambantota on a 99-year lease to Chinese firms because it can no longer pay its debt.

China can also demand from its funded projects the exclusive use of Chinese contractors. This has raised major concern regarding the eligibility and unscrupulous business practices of some Chinese firms, which have been revealed to be in the debarment list of the World Bank. A case in point is the unsolicited proposal of the Chinese-led Bagong Marawi Consortium to develop 250 hectares of the most war-affected places in Marawi City. Apart from the consortium's failure to submit necessary documents, two of the Chinese companies in the consortium, China State Construction Engineering Corporation and China Geo Engineering Corporation, have been found out to be blacklisted by the World Bank in 2004 for their involvement in large-scale corruption and collusion with local officials in Philippine road projects. The consortium has been replaced by the Chinese government-owned Power Construction Corporation of China, whose senior officials on the other hand have been removed from their government positions due to their implication in graft and corruption.

Worries have also been raised regarding China's lack of environmental and labor standards, including its use of Chinese labor even in the borrowing countries. But a more strategic concern is China's 'debtbook diplomacy', which is to use lending to achieve its strategic goal in the region. China has been aggressively financing its Belt and Road Initiative (BRI), which aims to enhance connectivity between Asia, Europe, and Africa. BRI is composed of the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road (MSR). The start of BRI in 2013 saw a large number of bilateral deals signed between China and participating countries.

The Philippines is not an official participant in BRI, but Pres. Duterte had his third official visit to China in May and had attended the BRI Summit. The Duterte government appears to be particularly interested in the MSR as it offers vast infrastructure funding opportunities. The MSR deals with port network development that will connect Chinese ports to Europe and the southern Pacific Ocean, through contested territorial waters however. The Duterte government's alliance with China explains the Duterte government's softening on the country's territorial claims as well as subservience despite China's abuses in Philippine territory.

Filipino and Chinese investors have reportedly signed US$9 billion worth of business agreements after Pres. Duterte and his entourage's third roadshow to China in May 2018. The first and second trips in 2017 reportedly produced 27 deals worth US$24 billion and Pres. Duterte is probably so far the most frequent traveler to China among previous presidents. But little is known about these deals, much less about the corporations involved. The first trip to China was business-to-business, while the second one was government-to-government. The third one was allegedly government-to-business, which raises more concern since transactions and the corporations remain as sketchy as they are.

In the overall, the Duterte government seems to be garnering what it has meant to attract in the first place. Net foreign direct investment (FDI) increased by 24.3% in the first four months of 2018 from US$2.6 billion in the same period last year to US$3.2 billion. The annual level of FDI had almost doubled from only US$5.6 billion in 2015 to US$10 billion in 2017. It is notable how the level of Chinese investments has increased exponentially since Pres. Duterte took over. In the first four months of 2018, Chinese investments have even overtaken the US and Japan which have historically held the top positions.

Subsidizing TNC and oligarchs' profits

It is clear that foreign and domestic infrastructure, construction, real estate, utility corporations, among others, are the ones who reap the tremendous benefits from BBB. One of the conditionalities of ODA availment is the borrower country's agreement to use the creditor country's technology and to contract with its TNCs. This is true for all creditor countries, including Japan. With regular PPP on the other hand, domestic oligarchs capture project contracts through their monopoly of real estate and construction industries and public utilities. At the end of the project cycle, because the Duterte government is utilizing the hybrid PPP scheme, whether the project has been funded through ODA, PPP or the national budget, both infrastructure and utility

TNCs and the domestic oligarchs will again benefit from operations and maintenance contracts. Upon the people's utilization of the built facility, the people will have to pay user-fees to the private contracting corporation. In short, the government is subsidizing private profits with public funds.

The awarded PPP contracts worth Php323.1 billion went to the Ayala, Cojuangco-Ang (San Miguel Corporation or SMC), Manny V. Pangilinan (MVP), and Megawide Corporation (Saavedra-Cosiquien) groups. SMC accounts for Php142.5 billion or 44% of the total cost of ongoing and completed PPP projects as of April 2018. The Ayala and MVP tandem corners 21% on top of MVP's solo projects comprising 18% of total cost of PPP projects. The fast rising construction corporation, Megawide Corporation, has already captured 14%, and is aggressively cornering more. **(See Table 12)**

Another 9 PPPs have been approved for bidding, 7 have total indicative cost of Ph115.3 billion, while 2 are yet to be determined. **(See Table 13)** SMC captures 28% of the indicated amount and has one unsolicited proposal, the Bulacan International Airport Project with undetermined cost. The Ayala group, Megawide-Walter Mart, and Metro Pacific Investments Corporation (MPIC) of MVP cornered 6% of the indicated amount. Meanwhile, the International Container Terminal Services Inc. (ICTSI) led by Enrique Razon is set to launch the Php30-billion Cavite Barge in the second half of 2018.

Seven conglomerates are bidding for the operations and maintenance of the Clark International Airport. These are: Megawide Corporation with its Indian partner GMR Infrastructure, Filinvest of Andrew Gotianun, MPIC, SMC, Prime Asset Ventures Incorporated (PAVI) of the Villar family, Central Luzon Infrastructure Consultancy incorporated consortium, and GVK Airport Developers Limited.

The 9,450-hectare New Clark City on the other hand is a multi-investor complex. The BCDA has entered into an agreement with China Development Bank to be government's financial analyst and to study the requirements of BCDA's major infrastructure projects. Also involved is Japan Overseas Infrastructure Investment Corporation for transport and urban development, and Surbana Jurong of Singapore for city development. Malaysia's MTD Capital Bhd. will develop the government center within New Clark City.

There are three huge unsolicited PPP under BBB, which obviously serve the interests of the project proponents. **(See Table 14)** The economic oligarchs have taken advantage of this enhancement of PPP not only to profit from construction but also to propose projects that would directly benefit their other businesses. A case in point was the unsolicited proposal of SM of Henry Sy and the Ayala Corporation to build a Php25-billion elevated expressway that would link their malls and business districts from Manila to Pasay and Makati cities.

By unsolicited PPP alone, it is clear that the Duterte administration does not have control over its infrastructure program, whether or not it would be appropriate to people's needs or whether or not it would benefit the economy. In general, the neoliberal policy in addition to privatized infrastructure is for government to serve as the facilitator and broker of infrastructure TNCs and oligarchs. Its main function is to lift its regulatory mechanisms deemed restrictive by foreign and private investors and lenders and guarantee them against profit losses.

Worsening lack of transparency

By its nature, a private sector-led infrastructure development compromises transparency. Pres. Duterte's first executive order on freedom of information is useless under privatization. Corporates have invoked their 'right' to withhold technology, design, costing and market information to protect their 'competitiveness'. Even feasibility studies are hidden from public view, while some project proponents are given approval even without feasibility studies.

One example is the most expensive Mega Manila Subway Project that was approved by NEDA in September 2017, but JICA submitted its preliminary feasibility study just recently. There are concerns regarding the project's structural integrity and return on cost, which were not addressed prior to project approval.

Apart from economic soundness, which people have the right to know, feasibility studies are also important for people to know if the project would inflict damage on the environment or

Table 12

PPP projects and their proponents					
Project name	**Cost (in Php billion)**	**PPP structure**	**Proponent**	**Status**	**Oligarch**
Daang Hari-Southern Luzon Expressway (SLEX) Link Road Project	2.2	BOT	Ayala Corporation	Completed	Ayala
PPP for School Infrastructure Project Phase 1	9.9	BLT	Citicore–Megawide Consortium Inc. and Bright Future Educational Facilities Inc.	Completed	Megawide
Automatic Fare Collection System	1.7	BOT	Ayala Corporation and Metro Pacific Investments Corporation	Completed	Ayala-Pangilinan
PPP for School Infrastructure Project Phase II	3.9	BLT	Megawide Construction Corporation	Under construction	Megawide
Metro Manila Skyway Stage 3 Project	37.4	No data available	Citra Central Expressway Corporation (CCEC) & SMC	Under construction	Citra Central & SMC
Metro Rail Transit Line 7 Project	62.7	BGTOM	SMC	Under construction	Eduardo Cojuangco and Ramon Ang
Bulacan Bulk Water Supply Project	24.4	BOT	SMC-Korea Water Consortium	Under construction	Pangilinan-Korea Water
Civil Registry System Information Technology Project (Phase II)	1.6	No data available	Unisys Public Sector Services Corp	Under construction	No data available
Light Rail Transit Line 1 South	64.9	BOT	Light Rail Manila Corporation (consortium of Ayala Corporation, Metro Pacific Light Rail Corporation and Macquarie Infrastructure Holdings)	Pre-construction	Ayala-Pangilinan
Cavite-Laguna Expressway	35.4	BOT	MPCALA Holdings , Incorporated	Under construction	Pangilinan
Northern Luzon Expressway-SLEX Connector Road (Unsolicited)	23.2	BOT	Metro Pacific Tollways Devt Corp. (MPIC)	Pre-construction	Pangilinan
Mactan-Cebu International Airport	17.5	BOT	Grandhi Mallikarjuna Rao (GMR) Infrastructure and Megawide Consortium	Completed	Megawide
Clark International Airport	12.6	BT	Grandhi Mallikarjuna Rao (GMR) Infrastructure and Megawide Consortium	Pre-construction	Megawide
South Integrated Transport System Project	5.2	BOT	AyalaLand Inc.	Under construction	Ayala
Southwest Integrated Transport System	2.5	BOT	Megawide Construction Corp. (MCC) & Waltermart	Under construction	Edgar Saavedra
Ninoy Aquino International Airport Expressway Highway	17.9	BOT	SMC	Under construction	Eduardo Cojuangco and Ramon Ang

BGTOM - Build-Gradual Transfer-Operate and Maintain
BLT - Build-Lease-and Transfer
BOT - Built-Operate-and-Transfer
BT - Build-and-Transfer
SMC- San Miguel Corporation
Source: Public-Private Partnership Center

Table 13

Approved PPP projects for bidding		
Project Name	**Cost (in Php)**	**Private Proponent**
New Manila International Airport (Bulacan International Airport Project)	To be determined	San Miguel Corporation
Clark International Airport Operations and Maintenance Project	To be determined	To be determined
Road Transport IT Ifrastructure Project (Phase II)	.298 billion	To be determined
Cavite Barge	30 billion	International Container Terminal Services, Inc.
Tarlac-Pangasinan-La Union Expressway	24.4 billion	San Miguel Corporation
Taguig Integrated Terminal	4 billion	Ayala Land Inc.
Paranaque Intergrated Terminal	3.2 billion	Megawide Construction Corp.
New Clark City	44.4 billion	MTD Capital Berhad
Northern Luzon Expressway Harbor Link Segment 10	9 billion	San Miguel Corporation

Source: Public-Private Partnership Center

Table 14

Unsolicited proposals from the Build, Build, Build and 75 flagship infrastructure projects

Project name	Cost (in Php billion)	PPP structure	Proponent	Status	Oligarch
Northern Luzon Expressway-Southern Luzon Expressway Connector Road	23.2	Build-Operate-and-Transfer	Manila North Tollways Corporation	Pre-construction	Manuel Pangilinan
Cavite Barge Gateway Terminal	30.0	Build-Operate-and-Transfer	International Container Terminal Services, Inc.	Under construction	Enrique Razon
Metro Rail Transit Line 7 Project	62.7	Build-Gradual Transfer-Operate and Maintain (BGTOM)	San Miguel Corporation	Under construction	Eduardo Cojuangco and Ramon Ang

Source: Build, Build, Build website and National Economic and Development Authority

entail their own displacement. The Mega Manila Subway Project for instance will displace 6,996 households. There are other identified projects with projected number of displacement, but even these may be conservative estimates. Also, not all approved projects have applied for environmental compliance certificates, or even if they have, the government has approved without thinking. One example is the Php7-billion Leyte Tide Embankment Project, which clears 100 hectares of mangroves and only adds to the community’s vulnerability to storm surges.

Compromised transparency in the process of project approval and procurement has given commissioning public officials the vast opportunities to make a killing. Government’s accelerated process has increased corruption chances and the risks of having ill-conceived projects as well as inefficient corporations. In the end, people are not really aware if projects are actually more expensive than they have to be. Loan agreements and contracts are likewise confidential, including how much government has set aside as guarantees, and people will only be fully aware in the end when they get to pay user-fees and higher taxes.

Who is paying hard?

Dutertenomics has escalated people's hardship, not only as they pay regressive taxes for pro-foreign and pro-oligarchs BBB but also as they suffer the impact of neoliberal policies through contractualized and irregular jobs, cheap wages, diminished social services, and physical displacement. Violations of the rights of the working people have also escalated.

The economic managers have always plugged the job-generating potential of infrastructure projects as the direct benefit for the people. Citing International Labour Organisation (ILO) projections, the government estimates that for every US$1 billion spent on infrastructure, 200,000 direct jobs are created per year. For BBB, which the government estimates to cost about UU$165 billion (using current exchange rates) for the next six years would mean a total of 33 million jobs, enough to employ the entire Philippine labor force.

But the problem with counting construction jobs is the tendency to overestimate since different works or work contracts are counted as "jobs" but they do not necessarily refer to number of persons who can get employed. The BBB website for instance posts 14,471 jobs available for 2018, but the figure does not tally with the project's individual jobs cards. In any case, the point is the Filipino workers need long-term, stable and regular jobs that pay decent wages. But the infrastructure offensive, what with the promotion of construction jobs, is creating the condition for the acceptability and perpetuation of seasonal and irregular jobs that pay meager wages.

The government, apart from stubbornly rejecting calls to legislate a national minimum wage, has also gone around the issue of ending contractualization. Pres. Duterte made a campaign promise to end the prevailing practice of "endo" or "end of contract" among the country's employers. On Labor Day 2018, he signed EO No. 51 which is no different from the already existing DOLE Order No. 174 of 2017, which simply prohibits contractualization by third-party agencies. Both orders enjoin third-parties to regularize their employees if what they are performing are duties directly related to the main business of the principal. But both orders turn a blind eye to the principal's own practice of contractualizing its direct employees. Pres. Duterte with all his circumlocution has practically legalized contractualization.

Organized labor has launched a campaign of mass filing of requests for the DOLE to inspect establishments on its own DOLE Order No. 174. The DOLE was forced to come up with a list of companies that violate its order, which has revealed that the number one fastfood chain Jollibee Foods Corporation has more than 29,000 contractuals. But the list conspicuously did not mention Henry Sy who is tagged "contractual king" by the organized workers.

There is heightening unrest in the labor front as the combination of contractualization and wage depression takes toll. The issue of tenure alone has spurred numerous local struggles around the country, which are typically met with police harassment and violence.

TRAIN has visibly contributed to the rumbling social volcano demanding an end to neoliberalism's continued onslaught. Calls to repeal the law in light of worsening poverty conditions have fallen on the Duterte government's unsympathetic ears. Ironically still, the economic managers are working fast to pass Package 2 of TRAIN, which seeks to cut corporate income tax (CIT) rates from 30% to 25% and rationalize fiscal incentives given by the 14 investment promotion agencies. It continues to be favorable to foreign investors and domestic oligarchs and is anticipated to impact on the MSMEs this time and add burden on the working people.

Ironies have also become stark, as government justifies TRAIN as for BBB without pretensions while social services are dwindling. 'Free education' is precarious and can only go as far as government budget allows, while healthcare remains insurance-driven. Pres. Duterte is turning out to be the only president who has not undertaken even a token socialized housing project, and instead has taken to verbally abuse the urban poor.

BBB and the resultant encroachment of farms and financial speculation on land are hurting farmers more. They are already striving to own the land they are tilling as they are and paying for higher production costs due to TRAIN. BBB will worsen landlessness and their lack of production and market control. Together with the fisherfolk, peasants are losing irrecoverable jobs and livelihoods every year.

Communities will be demolished, displaced and barred from infrastructure project sites. Consumers will be paying more for infrastructure facilities, while the general population will pay more taxes because of the accumulated debt. Meanwhile, the government will surrender more for neoliberalism, for foreign capital and the local economic elite.

The Duterte government is bound to implement harsher neoliberal policies. It will ease restrictions on foreign investment, forge bilateral free trade agreements, and offer the country's natural and human resources for exploitation. The Duterte government aims to achieve what past administrations had started to do – to fully liberalize the economy to foreign control by overhauling the Philippine Constitution. The proposals are tremendous and if passed will abrogate social and economic rights, social justice, and sovereignty.

What should emerge prominently in the public discourse is the inescapable need for social and economic reforms. Central to this is the aim of having a firm national industrialization policy, which is key to reversing the economic decline caused by decades of government's adherence to neoliberalism. The articulation of people economics – economic management and planning that is founded on people's rights assertion – can be a productive undertaking even beyond 2018.

KEEPING POWER

Entering his third year in office, Pres. Duterte appears all set to put into play his bid to strengthen and centralize powers around himself under the guise of charter change for his flagship federalism project. The timing is critical. As with past presidents, Pres. Duterte's popularity and political capital is diminishing as his term progresses – perhaps even more rapidly than others for the host of controversies around him, of which many are directly his own doing. The range of forces opposed to him are meanwhile steadily gaining ground.

Conditions for the mode of Constitutional authoritarianism will only become more unfavorable with time hence the urgency to work around the mid-term elections in 2019. Failing to achieve this now will leave the president with more imperfect modes such as nationwide martial law or a state of national emergency that will still need plausible pretexts, incur more intense protests and reaction, and so will likely be less stable or sustainable.

However, the very effort to force charter change against logic, despite lack of public support, and amid strengthening opposition may at worst trigger a spiral of political and economic turmoil.

Beast mode

The Duterte administration's actions have from the start been geared towards expanding the powers of the presidency, in practice if not by law, and extending its hold on political power. An almost fanatical core of supporters was cultivated and enlarged among the public on the strength of a novel authenticity unique among Filipino politicians. The powers of the presidency allowed a political machinery to be cobbled together and attracted the acquiescence of business elites; any openly resisting were subjected to the weaponized use government authority and resources.

Key institutions of liberal democracy were undermined or intimidated. In May 2018, allies of the president finally ousted the chief justice of the Supreme Court through a quo warranto petition to pre-empt an impeachment trial that was looking difficult to win. Previously the president had directly and publicly threatened the Ombudsman and Commission on Human Rights (CHR). Critical media outfits were threatened then sought to be neutralized with buy-outs or by impeding their operations through regulatory means.

Corruption also continues as among the means for rewarding allies and wielding the bureaucracy. Consistent with his posture of not tolerating corruption by anyone, the president has fired some 21 officials so far and accepted the resignation of seven others for corruption scandals involving millions of pesos in bribery or questionable deals with some involving drugs. However none has been punished for any wrongdoing and at least seven are even reported to have returned to new government positions. This includes customs head Nicanor Faeldon who was implicated in a Php6.4 billion shabu smuggling scandal that also involved the president's eldest son, former Davao City Vice-mayor Paolo Duterte.

As it is, the presidency is far from insulated. Pres. Duterte's close political allies include the country's highest-level plunderers: the Marcoses and former presidents Estrada and Arroyo. Questions have also already been raised around the president's unprecedented confidential and intelligence funds reportedly reaching Php2.5 billion in 2017 alone or nearly as much as the Php2.98 over the entire term of the previous Aquino administration.

The bedrock of Pres, Duterte's authoritarianism is however the military and police and their arbitrary use of brute force with impunity. The so-called war on drugs remains the administration's showcase of the use of violence with the Philippine National Police (PNP) acknowledging the killing of 4,279 "drug personalities" as of May 2018, although human rights groups estimate the actual death toll to be anywhere from 12,000 to as much as 20,000 so far, overwhelmingly from among the poor. Upper estimates include homicide cases that the PNP at most says may be "drug-related" and require further investigation. This year also saw an oppressive anti-tambay (or loiterer) drive with over 20,000 citizens arrested on flimsy grounds, with many suffering extortion and physical violence at the hands of police.

State violence is also wielded against activists in urban poor and especially rural communities, and conspicuously against more religious leaders. Human rights group Karapatan has documented 163 victims of political extrajudicial killings aside from 351 frustrated attempts from the start of the Duterte administration in July 2016 until June 2018. There have also been 351 cases of illegal arrest with detention and 1,599 others without detention; the number of political prisoners has continued to rise to 503 across the country. Nearly half a million Filipinos (432,380) were forced to evacuate their homes by military operations. There have been 6,782 victims of indiscriminate firing and 356,964 of aerial bombings.

The administration raising its level of militarism even further in the start of 2018 so this situation threatens to become even worse in the coming period. Pres. Duterte interrupted the peace talks with the National Democratic Front of the Philippines (NDFP) just days before the scheduled resumption of its fifth formal round in Oslo in June. The pretext is to further study the relevant documents and conduct wider consultations but subsequent events tend to indicate that the Armed Forces of the Philippines (AFP) intent to militarily defeat the New People's Army (NPA) by the end of 2018 is the main reason. The interim peace agreement and ceasefires around and after the resumption were, it seems, not consistent with this intent.

The government peace panel is still adopting the posture that the peace talks with the NDFP are merely postponed for around three months. For its part and despite numerous fits and starts in the process, the NDFP still expresses openness to negotiate as long as negotiation is according to long-standing signed agreements guiding the talks. This position for instance precludes conducting the talks in the Philippines as proposed by the president. With the talks in limbo, so too are potentially significant agreements on social and economic reforms and on political and constitutional reforms.

The Duterte administration has clearly established its pattern of using coercive force against all civilian and military challenges to its rule. Consistent with this and to expand its legal arsenal, amendments to the anti-terrorist Human Security Act (HSA) are proposed and being deliberated in Congress. The HSA was passed in 2007 although the strong opposition from activists and human rights advocates was able to put in a few safeguards. These safeguards are now under threat of being diluted or removed, which paves the way for far greater abuses of state authority against its perceived enemies.

Among others, the amendments aim to give a vague and overbroad definition of acts of terrorism which could be used to cover a wide range of legitimate protest activities. State authorities are also given excessive license to arbitrarily tag individuals as terrorists and deny them basic rights. Karapatan has assailed the proposals for violating the "right to due process, right to privacy, against unlimited detention of suspects, rights to free speech and expression, right to peaceably assemble and petition the government for redress of grievances, right to freedom of association, the right of human rights defenders to promote and protect human rights and fundamental freedoms, right to mobility, [and] against torture, unjust and cruel punishments".

Change for the worse

Charter change is playing out as the culmination of the president's seizure of sweeping powers. There are at the moment more or less four versions of a proposed Constitution of the Federal Republic of the Philippines in play: as contained in Resolution of Both Houses (RBH) No. 08; the one proposed by the Study Group of the PDP-Laban Federalism Institute; changes proposed by the House of Representatives (HOR) Committee on Constitutional Amendments; and the Consultative Committee's (con-com) version. These all exploit the clamor for change by dangling federalism as the political cure-all for underdevelopment especially in the regions outside Metro Manila.

In being produced by a committee that the president created, the con-com version is presumed to be the version that he will practically and politically be pushing for. Strictly speaking however, the only authoritative proposing entity will be Congress when it convenes as a constituent assembly (con-ass) to deliberate amendments. As such, the practical thing is to consider each of the proposals as providing useful insight into the possible intent of the various parties, but being cognizant that once the charter is opened up to revision these proposals will all be mere references. Congress can decide as it will.

This also means that changes to any of the versions – such as done by the con-com just days after it released its draft to fend off criticisms of the president's motives – need to be taken with a grain of salt and will not in any way be binding on the con-ass. It is also likely that the different versions were used to test public reaction as well as to condition the public once specific revisions are proposed.

No single draft is necessarily predominant, but some basic elements are emerging as more or less common to the drafts: the shift to a federal system of government with variations; longer terms for government officials; expanded and centralized power even if only for a transition period; and greater market-orientedness and opening up to foreign investment.

Revising the charter and especially the shift to a federal system is a disruptive process, which may be justified if it is for the greater good of the nation. There are certainly many well-meaning advocates with this in mind. Among the most important questions by critics however is whether there really is a compelling reason for federalism to justify the disruption and risks involved, and in particular whether the supposed intent of the reforms is already possible within the current set-up. It has been argued that many powers, authority, and responsibilities can already be distributed under the Local Government Code and other laws.

Moreover, public consultations and even recent opinion surveys show relatively low public awareness of the current 1987 Constitution and of federalism – presumably requisites if changes in this regard are to be considered – and significant majority opposed to amending the current Constitution and even the shift to federalism. Absent any real public clamor and notwithstanding the good intentions of some federalism advocates, the persistent move to change the charter becomes somewhat suspect. More so if it is recalled that previous attempts at charter change by former presidents Marcos, Ramos, and Arroyo were seen as motivated by the incumbents wanting to extend their terms. Only the charter change initiatives during the Estrada and Noynoy Aquino governments were restricted to the economic provisions.

Today, the charter change drive is appropriately interpreted in the context of Pres. Duterte's political trajectory since the 1980s, his expressed desire for a revolutionary government, his too-easy use of martial law across the whole of Mindanao, and his recent toying with the idea of a state of national emergency.

Neoliberal charter

The apparent political self-interest driving charter change combines with the intent of free market advocates and foreign capital to complete neoliberalism in the Philippines. There are different proposals for charter change at hand with different views on the 1987 Constitution's social justice and economic provisions. These differences are only a matter of degree though and their general direction is all towards an overly market-oriented and foreign capital-driven economy at the expense of national economic development. The versions already proposed by RBH No. 08, PDP-Laban, and the HOR Committee on Constitutional Amendments go furthest in doing this.

But the con-com version, while retaining social justice and nationalist economic provisions, also does so by likewise opening up vital sectors to foreign capital (by law). It is positive that the con-com version retains many positive provisions. These long-standing Constitutional provisions are unfortunately hardly put into practice anyway so retaining them is not by any means advancing social justice and economic nationalism but merely maintaining the status quo of having good language in the Constitution that is disregarded in economic policy practice.

IBON's previous 2017 Yearend Birdtalk paper already discussed the previous versions so the focus here is on the con-com proposal. It fortunately does not go as far as the versions proposed by PDP-Laban and RBH No. 08 in institutionalizing profit-seeking and the market as the main organizing feature of the country's social and economic life. Unfortunately, despite some potentially positive changes, the overall direction of reform is still to erode the prospects for sustainable and equitable development.

The draft constitution clearly bears the imprint of committee chair Reynato Puno who is a social and economic rights advocate with a keen sense of nationalism even amid globalization's anti-nationalist ideological offensive. A precious few of the consultative committee's proposals are welcome such as the more explicit attention to social and economic rights. However, taken as a whole, the proposals still diminish the legal basis for responsible State intervention and regulation of the economy that is so necessary for sustainable and equitable development.

It retains much of the 1987 Constitution's nationalist and State interventionist language which can be the legal basis for development policies as so successfully used by many developed and developing countries. Market interventions, equity restrictions, strict regulation of foreign investment, and a bias for domestic firms have been important for virtually every developed country especially in their earlier stages of industrial take-off. This is shown by the economic history and even current practice of countries as diverse as the US, France, Germany, Japan, South Korea, Taiwan, China, Russia, and others.

However the opening for foreign investment liberalization in natural resources, public utilities, mass media, advertising, and educational institutions is created – with the phrase "Congress may by law change the voting capital requirement..." used instead of "unless otherwise provided by law" as other versions propose. A constitutional back-door is created to open up these areas to foreign capital which will exploit these for short-sighted profit rather than develop them for long-term national economic development.

The provision on reserving specific investment areas for Filipinos is removed. Yet this is an important measure for affirmative action to develop Filipino industrial capacity.

It may also be possible for foreigners to own land with the insertion of the phrase "in cases as provided by federal law" in the provision on acquiring lands of the public domain. Similarly, insertion of the phrase "Congress may by law change the requirements for lease of alienable lands" presumably creates the opening for foreigners to be treated as Filipinos vis-a-vis alienable lands. Professions appear immediately opened up to foreigners even without new domestic laws as long as there are relevant international agreements.

Language on industrialization and agrarian reform is retained although "self-reliant" is dropped from the description of the kind of economy to be developed. The creation of a new constitutional commission on competition is on the face of it welcome in being able to be used against monopolies. It is however biased against economic and administrative regulations that are crucial for managing the economy for strategic development, and advocates "pro-competitive policies" which often means anti-labor and anti-interventionist policies.

It retains much of the social justice and equity language of the 1987 Constitution which other versions systematically diluted in favor of a more market-oriented framework. The most notable change is the proposed adoption of a more explicit economic, social and cultural rights-based approach with these rights explicitly demandable against the State. The Bill of Rights has a new section on the rights to food, healthcare, education, decent housing, and livelihood/employment opportunity that also says that the State shall adopt measures for their progressive realization. The existing provision on free public education is also extended to kinder and tertiary levels.

The Bill of Rights also has a new section on environmental and ecological rights covering people's right to a healthy environment, compensation for damages, and protective writs from the courts. Socioeconomic, cultural and environmental rights are also made part of the mandate of the federal commission on human rights.

In this regard it is disappointing that there is actually a frontal attack on labor with references to various rights and entitlements in the current charter removed (formerly in Art. XIII, Sec. 3), to wit: to strike, to collective bargaining and negotiation, to humane conditions of work, to participate in policy and decision-making processes, and to a just share in the fruits of production. The right to "self-organization" is also replaced with the right to "organization" and "security of tenure" is replaced with "security of employment".

Resisting neoliberal authoritarianism

Pres. Duterte's boorish manner is in many ways an obvious garb for his administration's authoritarianism. However beyond the sensational thuggishness and misogyny of the current administration is the larger problem that the Philippines is degenerating into having the formal trappings of electoral democracy but with an economy that is even more pro-elite and anti-poor.

Market-oriented policies have already gone far in controlling the poor and making it difficult for them to resist exploitation by putting their daily subsistence at stake. Contractualization puts unionizing out of reach of workers while the associated precarity of work means putting their jobs at risk. Wide informalization of work has meanwhile resulted in dispersed workplaces and unstable poverty-level incomes. The absence of substantial social protection – such as unemployment benefits, income support, guaranteed schooling and health care, and others – makes losing daily livelihoods even more catastrophic.

But the general direction of the administration is to strengthening the state's coercive powers to repress opposition to neoliberal policies favoring capital at the expense of the people and to discipline the public to comply with elite decision-making about their economic and political life.

The lines have long been drawn between elite-biased State power and the people, certainly long before the Duterte administration. It has however taken class war against the poor to a whole new level and if for instance the proposed amendments to the HSA pass then so too will State intolerance of dissent be raised to an unprecedented degree. These will immediately serve the self-interest of the Duterte clique including its traditional politicians and cronies. In a larger and more long-term picture however they will also serve the self-interest of all ruling elites and of foreign capital in the country.

This underscores the importance of the forces struggling to bring about a democratic transformation in the country. People's struggles and the mainstream Left have been the backbone of organized protest against the Duterte administration's anti-people policies from the beginning. New heights were reached this year with nationwide labor protests against contractualization, illegal dismissal, union-busting, and militarization as well organized demands for government salary hikes and a national minimum wage.

Farmers across the country demand real agrarian reform, oppose militarization of their communities, assail killings among their ranks and elsewhere, and have asserted collective cultivation through their *bungkalan* efforts. Youth fight for genuine free tuition and against the commercialization of the education. Urban poor demand and in some instances claimed their right to housing while also boldly confronting the Duterte administration's attacks on their communities. Indigenous peoples have defended their ancestral land, health workers campaign against privatization of hospitals and for free health services, environmentalists fight against mining firms, rights advocates oppose the administration's tyranny, women call out Pres. Duterte's misogyny, and more.

Other forces are also developing across other social movements, within the middle and upper classes, and among the traditional political opposition. There are even already reports of disgruntled military officers and personnel prepared to join the mounting opposition to Duterte's authoritarian and anti-poor regime. These signs are growing that Filipinos are not unafraid to confront power.